QBE Insurance Group - Climate Change 2019

C0. Introduction

C0.1

(C0.1) Give a general description and introduction to your organization.

QBE is a general insurance and reinsurance company. Across our operations, we offer commercial, personal and specialty products and risk management solutions to our customers. For the year ending 31st December 2018, QBE had a net profit of US$M567. Our business is listed on the Australian Securities Exchange (ASX) and is headquartered in Sydney. In 2018, we operated primarily in five key geographies North America, Europe, Australia Pacific, Asia and Equator Re. Over the course of 2018 we sold our operations in Argentina, Brazil, Ecuador and Mexico, and as at 31st December 2018, we operated in 31 countries and employed more than 12,400 people.

QBE's purpose is to give people the confidence to achieve their ambitions, and our role as an insurer is to financially protect assets and people, to assist recovery from natural disasters and other risks, and to support economic activity for the communities in which we operate.

Climate change is a material risk for our business, and we are committed to playing our part in global efforts to address climate-related risks and decarbonise the economy. QBE supports the international climate agreement developed at the 2015 Paris Conference. As a general insurer, we could be impacted by climate change in diverse, complex and uncertain ways. As well as the physical risks associated with climate change, we are cognisant of the potential transition risks and opportunities (e.g. legal, policy, investment) associated with the global shift towards a lower-carbon economy consistent with the 2015 Paris Agreement.

As an institutional investor, we contribute to a low-carbon economy by financing renewable energy infrastructure and investing in green finance in both our wider portfolio and through our impact investment program, Premiums4Good.

Our climate-related work, as set out in Our Approach to Climate Change, focuses on actions we can take through our underwriting and investment activities, as well as through our people, operations, and partnerships for impact.

Our Group Environmental Policy sets out our commitment to minimising our impact on the environment and our Group Energy Policy sets out our commitment to target zero direct investment in thermal coal from 1st July 2019 and to phase out insurance for thermal customers industry by 1st January 2030.

Our business was carbon neutral for the 2018 calendar year, and we will continue to operate on a carbon neutral basis. We are also the first Australian headquartered major insurer to join the RE100, committing to source 100% of our electricity requirements from renewable electricity by 2025.

In early 2018, QBE signed the public Statement of Support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations and we published our Climate Change Action Plan in our 2018 Half Year Report and our 2018 Annual Report. This plan sets out how we are planning to implement the recommendations over a three-year period, and we are committed to reporting annually on progress against this.

We continued to report on a calendar year in 2018 (no change from 2017 submission).

C0.2

(C0.2) State the start and end date of the year for which you are reporting data.

	Start date	End date	Indicate if you are providing emissions data for past reporting years	Select the number of past reporting years you will be providing emissions data for
Row 1	January 1 2018	December 31 2018	No	<Not Applicable>

C0.3

(C0.3) Select the countries/regions for which you will be supplying data.

Argentina
Australia
Belgium
Bermuda
Brazil
Chile
China, Hong Kong Special Administrative Region
China, Macao Special Administrative Region
Colombia
Denmark
Ecuador
Fiji
France
French Polynesia
Germany
Indonesia
Ireland
Italy
Malaysia
Mexico
New Caledonia
New Zealand
Papua New Guinea
Philippines
Puerto Rico
Singapore
Solomon Islands
Spain
Sweden
Switzerland
Thailand
United Arab Emirates
United Kingdom of Great Britain and Northern Ireland
United States of America
Vanuatu
Viet Nam

C0.4

(C0.4) Select the currency used for all financial information disclosed throughout your response.

USD

C0.5

(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.

Financial control

C1. Governance

C1.1

(C1.1) Is there board-level oversight of climate-related issues within your organization?

Yes

C1.1a

(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.

Position of individual(s)	Please explain
Board-level committee	QBE's Group Board of Directors (Group Board) is the highest-level body with responsibility for climate-related issues. The Group Board oversees the work of all Board sub-committees. Each of the Group Board sub-committees has specific climate-related responsibilities. The Risk and Capital Committee is responsible for climate-related risk management according to our stated risk appetite, strategy and business plans, the Audit Committee is responsible for climate-related financial reporting (including half-year and full-year reporting on ESG and climate-related information), the Investment Committee is responsible for climate-related investment risks and opportunities and the Operations and Technology Committee is responsible for climate-related operational risks and opportunities. Responsibilities for climate-related issues have been assigned to the Group Board due to the long-term strategic importance of this topic for QBE's investment and insurance businesses, and operations.

C1.1b

(C1.1b) Provide further details on the board's oversight of climate-related issues.

Frequency with which climate-related issues are a scheduled agenda item	Governance mechanisms into which climate-related issues are integrated	Please explain
Scheduled – some meetings	Reviewing and guiding strategy Reviewing and guiding risk management policies Reviewing and guiding business plans Setting performance objectives Monitoring implementation and performance of objectives Overseeing major capital expenditures, acquisitions and divestitures Monitoring and overseeing progress against goals and targets for addressing climate-related issues	QBE's Group Board of Directors (Group Board) recognises that climate change is a significant risk for the business. Climate-related issues are a scheduled agenda item, with formal quarterly updates to the Group Board. The Group Board is supported by the Board Risk and Capital Committee (BRCC) which met six times in 2018 and receives quarterly updates on climate change. The BRCC oversees risk management and monitoring, including for sustainability and climate-related risks, and serves as an escalation point based on analysis and deliberations within the Group Executive Committee (GEC). The GEC (of which our Group Executive Sustainability and Corporate Affairs is a member) also receives regular updates on climate change. We continue to embed stronger governance of climate-related risks and opportunities in our divisional operations and continue to engage with our divisional boards and committees on this issue. The Board Audit Committee oversees and reviews QBE Group's half-year and full-year reporting. In 2018, this included our TCFD disclosures which were signed off by the Audit Committee. The Group Board has ultimate responsibility for approving the release of climate-related information. QBE is fully committed to applying a disciplined approach to risk management and ensuring that our practices and systems are robust, independent and aligned with global best practice. QBE's Enterprise Risk Management (ERM) framework is outlined in QBE's Risk Management Strategy and is supported by frameworks for each risk class, including strategic, insurance, operational, credit, market and liquidity risks. Climate-related risks are assessed and managed through this integrated framework. The Group Board plays a significant role in the ERM framework and is responsible for ensuring that an effective risk management strategy is implemented and for defining the risk appetite boundaries within which risk must be managed. All risk categories are managed through Board governance, an approved risk appetite set by the Group Board, scenario analysis and stress testing and robust capital management.

C1.2

(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.

Name of the position(s) and/or committee(s)	Responsibility	Frequency of reporting to the board on climate-related issues
Chief Executive Officer (CEO) *QBE's Group CEO along with the Group Executive Committee (GEC) have the highest-level of oversight of climate-related issues. The GEC receives regular updates on our approach and performance in relation to managing climate-related risks and opportunities and is responsible for overseeing decisions taken at the Board level. The Group Chief Risk Officer (CRO) and Group Chief Financial Officer (CFO) have the highest level of day-to-day oversight and responsibility for climate-related issues. The GEC is supported by a senior cross-functional Climate Change Working Group (CCWG) which is co-chaired by our Group CRO and Group Financial Controller, as a delegate of our Group CFO. The Climate Change Working Group consists of senior representatives from our Underwriting, Investments, Finance, Risk, Legal and Operations teams. We also have divisional representatives to ensure that regional impacts are considered for our activities.*	Both assessing and managing climate-related risks and opportunities *Supporting our GEC, including our Group CRO and Group CFO, QBE's CCWG provides an integrated view of the risks and opportunities associated with climate change. The CCWG is supported by several other governance forums responsible for managing our wider sustainability activities including our Group ESG Committee, reporting to the BRCC and is responsible for delivering the Group's overall sustainability strategy, initiatives and reporting requirements. To support both committees, we have a dedicated Group Sustainability Function providing greater coordination of external stakeholder engagement, sustainability strategy development, performance management and reporting. QBE has other internal governance forums which includes members who have the specialist skills to understand and address new and existing sustainability issues such as our Group Emerging Risk Forum and Group Underwriting Committee. In 2018, we are establishing a dedicated ESG Risk team reporting to the Group CRO.*	Quarterly

C1.2a

(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).

QBE's Group Executive Committee (GEC) is our most senior management committee and has the highest level of management oversight of climate-related issues. The GEC is accountable for implementation of QBE's Climate Change Action Plan and Our Approach to Climate Change and receives and reviews climate change strategy progress updates quarterly. The CEO is Chair of the GEC and a member of the Executive Risk and Capital Committee (ERCC). Responsibilities for climate-related issues have been assigned to our GEC as the Board has identified climate change as a significant risk for the business and relevant to the roles of all QBE senior executives.

In 2018, within the GEC, the Group Chief Risk Officer (GCRO) and Group Chief Financial Officer (GCFO) had the highest level of day-to-day oversight and responsibility for climate-related issues. Our climate governance framework also specifies our Group Chief Operating Officer and Group Underwriting Officer.

The GEC is supported by two cross-functional Committees, the ESG Business Policy Committee chaired by the GCRO and the Climate Change Working Group (CCWG) which is co-chaired by the GCRO and our Group Financial Controller (as a delegate of our Group CFO). Both committees consist of senior representatives from our Underwriting, Investments, Finance, Risk, Legal, Corporate Affairs & Sustainability and Operations teams.

The CCWG provides quarterly updates to the ESG Business Policy Committee, is responsible for the delivery of the QBE Climate Change Action Plan. This action plan was developed in 2018 after QBE signed the public Statement of Support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our Climate Change Action Plan report describes our progress in meeting our commitments relating to climate-related risk management. The CCWG also plays a key assessment and aggregation role over the detailed analysis undertaken by the climate-related physical, liability and transition risk working groups.

C1.3

(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?

Yes

C1.3a

(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).

Who is entitled to benefit from these incentives?
Corporate executive team

Types of incentives
Monetary reward

Activity incentivized
Other, please specify (Achievement of Strategic Priorities - (1) Operating Sustainably and (2) Managing Risk)

Comment
35% of our Group Executive Committee's (GEC's) Short-term Incentive Plan (STI) outcome determined with reference to strategic performance objectives aligned to QBE's strategic priorities (and this is 75% for the Group Chief Risk Officer). Operating Sustainably and Managing Risk are strategic priorities for QBE and therefore directly link to executive remuneration. The Group Executive Committee (GEC) is accountable for implementing our climate change strategy and receives and reviews progress reports on our Climate Change Action Plan. KPIs included (1) Managing risk: Building a stronger and more resilient QBE by continuing to invest in managing our risks in an increasingly dynamic environment including strengthening our approach to managing ESG risks across our business. This includes implementing our Climate Change Action Plan and (2) Operating Sustainably: Continuing our focus on sustainability and making positive contributions where we operate by working with our customers, partners and communities to address key economic, social and environmental issues. This includes the effective management of climate-related risks and opportunities.

Who is entitled to benefit from these incentives?
Chief Risk Officer (CRO)

Types of incentives
Monetary reward

Activity incentivized
Other, please specify (Achievement of Strategic Priorities - (1) Operating Sustainably and (2) Managing Risk)

Comment
75% of our Group Chief Risk Officer's (GCRO's) Short-term Incentive (STI) Plan outcome is determined with reference to strategic performance objectives aligned to QBE's strategic priorities. Operating sustainably and managing risk are business strategic priorities for QBE and therefore directly linked to executive remuneration. Our Group CRO is accountable for embedding climate-related risk into the Group's enterprise risk management (ERM) framework.

Who is entitled to benefit from these incentives?
Environment/Sustainability manager

Types of incentives
Monetary reward

Activity incentivized
Emissions reduction target

Comment
QBE's Head of Environment is responsible for developing, managing and implementing the strategy to address the environmental impacts of our operations, including employees and supply chain. The Head of Environment's performance scorecard includes KPIs relating to achievement of our climate-related operational performance targets, including to reduce energy use by 15% (from 2018 to 2021), achieve a science-based emission reduction target for 2025 and transition to 100% renewable energy by 2025. QBE's Head of ESG Risk is responsible for integrating climate-related risks into business processes and delivering and reporting on our Climate Change Action Plan, and has associated KPI's included in their scorecard.

C2. Risks and opportunities

C2.1

(C2.1) Describe what your organization considers to be short-, medium- and long-term horizons.

	From (years)	To (years)	Comment
Short-term	0	3	Climate-related risks and opportunities are present to QBE now and are therefore integrated within our Group business planning process. A three-year plan is formalised annually but reviewed on a regular basis throughout the year.
Medium-term	3	8	This time horizon is aligned to our Group Emerging Risk Standard which defines ‘Horizon’ risks as ≥3 years. We define emerging risks as new or future risks which are difficult to assess but may have a significant impact on QBE’s business or the markets we operate in. The Group Emerging Risk Forum (GERF) - who is responsible for the Emerging Risk Standard - has a responsibility to refer all identified emerging risks relating to environmental, social or governance issues, including climate-related risks to the ESG Business Policy Committee, who would execute or delegate a risk management process.
Long-term	8		Long-term is defined as ≥8 years in the Group Emerging Risk Standard. See comment above for how the GERF report ESG-related emerging risks. QBE’s long-term time horizon considers risks and opportunities arising beyond 8 years. This is linked to the Group Emerging Risk Forum’s (GERF) long-term time horizon, specifically around implementing a strategy to manage emerging risks identified and communicated to our Board. Furthermore, the long-term time horizon provides us with an opportunity to identify and manage significant longer-term risks and opportunities.

C2.2

(C2.2) Select the option that best describes how your organization's processes for identifying, assessing, and managing climate-related issues are integrated into your overall risk management.

Integrated into multi-disciplinary company-wide risk identification, assessment, and management processes

C2.2a

(C2.2a) Select the options that best describe your organization's frequency and time horizon for identifying and assessing climate-related risks.

