

QBE Investing in a sustainable future



Context

Responsible investment is a powerful tool in tackling climate change. The insurance industry is one of the largest investors in assets globally, with trillions of dollars of assets under management, and therefore it has an opportunity to reorient significant capital flows towards climate-positive solutions. Against this backdrop, QBE has championed impact investing, that is investments made with the intention to

generate positive, measurable social and environmental impact alongside a financial return. Taking a leadership position, QBE has proactively committed to achieving net zero emissions by 2050 in its investment portfolio and committed to sourcing 100% renewable electricity across global operations by the end of 2025.

Company action

Investing policyholder premiums is a core business activity for insurance organisations; it helps maintain the value of the premiums collected and helps continue to pay claims. In 2020, in support of the global need to transition towards a low carbon economy, QBE not only committed to achieving net zero emissions by 2050 in its investment portfolio but became the first Australian headquartered insurance business to join the UN-convened Net-Zero Asset Owner Alliance.

QBE's journey towards recognising the role of capital to drive sustainable real-world outcomes and positive impact began in 2014, launching an impact investing initiative known as Premiums4Good.

Premiums4Good is an innovative global initiative that sees QBE integrate social and business value by connecting insurance

customer premiums to growing demand for impact investments. Impact investments are investments which aim to deliver a market rate financial return and deliver an additional, measurable social and/or environmental benefit. Under the initiative, a portion of all QBE premiums are allocated to impact investments. Additionally, select customers can 'opt in' to direct 25% of their insurance premiums into impact investments that deliver these additional benefits.

Since its inception in 2014, the initiative has reached its initial ambition of growing impact investments to \$1 billion USD ahead of target. By the end of December 2020, Premiums4Good had grown to 68 securities, with \$1.1 billion USD, and a significant number of the investments across many environmental and social areas including sustainable energy, resource efficiency and financial inclusion.

To build on this momentum, QBE is now aiming to grow the pool of impact investments to \$2 billion USD by 2025.

As part of QBE's commitment to net zero and impact investing, a current area of exploration is in negative emissions investments. These are investments that will sequester carbon from the atmosphere, which are required to ultimately achieve net zero emissions in the economy. QBE believes investable opportunities exist specifically in Nature Based Solutions, defined as actions for societal challenges that are inspired by processes

and the functioning of nature, such as sustainable forestry and agriculture.

In addition to the commitments in its investment portfolio, QBE has integrated sustainability across the business. In 2018 QBE committed to the Taskforce on Climate Related Financial Disclosure, in 2019 became the first Australian-headquartered insurer to join the RE100 and remains focused on the commitment to source 100% renewable electricity across its global operations by the end of 2025.

The Lloyd's link

The Lloyd's market has a long track record in being part of the solution to some of the world's most material global risks in terms of frequency and severity. The market contributes to the communities in which it operates, and crucially helps them to recover from disaster.

Today, through a global platform and community called Futureset, Lloyd's is playing a leading role in understanding and providing solutions for our most challenging systemic risks, such as climate change and pandemics. As the world's leading insurance market, this initiative reflects Lloyd's

recognition of the critical role that insurance plays in protecting society and supporting global economic growth and resilience.

Together, this places QBE and those within the Lloyd's market and beyond, in a unique position to drive greater focus and action on Environmental, Social and Governance issues to help mitigate climate risk through sustainable investment activities like Premiums4Good.

The future

Looking ahead, QBE is committed to exploring strategies to align its investment portfolio with net zero emissions by 2050, including setting and communicating interim targets. Part of this journey will involve addressing the challenges currently faced by businesses moving towards net zero. These include the availability of suitable assets, and the need to clearly define

the metrics and methodology used to calculate the emissions of an asset portfolio. To overcome these barriers, QBE will look to collaborate with peers, such as those in the UN-convened Net-Zero Asset Owner Alliance, to tackle the problem collectively in an effort to transition to a low carbon economy.

