General Casualty Company of Wisconsin (GCW)
NAIC Number 24414
Group Number 0796
Group Name QBE INS GRP

Climate Risk Survey-TCFD Reporting Year 2022

Governance – narrative

1. Disclose the insurer's governance around climate-related risks and opportunities. In disclosing the insurer's governance around climate-related risks and opportunities insurers should consider including the following:

• Identify and include any publicly stated goals on climate-related risks and opportunities.

• Describe where climate-related disclosure is handled within the insurer's structure, e.g., at a group level, entity level, or a combination. If handled at the group level, describe what activities are undertaken at the company level.

A. Describe the board and/or committee responsible for the oversight of climate-related risks and opportunities.

In describing the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks, insurers should consider including the following:

• Describe the position on the board and/or committee responsible for the oversight of managing the climate-related financial risks.

B. Describe management's role in assessing and managing climate-related risks and opportunities.

QBE response – FY22

The Board approves QBE's strategic priorities, which includes consideration of climate risks and opportunities. The Group Executive Committee (GEC) is accountable for developing and implementing the strategy.

The Board and the GEC receive regular reporting on sustainability issues and our progress towards our sustainability and climate-related goals and targets, as outlined in our 2022 Sustainability Scorecard. The GEC is supported by the Environmental and Social GEC Sub-Committee which focuses on environmental and social strategic issues including climate change. The Sub-Committee is chaired by our Group Executive, Corporate Affairs and Sustainability and meets at least every two months.

As part of the oversight of the Group's Risk Management Strategy, the Board Risk & Capital Committee (BRCC) and the Executive Risk Committee (ERC) receive regular reports on environmental, social and governance (ESG) risks, including deep dives on climate change risk, QBE's approach to managing this risk, and our scenario analysis for 2022.

The ESG Risk Committee continues to play a key role in ESG risks, including climate change. The ESG Risk Committee is chaired by the Group Chief Risk Officer and has oversight of the Environmental and Social Risk Framework and its implementation, as well as climate scenario analysis and climate disclosures.

Our Board and Executives participate in regular training to enhance climate change capability. In 2022, the BRCC and ERC joined externally facilitated education sessions covering the evolving and accelerating liability landscape, board and management duties and exposures, reporting and disclosure, and regulatory expectations.

Governance – closed ended questions answered in addition to the narrative

• Does the insurer have publicly stated goals on climate-related risks and opportunities? (Y)

• Does your board have a member, members, a committee, or committees responsible for the oversight of managing the climate-related financial risk? (Y)

• Does management have a role in assessing climate-related risks and opportunities? (Y)

• Does management have a role in managing climate-related risks and opportunities? (Y)

Strategy – narrative

2. Disclose the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy, and financial planning where such information is material.

In disclosing the actual and potential impacts of climate-related risks and opportunities on the insurer's businesses, strategy and financial planning, insurers should consider including the following:

• Describe the steps the insurer has taken to engage key constituencies on the topic of climate risk and resiliency.

• Describe the insurer's plan to assess, reduce, or mitigate its greenhouse gas emissions in its operations or organizations.*

A. Describe the climate-related risks and opportunities the insurer has identified over the short, medium, and long term. In describing the climate-related risks and opportunities the insurer has identified over the short, medium, and longer term, insurers should consider including the following:

• Define short, medium, and long-term, if different than 1-5years as short term, 5-10years as medium term, and 10-30 years as long term.

B. Describe the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning.

In describing the impact of climate-related risks and opportunities on the insurer's business, strategy, and financial planning, insurers should consider including the following:

• Discuss if and how the insurer provides products or services to support the transition to a low carbon economy or helps customers adapt to climate-related risk.

• Discuss if and how the insurer makes investments to support the transition to a low carbon economy.

C. Describe the resilience of the insurer's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

QBE response – FY22

QBE has committed to be a net-zero emissions organisation across our operations by 2030, and across our underwriting and investment portfolios by 2050. Addressing the risks and opportunities associated with climate change is a priority for QBE and our stakeholders.