	Frequency of monitoring	How far into the future are risks considered?	Comment
Row 1	Six-monthly or more frequently	>6 years	The QBE ESG Risk Standard ensures annual monitoring of ESG risks, including climate-related risks, which have been included into a risk register. Risks which are within the Emerging Risks time horizons i.e. 3+ years are monitored at least six monthly and in line with the Emerging Risks time horizon of Emergent (≥12 months – 3 years), Horizon (≥3 years) and Long-term (≥8 years). The Group Emerging Risk Forum has a responsibility to refer all identified emerging risks relating to environmental, social or governance issues, including climate-related risks to the ESG Business Policy Committee, who would execute or delegate a risk management process. The ESG Business Policy Committee ensures that the ESG Risk Standard is applied.

C2.2b

(C2.2b) Provide further details on your organization's process(es) for identifying and assessing climate-related risks.

The process for identifying and assessing climate-related risks is defined within the Group-wide ESG Risk Standard (climate change as a current risk) and through the Emerging Risk Standard (acknowledging that the current climate-related risks may crystallise outside of the current business planning horizons). Both Standards fall under the material risk class, Strategic Risk, one of eight Material Risk Classes in the Risk Management Strategy (RMS). Both set out the risk management processes for identifying and assessing ESG and emerging risks and the role of the associated Committees (i.e. the ESG Business Policy Committee or the Group Emerging Risk Forum) to activate a climate-related risk, depending on the time horizon e.g. ESG BPC looks up to 12 months, whilst Emerging Risks are 12 months or more. Both Standards define the risk management process in 5 steps: (1) Horizon scanning & risk identification, (2) risk analysis, (3) risk evaluation, (4) risk treatment, and (5) risk monitoring and review of implementation.

Climate-related risks have been identified as risks arising from Climate-related Physical Risks, Transition Risks or Liability Risks. All three risks are currently at treatment stage (step 4). The treatment plans include the creation of three working groups (one for each risk type) which have been set up to further manage and understand how these climate-related risks could impact QBE's strategic priorities and business objectives and within the three main QBE geographical divisions e.g. International (Europe and Asia), North America and Australia Pacific. The Working Groups have been tasked with determining the significance of the climate-related risk to QBE e.g. priority underwriting portfolios as related to the climate-related risk type.

Example: We conducted a high-level assessment impact assessment of physical, transition and liability risks and opportunities across the business over the short, medium and long-term, and reported on this in our 2018 Annual Report. We identified the need for a Climate Change Action Plan as the first step to treat our exposure to climate-related risks, which defines our roadmap to fully align with the TCFD by the end of 2020. As part of this Plan, and due to the industry's high emissions intensity, we performed an analysis of our Energy portfolio and found that thermal coal customers – those with more than 30% of revenue or 30% of power generation from thermal coal – make up less than 0.5% of QBE's current premium revenue. This was outlined in the QBE Energy Policy which applied to both our underwriting and investments. This Policy provides shareholders, customers and the wider community with a clear explanation of the Group's approach and risk appetite now and into the future for thermal coal In managing transition risks from climate change in our investment portfolio, we have applied the 2° Investing Initiative (2°ii) Paris Agreement Capital Transition Assessment Tool (PACTA) to confirm our credit portfolio is aligned to the Paris Agreement, both now and in five years' time. The ESG Risk Standard also applies to our investments. As such, the investment business is included in the climate-related working groups. The Energy Policy describes QBE's goal to target zero direct investment in the thermal coal industry. In addition, QBE has identified some of the highest emitters in both our investments and underwriting portfolios and have engaged with them on climate-related risk topics.

Substantive financial or strategic impact: This is measured in two ways, through our climate change working groups, and through assessing the potential for shareholder or customer concern.

Climate Change Working Groups (CCWG): (1) Physical risk working group is undertaking an analysis of the expected impact on climate change on natural disasters as part of the scenario analyses to be reported in 2020, this work will help to inform decisions specifically on climate-related strategic impact. 2) Liability risk working group is undertaking an analysis of our policies and the conditions under which climate change related claims could arise. We will seek to estimate the financial and strategic impacts in our scenario analyses in 2020. 3) Transition risk climate change working group is undertaking scenario analyses to understand the impact of climate change on different economic sectors, risks to our customers, and the impact on our products, customers and markets. We will seek to understand the financial and strategic impact in our 2020 scenario analyses.

Shareholder and customer concern: QBE monitors shareholder and customer concerns as related to climate-related risks. By implementing the Climate Change Action Plan these are being proactively managed. This monitoring particularly relates to reputation risk (a climate-related transition risk) which could result in a substantive financial impact e.g. reduced revenue due to the failure to adapt to the climate-related transition.

C2.2c

(C2.2c) Which of the following risk types are considered in your organization's climate-related risk assessments?

	Relevance & inclusion	Please explain
Current regulation	Relevant, always included	QBE monitors and considers climate-related regulation because it can affect us directly or indirectly through our investments, underwriting, and operations. The value of assets we are invested in can fluctuate/change and affect our investment strategy or create a loss; operational costs can increase, and the level of underwriting risk can be impacted. Example: Within the QBE climate-related risk assessments, we continue to find that the Australian operations do not meet the threshold for reporting under the National Greenhouse and Energy Reporting Act and the UK Operations were out of scope of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme regulations. However, in the UK we are in scope of the Energy Saving Opportunity Scheme, a mandatory energy assessment scheme for organisations in the UK which meet a qualifying criterion. Also, the ESG Risk team provides quarterly updates to the BRCC, which includes regulatory developments.
Emerging regulation	Relevant, always included	Identifying upcoming regulations provides an early adoption advantage which can reduce costs and increase employee awareness of emerging regulation. Through QBE's membership of the Association of British Insurers (ABI), QBE provided feedback on the draft UK PRA Supervisory Statement, Enhancing banks' and insurers' approaches to managing the financial risks from climate change, which was released for comment in Q3 2018. Given QBE are supporters of the TCFD, and have commenced implementation, an early adoption advantage has been realised with now responding to the Final Supervisory Statement. Further, the QBE Climate-related Liability Risk Working Group (a sub group of the Climate Change Working Group), discussed the developments of the Network for Greening the Financial System (NGFS) and central banks and supervisors around the world, including in the UK, Australia, and Singapore giving increasing importance to climate-related financial risk.
Technology	Relevant, sometimes included	QBE considers technology risks relating to climate change on a medium to long term horizon. Technology and technology related risks are considered in both our ESG Risk assessment process by the ESG Business Policy Committee in terms of climate-related transition risk and by the Group Emerging Risk Forum applying the emerging risk standard in terms of emerging risk. QBE's Transition Risk Working Group, which was created to identify, assess and treat climate-related transition risks also focusses on QBE's exposure to transition risks due to technological changes. We identified priority industry sectors e.g. Energy, which we consider to be strongly affected by climate change and are very likely to be exposed to technological change. We are currently in the process of assessing QBE's exposure to these industries and to the impacts these changes will have on our customers and investments. Through our public commitment to the TCFD and our Climate Change Action Plan we also target emission reduction goals and are on our way to use 100% renewable electricity for our operations by 2025. We therefore need to consider technology in our own operations.
Legal	Relevant, always included	Climate-related legal risks are most likely to arise from the transition to a low carbon economy. Members of QBE's Climate-related Transition Risk Working Group and Climate-related Liability Risk Working Group are considering the impact of this risk type. Example: In the US a paper has been written by a QBE lawyer, titled, Climate Change is Heating up D&O Liability. This paper discusses how Directors and Officers can be held liable for omissions and material misrepresentations in disclosures to stockholders regarding the effects of climate change.
Market	Relevant, always included	QBE is considering Market risk in its Climate Change Working Groups across all climate-related transition, liability and physical risks and opportunities. As an example, QBE performed an analysis of its exposure to the thermal coal industry, an industry at risk of stranded assets. QBE identified its exposure and defined its risk appetite for the thermal coal industry both in its underwriting business and in its investments. QBE investment teams have also started engaging with our highest emitters to understand their transition plans. We expect the growth in the development and deployment of new sustainability technologies will be necessary to achieve the Paris Agreement targets, along with reductions in greenhouse gas emissions.
Reputation	Relevant, always included	Reputational damage can impact among others company value, customer satisfaction and retention and company image. Reputation risk is a sub category of the Strategic Risk Class, the same material risk class climate-related risk falls within. This makes these two risks inherently interconnected. In QBE's Group Risk Appetite Statement, we declare having no appetite for improper business practices and actions that result in inappropriate outcomes for our customers, breach legal or regulatory requirements or put the organisation at reputational risk. Our ESG Risk Assessment Process considers reputation risk a consequence of an event that can trigger reputational issues and not as a risk event itself. Based on our zero tolerance for reputation risk, we value ESG risks with potential reputation risk higher on our risk assessment. We consider reputation risk when addressing climate-related risks. We use data providers, such as SigWATCH, to track NGO campaigns and activities and apply results in our assessments as a proxy for NGO activity on specific topics and public sentiment. As an example, QBE engages with external campaigning organisations on its investment (divestment) and insurance business of, particularly, thermal coal within the energy sector.
Acute physical	Relevant, always included	Acute risks result from extreme events, such as floods, cyclones or severe storms. These risks may manifest as increased production costs, disrupted supply chains, increased insurance premiums and impacts on production due to impacts on the workforce. By offering insurance products such as property, crop, marine, aviation and lenders' mortgage insurance (LMI), QBE is exposed to these climate-related physical risks which, in line with the scientific evidence from the Intergovernmental Panel on Climate Change, are expected to increase in the medium to long-term (6-10+ years). With the exception of LMI, QBE's business is primarily written and repriced on an annual basis, which enables us to re-assess our prices to appropriately reflect any expected increases in weather-related natural perils and thereby reduce our exposure to climate-related risks. The annual risk of higher than expected claims is managed through the Group's reinsurance program. LMI policies are for the term of the mortgage, but typically carry minimal risk after 10 years. Our LMI policies exclude the coverage of repairs to buildings from natural perils. If increased natural disasters result in falls in house prices for properties exposed to such events, then the severity of LMI claims may increase. Our LMI business purchases external reinsurance protection to help manage this risk. Over the longer term, QBE recognises that climate change may cause insurance premiums to increase and for properties to become uninsurable, especially for customers in areas more exposed to natural perils. Our role as a global insurance company is to provide our customers insurance coverage and to help them recover from damages quickly. Example: Acute Climate-related Physical Risk is within the remit of the Climate-related Physical Risk Working Group. This Working Group aims to prioritise the geographies where the risks are most likely to manifest e.g. hurricane and cyclone regions and run climate scenarios to assess our exposure. In addition, QBE are participants in the UNEPFI PSI TCFD Insurer Working Group and will use scenarios defined by the working group to further re-assess our exposure.

	Relevance & inclusion	Please explain
Chronic physical	Relevant, always included	Chronic risks result from the gradual effects of climate change: rising temperature, rising sea level, changing rainfall patterns. These risks may manifest as increased production costs, disrupted supply chains, increased insurance premiums and impacts on production due to impacts on the workforce. As policy, technology and society respond to these physical risks, markets will be driven by different pressures and influences and economic transition risks will emerge. Our Physical Risk Working Group assesses chronic physical risks. By offering insurance products such as property, crop, marine, aviation and lenders' mortgage insurance (LMI), QBE is exposed to these climate-related physical risks which, in line with the scientific evidence from the Intergovernmental Panel on Climate Change, are expected to increase in the medium to long-term (6-10+ years). With the exception of LMI, QBE’s business is primarily written and repriced on an annual basis, which enables us to re-assess our prices to appropriately reflect any expected increases in weather-related natural perils and thereby reduce our exposure to climate-related risks. The annual risk of higher than expected claims is managed through the Group’s reinsurance program. Further, QBE has partnered with Jupiter an emerging leader in predicting and managing climate risk. Jupiter’s “ClimateScore” incorporates environmental factors in an integrated, dynamic model to deliver risk-focused solutions. The platform comprises data that analyses and predicts climate risk from one hour to 50 years in the future. Over the longer term, QBE recognises that climate change may cause insurance premiums to increase and for properties to become uninsurable, especially for customers in areas more exposed to chronic physical risks e.g. coastlines and sea level rise. Our role as a global insurance company is to provide our customers insurance coverage and to help them recover from damages quickly.
Upstream	Relevant, always included	QBE is mitigating climate-related risks in assessments throughout its upstream business, examples include: - QBE’s Supplier Sustainability Principles set out climate-related aspects for suppliers, these mitigate the risk, for example, of QBE increasing our scope 3 emissions through the supply chain and instead encourage suppliers to set measurable targets to reduce greenhouse gas emissions. Risk is assessed through the second line teams challenging first line teams on the implementation of the Supplier Sustainability Principles. - QBE’s responsible investment guidelines set minimum investment standards for our credit portfolio, which accounts for 85%-90% of our investments. These minimum standards include environmental metrics and help to support the risk of increased greenhouse gas emissions across the portfolio. Risk to the portfolio was assessed through the PACTA tool (see 2.2b, 2.3a, Risk 2). - QBE is integrating climate-related risks into its underwriting and investment guidelines, for example by restricting our exposure/investment to the thermal coal industry, which was conducted through a reputation based internal risk assessment process.
Downstream	Relevant, always included	In developing the Energy Policy, QBE assess the relevant risks associated with this sector. We consider downstream risks in our transition risk working group by assessing the risk of specific clients to risks such as stranded assets or high liability risk.

C2.2d

(C2.2d) Describe your process(es) for managing climate-related risks and opportunities.

The process for identifying and assessing climate-related risks is defined within the Group-wide ESG Risk Standard (climate change as a current risk) and through the Emerging Risk Standard (acknowledging that the current climate-related risks may crystallise outside of the current business planning horizons). Both Standards sit with the material risk class, Strategic Risk, one of eight Material Risk Classes in the Risk Management Strategy (RMS). The Risk Management Strategy (RMS) describes our approach for managing risk and the key elements of the Enterprise Risk Management (ERM) Framework that give effect to this strategy, including responsibilities. The Group Board is responsible for ensuring that an effective RMS is established, maintained and implemented across QBE and that risks are managed in accordance with the ERM Framework. The RMS is reviewed on an annual basis, and results are reported to the Group Board Audit Committee and Group Board Risk & Capital Committee. Both the ESG and Emerging Risk Standards follow an identical risk management process with the associated Committees (i.e. the ESG Business Policy Committee or the Group Emerging Risk Forum) able to activate a climate-related risk, depending on the time horizon it has been identified within.

