Our approach to climate change
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As a company that helps people and businesses protect themselves from risk, QBE has a strong focus on sustainability. We know that it is an integral part of achieving our purpose, understanding the needs of our customers, and ensuring the future viability of our own business.

At QBE, we believe we must take action to make change and transition to a low-carbon economy. We report on our progress in line with the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our commitment has been demonstrated through our membership of the UN-convened Net-Zero Asset Owner Alliance and our pledge to achieving net-zero greenhouse gas emissions in our investment portfolio by 2050. We are also proud of our innovative investment program, Premiums4Good, which supports our drive towards investments with additional social or environmental benefits, such as social impact bonds, green bonds, and infrastructure. Our ambition is to grow our impact investments by US$2 billion by 2025, a goal that we are well on our way to meeting.

As experts in risk management, we work closely with customers around the world, supporting their transition to a low-carbon economy and we are seeing climate change create opportunities for those willing to innovate. Our role is to financially protect people and their assets, and our clients are placing increasing importance on sustainability and low carbon emissions. Within our organisation, we remain focused on our commitment to source 100% renewable electricity for our operations by 2025 and we’re continuing to drive performance and transparency against our climate-related goals.

Most importantly, we remain committed and focused on helping our customers adapt to both the risk and the opportunities created by climate change.

As an international insurer and reinsurer, we see first-hand the impacts of climate change on our customers and communities. Climate change presents a material risk for our customers and our business, but it’s also driving innovation and new opportunities.
A focus on sustainability is essential to our ability to deliver on our purpose and make a positive contribution to the economies and communities in which we operate.

Our Sustainability Framework helps us drive performance, identify opportunities and manage risks across the areas of sustainability that are most important to our business and stakeholders. This includes current and emerging ESG considerations, including climate change. By building these considerations into our decision making, we can also help our customers manage their risks through our products and services.

We support the aims and objectives of the United Nations Sustainable Development Goals (SDGs) which arose through collaboration between governments, civil society, the private sector and academia. The SDGs seek to address the world’s most urgent environmental and social challenges and form part of the wider 2030 Agenda for Sustainable Development.

All of the 17 SDGs are relevant to our business. However, we can contribute to the achievement of some SDGs more directly than others. We have therefore chosen to focus our actions on five goals which align most closely to our purpose and strategic business priorities. This is where we can have the greatest impact. One of our five priorities is SDG 13 – Climate Action.

For more information see our: Sustainability Report
Climate change

From increasingly extreme weather events, to sea level rise and the risk of flooding, climate change is a global challenge that has the potential for significant economic and social consequences.

We believe in the scientific evidence from the Intergovernmental Panel on Climate Change which also outlines the risks to people’s health, livelihoods, availability of food and water, and safety if ambitious action is not taken.

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.

The Paris Agreement on Climate Change

We support the Paris Agreement and its objective to limit global temperature rises to well below 2°C to mitigate against the impacts of climate change.

To achieve the Paris Agreement, emission reductions will be required in multiple sectors of the economy. Some sectors, such as energy and utilities, are able to reduce emissions faster than other sectors because of the availability of alternative technology such as renewable energy. Electric vehicles powered by renewable energy can also reduce emissions from transportation. Other sectors face more difficult challenges, where viable substitutes are yet to be developed.
Climate risk and the insurance sector

As an international insurance company, our role is to financially protect assets and people, to assist recovery from extreme weather events and other risks, and to support economic activity for the communities in which we operate.

Climate change is likely to increase the risk of extreme weather events and we can respond through our role as risk managers, underwriters and investors.

Risk managers
Advising our clients on how to reduce their exposure to extreme weather events and helping them recover when they happen.

Underwriters
Providing financial protection for homes, businesses and communities from increased extreme weather events.

Investors
Investing in renewable energy and other technologies to assist in the transition to a low carbon economy, and in adaptation measures to improve the resilience of our communities.
Climate-related risks

The Task Force on Climate-related Financial Disclosures (TCFD) made 11 recommendations for how companies can report useful information on climate-related financial risks and opportunities.

These recommendations were designed to provide consistency in how companies report to investors, lenders, insurers, and other stakeholders, and are structured around four core elements - governance, strategy, risk management, and metrics and targets. Climate-related risks are identified across three main categories: physical, transition and liability.

