



Suncorp Group Ltd
ABN 66 145 290 124
Heritage Lanes
80 Ann Street
Brisbane QLD 4000
GPO Box 1453
Brisbane QLD 4001

4 July 2024

Senator Mehreen Faruqi
Chair
Select Committee on the Impact of Climate Risk on Insurance Premiums and Availability
PO Box 6100
Parliament House
CANBERRA ACT 2600

Via email: climaterisk.insurance.sen@aph.gov.au

Dear Chair,

Thank you for inviting Suncorp to contribute to the Select Committee on the Impact of Climate Risk on Insurance Premiums and Availability ("The Committee").

The Suncorp Group provides insurance products to millions of Australians through our trusted brands including Suncorp Insurance, AAMI, GIO, APIA, Shannons and Vero. With a heritage dating back to 1902, Suncorp's purpose is to "build futures and protect what matters" and is at the core of everything we do.

Australia's current built environment is a consequence of decades of poor planning, putting too many of our citizens in harm's way through no fault of their own. Coupled with climate change, it means that focus and action is required. To assist this process Suncorp has developed a four-point plan for a more resilient Australia (Attachment A).

To better understand the development of climate risks across Australia and the implications on our operations and our customers, Suncorp has made significant investments in building an industry leading Climate Visualisation Index Tool (Attachment B). The tool combines quantitative measures derived from meteorological and oceanographic observations by several international weather agencies including the Bureau of Meteorology, the European Centre for Medium-range Weather Forecasting, the Japanese Meteorological Agency, the National Oceanic and Atmospheric Administration, and NASA. This provides changes in the likelihood of the climate conditions conducive to certain weather events.

Suncorp's latest climate-related Disclosure Report (Attachment C) uses sophisticated data modelling and business intelligence to support our decision making and strategy development. The report details information and scenarios to provide an understanding as of today, within the limitations, uncertainties and assumptions of future climate materials and scenarios.

At Suncorp we are committed to understanding the impact of climate change on our customers and communities. As the attachments demonstrate, we focus on climate risk in these different ways, so that we can help reduce the natural peril risks facing our customers and are able to protect what matters.

At Suncorp, we stand ready to support the Committee and the Parliament in any way we can. Should you have any further questions, please don't hesitate to contact Pravin Madhanagopal, Head of Government and Public Policy,

Yours sincerely,

Lisa Harrison
CEO Consumer Insurance

SUNCORP

Submission to Select Committee
on the Impact of Climate Risk on
Insurance Premiums and
Availability



Attachment A - Proposed policy measures

Suncorp has a history of working with governments to develop and deliver public policy initiatives that reduce the impact of natural hazards on our customers and communities. Proposed policy solutions for the consideration of the Committee include:

Four-point plan to create a more resilient Australia

The mitigation of natural hazard risk and the cost of buying protection through insurance go hand-in-hand. Suncorp has long advocated a four-point plan, specifically;

1. Investment in mitigation infrastructure that protects communities;
2. Grants for property owners to make their dwellings more resilient;
3. Enhancing building codes and better planning to ensure new communities aren't placed at risk, and
4. Removal of unfair and inefficient taxes and charges from insurance policies.

i. Resilience investment

Public investment in rebuilding after natural disasters vastly exceeds the public investment in resilience infrastructure. Investment can range from dam construction, to levee banks and floodwater diversion channels, to better management of waterways to assist flow.

Suncorp supports the Commonwealth Government beginning development of natural hazard risk maps to help identify and prioritise mitigation investment. This should draw on data from government agencies, including the Australian Climate Service, and data from the private sector, including the insurance sector. The natural hazard risk map could show where to allocate public investment in public infrastructure, household level resilience grants, or funding for voluntary buybacks.

In this regard we note the June 2023 announcement by the New Zealand Government that voluntary buyouts will be offered for 'Category 3' residential properties, and co-funding will be provided to build disaster resilience infrastructure for "Category 2" residential properties.¹

While investment in the past year from State and Federal Governments has pleasingly increased, more is needed. Recently, Suncorp welcomed the new funding for the Bundaberg Flood Levee which will green light one of Queensland's most critical flood resilience projects.

STEVE JOHNSTON, SUNCORP GROUP CEO

*"The levee will not only protect homes, businesses and livelihoods in Bundaberg south of the Burnett River, it will also put downward pressure on insurance premiums. The levee could save affected locals on average more than \$1000 a year on their home insurance premium."*²

ii. Provision of subsidies to improve the resilience of private dwellings

Suncorp believes households should be eligible for subsidies to undertake improvements such as the incorporation of flood resilient design and materials into homes, as well as buybacks, raising and other initiatives.

Post the 2022 floods, both the Queensland and NSW governments launched Resilient Home Funds (RHF). These were designed to provide flood-impacted customers with funding grants to increase the resilience of their property while undertaking repairs, through retrofitting and home raising. Opportunities for voluntary home buybacks were also offered.

The Queensland and NSW governments, together with the Federal Government which matched funding, are to be commended for these initiatives, although significantly more investment – and not only in response to flood events – is required.

We believe the case for additional household subsidy level funding will be validated following the completion of a post-implementation study of the Queensland RHF which is currently being undertaken by the University of Queensland and the Queensland Reconstruction Authority.

iii. Better land use planning and building codes

It is imperative that zoning authorities cease development of unsuitable buildings in unsuitable locations. The potential cost of disaster recovery and reconstruction should be considered against the gain of development in areas vulnerable to natural disasters. This requires a national approach and due recognition of the cost of poor decision making.

In December 2022, following a discussion on disaster responses and insurance affordability, National Cabinet announced that a national standard for considering disaster and climate risk will be developed, and that the "days of developing on floodplains need to end".³ To that end, the NSW Government should be commended for its announcement on 29 October 2023 that it will halt development in parts of Sydney's northwest due to flood risk.⁴

Building codes also require modifications and improvements to better reflect the impact of natural disasters. The Insurance Council of Australia has recently welcomed the decision by Commonwealth, state and territory building ministers to include building resilience as a specific objective of the Australian Building Codes Board from 2025.⁵

1. Govt to support councils with buyout and better protection of cyclone and flood affected properties, Beehive.gov.nz

2. Suncorp welcomes flood levee funding for Bundaberg plus hundreds of millions more from Disaster Ready Fund, Suncorpgroup.com.au

3. National Cabinet, Media Statement, December 9, 2022, Meeting of National Cabinet | Prime Minister of Australia (pm.gov.au)

4. Media Release, Deputy Premier, Minister for Planning and Public Spaces Focus on prevention to reduce risk to life during floods in the Hawkesbury-Nepean Valley | NSW Government, October 29, 2023 Queensland and New South Wales (CAT221)

5. Media Release, Insurance Council of Australia, Ministerial commitment to building resilience welcomed, 24 June 2024.

Support for relocation

In the wake of the 2020 Black Summer Bushfires and the 2022 East Coast Floods, the value of assisted relocation of homes and communities in harm's way has become more apparent. Suncorp believes it is time for a national conversation on relocation, as part of the consideration of other options outlined above.

Governments are in the best position to lead this substantial conversation with both individuals and communities.

Relocation of Grantham in southern Queensland after it was flooded in 2011 for the 11th time since it was built in the 19th century is a good example. Many households opted to relocate to higher ground but, importantly, the physical shift was accompanied by social support to continue to bind the community.

iv. Targeted tax relief

Suncorp has been a long-term advocate of tax reform as a key lever to provide short-term relief from affordability pressures.

Suncorp calls upon the Federal Government to work with state and territory governments to help progress the reform agenda and commit to a timetable of changes.

To address immediate affordability issues, we propose targeted cash refunds of insurance stamp duty paid by taxpayers in high-natural hazard -risk zones and in low-income brackets. One possible approach is outlined below:

Step 1

Application

Taxpayers would apply to state and territory governments for refunds after paying insurance stamp duty as part of their premiums.

Step 2

Assessment

State and territory governments would assess – using a natural hazard risk map identifying areas of priority natural perils risks and information about household earnings drawing on income tax return information submitted by the taxpayer – whether the taxpayer qualifies for the refund.

Step 3

Customer payment

The refund would be paid by the relevant state and territory government.

Step 4

Commonwealth special purpose payment

The state and territory government would then “claim” that amount from the Federal Government which would “reimburse” state and territory governments through special purpose payments.

Policy parameters to be considered include: Whether the targeted relief should be permanent or temporary;

- Developing a natural hazard risk map that can be used to determine areas of priority;
- Consultation on the income thresholds at which refunds would be provided (which would then determine the overall fiscal cost of the refunds to the Federal Government); and.
- Whether special purpose payments would be subject to any further conditions including resilience policy related considerations (e.g ., progress on land use or broader insurance tax reform by participating governments).

Attachment B - Climate Visualisation Index Tool

Suncorp has made a significant investment in building an industry leading Climate Visualisation Index Tool to better understand the development of climate risks across Australia and the implications on our operations and our customers. To further explore this matter, we have developed climate indices (quantitative measures derived from various meteorological and oceanographic observations) to condense complex location specific climate information into single indicators of risk. These climate indices express the likelihood of severe weather hazards and explore if an environment would support the development of an event occurring, rather than predict actual weather events. Suncorp has built a vast catalogue of climate indices which illustrate changes in frequency, intensity, and severity of climate-based risks across Australia and New Zealand.

The Suncorp catalogue of climate risk indices includes 52 individual measures of frequency, intensity, and severity of weather extremes that impact Australia. These indices quantify the climate risk over Australia – i.e., the atmospheric and environmental conditions necessary for specific natural hazards to occur and Suncorp coverage for such hazards. This includes, bushfire, extreme rainfall and flooding, tropical cyclones, midlatitude storms and frontal systems, and severe convective storms (predominantly hail). They are constructed from specific climate information referred to as ‘reanalyses’ sourced from leading, international weather agencies such as the Bureau of Meteorology, the European Centre for Medium-range Weather Forecasting, the Japanese Meteorological Agency, the National Oceanic and Atmospheric Administration, and NASA. The tool records data variations in raw climate features, including temperature, humidity, and winds, etc. covering every 25 km² of Australia and surrounding ocean, from the surface to the top of the tropopause (approx.12 km altitude). The tool also provides record data of these raw climate features from 1960-to-present. The vast data available (approximately 20 terabytes) in the Climate Visualisation Index Tool underpins Suncorp’s view of climate risk across Australia and New Zealand.

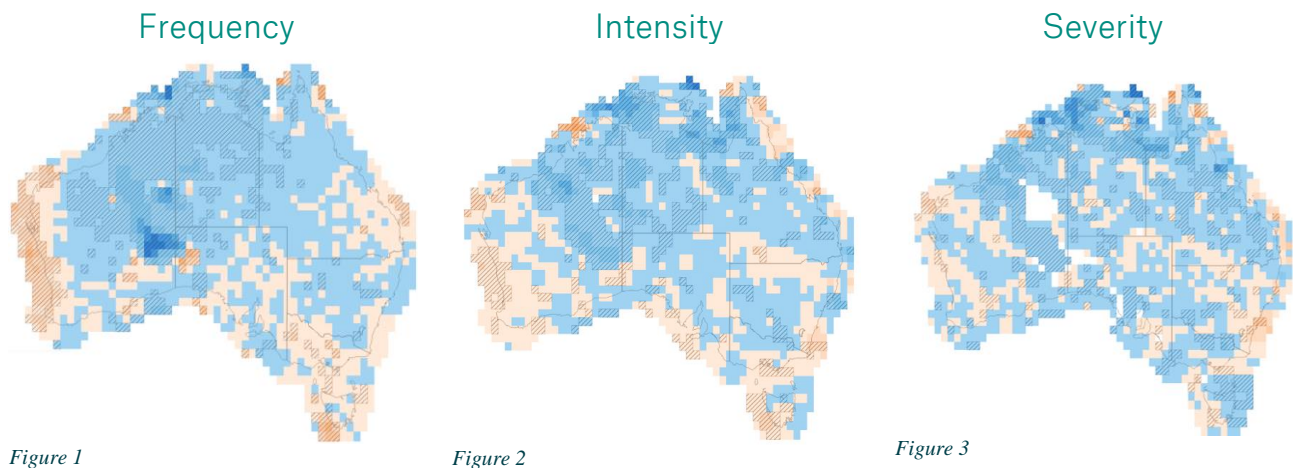
Furthermore, artificial intelligence has been employed to quantify changes in climate risk to assess financial impact, establishing a final ‘risk cost’ estimate for climate-based risks. This allows Suncorp to proactively approach adjustments to technical costs associated with natural hazards in conjunction with observed trends. The predictive ability of the tool allows Suncorp to extend their utility towards seasonal weather forecasting, where climate risks and associated costs can be projected 7-months into the future. The development of the Climate Visualisation Index Tool allows Suncorp to provide insurance products which reflect climate-based risks across Australia and New Zealand.

National Climate Risks, 1960 – Present

- Provided below is an assessment of Australia's climate risk in terms of five major severe weather perils that affect Australian communities.
 - Extreme Rainfall and Flood,
 - Bushfire,
 - Severe Thunderstorms,
 - Midlatitude Storms, and
 - Tropical Cyclones.
- The assessment is expressed in terms of a peril's frequency, intensity, and severity and how these metrics have changed over the last 60 years. Definitions are as follows:
 - **Frequency** is the number of days per year that conditions are highly favourable towards a severe weather event occurring,
 - **Intensity** is the strength of the event (e.g., max wind gust, total rainfall, etc.), and
 - **Severity** is a combination of the two that closely aligns with the insurance cost.
- These assessments give indications as to where climate risks are developing across the continent. Significant trends can facilitate discussions around pricing and underwriting for insurers and provide strategic guidance for disaster preparedness and mitigation actions.

Extreme Rainfall and Flood

Flood risk as measured by Suncorp's Climate Visualisation Index Tool is assumed to be a function of extreme rainfall, i.e. rainfall that would exceed a volume of 50 mm within a day (although even then this is not truly extreme).



The above exemplify the change in flood risk from 1960 to present, where the **blue** colour shading denotes an increase in risk, and the **orange** shading represents a decrease in the risk.

Flood impacts are not just determined by the amount of rainfall that falls within an area but is influenced by the size and shape of the catchment, saturation of the soils, and installed defences to mitigate the impacts of flood on local communities. The Climate Visualisation Index tool does not consider land use and management.

Across Australia, the number of days where rainfall would be considered extreme (more than 50mm) has not changed significantly in the last 60 years (Figure 1). The exception to this is northern Australia where there is a visible increase in the number of extreme rainfall days. Please note, whilst there is a darker blue cluster in WA, this represents an artefact of limited and spurious rainfall observations rather than any actual trend.

Likewise, rainfall intensities (Figure 2) which are typically measured over a five-day period and the severity of rainfall extremes (Figure 3) shows similar patterns, with only significant increases evident for northern Australia.

Observing clear signals in the year-to-year changes of extreme rainfall (that lead to flooding) is difficult, as background climate drivers such as the El Niño Southern Oscillation (ENSO) can influence Australia's seasonal rainfall patterns.

However, these trends are consistent with the current scientific understanding of how rainfall over Australia has changed in recent history and is expected to change over the coming decades.

Bushfire

Bushfires are the result of extreme and persistent temperatures, preconditioned dryness of the environment, abundance of fuels to burn, and probability of ignitions occurring (be it natural or human).