Both Standards define the risk management process in 5 steps. In step (1) Horizon Scanning and Risk Identification, potential new or future risks or trends are reviewed which are potentially disruptive to QBE’s strategic priorities and business objectives. The ESG Risk Team reviews a long list of public and private sources, e.g. NGO reports, industry papers, knowledge sources, third party data providers, conducts internal meetings, reviews internal issues and incidents relevant to the subject. In (2) Risk Analysis, a high-level appraisal of the potential materiality of the ESG risk for QBE is conducted and includes the re-assessment of ESG risks on our watch list from previous ESG risk reviews. This forms the basis for prioritisation of ESG risks and those on the watch list for future risk evaluation. We identify risk source, risk event, and potential risk impact. In (3) Risk Evaluation, we evaluate likelihood and severity of identified ESG risks in detail, including time horizon and materiality. For this step we collaborate throughout the business to determine risk exposures. If step 3 results in a high or critical risk rating a treatment plan is developed and implemented in step 4, Risk Treatment. After deciding on a risk response and starting on the implementation of the response, the implementation process is Monitored and Reviewed (step 5), and regular updates need to be provided to the respective committees (ESG Business Policy Committee and Group Emerging Risk Forum). Implementation issues or changing circumstances can trigger a review of the risk response. Supported by the ESG Risk team, the ESG Business Policy Committee is responsible for implementing the ESG Risk Standard and consists of senior representatives from our Underwriting, Investments, Finance, Risk, Legal, Communications and Operations teams globally. This committee approves the implementation process and receives updates.

Using the same risk management process outlined above, divisional Emerging Risk Teams are responsible for reviewing emerging risks within their operations and markets. These teams contribute to the Group Emerging Risk Forum which meets quarterly. The Forum contains representatives including Underwriting, Risk Management, Claims, Investments, Catastrophe Modelling, Compliance, Legal, and Reinsurance. The Forum is responsible for coordinating the Group’s process for identifying, prioritising, communicating and managing emerging risks with the support and alignment of the divisional emerging risk forums. Transition risks associated with climate change such as technology, policy and legal, and market risks and opportunities are considered in this forum. Both committees and Standards can apply to climate-related risks. The ESG Business Policy Committee has defined treatment plans to assess and manage QBE’s exposure/risk to climate-related physical, transition and liability risks. We have started the implementation of this risk response by creating climate change working groups addressing each risk specifically. Though this process we have found (1) transition risks impact our customers and the pressure to transition felt by our customers is likely to intensify in the medium to long term. As a result their insurance needs may change and we are seeking to increase our range of products to support them; and (2) by offering insurance products such as property, crop, marine, aviation and lenders' mortgage insurance (LMI), QBE is exposed to these climate-related physical risks which, in line with the scientific evidence from the Intergovernmental Panel on Climate Change, are expected to increase in the medium to long-term (6-10+ years).

C2.3

(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.3a

(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your

business.

Identifier
Risk 1

Where in the value chain does the risk driver occur?
Customer

Risk type
Physical risk

Primary climate-related risk driver
Acute: Increased severity of extreme weather events such as cyclones and floods

Type of financial impact
Increased insurance claims liability arising from climate-related impacts

Company- specific description
The increasing frequency and severity of weather-related events and associated losses has been identified with the potential to have substantive financial or strategic impact on the business and our customers. Customers are affected by climate change. 1. Across the property underwriting portfolio - which comprised circa. 29% of Gross Earned Premiums in 2018 - and over the longer term, QBE recognises that climate change may cause insurance premiums to increase and for properties to become uninsurable, especially for customers in areas more exposed to natural perils. 2. Customers will be impacted more frequently or/and intensely by extreme weather events. While insurance claims will be covered according to policy coverage, customers will often be struggling with immediate financial needs, relocation issues, health impacts, etc. Claims volumes are at the peak in the aftermath of a catastrophe. QBE is affected through increase claims numbers and potentially unsatisfied customers due to service not matching their expectations and seeking out other providers.

Time horizon
Medium-term

Likelihood
More likely than not

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
Our climate-related physical risk working group is aiming to be able to assess the financial impact of this risk over the next 18 months. Concentration risk includes the risks from natural or man-made events that have the potential to produce claims from many of the Group's policyholders at the same time (e.g. catastrophes). QBE currently uses a variety of methodologies to monitor aggregates and manage catastrophe risk. These include the use of catastrophe models from third party vendors such as RMS and AIR, the Lloyd's realistic disaster scenarios (RDS) and group aggregate methodology. QBE sets the risk appetite relating to catastrophe risk with reference to the insurance concentration risk charge (ICRC). QBE's maximum risk tolerance for an individual natural catastrophe, measured using the ICRC methodology, is determined annually and is linked to a maximum net aggregate allowance of catastrophe and large individual risk claims.

Management method
The physical risk working group will be initially focusing on North Atlantic hurricanes and Australian cyclones, as perils and geographies that have significance. QBE's Scenario Testing Working Group supports management and the Board in assessing the impact of unexpected, low-frequency, high-severity events, which supports QBE Group's ERM Framework. The output of the scenario analysis process is used as an input to QBE's Stress and Scenario Testing Framework. QBE assesses both Division-specific and enterprise-wide scenarios that impact at a Group-level or impact more than one Division. This function is supported by sophisticated computer simulations of catastrophes to estimate financial and economic losses, manage catastrophe exposure and assist in making decisions regarding catastrophe risk management and coverage. QBE employs a global team of catastrophe risk analysts that form the Catastrophe Modelling Team (CMT). This team helps to measure the climate-related physical risks to the property portfolio informing policy pricing and supports QBE to manage the underlying risks to our business e.g. property becoming

uninsurable and/or increased claims.

Cost of management
0

Comment
The cost of managing this risk is embedded into business planning and budgeting approach as it is integrated into our day-to-day risk management approach. Based on business plans and our financial results, we make strategic business decisions such as those to either grow, stabilise or retract from different markets.

Identifier
Risk 2

Where in the value chain does the risk driver occur?
Investment chain

Risk type
Transition risk

Primary climate-related risk driver
Technology: Unsuccessful investment in new technologies

Type of financial impact
Other, please specify (Climate-related risks within the credit portfolio.)

Company- specific description
Through QBE's investment credit portfolio, climate-related risks may arise should the companies QBE invests in fail to transition to climate-related risks and meet the Paris Agreement objective of 'well below two degrees'. Transition risk may arise in our investments where companies within our portfolio are not aligned to the Paris Agreement targets, and so expose QBE to sudden drops in asset values or increased credit risk. Predominantly, transition risk is associated with carbon intensive industries. Further, we are aware that the UNEP FI Change Course report (2019) found that investors face as much as 13.5% risk from the required transition to the low carbon economy, which represents a USD 10.7 trillion value loss in assets under management.

Time horizon
Medium-term

Likelihood
More likely than not

Magnitude of impact
Low

Are you able to provide a potential financial impact figure?
Yes, a single figure estimate

Potential financial impact figure (currency)
0

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
In applying the PACTA tool we confirmed our credit portfolio is aligned to the Paris Agreement, both now and in five years' time. As such there is not financial impact for the Medium term, although we will look to review this in the future.

Management method
In August 2018 we assessed our investment credit portfolio by applying the 2 Degrees Investing Initiative (2Di) Paris Agreement Capital Transition Assessment Tool (PACTA) to confirm that our investment credit portfolio, is aligned to the Paris Agreement, both now and in five years' time. We further performed an internal analysis to assess coal-specific transition risks in the total investment portfolio, finding that we had 0.5% of our total investment portfolio in the thermal coal industry. This model assessed QBE's portfolio using the SDS scenario (sustainable development scenario, a 2 degrees scenario) which provides a forward looking projection with a time horizon of 5 years (up to 2023). Further we are aiming to increase our environmental impact investments in line with our ambition to grow our overall impact investments to US$1 billion by 2021.

Cost of management
0

Comment

Costs would include those to apply the PACTA tool to our credit portfolio and the staff resources associated with this. However, we are aware that the UNEP FI Change Course report (2019) found that investors face as much as 13.5% risk from the required transition to the low carbon economy, which represents a USD 10.7 trillion value loss in assets under management.

Identifier

Risk 3

Where in the value chain does the risk driver occur?

Customer

Risk type

Transition risk

Primary climate-related risk driver

Policy and legal: Exposure to litigation

Type of financial impact

Increased insurance claims liability arising from climate-related impacts

Company- specific description

As climate change impacts become more apparent, parties who have suffered loss and damages from climate change could seek recovery from parties they believe responsible. Any successful actions could potentially lead to responsible parties seeking to recover these costs under insurance policies. QBE offers such liability coverage, consisting of approximately 10% of gross earned premiums in 2018. This can potentially lead to increases in gross written premium and decisions around availability of insurance capacity for what could be percieved as "high-risk" sectors/industries, e.g. fossils fuels.

Time horizon

Medium-term

Likelihood

About as likely as not

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

We are yet to allocate a financial figure to this risk, although work is underway to assess, monitor and manage this specific risk type through the PSI UNEP FI Insurance Pilot and also the QBE Climate-related Liability Working Group.

Management method

With our Climate-related Liability Risk Working Group, we are in the process of assessing exposure to this risk. Within our North America operations, we have a team who has conducted some preliminary work on this risk type and we are keeping abreast of the increased focus of work in this space e.g. reports from LSE, Columbia Law School Sabin Centre etc. Further, as participants in the PSI UNEP FI Insurance TCFD Pilot, Liability related risks are also being assessed. It is early stage and scoping is currently being undertaken, although geographies being considered are Australia, Singapore, the United Kingdom, and the U.S. The cost of managing this risk is embedded into business planning and budgeting approach as it is integrated into our day-to-day risk management approach. Based on business plans and our financial results, we make strategic business decisions such as those to either grow, stabilise or retract from different industries/markets.

Cost of management

0

Comment

The cost of managing this risk is embedded into business planning and budgeting approach as it is integrated into our day-to-day risk management approach. Based on business plans and our financial results, we make strategic business decisions such as those to either grow, stabilise or retract from different industries/markets.

C2.4

(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?

Yes

C2.4a

(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.

Identifier

Opp1

Where in the value chain does the opportunity occur?

Customer

Opportunity type

Products and services

Primary climate-related opportunity driver

Development of climate adaptation and insurance risk solutions

Type of financial impact

Increased revenue through new solutions to adaptation needs (e.g., insurance risk transfer products and services)

Company-specific description

QBE recognises the opportunity to develop new insurance products to respond to new industry opportunities associated with the transition to a lower-carbon economy. We review the structuring of our insurance products on an ongoing basis in line with market expectations and developments, legislation and claims trends and we are exploring product development opportunities arising from the shift towards electric and autonomous vehicles and renewable energy. We have identified product development opportunities through our European Operations business, where QBE is an underwriter to Lumos Global, a Dutch company offering clean and affordable solar power to a market of 1.3 billion potential customers who live off the electricity grid. Lumos Global seeks to enable people in some of the poorest countries in the world to replace hazardous and expensive kerosene generators and lanterns with modern solar electricity that can power lights, cell phones and small electronic devices. Lumos Global offers home and small businesses a simple and affordable way to pay for clean electricity in small instalments using their mobile phones.

Time horizon

Medium-term

Likelihood

Virtually certain

Magnitude of impact

Medium-high

Are you able to provide a potential financial impact figure?

No, we do not have this figure

Potential financial impact figure (currency)

<Not Applicable>

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

QBE recognises climate change presents opportunities in the products, services, and solutions we offer our customers and regularly reviews the structuring of our insurance products on an ongoing basis in line with market expectations and developments, legislation and claims trends. We are not currently able to disclose the associated financial impact of this opportunity.

Strategy to realize opportunity

QBE is realising product related opportunities by regularly reviewing the structuring of our insurance products on an ongoing basis in line with market expectations and developments, legislation and claims trends. Examples of this include our work to explore product development opportunities arising from the shift towards electric and autonomous vehicles. We have also identified product development opportunities through our European Operations business, where QBE is an underwriter to Lumos Global, a Dutch company offering clean and affordable solar power to a market of 1.3 billion potential customers who live off the electricity grid. Lumos Global seeks to enable people in some of the poorest countries in the world to replace hazardous and expensive kerosene generators and lanterns with modern solar electricity that can power lights, cell phones and small electronic devices. Lumos Global offers home and small businesses a simple and affordable way to pay for clean electricity in small instalments using their mobile phones. In Asia our renewable energy portfolio continues to expand and includes a range of innovative projects such as floating solar farms across Vietnam and Korea.

Cost to realize opportunity

0

Comment

Cost to realise this opportunity relates to increased resourcing across our Risk, Operations and Corporate Affairs & Sustainability functions, which occurred over the 2018 year and continued into 2019. We are not able to disclose the specific cost associated with this opportunity.

Identifier

Opp2

Where in the value chain does the opportunity occur?

Investment chain

Opportunity type

Markets

Primary climate-related opportunity driver

Other

Type of financial impact

Increased diversification of financial assets (e.g., green bonds and infrastructure)

Company-specific description

QBE recognises that the transition to a low-carbon economy will lead to new investment opportunities and we actively look to protect our investments through diversification, including investing in renewable energy infrastructure projects. We have integrated consideration of climate risk and opportunities in our broader investment approach, and support the transition to a low-carbon economy by financing renewable energy infrastructure and investing in green finance in both our wider portfolio and through our impact investment program, Premiums4Good. At the end of 2018, our Premiums4Good program had 32 investments ($440 million) of which 11 (with a value of $160 million) are related to sustainable energy and investments related to resource efficiency, recycling, reuse and conservation. In 2018, QBE also held circa $200 million in green bonds.

Time horizon

Short-term

Likelihood

Virtually certain

Magnitude of impact

Medium

Are you able to provide a potential financial impact figure?

