Principles for Sustainable Insurance 2017

QBE Insurance Group Limited
Principle 1

We will embed in our decision-making environmental, social and governance (ESG) issues relevant to our insurance business.

QBE’s 2017 Sustainability Report (the Report) provides an overview of our approach to sustainability, including our sustainability framework, governance and management, and ongoing stakeholder engagement.

Our Sustainability Framework is structured around the following focus areas:

1. Sustainable underwriting
2. Responsible investments
3. Operations
4. Environmental metrics
5. People and culture
6. Community
7. Governance and compliance

The Report provides an overview of each focus area and highlights progress throughout the year. Further information about how ESG issues are embedded into our decision-making processes can be found throughout these sections of the Report.

Sustainability governance and management

At QBE, there are four core groups responsible for governing and managing our sustainability activities:

- The Board Risk and Capital Committee (BRCC) – Oversees and guides QBE’s sustainability approach, initiatives and reporting requirements and receives regular updates on performance and activity.
- Group ESG Committee – Executive committee reporting to the BRCC and responsible for the delivery and effectiveness of sustainability strategy, initiatives and reporting requirements.
- Group Sustainability function – Formed in 2017 under a dedicated Group Head of Sustainability, to support the work of the ESG Committee by providing greater coordination of external stakeholder engagement, sustainability strategy development, performance management and reporting.
- Climate Change Working Group – Focuses on identifying and managing the physical and transitional risks related to climate change and the global shift towards a low-carbon economy.

ESG issues are also reported to the Group Executive Committee as required. QBE has other internal governance forums whose members have specialist skills to understand and address new and existing sustainability issues. These include our Group Emerging Risk Forum, Group...
Underwriting Committee, Classification of Social Investments Committee and Diversity and Inclusion Council.

Further information about QBE’s sustainability governance and stakeholder engagement can be found in the section called “Our approach to sustainability” in the Report.

Risk management and Responsible underwriting

As we help customers manage their risks, we apply a similar approach to managing our risks and sustainability challenges as a business. We seek to embed sustainability into our decision-making. Our Group Underwriting Standards incorporate principles of responsible underwriting and support our commitment to it.

We are fully committed to applying a disciplined approach to risk management and having risk management processes and systems that are robust and aligned to global best practice. Our Group Chief Risk Officer’s report in the 2017 Annual Report contains further detail about our approach to risk management across our business.

Training and awareness

QBE’s Underwriting Academy is an example of how ESG issues are integrated into the education of front-line sales and marketing staff across our different divisions. This program helps current and aspiring underwriters to develop their skills and expertise. By incorporating sustainability risk topics, it positions graduates to better engage with clients and broker partners on these issues. Throughout the year, we also hold lunch and learn sessions on sustainability topics to educate and upskill sales and marketing staff.

Responsible investment

We are signatories to the Principles for Responsible Investment (PRI) and believe that integrating these principles into ownership and investment decision-making can have a positive impact on risk-adjusted financial returns. Additional information about how ESG issues are integrated into our investments can be found in the “Responsible investments” section of the Report.

Principle 2

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

We work with clients, business partners and employees to raise awareness of ESG issues, manage risks and develop solutions. This includes offering events, seminars and publications that help clients and brokers build their risk management knowledge and sustainability awareness.

We also build awareness in other ways including our Global Risk Solutions Practice, our QBE Risk Culture Profiling Tool (RCPT) in the United Kingdom, ongoing involvement with risk bodies, the QBE Underwriting Academy, product development, impact investing and financial inclusion. Further detail about how we work with our clients and business partners to raise awareness of sustainability issues, manage risks and develop solutions can be found in the “Sustainable underwriting” section of the Report.

QBE’s global Procurement function is committed to conducting our operations in a responsible and sustainable manner, in accordance with the guidelines of ISO 20400, the new global standard for sustainable procurement. We plan to comply with this standard by 1 January 2020. QBE’s Supplier Sustainability Principles, which can be found here, outline how ESG issues are integrated into the procurement decision-making process. Our five core Procurement Principles outline how we conduct our activities and integrate sustainability into the tender and selection processes for suppliers. Further information about this can be found within the “Operations” section of the Report.

In 2017, QBE broke new ground by giving debt investors the opportunity to make a positive impact on society and the environment. We were the first global insurance company to issue a green bond and launched the world’s first Gender Equality Additional Tier 1 bond transaction. Our Premiums4Good initiative has enabled customers to direct a portion of their premium for investment in securities with an additional social or environmental objective. Further information about our investments can be found in the “Responsible investments” section of the Report.
**Principle 3**

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

QBE engages with governments, regulators and other key stakeholders to promote action on sustainability. Examples include:

- Tackling discrimination in the provision of goods and services in our Australian and New Zealand Operations
- Acting on illegal, unreported and unregulated fishing in our British Marine business
- Contributing to the Senate inquiry into Australia’s general insurance industry
- Contributing to the Australian Government Royal Commission into the banking, superannuation and financial services industries
- Participating in sustainability conferences and events on topics including impact investing, diversity, climate change, sustainable communities, human rights and sustainable finance

Additional information about our work with governments, regulators and other stakeholders to promote action on sustainability can be found in the “Sustainable underwriting” section of the Report.

In line with our focus on stakeholder engagement, we are members of, and signatories to, several global and regional sustainability-related initiatives. These include the United Nations Environment Programme Finance Initiative (UNEP FI), Principles for Responsible Investment (PRI), Carbon Disclosure Project (CDP), ClimateWise Principles, Responsible Investment Association Australasia (RIAA), and Women’s Empowerment Principles (WEPs). We have also recently joined the Investor Group on Climate Change and the Actuaries Institute’s Climate Change Working Group.

**Principle 4**

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles.

We disclose our progress in implementing the Principles for Sustainable Insurance annually and discuss the integration of ESG issues across our business in our annual Sustainability Report and, where appropriate, elsewhere in QBE’s annual reporting suite.

By engaging with stakeholders and reporting on our sustainability approach and initiatives, we aim to be transparent and open about our journey, achievements and performance. We are therefore involved in several external reporting and benchmarking initiatives.

Since 2016, QBE has been selected as an index component of the Dow Jones Sustainability Indices (DJSI) in recognition of our corporate sustainability leadership in the insurance industry. FTSE Russell (the trading name of the FTSE International Limited and Frank Russell Company) has also confirmed that QBE has satisfied the requirements to become a constituent of the FTSE4Good Index Series. We participate in other surveys coordinated by research groups, including MSCI ESG Research and Sustainalytics. We were included as a member of the 2018 Bloomberg Gender-Equality Index (GEI). And as a signatory of the CDP, we participate in its annual reporting requirements.
This Sustainability Report covers the global activities of QBE during the financial year ended 31 December 2017. All financial figures are quoted in US dollars unless otherwise stated. Deloitte Touche Tohmatsu was engaged to provide independent limited assurance over QBE’s global Greenhouse Gas (GHG) emissions data for the year ended 31 December 2017, in accordance with the Australian Standards on Assurance Engagement ASAE 3410 Assurance Engagement on Greenhouse Gas Statement. The purpose of this was to provide QBE management with limited assurance over the reported GHG emissions data, calculated in accordance with the Global Reporting Initiative (GRI) Standards’ requirements for Disclosures 305-1, 305-2, and 305-3, QBE’s GHG Reporting Framework, the GHG Protocol’s Corporate Accounting and Reporting and Corporate Value Chain (Scope 3) Accounting and Reporting Standards. The full limited assurance statement is available at the end of this Report.

