

Focus Area 1

Foster an orderly and inclusive **transition** to a net-zero economy



This Focus Area recognises that the transition to a net-zero economy and the reduction in emissions will help to reduce the risks associated with climate change that impact us and our customers, communities and economies. However, we understand that a successful transition will take the collective effort of multiple stakeholders, including governments, regulators, the finance sector and other industries, businesses, individuals and communities.

An orderly transition occurs when climate policies are introduced early to reduce emissions in a measured way to meet climate goals. This provides greater economic stability, business confidence, and lower risk of business failure through the transition process.

An inclusive transition is critical – one that aims to leave no one behind. For example, the energy transition is likely to significantly impact communities and businesses linked to non-renewable energy production. Additionally, the physical risks of climate change will disproportionately impact developing and island nations and those individuals, or less secure socioeconomic groups, within communities. The risks associated with climate change are likely to have global economic, physical and food security implications over time.

We continue to work toward our commitment of a net-zero underwriting portfolio by 2050, a net-zero investment portfolio by 2050 and net zero across our own operations by 2030, as outlined in the following pages.

¹ Based on the RE100 Climate Group's materiality threshold guidance which excludes countries with small electricity loads (<100MWh/year and up to a total of 500MWh/year) and where it is not feasible to source renewable electricity via any credible sourcing options. We meet our RE100 commitment through a combination of contracts with electricity suppliers and purchasing unbundled energy attribute certificates.

100%

Electricity use across QBE's offices certified as renewable¹

(achieved)

75%

Reduction of Scope 1 and 2 carbon emissions since 2018

Target of 30% by 2025

4.6%

Climate Solutions investments

Target 5% of the total investment portfolio by 2025

Engagements in 2023

100%

external fund managers across our investment portfolio

20 highest emitters

in our investment grade corporate credit portfolio

Our underwriting approach towards a net-zero economy

We continue to refine our approach to how we foster an orderly and inclusive transition, support our customers and communities and support the global transition to a net-zero economy through our underwriting strategy. QBE's success in reducing real-world emissions in our underwriting portfolio is reliant on many factors, including development of new technologies and methodologies to support emissions reduction and removal, government action, and continuous improvement in and access to quality emissions data. It will also rely on the collective progress made by individuals, businesses and economies to transition to net zero.

We are taking an outside-in approach – by putting customers' needs first – as we progress our 'Net zero in Underwriting' strategy. This work is being led by our Group Underwriting Committee, with regular updates to the Environmental and Social Group Executive Committee sub-committee, under the guidance of our Group Chief Underwriting Officer.

We are focused on three important areas:

Customer engagement and insights

Engagement is key because our ability to reach a net-zero underwriting portfolio is dependent on our customers' ability to reduce their own emissions and ultimately become net zero. Initially, we are focused on customers in our Australasian, Canadian and European businesses, defined as Priority Customers, who:

- we have a material commercial relationship with, based on Gross Written Premium; and
- operate in higher-emitting sectors (e.g. fossil fuel extraction and use; transportation; agriculture).

Engagement with customers allows us to better understand how we can help support them to reduce their emissions. We look to engage at least our 50 Priority Customers at time of renewal to gather data that we have not previously captured

to understand their net-zero ambitions and how they plan to achieve these through decarbonisation efforts. Customer insights are invaluable to refining our net-zero underwriting approach, helping us to identify areas for improvement, guiding product and service innovation, and aligning our efforts with customers' expectations by co-creating solutions.

Innovative products and services

In July 2023, we took another step towards aligning our underwriting capabilities with the transition by launching insurance for Australian renewable energy projects. We are the first insurer in the Australian market to offer 'cradle to grave' coverage across a project's lifecycle: from construction of renewable energy infrastructure, through to operation, upgrading and decommissioning.

Emissions modelling and tracking

We support emissions reporting to provide transparency and to enable progress on transition planning across our value chain, recognising that poor data capture and quality may result in inaccurate estimations of emissions and progress on reductions. Insurers, including QBE, have a material data challenge in measuring and disclosing attributable emissions in relation to their underwriting portfolios as policyholders can range from small and medium enterprises, with limited publicly available emissions data and where emissions disclosures are yet to be standardised, through to large corporates. This initiative focuses on commercial lines and private motor, subject to available methodologies, data and regulation.

