



# Impact and responsible investments

QBE seeks to responsibly invest our proprietary assets, including our premium income, across the globe. As an international, multi-asset, multi-currency investor, and a signatory to the UN Principles for Responsible Investment (PRI), we factor ESG considerations into our investment decision-making processes to seek to manage risk, improve long-term, risk-adjusted financial returns, and align our approach with stakeholder expectations.

## Our approach

We believe that by investing responsibly, we can achieve better risk-adjusted returns with the aim of benefitting the planet and the communities in which we operate. As a responsible global investor, we recognise that our decisions can have a positive or negative impact on the economy, the environment, and our communities.

QBE maintains a multi-asset, multi-currency portfolio, with most of the portfolio invested in fixed income. Our assets are managed by a mix of in-house portfolio managers, analysts, and external fund managers.

Our Investment Philosophy Framework is designed to deliver an investment outcome that facilitates the protection and growth of appropriate stakeholder value. The framework applies to all of our assets under management (AUM). It provides an overview of our commitment, and approach, to responsible investing including:

- our approach to positive and negative screening;
- how we integrate ESG factors into our due diligence;
- how we conduct ongoing engagement with investees and external fund managers;
- our management of climate-related risks and opportunities; and
- how we provide appropriate transparency and reporting.

Market value of  
Premiums4Good  
investments

**\$1.6 billion**

↑ from \$1.4 billion 2021

Number of  
Premiums4Good  
investments

**108 securities**

↑ from 83 securities in 2021

Engagements  
throughout 2022

**18 external  
fund managers**

across our  
investment portfolio

**20 highest  
emitters**

in our investment grade  
corporate credit portfolio



## Our Responsible Investments approach



### Screening



### ESG integration



### Engagement



### Impact investing

Our Responsible Investments approach is captured across the four pillars outlined above and is underpinned by our Investment Philosophy Framework, the Impact and Responsible Investments guidelines, QBE's Environmental and Social (E&S) Risk Framework, and our newly implemented Group Human Rights Policy, which all combine to inform the ESG factors in our investment decision-making processes and systems. Each pillar builds upon the previous one and our 2022 progress in these areas is outlined below.

#### Screening

As an organisation that helps people and businesses protect themselves from risk, maintaining an understanding of ESG issues enables QBE to manage risks and identify opportunities. Our E&S Risk Framework outlines our approach to screening, and exclusions, to address key E&S risks across our investment activities. All direct investments are subject to the E&S Risk Framework, which specifies detailed commitments and criteria for a range of sectors we have identified as higher risk, including:

- **defence:** controversial weapons and firearms; and
- **energy:** coal, oil sands and Arctic drilling, oil, and gas.

At the beginning of 2022, we fully implemented the E&S Risk Framework, which promotes informed decision-making consistent with QBE's commitment to responsible investment.

Our [E&S Risk Framework](#) is available on our website.

#### ESG integration

We consider ESG integration approaches across all asset classes through the inclusion of material ESG factors into investment analysis and decision-making. This is a collaborative process across our entire Group Investments team.

#### In-house fixed income

Our fixed income portfolio represents 89% of our total investment assets, with investment grade corporate credit representing 50%. All issuers must be consistent with relevant

criteria set out in our E&S Risk Framework, [Group Sanctions Policy](#) and [Group Human Rights Policy](#). We integrate ESG into the credit analysis process through our internal, proprietary credit assessment framework that identifies suitability and eligibility for our portfolio. Screening for ESG performance includes a quantitative assessment using independent ESG ratings. Portfolio managers additionally undertake qualitative ESG analysis on each issuer. ESG factors are prioritised based on materiality considerations for the issuer and/or sector. This process was enhanced in 2022 to further incorporate material human rights considerations. Updated focus areas included policies, controversies, labour standards, and diversity, equity and inclusion, informed by data sourced from our third-party data provider. In 2023, we will continue to enhance our ESG integration capabilities across material topics for our portfolio, and the ongoing monitoring of issuers to identify material ESG developments.

#### Externally managed funds

We also invest across multiple asset classes utilising external fund managers, and are committed to ensuring they are aligned with QBE's Responsible Investments approach. We are committed to a minimum of 90% of our external managers being PRI signatories. ESG considerations form an integral part of our manager selection, appointment, and monitoring processes. Building on the work completed in 2021, which saw us set a performance baseline for each manager, in 2022, we further enhanced our process by introducing additional asset class-specific due diligence questions. We conduct an annual ESG review of all existing managers, with additional engagement activities if material issues arise. As part of the implementation of our Group Human Rights Policy, we also incorporated additional human rights-focused questions for all external managers. We have been an investor member of the Global Real Estate Sustainability Benchmark since 2018. Our real estate portfolio's year-on-year sustainability performance has continued to improve, and we are pleased that it has again received a 5-star rating, and top quintile performance recognition.