Cover image: QBE’s Premiums4Good program provides capital for sustainable energy projects around the world.
As a general insurance and reinsurance company, QBE’s purpose is very clear - we give people the confidence to achieve their ambitions.

As a company that helps people and businesses protect themselves from risk, a focus on sustainability, and the identification of current and emerging environment, social and governance trends, is an integral part of achieving our purpose, understanding the needs of our customers and ensuring the sustainability of our own business.

I see QBE's commitment to sustainability as a long-term journey, something we build on each year in response to a rapidly changing environment. Our 2017 Sustainability Report describes the steps we are taking to integrate sustainability into our decision making, our products and our interactions with customers, employees and commercial partners.

Looking back over 2017, I am proud of our continued commitment to our unique Premiums4Good initiative, which enables customers to direct a portion of their premium for investment in securities with an additional social or environmental objective. During the year we also led the way in social bond issuance. We were the first global insurance company to issue a green bond and launched the world's first Gender Equality Additional Tier 1 bond transaction.

A core part of sustainability is ensuring that we attract and retain the right people, build talent and develop a values-aligned culture. In my new role as Group CEO, I have a focus on culture and capability, and ensuring we provide a diverse and inclusive workplace for our employees. In 2017, QBE became a signatory of the Women's Empowerment Principles (WEPs) and we were recently included as a member of the Inaugural Bloomberg Gender-Equality Index.

Building on this, I am delighted to join a number of my Australian CEO peers as a Male Champion of Change and will continue to focus on how we at QBE can support our employees, our customers and broader community stakeholders to recognise the importance of diversity and inclusion.

In 2017, we continued to invest in the communities in which we operate. Through the QBE Foundation, our people engaged with a range of charity partners through giving and volunteering. And as a business, we were able to support our customers and global communities impacted by natural disasters.

Throughout the coming year, we will continue to engage with our customers, employees, shareholders, investors, partners and the community to make sure that our approach to sustainability reflects the needs of our stakeholders and responds to emerging trends. This will strengthen our ability to assist our customers to build resilience and achieve their ambitions.

Pat Regan
Group Chief Executive Officer
2017 snapshot

Shareholder highlights

Dividend per share (A¢)
26¢
Dividend payout (A$M)
$356M

Dividend per share (A¢)
52% from 2016

Financial highlights

Combined operating ratio (COR) (%)
104.8%
2016 94.0%

Net (loss) profit after income tax (US$M)
(1,249)
$248% from 2016

Gross earned premium by class of business

Net (loss) profit (US$M)
(98)
$109% from 2016

Combined operating result (US$M)
(573)
$186% from 2016

Underwriting result (US$M)
2017 1,249
2016 844
2015 687
2014 742
2013 754

Net earned premium (US$M)
12,041
93% direct and facultative insurance
7% inward reinsurance

(US$M from 2016)

1 The information in the tables above is extracted or derived from the Group’s 2017 Annual Report.
### Operational highlights

#### Investments and cash at 31 December 2017 (US$M)

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate bonds</td>
<td>50.7</td>
<td>44.9</td>
</tr>
<tr>
<td>Government bonds</td>
<td>21.3</td>
<td>23.8</td>
</tr>
<tr>
<td>Short-term money</td>
<td>13.2</td>
<td>15.7</td>
</tr>
<tr>
<td>Property trusts/investment property</td>
<td>4.2</td>
<td>4.1</td>
</tr>
<tr>
<td>Infrastructure assets</td>
<td>3.5</td>
<td>1.0</td>
</tr>
<tr>
<td>Cash</td>
<td>2.2</td>
<td>3.4</td>
</tr>
<tr>
<td>Infrastructure debt</td>
<td>2.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Equities</td>
<td>2.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Emerging market debts and equities</td>
<td>0.4</td>
<td>1.3</td>
</tr>
<tr>
<td>Private equity</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>Unit trusts</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Alternatives</td>
<td>-</td>
<td>0.7</td>
</tr>
<tr>
<td>High yield debt</td>
<td>-</td>
<td>0.8</td>
</tr>
</tbody>
</table>

#### Divisional analysis of net earned premium (%)

<table>
<thead>
<tr>
<th>Region</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>North American Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australian &amp; New Zealand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia Pacific Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latin American Operations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equator Re</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Countries of operation

36

### Environmental and social highlights

#### Carbon emissions reduction

- **7%** reduction from 2016

#### Included as a member of the 2018 Bloomberg Gender-Equality Index

#### QBE leadership academy

2,573 graduates in total

#### Premiums4Good (US$M)

- **$455M** total invested

#### Grants and donations to charities (US$M)

- **$4.39M** total investments

#### Charities supported

350+
Our approach to sustainability

As a global insurer and reinsurer, we are focused on the governance and sustainability of our business, on being a good employer and on making a positive contribution to the economies and communities in which we operate.

Managing risk is what we do at QBE. In an environment of rapid and ongoing change, it is important we understand current and emerging environmental, social and governance (ESG) trends that impact our stakeholders. This knowledge allows us to build sustainability considerations into our risk management and decision-making processes and to help our customers manage risk through our products and services. Taking a holistic, long-term view also enables us to continue creating value and ultimately protects our organisation’s sustainability.

This Report outlines our approach to being a responsible and sustainable business and highlights how we work with key stakeholders to strengthen our collective capability for identifying and addressing ESG risks and opportunities.

Governance and management

Four core groups are responsible for governing and managing our sustainability activities.

<table>
<thead>
<tr>
<th>Board Risk and Capital Committee (BRCC)</th>
<th>Oversees and guides QBE’s sustainability approach, initiatives and reporting requirements and receives regular updates on performance and activity.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Environment, Social and Governance (ESG) Committee</td>
<td>Executive committee reporting to the BRCC and responsible for the delivery and effectiveness of sustainability strategy, initiatives and reporting requirements. The ESG Committee is chaired by the Group Head of Communications and Marketing, a member of the Group Head Office executive team. It is made up of senior representatives from Group departments involved in the day-to-day management of sustainability issues, including Risk, Finance, Investments, Investor Relations, People, Communications, Legal, Company Secretariat and Compliance.</td>
</tr>
<tr>
<td>Group Sustainability function</td>
<td>Formed in 2017, under a dedicated Group Head of Sustainability, to support the work of the ESG Committee by providing greater coordination of external stakeholder engagement, sustainability strategy development, performance management and reporting.</td>
</tr>
<tr>
<td>Climate Change Working Group</td>
<td>Focuses on identifying and managing the physical and transitional risks related to climate change and the global shift towards a low-carbon economy. The Working Group includes senior representatives from across our business, including Underwriting, Investments, Finance, Risk and Operations.</td>
</tr>
</tbody>
</table>

QBE has other internal governance forums whose members have the specialist skills to understand and address new and existing sustainability issues. These include our Group Emerging Risk Forum, Group Underwriting Committee, Classification of Social Investments Committee and Diversity and Inclusion Council.

The QBE Foundation has separate governance arrangements which are outlined on page 24 of this Report.
Our focus areas
In early 2016, we worked with an external consultant to complete a materiality assessment for QBE. Following this work, the ESG Committee developed a Sustainability Framework that was approved by the Group Executive and Board. The Framework is structured around the following focus areas:

1. Sustainable underwriting;
2. Responsible investments;
3. Operations;
4. Environmental metrics;
5. People and culture;
6. Community;
7. Governance and compliance.

