

# Climate change: transitioning to a low-carbon future

As an international insurer and reinsurer, we regularly witness first-hand the impacts of a rapidly changing climate on our customers and communities. We view climate change as a material risk for our business, as well as a driver of innovation and new opportunities. We are well aware of the acute and chronic physical risks of climate change, as well as the transition, regulatory change, liability and other risks associated with changes in policy, laws, technology and markets.

Our role is to financially protect people and their assets, support recovery efforts when catastrophes occur and reduce the economic and social impacts of climate change on our customers and communities. We accept scientific evidence and assessments made by the Intergovernmental Panel on Climate Change, and strongly support the Paris Agreement, which aims to limit global warming this century to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C.

We have completed our 2018 Climate Action Plan and implemented the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which we will continue to update and refine. In 2020, we focused on expanding our scenario analysis and have adapted our catastrophe models to allow us to consider a range of potential impacts of climate change through to 2090. Our [2020 Annual Report](#) describes our progress on climate change management in detail.

We are progressing well on our commitment to phase out all direct insurance services for thermal coal customers by 2030, at the latest. We continued to maintain zero direct investments in thermal coal and remain focused on our commitment to source 100% renewable electricity for our operations by 2025. Our Group Energy Policy has been integrated into our Environmental and Social Risk Framework as part of the broader suite of sector positions.

Going forward, our focus for tackling climate change will be on the following areas:

- building resilience for our customers and communities;
- strategically investing towards a net-zero economy;
- strategic integration of climate change risks and opportunities across QBE;
- aligning our business operations and the actions of our people to reduce our footprint and support climate action; and
- continued transparency regarding our governance and performance.

## Collaborating on climate change

QBE, along with 22 other global reinsurers and insurers, has been part of the UN Environment Programme Finance Initiative's Principles for Sustainable Insurance (PSI) Initiative to pilot the TCFD recommendations. The PSI's aim was to develop consistent and transparent analytical approaches that can be used to identify, assess and disclose climate change-related risks and opportunities in insurance portfolios in a forward-looking, scenario-based manner. The pilot covered climate-related physical, transition and litigation risks and opportunities. QBE has been a member of the Working Group focused on transition risk in the property sector in Australia, which developed a model to assess the risk. We will explore piloting this model in 2021. We have also been a member of the litigation Working Group, which has complemented our internal analysis on climate-related liability risk.

## Our renewable energy portfolio

We have a longstanding role in the energy sector, insuring customers that support global energy markets. Sustainability and transitioning to a lower carbon economy are of increasing importance to our customers, many of whom have committed to meeting a net-zero pledge by 2050 not only in their own business activities, but also for the end-users of their products.

Energy markets are one of the most complex systems in the world. Every country depends on ample, affordable and uninterrupted quantities of energy to meet the varying requirements of their grids, in addition to those from their industrial users, transportation needs and individual consumers. Energy systems must factor in a growing global population, while also aiming to significantly reduce greenhouse gas emissions.

Energy producers are a pivotal part of the transition to a sustainable future, supporting the scaling up of existing technology and driving the development of new technologies and innovation. Whatever changes will come, our customers are a key part of delivering on these ambitions. At QBE, we work with our customers to help them realise their ambitions, many of which now relate to setting long-term plans to navigate these many changes. The events of 2020 have been a driver for a record year of commitments, initiatives and projects from our customer base. Sustainability is core to discussions with our customers

**i** Further information can be found in [Sustainable insurance](#).

**i** The detailed report from the Initiative is publicly available [here](#).

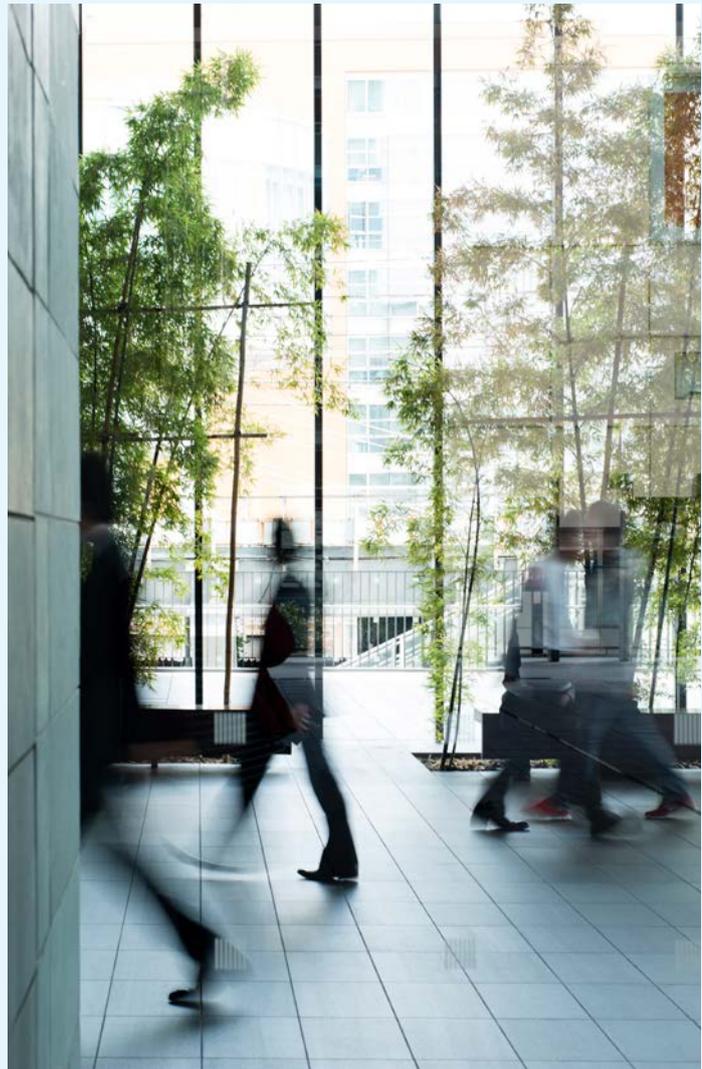
as they take on these new initiatives and transform their operations to combat climate change in ways that would have been nearly unimaginable even just a decade ago.

In recognition of the challenges facing this dynamic industry, we are proud to support the insurance of the Dogger Bank wind farm project off the north east coast of England – a joint venture project undertaken by two of our customers. This has resulted in the world’s largest offshore wind farm with capacity to power up to 4.5 million homes.

In Europe, we have increased our overall renewable energy book of business by around 50% to \$33 million. This is in addition to the many other sustainable business initiatives and projects we undertake.

In Asia, we provide power generation insurance and, as our customers transition to alternative energy sources, we continue to support them with risk management expertise and solutions. This year, our Vietnam office co-hosted a webinar with DEHN on mitigating risks such as lightning and surge damage to solar and wind farms. The webinar allowed us to showcase our expertise in engineering insurance, and provided technical insights and advice to our customers, as well as demonstrating the benefit of working collaboratively with our partners to provide comprehensive solutions.

**i** Further detail can be found in **Climate change - our approach to risks and opportunities in our 2020 Annual Report.**



### Investing in a net-zero economy

In November 2020, we committed to achieving net-zero greenhouse gas emissions by 2050 in our investment portfolio by joining the UN-convened Net-Zero Asset Owner Alliance, an international group of institutional investors committed to transitioning to a low-carbon economy. 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 GHG emissions by 2050. We recognise that this will be a challenge as, globally, there is no single recognised pathway to reaching net-zero yet. 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.

**i** Further information about our commitment can be found in the **Impact and Responsible Investments** chapter.