The recommendations also outline the opportunities presented by climate change to build a sustainable global economy. By working with our customers and other stakeholders, we are building on our products and advice services to support the transition to a low-carbon economy.

Physical risks arise from increased damage and losses resulting from the physical world. They can be associated with long term climatic trends such as sea-level rise, and extreme heat waves, or be event-driven, such as bushfires, hail, storms, floods, tropical cyclones and hurricanes. By offering insurance products such as property, crop, marine, aviation and lenders’ mortgage insurance, our business is exposed to these climate-related physical risks.

Transition risks arise from the transition to a low carbon economy, with the costs of business or the value of assets being affected. They are most likely to result from changes in policy (e.g. carbon pricing), technological innovations (e.g. new lower emissions products), or market shifts (e.g. increases in the costs of raw materials). As a result of these changes, the insurance needs of our customers are changing, and we are seeking to increase our range of products to support them.

As climate change impacts become more apparent, parties who have suffered loss and damage from climate change could seek recovery from parties they believe responsible. Organisations who do not reasonably manage the risks connected to climate change, or who report inaccurate or misleading information on climate-related risks could be exposed to liability. Any successful actions could potentially lead to responsible parties seeking to recover these costs under insurance policies. We do not currently regard liability risk to be significant but continue to closely monitor developments in this area.
What we are doing

We continue to embed climate change into governance, strategy and risk management across our underwriting, our investments, our people and operations, and through our climate partnerships for impact. The following pages outline some of the key activities we have taken across these key areas.

For more information see our:
- Annual Report
- Governance  ➤ Read more
- Risk management and underwriting  ➤ Read more
- Investments  ➤ Read more
- Our people and operations  ➤ Read more
- Climate partnerships for impact  ➤ Read more

QBE Insurance Group  Our approach to climate change
Taking the time to set up a robust governance structure is an important part of the TCFD recommendations. Our climate governance framework clearly defines the roles and responsibilities for effective oversight and management of climate-related risks and opportunities at the Board and senior management levels.

We have developed a matrix that outlines all the activities required to implement the TCFD recommendations and assigned the people needed to be either responsible, accountable, consulted or informed for activity and decisions.

Oversight of climate-related issues starts with our Group Board. The diagram opposite summarises how oversight and management is then cascaded through the business.

For more information see our:
Annual Report

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### Governance

**Governance**

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**Climate governance framework**

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**Group Executive Committee**

- **Group Chief Risk Officer**
  - Accountable for embedding climate-related risk into the Group’s risk management framework

- **Group Chief Financial Officer**
  - Accountable for reviewing climate-related disclosures including TCFD

- **Group Chief Underwriting Officer**
  - Accountable for embedding climate-related risks and opportunities within underwriting decisions

- **Group Executive, Corporate Affairs and Sustainability**
  - Accountable for embedding climate strategy into company brand, narrative and engagement

**Executive Non-Financial Risk Committee**

- **Head of ESG Risk**
  - Integration of climate-related risks and opportunities into risk framework

- **Group Chief Investment Officer**
  - Integration of climate-related risks and opportunities into investment strategy

- **Group Head of Sustainability**
  - Alignment of climate-related strategy with overall sustainability strategy
  - External reporting and stakeholder engagement

- **Head of Environment**
  - Implementation of the strategy to minimise the climate-related impact of our business operations

**ESG Risk Committee**

- Reviews ESG business policies and strategies, including climate-related policy positions, and provides recommendations to the Executive Non-Financial Risk Committee for approval

**Climate Change Steering Committee**

- Oversees the identification and management of climate-related risks and opportunities, reporting and working group activities
Risk management and underwriting

In fulfilling our role to financially protect people and assets, we are committed to embedding ESG into our strategic decision-making and actively managing climate-related risks and opportunities.