This Report provides an overview of each focus area and highlights progress throughout the year.

In late 2017, we began updating our materiality assessment and taking a more detailed look at what we do, how we do it, and how we respond to ESG issues facing our business and customers across our regions.

The results of this assessment will guide our planning for 2018, which includes refreshing our Sustainability Framework, developing a new Sustainability Strategy and reviewing our sustainability performance management approach.

Stakeholder engagement
QBE operates in an increasingly complex and dynamic marketplace. As a global business with many diverse stakeholder groups, it is essential we work closely and transparently with them. This is the only way we can identify issues and opportunities and gain the insights we need to ensure our strategy, products and services continue to meet stakeholders’ needs.

Throughout the year, we engage in different ways with a range of stakeholder groups, including customers, investors, employees, commercial partners and community groups.

Major stakeholder groups and how we interact with them

<table>
<thead>
<tr>
<th>Customers</th>
<th>Investors</th>
<th>Employees</th>
<th>Industry, government and regulators</th>
<th>Commercial partners</th>
<th>Society</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct customers</td>
<td>Institutional investors</td>
<td>Directors</td>
<td>Suppliers</td>
<td>Media</td>
<td></td>
</tr>
<tr>
<td>End customers</td>
<td>Retailer shareholders</td>
<td>Employees</td>
<td>Brokers</td>
<td>NGOs/charities</td>
<td></td>
</tr>
<tr>
<td>Analysts</td>
<td>Contractors</td>
<td>Government and other regulators</td>
<td>Agents</td>
<td>Sponsorship partners</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Prudential, conduct and other regulators</td>
<td>Fund managers</td>
<td>Interest groups</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Government (local and national)</td>
<td>Financial institutions</td>
<td>Research and academia</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Industry associations</td>
<td></td>
<td>Think tanks</td>
<td></td>
</tr>
</tbody>
</table>

Direct customer engagement
- Intermediaries
- Customer surveys
- Customer feedback channels
- Marketing research and brand monitoring
- Net Promoter Score
- QBE website/marketing materials

Institutional investors engagement
- Investor reports
- Investor presentations
- Annual General Meeting
- Direct engagement
- Participation in surveys

Employees engagement
- Employee engagement survey
- Roadshows, meetings and events
- Engagement platforms such as Yammer
- QBE ethics hotline
- Focus groups
- Employee network and business resource groups

Industry engagement
- Regular meetings and briefings
- Participation in supervisory activities including reviews and inspections
- Participation in consultation processes
- Round tables and focus groups
- Industry forums

Commercial partners engagement
- Contracts/mandates (standards)
- Ongoing relationship management
- Industry surveys, forums and events
- Supplier events
- Feedback surveys

Society engagement
- Direct engagement
- QBE Foundation (partnerships, donations, volunteering)
- Sponsorships
- Thought leadership
- Panels and speaking events
- QBE website
- Briefings and press releases

We also stay abreast of emerging trends in sustainability and their potential impact on our business and stakeholders by inviting external speakers to QBE and attending external conferences and events.
Our approach to sustainability

Memberships
In line with our focus on stakeholder engagement, we are members of, or signatories to, several global and regional sustainability-related initiatives.

United Nations Environment Programme Finance Initiative (UNEP FI)
A global partnership between the United Nations Environment Programme (UNEP) and the financial sector. More than 200 institutions, including banks, insurers and investors, work with UNEP to bring about systemic change in finance to support a sustainable world.

UNEP FI Principles of Sustainable Insurance (PSI)
These provide a global framework for the insurance industry to address ESG risks and opportunities.

Principles for Responsible Investment (PRI)
The world’s leading proponent of responsible investment. Built around six principles for investing responsibly, the PRI is supported by the United Nations.

Carbon Disclosure Project (CDP)
A not-for-profit organisation that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

ClimateWise Principles
ClimateWise supports the insurance industry to better communicate, disclose and respond to the risks and opportunities of climate change. Europe-based but representing a growing global network of leading insurance industry organisations.

Responsible Investment Association Australasia (RIAA)
The peak industry body representing responsible and ethical investors across Australia and New Zealand. RIAA works to promote a more responsible approach to investment by encouraging more people to actively choose a responsible and ethical option for their savings and investments.

Women’s Empowerment Principles (WEPs)
These principles for business offer guidance on how to empower women in the workplace, marketplace and community. They are the result of a collaboration between the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women) and the United Nations Global Compact.

We also belong to industry bodies and other local membership organisations in regions and countries where we operate, and forums and institutes related to risk management, accounting and finance and actuarial services. We encourage employees to be involved in these organisations through training and qualifications, events, participation in working groups and taking leadership positions.

Performance and reporting
By engaging with stakeholders and reporting on our sustainability approach and initiatives, we aim to be transparent and open about our journey, achievements and performance. We are therefore involved in several external reporting and benchmarking initiatives.

Since 2016, QBE has been selected as an index component of the Dow Jones Sustainability Indices (DJSI) in recognition of our corporate sustainability leadership in the insurance industry. We are also a constituent of the FTSE4Good Index Series and participate in other surveys coordinated by ESG research groups, including MSCI ESG Research and Sustainalytics.

We were included as a member of the 2018 Bloomberg Gender-Equality Index (GEI). And, as a signatory of the CDP, we participate in its annual reporting requirements.

To make our external reporting more rigorous, we have engaged Deloitte to conduct independent limited assurance of our greenhouse gas emissions reporting. The limited assurance statement is available at the end of this Report. As we continue to review and develop our Sustainability Strategy, we will extend the scope of assurance across a broader range of sustainability metrics.

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that QBE Insurance Group Limited has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.
Leading the way in social bond issuance

QBE broke new ground in 2017 by giving debt investors the opportunity to make a positive impact on society and the environment.

**QBE Green Bond**

In April, we issued $300 million in fixed-rate senior notes under a new QBE Green Bond Framework – the first green bond to be issued by a global insurance company. The proceeds were materially invested in areas such as renewable energy, low-carbon transportation, sustainable forestry, water efficiency, waste management and pollution control.

The QBE Green Bonds were popular with investors, who were keen to see more debt products with a social benefit.

**QBE Gender Equality Bond**

In 2017, we also investigated how we could introduce a new debt product that incorporates gender equality, a strategic focus area for us. We signed up to the Women’s Empowerment Principles (WEPs) and established a new QBE Gender Equality Bond Framework, which imposes tight criteria for how we can invest any capital raised. An issuer must be a signatory to the WEPs and included in the Equileap Gender Equality Report Top 200 Companies for 2017.

In November, we launched the world’s first Gender Equality Additional Tier 1 bond transaction, raising $400 million. The market response was overwhelming, with investors commending our goals and highlighting how they resonated with their internal corporate principles. We received $9.5 billion of orders, meaning the book was 24 times covered.
Sustainable underwriting

Across our global operations, QBE provides a broad range of insurance products to personal, business, corporate and institutional customers. They include car, home and travel insurance, tailored business packages and specialist cover for specific industries. By taking an active approach to all risks – however complex – and listening closely to customer needs, we strive to deliver individually-tailored solutions.

Risk management and embedding sustainability

Just as QBE helps customers to manage their risks, we apply a similar approach to managing our risks and sustainability challenges as a business. This is consistent with our membership of the UNEP FI and being a PSI signatory, where we seek to embed awareness of sustainability issues into our decision-making.