In 2022, climate change was a key consideration in the evolution of our sustainability strategy and is highly relevant to our three areas of focus:

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

2. Enable a sustainable and resilient workforce

3. Partner for growth through innovative, sustainable and impactful solutions

We recognise the importance of addressing climate change and incorporating climate-related risks and opportunities into our strategic priorities, business planning and decision-making to meet our environmental and social commitments and enable a resilient future for our business and our customers.

To underpin our understanding of climate risks and opportunities, we have continued to undertake physical and transition scenario analysis. Understanding the changing nature of weather-related risks is critical to considering how we can help our customers manage their physical risks and how we price for and manage the accumulation of this risk.

In 2022, we have undertaken a global, economy-wide transition scenario analysis which has highlighted the risks and opportunities associated with the pathways to achieving net-zero emissions. While there is more work to be done to deepen our understanding and response to the decarbonisation journey, current data indicates QBE is broadly resilient.

There are environmental and social benefits to an orderly transition to 1.5^{O}C through greater economic stability and lower physical risks of climate change. As a global insurer and reinsurer, we have the ability to support the transition across many industries and regions through the products and partners we work with across our insurance portfolio, investment portfolio and own operations.

QBE's sustainability commitments in relation to these focus areas for 2023+ are detailed in our 2022 Sustainability Report.

Reducing our emissions

In 2022, we continued to deliver on our internal net-zero roadmap. We extended our 2030 commitment to net zero, for our global operations, to include material Scope 3 emissions (in addition to Scope 1 and Scope 2 emissions). This year our Scope 1 and 2 emissions were 75% lower than in 2018 (our Scope 1 and 2 emissions target base year). Our Scope 3 emissions have increased just 4% since 2018 despite the inclusion of additional emissions sources such as those attributable to employee commuting, fuel and energy-related services (which includes upstream energy), capital goods and downstream leased assets. In 2022, relative to 2021, Scope 1, 2 and 3 emissions have increased as we've reverted to a business-as-usual operating environment that included increased office occupancy, business travel and commuting. Our emissions data and measurement approach are described in our QBE 2022 Sustainability Data Book, and we will continue to improve the way we measure and capture our Scope 3 emissions as guided by appropriate practices, frameworks and standards. Emissions from fuel use in fleet vehicles make up most of our Scope 1 emissions and, for United Kingdom-based employees, we have implemented an updated policy for our fleet vehicles, stipulating that we will only use hybrid and electric vehicles. Our Australian fleet is now made up of 49% hybrid vehicles and in North America, 87% of our fleet have RAM eTorque engines (a 'mild hybrid', fuel-efficient technology).

Our Scope 2 emissions are a result of purchased electricity and heat across our operations. This year, 100% of our electricity use across QBE offices (excluding the Pacific Islands and Bermuda) was certified as renewable, supporting our RE100 commitment to 100% renewable electricity by 2025. In our smaller operations in the Pacific Islands and Bermuda, where we are unable to source certified renewable electricity, we continued to implement energy efficiency opportunities during 2022 including LED lighting, appliance upgrades, and introducing sensors and timers for lights and air conditioning. We achieved our first 6 Star Green Star Interiors v1.3 rating for our new Parramatta office and have further optimised the office space we occupy in line with our new ways of working, releasing surplus floorspace in Australia, the United States, the United Kingdom, Canada and Hong Kong.

We have maintained carbon neutrality for our defined inventory of emissions related to our global operations, as defined in our QBE 2022 Sustainability Data Book. This is achieved by offsetting our residual emissions with certified carbon credits generated from renewable energy and land fire abatement projects.

Climate related products and services

As a business, we continually explore new ways to support our customers on their mitigation and adaptation journeys.

To encourage green home ownership and increase affordability of green home ownership, this year we continually explore new ways to support our customers on their mitigation and adaptation journeys. To encourage green home ownership and increase affordability of green home ownership, in 2022 we launched a new benefit for lenders' mortgage insurance (LMI) customers. Customers who purchase or refinance a home with a green mortgage (through our participating partners) receive a premium reduction for their LMI. 100% of the LMI premiums for green mortgages are contributed to our Premiums4Good initiative.

