

## Australian Ethical support for 2022 QBE climate resolution

Australian Ethical intends to support the shareholder climate resolution to be considered at the 2022 QBE Insurance AGM for the following reasons.

**Resolution 6(b): “Shareholders request the company disclose, in subsequent annual reporting, short, medium and long-term targets to reduce investment and underwriting exposure to oil and gas assets, along with plans and progress to achieve the targets set. The targets should be consistent with the climate goals of the Paris Agreement.”**

Last year, as in the preceding three years, we have engaged with QBE to take action to address their most materials climate impacts, including by winding down their oil and gas exposure. Once again, the company has failed to take adequate action to mitigate the impacts and risks of this business, so we are co-filing with Market Forces again, asking that the company set out their plans to reduce their investment and underwriting exposure to the oil and gas industry, as the need to act on climate change becomes increasingly urgent.

As investors, we want to see the company take action to align their business with the objectives of the Paris agreement, as well as reduce their exposure to risk, by setting targets and criteria to restrict and reduce their fossil fuel investment and underwriting. This is important because of the crucial enabling role of QBE’s underwriting and its particular exposure as an insurer in an increasingly unpredictable and destructive climate.

As it was last year, QBE’s policy is that when making underwriting decisions, it will only from 2030 assess Paris alignment of oil and gas companies with more than 60% revenue from oil and gas extraction, and only from 2040 for companies with more than 30% revenue from oil and gas extraction. No date has been set for companies with less than 30% revenue from oil and gas extraction (such as large diversified miners and energy companies with major oil and gas operations). In addition, the restrictions do not apply to treaty reinsurance of oil and gas sector exposures.

This delay of up to 20 years (and more) and these limitations on scope are inconsistent with the support QBE has expressed for the objectives of the Paris Climate Agreement. QBE’s Notice of Meeting gives no insight into this inconsistency.

The company state: “An exclusionary approach to all fossil fuel–related activity on a categorical basis does not represent an orderly path to a net-zero economy”. However neither does an unconstrained approach. QBE has failed to set targets to reduce their oil and gas business in line with an orderly transition toward net zero, consistent with the Paris Agreement. Businesses like QBE could be facilitating the orderly transition from fossil fuels by announcing their plans for restricting and winding down exposure, and sending a clear signal to their oil and gas customers of the need to avoid new fossil fuel projects which frustrate the objectives of the Paris Agreement and create unacceptable financial risk for those businesses.

A science based transition away from the burning of fossil fuels is required in order to limit the most severe impacts of climate change. To achieve that without impeding the reliability and affordability of energy, which QBE express as their objective, companies like QBE need to disclose to customers and investors their plans for transition, by setting targets over the short, medium and long term to restrict and reduce their investment and underwriting exposure to oil and gas.

QBE has taken some significant steps towards aligning its operations, investment and underwriting with the Paris Agreement. However, postponement of assessment and action in the crucial oil and gas sector to 2030 and beyond is an unignorable gap in the area where QBE can have the most material climate impact: When considering whether to underwrite new long term high emissions projects, responsible insurers should be asking now whether those projects are consistent with the Paris objectives.

Insurance companies and industry groups are drawing attention to the growing risks to their business of continuing global warming. Insurers are calling for government policy and funding to support climate mitigation and adaptation

which will safeguard the accessibility and sustainability of insurance. Support for the resolution signals to QBE that the credibility of these calls relies on insurers playing a proactive role in limiting global warming in the most material areas of their own underwriting and investment activities.

**Resolution 6(a):** *“To insert into our company’s constitution beneath ‘Business of Annual and Other General Meetings’ the following new sub-clause 32(c): “The company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the company partially or exclusively vested in the directors has been or should be exercised. However, such a resolution must relate to an issue of material financial relevance and cannot either advocate action which would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company.”*

Shareholder resolutions give all shareholders an opportunity to consider, discuss and express an opinion on important matters in an organised, efficient and transparent way. Many countries allow shareholder resolutions of this type. Australia already allows non-binding votes on remuneration which have enhanced the quality of company-shareholder engagement without affecting director accountability (as assessed by the Financial Services Council, ACSI, Regnan and many others).

The proposed constitutional amendment does not displace the rights and responsibilities of directors for company business decisions. These shareholder resolutions do not bind directors. They simply supplement (and make more accessible, efficient and transparent) existing avenues for shareholders to express their views, such as private meetings, AGM comments and questions, and voting on the election and re-election of directors.

Shareholder resolutions complement these other avenues by providing a mechanism to raise broader awareness of issues of importance to some shareholders, including awareness of the company’s perspective on the issue. Allowing consideration and discussion, and putting the issue ‘to the vote’, can then help the company and shareholders understand the extent to which those issues are ‘special interest concerns’ or if they are shared more broadly by shareholders. This helps rather than obstructs directors when they need to balance the issues faced by multiple stakeholders, by providing insight into the views of shareholders as an important stakeholder group. The constitutional amendment encourages shareholder input by allowing all shareholders to consider, discuss and vote on material matters raised at meetings of shareholders.

As noted, many countries allow shareholder resolutions that express an opinion or request information. We support amendment of Australian company law to allow and regulate these resolutions in Australia. In the meantime, the proposed constitutional amendment fills the gap and puts QBE in the same position as other listed Australian companies if shareholders support equivalent resolutions for improved governance at other Australian company AGMs.

## Contact

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