



Sustainable insurance

QBE provides a broad range of insurance products to personal, business, corporate and institutional customers. As a proud signatory to the United Nations Environment Programme - Finance Initiative's (UNEP FI) Principles for Sustainable Insurance (PSI), we take an active approach to risk management, no matter how complex, and listen to our customers' needs to deliver tailored solutions.

Our risk management processes and systems are robust and aligned to global best practice. Our Group Board seeks to ensure we have an effective Risk Management Strategy (RMS) across QBE's operations, and that the business manages risks effectively in line with our Enterprise Risk Management framework. This framework incorporates our key risk management processes: determining risk appetite; governance, risk and control assessments; stress and scenario-testing; reporting, risk modelling and capital management; and monitoring our risk culture.

Supporting the Group Board, our Board Risk & Capital Committee (BRCC) oversees active, appropriate risk management in line with our risk appetite, strategy and business plans. The Group Board reviews the RMS annually, and results are reported to the Group Board Audit Committee and BRCC.

Managing risk, embedding sustainability



As we work to further embed sustainability into our decision-making, we actively manage current and emerging ESG risks and opportunities. This is in line with our membership of the UNEP FI, and our PSI signatory status.

In 2018, we formed an ESG Risk team to analyse and help manage these risks across the business. Our new ESG Business Policy Committee also discusses and develops specific ESG policies for application in the divisions.

We use a robust risk identification, measurement and mitigation process. As part of our RMS, we categorise risks into six classes, with ESG risks across underwriting and investments classified as strategic risks, as well as being integrated into other risk classes.

Our Risk Appetite Statement sets out the nature and level of risk that the Group Board and Group Executive Committee are willing to take in pursuit of our business objectives, clearly defining QBE's appetite and tolerance for risk. We are also integrating ESG risks into the Strategic Risk Policy as part of our regular policy review.

We know that the risk environment evolves over time, so our Global Emerging Risk Forum works with divisional emerging risk forums to identify, research and analyse emerging risks such as cyber, big data and autonomous vehicle risk.

Our commitment to responsible underwriting

Our Group Underwriting Standards support our commitment to, and reflect our definition of, responsible underwriting. They include:

- Strict adherence to compliance and regulatory obligations that underpin global efforts to reduce terrorism, corruption, corporate and organised crime and human rights violations.
- Identifying and integrating ESG issues into risk management and underwriting decision-making processes.
- A commitment to developing products and services that reduce risk, positively impact ESG issues and encourage better risk management.
- Working with clients and business partners to raise awareness of ESG issues, manage risk and develop solutions.

We are helping drive our industry towards better ESG standards in underwriting. Together with our peers, we are participating in the industry-wide

PSI ESG Standards for Underwriting project. Due for release in early 2019, we will use its outcomes to inform our Group Underwriting Standards.

Our Group Code of Ethics and Conduct (refer to the [Governance](#) section for further information) and conduct risk management model also support our commitment to responsible underwriting. We define conduct risk as the risk of unfair customer outcomes resulting from QBE's failure to treat its customers in a fair manner when (i) designing or building its products, (ii) designing its sales and marketing practices, (iii) overseeing the distribution of its products, (iv) handling claims and (v) managing complaints. Our approach is designed to cover our business model, strategy, culture, product design, distribution, communication, post-sales activity, and product governance.

To support our Group conduct risk principles, we also have specific policies and processes for divisions assessed to have a higher likelihood of conduct risk. In late 2018, we set up a Conduct Risk Working Group, chaired by our new Group Head of Conduct. Made up of experts from across our business, the working group aims to deliver a consistent approach to understanding and managing conduct risk.



Our business is fundamentally about how we identify, mitigate and manage risks for QBE and our customers. In 2018, we strengthened our approach to managing environmental, social and governance risks across our business by forming an ESG Risk team and ESG Business Policy Committee. This helps us ensure our risk management practices and systems are robust, independent and aligned with global best practice."