Frequency

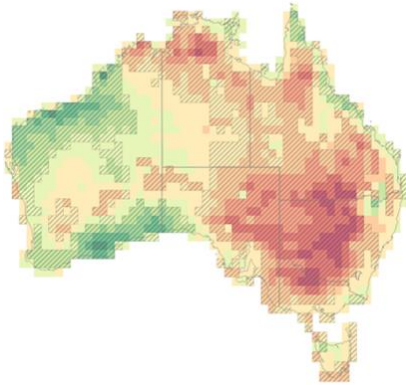


Figure 4

Intensity

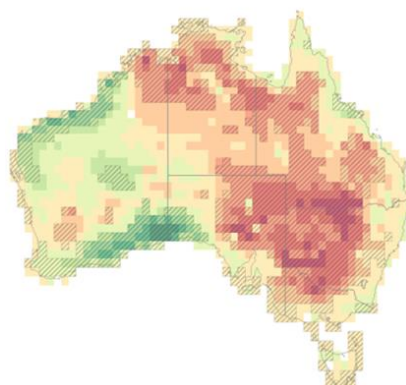


Figure 5

Severity

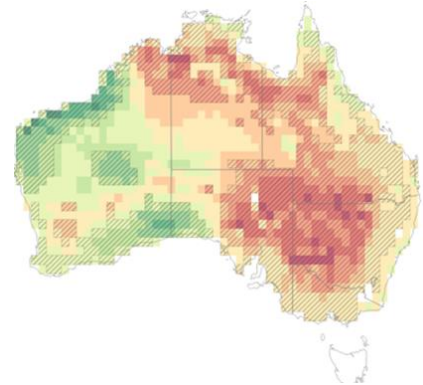


Figure 6

The above figures describe the change in bushfire risk from 1960 to present, where the **red** colour shading denotes an increase in risk, and the **green** shading represents a decrease in the risk.

Suncorp uses the McArthur Forest Fire Danger Index (FFDI) to measure bushfire risk across Australia. The FFDI, established by the CSIRO in 1970s, primarily measures bushfire risk as consequence of how hot and dry the environment is, such that it is sensitive to changes in temperature and rainfall.

The north and northwest of Australia have the highest bushfire risk, regions that are sparsely populated. Periods of extreme hot and dry weather that intermittently develop in south-east Australia (i.e., every 3-7 years) can amplify catastrophic bushfire conditions where there are established communities.

There is no spatially homogeneous trend in bushfire danger over the last 60 years for Australia. Instead, there are contrasting patterns of increasing and declining risk across Australia.

While bushfire danger is increasing in most regions across eastern and northern Australia, the most significant increases are evident for the south-east of Australia (Figure 4). The central regions of NSW, VIC, and SA show a consistent year on year increase in the number of days that present dangerous bushfire weather conditions. These regions experiencing high bushfire risk days are intensifying, with a significant shift towards more severe bushfire danger over the past 60 years (Figure 5).

There is also a significant negative trend towards lower bushfire severity along the south-western coastline, with some isolated patches through central and north WA and along its northern coastline (Figure 6).

The FFDI is limited as it does not take into consideration fuel abundance and dryness (as opposed to dry weather conditions), which have a strong association with historic bushfire activity for south-east Australia. This limitation is evident when observing trends in bushfire severity for Tasmania, where bushfire danger ratings rarely exceed dangerous levels due to low mean annual temperatures. Improvements to the Climate Visualisation Index Tool to assess bushfire danger are required to better assess developing fire risks for Tasmania.

Severe Thunderstorms

Severe thunderstorms are small but intense weather systems that can produce several severe weather phenomena such as destructive winds, tornadoes, flash flooding, and most predominately hail.

Frequency

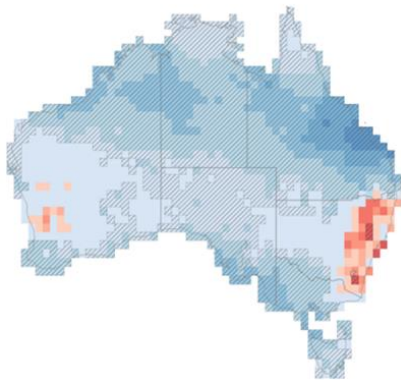


Figure 7

Intensity

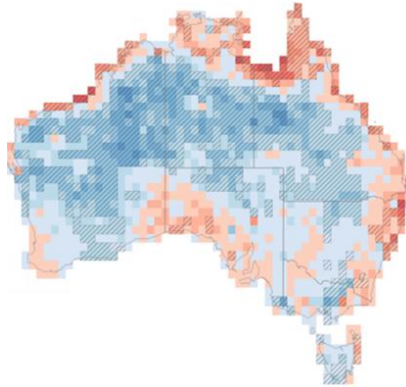


Figure 8

Severity

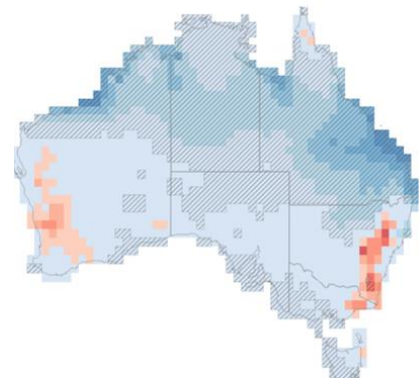


Figure 9

The above figures describe the change in thunderstorm risk from 1960 to present, where the **red** colour shading denotes an increase in risk, and the **blue** shading represents a decrease in the risk. Diagonal lines (or hatching) show where the change is considered 'significant', i.e., the signal is more dominant than the noise.

The central coastline of Eastern Australia is one of the most active regions for severe thunderstorms in Australia, owing to the humid, sub-tropical climate (Figure 7). Additionally, seasonal, strong sea-breezes that blow off the coast and up into the Great Dividing Range create favourable conditions for thunderstorm development.

The number of days that are conducive to severe thunderstorms has decreased for much of Australia over the last 60 years (Figure 7). The exception is the coastline and eastern interior of NSW, and the greater Perth region where there has been an increase. Overall, the change in frequency is quite small, measuring at less than 1 day per decade.

Severe thunderstorm intensities have increased around the immediate coastlines of Australia as the supply of warm, moist air has increased in line with the observable increase in sea-surface temperatures (Figure 8).

Changes in severe thunderstorm activity for the last 60 years is therefore complex and highly uncertain (Figure 9). There is a decreasing risk for northern Australia as the risk has shifted further south which is impacting the NSW and south-west WA coastlines and near interior. This change is largely due to be the result of the tropics expanding poleward, pushing favourable thunderstorm conditions further south.

These trends only signify changes in severe thunderstorm environments, and not specifically the associated damaging phenomena such as hail, winds, and rain. There remains little scientific agreement on how such phenomena has changed in recent history.

Midlatitude Storms

Midlatitude storms represent synoptic weather systems that deliver widespread rainfall and strong wind gusts that can drive wave-borne erosion of coastlines and damage homes through falling trees and branches. East coast lows and frontal systems are examples of such storms. Atmospheric conditions necessary for these storms to occur require masses of warm, moist air to collide and mix with cool, dry air that occur in the midlatitudes. Despite the name, these systems can move into the subtropics.

Frequency

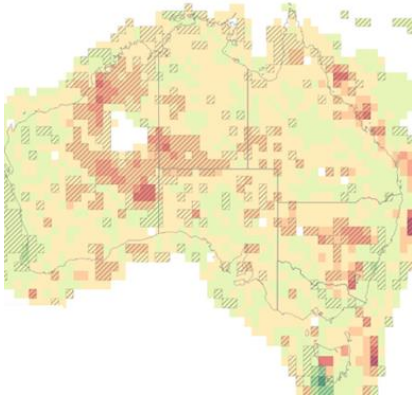


Figure 10

Intensity

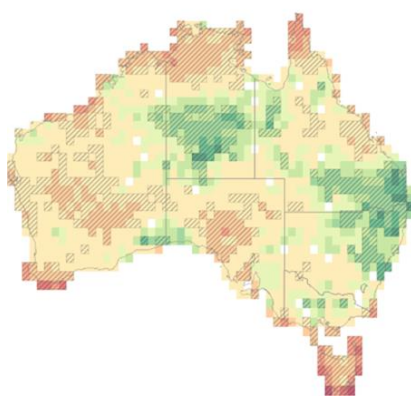


Figure 11

Severity

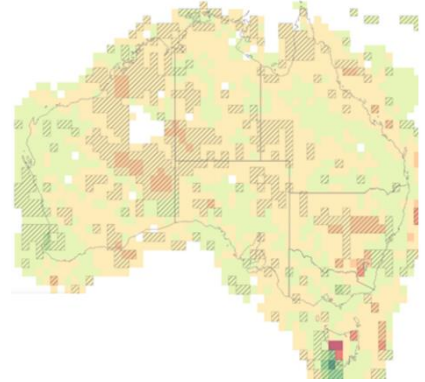


Figure 12

The above exemplifies the change in midlatitude storm risk from 1960 to present, where the **red** colour shading denotes an increase in risk, and the **green** shading represents a decrease in the risk.

Barring some small regions, changes to the frequency of midlatitude storms are small and mostly insignificant (Figure 10). Minimal decline in the midlatitude storm days is evident along the coastlines of WA and western Tasmania. Much like extreme rainfall, these changes remain within the natural variability of the background climate.

Storm intensity is measured in terms of surface wind gusts. There are small but significant increases in the intensity of these systems for much of southern Australia, which may be attributed to the strengthening of the midlatitude jet over time that feeds these systems (Figure 11).

There are no significant changes in storm severity, with the only significant declines evident for the coastlines of WA and western Tasmania (Figure 12). Midlatitude storm severity is the most difficult peril to capture with the Climate Visualisation Index Tool, as it is a combination of heavy rain and strong winds acting together to cause damage in complex ways that are not easily represented in a single climate index.

Tropical Cyclones

Tropical cyclones are rare but severe weather systems that bring intense rainfall, catastrophic winds, and storm surge across tropical Australia causing widespread devastation.

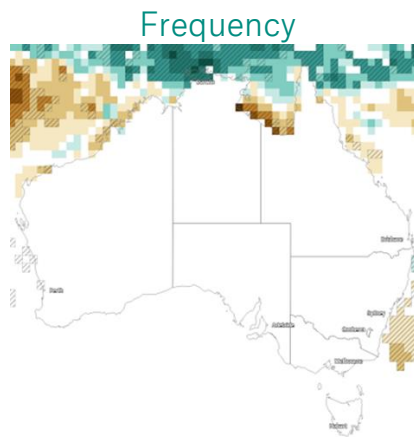


Figure 13

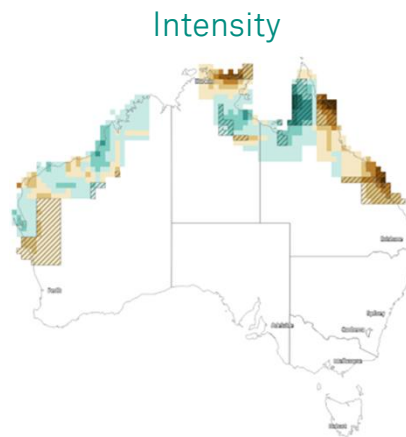


Figure 14

The above figures describe the change in tropical cyclone risk from 1960 to present, where the **brown** colour shading denotes an increase in risk, and the **teal** shading represents a decrease in the risk. Tropical cyclones first form over the ocean, rather than where they make landfall which is exemplified in the above graphic sitting above the ocean (Figure 13).

The conditions necessary for tropical cyclones are consistently warm sea surface temperatures and low wind activity close to the equator. These conditions not only promote tropical cyclone development but strengthen the system, such that tropical cyclones are primarily limited to the northern regions of coastal Australia.

Favourable conditions for tropical cyclone development have remained largely unchanged over the last 60 years, but there are small but significant declines for the Timor Sea. In contrast, a small but significant increase is evident for the north-west shelf off WA (Figure 13).

There are also contrasting trends in the intensity of tropical cyclone systems (measured in possible wind speeds within a developed system) that have impacted the northern Australian coastline since the mid-century (Figure 14). The QLD coastline shows a small but significant increase in the windspeed strength, while the west coast of WA shows no significant change.

Changes to tropical cyclone severity is not easily calculated due to the in vastly different locations of genesis and landfall. With frequency measuring as zero over the land, and intensity measuring zero over the ocean, the two cancel out any severity measure. Regardless, current scientific consensus expects that the overall frequency of tropical cyclones will decline off eastern Australia and unchanged off WA. This decline is theorised to be the result of a weakening in major tropic circulation patterns that are important to tropical cyclone formation. The events that occur require more intense conditions to form and therefore these systems are expected to be more severe having stronger winds and heavier rainfall.



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Additional reports

More information on the Group's financial, non-financial, risk and sustainability performance is available online at: suncorpgroup.com.au



Suncorp Group Annual Report 2022-23
suncorpgroup.com.au/investors/



FY23 Sustainability Data Pack
suncorpgroup.com.au/corporate-responsibility/reports



2022-23 Proxy Voting report
suncorpgroup.com.au/corporate-responsibility/reports

Acknowledgement of Country

Suncorp acknowledges the Traditional Custodians of the lands on which we operate and pay our respects to Elders past, present and emerging.

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Foreword

Suncorp continues to integrate climate change considerations into governance, strategy and risk management processes in line with the Financial Stability Board's Task Force on Climate-related Financial Disclosures framework (TCFD), to which Suncorp became a signatory in 2018.

This Climate-related Disclosure Report details our most material climate-related risks and opportunities and accompanies Suncorp Group's Annual Report and Sustainability Data Pack, which includes the basis of preparation for climate-related metrics and performance against targets in FY23.

Any forward-looking information and scenarios within this report should not be considered a guarantee of future-related climate outcomes, instead they provide a view of our understanding as of today within the limitations, uncertainties and assumptions of future climate models and scenarios.

These limitations and assumptions are detailed in the Group's basis of preparation that accompanies this report.

Suncorp Assessing Manager Kerrie Turner with Resilience Road customers in Rockhampton, central Queensland.

1. We measure our Scope 1 & 2 emissions performance using the Scope 2 market-based greenhouse gas accounting methodology from the GHG Protocol Scope 2 Guidance, and track our emissions aligning to the Science-Based Target initiative (SBTi) Corporate Net-Zero Standard.
2. Refer to pages 12, 13 and 32 for further detail on our approach to renewable electricity for our operations.
3. Our FY20 Scope 1 & 2 baseline has been revised from 23,640 tCO₂-e to 18,707 tCO₂-e to ensure alignment with the GHG Protocol Scope 2 Guidance.
4. Our FY23 Scope 1 & 2 progress metric is subject to limited independent assurance by KPMG. Please refer to the assurance opinion included on the [Suncorp Group website](#).
5. Our progress towards our RE100 commitment is aligned to the [RE100 Technical Guidance](#).

Highlights in FY23

76%

Reduction in Scope 1 & 2 greenhouse gas (GHG) emissions from a FY20 baseline.^{1, 2, 3, 4}

77%

Of our electricity consumed in FY23 purchased from renewable sources; on track to achieve 100% by 2025.^{4, 5}

Progressed the development of our approach to Scope 3 emissions baseline measurement and established project to enable net-zero transition planning.

Launched Team Zero, our climate-focussed employee resource group.

Supported the Insurance Council of Australia Climate Change Roadmap.

Our climate story

One of many Brisbane suburbs flooded during the 2022 Australian East Coast Floods.

FY18	FY19	FY20	FY21	FY22	FY23
<p>Became TCFD signatory</p> <p>Released a Climate Change Action Plan (CCAP) and Environmental Performance Plan (EPP)</p>	<p>RE100 commitment by 2025¹</p> <p>Completed a high-level climate risk and opportunity analysis</p> <p>Suncorp Bank became a United Nations Principles for Responsible Banking (UNPRB) signatory</p> <p>Announced commitment to reduce thermal coal exposure</p> <p>Announced Scope 1 & 2 interim 2030 and net-zero 2050 target</p>	<p>Announced commitment to reduce oil & gas exposure</p> <p>Undertook physical and transition risk climate change scenario analysis</p>	<p>Extended climate change scenario analysis coverage</p>	<p>Refreshed CCAP</p> <p>Accelerated Scope 1 & 2 net-zero target to 2030</p> <p>Developed Climate Change Scenario Analysis Roadmap</p> <p>Became signatory to Partnership of Carbon Accounting Financials (PCAF)</p> <p>Suncorp Bank received Climate Active Carbon Neutral certification for Organisation and Service</p>	<p>Supported the ICA Climate Change Roadmap</p> <p>Enhanced physical risk analysis at the address level and comprehensive transition risk analysis including New Zealand for the first time</p> <p>Commenced Scope 3 GHG baseline accounting across operational and financed emissions to prepare for net-zero transition planning²</p>

Assurance approach

Suncorp Group appointed KPMG to undertake limited assurance across select climate metrics in FY23 which are indicated within the footnotes of this report. The Independent Limited Assurance report has been issued and is located on the [Suncorp Group website](#).