Our work is ongoing, as emissions data coverage and quality is expected to continue to improve globally, driven predominantly by growth in sustainability reporting regulations. QBE remains focused on supporting an orderly and inclusive transition to a net-zero economy through better data and reporting to inform decision-making.

Biodiversity

Our Environmental and Social Risk Framework (E&S Risk Framework) outlines our approach to addressing key environment and social risks across our underwriting and investment portfolios, including risks relating to protected areas, such as UNESCO World Heritage Sites. This year, we contributed to the Insurance Council of Australia's *Valuing Nature for a Resilient Future* report, designed to assist the Australian insurance sector to prepare for the Taskforce on Nature-related Financial Disclosures framework and outlining practical steps for insurers to help protect the natural environment. QBE also contributed to the *Roadmap: Identification and integration of nature-related risks and impacts in underwriting and insurance brokerage*, through the ClimateWise Nature and Insurance Task Group. The roadmap seeks to provide a path towards nature-positive underwriting.

Impact and responsible investments

QBE seeks to responsibly invest our premium income across the globe. We factor sustainability considerations into our investment decision-making processes, with a continued focus on climate change transition and emissions reduction, as we look to transition our investment portfolio to a net-zero economy.

Climate change continues to be a critical factor in our approach to impact and responsible investing. This is captured across four pillars and underpinned by our Investment Philosophy Framework, which is focused on the protection and growth of appropriate stakeholder value, consistent with our purpose of enabling a more resilient future. The Framework is designed to deliver an investment outcome that supports QBE's strategic objectives. It is also supported by our Impact and Responsible Investments Standard, which outlines our approach to responsible investments and supports compliance with QBE's Risk Management Strategy, QBE's E&S Risk Framework, and other relevant policies. The pillars demonstrate the investment strategies and activities utilised in QBE's responsible investments approach to drive real-world outcomes alongside investment returns for QBE. The pillars also support our commitment to maintaining a low-carbon risk rating in the Scope 1 and 2 weighted average carbon intensity of our investment grade corporate credit portfolio,¹ as measured in our data book. Further information is available in our E&S Risk Framework, and our Annual Report on page 20. QBE is a signatory to the United Nations (UN) Principles for Responsible Investment and the UN-Convened Net-Zero Asset Owner Alliance.

Financing the transition to a net-zero economy

QBE continues to make progress on our 2025 intermediate targets through emissions reductions and investing in nature-based solutions that support carbon avoidance and removal. We are committed to aligning our investment activities with a net-zero future. In line with this, and supporting our target to have 5% of assets under management invested in climate solutions by 2025, we committed to our first investment into a nature-based solutions forestry fund in 2023, which will start investing in 2024. The fund will invest in both the productive use and long-term stewardship of forests and land through sustainable real asset investments, with a focus on investing in sustainable timber to meet rising demand for wood-based products, and generating carbon credits through increased carbon sequestration in trees and in soil, and from land management. Progress against our other Scorecard commitments can be found in our data book.

Human rights modern slavery

As a global insurer and reinsurer with diverse and complex operations and supply chains, we understand the importance of embedding human rights due diligence and considerations across our business. Any actual, or potential, violation of human rights is likely to have multifaceted risk consequences, such as reputation, brand, financial, legal, regulatory and operational risk, as well as risk to our people, customers and broader stakeholders.

In 2023, we refreshed our Group Human Rights Policy, outlining the principles governing how we manage human rights across our operations and supply chains. Our Group Sustainability team is responsible for policy implementation and monitoring our progress in consultation with stakeholders across the business. Further information about our approach to managing human rights and our Modern Slavery and Human Trafficking Statement can be found on our website.

[+ Click here to see our approach to Human Rights.](#)

¹ Carbon risk rating measures exposure to carbon-intensive companies. MSCI Carbon Risk is categorised as Very Low (0 to <15), Low (15 to <70), Moderate (70 to <250), High (250 to <525) and Very High (>=525).



Operations

In 2023, we progressed our commitment to net zero by 2030 for our global operations. Across each of our divisions, we formed working groups to identify further initiatives to reduce our operational emissions.

This year, our Scope 1 and 2 emissions were 75% lower than our 2018 baseline year emissions (and consistent with our 2022 emissions). While our gas and electricity use has decreased from last year, this decrease was offset by a 15% increase in emissions from fleet vehicles, in line with business growth. Our material Scope 3 emissions that form part of our net-zero operational commitment, have increased by 22% from 2022 as business travel returns to pre-COVID-19 levels.

