



# Responsible investments

As a global investor and committed signatory to the Principles for Responsible Investment (PRI), QBE aims to contribute to social wellbeing and sustainable development. We believe that integrating responsible investing into investment decisions is good for long-term, risk-adjusted financial returns and aligned to our stakeholders' expectations.

QBE has a dedicated Responsible Investments (RI) team, which reports to the Group Chief Investment Officer and the Group Chief Financial Officer. Its activities are also overseen by the Board Risk & Capital Committee and, where appropriate, the Board Investment Committee.

QBE manages a multi-asset portfolio. Our fixed income portfolio represents approximately 85-90% of our overall investment assets and is mostly managed directly using in-house portfolio managers and analysts. The growth assets portfolio represents the remaining 10-15% of our investment assets, and we use external investment managers and passive index vehicles to access the various asset classes. For a detailed breakdown, refer to the [2018 Annual Report](#).



**Progressing our responsible investments approach**

In 2018, we updated our Investment Philosophy to reflect our stronger commitment to considering ESG factors when assessing risk and integrating them into key investment decisions.

We also refreshed our Responsible Investments (RI) Guidelines to reflect our sharper focus on ESG factors across our investment portfolio. We believe that incorporating ESG factors complements our existing investment due diligence and strengthens our overall decision-making.

**Our credit analysis and selection process**

In 2017, we introduced an independent ESG measure to our credit analysis process. This enables us to understand and monitor a company’s approach to managing ESG issues through its policies, practices and other measures. In 2018, we continued to incorporate this ESG measure as part of the credit analysis and selection process. We also extended our ESG integration analysis to cover supranational issuers. We work with credit issuers with lower ESG-ratings to better understand what drives their scores and, where appropriate, what their plans are for improvement.

**ESG reviews for external fund managers**

During the year, as part of our manager selection and due diligence program, we strengthened our external fund manager reviews and extended the annual ESG review for all existing managers. Also, 85% of our external managers are PRI signatories.

In 2018, QBE joined the Global Real Estate Sustainability Benchmark (GRESB) as an investor member and reviewed the ESG performance of real estate portfolio managers. Based on GRESB real estate benchmarks, the weighted average for the property portfolio is GRESB 4 Star, which is in the top quartile.

**Climate change transition risk**

In 2018, in line with our commitment to the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD) recommendations, we honed our strategic focus on climate change management and disclosure.

For our investment portfolio, we analysed the transition risks in our corporate bond portfolio associated with climate change, and engaged with external managers. For further detail, refer to [Spotlight: climate change](#) and the Climate Change Action Plan in our [2018 Annual Report](#).

Our investment processes are enhanced by new methodologies, analytics and tools. Results of these tools are supportive of our investment approach to date, and growing sustainable investment credentials.

**Industry collaboration and engagement**

We continue to join industry and government discussions to share best practice on responsible investing, and regularly contribute to a range of submissions, research papers, forums and panels. During 2018, we strengthened our commitment to responsible investment by joining the Investor Group on Climate Change, where we participate in the Adaptation Working Group. As a member of the Responsible Investment Association Australasia (RIAA), we participate in the Impact Investment Forum and the Human Rights Working Group, collaborating with our peers on key challenges and opportunities.

As an investor member of GRESB, we are able to understand the climate resilience of our real assets portfolio.

We are an active participant in the global field of responsible investing and impact investing, with our representatives attending the following events this year:

- Winter Innovation Summit in Salt Lake City;
- PRI in Person conference in San Francisco;
- RIAA annual conference in Melbourne, where the Group Investments team presented on an impact management panel;
- Asia Pacific Impact Summit where we shared our perspectives as a global investor in social impact bonds (SIBs);
- Global Steering Group for Impact Investing Impact Summit in India where our impact investing program Premiums4Good was profiled as a leading example of mobilising capital for impact; and
- Gender-Smart Investing Summit held in London, where we showcased our commitment to women’s empowerment and gender equality.

**Employee training and engagement**

New training sessions by our RI team are strengthening the ESG knowledge and skills of the broader Investments team. Subjects in 2018 included climate change, and long-term social and economic trends. With more training and development sessions scheduled, we will continue to educate our employees on the importance and relevance of ESG issues to investments decisions.

# Premiums4Good

By choosing QBE as an insurer, our customers make a difference through their premiums by contributing to Premiums4Good. In addition, select customers can direct up to 25% of their insurance premiums to impact investments – investments in securities with an additional social or environmental objective, such as SIBs, social bonds, green bonds and investments in infrastructure with environmental benefits.

As QBE bears all the investment risk, there is no cost or risk to the customer. And as premiums grow, demand for social impact investment grows. Premiums4Good supports our belief that we can deliver risk-adjusted returns and make a difference.

QBE invests in line with existing investment mandates and thresholds, and we work with the Classification of Social Investments Committee (COSI) to oversee the program's governance. COSI comprises three QBE representatives and three independent impact experts. It meets quarterly to classify and review investments for an "additional social or environmental objective" and verify their positive impact. The Committee continues to support QBE in iterating and improving our approach.

We are excited by the opportunity to scale up the Premiums4Good program and increase the percentage of funds directed to generate positive impact. In 2018, we established an internal Global Steering Committee with representatives from across the business. The Committee will develop and oversee the Premiums4Good strategy to maximise the value of this innovative, global offering.