In 2022, QBE launched a Sustainable Energy unit to support customers as they transition to lower carbon energy. The unit aligns QBE underwriting capabilities with the growing range of companies and energy systems that form part of a rapidly changing energy mix throughout the world.

Financing the transition

We have set a target to increase our exposure to climate solution investments that will finance the transition. Our target is to increase our assets under management in climate solutions investments to 5% by 2025.

These investments will directly contribute to climate change mitigation and/or adaptation and follows guidance from the NZAOA Target Setting Protocol. In 2022, this has increased to 4.8% from 3% at the end of 2021. Notably, in 2022 we added $134 million in green bonds. Green bonds fund projects that have positive environmental benefits and support the transition to a net-zero economy. We will continue to actively invest in green bonds as well as search for additional opportunities that support the transition to a net-zero economy including negative emissions investments.

Strategy - closed ended questions answered in addition to the narrative

• Has the insurer taken steps to engage key constituencies on the topic of climate risk and resiliency? (Y) *

• Does the insurer provide products or services to support the transition to a low carbon economy or help customers adapt to climate risk? (Y)

• Does the insurer make investments to support the transition to a low carbon economy? (Y)

• Does the insurer have a plan to assess, reduce or mitigate its greenhouse gas emissions in its operations or organizations? (Y)*

Risk Management – narrative

3. Disclose how the insurer identifies, assesses, and manages climate-related risks.

In disclosing how the insurer identifies, assesses, and manages climate-related risks, insurers should consider including the following:

• Describe how the insurer considers the impact of climate related risks on its underwriting portfolio, and how the company is managing its underwriting exposure with respect to physical, transition and liability risk.*

• Describe any steps the insurer has taken to encourage policyholders to manage their potential physical and transition climate related risks, if applicable.*

• Describe how the insurer has considered the impact of climate-related risks on its investment portfolio, including what investment classes have been considered.*

A. Describe the insurers' processes for identifying and assessing climate-related risks.

In describing the insurers' processes for identifying and assessing climate-related risks, insurers should consider including the following:

• Discuss whether the process includes an assessment of financial implications and how frequently the process is completed.*

B. Describe the insurer's processes for managing climate-related risks.

C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management. In describing how processes for identifying, assessing, and managing climate-related risks are integrated into the insurer's overall risk management, insurers should consider including the following:

• Discuss whether climate-related risks are addressed through the insurer's general enterprise-risk management process or a separate process and how frequently the process is completed.

• Discuss the climate scenarios utilized by the insurer to analyze its underwriting risks, including which risk factors the scenarios consider, what types of scenarios are used, and what timeframes are considered.

• Discuss the climate scenarios utilized by the insurer to analyze risks on its investments, including which risk factors are utilized, what types of scenarios are used, and what timeframes are considered.

QBE response – FY22

Managing climate risk is integrated into our assessment of natural perils modelling, our management of exposure accumulations, the design of our reinsurance program and our portfolio optimisation and sustainable growth strategic priorities. Further, managing the risks and opportunities of climate is integrated into the three focus areas of our sustainability strategy.

The sustained increase in the frequency and severity of natural catastrophes represents a challenge where we provide cover for physical loss or damage to assets. It also increases the potential for third party injury and/or damage. Given this, we have spent considerable time over the past two years analysing what the potential impacts of climate change may be from a physical, liability and transition risk perspective, and we have used this analysis to assess the resilience of our strategic responses, improve our underwriting, pricing and business planning, and to set our risk appetite.

QBE has a Risk Management Strategy to ensure we achieve our strategic priorities while also establishing effective governance and fundamental principles for the management of risk across all levels of the organisation. Climate change is part of ESG risk, which is classified as a strategic risk sub-class in our Strategic Risk Policy and Risk Management Strategy. Climate-related risks are also considered across our other risk classes such as insurance, credit, market and operational risk.

Our approach to identifying and managing ESG risks, including climate-related risks, is outlined in our Group ESG Risk Standard. Climate change continued to be our top ESG risk in 2022, alongside modern slavery and human rights, biodiversity, and sustainable procurement.

