



# CLIMATE TRANSPARENCY REPORT 2020

QBE Insurance Group Limited

# About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

## About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-D7BAEF8D-873C-4D4F-BF61-B3E84EB6BBF9/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

# TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	✓	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Private				
SG 13.5 CC	✓	Private				
SG 13.6 CC	✓	Private				
SG 13.7 CC	✓	Private				
SG 13.8 CC	✓	Private				
SG 14.1	✓	Private				
SG 14.2	✓	Private				
SG 14.3	✓	Private				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Private				
SG 15.2	✓	Private				
SG 15.3	✓	Private				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

# ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
<b>Name</b>	QBE Insurance Group Limited
<b>Signatory Category</b>	Insurance company
<b>Signatory Type</b>	Asset Owner
<b>Size</b>	US\$ 10 - 29.99 billion AUM
<b>Main Asset Class</b>	Multi-Asset
<b>Signed PRI Initiative</b>	2014
<b>Region</b>	Oceania
<b>Country</b>	Australia
<b>Disclosure of Voluntary Indicators</b>	27% from 38 Voluntary indicators

# QBE Insurance Group Limited

## Reported Information

### Public version

### Strategy and Governance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 01.1** Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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**SG 01.6 CC** Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

QBE signed the public statement of support for the Taskforce for Climate-related Disclosures in 2018, that same year completed a High Level Impact Assessment with Deloitte on transition and physical risks for the organisation, in both investment portfolio, and in the insurance side of the business. Further information in the QBE 2019 Annual Report which incorporates Climate Risk reporting and our TCFD Roadmap. This includes detail on our work to complete an initial carbon footprint of our fixed income (corporate credit) portfolio based on weighted average carbon intensity, including a retrospective analysis which considered the carbon intensity of the corporate credit portfolio for the past five years. This baseline identified that the corporate credit 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. We also established processes for the ongoing monitoring of our portfolio and we continue to engage with issuers identified as the highest emitters in our corporate credit portfolio.

No

**SG 01.7 CC** Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

Describe the associated timescales linked to these risks and opportunities.

Time horizons - Taking into account average policy duration allowing for renewals, as well as the average term of its investments, QBE defines short, medium, and long-term risk time horizons as follows: Short-term: 0 to 3 years; Medium-term: 3 to 8 years Long-term: 8+ years

No

**SG 01.8 CC** Indicate whether the organisation publicly supports the TCFD?

Yes

No

**SG 01.9  
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

QBE supports the international climate agreement developed at the 2015 Paris Conference and the Nationally Determined Contributions of the countries in which we operate. In 2019, we developed and published 'Our Approach to Climate Change', outlining how we work across governance, risk management and underwriting, investments, people and operations, and through our climate partnerships for impact.

In our 2019 Annual Report released on 17 February 2020 (p32 to 36), we published our second disclosure in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). This details our approach to managing our climate-related risks and opportunities, including our progress and performance against our Climate Change Action Plan.

QBE 2019 Annual Report:

<https://www.qbe.com/-/media/group/qbe-annual-report-2019.pdf>

No

**SG 1.10  
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

specify

Refer to QBE 2019 Annual Report <https://www.qbe.com/-/media/group/qbe-annual-report-2019.pdf>

- We currently do not publish TCFD disclosures

## Governance and human resources

**SG 07 CC**

**Mandatory to Report Voluntary to Disclose**

**Public**

**Descriptive**

**General**

**SG 07.5  
CC**

Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or heads of departments

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Portfolio managers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investment analysts

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Investor relations

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

External managers or service providers

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues



**SG 07.6  
CC**

For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.

We continue to support the objectives of the Paris Agreement and the Nationally Determined Contributions of the countries in which we operate. We fully support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and, in 2018, we publicly committed to enhancing our disclosures in line with the TCFD recommendations. Consistent with our governance practices, we are developing appropriate strategic and risk management approaches to the climate-related risks and opportunities we have identified in order to strengthen the resilience of our business and support our customers.

The QBE Sustainability Report and QBE Annual Report provide an outline of the Governance structure of organisational ESG and sustainability reporting responsibilities for the QBE Group, across investment and underwriting. (Refer to the QBE 2019 Sustainability Report page 6. Page 32-37 of the QBE 2019 Annual Report for QBE's current disclosures related to TCFD, and details our approach to managing our climate-related risks and opportunities, including our progress and performance against our Climate Change Action Plan.)