¹ RE100 is a global initiative led by the Climate Group and in partnership with the CDP bringing together companies to commit to purchase 100% renewable energy.

² GHG accounting for financed emissions within our bank, underwriting and investment portfolios where data and methodology allowed in alignment to the [GHG Protocol Corporate Value Chain \(Scope 3\) Standard](#) and [Partnership for carbon Accounting Financials \(PCAF\)](#).

About our disclosure

Our disclosure is consistent with the recommendations within the TCFD framework and we believe our statements and ambitions to be transparent, reliable and meaningful to our investors, customers and other key stakeholders. Suncorp is working towards full alignment with the 2021 TCFD Annex supplemental guidance for banking and insurance companies.

TCFD pillar	TCFD recommended disclosure	Page navigation
Governance Disclose the organisation's governance around climate-related issues and opportunities.	a. Describe the Board's oversight of climate-related risks and opportunities. b. Describe management's role in assessing and managing climate-related risks and opportunities.	Pages 7 to 9 Pages 7 and 8
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long-term. b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning. c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Pages 21, 23, 24 and 25 Pages 16 to 19 and 23 to 25 Pages 22 to 25
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks. b. Describe the organisation's processes for managing climate-related risks. c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Pages 29 and 30 Page 30 Page 29
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. 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 organisation to manage climate-related risks and opportunities and performance against targets.	Pages 12 and 32 to 34 Pages 12, 13 and 32 to 34 Pages 12, 13, 33 and 34



Emaroo Station in northwest New South Wales, which Suncorp Bank supports through purchasing carbon credits.

Governance

Suncorp Group's Australia and New Zealand Boards oversee the assessment, management and integration of material climate considerations into Suncorp's strategic business plan, supported by an appropriate governance framework.

Governance

This section outlines how climate change is integrated into our governance framework, including accountabilities.

Board

The Board of Suncorp Group Limited (the Group or SGL) has oversight of climate-related risks and opportunities. They are accountable for overseeing our performance and have ultimate accountability for climate-related risk management, including approval of the Group's Climate Change Action Plan (CCAP). They delegate authority to the Board Risk and Audit Committees for specific climate-related governance activities and receive updates and endorsements from these Committees.

In preparation for the New Zealand's External Reporting Board (XRB) regulation on climate-related financial disclosures, Suncorp New Zealand has taken steps to incorporate climate change as a standing agenda item at the New Zealand Board Audit and Risk Committee and Senior Leadership Team meetings.

SGL Risk Committee

Chairman: Sally Herman

Oversight of the Group's management of climate-related risks including climate change scenario analysis. The Risk Committee oversees inclusion of climate considerations into our risk management frameworks and monitors actions being taken to address climate-related risks and adherence to the Board's risk appetite.

SGL Audit Committee

Chairman: Ian Hammond

Oversight and review of the Group's periodic climate-related corporate reporting, including annual Climate-related Disclosure. The Audit Committee is accountable for overseeing how the Group's CCAP and progress is communicated to investors and other stakeholders.

Executive Leadership Team

The Suncorp Group ELT (ELT) is accountable for delivering the strategic business plan. The ELT has oversight of progress against climate commitments, as they relate to their specific area of accountability. This includes the consideration and management of risks and opportunities, and implementation and delivery of our CCAP.

The **Group Executive People Culture and Advocacy (GE PC&A)** has oversight of the Group climate strategy including net-zero transition planning, excluding Bank. This also includes advocacy for natural hazard resilience and the production of the Group's climate-related financial disclosures.

The **Group Chief Financial Officer** oversees and delivers climate change scenario analysis activities across the business portfolios as well as responsibility for Reinsurance, Natural Hazard Allowance and Investments.

The **CEO Insurance for Product and Portfolio** is accountable for delivering natural hazard pricing, analytics and natural hazard resilience.

The **COO Insurance Claims and Operations** is accountable for managing the Group's Event Control Centre and delivering claims response. In FY23, this accountability expanded to include the delivery of the Group's GHG accounting with the establishment of an in-house team to meet increasing climate reporting requirements.

The **CRO Suncorp Group** is responsible for defining the risk management process and policy frameworks, providing challenge to the first line of defence on risk management activities, assessing risks, including climate-related risks, and reporting to the SGL Risk Committee.

The **CEO Suncorp New Zealand** is accountable for the implementation of the climate change strategy in Underwriting, Investments, Claims Procurement and Real Estate as it relates to New Zealand operations.

The **CEO Suncorp Bank** is accountable for the operational aspects of climate-risk relating to the Bank.

Group Committees

Group Asset and Liability Committee (ALCO)

Chairman: Steve Johnston, Group CEO

Oversight of climate-related financial risk and climate change scenario analysis.

Group Sustainability and Diversity Committee (S&D)

Chairman: Steve Johnston, Group CEO

Maintains oversight of key climate-related matters.

Non Financial Risk Committee (NFRC)

Chairman: Steve Johnston, Group CEO

Supports ELT accountability by driving and overseeing effective non-financial risk management across the Group.

Business Committees

Net-Zero Transition Plan Steering Committee

Chairman: Fiona Thompson, GE PC&A

A decision-making forum over the Group's emissions baseline, target-setting and business actions.

Insurance Risk Committees, New Zealand ALCO, Bank Stress Test Committee

Oversight of climate-related financial risk and climate change scenario analysis.

Responsible Investment Committee

Oversight of climate-related investment risk management.

Insurance NFRC, New Zealand NFRC

Oversight of non-financial climate-related risk management.

Bank ESG and Create a Brighter Future Committee

Oversight of non-financial climate-related risk management.

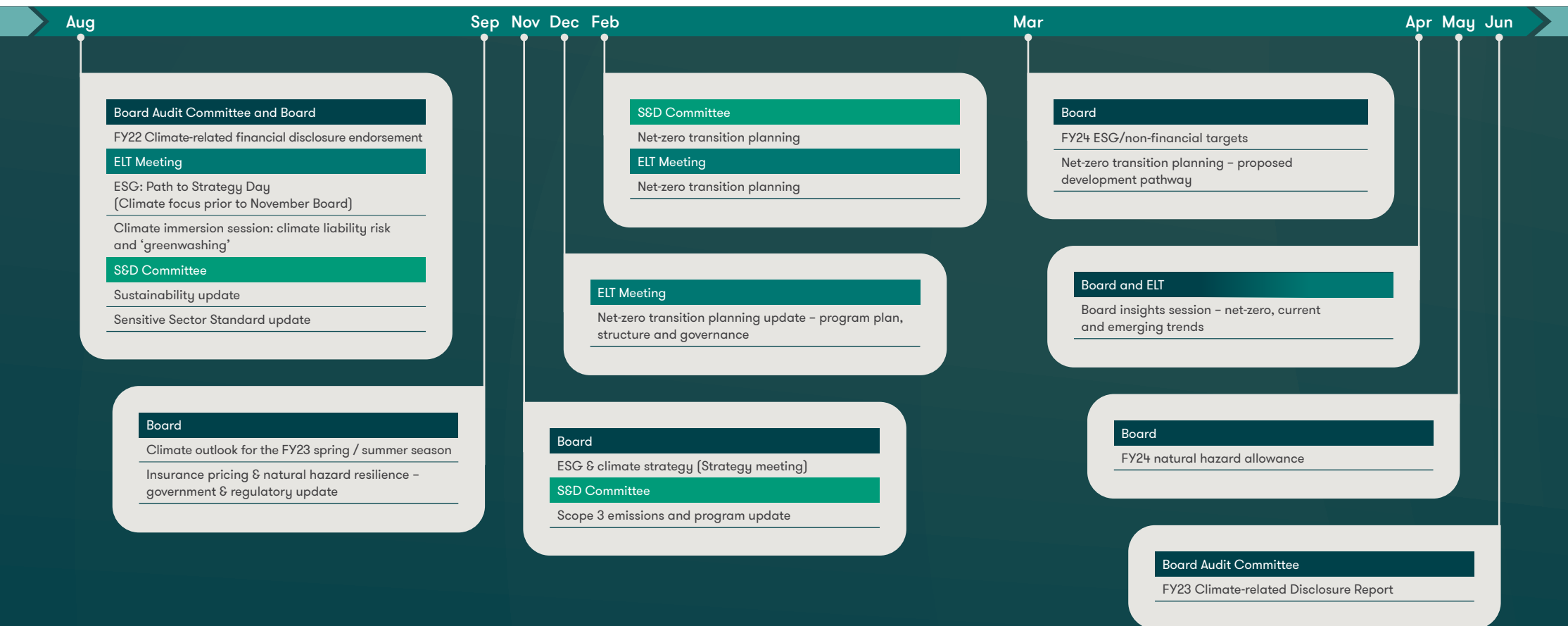
Bank CFO and Business Banking ESG Steering Committee

Oversight of ESG delivery and regulatory change with subsidiary working groups.

Climate-related matters presented during FY23

Key strategic and financial risks, including climate change, are identified during the annual business planning process and discussed at Board and ELT meetings as required. Our Natural Perils Pricing team formally delivers a climate outlook to the Board each year in late winter / early spring to inform the Board of weather-related risks expected in the forthcoming hazard season. A Proxy Voting summary and Impact Investments summary are also provided to ALCO and then the Board on a quarterly basis.

Climate-related matters presented to Board, Board Committees, ELT and management committees in FY23 include:



Board and management climate capability

Suncorp recognises that as an insurer, the impact of weather events and climate change is core to the business, which is why it is important we continually build the capability of our Board, ELT and management committees to understand the strategic risks and opportunities a changing climate presents to our business and customers.

Each year, our directors undertake a skills self-assessment to ensure Board capabilities continue to meet the Group's strategic requirements.

In FY23, climate-related insights and capability sessions were delivered to Board and ELT. These sessions canvassed a range of topics including mandatory climate disclosure trends and net-zero transition risk and opportunities.

Regulatory developments

Suncorp supports the establishment of an internationally consistent approach for transparent and accurate climate disclosure. We welcome global alignment and consolidation of sustainability disclosure standards through the International Sustainability Standards Board (ISSB). In Australia and New Zealand, we actively monitor the latest developments in climate regulations and guidance to ensure Suncorp is well-placed to meet its obligations. Through the Insurance Council of Australia (ICA) and the Australian Banking Association (ABA), Suncorp participated in Treasury's consultation on the design and implementation of the Australian Government's standardised and internationally aligned disclosure requirements on climate-related financial risks and opportunities.

When preparing our disclosures, we also consider guidance documents such as the Australian Prudential Regulation Authority's (APRA) Prudential Practice Guide on Climate Change Financial Risks [CPG229]. Suncorp remains committed to having regard to guidance from the Australian Securities and Investments Commission (ASIC) and the Australian Competition and Consumer Commission (ACCC) on how to make substantiated and credible environmental and sustainability claims.

Suncorp acknowledges the regulatory landscape for climate measurement and disclosures is rapidly evolving. As the landscape for climate and sustainability-related reporting and disclosures continues to evolve, we will monitor the latest developments.



The Sunshine Coast Solar Farm in Valdora, Queensland, produces the majority of our renewable energy.
(Photo credit: Sunshine Coast Council)

Strategy

Our approach to climate change is linked to our purpose of building futures and protecting what matters, which has been underpinned by our Climate Change Action Plan (CCAP) since 2018. Over that time, climate change and natural hazard resilience have consistently been among our top environmental, social and governance (ESG) material topics.

Strategy

The four key pillars of our CCAP are outlined below, along with key actions delivered against these pillars in FY23.

Climate Change Action Plan



Reducing our climate impact
of our own operations
and supply chain.

Established an internal GHG Accounting function to operationalise GHG measurement for the Group.

Commenced measurement of Scope 3 emissions for the Group's operational and financed emissions for bank, investments and underwriting.

Commenced the electrification of our corporate fleet and the installation of an electric vehicle (EV) charging network at key sites.



Supporting the net-zero transition
for our people, customers and
community while helping to
strengthen customer and
community resilience.

Continued discovery and design for customer solutions in response to the transition of the transport sector to EVs.

Continued to support our customers to transition through new banking product offerings, including the Carbon Insights Account and the Green Upgrades Equity Loan.

Launched Team Zero, our climate-focused employee resource group.



Integrating and lifting capability
to better embed and integrate
climate considerations across
the Group.

Developed a cross-functional climate change scenario analysis working group to deliver insights on climate-related risks and opportunities for the Group.

Updated the governance framework to support the delivery and integration of climate scenario analysis insights.

Developed considerations for integration of climate risks and opportunities into business planning cycles.



Partnering with purpose
through broader collaboration
with industries, companies, policy
makers, regulators and climate
experts to mitigate climate change.

Continue to engage closely with state government agencies on initiatives including the Queensland Government's Resilient Homes Fund and the NSW Government's Northern Rivers Reconstruction Corporation.

Contributed to the Insurance Council of Australia's Climate Change Action Committee and the Net-Zero Working Group, including the industry response to the Federal Treasury's mandatory climate-related disclosure consultation.



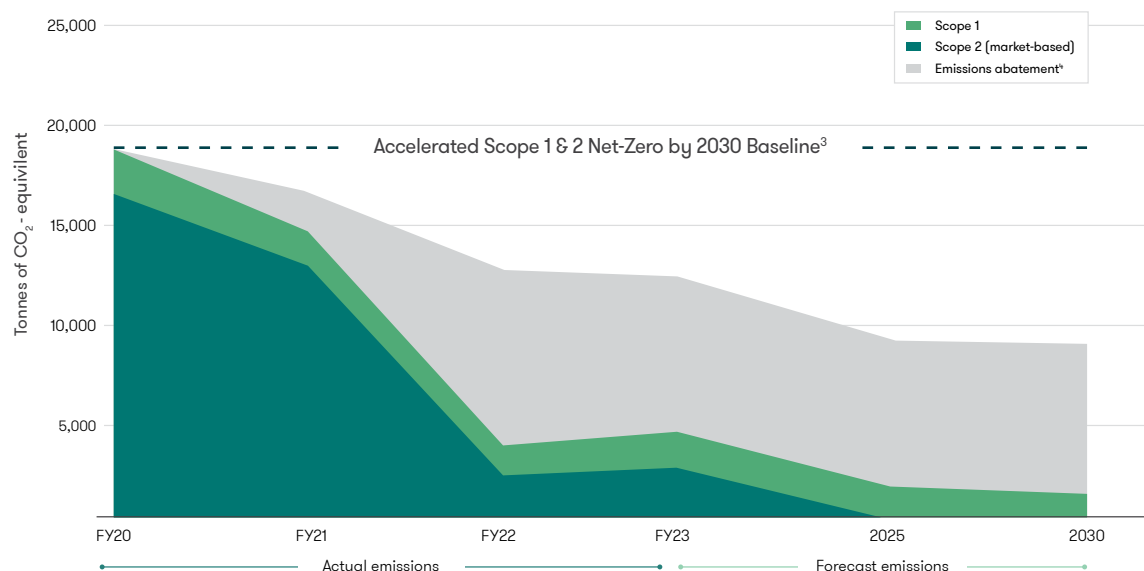
Reducing our climate impact

This year, we expanded our commitment to decarbonise with Board and ELT endorsing the development of a net-zero transition plan. Recognising the scale and complexity of aligning our operations and portfolios to net-zero, development of the plan is a key Suncorp Group strategic initiative.

Reducing emissions within our controlled operations

This year, we continued to progress against our 2030 net-zero commitment across Scope 1 & 2 and have considered a pathway to expand this 2030 target boundary to include additional Scope 3 controlled operations categories.¹ We have continued to source renewable electricity for our operations, which is purchased through retail suppliers in the form of large-scale generation certificates (LGCs) and GreenPower. For more detail on our emissions in FY23, go to page 32.