Yes, a single figure estimate

Potential financial impact figure (currency)

360000000

Potential financial impact figure – minimum (currency)

<Not Applicable>

Potential financial impact figure – maximum (currency)

<Not Applicable>

Explanation of financial impact figure

At the end of 2018, our Premiums4Good program had 32 investments ($440 million) of which 11 (with a value of $160 million) are related to sustainable energy and investments related to resource efficiency, recycling, reuse and conservation. In 2018, QBE also held circa $200 million in green bonds. We recognise the potential impact is significantly higher than our current investment and have an ambition to have $1 billion invested through Premiums4Good by the end of 2021.

Strategy to realize opportunity
Our Premiums4Good initiative commenced in 2015. We have an ambition to have $1 billion invested through Premiums4Good by the end of 2021 and have dedicated resources within our Group Investments team who are focussed on realising this ambition. Our investment team is continuously looking to allocate its asset in accordance with our investment strategy. As such no opportunity cost is associated with this opportunity as it falls within the scope of ongoing work and resourcing and is considered core business.

Cost to realize opportunity
0

Comment
We are not able to disclose a cost to realize this opportunity at this point in time.

Identifier
Opp3

Where in the value chain does the opportunity occur?
Customer

Opportunity type
Products and services

Primary climate-related opportunity driver
Other

Type of financial impact
Better competitive position to reflect shifting consumer preferences, resulting in increased revenues

Company-specific description
QBE is building resilience strategies for its business, well ahead of many industries and private customers. QBE has the potential to be known for its climate-related risks management and its knowledge around the subject. Customer numbers and Gross Written Premium could increase as customers and non-customers seek guidance or look for new products that would cover their climate-related risks.

Time horizon
Medium-term

Likelihood
More likely than not

Magnitude of impact
Medium

Are you able to provide a potential financial impact figure?
No, we do not have this figure

Potential financial impact figure (currency)
<Not Applicable>

Potential financial impact figure – minimum (currency)
<Not Applicable>

Potential financial impact figure – maximum (currency)
<Not Applicable>

Explanation of financial impact figure
QBE recognises that customers numbers and Gross Written Premium could increase as customers and non-customers seek guidance or look for new products that would cover their climate-related risks. However, we are not able to disclose the associated financial impact of this opportunity.

Strategy to realize opportunity
QBE has increased the number of specialist teams considering climate-related risks, including a new ESG Risk Team in 2018 and a new Head of Environment in early 2019. By signing up to the TCFD in early 2018, and by being transparent about our efforts regarding climate change QBE has shown enhanced initiative. QBE has also published a document called “Our Approach to Climate Change” in March 2019 to inform the public, customers and shareholders about our current efforts. QBE has additionally joined leading international and national task forces, working groups and committees and is engaging with regulators on the subject. Cost to realise this opportunity relates to increased resourcing across our Risk, Operations and Corporate Affairs &

Sustainability functions, which occurred over the 2018 year and continued into 2019. We are not able to disclose the specific cost associated with this opportunity.

Cost to realize opportunity

0

Comment

Cost to realise this opportunity relates to increased resourcing across our Risk, Operations and Corporate Affairs & Sustainability functions, which occurred over the 2018 year and continued into 2019. We are not able to disclose the specific cost associated with this opportunity.

C2.5

(C2.5) Describe where and how the identified risks and opportunities have impacted your business.

	Impact	Description
Products and services	Impacted	This answer relates to Risk 1, and 3 in 2.3a, for Acute Physical Risk, and Liability-related risk in our products and services. Impact: The area of impact for these risks primarily sit under our Commercial and domestic property and Professional Indemnity classes of business, which make up circa. 40% of our premiums. In order to integrate these risks into our business strategy and planning, we have set up two working groups, one for Physical Risk and another for Liability Risk. Magnitude: We are yet to fully understand the magnitude of climate-related risks within these classes of business, which is part of the deliverables of the working groups. We do though expect a potential magnitude of low to medium, this is because climate-related risks will not manifest within the entirety of the classes of business, i.e. what the policy covers may not have any bearing on climate-related issues. In the short term and on natural catastrophes more broadly, which are not necessarily linked directly or indirectly to climate change, there was a reduced incidence of natural catastrophes in 2018, in contrast to the record losses that impacted the global insurance and reinsurance market in 2017. Nevertheless, catastrophe events occurred in 2018, including Hurricanes Florence and Michael in the United States, typhoons in Japan, a windstorm in Canada, the worsening drought in parts of Australia as well as localised storms, and the devastating wildfires that swept through parts of the United States causing widespread property and infrastructure damage. Over the longer term, and in line with the scientific evidence, we recognise that climate change is likely to increase the frequency and severity of weather-related natural perils such as floods, bushfires, tropical cyclones, hail, storms, coastal inundation and droughts, as well as leading to sea level rises and increased heat waves over time. QBE recognises that climate change may cause insurance premiums to increase and for properties to become uninsurable, especially for customers in areas more exposed to natural perils. Our role as a global insurance company is to provide our customers insurance coverage and to help them recover from damages quickly. Therefore, QBE engages with external stakeholders, including national and local governments, to encourage adaptation and resilience measures against natural perils.
Supply chain and/or value chain	Impacted for some suppliers, facilities, or product lines	This answer relates to Risk 2 in 2.3a for Investments. Impact: As at 31 December 2018 QBE had total cash and investments of $US22.9Bn, and our fixed income portfolio represents approximately 85-90% of our overall investment assets. A recent report by UNEP FI 'Changing Course' has found that due to climate-related risks investment portfolios hold a 13.16% risk from the required transition to a low carbon economy. To integrate this risk into our business planning we have applied the PACTA tool to our credit portfolio to assess alignment of our portfolio to the Paris agreement; require that 75% of our external managers are PRI signatories (currently this figure is 85%). This is particularly because the PRI is now aligned to the TCFD; and have joined the Global Real Estate Sustainability Benchmark as an investor member to understand climate-related risks to our real estate portfolio. Magnitude: Because of our current management, we assess the magnitude of this risk to our investment credit portfolio as low, particularly due to the credit portfolio currently in alignment with the Paris Agreement.
Adaptation and mitigation activities	Impacted for some suppliers, facilities, or product lines	This answer relates to 2.3a for, Risk 1 and 2, and 2.4a. Impact: Climate change presents both a risk and an opportunity to develop climate adaptation and insurance risk solutions and this may impact insurance product lines we take to market, ultimately impacting our gross earned premiums. We are exploring further opportunities to work with our customers as they also transition to a lower-carbon economy. For example, our Global Risk Solutions Practice is a global community of risk engineers, risk management consultants and scientists providing a variety of services to customers including risk profiling and evaluation, accident investigation, business continuity, risk assessment, supply chain analysis, environmental management, client awareness forums and training materials. By taking an active approach to all risks, however complex, and listening closely to customer needs, we strive to deliver individually tailored solutions. QBE also engages with external stakeholders, including national and local governments, to encourage adaptation and resilience measures against natural perils. During 2018, we worked with the Australian Government's National Resilience Taskforce to develop a framework for adaptation finance and investment in resilience. Magnitude: We expect this risk to have a medium impact to the adaptation and mitigation activities within our climate-related priority underwriting portfolios, and this is under review.
Investment in R&D	Impacted for some suppliers, facilities, or product lines	This answer relates to 2.3a, Risk 1 and 3 and 2.4a. Impact: Developments in technology and data science will have enormous ramifications for the insurance industry in the coming years and at QBE we know that we need to innovate faster than ever before. In 2017 we made significant progress in building our internal data science capability and forming our first two partnerships with technology start-ups that have developed solutions directly relevant to our business, both involving the application of artificial intelligence. In 2018, we invested in Jupiter, a Silicon Valley based start-up that provides data and analytics services to better predict and manage risks from weather and sea level rise, storm intensification and changing temperatures caused by medium- to long-term climate change. Currently, Jupiter's data is focused on climate-related risk assessment and management for select North American cities, however global expansion is underway. We plan on working closely with the Jupiter team to find innovative ways to leverage their data and analytics across our business – from underwriting and pricing, to providing resiliency management and thought leadership to our clients around the globe. Magnitude: We expect the magnitude of this risk i.e. investment in R&D to be low. This is because of our current management, in that we have commenced investment and partnerships with external providers in this area.
Operations	Impacted for some suppliers, facilities, or product lines	The answer relates to 2.3a, Risk 1 and 3, and 2.4a. QBE's physical assets have not yet been materially directly impacted by climate-related risks and opportunities. However, we are cognisant of the operational risks resulting from an increase in extreme weather events that could result in business disruption and damage to physical assets. Our Business Continuity Management process is designed to identify and mitigate potential disruption-related risks, including risks related to extreme weather events. As an insurer, some of our business operations have been impacted by the increase in claims volumes in the aftermath of extreme weather events. In 2018 our customers (and consequently our operations) experienced several extreme weather events including Hurricanes Michael and Florence in the United States. To mitigate the impact on our operations, support our customers and improve customer experience, we used geospatial information to identify many of our customers that were potentially in the path of the storm. We sent them proactive messages expressing our concern for their safety and providing them with their policy number and a link to lodge an online claim, so that if they were impacted, their policy details were at hand without the need for a phone call. We made it easier for our customers to file a claim and reduced overall call volumes. After Typhoon Mangkhut, we built a simple rules engine to quickly review a backlog of travel delay claims. The engine helped us decide which could proceed directly to payment so that we could prioritise successfully closing these claims. We assess the magnitude of the risks to our operations as low at this point in time, although this is under review.
Other, please specify	Please select	

C2.6

(C2.6) Describe where and how the identified risks and opportunities have been factored into your financial planning process.

	Relevance	Description
Revenues	Impacted for some suppliers, facilities, or product lines	QBE's revenue is impacted by the risks and opportunities associated with climate change, which are factored into our business planning process. QBE's risk appetite is aligned to, and is considered in, all strategic and business planning decisions we make, and we monitor our exposures against the risk appetite on an ongoing basis. Our integrated ERM framework embeds the consideration of the physical risks associated with climate change. We are also cognisant of the transition risks associated with climate change such as policy, legal, technical or market changes, and we will continue to integrate these considerations into our ERM framework. QBE's underwriting approach aims to diversify and limit the type of insurance risks accepted and reduce the variability of the expected outcome. The underwriting approach is implemented through QBE's annual business planning process, supported by minimum underwriting standards and delegated authorities. These authorities reflect the level of risk that the Group is prepared to take with respect to each permitted insurance class. We set financial targets in the context of business plans that have been appropriately stress-tested by the Group Chief Risk Officer. We continue to explore climate-related opportunities, such as working with our customers and communities to develop tailored solutions for climate adaptation and mitigation. This provides the potential to develop insurance risk transfer products and solutions, and new revenue streams. Impact: The Group Energy Policy outlines QBE's appetite for thermal coal customers and thermal coal projects. This has an impact on revenues. Magnitude: Low, premium revenue resulting from thermal coal i.e. 30% of revenue or 30% of power generation make up less than 0.5% of QBE's current premium revenue.
Operating costs	Impacted for some suppliers, facilities, or product lines	Our operating costs are impacted by the risks and opportunities associated with climate change. Being an insurance company, claims incurred form a significant portion of QBE's expenses. Risks associated with climate change are factored into planning claims losses across several classes of business and portfolios. Our planned claims expenses are informed by historical experience in terms of frequency and severity of natural perils. In addition, we model our exposure to aggregation of claims associated with major natural peril events, which also informs part of our claims expense plan. In our European Operations division, utility costs for electricity and gas are impacted by the Climate Change Levy introduced by the government in 2013. Annually, this levy increases with inflation and impacts the operating costs of our office operations. Impact: Operating costs may increase e.g. through carbon pricing. Magnitude: We expect this to be low at the present time.
Capital expenditures / capital allocation	Impacted for some suppliers, facilities, or product lines	Capital management is a key component of QBE's integrated ERM framework and aims to achieve the appropriate balance between our risk appetite and the amount of capital required to support each of our businesses. QBE uses several capital management tools to support the assessment of risk and allocation of capital including our internal Economic Capital Model, analysis of regulatory and rating agency capital models, and a number of bespoke risk assessment tools. Another key capital management tool is QBE's Internal Capital Adequacy Assessment Process (ICAAP) which is supported by both our Economic Capital Model and scenario analysis process. As climate-related risks and opportunities are embedded into QBE's ERM framework, capital expenditures and allocation are impacted by climate-related risks and opportunities. Impact: we expect that climate-related risks may determine how we allocate capital. Human capital has already been deployed with the ESG Risk Team and Head of Environment commencing in 2018. Magnitude: we assess this risk as low, as the increase in human capital and financial capital is being managed.
Acquisitions and divestments	Impacted for some suppliers, facilities, or product lines	Impact: Climate-related risks and opportunities are integrated as part of our acquisitions and divestments. For example, we seek out partners who can provide access to differentiated technology. In 2017, we established QBE Ventures, a corporate venture fund focused on forming commercial relationships with start-ups that will enhance our business model, drive efficiencies and develop new growth paths. In 2018, as part of our QBE Ventures, we partnered with Jupiter Intelligence, a Silicon Valley based start-up that provides data and analytics services to better predict and manage risks from weather and sea level rise, storm intensification and changing temperatures caused by medium- to long-term climate change. Currently, Jupiter's data is focused on climate-related risk assessment and management for select North American cities, however global expansion is underway. We plan on working closely with the Jupiter team to find innovative ways to leverage their data and analytics across our business – from underwriting and pricing, to providing resiliency management and thought leadership to our clients around the globe. Magnitude: We assess the risk of acquisition and divestments resulting from climate-related risk as low at this point in time, although this is under review.
Access to capital	Not yet impacted	As a global insurance company, our financial strength and long-term sustainability is underpinned by effective risk management. We acknowledge that our access to capital could be impacted by ESG risks across our business, including climate-related risks. Magnitude: We assess the risks associated with access to capital as low at this point in time, although this is under review.
Assets	Impacted	Our Board is committed to investing responsibly, recognising that QBE is a significant investor and we take our responsibilities as a capital provider seriously. We aim to contribute broadly to wellbeing and sustainable development and believe that integrating principles of responsible investing into ownership and investment decision-making can have a positive impact on risk-adjusted financial returns. As noted elsewhere, QBE manages assets internally and through external fund managers. Our credit analysis and selection process: In 2017, we introduced an independent ESG measure to our credit analysis process. This enables us to understand and monitor a company's approach to managing ESG issues through its policies, practices and other measures. In 2018, we continued to incorporate ESG measures as part of the credit analysis and selection process. We work with credit issuers with lower ESG-ratings to better understand what drives their scores and, where appropriate, what their plans are for improvement. In 2018, this initiated dialogue with the largest greenhouse gas emitters in our credit portfolio in relation to their commitment to implementing the TCFD recommendations. We assessed our credit portfolio by applying the 2 Degrees Investing Initiative (2Di) Paris Agreement Capital Transition Assessment Tool (PACTA) to confirm that our credit portfolio, is aligned to the Paris Agreement, both now and in five years' time. An analysis of our investment portfolio has shown that we have minimal exposure to transition risk ESG reviews for external fund managers: During the year, as part of our manager selection and due diligence program, we strengthened our external fund manager reviews and extended the annual ESG review for all existing managers. Consistent with our support for disclosure on climate risk, we engaged with our external managers in regard to their TCFD related strategy and plans. Green Finance: As an institutional investor, we contribute to a low-carbon economy by financing renewable energy infrastructure and investing in green finance in both our wider portfolio and through our impact investment program, Premiums4Good. Magnitude: Given our robust approach to managing the risks associated with assets, we assess this risk as low, given our current approach to managing it.