One of the ways we can identify and assess ESG risks is through the Group Risk and Control Self-Assessment (RCSA) process. QBE's Group RCSA Standard sets minimum requirements for identifying, documenting, and assessing key risks that QBE faces in delivering our strategic and business objectives. The Standard is also used to assess the effectiveness of the controls in place to manage those risks.

Climate change is a material business risk for QBE, potentially impacting our business and customers in the medium to long term. We have considered short-term scenarios that could affect our insurance business written to date and current investments. Climate change is expected to increasingly impact the frequency and severity of weather-related natural catastrophes over the long term. In the short term, it is often difficult to distinguish the impact of climate change from the normal variability in weather and natural catastrophes. Claims in respect of classes most impacted by these events (e.g. property classes) are typically reported and settled soon after the claim event, and climate change is therefore not expected to materially impact the level of uncertainty in estimating the ultimate cost of those claims. QBE looks to manage for natural catastrophe volatility by considering a wide range of event frequency and severity scenarios in our capital planning, and by purchasing a comprehensive Group catastrophe reinsurance program. QBE's investments continue to be resilient with respect to climate transition risks as they have limited exposure to highly impacted sectors. Given the medium to long-term nature of the estimated impacts of climate transition, this factor is not expected to be significant to the fair value measurement of the Group's investment assets at the balance date.

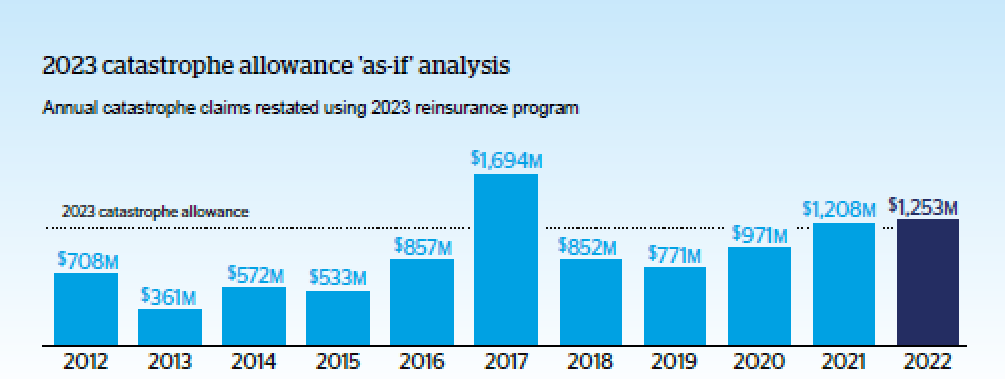
Physical risks and opportunities

QBE's property exposures most impacted by shorter-term physical risks of climate change are typically driven by exposure to North American hurricanes, and perils such of the impact is supported by our accumulations management process, including regularly updated natural perils models, monitoring of property accumulations across the portfolio to simulate weather-related loss potential, budgeting, price setting, and the use of reinsurance to protect capital and reduce earnings volatility.

Our analysis concludes that the impact of climate change of catastrophes. From the perils and regions studied so far, most impacted, while cyclones and convective storms in North America and Australia may take a little longer (mid-century). As part of our portfolio optimisation, we have reduced our exposure to North American hurricane given its significance in terms of its exposure to physical climate risk and driving potential losses for our business.

We expect climate change will increasingly impact the frequency and severity of weather-related natural catastrophes distinguish the impact of climate change versus the normal short-term variability in weather and natural catastrophes.

QBE looks to manage for natural catastrophe volatility by considering a wide range of event frequency and severity scenarios in our capital planning. We also purchase a comprehensive Group catastrophe reinsurance program. Our catastrophe allowance in 2023 has been established at well above the long-term average of our modelled catastrophe costs. We effectively planned for the elevated level of catastrophe activity experienced in recent years.