We are fully committed to applying a disciplined approach to risk management and having risk management processes and systems that are robust and aligned to global best practice. Our Group-wide Enterprise Risk Management (ERM) framework incorporates all 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. Further detail on our risk approach is covered in the 2017 Annual Report.

Board role

The Board plays a significant role in our ERM framework, defining QBE’s risk appetite boundaries and ensuring our risk management strategy is effective. The Board is supported by the Board Risk and Capital Committee, which oversees active, appropriate risk management that accords with our risk appetite, strategy and business plans.

Reviewing material risks, including emerging risks, is an integral part of the Committee’s scope. Members consider material risks through lenses such as capital impact and strategy. Emerging risks include new risks and existing risks that are changing in nature. QBE operates emerging risk forums across the Group to identify and monitor these emerging risks, analyse their potential impact and develop strategies to mitigate and/or exploit them. Currently, areas such as cyber, geopolitical, climate, big data and autonomous machines are being reviewed.

ESG issues are managed within this risk approach.

Responsible underwriting

Our Group Underwriting Standards incorporate principles of responsible underwriting and support our commitment to it. They reflect our definition of responsible underwriting, which includes:

- Strict adherence to compliance and regulatory obligations that support 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.

Our governance approach supports responsible underwriting. This includes our Code of Ethics and Conduct (see the Governance section of this Report) and our ongoing conduct risk management. Conduct risk can be defined as the risk of unfair customer outcomes and detriment to the integrity of the market in which QBE operates. Our ongoing approach to conduct risk management is designed to cover our business model, strategy, culture, product design, distribution, communication, post-sales activity, product governance and corporate conduct. Our global conduct risk principles provide a framework for the management of conduct risk and are supported by other policies and processes for those divisions that have been assessed as having a higher likelihood of conduct risk.
Promoting sustainability with clients and business partners

In line with our commitment to the PSI, QBE works with employees, clients and business partners to raise awareness of sustainability issues, manage risks and develop solutions. We offer events, seminars and publications that help clients and brokers build their risk management knowledge and sustainability awareness. We also build awareness in other ways including:

Global Risk Solutions Practice

This global community of risk engineers, risk management consultants and scientists provides a variety of services to customers including risk profiling and evaluation, accident investigation, business continuity, risk assessment, supply chain analysis, environmental management, client awareness forums and training materials.

Risk culture

In 2016, we launched a new QBE Risk Culture Profiling Tool (RCPT) in the United Kingdom (UK) that brings together risk culture theory and extensive claims insights to help businesses become more resilient and successful. In 2017, the Association of Insurance and Risk Managers in Commerce (Airmic) worked with QBE to launch a risk culture profile toolkit for corporate members that included our RCPT. We presented at the Airmic 2017 conference and ran workshops to help their members implement the product.

Ongoing involvement with risk bodies

Our regional businesses belong to local risk management bodies. They encourage employees to be individual members and actively participate in leadership opportunities. In 2017, we sponsored the Risk Management Institute of Australasia’s annual risk management conference and worked together to facilitate local chapter and thought leadership activities. In the UK, we continued to be involved with the Institute of Risk Management and presented at several of its events during the year.

QBE Underwriting Academy

This program helps current and aspiring underwriters to develop their skills and expertise. By incorporating sustainability risk topics, it positions graduates to better engage with clients and broker partners on these issues. By the end of 2017, 427 QBE underwriters were participating in the program.

Product development

Through our products and services, we assist customers to address sustainability issues. For example:

- Since 2005, QBE and Pan American Underwriters have been offering a Wine Industry Property and Liability insurance package that includes a premium credit for Californian winegrowers who have completed the Sustainable Winegrowing Program or equivalent and adopted a standard of continual improvement. The package is endorsed by the California Association of Winegrape Growers (CAWG) and was tailored to meet the needs of their members. QBE also writes the federal crop insurance coverages for many of these industry leading growers.
- Through our European Operations, QBE is an underwriter to Lumos Global, a Dutch company offering clean and affordable solar power to a market of 1.3 billion potential customers who live off the electricity grid. Lumos Global seeks to enable people in some of the poorest countries in the world to replace hazardous and expensive kerosene generators and lanterns with modern solar electricity that can power lights, cellphones and small electronic devices. Lumos Global offers home and small businesses a simple and affordable way to pay for clean electricity in small instalments using their mobile phones.
- We are exploring product development opportunities arising from the shift towards electric and autonomous vehicles. QBE’s Australian & New Zealand Operations is working with Tesla and Marsh Advantage to underwrite policies issued in Australia under the InsureMyTesla program, a comprehensive motor vehicle insurance program for Tesla owners.

Impact investing

In 2015, QBE launched the pioneering initiative Premiums4Good. This allows targeted customers to allocate a proportion of their premium to investment in securities with an additional social or environmental objective. For further information, see the Responsible Investments section of this Report.

Inclusion

During 2017, we began several initiatives to improve inclusion. We are developing a new QBE website to meet a much higher visual impairment standard. Our Australian & New Zealand Operations removed the general exclusion for mental health conditions in travel insurance policies.

We have also formed a dedicated Product Disclosure team within our Australian & New Zealand Operations. Work is underway to refresh our product disclosures to ensure consumers from a diverse range of demographics can understand our product offerings and make informed decisions.
Engaging with governments, regulators and other key stakeholders to promote action on sustainability

QBE engaged and worked with government, regulators and other stakeholders on a range of sustainability issues throughout 2017. Examples include:

**Tackling discrimination in the provision of goods and services**

QBE’s Australian & New Zealand Operations worked with the Australian Human Rights Commission on the research project Missing Out: The business case for customer diversity. This explored the potential for discrimination when providing goods and services, the benefits of understanding what diverse customer groups expect, and how to ensure customers are treated equally and with fairness and respect.

**Illegal, unreported and unregulated fishing**

QBE’s British Marine business was one of several leading marine insurers that committed to act on pirate fishing. This unlawful practice costs the global economy tens of billions of dollars every year and contributes to overfishing and the destruction of vital marine habitats and ecosystems. By becoming a signatory to a sustainable marine insurance initiative by the PSI and Oceana (an international ocean conservation organisation), British Marine committed to not knowingly insuring or facilitating the insurance of vessels that are blacklisted for pirate fishing.

**Senate inquiry into Australia's general insurance industry**

QBE made a submission to, and appeared before, a Senate Economics References Committee inquiry into elements of the insurance industry, including the increase in home, strata and car insurance costs over the last decade. Our submission highlighted the impact of the frequency and severity of catastrophic events on industry pricing and expressed support for “coordination at all levels of government to tackle complex issues, particularly in relation to land development, risk awareness and mitigation initiatives for exposure to natural peril events for certain areas and risks in Australia.”

**Australian Government Royal Commission – Banks and Financial Services**

In late 2017, the Australian Government announced a Royal Commission into the banking, superannuation and financial services industries. Its aim is to further ensure the Australian financial system is working efficiently and effectively. During 2018, QBE will contribute to the Royal Commission as the review progresses.

**Sustainability conferences and events**

Throughout the year, QBE representatives attended and spoke at business roundtables, seminars and events on sustainability topics, including impact investing, diversity, climate change, sustainable communities, human rights and sustainable finance. Examples include:

- In November 2017, PSI and Munich Re held the inaugural PSI event in the US. As a PSI signatory, QBE employees attended the event which focused on the North American sustainable insurance agenda including action around building resilient and sustainable communities and economies. Following the two-day conference, we are exploring opportunities to contribute to coastal resiliency and helping communities to plan for the impacts of climate change.