	Relevance	Description
Liabilities	Not impacted	Impact: As an insurance company, our liabilities may be impacted by climate-related risks and opportunities. We have observed higher inflation of property claims due to a number of reasons as the economy is adapting to a changing environment. At each balance date, the Group assesses net premium liabilities to determine whether the amount provided is sufficient to pay future claims. Our liabilities may be impacted by the changing frequency and severity of natural catastrophes. We factor in costs associated with future liabilities and reinsurance costs as part of our annual business planning process. As trends emerge, such as urbanisation, we have the ability to reprice our policies annually or more frequently. This also takes into account strengthening community resilience to issues such as flooding, storms, bush fires, and other natural perils. Magnitude: we assessed this is as low at the current time, namely because less than 0.5% of QBE's current premium revenue has been impacted by the Energy Policy and the decisions regarding thermal coal customers. We are though monitoring this closely.
Other	Please select	

C3. Business Strategy

C3.1

(C3.1) Are climate-related issues integrated into your business strategy?

Yes

C3.1a

(C3.1a) Does your organization use climate-related scenario analysis to inform your business strategy?

Yes, qualitative and quantitative

C3.1c

(C3.1c) Explain how climate-related issues are integrated into your business objectives and strategy.

Our Group Environmental Policy and Energy Policy

Our Group Environmental Policy sets out our commitment to minimising our impact on the environment (including our climate-related impact) as this relates to our operations and supply chain, investment and underwriting activities, as well employee engagement, governance and reporting.

Our Group Energy Policy sets out our intention to phase out all direct insurance services for thermal coal customers by 2030, at the latest. We also commit to targeting zero direct investments in the thermal coal industry by 1 July this year, while maintaining a margin of up to 0.5% of total funds under management.

These policies our integrated into our business strategy and guide our decision-making.

Operations

QBE's Environmental Sustainability Plan sets out our program of work to reduce our direct climate-related impact, including through application of best practice property and technology design standards, energy efficiency and onsite solar generation activities, and transitioning to 100% renewable electricity for our operations.

Investments and Insurance

QBE has also integrated climate-related issues into our business strategy by performing analysis to understand portfolio exposure to climate risks and opportunities, including in 2018, coal exposure analysis and transition risk portfolio analysis. Transition risk may arise in our investments where companies within our portfolio are not aligned to the Paris Agreement targets, and so expose QBE to sudden drops in asset values or increased credit risk. Predominantly, transition risk is associated with carbon intensive industries. We assessed our credit portfolio by applying the 2 Degrees Investing Initiative (2Di) Paris Agreement Capital Transition Assessment Tool (PACTA) to confirm that our credit portfolio, which represents 80-90% of the portfolio, is aligned to the Paris Agreement, both now and in five years' time. We performed an internal analysis to assess coal-specific transition risks in the total investment portfolio and coal-related assets. The analysis confirmed that we have less than 1% of our investment portfolio in coal-related assets. The analysis affirms our investment philosophy and our focus on contributing to a low-carbon economy.

(1) How our strategy is linked to climate-related performance targets

Operations

In conjunction with announcing our Group Environmental Policy, QBE has set the following climate-related targets for its operations (that are measured from 2018 levels):

o 15% reduction in energy use by 2021,

o 29.4% reduction in scope 1 and 2 carbon emissions by 2025 (a science-based target), and

o 100% renewable electricity use for our operations by 2025.

We are also now the first Australian headquartered insurance company (and one of five Australian businesses) to become members of the RE100. QBE is working to achieve the above targets through implementation of our Environmental Sustainability Plan.

Investments

Following the above-mentioned strategic Portfolio Review, QBE announced our Group Energy Policy which articulates our commitment to target zero direct investment in the thermal coal industry by 1 July 2019. QBE will however maintain a margin of up to 0.5% of total funds under management in order to allow for other exposures, such as through equity index funds. We have also set an ambition to grow our impact investing allocation to $1 billion by 2021, of assets under management of circa $24 billion.

Insurance

Following the above mentioned strategic Portfolio Review, QBE announced our Group Energy Policy which confirms our intention to phase out all direct insurance services for thermal coal customers by 2030, at the latest.

(2) Substantial business decisions made as a result of integration of climate-related issues.

Operations

We are the first Australian headquartered insurance company (and one of five Australian businesses) to become members of the RE100, committing to source 100% of our electricity requirements from renewable sources by 2025. Our scope 2 emissions are the largest component of our carbon inventory and this business decision was made on the basis that it is the most effective way to mitigate the climate-related impact of operations in the short-term, while continuing to drive efficiency improvements.

Investments

QBE has grown from 26 to 32 securities in the Premiums4Good impact investment portfolio, with a value of $440m at the end of 2018 ($160m specific to environmental initiatives).

In a specific asset class such as unlisted property funds, QBE joined Global Real Estate Sustainability Benchmark (GRESB) as an investor member in 2018. We used GRESB climate-related tools, to understand the ESG and sustainability performance of the real estate fund managers and reviewed the ESG and sustainability performance of the real estate portfolio managers. Based on the GRESB real estate sustainability benchmarks, the weighted average for the property portfolio is GRESB 4 Star and is in the top quartile GRESB. We continue to engage with managers in relation to TCFD, and their development of net zero carbon targets in the sector.

Investments and Insurance

Following the above-mentioned Portfolio Review, QBE issued the QBE Energy Policy which supports an orderly policy-driven transition to a lower carbon global economy. QBE will target zero direct investment in the thermal coal industry by 1 July 2019. QBE will however maintain a margin of up to 0.5% of total funds under management in order to allow for other exposures, such as through equity index funds.

C3.1d

(C3.1d) Provide details of your organization's use of climate-related scenario analysis.

Climate-related scenarios	Details
2DS	QBE uses stress and scenario testing for both investments and underwriting to better understand our risk profile under a range of different scenarios. Assessing the impact of extreme but plausible events helps us to better prepare for such situations and ensures that our risk exposure is acceptable to the Board. QBE uses a range of modelling techniques to estimate potential losses, manage exposure and assist in making decisions regarding risk management and coverage. This capability is critical to managing our exposure to possible events, such as natural catastrophes and extreme weather events. In 2018 QBE conducted an exploratory climate-related stress test for a 12-month horizon. Further scenario testing will be conducted in line with our Climate Change Action Plan. As part of the UK PRA GIST in 2019 Climate Scenarios we will be testing across our investments and underwriting portfolios. QBE operates risk forums across the Group to identify and assess the impact of existing risks which develop in new and unexpected ways, and new risks. This helps the Group analyse the potential impact and develop strategies to mitigate or exploit opportunities for these risks. Transition climate-related risks are considered in these forums. We analyse a large catalogue of weather-related events and scenarios, including a number of extreme weather events. We consider the potential impact of warmer sea surface temperature and other climate factors on the frequency of those severe events. Our assessment of the potential impact of severe weather events is considered by the executive and the Board. As part of our implementation of the TCFD recommendations, we are incorporating more explicitly the consideration of transition risks as part of our scenario testing. We applied the 2dii (PACTA) tool to our (investment) credit portfolio and found the portfolio to be aligned to the Paris agreement both now and in five years' time. This assessed transition risk. Future plans: Within our Climate change Action Plan, we aim to integrate scenario analysis into our strategic planning by December 2020 for our underwriting portfolio. Our participation in the PSI UNEP FI Pilot, which aims to address scenario analysis across climate-related transition, physical and liability risks will also support us meet this this action.

C4. Targets and performance

C4.1

(C4.1) Did you have an emissions target that was active in the reporting year?

Absolute target

C4.1a

(C4.1a) Provide details of your absolute emissions target(s) and progress made against those targets.

Target reference number
Abs 1

Scope
Scope 3: Business travel

% emissions in Scope
98

Targeted % reduction from base year
20

Base year
2017

Start year
2018

Base year emissions covered by target (metric tons CO2e)
17739

Target year
2021

Is this a science-based target?
No, but we are reporting another target that is science-based

% of target achieved
16

Target status
Underway

Please explain
Our target is to reduce business air travel (kilometre travelled) by 20% by 2021 from a 2017 baseline. In 2018, we are on track to achieve our air travel target with 19% decrease in air travel (kilometres travelled) and 16% decrease in associated emissions. We have also set three new global climate-related operational performance targets that will be measured from a 2018 base year. These include a target to reduce operational energy use by 15% by 2021, source 100% of our electricity requirements from renewable electricity sources by 2025 and a science-based target for our scope 1 and scope 2 combined greenhouse gas emissions. This is based on a 1.5C scenario and will result in a 29.4% absolute reduction in emissions by 2025. As 2019 is the first calendar year in which we will report performance against these targets, we are unable to quantify the percentage of target achieved but we will be able to do so in future periods.

C4.2

(C4.2) Provide details of other key climate-related targets not already reported in question C4.1/a/b.

Target
Other, please specify (Scope 1 and Scope 2 emissions)

KPI – Metric numerator
29.4%

KPI – Metric denominator (intensity targets only)
N/A

Base year
2018

Start year
2019

Target year
2025

KPI in baseline year
0

KPI in target year
29.4

% achieved in reporting year
0

Target Status
New

Please explain
QBE has established a science-based target for our scope 1 and scope 2 combined greenhouse gas emissions. This is based on a 1.5C scenario and will result in a 29.4% absolute reduction in emissions by 2025 (from a 2018 baseline). As 2019 is the first calendar year in which we will report performance against this target, we are unable to quantify the percentage of target achieved (emissions reductions) but we will be able to do so in future periods.

Part of emissions target
This target is not part of another emissions reduction target but is our primary operational emission reduction target for 2019 and beyond.

Is this target part of an overarching initiative?
Science-based targets initiative

Target
Energy usage

KPI – Metric numerator
15%

KPI – Metric denominator (intensity targets only)
N/A

Base year
2018

Start year
2019

Target year
2021

KPI in baseline year
0

KPI in target year
15

% achieved in reporting year
0

Target Status
New

Please explain
QBE has established a target to reduce operational energy use by 15% by 2021 (from a 2018 baseline).

Part of emissions target
Achieving our energy use reduction target will assist us in achieving our science-based emissions target for scope 1 and 2 emissions.

Is this target part of an overarching initiative?
No, it's not part of an overarching initiative

Target
Renewable electricity consumption

KPI – Metric numerator

100% renewable electricity for our operations

KPI – Metric denominator (intensity targets only)
N/A

Base year
2018

Start year
2019

Target year
2025

KPI in baseline year
0

KPI in target year
100

% achieved in reporting year
0

Target Status
New

Please explain
QBE has committed to sourcing 100% renewable energy by 2025. This target is part of the RE100 initiative.

Part of emissions target
This is a renewable electricity sourcing target that will assist us in achieving our science-based target for scope 1 and 2 emissions.

Is this target part of an overarching initiative?
RE100

Target
Other, please specify (We have an ambition to grow our impact investment allocation to $1 billion by 2021. This will include investments that deliver social and environmental benefits.)

KPI – Metric numerator
1,000,000,000

KPI – Metric denominator (intensity targets only)
N/A

Base year
2015

Start year
2019

Target year
2021

KPI in baseline year
0

KPI in target year
160000000

% achieved in reporting year
16

Target Status
Underway

Please explain
We have an ambition to grow our impact investment allocation to $1 billion by 2021. In 2018 we had $440 million in social and environmental impact investments. $160 million of this was in impact investments delivering environmental benefits. In line with our climate change action plan, in 2020, we will use analysis conducted in 2018 and 2019 to develop metrics for assessing our exposure to climate-related risks within our underwriting and investment portfolios and set targets for these metrics in the short,

medium and long-term, in line with our strategy and the Paris Agreement targets.

Part of emissions target
No.

Is this target part of an overarching initiative?
No, it's not part of an overarching initiative

C4.3

(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.
Yes

C4.3a

(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.

	Number of initiatives	Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *)
Under investigation	1	0
To be implemented*	1	76
Implementation commenced*	3	2542
Implemented*	3	962
Not to be implemented	0	0

C4.3b

(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.

Initiative type
Other, please specify (Landfill waste reduction.)

Description of initiative
<Not Applicable>

Estimated annual CO2e savings (metric tonnes CO2e)
2.8

Scope
Scope 3

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
10000

Investment required (unit currency – as specified in C0.4)
2000

Payback period
<1 year

Estimated lifetime of the initiative
3-5 years

Comment

The initiative involves replacing paper and foam coffee cups with reusable mugs for employees in North America office to reduce waste to landfilled. 1,000 cups were used biweekly.

Initiative type
Other, please specify (Behaviour change.)