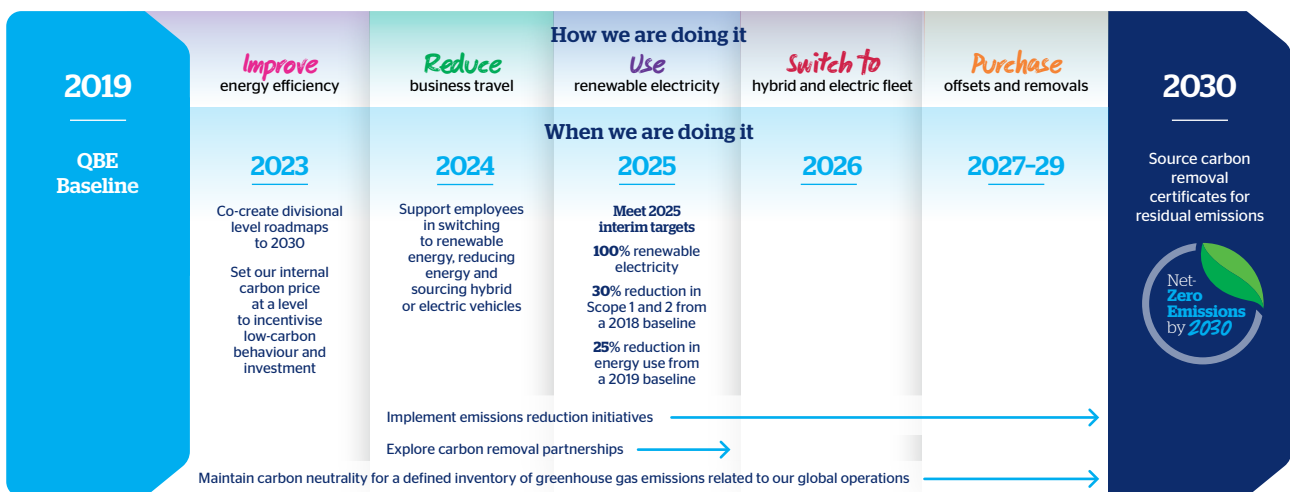
We have continued transitioning our fleet to low-emissions vehicles, where infrastructure is available to support this. In Australia and New Zealand, our fleet comprises 69% hybrid and 65% hybrid/electric vehicles, respectively, and in North America, our fleet includes one fully electric and 54 full-hybrid trucks.

We also continued to optimise our office space, releasing surplus floorspace and improving resource efficiency, where possible. In North America, we installed solar panels at our Ramsey, Minnesota office. We also upgraded the fit-out for our largest campus, Sun Prairie, Wisconsin, installing automated lighting controls with motion sensors and automatic shutoff during non-core hours. In Australia, we achieved our second 6 Star Green Star Interiors v1.3 rating for our Sydney CBD office.

In 2023, 100% of our electricity use across QBE's offices (excluding Bermuda and the Pacific Islands) was certified as renewable,¹ meeting our 2025 RE100 target for the third year, using a combination of electricity contracts and unbundled energy attribute certificates. In 2023, QBE maintained carbon neutrality² by purchasing renewable energy and fire abatement carbon offset certificates to cover residual emissions for a defined inventory³ of greenhouse gas emissions related to our global operations, as described in our data book. To further embed climate considerations into operational decision-making, we have set our internal carbon price at \$65 per metric tonne of carbon dioxide equivalent. We plan to use this to support internal investment in emissions reduction initiatives as well as any expenditure required to maintain our environmental commitments.

In 2023, our Employee Champion Networks delivered local initiatives to support our employees' participation in sustainability-related activities. For example, in 2019, our employees in Cebu planted mangrove propagules along the coastline of Naga, Cebu. In 2021, the mangroves played an important role by absorbing some of Typhoon Rai's devastating force and mitigating its impact on coastal areas. Encouraged by this, in 2023, the team planted 10,000 mangrove propagules in Barangay Tuyom, Carcar City to preserve biodiversity and fortify natural defences against the impacts of typhoons and storm surges.

Net-zero operational roadmap



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 2 Please refer to our data book (Focus Area 1 and Metrics Criteria) for all definitions, calculations, assumptions and methodologies.
 3 Defined inventory includes some purchased goods and services, capital goods, fuel- and energy-related activities, waste generated in operations, business travel, employee commuting and downstream-leased assets. Please refer to our data book for further information.