## Impact and responsible investments continued

### Engagement

Engagement is our preferred method of effecting impactful change, and has continued to be a key focus area in 2022. We believe that having meaningful dialogue on key ESG considerations is a critical component of our responsibility as an asset owner, to seek to ensure sustainable financial outcomes.

We engage with all our external fund managers and adopt targeted engagement with the top 20 highest emitters in our investment grade corporate credit portfolio. Our objective is to gain insight into these investees' integration of material ESG issues. This allows us to understand our exposure to ESG risks and opportunities, and gives us the ability to influence real world outcomes.

In 2022, these key focus areas were:

- climate risks and opportunities;
- net-zero commitments and target setting;
- diversity, equity, and inclusion; and
- human rights: policies, controversies, modern slavery, and labour standard.

This approach allowed us to produce a quantitative indicator score of how our external fund managers are implementing responsible investment practices and approaching these key ESG areas.

A key focus of our external fund manager reviews and discussions continues to be climate change. Positively, we saw increased ambition to transition their investment portfolios to net-zero emissions through bringing forward net-zero targets to an earlier date, increased resourcing, and further integration of emissions reduction considerations into key investment decisions.

For our top 20 highest emitters in our investment grade corporate credit portfolio, we tailored and enhanced our engagement approach in 2022 by identifying material areas of focus per issuer and directing targeted questions to each one to allow for more meaningful and relevant dialogue.

This allows us to monitor and review our fixed income investments in relation to ESG considerations and better ensure the companies we invest in are working towards net zero 2050 alignment and targets, climate reporting in line with the Task Force on Climate-related Financial Disclosures and business viability plans for a net zero-aligned economy.

Our aim is for consistency in our engagement approach across our external managers and top 20 targeted investees. We first began engagement with the latter cohort in 2021. As dialogue progresses, we will look to mature our approach to tracking engagement progress across all our corporate credit issuers.

### Impact investing

Impact investments seek to generate appropriate risk-adjusted returns along with a positive, measurable, social and/or environmental benefit. Over the last seven years, QBE has sought to maintain leadership in impact investing, and to support its growth and development among our industry peers and other asset owners. An integral part of our approach to impact investments is our Premiums4Good initiative, outlined on the following page.



### Impact investing in practice

In 2022, Premiums4Good invested in the Asian Development Bank (ADB) Health Thematic Bond, which supports ADB member countries in their COVID-19 pandemic response and efforts to achieve universal health coverage throughout Asia and the Pacific. Through this investment, working capital was directed to Bangladesh, which was severely impacted by the pandemic. To mitigate the risk of spread, it was important to implement and scale up Bangladesh's national vaccination program. The ADB, through its Asia Pacific Vaccine Access Facility program, supported the Government of Bangladesh in its vaccination efforts.

The project will support the procurement of approximately 113 million vaccine doses, which will be administered to more than 40 million Bangladeshis by 2024. The ADB is not only providing vaccine financing, but will also support administration and implementation of the project by working closely with the Bangladesh Government.

The ADB has a vision for a prosperous, inclusive, resilient, and sustainable Asia and Pacific region, and QBE is proud to support its efforts.



## Premiums4Good

Premiums4Good is our innovative impact investing initiative that sees us invest everyday premiums to make a difference to communities across the globe.

As a responsible institutional investor, we invest for impact while seeking an attractive risk-adjusted return. Premiums4Good supports our belief that we can deliver attractive risk-adjusted returns and business value, while delivering a positive social and/or environmental impact.

Through Premiums4Good, we invest a portion of our customers' premiums into impact investments with the intention of creating positive social and/or environmental outcomes, along with a financial return, at no extra cost to the customer. Investments are made across many asset classes including fixed income, equity, infrastructure, social bonds and real estate. From renewable energy initiatives to social services, and programs to support vulnerable people and communities – Premiums4Good helps us, together with our customers, to work toward a more resilient, equitable future.

Our aim is to scale our impact investments with integrity through good impact governance, investment selection, systems, and reporting. We classify all our impact investments as having 'moderate', 'high', or 'deep' impact, informed by our involvement in the Impact Management Project and the Global Impact Investing Network. These classifications are made through an internal framework and confirmed by our external Classification of Social and Environmental Investments Committee, which is comprised of two QBE representatives and four independent impact experts.

Premiums4Good ambition

**\$2B**

by 2025

**i** Please see Responsible Investments in our [data book](#).

**Premiums4Good**  
Click to learn more

### Our Premiums4Good Process