Our accelerated Scope 1 & 2 emissions reduction pathway²



1. Scope 3 target-setting for real estate has been deferred to form part of the Group's net-zero transition planning.
2. Our FY23 Scope 1 & 2 progress metric is subject to limited independent assurance by KPMG. Please refer to the assurance opinion included on [the Suncorp Group website](#).
3. Our FY20 Scope 1 & 2 baseline has been revised from 23,640 tCO₂-e to 18,707 tCO₂-e to ensure alignment with the GHG Protocol.
4. Emissions abatement activities are delivered through voluntary operational and energy efficiency initiatives, such as equipment and technology upgrades, workplace consolidations and changes in ways of working, and renewable energy certificate purchases such as large-scale generation certificates (LGCs) and GreenPower. Our Scope 1 and 2 emissions abatement activities are aligned to the Science Based Target initiative emissions accounting approach, eligible methods for setting corporate climate targets, and the definition of abatement outlined in the [SBTi Corporate Net-Zero Standard](#).
5. We measure our market-based emissions using the [GHG Protocol Scope 2 Guidance](#) and measure our renewable energy purchases using the [RE100 Technical Guidance](#).
6. We follow the [GHG Protocol Corporate Value Chain \(Scope 3\) Standard](#) and [the methodologies under PCAF](#) Enabling financial institutions to assess and disclose greenhouse gas emissions associated with financial activities.

Emission scopes defined

Scope 1 & Scope 2 market-based emissions are used to measure our performance against our Scope 1 & 2 net-zero targets. This ensures that emissions avoidance is factored into our progress towards net-zero each year.⁵

Scope 1 measures emissions from direct fuel combustion represented by fuel used in our owned and operated corporate vehicles and stationary fuels such as diesel generators used in our buildings.

Scope 2 location-based measures emissions associated with our total electricity consumption using grid average emission factors. This approach does not account for our own renewable energy purchased.

Scope 2 market-based accounts for emissions associated with electricity purchased from the grid plus emission avoidance through voluntary action such as renewable electricity generation and purchases. We do this in alignment with the GHG Protocol Scope 2 guidance and RE100 Technical Criteria.⁵

Scope 3 emissions relate to upstream and downstream activities within our value chain such as procurement of goods and services, business travel and the financial services we offer our customers. Categories under Scope 3 emissions include operational emissions relating to our controlled operations and claims supply chain, and financed emissions relating to underwriting, lending and investments.⁶

See page 33 to learn about our progress in expanding our measurement of Scope 3.

Scope 1 & 2 emission reduction targets, progress and forward view

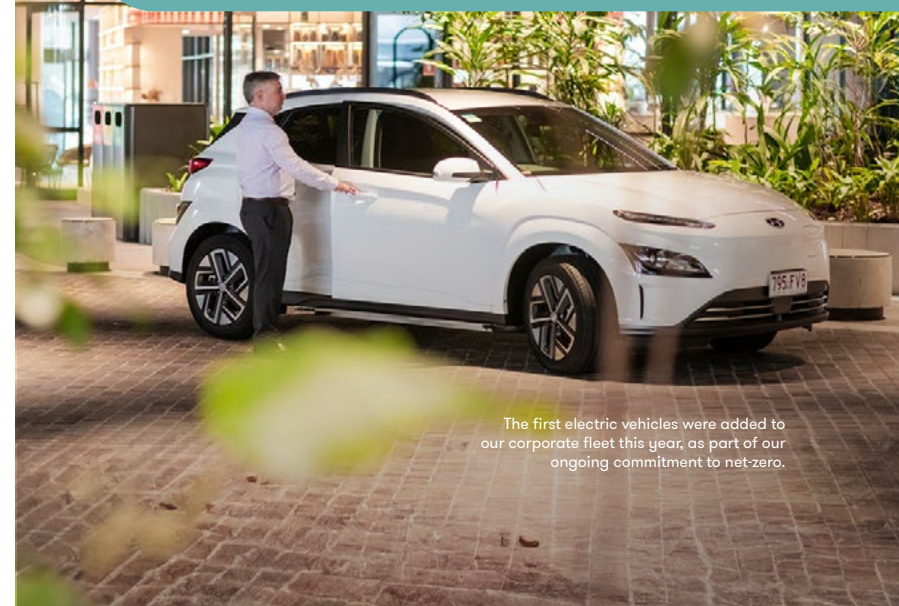
Targets	Progress in FY23	Forward view
Scope 1 & 2		
Net-zero by 2030 from FY20 baseline. ¹	76% reduction in GHG emissions from FY20. ¹ On-track	>90% emissions reduction by 2030.
Scope 1		
90% reduction by 2030 by electrifying our corporate vehicle fleet. ¹	56% hybrid vehicles in corporate fleet. Six drivers transitioned into electric vehicles (EVs) including charging stations installed in homes. Electrical upgrades and EV charging stations installed at one Motor site with one in planning. On-track	>90% emissions reduction by 2030. ² FY24-FY28 – Transition small and medium vehicles based on lease expiries and vehicle supply available to EVs. ³
Scope 2		
100% electricity from renewable sources by 2025.	77% electricity purchased from renewable sources. ^{1,4} Achieved a 16% year-on-year emission reduction. Continued to optimise energy efficiency of real estate footprint through audits and participating in green leases, upgrades and fitouts. 3% of our electricity consumed is generated by Suncorp owned rooftop solar. 45% of our industrial sites installed with rooftop solar. ⁶ On-track	100% emissions reduction by 2025. RE100 commitment met in 2025. ⁴ Continue to pursue opportunities to install rooftop solar at viable sites. Continue to evolve our green leasing strategy and undertake green audits for each new refurbishment. ⁵

- Scope 1 & 2 progress is subject to limited independent assurance by KPMG. Please refer to the assurance opinion included on [the Suncorp Group website](#).
- This is integrated into our Group Scope 1 & 2 net-zero by 2030 target from an FY20 baseline.
- This is contingent on vehicle availability.
- RE100 is a global initiative led by the Climate Group and in partnership with the CDP bringing together companies to commit to purchase 100% renewable energy.
- Green leases include energy efficiency rating for medium and large sites as well as working with landlords to identify opportunities to install rooftop solar and EV charging stations at viable sites.
- Our renewable electricity purchases include renewable energy certificates (RECs) in the form of RECs, large-scale generation certificates (LGCs) and GreenPower. 55% of Australia's electricity has been purchased through Diamond Energy in the form of LGCs directly linked to the Valdora Sunshine Coast Solar Farm. 14% is GreenPower. 97% of New Zealand's electricity is purchased as RECs via Meridian Energy. Refer to pages 12 and 32 for further detail on our approach to renewable electricity for our operations.

Our progress towards net-zero and the delivery of our first EV

"We've been intensely focused over the past few years, not only on our fleet, but also on driving down our energy consumption and sourcing renewable energy for our offices. In the last three years, we've managed to reduce our office space by 19% by consolidating our Brisbane, Sydney and Melbourne workplaces, and 77% of the electricity we use comes from renewable sources. We made the decision to pursue electrification of the fleet back in 2021, despite the unknowns and the supply challenges we could foresee. In Australia, there are still only limited EVs available on the market that meet our needs, so our planning had to start long ago. The team did a great job in planning so far ahead. We're allocating our first lot of small cars to Bank and Insurance, and we've got the charging infrastructure in place in our Sydney and Brisbane offices. The start of the rollout is a milestone we're proud of, but it's only one of many more to come."

Colin Harris
EGM Real Estate, Procurement and Operations.



The first electric vehicles were added to our corporate fleet this year, as part of our ongoing commitment to net-zero.

Measuring our impact

As signatory to the Partnership for Carbon Accounting Financials (PCAF), we are progressing our Scope 3 financed emissions accounting in line with PCAF's Global GHG Accounting & Reporting Standards for Financed Emissions (Part A) and Insurance-Associated Emissions (Part C).

We uplifted our capability to expand measurement of GHG emissions for the Group across relevant Scope 3 categories. This activity will be foundational to inform target setting across our operations and portfolios. Activities commenced this year include:

Financed emissions

- **Bank Lending** | the calculation of our Bank Scope 3 financed emissions based on absolute emissions (tCO₂e) and emissions intensity (tCO₂e/\$M) for all portfolios, with a specific breakdown of the business banking portfolio into ANZSIC Level 4 sector codes.
- **Investments** | measuring our Scope 3 financed emissions associated with our investments portfolio for listed equities, Australian corporate bonds, sovereign and semi-government bonds, unlisted assets, global corporate bonds, convertible bonds, and other fixed income securities.
- **Underwriting** | measuring our Scope 3 financed emissions associated with our motor and commercial portfolios.¹

Operational emissions

- **Controlled operations** | progressed our Scope 1 & 2 measurement and expanded our Scope 3 coverage by measuring and analysing material direct supply chain emissions hotspots (excluding claims supply chain) across all relevant upstream emissions categories as outlined in the GHG protocol's Corporate Value Chain (Scope 3) Standard.
- **Claims supply chain** | we will continue to measure material emissions associated with our claims supply chain into FY24.

See page 33 to learn more on how we are expanding GHG measurements across the Group.

1. To be expanded as further PCAF accounting methodologies for underwriting portfolios become available
 2. Net-zero is defined by the Science Based Target initiative within the [SBTi Corporate Net-Zero Standard](#).
 3. Targets and materiality will be assessed in alignment with the [Science-Based Target initiative, Financial Sector Science-Based Targets Guidance](#).
 4. GHG baseline measurement and target setting will be undertaken where source data, GHG accounting and target setting methodologies and standards are available.

Decarbonising our supply chain

We have made progress by working to incorporate environment into key supplier agreements and to set out engagement and reporting requirements with our suppliers. We seek to encourage partnerships with suppliers that have a shared ambition towards net-zero in line with the Paris Agreement.

Recognising there are varying levels of net-zero maturity within our supply chain, as part of the Group's net-zero transition planning process, we will seek to engage with key suppliers to understand levels of maturity and areas where we can support. This will include data capture to improve the measurement and tracking of material emissions from selected suppliers. Future engagement targets are being considered within our net-zero transition planning process.

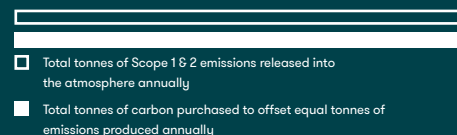
The Bank commenced targeted engagement with a number of suppliers in FY23 including mail and transport, stationery, advertising and cash handling to improve the quality of source data capture to further refine the Bank's controlled operations Scope 3 baseline and to explore net-zero maturity across material suppliers. This engagement also started valuable conversations with suppliers on net-zero transition planning and emissions reduction initiatives across the Bank's supply chain.

Net-zero transition planning

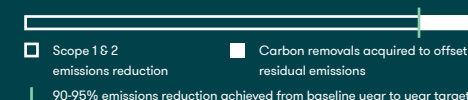
Suncorp commits to playing our part in reducing our own climate impact.³ We have committed to developing pathways towards net-zero across material areas of our controlled operations by 2030. We will also engage with our claims supply chain and explore an approach to transition our material financed emissions to net-zero. A transition plan is in development to detail our milestones and key activities to achieve our emission reduction and engagement targets.⁴

Decarbonisation approaches defined

Carbon neutral means the equivalent amount of GHG emissions released within a specified period is offset by a combination of emissions reduction activities, avoided emissions ie, renewable energy and carbon offset purchases.



Net-zero means direct and indirect GHG emissions are reduced by at least 90% over a specified period from a set baseline year through emission reduction activities and avoided emissions with only the remaining 10% of residual emissions offset by high quality carbon removal offsets.²



Home claims | Supply chain environment journey

We are beginning to consider the environmental impacts within the home claims supply chain. As part of the journey to net-zero, we will work with our key suppliers to understand emissions, then look at pathways to reduce environmental impact. Our recently developed Restoration Strategy aims to improve not only customer and business outcomes but importantly starts the journey, in partnership with our suppliers, to understand and reduce the environmental impacts.

Within the home claims area we have taken the following high-level steps:

1. For our top ~100 scope of work repair items, engaged experts to determine emissions factors for these items to help understand the baseline emissions across these repairs scopes.
2. Started initial engagement with key suppliers to identify where we can implement 'test and learn' opportunities for waste reduction/increased recycling to help inform our net-zero journey.

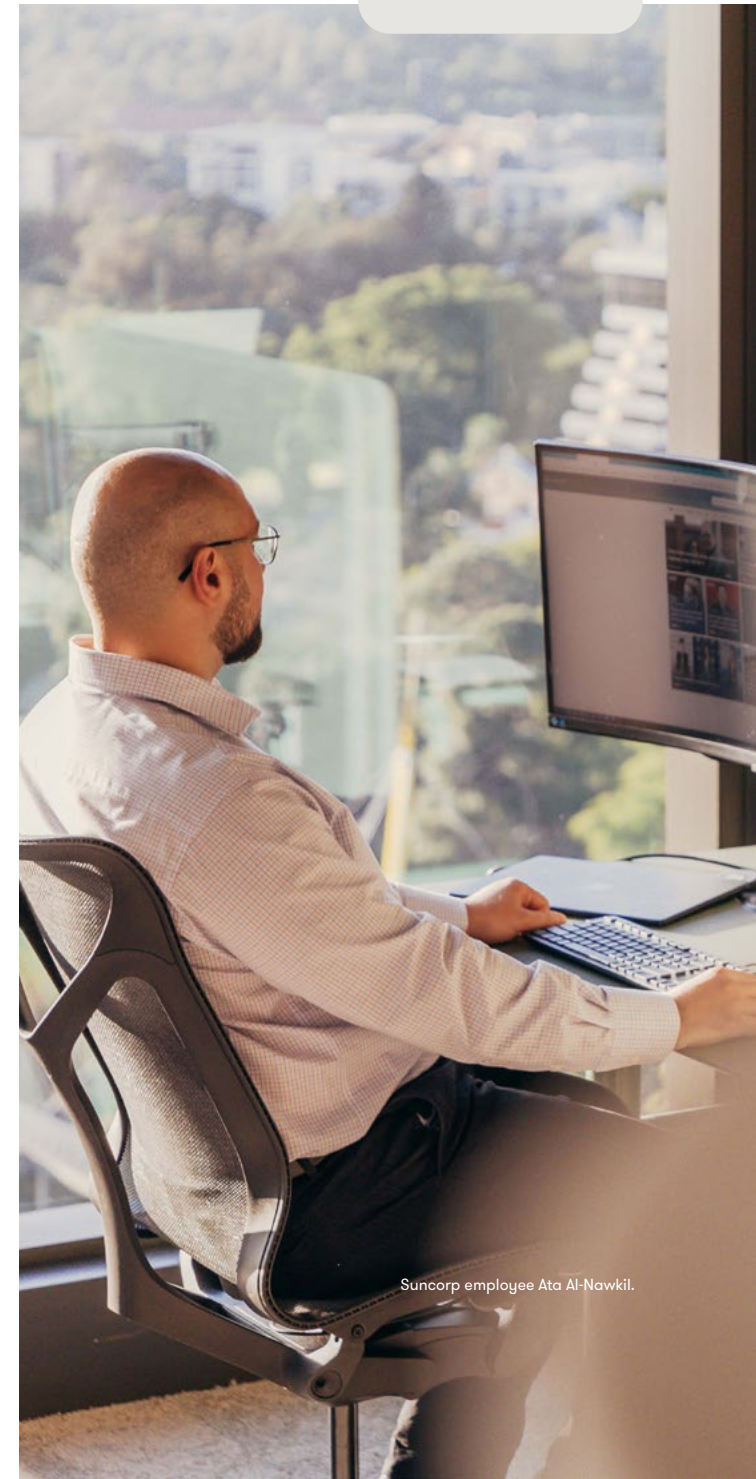
Motor claims | Decarbonisation pilot

Our Motor Claims team is working alongside the Insurance Council of Australia (ICA) and our peers to support the industry's Climate Change Roadmap and its net-zero working group in a motor claims decarbonisation pilot. The pilot aims to develop a process to identify high emissions suppliers and opportunities to obtain better data to enable more accurate accounting for GHG emissions within the sector.