Transition risks and opportunities

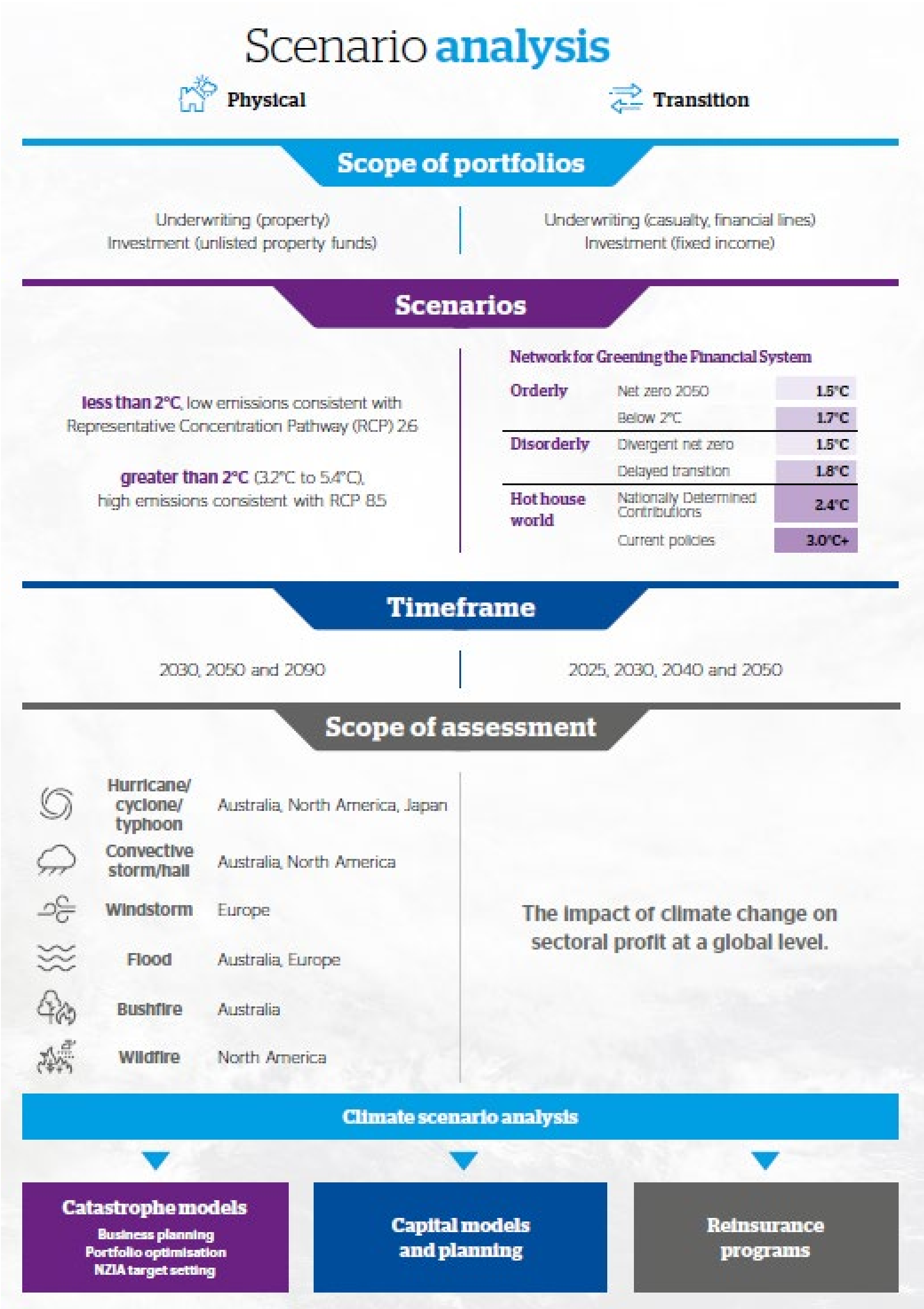
In 2022, we refreshed our climate transition scenario analysis to align with six of the latest Network for Greening the Financial System scenarios. We then overlayed QBE's exposure, where data allowed, to better understand which segments of our insurance and investment portfolios may be exposed to high growth or contraction sectors as a result of the transition to a net-zero economy.

For investment, this was the fixed income (core fixed income ex cash and cash equivalents), high yield, emerging market debt and private credit) portfolio and for underwriting it was initially covered represent the material proportion of the underwriting portfolio that is likely to be affected by transition risk. Our property portfolio is more exposed to physical risk and we assess that separately, as outlined in this report.