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. The Board Risk & Capital Committee and the Executive Non-Financial Risk Committee received quarterly reports on environment, social and governance (ESG) issues, including climate change. This year, we established three working groups under the Climate Change Steering Committee to focus our work in the key areas of physical, transition and liability risk. These cross functional groups comprise representatives from our underwriting, finance, investment, risk, sustainability, strategy, reinsurance and product development teams and reach across all our divisions.

**SG 07.7  
CC**

For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

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. The Board Risk & Capital Committee and the Executive Non-Financial Risk Committee received quarterly reports on environment, social and governance (ESG) issues, including climate change.

In relation to management-level roles, this year, we established three working groups under the Climate Change Steering Committee to focus our work in the key areas of physical, transition and liability risk. These cross functional groups comprise representatives from our underwriting, finance, investment, risk, sustainability, strategy, reinsurance and product development teams and reach across all our divisions. Further information in the QBE 2019 Annual Report clearly lays out the climate governance framework.

**SG 07.8  
CC**

Indicate how your organisation engages external investment managers and/or service providers on the TCFD recommendations and their implementation.

- Request that external managers and/or service providers incorporate TCFD into mainstream financial filings (annual financial reports, other regulatory reporting or similar)
- Request incorporation of TCFD into regular client reporting
- Request that external managers complete PRI climate indicator reporting
- Request responses to TCFD Fund Manager questions in the PRI Asset Owner Guide
- Other
- We do not engage with external managers and/or service providers on the TCFD recommendations and their implementation

## ESG issues in asset allocation

**SG 13**

**Mandatory**

**Public**

**Descriptive**

**PRI 1**

**SG 13.1**

Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors

Describe

Our risk management processes and systems are robust, aligned to global best practice. Our Enterprise Risk Management framework incorporates our risk management processes determining risk appetite; governance, risk and control assessments; stress and scenario- testing; reporting, risk modelling, capital management; and monitoring our risk culture. Investment scenario analysis in scope.

- Yes, in order to assess future climate-related risks and opportunities

Describe

Climate-related risk is a type of strategic risk, which we identify, assess and manage using our Enterprise Risk Management (ERM) framework and ESG business practices. Climate-related risk is implicitly considered within insurance, credit, market, liquidity, operational risk classes. This year we undertook transition and physical risk scenario analysis.

- No, our organisation does not currently carry out scenario analysis and/or modelling

**SG 13.2**

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify

The QBE Group Energy Policy outlines restrictions within investment strategy to avoid assets with exposure to climate risk <https://www.qbe.com/media-centre/qbe-group-energy-policy>

- We do not consider ESG issues in strategic asset allocation

**SG 13.3**

Additional information. [OPTIONAL]

Analysis: transition risks and opportunities in emissions intensive industries

In 2019, we undertook scenario analysis to identify the risks and opportunities associated with the transition to a low carbon economy. We focused on three industries which will require significant changes if the world is to meet the goals of the Paris Agreement - energy, transport and heavy industry. We developed two qualitative scenarios consistent with meeting the objective of the Paris Agreement. The first scenario is early and coordinated transition driven by political ambition, regulatory and policy support. The second scenario presented a delayed and uncoordinated transition, with ambitious action around 2025-30. We then held deep dive workshops to identify the risks and opportunities associated with each of the three industries.

We identified a range of opportunities and risks across underwriting and investment, both at a high level and at an industry specific level. Risks include changes to insurance premiums in declining sectors, stranded assets and regulatory and reputation risks. Our Group Energy Policy is a response to risks in the energy sector, including targetting zero direct investment in thermal coal industry. We continued to grow our investment exposure to low carbon projects through Premiums4Good

<b>SG 14 CC</b>	Voluntary	Public	General
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SG 14.6  
CC

Provide further details on the key metric(s) used to assess climate-related risks and opportunities.