Carbon Neutral Bank

In July 2022, Climate Active certified Suncorp Bank as a Carbon Neutral organisation (Certified Organisation) with Carbon Neutral personal transaction deposit services (Certified Service). Climate Active is the Australian national certifier of carbon neutrality who maintain and enforce the Carbon Neutral Standards, which provide clear methodology for determining operational emissions.

Suncorp Bank purchased and retired Australian Carbon Credit Units (ACCUs) to offset Suncorp Bank's FY22 carbon emissions liability. These ACCUs support Human-Induced Regeneration projects in regional New South Wales. Revenue from carbon offsets enables project owners to deliver infrastructure to improve biodiversity outcomes via suppliers in the local community.



Suncorp employee Ata Al-Nawkil.



Supporting the net-zero transition

As a financial institution, we understand first-hand the impact severe weather events have on our customers.

With millions of customers, we can help support the transition to a net-zero emissions economy through the strategic positioning of our product offerings and investments. Alongside this, we understand the need to strengthen our customer and community's capacity to adapt and prepare for a changing climate and build resilience from the impacts of more frequent and severe weather events in the future.

Insurance

Suncorp's insurance business in Australia and New Zealand is positioned across key portfolios of motor, home, commercial, personal injury and compulsory third party (CTP). As one of the largest trans-Tasman insurers, we are responding to a shifting climate through resilience initiatives, building capability to enhance our event response and responding to market shifts to electric vehicles. We will draw on insights gained through this year's Climate Change Scenario Analysis (CCSA) and embed into strategy and business planning.

Motor insurance

Our Motor brands recognise that as customer expectations change, our motor insurance products and services need to continue to evolve.

Measuring driving patterns

In August 2022 we launched AAMI Driver Rewards. Available through the AAMI app, the program gives customers insights into their driving patterns with encouragement to drive safer. Every time AAMI Driver Rewards customers make a trip, smartphone sensors in the phone track their driving patterns and score them on actions such as acceleration, braking, cornering, speeding and phone usage. Improved driver behaviour is linked to increased fuel efficiency which means reduced emissions. In addition, the app provides useful data that could improve the data quality of our motor insurance portfolio baseline.

Responding to EV adoption

Over the past six months, electric vehicle (EV) adoption has continued to accelerate. While total EV sales only made up less than seven per cent of total car sales (as of 2023Q¹), they are expected to grow rapidly, with some segments already seeing large adoption. We will continue to mature core competencies such as understanding risk dynamics of EVs to grow this segment profitably, as well as strengthening and scaling EV specific repair capabilities.

¹ Reference [EV Index - AAA - Data Dashboard](#).



Hail damaged cars await assessment following a Melbourne storm.

Home and commercial insurance

The requirement to provide affordable general insurance protection for our customers is becoming increasingly important as communities feel the cumulative impacts of climate change. We deploy a range of mechanisms to ensure we continue to operate under a resilient business model. These include developing and investing in business intelligence and technologies, a risk natural hazard allowance, reinsurance and advocating for meaningful shifts in public policy funding for resilience.

Over recent years, we have significantly enhanced our pricing capability and risk selection through the embedding of our Customer and Pricing Ecosystem (CaPE) system across our Australian home and commercial portfolios, allowing us to more effectively and accurately price for natural peril risk. This allows us to apply increases in premiums that are directly associated with the risk level not just by geography but at a specific individual risk address. We have also increased our resilience by resetting our natural hazard allowance.

Although insurance protection is often seen as a last line of defence, we recognise mitigation, resilience and adaptation measures are important levers to ensure our customers are supported in the transition to a warmer world before a natural hazard event takes place.

We actively work with industry and government on better land-use planning and building design by advocating for stronger planning regulations and building codes as the most effective measure of protecting the community against flood and other weather extremes now and in the future.

Suncorp has continued to work with government and industry stakeholders to address insurance affordability concerns. Key milestones in FY23 include our entry into the Australian Government's Cyclone Reinsurance Pool on 30 June; and working with government and industry stakeholder on public policy options at the Australian Federal Government's Hazard Insurance Partnership forum.

Adapting data and intelligence to build resilience in disaster response

Our Disaster Response team have adopted data and intelligence to enhance our ability to support our customers as natural hazard events change in frequency and severity in a warming climate. We use a combination of meteorological data and aerial imagery that captures regional, suburb, street and property level images combined with satellite analytics overlayed with our risk profile. This helps us to understand potential exposure to impending events so we can help customers to better prepare. Post event, we assess the damage through artificial intelligence at scale to support claims lodgement and understand our capacity and where best to deploy assessors, suppliers and customer support teams. We are continuing to evolve our intelligence with the ability to plug in evolving technologies that help us to better understand the potential and actual impacts of by each peril.



Suncorp's Disaster Response team assess meteorological data and aerial imagery in the wake of the 2022 Australian East Coast Floods.

Bank

In FY23, we continued to focus on ways we can support our customers to embark on their own net-zero journey and help our customers understand their own emissions and how to improve the energy efficiency of their homes.

Building on the success of the Solar Home Bonus campaign in FY22, we launched a Green Upgrades Equity Home Loan, which offers home lending customers access to low-rate finance to support finance for energy and water efficiency upgrades to homes.

Suncorp Bank also launched the Carbon Insights Account, Australia's first Climate Active certified carbon neutral personal transaction deposit account, allowing customers to view an estimate of emissions for their purchases powered by carbon accounting fintech, Cogo. The account helps to raise customer awareness of their own emissions footprint.

This year, we leveraged geospatial capability and improved our analysis from top-down postcode level assessment to bottom-up property level analysis. We analysed physical risk only across our commercial and residential assets, and both physical and transition risk as part of a limited pilot on drought peril only for Agribusiness.

Further work is required to convert the impact of climate change on properties to potential credit losses and also to better understand sector specific transition risk pathways and impacts. This will be an ongoing focus for the Bank.

Learn more on our approach to climate change scenario analysis on pages 20 to 25.

Investment management

Suncorp's understanding and management of risks associated with climate change is a key consideration of our investment strategy, particularly who we choose to invest in and do business with. This year we continued to refine how we integrate climate and net-zero into our investment strategy and undertook a hot spot analysis to understand our exposure to transition risk as part of the Group's climate change scenario analysis work. Insights from this analysis will be considered as part of our investment strategy.

Suncorp also employs the mechanism of a shadow carbon price to manage the risk of assets becoming stranded as a result of the transition to a low carbon economy. Our investment managers apply the shadow carbon price to the analysis of potential investments and are required to avoid companies whose value would be materially impaired by the application of the shadow carbon price.

In FY23, the shadow carbon price was increased to US\$51 per tCO₂-e from 1 July from US\$45 per tCO₂-e in FY22 and US\$38 per tCO₂-e in FY21. This trend reflects the increasing urgency to engage in low carbon opportunities as the global economy shifts to net-zero. Notably, investment managers are increasingly taking additional considerations into their management of the risk of stranded assets. As there are now more levers available, we will review the shadow carbon price as part of the holistic review of our climate commitments through our net-zero transition planning process.

As at 30 June 2023, low-carbon investments totalled AUS \$484 million¹ (AUS \$378 million in FY22).

This figure includes:

- Green bonds that finance environmentally sustainable projects to transition to a low-carbon economy.
- Other low-carbon assets such as renewable energy infrastructure, renewable energy credit and equity securities, and energy efficient real estate.

Our approach to reducing exposure to fossil fuels

The Group is committed to support the economy-wide transition to net-zero. This year we took the opportunity to revise two aspects of the Sensitive Sector Standard – Fossil Fuels (the Standard)². These changes are outlined below. The Reporting Supplement within our [FY23 Sustainability Data Pack](#) details the methodology associated with these performance metrics.

Thermal coal

Suncorp is committed to phase out underwriting and direct investment in thermal coal by 2025. This includes mining companies principally involved in the extraction of thermal coal, as well as electricity generation companies whose business is clearly inconsistent with the transition to a net-zero emissions economy by 2050. Principally is defined as where more than 10 per cent of the company's revenue is derived from thermal coal extraction or electricity generation.

In FY23, we aligned our Investment thermal coal commitments with the commitments for Underwriting by applying the same 10 per cent revenue threshold to meet this 2025 commitment.

Oil & gas

Suncorp's goal of supporting the transition to a decarbonised economy is captured, in part, through our commitment to phase out investment exposure to oil & gas exploration and production by 2040. To achieve this, the Group committed, from 1 July 2020, to immediately exclude from its investment portfolio the top 10 per cent of oil & gas emitters, increasing this to 25 per cent by 2025 and 50 per cent by 2030, by kg CO₂ per barrel of oil equivalent (BOE). Due to data availability constraints, we have updated the Standard to align our methodology to one more frequently used by financial organisations and asset managers. The Standard was revised in FY23 to apply a metric tonne of CO₂-equivalent /million of USD revenue, based on Scope 1 & 2 emissions rather than a BOE metric.³

Supporting companies on a credible transition pathway

To support the transition to a decarbonised economy, the Standard includes an exemption enabling underwriting and investing in companies whose business is clearly consistent with the transition to a net-zero carbon emissions economy by 2050. A credible transition plan assessment framework, that defines and assesses the credibility of a company's transition pathway, is currently in development to support the business before this exemption is used.

1. The low carbon investments metric is subject to limited independent assurance by KPMG. Please refer to the assurance opinion included on [the Suncorp Group website](#).

2. The Standard does not apply to mining services companies, such as companies who supply catering services to oil and gas operators, or engineering, consultancy and construction companies who are not directly involved in exploration, extraction or production. Suncorp will provide insurance to personal and small-to-medium businesses (includes non-fleet motor insurance and Business packages products), and statutory or compulsory insurance such as workers' compensation, compulsory third-party insurance and Group Life products in New Zealand.

3. This was noted in FY22 climate disclosures.



Integrating and lifting capability

Understanding climate risk is core to mitigating our own impact, adapting our business strategy where required and supporting effective resilience measures. This ensures our business remains viable in a world facing increasing challenges associated with climate change.

Uplifting climate capability across our business

In FY23, the Group focused on uplifting the maturity of climate disclosures and preparing for changes to climate-related reporting regulations.

This year, we undertook a TCFD gap analysis and maturity assessment and began to action key recommendations within this 2022-23 Climate-related Disclosure Report. The Group also undertook a gap analysis on IFRS' ISSB Standard 2 guidelines in preparation for the Australian Government's regulatory decision on mandatory climate disclosures.

In addition, we have commenced a climate risk and governance review to understand where reporting systems and controls can be strengthened to capture and manage climate risk.

Embedding climate in our culture

We have undertaken activities to build climate capability across the Group. These activities included:

- Launched Team Zero as our first employee resource group (ERG) focussed on climate change and sustainability.
- Ask Me Anything climate sessions aligned to the Group's Megatrend and Mindsets series.
- Climate and net-zero insights session to Board and executives.
- ESG training to all frontline business bankers and Bank risk teams.
- Carbon farming training delivered to Banking teams.
- As a member of the United Nations Principles of Responsible Banking (UN PRB) Academy Curriculum Committee, Bank offered UN PRB Academy courses to its people through the Chartered Banker Institute.

Managing climate risk in our own operations

Last year, our Real Estate team undertook site specific climate change risk and resilience assessments across our occupied buildings to understand the potential of natural hazard impacts to our operations. The report found on average six office locations have moderate exposure to fire and heat under a worst-case climate change scenario mid-century¹ with one site having high exposure to precipitation. This year, site specific assessments were performed with resilience measures recommended for each site that will be incorporated into planned upgrades over the coming years. Suncorp regularly tests its business continuity plan to mitigate the impact of potential risk to its operations and its people including natural hazard events across all business.

¹ Under an 8.5 degree Celsius IPCC SSP scenario.



Suncorp Group's Brisbane-based headquarters, Heritage Lanes.



The Brisbane suburb of Rosalie was one of many that flooded during the 2022 Australian East Coast Floods.

Our Climate Change Scenario Analysis Roadmap

Climate change scenario analysis (CCSA) uses sophisticated data modelling and business intelligence to support our decision making and strategy development. In FY22, we developed our Climate Change Scenario Analysis Roadmap ('Roadmap') that outlined a pathway to deliver climate-related insights on risks and opportunities.

This year, we built a more comprehensive foundation to progress Suncorp's approach to understanding and managing climate change risk across the business, as well as reaffirming some of Suncorp's previous CCSA insights. Learnings from this year's analysis will be considered as part of the Group's future net-zero transition plan. We also enhanced our analysis to use address-level climate impact data and uplifted the transition risk scenario design to consider additional drivers of risk. Suncorp Bank has also started to expand its assessment of physical risks associated within its residential and commercial portfolios.

The Group CCSA includes insights for Suncorp New Zealand (based on data for the investments, commercial and home portfolios) and sets a foundation to conduct further work required to meet New Zealand's mandatory climate related disclosures in FY24.

¹ We used the Net-Zero Emissions by 2050 Scenario (NZE) developed by the International Energy Agency (IEA), which shows a pathway for the global energy sector to achieve the Net-Zero emission target by 2050. This scenario meets key energy-related United Nations Sustainable Development Goals (SDGs) and is in line with reductions assessed by the Intergovernmental Panel on Climate Change (IPCC).

Climate change impact on weather perils in Australia and New Zealand

The expected changes in weather events set out below have been modelled by Aon and are based on a range of studies published by external scientific experts, using standard climate change scenarios. These impacts are consistent with Suncorp internal climate expert conclusions.¹



The frequency of **storms** that includes east coast lows and other frontal systems is expected to decline across southern Australia as the southern hemisphere storm track moves further south. However the change in the severity of these systems is still uncertain, as while overall windspeeds are projected to decrease, rainfall is expected to become heavier as the atmosphere warms and holds more moisture.



In Australia, a continued decrease in **tropical cyclones** frequency for the east coast of Australia is projected. Changes in wind speed intensity, rainfall rate and, potentially, a southward expansion of the tracks themselves, may all impact the change in future risk.



With the exception of northern Australia, trends in **extreme rainfall and flood** are uncertain for much of the continent. This is because flood is a complex interaction of extreme rain, terrain and soil saturation that must align for an event to occur. However, river basins for populated parts of Australia that are subject to elevated flood risk at present are expected to have increased risk in the future as rainfall becomes heavier.








Extreme weather conditions (favourable for triggering and sustaining **bushfires**) are projected to become more frequent and severe inline with rising temperatures and decreasing rainfall for eastern and southern Australia.



Changes to severe **thunderstorms** that produce large hail is largely unknown, but an increase in atmospheric moisture and more favourable dynamics suggest a potential increase in eastern Australia and southward shift in features.

1. Sources of reference include, IPCC Sixth Assessment Report, Climate Change 2021: The Physical Science Basis and, State of the Climate 2022, CSIRO and Bureau of Meteorology.