Description of initiative
<Not Applicable>

Estimated annual CO2e savings (metric tonnes CO2e)
954

Scope
Scope 3

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
708000

Investment required (unit currency – as specified in C0.4)
0

Payback period
<1 year

Estimated lifetime of the initiative
1-2 years

Comment
This initiative relates to targeted communications and improved provision of technology services for employees. North American division achieved a reduction of 25% in domestic air travel from 2017 as a result of increased uptake of web conferencing solution (Skype is widely used across the organisation).

Initiative type
Energy efficiency: Building services

Description of initiative
Lighting

Estimated annual CO2e savings (metric tonnes CO2e)
5.1

Scope
Scope 2 (location-based)

Voluntary/Mandatory
Voluntary

Annual monetary savings (unit currency – as specified in C0.4)
11260

Investment required (unit currency – as specified in C0.4)
8260

Payback period
1-3 years

Estimated lifetime of the initiative
Ongoing

Comment
Lighting upgrades to LED lighting in North America offices have been completed on approximately 72% of our North America office locations.

C4.3c

(C4.3c) What methods do you use to drive investment in emissions reduction activities?

Method	Comment
Dedicated budget for energy efficiency	We have dedicated energy efficiency budgets across our Divisions, which are used to undertake some of the emission reduction activities outlined above.
Compliance with regulatory requirements/standards	Our UK operations are subject to the UK Energy Savings Opportunity Scheme which requires us to undertake energy efficiency assessments. QBE qualifies for ESOS Phase 2 and will undertake further energy efficiency assessments in the 2019 calendar year.
Internal price on carbon	As a consequence of our carbon neutrality, we have an internal carbon price that is charged to the Operations team in each Division and provide an incentive to improve energy efficiency and reduce carbon emissions.

C4.5

(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?

Yes

C4.5a

(C4.5a) Provide details of your products and/or services that you classify as low-carbon products or that enable a third party to avoid GHG emissions.

Level of aggregation
Company-wide

Description of product/Group of products
In April 2017 we issued $300 million in fixed-rate senior notes under a new QBE Green Bond Framework - the first green bond to be issued by a global insurance company. The proceeds were materially invested in areas such as renewable energy, low-carbon transportation, sustainable forestry, water efficiency, waste management and pollution control.

Are these low-carbon product(s) or do they enable avoided emissions?
Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions
Other, please specify (Green Bond Principles from ICMA)

% revenue from low carbon product(s) in the reporting year

Comment
QBE's Green Bond Framework represents a further step in supporting investors to meet their objectives whilst supporting insurance clients to realise opportunities in the fast developing low-carbon economy. QBE's Green Bond Framework is consistent with the current Green Bond Principles as held by ICMA and reflects guidance by the investor groups. The proceeds of any QBE Green Bond(s) will be allocated towards financing/refinancing investment in our green bond portfolio. This portfolio may invest in labelled green bonds that are eligible based on outlined criteria.

Level of aggregation
Group of products

Description of product/Group of products
In 2015 QBE launched Premiums4Good, a unique global initiative that enables a customer to direct up to 25% of their premium to invest in securities with an additional social or environmental objective, such as social impact bonds, social bonds, green bonds, and investments in infrastructure projects with environmental benefits. As QBE bears all the investment risk, there is no cost or risk to the customer. And as premiums grow, demand for impact investment, including low-carbon and climate-positive products, grows. Premiums4Good supports our belief that we can deliver risk-adjusted returns and make a difference. QBE's Premiums4Good offering continued to grow in over 2018 and we announced our ambition to grow impact investment to $1billion by 2021 (of assets under management of circa $24billion). As at 31 December 2018, we invested $440 million in 32 different investments within the Premiums4Good initiative, this includes investments which are low-carbon or use of proceeds are directed to support avoided emissions. Investments which are part of the Premiums4Good program are reviewed for reporting, verification and impact with the Classification of Social Investments (COSI) Committee, which is comprised of QBE representatives and three external impact investment experts. They classify and review investments for an ‘additional social or environmental objective’ and verify their positive impact.

Are these low-carbon product(s) or do they enable avoided emissions?
Avoided emissions

Taxonomy, project or methodology used to classify product(s) as low-carbon or to calculate avoided emissions
Other, please specify (Various reference frameworks including the ICMA Green Bond Principles, and under Premiums4Good include Climate Bonds Initiative program, and other frameworks.)

% revenue from low carbon product(s) in the reporting year

Comment
In 2019, QBE launched a unified global offering to customers, with specific commitment of $100m each by of the QBE Divisions in North America, Europe and Australia and New Zealand Operations to the Premiums4Good pool. The unified offering is offered to the majority of customers globally. customers of these Divisions. In 2018, the Premiums4Good program was acknowledged by peers as innovative offering connecting insurance customer premiums to growing awareness of and demand for impact investments. QBE's Premiums4Good was included as a case study in the Global Steering Committee on Impact Investment report in mobilising customer premiums for impact; In 2017, ClimateWise - an industry leadership platform facilitated by the Cambridge Institute for Sustainability Leadership (CISL), of which QBE is a member - used QBE's Premiums4Good initiative as a case study and example of innovative insurance asset owner investment approach, aligned with ClimateWise's wider agenda. In 2019, QBE participated in The Prince's Accounting for Sustainability Project (A4S) and Institute of Chartered Accountants (ICAEW) Finance for Future Awards program in 2018, and was a Finalist in the 'Building Sustainable Financial Products' category for Premiums4Good, and the Australian Impact Investment Awards, as Impact Asset Owner of the Year in 2018.

C5. Emissions methodology

C5.1

(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).

Scope 1

Base year start
January 1 2016

Base year end
December 31 2016

Base year emissions (metric tons CO2e)
8686

Comment
QBE's financial year ending 2016 is selected as the base year as this was the first-year limited assurance was obtained on the greenhouse gas emissions data.

Scope 2 (location-based)

Base year start
January 1 2016

Base year end
December 31 2016

Base year emissions (metric tons CO2e)
25155

Comment
QBE's financial year ending 2016 is selected as the base year as this was the first year greenhouse gas emissions data was audited.

Scope 2 (market-based)

Base year start

Base year end

Base year emissions (metric tons CO2e)

Comment
QBE does not use a market-based methodology for calculating scope 2 emissions. We have no operations where we can access electricity supplier emission factors or residual emissions factors and are unable to report a scope 2 market-based figure.

C5.2

(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.
Australia - National Greenhouse and Energy Reporting Act
Defra Voluntary 2017 Reporting Guidelines
The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
US EPA Climate Leaders: Direct Emissions from Stationary Combustion
Other, please specify (Refer to C5.2a)

C5.2a

(C5.2a) Provide details of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.

In addition to the above list, our reporting on environmental data also follows the guidelines outlined in the Global Reporting Initiatives (GRI) Standards' requirements for Emissions Disclosures 305-1, 305-2 and 305-3.

QBE Group's greenhouse gas emissions reporting is driven by our global insurance operations across the world. We calculate emissions using the energy content and emission factors considered most relevant to each region, based on information sourced from:

• Australian Government Department of Environment and Energy’s National Greenhouse Account Factors, 2018;

• UK Government’s Department for Business, Energy & Industrial Strategy: GHG Conversion Factors for Company Reporting 2018;

• US Environmental Protection Agency (EPA): Emission Factors for Greenhouse Gas Inventories: Direct Emissions from Stationary Combustion 2018;

• US EPA’s: Emissions & Generation Resource Integrated Database (eGRID) 2016 (released in 2018); and

• International Energy Agency: CO2 Emissions from Fuel Combustion, 2018.

C6. Emissions data

C6.1

(C6.1) What were your organization’s gross global Scope 1 emissions in metric tons CO2e?

Reporting year

Gross global Scope 1 emissions (metric tons CO2e)
8250

Start date
January 1 2018

End date
December 31 2018

Comment
Scope 1 emissions are direct emissions related to company car fuel consumption and mileage, and natural gas heating.

C6.2

(C6.2) Describe your organization's approach to reporting Scope 2 emissions.

Row 1

Scope 2, location-based

We are reporting a Scope 2, location-based figure

Scope 2, market-based

We have no operations where we are able to access electricity supplier emission factors or residual emissions factors and are unable to report a Scope 2, market-based figure

Comment

We report on indirect scope 2 emissions associated with electricity consumption across our global operations using a location-based methodology. QBE does not use a market-based methodology for calculating scope 2 emissions.

C6.3

(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?

Reporting year

Scope 2, location-based

21382

Scope 2, market-based (if applicable)

<Not Applicable>

Start date

January 1 2018

End date

December 31 2018

Comment

We report on indirect scope 2 emissions associated with electricity consumption across our global operations using a location-based methodology. QBE does not use a market-based methodology for calculating scope 2 emissions.

C6.4

(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?

No

C6.5

(C6.5) Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.

Purchased goods and services

Evaluation status
Relevant, calculated

Metric tonnes CO2e
22

Emissions calculation methodology
Volume of office paper purchased and recycling of carboard, newspaper and other office papers for the year, multiplied by DEFRA's emissions factors.

Percentage of emissions calculated using data obtained from suppliers or value chain partners
88

Explanation
Data on volume of office paper purchased is provided by third party suppliers. Emissions reported are related to both office printed paper purchased and recycling of other office paper, cardboard and newspapers used.

Capital goods

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
QBE is an insurance company and capital goods are not applicable to insurance products.

Fuel-and-energy-related activities (not included in Scope 1 or 2)

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
QBE is an insurance company and only fuel consumption from company vehicles, natural gas used for heating and electricity consumption are relevant to QBE operations. These activities are included in Scope 1 and Scope 2 emissions.

Upstream transportation and distribution

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
QBE is an insurance company. Upstream transportation and distribution are not applicable to QBE's operations.

Waste generated in operations

Evaluation status

Relevant, calculated

Metric tonnes CO2e

158

Emissions calculation methodology

Emissions from general waste to landfill and recycled waste. Waste is estimated for several of our premises based on volume of waste bins collected monthly multiplied by the DEFRA's emissions factors.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

19

Explanation

Emissions from general waste to landfill and recycled waste. Waste is estimated for several of our premises based on volume of waste bins collected monthly multiplied by the DEFRA's emissions factors. North American and European Operations were able to source waste information from shredding reports provided by waste collection contractors. The remaining divisions estimated operational waste based on volume of paper purchased during the year and volume of waste bins.

Business travel

Evaluation status

Relevant, calculated

Metric tonnes CO2e

17273

Emissions calculation methodology

Business travel in kilometres includes air, bus, rail and rental car/taxi travel. Data on air, bus and rail business travel are sourced from travel management companies. Rental car and taxi travel are sourced from the general ledger. Emissions are calculated by applying DEFRA's emissions factors to KM travelled and include DEFRA's required distance uplift and exclude radiative forcing for air travel.

Percentage of emissions calculated using data obtained from suppliers or value chain partners

98

Explanation

The reporting boundary of scope 3 emissions sources is for QBE's global activities and operations. Business travel includes travel by air, rail and land by QBE employees. This is the most material source of scope 3 emissions for QBE, contributing to 98% of our scope 3 emissions. In 2018 we made a target to reduce air travel by 20% by 2021 from a 2017 baseline. In 2018 we already achieved 16% reduction in associated emissions.

Employee commuting

Evaluation status

Relevant, not yet calculated

Metric tonnes CO2e

<Not Applicable>

Emissions calculation methodology

<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners

<Not Applicable>

Explanation

QBE operates in 31 countries with 12,000+ employees. Currently it is not feasible to collect data on employee commuting. Employee's choose method of commuting and this is outside of QBE's control.

Upstream leased assets

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
QBE is an insurance company and majority of our offices are leased offices. Upstream leased assets are not applicable to QBE's operations. This is more relevant to property developers.

Downstream transportation and distribution

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
QBE is an insurance company and downstream transportation and distribution are not applicable to our insurance products and operations.

Processing of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
QBE is an insurance company and processing of sold products is not applicable to our insurance products and operations.

Use of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
QBE provides insurance products. Use of sold products is not applicable to our business.

End of life treatment of sold products

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
QBE provides insurance products. End of life treatment of sold products is not applicable to our business.

Downstream leased assets

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
QBE is an insurance company and majority of our offices are leased offices. Downstream leased assets are not applicable to QBE's operations. This is more relevant to property developers.

Franchises

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
QBE is not a franchise company.

Investments

Evaluation status
Relevant, not yet calculated

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
QBE's investment portfolio is $22BN in 2018 and mainly comprised of equities, fixed income, listed and unlisted property trusts, and infrastructure assets. Emissions data related to these investments are not readily available.

Other (upstream)

Evaluation status
Relevant, calculated

Metric tonnes CO2e
188

Emissions calculation methodology
Emissions from water consumption. Water consumption (cubic metre) is sourced from water invoices where possible, otherwise estimated based on number of employees in each office location. Emissions are calculated by applying DEFRA's emission factors to cubic metre of water consumption.

Percentage of emissions calculated using data obtained from suppliers or value chain partners
23

Explanation
The reporting boundary of scope 3 emissions sources is for QBE's global activities and operations. As a general insurance company, our predominant footprint is with our office buildings. Operational water consumption is one of the key contributors of greenhouse gas emissions from typical office buildings. Water data is sourced from utility providers as invoices where possible. This represented 23% of the data collected in 2018. The remaining data was estimated based on the number of employees in each office location.

Other (downstream)

Evaluation status
Not relevant, explanation provided

Metric tonnes CO2e
<Not Applicable>

Emissions calculation methodology
<Not Applicable>

Percentage of emissions calculated using data obtained from suppliers or value chain partners
<Not Applicable>

Explanation
No other applicable Other downstream activities.

C6.7

(C6.7) Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?
No

C6.10

(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.

Intensity figure
2.11

Metric numerator (Gross global combined Scope 1 and 2 emissions)
29632

Metric denominator
unit total revenue

Metric denominator: Unit total
14048

Scope 2 figure used
Location-based

% change from previous year
4

Direction of change
Decreased

Reason for change
The decrease in Scope 2 emissions is mainly due to resource efficiency initiatives across several regions including: (i) converting major offices in North America, Australia and Europe to energy efficient LED lighting and occupancy sensors to reduce energy consumption; and (ii) consolidating major office spaces across regions.