In 2022, we have made a significant investment in data, people and systems to allow us to better understand our underwriting exposure at a sectoral level. This work is ongoing as it supports our insurance-associated emissions baseline and target setting. We expect that data coverage and reliability will improve over time.

QBE has a diverse portfolio and operates in many industry sectors and geographies. In relation to the in-scope portfolios, QBE continues to be resilient with respect to climate transition risks as both our investment and underwriting portfolios broadly have limited exposure to highly impacted sectors.

There is an expectation that governments will follow through on their own commitments under the Paris Agreement and the transition will require insurance capacity to support activities essential to the global economy and society. We need to work with the most impacted industry sectors to transition in an orderly and inclusive manner to achieve a net-zero economy.



Risk Management – closed ended questions answered in addition to the narrative

• Does the insurer have a process for identifying climate-related risks? (Y)

o If yes, are climate-related risks addressed through the insurer's general enterprise-risk management process? (Y)

• Does the insurer have a process for assessing climate-related risks? (Y)

o If yes, does the process include an assessment of financial implications? (Y)

• Does the insurer have a process for managing climate-related risks? (Y)

• Has the insurer considered the impact of climate-related risks on its underwriting portfolio? (Y)*

• Has the insurer taken steps to encourage policyholders to manage their potential climate-related risks? (N)*

• Has the insurer considered the impact of climate-related risks on its investment portfolio? (Y)*

• Has the insurer utilized climate scenarios to analyze their underwriting risk? (Y)

• Has the insurer utilized climate scenarios to analyze their investment risk? (Y)

Metrics and Targets – narrative

4. Disclose the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material.

In disclosing the metrics and targets used to assess and manage relevant collateralized risks and opportunities where such information is material, insurers should consider including the following:

Discuss how the insurer uses catastrophe modelling to manage the climate-related risks to your business. Please specify for which climate-related risks the insurer uses catastrophe models to assess, if any.

A. Disclose the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process.

In disclosing the metrics used by the insurer to assess climate-related risks and opportunities in line with its strategy and risk management process, insurers should consider including the following:

• In describing the metrics used by the insurer to assess and monitor climate risks, consider the amount of exposure to business lines, sectors, and geographies vulnerable to climate-related physical risks [answer in absolute amounts and percentages if possible], alignment with climate scenarios, [1 in 100 years probable maximum loss, Climate VaR, carbon intensity], and the amount of financed or underwritten carbon emissions)

B. Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

C. Describe the targets used by the insurer to manage climate-related risks and opportunities and performance against targets.

QBE response – FY22

We continue to set relevant targets and assess our progress and performance against them.

The QBE 2022 Sustainability Data Book includes our full set of sustainability metrics and targets.

Our key climate-related metrics and targets are in the following table.

MEASURE	TARGET	2022	2021	STATUS
Operations				
Energy use (GJ)	25% reduction by 2025 [1] *2019 baseline*	**192,429** *↓ 20%*	180,004	On track
Renewable electricity use (MWh)	100% by 2025 [2]	**18,513** *100%*	20,199	Achieved
Scope 1 and 2 emissions (1.5°C trajectory aligned science-based target) (tCO_2e)	30% reduction by 2025 [3] *2018 baseline*	**7,732** *↓ 75%*	6,880	Achieved
Scope 1 and 2 emissions	Net-zero emissions (Scope 1 and 2) across operations by 2030 [4] *2019 baseline*	**7,732** *↓ 45%*	6,880	On track
Operational Scope 3 emissions	Net-zero emissions on material Scope 3 by 2030 [5]	**15,896**	2022 baseline	New target
Underwriting				
Underwriting portfolio emissions	Net-zero emissions (Scope 1 and 2) in underwriting portfolio by 2050	**N/A**	N/A	Interim targets to be set
Investments				
Engagement	• All external managers across our investment portfolio • 20 highest emitters in investment grade corporate credit portfolio	**Achieved**	N/A	Ongoing
Financing the transition	Increase our climate solutions investments to 5% of assets under management by 2025	**4.8%**	N/A	On track
Carbon intensity reduction	25% reduction by 2025 of Scope 1 and 2 emissions in equity portfolio [6]	**In progress**	N/A	Ongoing
Impact investing ambition	$2 billion by 2025	**$1.6 billion**	$1.4 billion	On track