What we’ve achieved

- Conducted detailed analysis of our exposure to climate-related transition, physical and liability risks across the business
- Developed an ESG Risk Standard, as part of our Strategic Risk Policy, which outlines the process of identifying and managing ESG risks, including climate change, across the business.
- Updated our Group Underwriting Standards, which include identifying and integrating ESG issues into risk management and underwriting decision-making processes.
- Contributed to the UNEP FI PSI Initiative to pilot the TCFD recommendations for the insurance industry.
- Offered a range of solutions to support our customers’ transition to a low-carbon economy and manage the risks associated with climate change. We continue to work closely with our customers to understand their evolving needs.
- Continued to grow our renewable energy portfolio across solar, wind, hydro, biomass and biofuels.
- Member of the CRO Forum, a high-level discussion group for chief risk officers. We contributed to a project which explored a range of options, methodologies and barriers for the carbon footprinting of insurance companies’ underwriting portfolios.
- Contributed to the first industry standard on integrating sustainability in insurance underwriting. The guide, ‘Underwriting environmental, social and governance risks in non-life insurance business’, outlines ESG risks that are most material to different lines of business.

Environmental and Social Risk Framework

We have developed an Environmental and Social (E&S) Risk Framework to help us identify and mitigate risks to our underwriting and investment portfolios. The following issues and sectors are included in the E&S Risk Framework:

- biodiversity and protected areas
- forestry
- fishing
- defence
  - controversial weapons
  - firearms
- energy
  - coal
  - oil sands and Arctic drilling
  - oil and gas
- mining
- large-scale hydropower dams.

The E&S Risk Framework, which will be fully implemented by 1 January 2022, was developed to promote informed decision-making that is consistent with our commitment to sustainable insurance and investment. In line with our United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance (PSI) and Principles for Responsible Investment (PRI) commitments, the E&S Risk Framework further supports the integration of ESG considerations into our underwriting and investment and increases transparency with customers.

As a global investor we believe that integrating responsible investing into investment decisions is good for long-term, risk-adjusted financial returns, and aligns to our stakeholders’ expectations.

I’m really proud to strengthen our intent towards impact investments. Not only have we set ourselves a grand ambition to invest US$2 billion, but we’ve committed to taking an impact-preferred approach to our extensive investment portfolio every day - in addition to Premiums4Good.”

Gary Brader, Group Chief Investments Officer

What we’ve achieved

- Increased our environmental impact investments in line with our ambition to grow our overall impact investments to US$2 billion by 2025.
- Investing in Australia’s first climate, equity-linked green bond, in collaboration with BNP Paribas, the Clean Energy Finance Corporation and Aware Super. The eight-year BNP Equity-Linked Green Bond has a fixed coupon component and a variable component to the return. The variable portion is linked to a forward-looking climate index called the Australian Climate Transition Index.
- Applied the 2° Investing Initiative (2°ii) Paris Agreement Capital Transition Assessment (PACTA) tool to confirm our corporate credit portfolio is aligned to the Paris Agreement.
- Completed carbon footprinting of our corporate credit portfolio based on weighted average carbon intensity. The portfolio’s exposure to carbon risk is low and so is well positioned for the transition to a low carbon economy relative to the broader corporate bond market.
- Leveraged our catastrophe models to analyse the exposure of our investments in unlisted property funds to physical climate risks.
- Ongoing engagement with our external fund managers and industry on material sustainability issues, including climate-related risks and opportunities.

Investment portfolio commits to net zero emissions by 2050

We have committed to achieving net zero emissions by 2050 in our investment portfolio and became the first Australian-headquartered insurance business to join the UN-convened Net-Zero Asset Owner Alliance.

Over the coming years, we will explore strategies and approaches to align our investment portfolio with the objective of the Paris Agreement to be net zero emissions by 2050, including setting and communicating our interim targets.

Mitigating climate and disaster risks requires strong collaboration between governments, industries and communities. We will seek to play an active role in advocating for our customers, encouraging the development of environmentally-friendly technologies and investing for the future.

What is Premiums4Good?

Premiums4Good™ is a pioneering initiative which enables our customers to make a difference by directing a proportion of their insurance premiums to investments with an additional social or environmental benefit. We have invested in a number of green bonds and climate finance projects, including a forest bond delivered by the IFC (International Finance Corporation).
Our people and operations

We continue to drive improvements in our environmental performance by integrating resource efficiency considerations into our strategic and operational business decision making, transitioning to renewable energy sources and inspiring our employees to take action.

What we’ve achieved

Our people

✔️ We created new and engaging ways to keep our people connected in our sustainability agenda and informed about actions they can take in their personal lives to live more sustainably.