C7. Emissions breakdowns

C7.1

(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?
No

C7.2

(C7.2) Break down your total gross global Scope 1 emissions by country/region.

Country/Region	Scope 1 emissions (metric tons CO2e)
Australia	898
New Zealand	207
Asia, Australasia	204
North America	6492
Latin America (LATAM)	213
Europe	236

C7.3

(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.
By business division

C7.3a

(C7.3a) Break down your total gross global Scope 1 emissions by business division.

Business division	Scope 1 emissions (metric ton CO2e)
Australian Operations	898
New Zealand Operations	207
Asia Pacific Operations	204
North American Operations	6492
Latin America Operations	213
European Operations	236

C7.5

(C7.5) Break down your total gross global Scope 2 emissions by country/region.

Country/Region	Scope 2, location-based (metric tons CO2e)	Scope 2, market-based (metric tons CO2e)	Purchased and consumed electricity, heat, steam or cooling (MWh)	Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh)
Australia	7057	0	8447	0
New Zealand	40	0	386	0
Asia, Australasia	4480	0	7286	0
North America	7715	0	12761	0
Latin America (LATAM)	827	0	2446	0
Europe	1230	0	4472	0
Other, please specify (Bermuda)	33	0	118	0

C7.6

(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.

By business division

C7.6a

(C7.6a) Break down your total gross global Scope 2 emissions by business division.

Business division	Scope 2, location-based emissions (metric tons CO2e)	Scope 2, market-based emissions (metric tons CO2e)
Australia	7057	0
New Zealand	40	0
Asia Pacific	4480	0
North America	7715	0
Latin America	827	0
Europe	1230	0
Other - Equator Re in Bermuda	33	0

C7.9

(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?

Decreased

C7.9a

(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined) and for each of them specify how your emissions compare to the previous year.

	Change in emissions (metric tons CO2e)	Direction of change	Emissions value (percentage)	Please explain calculation
Change in renewable energy consumption	0	No change	0	No renewable energy purchased in 2017 or 2018. QBE's first renewable energy purchase was made in 2019.
Other emissions reduction activities	1373	Decreased	4.3	Last year 1,373 tCO2e were reduced by our emissions reduction projects, and our total S1 and S2 emissions in the previous year was 31,803 tCO2e, therefore we arrived at 4.3% through (1,373/ 31,803)*100= 4.3%. This was due to energy efficiency initiatives implemented across several of our regions including the conversion of major offices in North America, Australia and Europe to energy-efficient LED lighting and occupancy sensors and reduced floor space occupancy.
Divestment	471	Decreased	1.5	During 2018 QBE disposed most of its operations in Latin American countries. Estimates based on 2017 actual consumption were used for the first 6 months of 2018.
Acquisitions	0	No change	0	No change.
Mergers	0	No change	0	No change.
Change in output	0	No change	0	No change.
Change in methodology	0	No change	0	No change.
Change in boundary	0	No change	0	No change.
Change in physical operating conditions	66	Decreased	0.2	UK office relocated from two offices into one building while the other one is undergoing renovations.
Unidentified	261	Decreased	0.8	Unidentified reduction in Scope 1 & Scope 2 emissions (including benefit of more energy efficient technology equipment, which cannot be readily quantified).
Other	0	No change	0	No change.

C7.9b

(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?

Location-based

C8. Energy

C8.1

(C8.1) What percentage of your total operational spend in the reporting year was on energy?

More than 0% but less than or equal to 5%

C8.2

(C8.2) Select which energy-related activities your organization has undertaken.

	Indicate whether your organization undertakes this energy-related activity
Consumption of fuel (excluding feedstocks)	No
Consumption of purchased or acquired electricity	Yes
Consumption of purchased or acquired heat	Yes
Consumption of purchased or acquired steam	No
Consumption of purchased or acquired cooling	No
Generation of electricity, heat, steam, or cooling	No

C8.2a

(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.

	Heating value	MWh from renewable sources	MWh from non-renewable sources	Total MWh
Consumption of fuel (excluding feedstock)	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired electricity	<Not Applicable>	0	35916	35916
Consumption of purchased or acquired heat	<Not Applicable>	0	6942	6942
Consumption of purchased or acquired steam	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of purchased or acquired cooling	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Consumption of self-generated non-fuel renewable energy	<Not Applicable>	<Not Applicable>	<Not Applicable>	<Not Applicable>
Total energy consumption	<Not Applicable>	0	42858	42858

C8.2f

(C8.2f) Provide details on the electricity, heat, steam and/or cooling amounts that were accounted for at a low-carbon emission factor in the market-based Scope 2 figure reported in C6.3.

Basis for applying a low-carbon emission factor
No purchases or generation of low-carbon electricity, heat, steam or cooling accounted with a low-carbon emission factor

Low-carbon technology type
<Not Applicable>

Region of consumption of low-carbon electricity, heat, steam or cooling
<Not Applicable>

MWh consumed associated with low-carbon electricity, heat, steam or cooling
<Not Applicable>

Emission factor (in units of metric tons CO2e per MWh)
<Not Applicable>

Comment

C9. Additional metrics

C9.1

(C9.1) Provide any additional climate-related metrics relevant to your business.

C10. Verification

C10.1

(C10.1) Indicate the verification/assurance status that applies to your reported emissions.

	Verification/assurance status
Scope 1	Third-party verification or assurance process in place
Scope 2 (location-based or market-based)	Third-party verification or assurance process in place
Scope 3	Third-party verification or assurance process in place

C10.1a

(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 and/or Scope 2 emissions and attach the relevant statements.

Scope
Scope 1

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
Deloitte_2018 Assurance_Sustainability.pdf

Page/ section reference
Pages 59-61 of the 2018 Sustainability Report.

Relevant standard
ASAE3000

Proportion of reported emissions verified (%)
100

Scope
Scope 2 location-based

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Type of verification or assurance
Limited assurance

Attach the statement
Deloitte_2018 Assurance_Sustainability.pdf

Page/ section reference
Pages 59-61 of the 2018 Sustainability Report.

Relevant standard
ASAE3000

Proportion of reported emissions verified (%)
100

C10.1b

(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.

Scope
Scope 3- all relevant categories

Verification or assurance cycle in place
Annual process

Status in the current reporting year
Complete

Attach the statement
Deloitte_2018 Assurance_Sustainability.pdf

Page/section reference
Pages 59-61 of the 2018 Sustainability Report.

Relevant standard
ASAE3000

C10.2

(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?
No, but we are actively considering verifying within the next two years

C11. Carbon pricing

C11.1

(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?
No, and we do not anticipate being regulated in the next three years

C11.2

(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?
Yes

C11.2a

(C11.2a) Provide details of the project-based carbon credits originated or purchased by your organization in the reporting period.

Credit origination or credit purchase
Credit purchase

Project type
Wind

Project identification
Crow Lake Wind Emission Reduction Project Farm (USA). Crow Lake Wind is a wind farm located in South Dakota. The project consists of 108 1.5MW wind turbines and displaces electricity generated from fossil fuel, resulting in net reduction of CO2

emissions.

Verified to which standard
VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)
2000

Number of credits (metric tonnes CO2e): Risk adjusted volume
2000

Credits cancelled
Yes

Purpose, e.g. compliance
Voluntary Offsetting

Credit origination or credit purchase
Credit purchase

Project type
Other, please specify (Carbon Farming)

Project identification
Colodan Great Barrier Reef Catchment (Australia). Colodan is an environmental project working on forest regeneration, restoring biodiversity, water management, saving the Great Barrier Reef habitat.

Verified to which standard
Emissions Reduction Fund of the Australian Government

Number of credits (metric tonnes CO2e)
1470

Number of credits (metric tonnes CO2e): Risk adjusted volume
1470

Credits cancelled
Yes

Purpose, e.g. compliance
Voluntary Offsetting

Credit origination or credit purchase
Credit purchase

Project type
Other, please specify (Land Fire Abatement)

Project identification
North East Arnhem Land Fire Abatement (NEALFA). The Yirralka Rangers (hosted by Laynhapuy Homelands Aboriginal Corporation) operate the NEALFA project in north east Arnhem Land within the Laynhapuy Indigenous Protected Area (IPA). The NEALFA project uses both aerial prescribed burning (incendiary pellets dropped from helicopters) and ground burning during the early dry season to reduce fuel loads and establish a mosaic of cool burns around and within the project area.

Verified to which standard
Emissions Reduction Fund of the Australian Government

Number of credits (metric tonnes CO2e)
30

Number of credits (metric tonnes CO2e): Risk adjusted volume
30

Credits cancelled
Yes

Purpose, e.g. compliance
Voluntary Offsetting

Credit origination or credit purchase
Credit purchase

Project type
Wind

Project identification
Tamil Nadu Wind Power (India).

Verified to which standard
VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)
39000

Number of credits (metric tonnes CO2e): Risk adjusted volume
39000

Credits cancelled
Yes

Purpose, e.g. compliance
Voluntary Offsetting

Credit origination or credit purchase
Credit purchase

Project type
Wind

Project identification
Balikesir Susurluk Wind Farm (Turkey).

Verified to which standard
Gold Standard

Number of credits (metric tonnes CO2e)
1500

Number of credits (metric tonnes CO2e): Risk adjusted volume
1500

Credits cancelled
Yes

Purpose, e.g. compliance
Voluntary Offsetting

Credit origination or credit purchase
Credit purchase

Project type
Solar

Project identification
Negro Island Solar (Philippines) project involves the installation of 32MW La Carlota Solar Power PV Plant and 48MW Manapla Solar Power Plant. The power generated is replacing anthropogenic emissions of GHG estimated to be approximately 66,039tCO2e per year.

Verified to which standard
VCS (Verified Carbon Standard)

Number of credits (metric tonnes CO2e)
5000

Number of credits (metric tonnes CO2e): Risk adjusted volume
5000

Credits cancelled
Yes

Purpose, e.g. compliance
Voluntary Offsetting

C11.3

(C11.3) Does your organization use an internal price on carbon?
Yes

C11.3a

(C11.3a) Provide details of how your organization uses an internal price on carbon.

Objective for implementing an internal carbon price
Stakeholder expectations
Change internal behavior
Drive energy efficiency
Identify and seize low-carbon opportunities
Supplier engagement

GHG Scope
Scope 1
Scope 2
Scope 3

Application
A uniform carbon price is applied to each region in which we operate.

Actual price(s) used (Currency /metric ton)
5

Variance of price(s) used
Nil variance. Uniform pricing is applied - a single price that is applied throughout the company independent of geography, business unit, or type of decision

Type of internal carbon price
Internal fee
Offsets

Impact & implication
The cost of carbon offsets purchased to maintain our carbon neutral position is internalised and an internal fee is charged to each Division (contributing to the operational expenditure of each Division and providing an incentive to reduce Divisional carbon emissions). As 2018 was the first year of operating on a carbon neutral basis, there has not been a quantifiable impact on behaviour.

C12. Engagement

C12.1

(C12.1) Do you engage with your value chain on climate-related issues?
Yes, our suppliers
Yes, our customers
Yes, other partners in the value chain

C12.1a

(C12.1a) Provide details of your climate-related supplier engagement strategy.

Type of engagement
Innovation & collaboration (changing markets)

Details of engagement
Run a campaign to encourage innovation to reduce climate impacts on products and services

% of suppliers by number
1

% total procurement spend (direct and indirect)
1

% Scope 3 emissions as reported in C6.5
85

Rationale for the coverage of your engagement
85% of our global scope 3 emissions relate to air travel. Qantas is our preferred airline for our Australian Division and Group Head Office function and partnered with us to deliver an impactful global employee engagement strategy across our Group. This included selection of offset projects in each of the key geographies in which we operate, to support employee connection to the individual offset projects and provide hands-on employee engagement within each Division. For example, we arranged for one of our AUSPAC Executives and an employee to participate in the Babinda Reef experience, which involves the rehabilitation of native rainforests and wetlands, which act as a natural water filter protecting the Reef from run off. We plan to undertake similar engagement initiatives with employees in our other divisions. Through the Qantas Future Planet program, we have also been provided opportunities to send employees on the Earthwatch Scientist for a Day program, providing them with opportunities to support climate-related scientific research and build awareness of climate-related impacts and solutions. Feedback from our employees has been extremely positive and has been shared widely through Yammer and our internal communication channels. Our global engagement strategy to support our carbon neutral commitment also included a personal email to every employee from our Group CEO, articles on our Group intranet page and Divisional intranet pages, follow up articles featuring specific offset projects and the environmental and broader societal benefits that the projects are delivering to local communities, and presentations in a number of our offices by the Qantas sustainability team in conjunction with the QBE's Group Head of Sustainability and Head of Environment, to open up a broader conversation with employees about our climate-related impact and steps we are taking as an organisation to minimise it. The partnership and our activities to address our climate-related impact is one our employees feel passionately about and that we continue to celebrate. It has also been featured in our 2018 Annual Report and Sustainability Report. It should also be noted that the above % total procurement spend represents percentage of global procurement excluding Claims supply chain spend.

Impact of engagement, including measures of success
In 2018 QBE set targets to (1) become carbon neutral globally through the Qantas Future Planet program, and (2) reduce air travel by 20% by 2021 (from a 2017). The program has been extremely successful, delivering a 19% reduction in global air travel (kilometres travelled) in 2018 from 2017 levels and a 16% reduction in associated emissions as a result of our engagement activities. Our partnership and engagement with Qantas (in conjunction with our air travel reduction target and internal engagement) has supported us in reducing our most material scope 3 emissions source.

Comment
Our partnership and engagement with Qantas (in conjunction with our air travel reduction target and internal engagement) has supported us in reducing our most material scope 3 emissions source. QBE’s Supplier Sustainability Principles outlines our minimum expectations of suppliers doing business with QBE in relation to environmental considerations, human rights, workplace diversity and community engagement. We understand that our purchasing decisions don’t only affect our performance, reputation and risk profile, they affect the economy, environment and communities in which we operate. As part of our broader approach to sustainability, we seek to engage suppliers and partners who share this understanding and commitment, and who can work with us to achieve our objectives. Our Supplier Sustainability Principles were released in early 2018. As we continue to engage our suppliers, we will continue to monitor the impact of our engagement with our supply chain.