Scope of 2023 CCSA

Physical				
Scope of portfolios				
Insurance (Australia)	Commercial, Home and Motor			
Suncorp New Zealand ¹	Commercial and Home			
Suncorp Bank ²	Home, Commercial and Agribusiness			
Scenarios				
Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathway (RCP)				
Less than 2 °C by 2100, low emissions consistent with RCP2.6				
Between 2-3 °C by 2100, moderate emissions consistent with RCP4.5				
Greater than 3 °C by 2100, high emissions consistent with RCP6.0 (3-4 °C) and RCP8.5 (+4 °C by 2100)				
Time frame				
2030, 2040, 2050, 2100 ³				
Scope of assessment				
 Riverine Flood AUS and NZ	 Cyclone AUS	 Storm AUS and NZ	 Hail AUS	 Bushfire AUS
Metrics considered				
Average Annual Loss (AAL), Overall Exceedance Probability (OEP), Climate Expected Loss (CEL) ⁴				

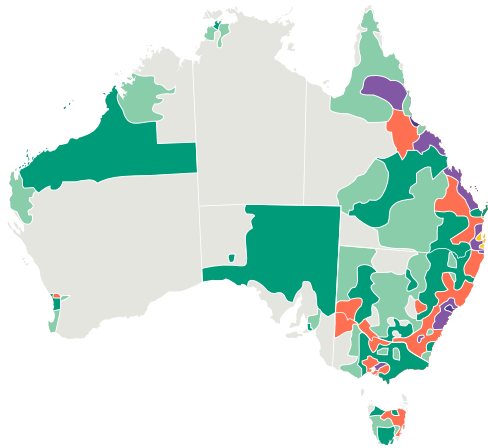
Transition			
Scope of portfolios			
Insurance (Australia)	Commercial	Insurance (Australia)	Motor
Suncorp New Zealand	Commercial		
Group Investments	Australia (AUS) and New Zealand (NZ)		
Scenarios			
International Energy Agency		Commonwealth Scientific and Industrial Research Organisation (CSIRO)	
Net-Zero Emissions by 2050 (NZE)	1.5 °C	EV Integrated climate change scenarios (1.8 °C) ³	
Announced Pledges Scenario (APS)	1.7 °C	Low – Mainstream EV adoption in 2030	
Stated Policies Scenario (STEPS)	2.5 °C	Medium – Mainstream EV adoption in 2027	
		High – Mainstream EV adoption in 2025	
Time frame			
2025, 2030, 2040, 2050		2023-2050, annually	
Scope of assessment			
The impact of climate change on sectoral disruption and demand on Suncorp’s exposures and investments		Impact of increased penetration of electric vehicles and hybrids on claims costs	
Metrics considered			
Gross Written Premium (GWP), Funds Under Management (FUM)		AAL	

1. New Zealand will extend physical risk climate change scenario analysis to additional portfolios in future years.
2. Suncorp Bank undertook a pilot study for the Bank's Agribusiness portfolio which assessed the impact of drought peril under future climate scenarios for a limited amount of customers.
3. [CSIRO 2022 Electric Vehicles Projections Report](#)
4. CEL was considered by Suncorp Bank only for flood and cyclone.

Building our understanding of physical risks¹

Present day

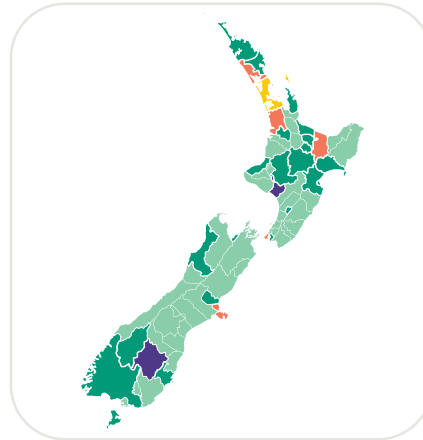
Figure 1a regional contribution to the all-peril AAL across Australia.



Regional Contribution to AAL | Contribution % (Present Day)

<=0.05%	<=0.10%	<=0.25%	<=0.50%
>0.50%	>0.50%	>0.50%	>0.50%

Figure 2a Regional contribution to the all-peril AAL across New Zealand.

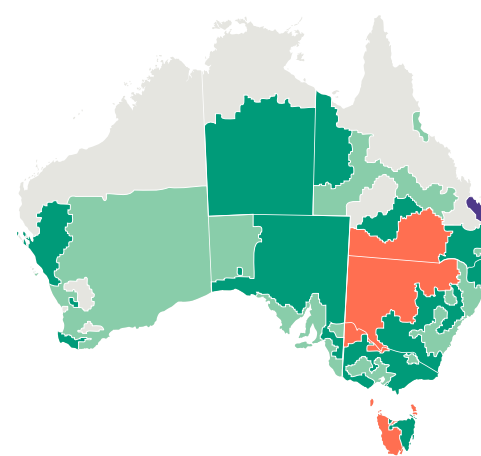


Regional Contribution to AAL | Contribution % (Present Day)

<=1%	<=2%	<=5%
<=10%	>10%	>10%

Projected changes

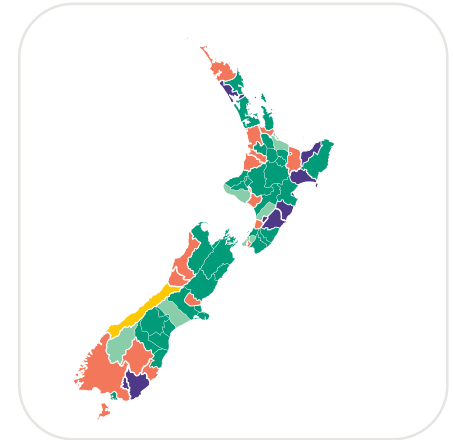
Figure 1b Projected change in the all-peril AAL by 2050 under RCP 8.5 for Australia.



Regional AAL Change by 2050s (RCP 8.5) | All weather perils combined

<=5%	<=10%	<=25%	<=50%
>50%	>50%	>50%	>50%

Figure 2b Projected change in the all-peril AAL by 2050 under RCP 8.5 for New Zealand.



Regional AAL Change by 2050s (RCP 8.5) | All weather perils combined

<=10%	<=25%	<=50%
<=100%	>100%	>100%

Approach

For our insurance business, we have used natural peril risk models to quantify expected physical damage to the portfolio from extreme weather events. This regular and established modelling exercise assists us in understanding financial loss potential from extreme weather events today.

We have then used climate model projections to alter the behaviour of these weather perils under different climate conditions. The output of this exercise estimates the behaviour of each weather peril under each future climate scenario based on a combination of regional and global climate model outputs.

1. Physical risk CCSA analysis by local government area (LGA).

Results

Figure (1a) shows Suncorp's regional spread of our present day Average Annual Loss across Australia. It shows that most risk is concentrated along the east coast of Australia, which is largely driven by the geographic distribution of the population. Some areas of high hazard have relatively low insured value, such as the Pilbara region of WA (cyclone-exposed) and northern VIC (flood-exposed).

When we project the behaviour of weather perils under future climate scenarios, the resultant financial impacts are highly regional and peril specific as seen in Figure 1b. Projected changes in loss potential from extreme weather can therefore be more severe in some regions than others.

For Suncorp New Zealand, physical risk exposures continue to be centred around Auckland, Wellington and Central Otago. Like Australia, the physical risk concentrations are also driven by the geographic distribution of the population and some regions of high hazard have relatively low insured values, such as the west coast of the South Island (flood-exposed) and Coromandel Peninsula of the North Island (storm-exposed).

Using the AAL as our primary risk metric, we find that projected changes in the behaviour of weather perils may increase Suncorp's financial impacts from weather perils across all lines of business in Australia and New Zealand by 12 per cent under RCP8.5 by 2050. Pro-rated, this equates to approximately 4 per cent per decade.

Building our understanding of physical risks (continued)

Next steps

In the short term, our Pricing team conducts annual reviews on all weather-related perils that have a material impact on the consumer and commercial portfolios. Each peril is reviewed to incorporate the latest understanding on the physical science and the vulnerability of the built environment. To accomplish this, we model historical claims experience together with climate, event and engineering information sourced from experts in the field. This allows insurance pricing to maintain the most complete and current view of risk each peril poses to the business.

Over the medium to long term, we recognise the importance of supporting community resilience and will continue to advocate and uplift internal capabilities to better understand climate risks and opportunities. We are consistently building our internal capabilities around climate science, by exploring historical trends in extreme weather through climate indices, developing sophisticated loss models that can quantify weather-related tail risks, and collaborating with experts in the scientific community to better understand climate extremes and how they are expected to change to increasing global temperatures.

Suncorp Bank continues to develop capability uplift to translate climate output variables to key financial risk metrics such as Probability of Default (PD) and Loss Given Default (LGD). The Bank is heavily involved with industry bodies such as the Australian Banking Association via the Climate Risk Working Group in order to help develop solutions to key industry challenges.

Learn more on our approach to climate mitigation, adaptation and resilience within our Partnering with purpose section on pages 26 and 27.

Understanding transition risk impacts on our business

Transition risk arises from the shifts in economic activity and asset valuations as the global economy decarbonises. We have developed a climate transition risk heatmap to evaluate sectoral risks and opportunities for Suncorp's insurance and investment portfolios for Australia and New Zealand. This year, two dimensions of transition risk were considered: net opportunity (ie risk of sector expansion/contraction) and disruption (ie ability to adapt). Combined, the analysis delivers additional granularity in how we assess sectoral and portfolio change due to the transition.

Embedding climate into insurance business strategy

We continue to consider how our strategies respond to climate change and understand that as disrupted sectors adapt to a transitioning economy, there is an increased likelihood of a shift in insurance product risk profiles. Companies that do not maintain pace with disruption can be exposed to increased litigation risk and struggle to offer products and services that are relevant to shifting customer sentiment. As a result, we will continue to leverage internal and external global expertise with respect to new materials on market, cost of materials, regulations, policies and activity levels to assess the speed of change within key sectors. We will also continue to enhance our understanding of impacts on claims costs and supply chain pressures arising within key sectors, and how relevant strategies may be affected.

Alongside our climate transition risk heatmap, and given its materiality, we undertook a separate assessment of the impacts to the Australian motor portfolio. This included assessing risks and opportunities of hybrid and electric vehicles on Suncorp's motor insurance portfolios under different climate change scenarios, increasing the sophistication of work undertaken since FY20.

Investments portfolio

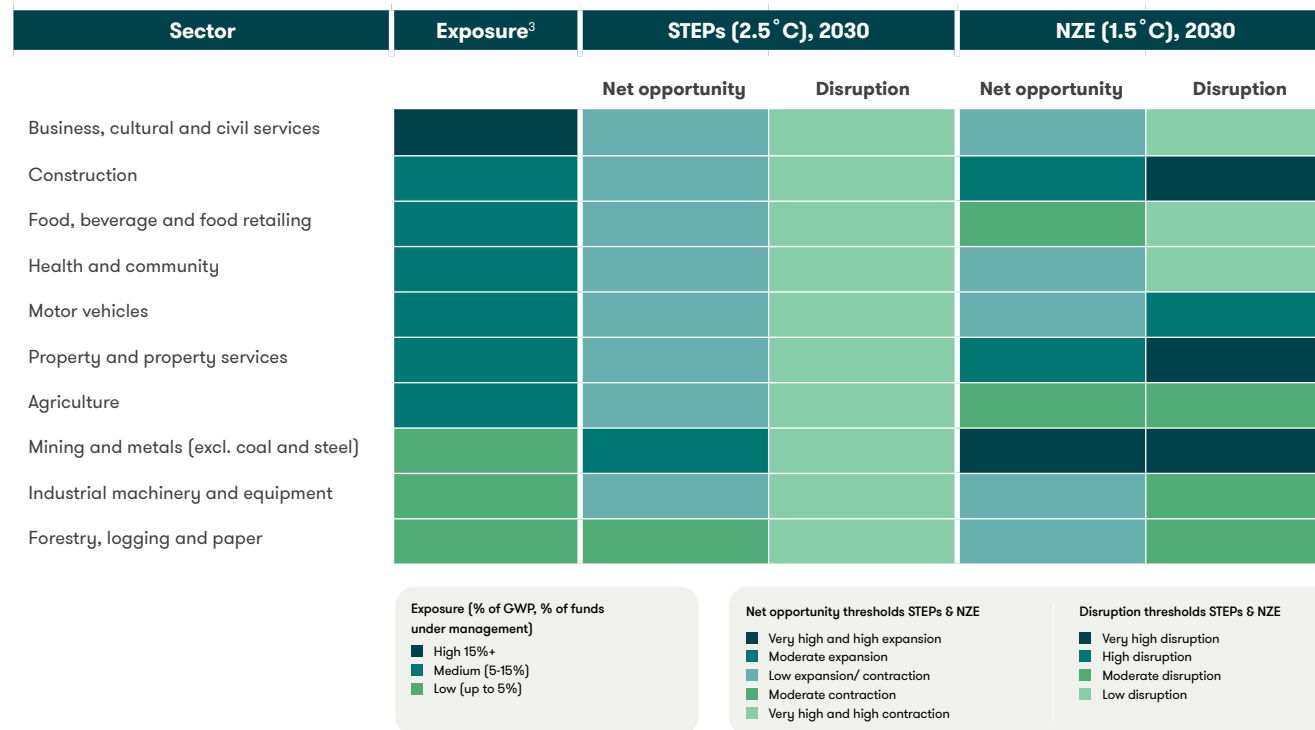
Suncorp's diversified investment portfolio (analysis excludes unlisted assets) currently has a low transition risk from climate change. However, in terms of significant exposure, Suncorp's holdings in sovereign debt (including semi-government and local government bonds) represent c.18% of FUM and are impacted by climate transition risk through the Australian economy's exposure to high-risk sectors such as coal, gas and oil. Notably, there is an APRA requirement for Australian-denominated assets to be held against our liabilities. Looking ahead, how climate transition may impact sovereign debt is an area that is still developing. We continue to monitor and consider this issue as part of our investment strategy post net-zero transition planning.

In addition to sovereign debt, we also have significant exposure to financials (largest exposure) and property (third largest exposure). These three sectors account for over 50 per cent of the portfolio, with real estate currently rated as having a very high disruption risk while financials rated as having a lower transition risk. Notably, as reporting of Scope 3 emissions develops and there is more granularity on issuer exposure, we may see a shift in this profile.

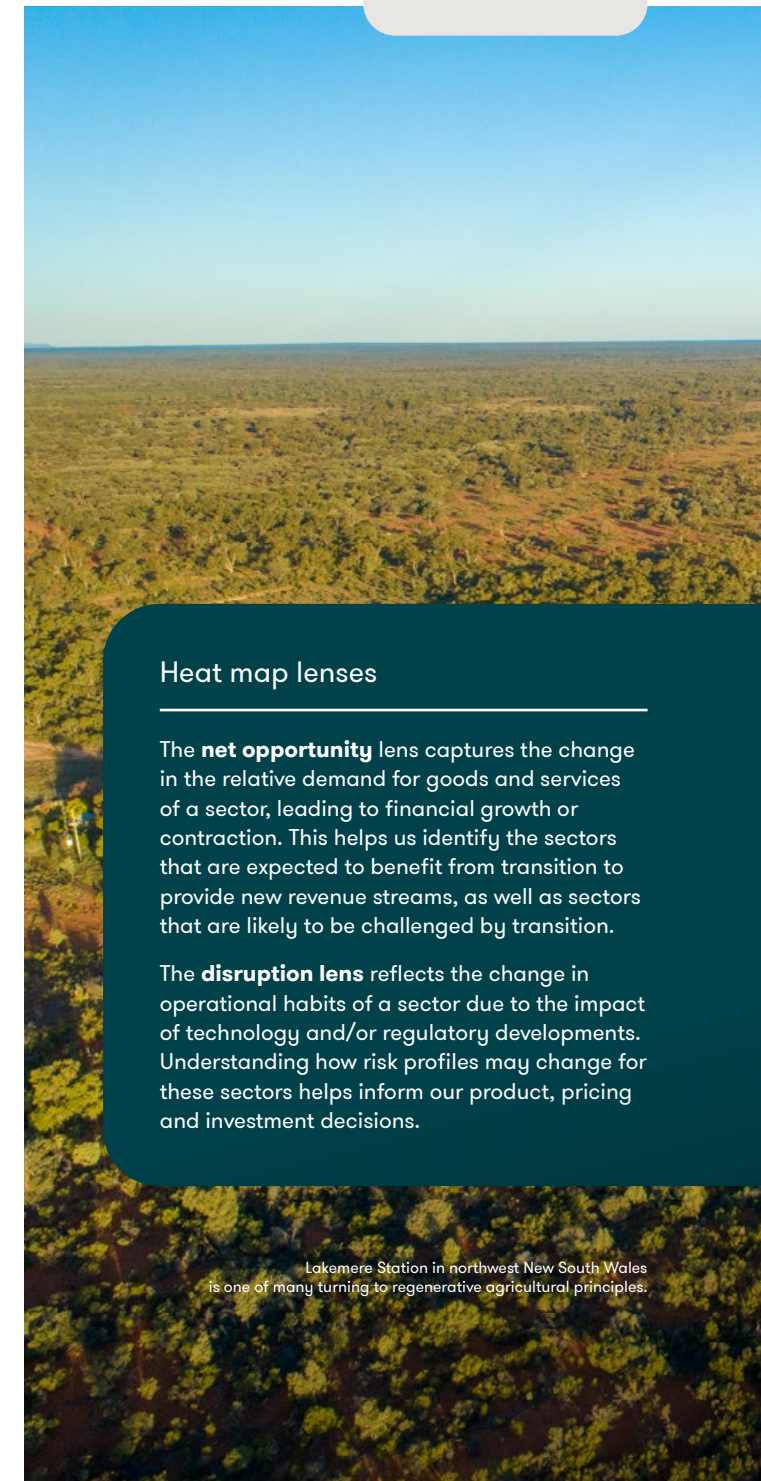
Climate risk heatmap

Following earlier transition risk analysis, our insurance and investment portfolios continue to have low exposure to sectors at high risk of contraction such as oil, gas and air transport and we continue to review opportunities in sectors such as renewable energies and mining of critical minerals and metals that present high growth opportunities. We have also considered systemic risk of transition via disruption and continue to enhance our view of pricing to quantify the risks and understand measures that can improve underwriting outcomes. The Stated Policies Scenario (STEPS)¹ in figure 3 represents the baseline scenario incorporating current announced policies on climate transition, and the low level of disruption these have on the sectors noted. Where the pace of transition within each sector changes according to NZE (1.5°C), the sectors will experience more disruption in the climate transition include motor, transport, construction, and property.²

Figure 3: Climate-related impacts to our commercial insurance portfolio under IEA STEPs (2.5°C) and net-zero (1.5°C) scenarios by 2030 – 10 largest industry sectors by exposure



- [International Energy Agency \(IEA\), Stated Policies Scenarios \(STEPS\).](#)
- This forward looking statement has been made in relation to the scope of our analysis being the Suncorp commercial insurance portfolio and the 10 largest industry sectors to which that portfolio is exposed. For information on limitations, assumptions and uncertainties go to the Risk Management section of this report.
- Exposure by GWP. Data as of Dec 2021 for the AUS portfolio, Jun 2022 for Vero Liability in NZ and Dec 2022 for the rest of the NZ portfolios.