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
<b>Weighted average carbon intensity</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Corporate Credit portfolio - baseline	WACI	Per MSCI, WACI Portfolio exposure to carbon-intensive companies, expressed in tonnes CO2e / \$M revenue.
<b>Exposure to carbon-related assets</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Infrastructure assets	\$M	GICs Sector coverage, supplemented with MSCI Screen Data

SG 14.8  
CC

Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

- ⊙ Processes for climate-related risks are integrated into overall risk management

Please describe

### Climate Risk

In 2018, we completed a high level impact assessment of climate risk across investment and underwriting, determining priorities and short, medium and long term considerations, and developed a Climate Change Action Plan and began implementing this in 2019. Climate Risk is considered a strategic risk within the QBE Risk Management System.

**Governance** The highest governing body for ESG and sustainability-related issues is our Group Board of Directors. The Board is supported by the Board Risk & Capital Committee (BRCC) which oversees and guides QBE's sustainability approach, initiatives and reporting requirements. The Group Sustainability team provides an update on sustainability performance and activity to the BRCC at each of its meetings (six meetings were held in 2019), including updates from Group Investments Impact and Responsible Investments. Our Group Executive Committee (GEC) reviews and approves our agenda and priorities and receives updates on these throughout the year. An Executive Non-Financial Risk Committee (ENFRC) was formed in 2019 to support the GEC in managing non-financial risks.

### Group ESG Risk team

The Group ESG Risk team reports to the Group Chief Risk Officer (CRO), a GEC member. QBE added a Group ESG Risk team in 2018. The team provides second line risk function and is responsible for coordinating the identification, analysis and management of ESG risks and integration into our risk management practices and systems. The team supports our climate change working groups on managing our approach to climate risks and opportunities. This team works alongside the Impact & Responsible Investment team and provides a second line risk function for Group Investments.

### Risk Management

We use a robust risk identification, measurement and mitigation process. As part of our RMS, we categorise risks into eight classes, with ESG risks across underwriting and investments classified as strategic risks, as well as being integrated into other risk classes. In 2019, we developed an ESG Risk Standard, as part of our Strategic Risk Policy, outlining the process of identifying and managing ESG risks across the business. Our ESG Risk Standard applies to indirect ESG risks (defined as risks which impact QBE from external sources). Direct ESG risks are addressed and managed by other functions of the business. Our Standard outlines governance and oversight, associated roles and responsibilities, and minimum requirements for managing ESG risks. ESG risks are reported to the Group Chief Risk Officer (CRO) quarterly, with our ESG Risk Committee focusing on any ESG risks that are deemed to be high risk. The Committee proposes actions to the ENFRC following such discussions. During 2019, the Group ESG Risk team continued to analyse and manage ESG risks, and engage with teams across the business to raise awareness of these risks.

- Processes for climate-related risks are not integrated into overall risk management

**SG 14.9  
CC**

Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

- Yes

Please describe

We continue to support the objectives of the Paris Agreement and the Nationally Determined Contributions of the countries in which we operate. We fully support the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and, in 2018, we publicly committed to enhancing our disclosures in line with the TCFD recommendations.

We initiated dialogue with our external managers, and with issuers in which we invest, in regard to TCFD. With external managers: In 2018 in manager selection and monitoring, we strengthened our external fund manager reviews and annual ESG review for all existing managers. In 2019, we continued our ESG reviews and engagement with our external managers, including understanding their progress on TCFD disclosures, and more detailed dives on specific issue areas and asset classes.

In 2019 we completed an initial carbon footprint of our fixed income (corporate credit) portfolio based on weighted average carbon intensity, including a retrospective analysis which considered the carbon intensity of the corporate credit portfolio for the past five years. This baseline identified that the corporate credit 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. We also established processes for the ongoing monitoring of our portfolio and we continue to engage with issuers identified as the highest emitters in our corporate credit portfolio, as well as in relation to our support for TCFD and to understand their progress to develop a roadmap and disclose in line with TCFD.

As a listed insurance organisation, and through our membership of various bodies such as Investor Group on Climate Change (IGCC), and Renewable Energy 100 (RE100), we acknowledge climate risk as a material and strategic risk for QBE, the industry and our customers, through this we support adoption of TCFD by others.

- No, we do not undertake active ownership activities.
- No, we do not undertake active ownership activities to encourage TCFD adoption.