C12.1b

(C12.1b) Give details of your climate-related engagement strategy with your customers.

Type of engagement
Collaboration & innovation

Details of engagement
Other – please provide information in column 5

% of customers by number

% Scope 3 emissions as reported in C6.5

Please explain the rationale for selecting this group of customers and scope of engagement
Premiums4Good is a unique global initiative that enables a customer to use a portion of their premium to invest in securities with an additional social or environmental benefit, such as social impact bonds, social bonds, green bonds and investments in infrastructure projects with environmental benefits. Every insurance premium across QBE is contributing to QBE's global Premiums4Good investment pool. Select customers can elect to contribute more. QBE customers can direct up to 25 per cent of their premiums into socially responsible, impact investments through Premiums4Good. There is no additional cost associated and customers are still afforded the same level of cover.

Impact of engagement, including measures of success
Our measure of success for Premiums4Good is to achieve our ambition to have $1 billion in investments by the end of 2021. As at 31 December 2018 we are progressing well towards this, having invested $440 million in 32 different investments within the Premiums4Good initiative, up from 26 investments at 31st December 2017. Through our products and services, we assist our customers to address sustainability issues. For example: • Since 2005, QBE and Pan American Underwriters have been offering a Wine Industry Property and Liability insurance package that includes a premium credit for Californian winegrowers who have completed the Sustainable Winegrowing Program or equivalent and adopted a standard of continual improvement. • Through our European Operations, QBE is an underwriter to Lumos Global, a Dutch company offering clean and affordable solar power to a market of 1.3 billion potential customers who live off the electricity grid. Lumos Global seeks to enable people in some of the poorest countries in the world to replace hazardous and expensive kerosene generators and lanterns with modern solar electricity that can power lights, cellphones and small electronic devices. Lumos Global offers home and small businesses a simple and affordable way to pay for clean electricity in small instalments using their mobile phones. • In our Asia Pacific Operations, we have expanded our renewable energy portfolio, providing cover for solar farms across Vietnam and Korea. Some are set on floating pontoons in lakes, reservoirs and harbours. Floating solar farms are more efficient than normal farms because of the water's cooling effect, which can make the panels as much as 10% more effective, and limit water from evaporating. • Through our European Operations, we work in partnership with GCube, a specialist provider of renewable energy insurance services. GCube helps wind, solar, biomass, wave, tidal, hydro and energy storage asset owners to identify, quantify, mitigate and insure risk efficiently and cost-effectively.

C12.1c

(C12.1c) Give details of your climate-related engagement strategy with other partners in the value chain.

We work with our employees, customers, and business partners to raise awareness of sustainability issues, manage risks and develop solutions. We offer events, seminars and publications that help clients and brokers build their risk management knowledge and sustainability awareness. We also build industry capacity and awareness in other ways including our:

• Global Risk Solutions Practice which is a global community of risk engineers, risk management consultants and scientists providing a variety of services to customers including risk profiling and evaluation, accident investigation, business continuity, risk assessment, supply chain analysis, environmental management, client awareness forums and training materials.

• Risk Culture Profiling Tool (RCPT) in the United Kingdom that brings together risk culture theory and extensive claims insights to help businesses become more resilient and successful.

• Ongoing involvement with risk management bodies in local regions encouraging employees to be individual members and actively participate in leadership opportunities.

• QBE Underwriting Academy which helps current and aspiring underwriters to develop their skills and expertise. By incorporating sustainability risk topics, it positions graduates to better engage with clients and broker partners on these issues.

C12.3

(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?

Direct engagement with policy makers
Trade associations
Other

C12.3a

(C12.3a) On what issues have you been engaging directly with policy makers?

Focus of legislation	Corporate position	Details of engagement	Proposed legislative solution
Adaptation or resilience *Establishment of the National Resilience Taskforce within the Department of Home Affairs (Commonwealth of Australia)*	Support	The objective of the National Resilience Taskforce (NRTF) is to consider how the Commonwealth Government's annual contribution to state and territory mitigation activities (which is cost-shared by the states) could be more effectively targeted towards physical mitigation activities that materially reduce risk. The insurance industry, including QBE, have long advocated for a greater focus on building the resilience of Australian communities to future natural disasters. As such, we are broadly supportive of the Taskforce's mandate. We are engaging directly with Taskforce members through meetings, and an employee of QBE participated in a three-day strategy workshop in June 2018, a one-day workshop on designing a prioritisation framework for disaster risk reduction in April 2019, and a one-day workshop on the development of a national disaster and climate risk information service in May 2019.	This does not presently involve legislation, as it is a policy initiative. The funding in question is administered through an agreement between the Commonwealth Government, and all states and territories.
Other, please specify (Affordability) *Cost of insurance in areas of high natural disaster risk (Commonwealth of Australia)*	Neutral	In Australia, at the Commonwealth level, there is an ongoing focus on the cost of insurance in areas of high natural disaster risk, especially Far North Queensland, which is subject to frequent tropical cyclones. This has been the subject of a number of Government reviews, which have found that the high cost of insurance reflects the underlying risk, and that the only sustainable way to address legacy risk is through resilience-building activities including mitigation.	This does not presently involve legislation.

C12.3b

(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?

Yes

C12.3c

(C12.3c) Enter the details of those trade associations that are likely to take a position on climate change legislation.

Trade association

Insurance Council of Australia

Is your position on climate change consistent with theirs?

Consistent

Please explain the trade association's position

The ICA recognises the existence of climate change, and represents the industry in efforts to: - Maintain prudential foundations so insurers are able to respond to future large-scale events - Provide practical and innovative risk-transfer solutions - Increase community resilience to extreme weather events - Reduce vulnerability and exposure through sensible planning controls and local mitigation - Ensure that risk-based pricing delivers competitive price signals and informs policy responses - Assist policy-makers to understand the long-term implications of climate risk

How have you influenced, or are you attempting to influence their position?
Our position on climate change is consistent with the ICA's position and we have consequently not attempted to influence its position. In January 2019, the ICA established a Climate Change Action Committee, which we actively participate on in order to set strategy for the ICA on climate change, and to help develop and implement that strategy.

Trade association
Business Council for Sustainable Development Australia (BCSD Australia)

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association's position
The Business Council for Sustainable Development Australia (BCSD Australia) is the national peak body representing forward-thinking companies and organisations that are working towards the transition to a sustainable Australia. Its mission is to accelerate this transition by making sustainable business more successful, and it is the Australian partner of the World Business Council for Sustainable Development (WBCSD). The BCSD Australia's climate change position provides a foundation for sustainable business strategies. To avoid catastrophic climate change the people of the world must limit average global temperatures to 2°C above pre-industrial levels. To have a likely chance of achieving this goal it must, by 2020, have energy, industry, housing, transport, infrastructure, ICT, agriculture and forestry systems that, simultaneously: 1. Meet societal development needs, as informed by the WBCSD, by ensuring adequate provision for basic needs for all people, respecting human rights [and creating good and decent jobs for an appropriately qualified labour force]. 2. Undergo the necessary structural transformation ensuring that cumulative net emissions do not exceed one trillion tonnes of carbon. This translates to achieving a zero growth in greenhouse emissions by 2020 and reducing or sequestering emissions to 80% of 2005 levels by 2050; or specifically for Australia, moving from per capita emissions of 24.4 tonnes (in 2012) to between 2- 3 tonnes by 2050, and net zero emissions by the end of the century. 3. Become resilient to expected and likely changes in climate.

How have you influenced, or are you attempting to influence their position?
Our position on climate change is largely consistent with the BCSD Australia's position and we have consequently not attempted to influence its position.

Trade association
Business Council of Australia

Is your position on climate change consistent with theirs?
Mixed

Please explain the trade association's position
Support action on climate change. Support Australia ratifying the Paris Agreement and setting a target to reduce Australia's emissions by 26 to 28 per cent below 2005 levels by 2030. This is a sensible and achievable starting point. Support Australia's national emissions reduction target being reviewed every five years as part of the regular 'review and refine' cycle required under the Paris Agreement. This will ensure there is sufficient flexibility to adjust our climate change goals and policies over time and as circumstances change. Explore opportunities, subject to a cost-benefit analysis, for reducing our energy use in the built environment including: the construction and operation of residential and commercial buildings and, improve the efficiency of lighting and appliances that use a significant amount of energy. Continue work to limit vehicle emissions, and agricultural land use emissions to help meet Australia's national emissions targets. Amend Section 62 of the Clean Energy Finance Corporation Act 2012 to remove any technologies from being ineligible for investments made by the Clean Energy Finance Corporation provided it meets its objectives. In the long term, develop a whole-of-economy emissions reduction strategy incorporating access to credible international permits.

How have you influenced, or are you attempting to influence their position?
Our position on climate change is consistent with some aspects of BCA's climate change position. QBE does not have a position on all aspects addressed in BCA's Climate Change Policy. Specifically, we are consistent in (1) our support for action on climate change, (2) support for the Paris Agreement and regular review of Australia's emissions reduction targets, and (3) improved energy efficiency and vehicle emission standards/fuel efficiency. Industry associations provide a useful platform for sharing knowledge, experience and best practice across a range of issues and policy areas. QBE always seeks to make a positive contribution to these forums, consistent with our own views and approaches to issues. To date, we have not been involved in the development of the BCA's climate position. QBE's views on climate change are published on our website, in our Annual Report, our Sustainability Report and in Our Approach to Climate Change.

Trade association
Association of British Insurers

Is your position on climate change consistent with theirs?
Consistent

Please explain the trade association's position

The ABI's work on climate change is focusing on both adaptation and mitigation, and includes: • The creation of Flood Re to safeguard affordable flood insurance for those living in high flood risk areas. • Working with the Government and insurance industry regulators to ensure that buildings and communities are resilient to the effects of climate change in the long term. • Promoting ways in which the insurance industry can support the growth of the low carbon economy, for example insuring renewable energy generation, or investing in green infrastructure. • Supporting ClimateWise, a global insurance industry collaboration which focuses on driving forward action on climate change risk. The ABI was a founding member of ClimateWise in 2007 and has operated on the Managing Committee ever since. ClimateWise members commit to action against the ClimateWise Principles and are independently reviewed against these annually.

How have you influenced, or are you attempting to influence their position?

Our position is largely consistent with the ABI's and we have not attempted to influence ABI's position. We are actively involved in ABI's engagement activities and contributed to the ABI's response to the UK's Prudential Regulation Authority's consultation paper CP23/18 'Enhancing banks' and insurers' approaches to managing the financial risks from climate change'. The ABI submission was supportive of the proposed regulations, which have since come into force.

C12.3e

(C12.3e) Provide details of the other engagement activities that you undertake.

QBE is a member of (UNEP FI) and is a signatory to both the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI).

QBE is also a member of the following organisations, with which we actively work on climate-related issues and policies:

• The Insurance Council of Australia;

• Carbon Disclosure Project;

• ClimateWise;

• Investor Group on Climate Change;

• Responsible Investment Association Australasia; and

• The Actuaries Institute's Climate Change Working Group.

RIAA

QBE are a member of the Responsible Investment Industry Australasia (RIAA), and participated in the RIAA Conference (Australia) along with a number of other responsible investment industry forums and information sharing platforms. QBE participates on the RIAA Impact Investment Forum committee and the Human Rights Working Group and submitted responses to benchmarking surveys.

Global Real Estate Sustainability Benchmark (GRESB)

In 2018, QBE joined the Global Real Estate Sustainability Benchmark (GRESB) as an investor member and reviewed the ESG performance of real estate portfolio managers. Based on GRESB real estate benchmarks, the weighted average for the property portfolio is GRESB 4 Star, which is in the top quartile.

ClimateWise

QBE participates in ClimateWise initiatives. In 2017, ClimateWise - an industry leadership platform facilitated by the Cambridge Institute for Sustainability Leadership (CISL), of which QBE is a member - used QBE's Premiums4Good initiative as a case study and example of responsible investment approach, aligned with ClimateWise's wider agenda.

C12.3f

(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?

Our climate change strategy and policy-related engagement is led by Group Risk function who consult regularly with Group Corporate Affairs and Government Relations. Our internal process outlines that our Government Relations and Industry Affairs team is responsible for preparing policy submissions in conjunction with our climate subject matter experts, and that submissions should be reviewed by Government Relations and Industry Affairs and approved by our CEO (or delegate) prior to submission. Our processes also outline that Government Relations and Industry Affairs should be informed of planned top-level engagement with government such as ministers, advisers, politicians and senior government officials, to ensure we are adopting a coordinated approach to our engagement with government and that we are providing consistent messaging focusing on our key objectives. This process is communicated to employees via internal communications including our internal website.

C12.4

(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).

Publication
In mainstream reports, incorporating the TCFD recommendations

Status
Underway – previous year attached

Attach the document
qbe18-annual-report-complete.pdf

Page/Section reference
Please refer to pages 36 - 40 of our 2018 Annual Report, attached.

Content elements
Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets

Comment
No comment.

Publication
In voluntary sustainability report

Status
Underway – previous year attached

Attach the document
2018-Sustainability-Report.pdf

Page/Section reference
Please refer to pages 14 - 15, 22 - 25, 52 - 54 of our 2018 Sustainability Report, attached.

Content elements
Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets

Comment
No comment.

Publication
In voluntary communications

Status
Underway – previous year attached

Attach the document
Our-approach-to-climate-change.pdf

Page/Section reference
Please refer to Our Approach to Climate Change, attached. The entire document is relevant.

Content elements
Governance
Strategy
Risks & opportunities
Emissions figures
Emission targets
Other, please specify (Climate partnerships for impact, employee engagement and education.)

Comment

C14. Signoff

C-FI

(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.

C14.1

(C14.1) Provide details for the person that has signed off (approved) your CDP climate change response.

	Job title	Corresponding job category
Row 1	Group Chief Executive Officer	Chief Executive Officer (CEO)

Submit your response

In which language are you submitting your response?

English

Please confirm how your response should be handled by CDP

	Public or Non-Public Submission	I am submitting to
I am submitting my response	Public	Investors

Please confirm below

I have read and accept the applicable Terms