- QBE attended the 2017 Accounting for Sustainability (A4S) Summit at St James’s Palace in London, an invitation-only event hosted by HRH The Prince of Wales. The annual summit brings together CFOs, investors and other senior members of the finance community to explore practical approaches to exploit opportunities arising from major social and environmental trends, and effectively manage risks. In addition to discussing recent A4S CFO Leadership Network guidance on social and human capital, a key focus of the 2017 summit was climate change and the need for companies to disclose how they are governing and managing climate-related risk. Following the summit, QBE invited Jessica Fries, A4S Executive Chairman, to present to the finance team of our European Operations.

**Financial inclusion through microinsurance**

For the past two years, QBE Mexico has partnered with microfinance institutions to develop products that meet the needs of low-income customer groups that have not previously had access to insurance. Today, QBE serves over one million customers in Mexico through microfinance institutions.

To offer these products, QBE has streamlined and simplified some operational processes. We have adjusted our claims processes to minimise turnaround times and are accepting digital documents, which increases flexibility and suits rural customers.

One major challenge has been paying claims to customers without bank accounts. In some cases, we rely on the microfinance institution, while in others, we instruct a bank to pay the claim without requiring the insured to have a cheque or deposit account.

Mexico has one of the lowest rates of insurance penetration in the world, but we expect this to change as the microfinance sector expands.
QBE is a significant investor and we take our responsibilities as a capital provider seriously. We aim to contribute broadly to wellbeing and sustainable development and believe that integrating principles of responsible investing into ownership and investment decision-making can have a positive impact on risk-adjusted financial returns.

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

QBE manages assets internally and through external fund managers. In 2017, we updated our approach to incorporating ESG considerations into our internal credit selection by introducing a new 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. When deciding whether to appoint or allocate to an external fund manager, we also consider how much they incorporate ESG factors into their investment processes and operational areas.

In 2018, we plan to update our Responsible Investment Guidelines to further embed this approach. This aligns with our Group Credit Risk Policy and our obligations as a PRI signatory. We believe considering ESG complements our existing investment due diligence and strengthens our overall decision-making.

During 2017, we further progressed our commitment to responsible investment by joining the Responsible Investment Association Australasia and expanding the RI team. We continued to be involved in industry and government discussions to share best practice around responsible investing and contributed to a range of submissions, research papers, forums and panels.
Premiums4Good

QBE believes that buying insurance is not just about business. To help us support the communities and environment where we operate, we offer customers the chance to make a difference with their premiums.

Premiums4Good is a unique global initiative that enables a customer to use a portion of their premium to invest in securities with an additional social or environmental objective, such as social impact bonds, social bonds, green bonds and investments in infrastructure projects with environmental benefits.

This a free product feature with no risk for the customer – all the investment risk is assumed by QBE.

Premiums4Good was launched at Lloyd’s of London in March 2015. It is now offered to selected customers of our North American, European and Australian & New Zealand Operations. Through this initiative, we are stimulating the development of new investment products that offer appropriate risk-adjusted returns, as well as supporting beneficial social outcomes.

QBE is transparent about our commitment to invest in line with the Premiums4Good mandate and work with the Classifications of Social Investments Committee (COSI) to support its governance. The independent Committee comprises three QBE representatives and three independent impact experts. They 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 the approach we take to classifying investments by level of impact.

Our Premiums4Good offering continued to grow in 2017, with the number of investments increasing to 26, representing an investment of $455M in qualifying securities.

Current investment list

<table>
<thead>
<tr>
<th>Impact area</th>
<th>Impact Location</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AUS</td>
</tr>
<tr>
<td>Social</td>
<td></td>
</tr>
<tr>
<td>Education and employment</td>
<td>1</td>
</tr>
<tr>
<td>Financial inclusion</td>
<td>1</td>
</tr>
<tr>
<td>Health</td>
<td></td>
</tr>
<tr>
<td>Housing and social real estate</td>
<td>2</td>
</tr>
<tr>
<td>Social care and provision of community services</td>
<td></td>
</tr>
<tr>
<td>Social inclusion, diversity and gender</td>
<td></td>
</tr>
<tr>
<td>Urban and community development</td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td></td>
</tr>
<tr>
<td>Food and agriculture</td>
<td>2</td>
</tr>
<tr>
<td>Sustainable energy</td>
<td>2</td>
</tr>
<tr>
<td>Resource, efficiency, recycling, reuse and conservation</td>
<td>2</td>
</tr>
<tr>
<td>Water</td>
<td></td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td>7</td>
</tr>
</tbody>
</table>

We reviewed our Premiums4Good impact areas in 2017 in the context of the United Nations Sustainable Development Goals (SDGs). We plan to help customers align their involvement in Premiums4Good with their commitment to the SDGs.

Social impact bonds

Social investment seeks both a social and a financial return, and QBE supports this approach as a means of attracting more capital to global social and environmental issues.

Social impact bonds (SIBs) - known in the United States (US) as pay-for-success (PFS) contracts - are an important part of our Premiums4Good investment portfolio because they are a high-impact, results-based investment.

In 2014, we announced QBE’s intention to invest up to $100 million in suitable SIB opportunities across our global investment portfolio. Since then, we have built relationships and investment in multiple SIBs and PFS projects in Australia, Canada, the US and the UK. Our current SIB investments cover longer-term social projects ranging from three to eight years and at various stages from launch to maturity.

We aim to bring commercial rigour to these types of investments and to help develop the market across our multiple jurisdictions through portfolio investment activities, customer initiatives and advocacy.

If QBE’s current SIB investments achieve their expected impact, they will reach more than 11,000 people, including 4,000 who will benefit from intensive social program support.

Connecticut Family Stability PFS Project, USA

The Connecticut Family Stability PFS Project supports families struggling with substance use. A partnership between the Department of Children and Families (DCF), Yale Child Study Center’s Family-Based Recovery, and Social Finance, it promotes family stability and works to reduce parental substance use for DCF-involved families throughout Connecticut.

The project builds on a successful and intensive home-based treatment program. Through PFS, the Family-Based Recovery program is being extended to around 500 additional Connecticut families over four and a half years, with support from partners that include QBE. For an average of six months, enrolled families receive services focused on understanding and responding to a child’s developmental needs and treating parental substance use. This helps reduce the rate at which children are removed from home and the rate of DCF re-referrals.

Funders will be repaid based on the initiative’s success. Factors include successful enrolment in the program, reduction in substance use, reduction in re-referrals to DCF and the prevention of out-of-home placements of children.

Community Hypertension Prevention Initiative, Canada

Canada’s first health-related PFS program, the Heart and Stroke Foundation’s Community Hypertension Prevention Initiative (CHPI) is designed to reduce hypertension (high blood pressure). This affects around six million Canadians aged between 20 and 79 and is a key factor in heart disease and strokes, which kill around 66,000 Canadians a year.

Thanks to a partnership between the Public Health Agency of Canada and private investors including QBE, through the MaRS Centre for Impact Investing, the CHPI will roll out a program in 2018 that includes free screening and enrolment.

The program aims to raise awareness of, and screen for, pre-hypertension in over 30,000 people and to teach participants about the risks of hypertension and the need for healthy behaviour. Based on the number of participants, it will be one of the largest PFS projects in the world to date.

“This was the first deal that sought to tackle a health issue with an investment approach in Canada. It was important for the project team to find investors fully aligned to the ethos of the innovation. QBE’s contribution strengthened the rigour of this first-of-its-kind deal, a value significantly greater than simply funding a cheque.”