Heat map lenses

The **net opportunity** lens captures the change in the relative demand for goods and services of a sector, leading to financial growth or contraction. This helps us identify the sectors that are expected to benefit from transition to provide new revenue streams, as well as sectors that are likely to be challenged by transition.

The **disruption lens** reflects the change in operational habits of a sector due to the impact of technology and/or regulatory developments. Understanding how risk profiles may change for these sectors helps inform our product, pricing and investment decisions.

Lakemere Station in northwest New South Wales is one of many turning to regenerative agricultural principles.



Partnering with purpose

Transitioning to a low carbon economy, developing solutions and building resilient futures requires collaboration, shared insights and partnerships. We are committed to supporting the shift to a resilient and low carbon economy by engaging in partnerships across our entire value chain, with our peers, local, state and federal governments, and our communities.

Advocacy integrated into our business strategy

Advocacy forms a key pillar of Suncorp's strategy. We are taking a more active role in advocating for issues that are important for our customers and the broader community to help create communities that are more resilient to natural disasters, while managing climate change impacts and assisting the transition to a net-zero economy. Four target areas include:

- Investing in improved public infrastructure.
- Addressing inadequate planning laws.
- Providing subsidies to improve resilience of private dwellings.
- Removing inefficient taxes from premiums.

This section outlines key examples of how we collaborated with industry, government and experts to advance climate and resilience solutions this year.



Supporting improved resilience in private dwellings through Queensland's Resilient Home Fund

We've worked closely with the Queensland Government to design and have been on the front line to deliver the Resilient Homes Fund. The fund applies to flood-affected residential properties within 39 local government areas in Queensland stretching from the southern border up to Gympie. The program provides \$741 million in investment in increasing home resilience co-funded by the Queensland and Federal Governments through retrofit raising and voluntary buyback. This was the first resilience program of this size in Australia, establishing a blueprint which other governments can follow.

We have also been directly involved in the retrofit component of the program where grants of up to \$50,000 are available to flood affected homes to repair damage alongside our customer's insurance claims to minimise damage in future and repeated flooding events. Through this program our customers were eligible for a range of retrofit solutions such as raising electrical fittings and swapping out existing building materials with those that are water resistant. This approach ultimately improves our risk selection, reduces future repair and eases affordability pressures.



New Zealand's North Island in the wake of this year's severe weather.

Supporting the recovery from cyclone Gabrielle in New Zealand

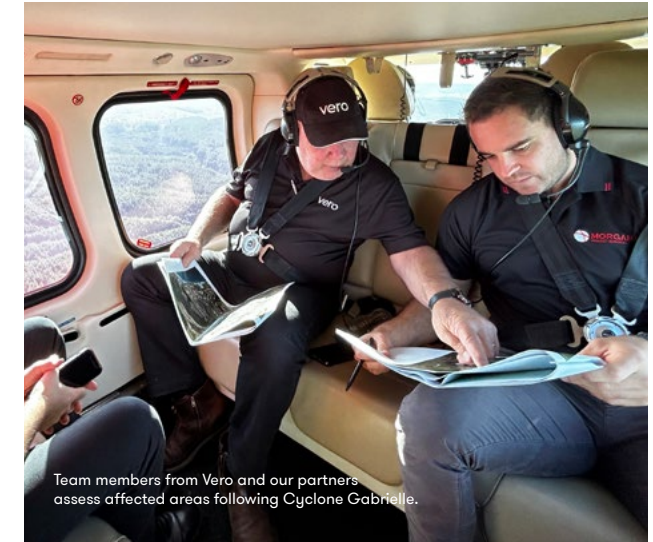
In February of 2023, New Zealand CEO, Jimmy Higgins, joined the Insurance Council of New Zealand's subcommittee for the Cyclone Gabrielle Recovery Taskforce, along with other Insurance CEOs. The objective of the subcommittee is for insurers and other key stakeholders to work closely with the government's Taskforce to share expertise and experience, and ultimately help the government make informed decisions when it comes to rebuilding more resilient communities. New Zealand insurers, including Suncorp New Zealand, provided the Taskforce with aggregated claims data from for the January flood event and Cyclone Gabrielle event. Suncorp Group (including Suncorp NZ) contributed \$200,000 towards the Cyclone Gabrielle Relief Fund.



Lismore, New South Wales, following the 2022 Australian East Coast Floods.

NSW resilience fund for flood-prone communities

We are partnering with the NSW Government's Northern Rivers Reconstruction Corporation that has included a voluntary buyback scheme in the most vulnerable areas, funding for home raising and funding for retrofits to lessen the impact of future floods. We are seeing progress after many years. Suncorp will continue to advocate strongly for ongoing planning and building code reform to protect properties most exposed to flood within this and other regions.



Team members from Vero and our partners assess affected areas following Cyclone Gabrielle.

Aligning with our industry

Our advocacy position on climate change is represented through our alignment to the Insurance Council of Australia (ICA)¹ and Insurance Council of New Zealand (ICNZ)² policy positions as the representative bodies for general insurers in our respective geographical regions.

This year Suncorp Australia and New Zealand engaged with the ICA and ICNZ along with other insurers around topics such as climate resilience and adaptation and will continue to actively participate in the ICA Net-Zero Working Group and the ICNZ Climate Standing Committee.

1. [Insurance Council of Australia.](#)

2. [ICNZ | Insurance Council of New Zealand - Te Kāhui Inihua o Aotearoa.](#)

Risk management

Suncorp's Enterprise Risk Management Framework describes how we identify, assess, manage and monitor risk, including climate-related risk. The way we reflect climate risk within our risk framework continues to evolve as our exposure to climate-related risk changes.

Our process for assessing and managing climate change risk

Integrating climate risk into business processes and frameworks

Suncorp's Enterprise Risk Management Framework (ERMF) recognises climate change as a strategic risk that could adversely impact business objectives, reputation and performance outcomes. We use stress testing and scenario analysis to deepen our understanding of impacts and explore potential changes from key drivers as part of standard risk management practices within the ERMF. This includes undertaking climate change scenario analysis and monitoring and assessing our performance against our commitments.

Risk Appetite Statement and Board tolerance of climate risk

Climate change risk has a risk tolerance range of moderate within our Risk Appetite Statement (RAS), which requires the business to consider climate change in decisions around direct investments, financing, providing insurance and through the general operating of Suncorp's business. The statement recognises the risks and impacts associated with climate change including the impact of more frequent extreme weather events as well as risks associated with a transition to a low carbon economy. It also encourages advocacy for action on climate change and a net-zero, low carbon economy alongside transparent and appropriate disclosures. This statement has been cascaded and forms part of risk appetite statements for Banking, Insurance (Australia) and Suncorp New Zealand.

Identifying and assessing climate risks

We employ scenario analysis as a risk management tool for strategic risks to explore plausible futures and uncertainties shaping the business. Climate change scenario analysis is used to better understand potential physical and transition risks across material areas of the business. Our physical risk assessment addresses the impact of a range of natural perils on the business over specified timeframes under different climate scenarios. Transition risk is undertaken at the sector level and uses a multi-stage assessment process to identify transition risk exposure, aligned to a range of climate scenarios on selected portfolios within our business across specified time horizons.

Assumptions

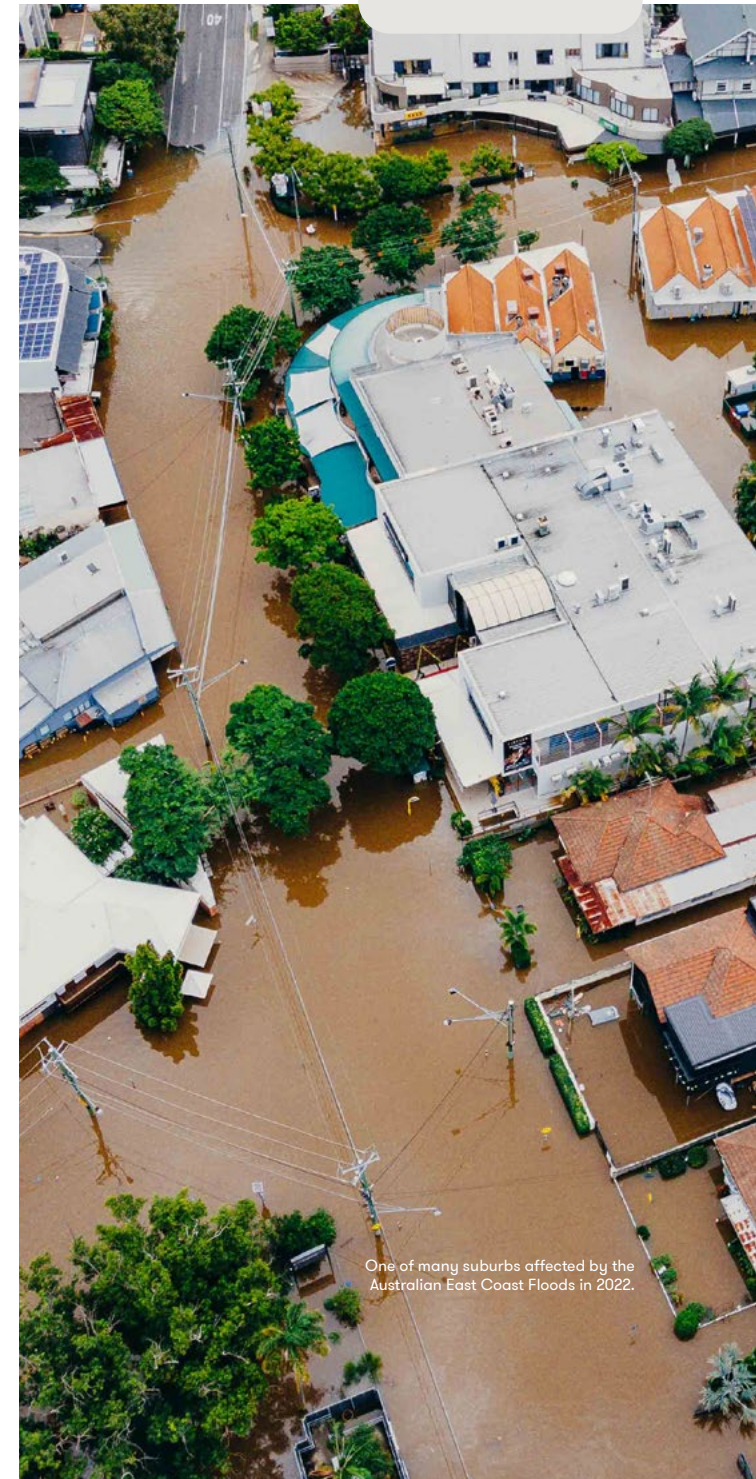
For the physical and transition risk analysis, we adopt a static portfolio approach. In undertaking this analysis, we have assumed no strategic actions from management in response to the risks and opportunities identified, to better assess the long-term impact of climate change.

Limitations

Secondary and cumulative physical impacts, as well as considerations such as population growth, where properties will be built in the future, legislation changes and Suncorp's future portfolio composition, are expected to shape the future differently to the pathways set out by the specific scenarios we have assessed this year.

Uncertainties

Projecting the long-term financial impacts of climate change is a complex and challenging task that does not provide precise answers. Accurately determining how losses will change in the future is impacted by multiple sources of uncertainty that include the nature of weather extremes, the natural variability of climate and the range of possible climate futures that are predicted from global climate models. However, sensible ranges of loss are predictable, and as the science and modelling of climate extremes evolves, this range will narrow and our view of climate risk will evolve.



One of many suburbs affected by the Australian East Coast Floods in 2022.

Climate change time horizons

We apply different time horizons for the assessment of risks and opportunities relating to climate change. These time horizons align with our strategy planning and investment time horizons.

- **Short-term** – up to 3 years.
- **Medium-term** – 3 to 5 years.
- **Long-term** – beyond 5 years up to 2100.

Short-term

Managing natural hazard risk through pricing, natural hazard allowance and reinsurance

General insurance pricing concerns itself primarily with the acute risks posed by extreme weather, whereby premiums are determined as a function of i) the geographical risk encompasses the frequency and severity of events within the region, and ii) the resilience of the asset against damage (ie, construction and materials).

We determine the expected loss for a peril using a range of independent models that are blended together and calibrated against historical claims experience. These models are sourced from various perils experts in the field and cover a wide range of views of what the potential loss experience could be. This removes the risk of relying on just one model to select how much premium must be collected each year.

Natural hazard allowance

The calibration of the natural hazard model is set considering a range of factors including observed natural hazard experience, which implicitly captures the impact of climate change to the extent that it has impacted recent claims history. These observed trends in natural hazard costs are also extrapolated into future years.

For further details about Suncorp's insurance business performance, see the FY23 Annual Report.

Revenue and direct and indirect costs

The cost and variability of natural hazards are a driver of insurance premiums and contributors to the affordability of insurance. Our natural hazards risk and reinsurance cover is reviewed annually considering the natural hazards loss experience observed to date and likely future trends, reinsurance market conditions and our risk appetite.

Customer premiums reflect the expected natural hazards exposure retained by Suncorp as well as the cost of reinsurance. We strive to keep insurance premiums affordable by leveraging our reinsurance purchasing power and risk diversification across the portfolio.

Access to reinsurance

Elements of a reinsurance program provide protection for natural hazard events that are low in probability but high in severity. Other elements of a reinsurance program reduce the impact of medium-sized events impacting earnings volatility. For the past five years, our earnings volatility protection has provided material protection against the frequency of small to medium-sized events.

Excess of loss and aggregate excess of loss catastrophe reinsurance is designed to cap natural hazard losses for insurers with reinsurers picking up the difference. Therefore, reinsurers are more exposed to the negative impacts of the increasing frequency and severity of natural hazards due to climate change. Reinsurers are reassessing their appetite for these types of covers and have begun to increase retentions. These reinsurance retention increases have resulted in more natural hazard risks being retained by Suncorp and consequently more climate risk being borne by Suncorp.