Peter Grewal,
Group Chief Risk Officer

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Promoting sustainability with clients and business partners

QBE works with clients, business partners and our own employees to raise awareness of sustainability issues, manage risks and develop solutions. We offer events, seminars, tools and publications that help our clients, brokers and employees build their risk management knowledge and sustainability awareness. We also promote sustainability awareness in the following ways:

Expert risk solutions

Our Global Risk Solutions Practice is a community of risk engineers, risk management consultants and scientists. Together, they work with our customers on risk profiling and evaluation, accident investigation, business continuity, risk assessment, supply chain analysis, environmental management and client awareness forums and training materials. The team uses technology to proactively engage business owners, making it easy for them to learn about, and plan for, the risks they face. In 2018, we launched a solution targeted at small to medium-sized businesses, honing their focus on risk management, and equipping them with expert knowledge, data and tools.

Sustainable solutions and products

Through our products and services, we help customers and clients address sustainability issues, for example:

- We have introduced a new mobile offering for selected new clients in Europe to make fleet telematics more accessible. The solution allows clients to reduce risk and fuel use, while encouraging safe-driving behaviours, as well as giving our underwriters the data they need to offer affordable premiums.
- We insure water utility companies in many parts of the world through our international portfolio. Many of these companies are at the forefront of providing new solutions for sustainable management of water in their territories.

Further examples can be found on the next page.

Engaging our suppliers on sustainability

In 2018, we released our Supplier Sustainability Principles, outlining our minimum expectations of our suppliers across a range of sustainability issues. Refer to the [Operational excellence](#) section for further information.

Educating our stakeholders

We publish market-leading insights across our divisions on sustainability-related issues. For example, our European Innovation Series informs our customers about the drivers behind industry change, covering topics such as technology, logistics innovations, modern rail risk, cyber security and disruptions in motor fleets.

We also engage with our brokers and intermediary distributors through education seminars and public campaigns on topics such as emerging cyber risks, automation and road safety.

Raising employee awareness

In 2018, the Group Sustainability function engaged directly with teams across the business to raise awareness of sustainability. We also published a range of intranet articles and created dedicated internal Yammer groups to provide frequent updates on sustainability trends, insights and news for our international business.

In addition, we invited several external speakers to present at lunch-and-learn sessions on a range of sustainability topics.

Making a difference through impact investing

In 2015, QBE launched Premiums4Good. This pioneering initiative enables QBE customers to make a difference by directing a proportion of their insurance premiums to investments in securities with an additional social or environmental objective. Refer to the [Responsible investments](#) section for further information.

Examples of sustainable solutions and products



Proactive rehabilitation services

Our rehabilitation services, provided through our European Operations, focus on early intervention to assist injured parties, protect our clients and their claims position. By providing the right rehabilitation and claims support when it is needed, our services help injured people get back to work promptly, while reducing claims costs. We help underwriters, risk managers, brokers and customers with a range of rehabilitation and occupational health issues, such as absence management, major incident assistance, rehabilitation best practices and return-to-work policies.



Innovation enhancing health and safety

We work with construction companies that are improving the health and safety of their workforces through technological solutions. Through our European Operations, we underwrite Laing O'Rourke, which has invested over £120 million to develop an off-site construction facility that reduces the need for personnel to work on site in dangerous conditions. The facility robotically builds concrete structures, which are then delivered to sites, reducing instances of working-at-height and the movement of materials by cranes.

Through our Asia Pacific Operations, we are also involved in a range of projects using Building Information Modelling (BIM). As part of the Changi Airport expansion, BIM technology makes the project safer and helps to ensure a cost-efficient environmental design. Combining BIM and GPS technology also helps ensure safety on-site by alerting workers and supervisors to dangerous locations.



Transitioning towards a low-carbon economy

We offer a range of solutions that support our customers' transition to a low-carbon economy and manage the risks associated with climate change. In our Asia Pacific Operations, we have expanded our renewable energy portfolio, providing cover for solar farms across Vietnam and Korea. Some are set on floating pontoons in lakes, reservoirs and harbours. Floating solar farms are more efficient than normal farms because of the water's cooling effect, which can make the panels as much as 10% more effective, and limit water from evaporating.

Through our European Operations, we work in partnership with GCube, a specialist provider of renewable energy insurance services. GCube helps wind, solar, biomass, wave, tidal, hydro and energy storage asset owners to identify, quantify, mitigate and insure risk efficiently and cost-effectively.