Adam Jagelewski, Director
MaRS Centre for Impact Investing

Q&A

What are social impact bonds?

SIBs are innovative public-private-social sector partnerships that allow private investors to provide upfront capital for public projects that deliver social and environmental outcomes. The project results are measured and investors are repaid by the commissioner of the bond (typically government), with capital plus interest. SIBs typically raise capital for intensive support and preventative projects that address areas of social need.
QBE's global operations teams provide direct customer services such as policy processing and claims management and manage our information technology, data and analytics, projects and procurement. With the support of the Operations and Technology Committee of the Board, the team progressed several initiatives to improve customer experience and strengthen operational governance, performance and resilience in 2017.

**Digital transformation and innovation**

Technological advances are having a dramatic impact on the insurance industry and our customers. To meet customer needs and stay competitive, QBE needs to be innovative and agile so we can create new products and services, deliver better customer experiences and capture new market opportunities. We are addressing this challenge with a range of initiatives.

**Digital Innovation Lab**

Located in Sun Prairie, in the US, the Lab team explores how digital technologies can be applied in the insurance context. In the past year the Lab team has:

- stress-tested smart devices in a burning building;
- applied LiDAR (light detection and ranging) technologies to mapping interiors;
- used mobile telematics to capture driving data and generate driver scores for our commercial auto products;
- worked on how wind speed affects drones by using onboard sensors to capture data that will assist us with drone underwriting decisions, claims processing and operation.

These experiments are helping customers to reduce risk and increase safety, and provide information that improves our product creation and pricing.

**Digital delivery centres**

Established in Australia and the Philippines, these centres are fast tracking the development of front-end digital solutions to improve QBE’s customer service. For example, we combine virtual agent technology with machine learning technology to help customers get answers faster. Similar technology is now helping customers to get answers to their claims status questions at a time that suits them.

**QBE Ventures**

We seek out partners who can provide access to differentiated technology. In 2017, we established QBE Ventures, a corporate venture fund focused on forming commercial relationships with startups that will enhance our business model, drive efficiencies and develop new growth paths.

With more than 200 technology startups focused on the global insurance industry, our vision is to establish QBE as a partner of choice in the start-up ecosystem. During 2017, QBE Ventures entered into two partnerships – RiskGenius and Cytora. Each has an investment component.
New tech partnerships that are changing our business

**RiskGenius**
A machine learning company that helps carriers, brokers and regulators to analyse policy and endorsement language and aids in-product development. We expect the platform to improve our speed-to-market for new products as well as deliver new insights into our policies and streamline the policy review process.

**Cytora**
A London-based start-up business that uses machine learning and open source data to help commercial insurers lower loss ratios, grow premiums and improve expense ratios. We plan to deploy the Cytora risk engine across QBE’s property and casualty lines in 2018. Its AI platform will combine our internal data on a specific cover with external information from a broad spectrum of sources.

Data and analytics
We use data and analytics to help us make better underwriting and claims decisions. During 2017, we continued to invest in growing QBE’s capabilities in this area.

Aided by emerging technologies and new tools, insurance data and analytics is growing increasingly sophisticated, which ultimately benefits our customers.

**Using analytics to improve claims management and underwriting decisions**

- Our Australian analytics team is using text mining and machine learning to help with cost recovery from other insurers where our customers are not at fault, or to recover appropriately from our reinsurers. Better recoveries help us manage our claims liabilities and consequently the premiums we need to charge to our customers.

- In North America, it typically takes two months or more to pay out crop insurance claims for inadequate rainfall. A prototype loss calculation engine is using national weather data so we can notify agents of likely payouts sooner. This will give QBE’s farmer customers more reassurance about claims progress, enable faster claim resolution and provide a differentiated customer experience.

- Our analytics team are tackling fraudulent claims in Argentina by using internal and external data and developing algorithms to highlight patterns that could signify suspicious claims, helping to reduce the cost of inappropriate claims and benefiting all customers.

- Analytics is helping us to improve risk selection and manage pricing. Our British Marine teams are using machine learning models to predict the likelihood of claims within their protection/indemnity and hull insurance product lines to make sure we manage our risk exposures effectively. Our North American speciality and commercial lines are pursuing the same outcomes.

Responding to natural disasters
We are proud of QBE’s response to catastrophe events in 2017, including Tropical Cyclone Debbie in Australia and Hurricanes Harvey, Irma and Maria in North America and the Caribbean.

At the peak of the events, QBE North America received 500 claims lodgement calls a day during Harvey and 200 during Irma. Of the inbound calls, 98% were answered in 20 seconds or less, and we contacted 100% of policyholders within 24 hours of their claim report. During the highest volume period, more than 120 dedicated claim professionals were in the field assessing damage. On average, we inspected claims in 14 days and approved the damages estimate less than two days later.

Maria was particularly devastating for Puerto Rico and our 147 employees on the ground were among those impacted. We mobilised our North American and global teams to help:

- Our speciality Aviation business in North America worked with a business partner and customer, MillionAir/American Jet International, to organise emergency airlift responses.

- Our North American Operations and Latin American Operations Risk and Business Continuity teams created a communications system to locate staff and ensure their safety.

- QBE employees in Miami volunteered to organise and distribute donated and company-purchased emergency supplies to our colleagues in Puerto Rico.
Procurement

QBE’s global Procurement function is committed to conducting our operations in a responsible and sustainable manner, in accordance with the guidelines of ISO 20400, the new global standard for sustainable procurement. We plan to fully comply with this standard by 1 January 2020.

We conduct our current procurement activities according to five core principles.

**PROCUREMENT PRINCIPLES**

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
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<tbody>
<tr>
<td>Procurement activities are conducted transparently and fairly.</td>
<td></td>
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<tr>
<td>Procurement activities are conducted in accordance with all applicable laws, including those relating to anti-bribery, corruption and modern slavery.</td>
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</tr>
<tr>
<td>All procurement process participants must adhere to the policy and probity guidelines outlined by the Procurement function.</td>
<td></td>
</tr>
<tr>
<td>Procurement activities take into account current and potential suppliers’ ESG practices in decision-making.</td>
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<tr>
<td>Procurement decisions are supported by ethical, impartial and objective processes and appropriate documentation.</td>
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</table>

The Procurement team aim to deliver value for money while minimising operational risk (including legal risk) when negotiating and interacting with suppliers. Reviewing supplier information security, business continuity plans and ESG practices is a standard part of the supplier selection process. For example, our new agreements with our panel of accredited smash repairers in Australia help to ensure their environmental impact is minimised, including water pollution, odours and air pollution and the handling, storing and disposing of dangerous goods and chemicals.

**Following the roll out of our Procurement Principles, in 2017 we:**

- Progressed our compliance with the UK Modern Slavery Act 2015 with strategic European suppliers and extended it across all of Europe by utilising our procurement technology.
- Updated QBE’s supplier Code of Ethics to include our expectations of supplier conduct around human rights, anti-slavery, workplace diversity, environmental considerations and community engagement.
- Adapted QBE’s Procure to Pay (P2P) systems to include advance authorisation of payments to SME suppliers that facilitate timely payment of their invoices, to ensure we treat our SME customers equitably.
- Reviewed QBE’s Australian supply base to determine our current spend with Indigenous vendors and social enterprises, and opportunities to further support them. We also reviewed our procurement request and contractual templates to include sustainable procurement obligations.