Engagement activities include:
- launching a global intranet site that guides our people to becoming sustainability champions and helps identify ways to manage sustainability-related risks and opportunities.
- hosting ‘Plastic Free July’ lunch and learn sessions to educate our people on the effects of plastic on the environment and wildlife, and to share tips on reducing single-use plastics.
- running competitions, campaigns and idea-sharing in celebration of World Environment Day.

Our operations

We are committed to:
- Use 100% renewable energy for our operations by 2025.
- Maintain carbon neutrality.
- Reduce our Scope 1 and 2 GHG emissions 1 by 30% by 2025 (from 2018 levels). This is a 1.5°C trajectory aligned science-based target.

Further detail on our targets and our progress towards them can be found in our Sustainability Report.

RE100

We joined the RE100 initiative in 2019 and became the first Australian-headquartered insurer to do so. By joining we have committed to sourcing 100 percent renewable electricity across our global operations by the end of 2025.

Led by The Climate Group in partnership with the CDP, RE100 brings together more than 170 of the world’s most influential businesses committed to 100 per cent renewable electricity and accelerating change towards zero carbon grids, at a global scale.

To support the shift to 100 per cent renewable electricity, we will seek to source renewable electricity locally in each of our operating divisions. Where this isn’t possible, renewable energy certificates will be purchased to achieve the 100 per cent commitment.

Carbon neutrality

We have maintained carbon neutrality for our business operations globally since 2018, driving energy efficiency, reducing air travel and offsetting carbon emissions through the Qantas Future Planet Program.

For more information see: the QBE Sustainability Report

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1 Scope 1 are direct emissions related to company car fuel consumption and natural gas heating. Scope 2 are indirect emissions related to electricity consumption.
Climate change is a global challenge requiring the collaborative efforts of a range of stakeholders to minimise economic disruption and deliver an orderly transition to a low carbon economy. We engage in climate-related partnerships for impact, working with government, industry, customers and community groups.

**Sustainability memberships and initiatives**
- Actuaries Institute Climate Change Working Group
- CDP
- ClimateWise
- Investor Group on Climate Change
- RE100
- UN Global Compact
- UN-convened Net-Zero Asset Owners Alliance
- UNEP FI PSI
- UNEP FI PRI

**UNEP FI Insurance Pilot**
QBE, along with 22 other global reinsurers and insurers, has been part of the UNEP FI’s PSI Initiative to pilot the TCFD recommendations for insurance portfolios. The aim of the initiative is to contribute to the development of consistent and transparent analytical approaches that can be used to identify, assess and disclose climate change-related risks and opportunities.

The initiative has covered physical, transition and liability risks and opportunities. QBE has been a member of the working group looking at transition risk in the property sector in Australia.

**Australian Sustainable Finance Initiative**
QBE is a member of the Insurance Council of Australia’s Climate Change Action Committee (CCAC). The CCAC initiated a number of projects to address the challenges of climate change in Australia in relation to developing standards for energy efficient homes, improving building standards for floods and cyclones, and community resilience to sea level rise.

**Climate Measurement Standards Initiative**
QBE, in collaboration with banks, insurers and asset owners, has been actively involved in the CMSI, which has developed standards for assessing climate physical risk projections of damage to property in Australia.

The CMSI has delivered a report with recommendations on disclosure and a report by CSIRO, Bureau of Meteorology and University of NSW on the expected impact of climate change on cyclones, storms, floods, sea-level rise and bushfires in Australia.

**Insurance Council of Australia – Climate Change Action Committee**
QBE has funded and been an active participant at all levels of the Australian Sustainable Finance Initiative (ASF). ASF has developed a roadmap that recommends pathways, policies and frameworks to enable the financial services sector to contribute more systematically to transition to a more resilient and sustainable economy, consistent with global goals such as the SDGs, the Paris Agreement on climate change and the Sendai Framework on Disaster Risk Reduction 2015–2030.

**Disaster relief and resilience partnerships**
Our three-year global disaster relief and resilience partnerships with Red Cross and Save the Children enable the rapid mobilisation of support for disaster relief activities in response to catastrophic events, and support disaster preparedness and climate resilience initiatives for vulnerable communities around the world.

Our partnership vision is to work with communities to build their resilience and save lives by improving their capacity to prepare, anticipate, respond and recover from disasters.
More information

For more information see: About QBE and Financial Reports and Presentations on our website.

www.qbe.com