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Engaging with governments, regulators and other key stakeholders to promote action on sustainability

QBE continued to engage and work with a range of governments, regulators and other stakeholders on a host of sustainability topics throughout 2018.

Examples include:

Boosting resilience in cities and regional communities

During 2018, QBE representatives participated in the Australian Government's National Resilience Taskforce to develop a framework for financing adaptation and resilience. The Taskforce brought together stakeholders across industry and government, community groups and not-for-profit organisations to collaborate on potential resilience strategies for Australia. This has created a platform for change, discussion and partnership for enhanced resilience in communities.

In July, we sponsored the UNEP FI Conference on Financing a Resilient and Sustainable Economy. Held in Sydney, the Conference discussed ways to strengthen the banking, insurance and investment sectors' contribution to sustainable development. It featured innovation and market developments across key global financial frameworks and initiatives, including PSI and the Principles for Responsible Investment (PRI).

Understanding the workforce of the future

In Singapore, we have been working with the Monetary Authority of Singapore (MAS) to understand the needs of the country's future workforce. To date, MAS has supported training for local staff on machine learning and the impacts on workforce planning. In addition, our Singapore CEO is involved in industry boards and working groups, such as the Institute of Banking and Finance, which focuses on reskilling the workforce for the future.

Championing workers' health and safety

The CEO of our Singapore office chairs the General Insurance Association of Singapore which is exploring best practice for the safety of workers using technology. Our Singapore CEO also sits on the Tripartite Strategy Committee 2028, which is formulating the Workplace Safety and Health Strategy for Singapore, an initiative that puts a greater emphasis on workers' health than ever before.

Adding our voice at key events

Throughout the year, QBE representatives have attended and spoken at business roundtables, seminars and events on sustainability. Topics included impact investing, diversity and inclusion, climate change, modern slavery, sustainable cities and communities, resilience and sustainable finance.

Supporting financial security through microinsurance



In the Philippines, the QBE Foundation has collaborated with World Vision Australia, VisionFund International and Accenture Development Partnerships to develop a microinsurance initiative. The initiative supports financial safety and resilience in a number of areas, including health, retirement, the fishing industry, small shops and agriculture. Designed in 2018, the pilot aims to drive financial inclusion, including tailored microinsurance products for poor communities of Southeast Asia.



Events included:

- In early 2018, five of our delegates, including two non-executive directors, two executives and one senior leader, attended the training provided by the University of Cambridge Institute for Sustainability Leadership. The program explored the challenges facing us globally, their strategic implications for business, and how business leaders can respond to those challenges through resilient business models.
- Employees across the business attended or contributed at multiple events held by Accounting for Sustainability (A4S). Our Group Head of Sustainability has been an expert panel member since January 2017, and our Group Financial Controller joined the A4S Trans-Tasman Circle of Practice in 2018. Once again, QBE attended the 2018 A4S Summit at St James's Palace in London, an invitation-only event hosted by HRH The Prince of Wales.
- In May 2018, we attended the first-ever Ocean Risk Summit in Bermuda. The Summit was organised around the following themes: our changing ocean, managing and reducing ocean risk, building resilience and applied solutions. It showcased the latest research on the interrelated changes taking place in the ocean, covering issues from threats to global food security and human health, to the impacts of hurricanes on communities, ecosystems, and businesses.
- In September 2018, we attended the inaugural Insurance and Climate Risk Americas conference in New York, held during the UN General Assembly Week and Climate Week. In November 2018, we also attended the UNEP FI Global Roundtable and Paris Climate Finance Day to discuss sustainable finance.

“Investors and customers are increasingly looking for businesses to operate sustainably and demonstrate social purpose. It is essential that boards have a strategy for adding long-term value to their companies, and that they anticipate environmental and social regulatory requirements.”

Jann Skinner
QBE Group Board member



Social bond issuance

In 2018, we continued to give debt investors the opportunity to make a positive impact on society.

In 2017, we issued a Gender Equality Bond, a debt product that incorporates gender equality with strict investment criteria. Any issuer must be a signatory to the Women's Empowerment Principles and be included in the Equileap Gender Equality Global Report and Ranking's Top 200 Companies at the time we invest. During the year, we published our [inaugural report](#) showcasing the achievements of companies we have invested in, plus progress towards gender equality in the workplace and the communities we serve.



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