Medium to long-term

Climate change scenario analysis

Our understanding of long-term physical and transition climate change risk is informed by climate change scenario analysis. We manage this risk over the medium term through our pricing and underwriting response, and by developing a better understanding of perils. We ensure the way we set prices and capital targets is dynamic and considers extreme weather events. Long-term climate risk is managed through advocacy for a change in land-use policy and planning that is more resilient against extreme weather, which is needed today as much as in the future.

Metrics and targets

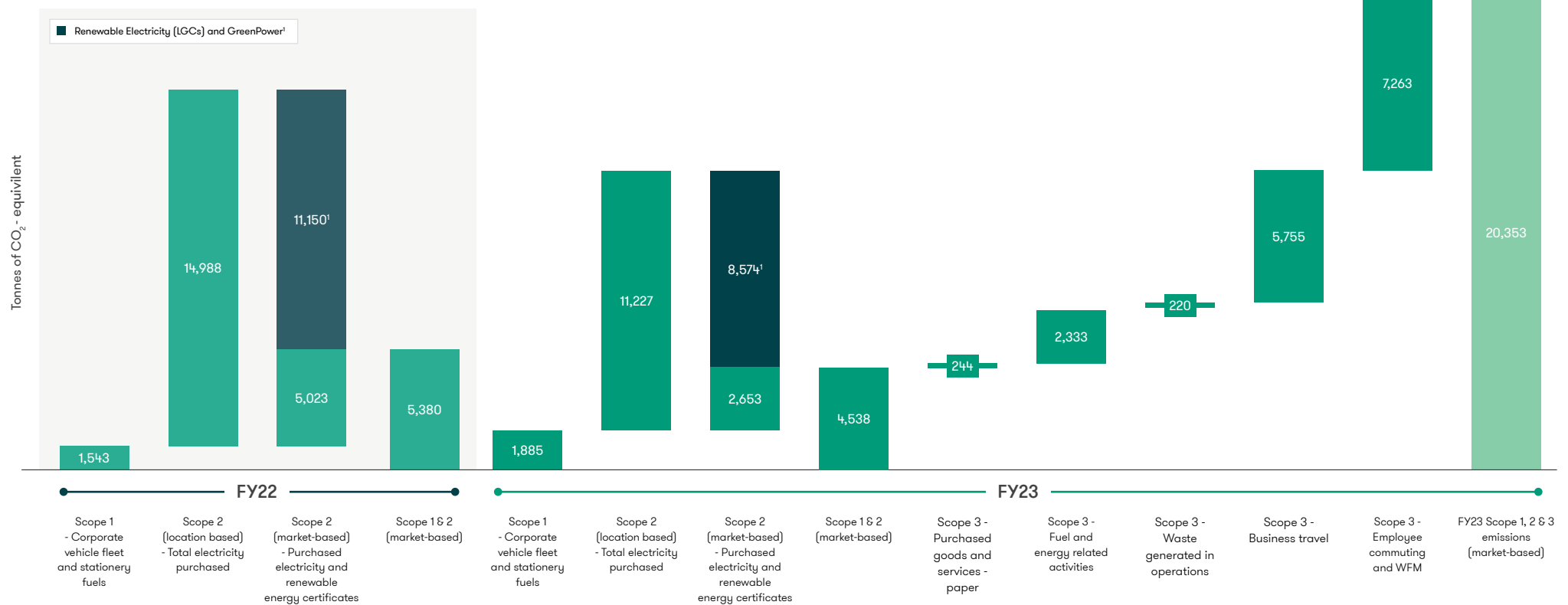
We measure and track our Scope 1 & 2 greenhouse gas absolute emissions against our net-zero target along with tracking the performance of our investment portfolio relative to benchmarks.

Emission performance within our own operations

The Group continues to make good progress towards our RE100 commitment to purchase 100% renewable energy by 2025 and net-zero Scope 1 & 2 emissions by 2030. For our Scope 1 & 2 emissions, we achieved a 16 per cent year-on-year reduction.

Our emissions reduction in FY23 is largely associated with Scope 2 emissions avoidance from renewable energy certificate purchases¹ and reduced electricity consumption. Notable changes include slightly higher Scope 1 emissions due to an increase in the total number of vehicle fleet trips in FY23 (45.7 per cent) compared to FY22 (40.9 per cent) despite the continued transition to hybrid and electric vehicles. The variance in vehicle usage also impacts our Scope 3 fuel and energy related activity emissions alongside a material change in Scope 3 fuel related emissions factors². Our Scope 3 business travel emissions boundary has expanded this year from accounting for business flights only in FY22 to include emissions from hotel stays, taxis, rental vehicles, and personal vehicles used for business purposes.

Greenhouse gas emissions performance within our own operations in FY23^{3, 4}



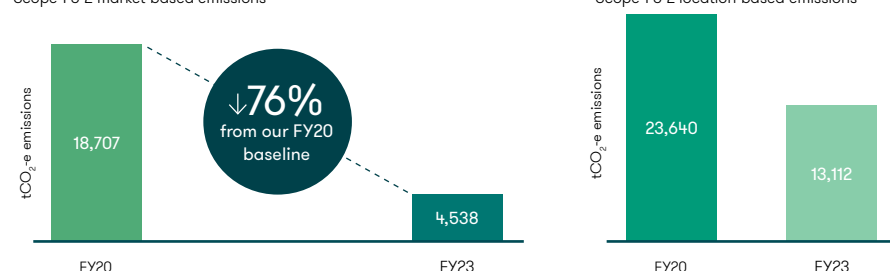
1. Our renewable electricity purchases include renewable energy certificates in the form of large-scale generation certificates (LGCs) and GreenPower.
2. Due to reduced domestic fuel production and increase in imported fuels.
3. Scope 1, 2 and 3 GHG emissions are subject to limited independent assurance by KPMG. Please refer to the assurance opinion included on [the Suncorp Group website](#).
4. Our FY23 GHG metrics are prepared on a 10+2 basis. FY22 GHG emissions reflect full year actuals.

Performance against our Scope 1 & 2 net-zero commitment

We have reduced our market-based Scope 1 & 2 greenhouse gas emissions by 76 per cent from our FY20 baseline.¹ For details on our approach to reducing our climate impact within our own operations, see pages 12 and 13 within this report.

Our progress against our Scope 1 & 2 net-zero target

Scope 1 & 2 market-based emissions



1. Our FY20 Scope 1 and 2 baseline has been revised from 23,640 tCO₂-e to 18,707 tCO₂-e to ensure alignment with the GHG Protocol Scope 2 Guidance. Our FY23 Scope 1 & 2 progress metric is subject to limited independent assurance by KPMG. Please refer to the assurance opinion included on [the Suncorp Group website](#).

Sensitive Sector Standard – fossil fuel progress on phase out targets

The Group monitors exposure to fossil fuel sectors in line with our Sensitive Sector Standard. Learn more about our approach to phasing out of fossil fuels aligned to the Group Sensitive Sector Standard within our Basis of Preparation in our [Sustainability Data Pack](#) or visit our responsible underwriting, lending and investing page [on our website](#).

FY23 progress	Insurance (Australia) ^{1,3}	Suncorp Bank	Suncorp New Zealand	Investment ¹
Phase out thermal coal extraction and electricity generation by 2025. ²	On track	Met	On track	On track
Phase out oil & gas exploration & production	Phase out by 2025 On track	Met	Phase out 25% by 2025 On track	Phase out 25% by 2025 On track ⁴

1. Suncorp Insurance Australia and Investments progress against our Sensitive Sector Standard – fossil fuels is subject to limited independent assurance by KPMG. Please refer to the assurance opinion included on [the Suncorp Group website](#).
2. Suncorp will phase out of any underwriting and direct investment in thermal coal by 2025. This includes mining companies principally involved in the extraction of thermal coal, as well as electricity generation companies whose business is clearly inconsistent with the transition to a net-zero emissions economy by 2050. Principally defined as where more than 10% of the company's revenue is derived from thermal coal extraction or electricity generation. An exemption to this exclusion applies for companies whose business is clearly consistent with the transition to a net-zero carbon emissions economy by 2050.
3. The Sensitive Sector Standard – Fossil Fuels for underwriting applies to new policies post 1 June 2019 for direct thermal coal extraction and electricity generation, and 1 July 2020 for direct oil and gas exploration and production exposures.
4. Suncorp will phase out of its investment exposures to oil and gas by: immediately (as at 1 July 2020) excluding the top 10% by metric tonne of CO₂e per million of USD revenue, based on Scope 1 & 2 emissions; the top 25% by 2025; the top 50% by 2030 and phase out of all oil and gas exploration and production by 2040. Suncorp will phase out of underwriting oil & gas by 2025. An exemption to this exclusion applies to companies whose business is clearly consistent with the transition to a net-zero carbon emissions economy by 2050.

Expanding our GHG metrics in FY23

We are actively expanding measurement of our greenhouse gas emissions to account for Scope 1, 2 and 3 for the Group. Outlined below is our progress in FY23 to better measure our Scope 3 emissions and setting a Scope 3 baseline in preparation for net-zero planning for the Group.¹

GHG emissions category	Description	Measuring, targets set and publicly disclosing	Measuring, disclosing, targets not set	Measuring and not yet disclosing	Measurement in progress
Scope 1		✓			
Scope 2 Market-based		✓			
Scope 2 Location-based		✓			
Scope 3 Operational emissions					
Controlled operations	Purchased goods and services			✓	
	Capital goods			✓	
	Fuel and energy related activities		✓		
	Waste from operations		✓		
	Transportation and distribution			✓	
	Upstream leased assets			✓	
	Business travel		✓		
	Employee commuting (incl WFH)		✓		
Claims	Home repairs				✓
Supply Chain	Motor repairs				✓
Scope 3 Financed emissions					
Bank ²	Home Lending			✓	
	Business Lending			✓	
	Treasury Investments			✓	
Underwriting	Consumer Motor (AUS and NZ)				✓
	Consumer Home				✓
	CTP				✓
	Commercial				✓
	Workers' Compensation				✓
Investments	Listed equities		✓		
	Australian corporate bonds		✓		
	Sovereign and semi-government bonds			✓	
	Unlisted assets			✓	
	Global corporate bonds			✓	
	Convertible bonds			✓	
	Other fixed income securities			✓	

1. GHG measurement and target setting will be undertaken for the Group where source data, GHG accounting methodologies and target setting standards are available.
2. Suncorp Bank has undertaken a comprehensive review of its financed emission baseline. Internal approvals for a transition plan for net-zero are on hold, pending the outcome of the proposed sale of Suncorp Bank.

Low carbon impact investments

Suncorp has a target of investing 5 per cent of shareholder funds in social and low carbon impact investments¹ (with the current level of investment running slightly above this at 5.6 per cent)². This commitment is also reflected in Suncorp's Responsible Investment Policy, which states that Suncorp seeks opportunities to engage in impact investing with the aim of targeting social impact in addition to financial returns.

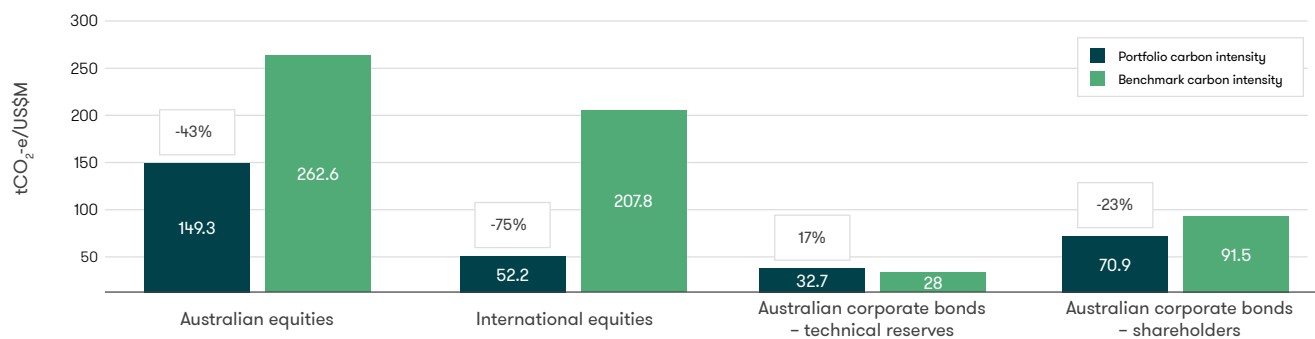
The defining feature of a 'core' impact investment is the dual objective of achieving a measurable social or environmental return alongside a financial return. Key underlying aspects include an investor's intention to have a positive social or environmental impact combined with an expectation of some level of financial return, and the commitment to measure and report the social and environmental performance and progress of underlying investments. Increasingly, the social and environmental impact (or social return) is being aligned to the United Nations Sustainability Development Goals (UN SDGs), as this provides the basis for an independent metric for the measurement of the extent of the impact achieved.

Suncorp has made four impact investments. In addition, other 'low carbon' investments (that qualify as impact investments) include real estate assets with appropriate environmental characteristics as well as opportunistic investments in green bonds (made by our investment managers).

Carbon intensity of investments against the benchmark

From what we can credibly measure, our portfolio continues to have a similar or lower carbon intensity versus the relative benchmark indices across Australian corporate bonds and domestic and global equities. Australian corporate bond carbon intensity was added last year. This year, we have provided a further breakdown of Australian corporate bonds by carving out our Technical Funds as we have stricter investment guidelines to ensure our assets match our liabilities, which means a more similar profile versus the benchmark. In our other portfolios with less restrictions, assets can deviate further from the benchmark. We are continuing to measure more of our portfolio and will report on this as the data becomes more readily available and the data quality improves.⁴

Carbon intensity against benchmark: FY23 performance³



1. Based on Global Investor Coalition definition

2. The percentage of shareholder funds invested in social and low carbon impact investments is subject to limited independent assurance by KPMG. Please refer to the assurance opinion included on [the Suncorp Group website](#).

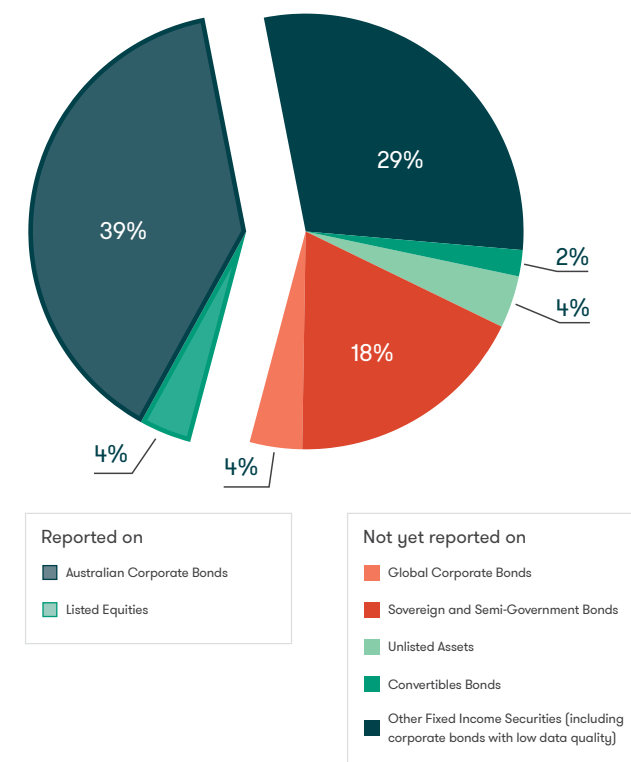
3. Carbon intensity metrics are subject to limited independent assurance by KPMG. Please refer to the assurance opinion included on [the Suncorp Group website](#).

4. The data includes Australian Corporate Bonds and Australian and International equities with a high-data score. Other Fixed Income securities includes cash, RMBS, and corporate bonds with a low-quality data score.

Investment portfolio GHG emissions coverage

While we are measuring the emissions on the entirety of the portfolio, we currently report on 43 per cent of the portfolio, which consists of securities with a high data quality. We continue to make further progress in improving the quality of our data and currently setting our financed emissions baseline.

% FUM by asset class



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