**Operational resilience**

During 2017, a review of QBE’s business continuity framework and operational resilience resulted in plans to upgrade from a divisional approach to a consistent global model, under the leadership of a new Group Business Continuity Manager.

We appointed a Global Chief Information Security Officer to drive a globally-integrated cyber security operating model and support information-sharing around cyber risks. We continued to invest in enhanced cyber security technologies and processes, including end-point detection and response, and improved cloud security monitoring capabilities.

In 2018, under the leadership of our newly appointed Group Chief Operations Officer, we will continue to invest in digital and robotics technology, sharing best practice across the globe and delivering better customer experiences.
Environmental metrics

It is widely recognised that continued global warming will lead to unpredictable catastrophic events and have significant economic and social consequences.

This is evidenced by the series of global catastrophic events occurring during 2017 causing $306 billion in damages¹, leading to the costliest year in history for the insurance industry, with a record $135 billion in claims.²

As well as the physical risks associated with climate change, potential transitional risks (e.g. legal, policy and market risks) are emerging from the Paris Agreement and the global shift towards a lower-carbon economy.

QBE has established a senior cross-functional Climate Change Working Group to coordinate our approach to managing climate-related risks and opportunities. We also welcomed the Financial Stability Board’s Taskforce on Climate-related Financial Disclosures (TCFD) recommendations released in June 2017 and are reviewing our readiness to disclose in line with them, including setting greenhouse gas (GHG) emissions reduction targets.

Our reporting on environmental data follows the guidelines outlined in:

- the Global Reporting Initiative (GRI) Standards’ requirements for Emissions Disclosures 305-1, 305-2 and 305-3;
- the Greenhouse Gas Protocol's Corporate Accounting and Reporting and Corporate Value Chain (Scope 3) Accounting and Reporting Standards;
- QBE’s ESG Reporting – Greenhouse Gas Reporting Framework which governs our data collection process.

The Group’s GHG emissions reporting is driven by our global insurance operations across the world. We calculate emissions using the energy content and emission factors considered most relevant to each region, based on information sourced from:

- UK Government’s Department of Environmental Food and Rural Affairs (DEFRA) and Department of Energy & Climate Change’s (DECC) Greenhouse Gas Reporting: Conversion Factors, 2017;
- US Environmental Protection Agency’s (EPA) Greenhouse Gas Inventory Guidance: Direct Emissions from Stationary Combustion Sources, 2016;
- US EPA’s eGRID database, 2017;

Group GHG emissions inventory

- **Scope 1** Direct emissions i.e. related to company car fuel consumption and mileage and natural gas heating.
- ** Scope 2** Indirect emissions i.e. related to electricity consumption.
- **Scope 3** Other indirect emissions i.e. related to business travel by air, rail and land; waste disposal, including recycling; and water consumption.

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¹ National Centers for Environmental Information - Billion dollar weather and climate disasters: table of events (https://www.ncdc.noaa.gov/billions/summary-stats, as at the date of publication of the 2017 Sustainability Report).
Resource efficiency initiatives

- Converting major offices in North America, Australia and Europe to energy-efficient LED lighting and occupancy sensors, to reduce energy consumption.
- Promoting electronic documents, to reduce storage and paper waste.
- Encouraging staff to minimise waste by re-using and recycling e.g. our Plantation Place office in London now recycles all waste, avoiding landfill completely.
- Encouraging customers to register for electronic billing and communications.

Greenhouse gas emissions by scope

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 - Direct emissions</td>
<td>7,754</td>
<td>8,686</td>
<td>12,400</td>
<td>11,144</td>
<td>10,777</td>
</tr>
<tr>
<td>Scope 2 - Indirect emissions</td>
<td>20,828</td>
<td>22,324</td>
<td>30,639</td>
<td>33,517</td>
<td>33,639</td>
</tr>
<tr>
<td>Scope 3 - Other indirect emissions</td>
<td>20,452</td>
<td>21,752</td>
<td>10,698</td>
<td>11,166</td>
<td>11,847</td>
</tr>
<tr>
<td>Total</td>
<td>49,034</td>
<td>52,762</td>
<td>53,737</td>
<td>55,827</td>
<td>56,263</td>
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</table>

KPI: Operational GHG emissions intensity (Scope 1 + Scope 2/GEP US$M)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
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<tbody>
<tr>
<td>1.98</td>
<td>2.11</td>
<td>2.88</td>
<td>2.70</td>
<td>2.48</td>
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KPI: Total emissions/GEP US$M

<table>
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<th>2015</th>
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<tr>
<td>3.39</td>
<td>3.58</td>
<td>3.60</td>
<td>3.38</td>
<td>3.15</td>
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</table>

KPI: Total emissions per employee

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<th>2016</th>
<th>2015</th>
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<tbody>
<tr>
<td>3.47</td>
<td>3.71</td>
<td>3.70</td>
<td>3.96</td>
<td>3.64</td>
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Energy

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<tr>
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<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
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<tbody>
<tr>
<td>Total energy consumption in QBE offices MWh</td>
<td>35,692</td>
<td>41,813</td>
<td>49,402</td>
<td>53,981</td>
<td>52,851</td>
</tr>
<tr>
<td>KPI: Energy consumption per employee MWh</td>
<td>2.52</td>
<td>2.94</td>
<td>3.40</td>
<td>3.83</td>
<td>3.42</td>
</tr>
<tr>
<td>KPI: Energy consumption/GEP US$M MWh</td>
<td>2.47</td>
<td>2.84</td>
<td>3.31</td>
<td>3.27</td>
<td>2.95</td>
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Travel

<table>
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<th>2016</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td>Total travel km '000</td>
<td>132,851</td>
<td>124,195</td>
<td>97,569</td>
<td>98,236</td>
<td>103,425</td>
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<tr>
<td>KPI: Travel per employee km '000</td>
<td>9.40</td>
<td>8.73</td>
<td>6.71</td>
<td>6.98</td>
<td>6.69</td>
</tr>
<tr>
<td>Air travel %</td>
<td>89.0</td>
<td>92.5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Road travel %</td>
<td>8.9</td>
<td>4.7</td>
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<td></td>
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</tr>
<tr>
<td>Rail and bus travel %</td>
<td>2.1</td>
<td>2.7</td>
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</table>

Water

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<thead>
<tr>
<th>Year</th>
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<th>2016</th>
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</thead>
<tbody>
<tr>
<td>Total water consumption 6 kL</td>
<td>218,156</td>
<td>183,906</td>
</tr>
<tr>
<td>Water consumption per employee kL</td>
<td>15</td>
<td>13</td>
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Waste

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<tr>
<th>Year</th>
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</thead>
<tbody>
<tr>
<td>Total waste 6 tonnes</td>
<td>2,739</td>
<td>2,403</td>
</tr>
<tr>
<td>Paper recycled tonnes</td>
<td>1,169</td>
<td>1,094</td>
</tr>
<tr>
<td>General waste tonnes</td>
<td>1,526</td>
<td>1,289</td>
</tr>
<tr>
<td>Other recycled waste 7</td>
<td>44</td>
<td>20</td>
</tr>
<tr>
<td>KPI: Waste per employee kg</td>
<td>194</td>
<td>169</td>
</tr>
<tr>
<td>Recycling rate % of waste</td>
<td>44.3</td>
<td>46.4</td>
</tr>
</tbody>
</table>

Office paper

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total office paper consumption 6 tonnes</td>
<td>618</td>
<td>505</td>
</tr>
<tr>
<td>Paper consumption per employee kg</td>
<td>43.7</td>
<td>35.5</td>
</tr>
</tbody>
</table>

1. Estimates were required in certain office locations and activity data streams where actual activity data was not available, and were based on comparable offices in the same region.
2. Scope 3 emissions from 2016 onwards include waste disposal and water consumption.
3. Scope 3 emissions from business air travel from 2016 onwards include DEFRA’s required distance uplift and exclude radiative forcing. For 2015 and before, these emissions exclude distance uplift and radiative forcing.
5. Road travel includes business travel by rental car, taxi and private car.
6. The increases in water consumption, waste and office paper usage in 2017 are mainly due to improved estimation techniques applied to activities in office locations where actual activity data is not available.
7. Includes recycled IT asset waste and mixed plastics, cardboard and glass.
People and culture

At QBE, we are creating a dynamic, diverse and inclusive workplace where people can achieve their personal and professional ambitions. We believe providing a great place to work and investing in our people are key to our long-term sustainability as an organisation.