Our Premiums4Good offering continued to grow in 2018, with the number of investments increasing from 26 to 32, representing an investment of \$440 million in qualifying securities. Investments range across asset classes and geographies, including green bonds, social bonds, infrastructure and SIBs. We have an ambition to grow our impact investing allocation to \$1 billion by 2021.

We have also mapped these investments to the United Nations Sustainable Development Goals (SDGs) to align to QBE's support of the SDGs. This reflects the momentum of the SDGs in impact investment.

## Industry recognition



**Australian Impact Investment Awards, Winner**  
Impact Asset Owner of the Year



**The Prince's Accounting for Sustainability Project/Institute of Chartered Accountants Finance for Future Award, Finalist**  
Building Sustainable Financial Products

## Total investment

**\$440 m** invested across

**32** securities that meets QBE's investment and impact criteria (up from 26 in 2017)

**Our ambition is to grow our impact investments to**

**\$1 billion** by 2021

## Thematic investing

Alongside Premiums4Good, we are exploring thematic investment opportunities in the context of QBE's group-wide priority SDGs. In 2018, we focused on the following three goals:





Overview

Sustainable Insurance

Responsible Investments

Customer and community

People and culture

Operational excellence

Governance

Assurance statement

**Current Premiums4Good investments**

IMPACT AREA	IMPACT LOCATION				TOTAL
	GLOBAL INCLUDING EMERGING MARKETS	AUSTRALIA AND NEW ZEALAND	EUROPE AND UNITED KINGDOM	NORTH AMERICA	
<b>Environment</b>					
Resource efficiency, recycling, re-use and conservation	2			1	3
Sustainable energy	2	4	2	4	12
<b>Social</b>					
Education and employment	1				1
Financial inclusion	1		2		3
Health		1		1	2
Housing and social real estate		2	1	1	4
Social care and provision of community services		1		2	3
Social inclusion, diversity and gender				1	1
Urban and community development				3	3
	<b>6</b>	<b>8</b>	<b>5</b>	<b>13</b>	<b>32</b>

# Impact investments

**Social impact bonds**

QBE supports social investment as a means of raising capital for global social and environmental issues while creating financial returns. Investments supporting Premiums4Good are in multiple asset classes and impact areas, and range in depth of impact. SIBs are at the high-impact end of the spectrum, as a results-based investment.

In 2014, we committed to invest up to \$100 million in suitable SIB opportunities across our global investment portfolio. We strive to bring commercial rigour to these types of investments and to help develop the market across our multiple jurisdictions, through portfolio investment activities on the institutional demand side, as well as customer initiatives and advocacy. Our involvement in SIBs also demonstrates the power of public-private-social sector partnerships and, importantly, addresses the need to drive demand for continued social investment.

## IMPACT MANAGEMENT PROJECT

As we strive for best practice in impact investing globally, we are proud to participate in the Impact Management Project (IMP). This global network of standard-setting organisations aims to develop a convention and shared language for impact investment.

IMP works alongside other reporting standards to identify investors' contribution, and how capital providers such as QBE are investing for impact and intentionally seeking deeper impact. QBE has mapped the Premiums4Good portfolio to the IMP to demonstrate the development and maturity of the program over the past four years since its launch.



### **Benevolent Society Resilient Families Social Benefit Bond, Australia**

QBE's first SIB investment matured in October 2018. The bond not only delivered the financial return expected, it also contributed to social benefits, including 32% fewer children entering out-of-home care compared to a control group.

Over the five-year duration of the program, 303 eligible families were referred to Resilient Families with 816 children gaining support.

The program achieved an 86% preservation rate (children remain home with parents) for all families referred to the program, which is comparable to the best evidence-based programs globally.



### **Cheyne Social Impact Property Fund, United Kingdom**

QBE invests in the Cheyne Social Impact Property Fund, which addresses the pressing challenge of social and affordable housing. Cheyne works with high impact organisations to deliver services such as social housing, elderly additional care, housing for the homeless, adult social care and supported living for people with physical and/or learning disabilities.

Cheyne's Social Property Impact team acquires or builds properties and then eases them to social-services providers at affordable rates. The results are visible and measurable.

One example is the case of a 34-year-old man with severe learning disabilities who was keen to live independently. He had been offered a series of housing options, all of which had fallen through for various reasons.

This meant he was still living with his family and requiring significant care and input from them. When accommodation finally became available it was an hour-and-a-half away, meaning they would also have to move or travel long distances to see him regularly. The alternative was long periods of separation.

The fund's investment allowed a suitable property near his family home to be found and tailored to his needs. The resulting independence from moving out of his parents' house increased the man's quality of life, reduced the care impact on his family and cut administrative costs for both providers and relatives in searching for new accommodation.



### **Future Shapers Social Impact Bond, United Kingdom**

Future Shapers is a dynamic program for 14 to 17-year-olds that aims to support the social and educational development of young people in South Yorkshire, helping them to get the most out of life.

Young people participate in this program to get a better chance of finding a job by developing their skills, attitudes and understanding as they move from education to the world of work.

Personal mentors offer support tailored to the young people's own needs. This includes helping them to grow in confidence, improve school attendance, gain qualifications, take part in extra-curricular activities, socialise with other young people, look for work and much more.

The program launched in 2015, under which investors pay for the project and receive payments based on results. In December 2018, the program matured to deliver positive results.