1 In 2022, we broadened our energy use indicator to include company vehicle fuel consumption, in addition to electricity and gas usage. As a result, the 2019 baseline has been restated to include 86,228 GJ of company vehicle fuel consumption.
2 Based on RE100 Materiality Threshold guidance and excludes electricity use from countries with small electricity loads (<100 MWh/year) up to a total of 500 MWh/year and where it is not feasible to source renewable electricity.
3 In 2022, we reclassified previously reported Scope 3 – indirect gas to Scope 2 – heat for disclosure purposes. The 2018 baseline has been restated to include 1,186 tCO_2e of Scope 2 – heat.
4 In 2022, we reclassified previously reported Scope 3 – indirect gas to Scope 2 – heat for disclosure purposes. The 2019 baseline has been restated to include 1,274 tCO_2e of Scope 2 – heat.
5 Net-zero emissions on material Scope 3 includes emissions related to business travel, fuel-and energy-related activities and capital goods. Refer to the 2022 Sustainability Data Book – Metrics Criteria for details.
6 We have worked with preferred managers to ensure these are considered in mandate design and implementation, and will continue to track and monitor.

Investment portfolio metrics

- **Temperature alignment**

We have commenced implementation of a new investment system which has allowed us to undertake a new temperature alignment assessment of the investment grade corporate credit portfolio. This forward-looking analysis was undertaken utilising the temperature alignment metric which shows how well aligned an issuer's, and also a portfolio's, emission projections are to the Paris Agreement.

This level of analysis will allow us to target our engagement to those companies that are not aligned and work with them to decarbonise. Our investment grade corporate credit temperature alignment is 2.1°C, against a benchmark of 2.4°C. We will continue to engage with our highest emitters in pursuit of 1.5°C alignment.

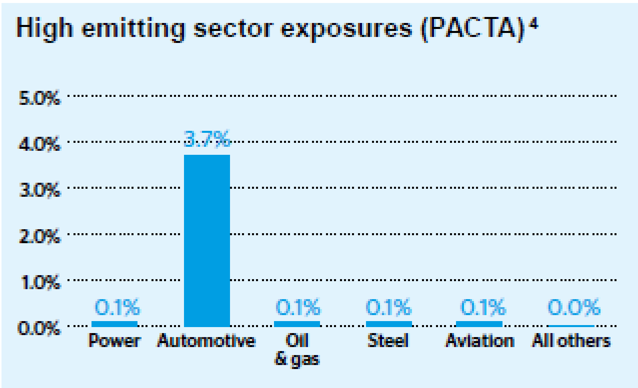
- **Carbon footprinting**

We assessed the carbon footprint of our investment grade corporate credit portfolio, which constitutes over 50% of assets under management, and remains in line with our commitment to maintaining a low carbon risk rating. We use weighted average carbon intensity (WACI) as a measure of our portfolio's exposure to carbon-related potential market and regulatory risks.

The WACI is significantly below the MSCI USD Investment Grade Corporate Bond Index, given our low exposure to high emitting sectors.

- **High emitting sectors**

To assess our transition risk, we have looked at the exposure of our investment grade corporate credit, high yield debt and emerging market debt portfolios (approximately 53% of our total assets under management) to high emitting sectors using the Paris Agreement Capital Transition Assessment (PACTA) tool. Collectively, these sectors account for about 75% of global emissions and understanding our exposure to these industries will enable us to continue to target our engagement strategies. Our transition risk remains low, with less than 5% of our portfolio exposed to these high emitting sectors.



Metrics and Targets – closed ended questions answered in addition to the narrative

- Does the insurer use catastrophe modeling to manage your climate-related risks? (Y)
- Does the insurer use metrics to assess and monitor climate-related risks? (Y)
- Does the insurer have targets to manage climate-related risks and opportunities? (Y)
- Does the insurer have targets to manage climate-related performance? (Y)