A values-aligned culture

Having a culture that mirrors and supports our values is fundamental to QBE’s ability to deliver against our vision and strategy. It also creates a stronger workplace, enhances performance and results in better outcomes for our customers and communities.

Our values represent our culture as a single, global organisation that shares knowledge and expertise to support our customers.

Our values also drive the day-to-day behaviour of our people and support us in delivering our employee value proposition (EVP). Our EVP is based on three critical pillars that capture the promise we have made to our people across all parts of our business.

EVP PRINCIPLES

| A dynamic, diverse and inclusive culture | Consistent systems that reward and recognise contribution | Opportunity for people to fulfil their personal and professional ambitions |

Continually engaging with employees

QBE’s culture is supported by our commitment to ongoing employee engagement and to working together to share information and ideas. As a business that relies on people, it is critical for our success that we create an environment where employees feel supported and equipped to do their best.

To enable and empower our people, we use online collaborative platforms such as Yammer and Teams. These support information sharing, group work and cross-enterprise discussion. We also engage employees through interactive forums, team meetings and networks that encourage two-way conversation.

In 2017, our employee survey (QBE Voice) was enhanced by a new best practice third party survey tool that provides deeper insights. We can hear first-hand how people feel about working at QBE, what is working and where things could be improved around engagement and enablement, organisational culture, leadership and management effectiveness, diversity and inclusion, and risk culture. The survey is available in several languages and we collect voluntary additional demographic data to better inform our diversity and inclusion insights.

We were pleased to see a strong survey response rate of 82% in 2017, with an overall engagement score of 67% and an enablement score of 69%.

We use insights from these initiatives to continually improve our culture and performance, engaging leaders in the results and action planning.
Developing transformational leaders

Having outstanding leaders is critical to QBE’s success. Throughout the year, each QBE division hosts a local Leadership Exchange and every 12-18 months, our Group CEO hosts a global leadership forum. These events align our leadership teams around the world with the key priorities for QBE.

Now in its fifth year, the QBE Leadership Academy empowers employees to become more effective leaders and change agents. Participants were challenged to bring out the best in themselves and others and exposed to new ways of leading.

We regularly invest in new tools and programs to support our people leaders and their development. In 2017, we launched the QBE People Leader Hub, a new e-learning platform to help people leaders understand our expectations, support their day-to-day activities and encourage mutual support. We also piloted Ascent, a new people leader training program.

Major leadership events in 2017

QBE is a global organisation united by a single vision. Every year, we bring together leaders from different geographies and business divisions to reinforce our business strategy, provide learning opportunities and support collaboration and understanding.

In November 2017, 84 leaders attended the North America Leadership Team summit. The summit brought to life QBE’s integrated specialist insurer strategy, which provides every customer with access to products and expertise across all divisions for a holistic solution. Leaders heard real-life examples of successful cross-business collaboration and were challenged to determine how they could support a more integrated organisation.

In Australia, more than 130 Australian & New Zealand Operations leaders discussed how technology is changing our industry, learned from experts about marketplace disruption and heard directly from customers about what they look for.

Investing in learning and development

QBE recognises the contribution of long-term, customised career development to employee satisfaction and retention, and we offer a number of tools and resources to help each person identify and achieve their goals.

We encourage each employee to create a personal development plan and work on it with their manager. The plan focuses on short-term and future performance and career development needs. We also use our talent management and succession planning processes to identify high-potential employees and build their capability for future roles.

We support professional development and offer internal and external professional and skills-based training programs, actively encourage coaching and mentoring, and provide access to secondments and role changes.

In 2017, we introduced several digital learning and development initiatives:

- a global learning management system, Learn@QBE;
- a career portal, accessed by all employees through our global intranet site, QUBE; and
- the global Start Pathway program, which supports onboarding for all new employees.

Our employees develop their core technical capabilities through specific programs such as the QBE Underwriting Academy. The Academy is establishing a consistent, replicable model of underwriting excellence that is raising the bar for our business and our industry. In 2017, it had 223 participants, with an overall ratio of 52% female to 48% male since it began.

To enhance the Academy, we work with three market-based insurance institutes to deliver two-year certificate qualification programs to our foundation underwriters in their home regions.
Learning about underwriting across borders
Our Multinational team of 150 underwriters operates across all QBE divisions to service multinational clients. To ensure consistent service delivery, we have developed dedicated multinational development tools and learning modules that build on the QBE Underwriting Academy’s competency and learning solutions.

All our Multinational underwriters must successfully complete the foundation Multinational Underwriting Essentials program, from which they can further develop expertise. On completion, they can access a library of ten multinational-specific, self-paced learning modules and progress through four competency levels.

Managing and rewarding performance
Our performance management approach ensures employees are clear about what their role involves, understand how it links to overall business outcomes, and receive timely feedback and development support. Each employee works with their manager to set annual objectives and development goals. Their achievements and development areas are then discussed at year end, forming the basis for a fair performance rating by their manager that determines, along with business performance, the level of annual incentive payment they receive. The weighting for individual performance is tailored to each employee’s role and level.

We strive to offer employees competitive financial benefits that reward and recognise their contribution. We also provide product discounts and a competitive range of benefits tailored to their needs.

It is an important part of our culture that we celebrate achievements and recognise outstanding contributions. Our global recognition program, 10/10, rewards employees who consistently demonstrate our values and make a big impact on our business and stakeholders.

Supporting health, safety and wellbeing
Several policies support a safe and healthy environment for our employees, contractors and visitors including:
• Group Work Health and Safety (WHS) Policy;
• Group Lone Worker Guidelines;
• Global Flexible Work Principles.

The Board reviews and approves our WHS Policy and oversees performance, reported matters and investigation outcomes. Executive management responsibility for health, safety and wellbeing sits with Group and Regional CEOs, and all people leaders are responsible for ensuring their employees are aware of relevant policies, processes and reporting requirements.

Our Group General Counsel chairs a Global Health and Safety Working Group that discusses related issues and guides representatives.

To help our people and their families live healthy, well-balanced lives, QBE provides lifestyle benefits, flexible working arrangements and wellbeing support.

While each region takes a different approach, our wellbeing initiatives include:
• workplace health and safety training;
• discounted insurance products;
• purchased leave;
• volunteer leave;
• access to paid leave for people dealing with domestic violence;
• access to confidential external employee assistance programs;
• health and wellbeing information on regional intranet sites and Yammer groups;
• health checks, flu vaccinations, information sessions, onsite exercise classes and discounted gym memberships.
Diversity and inclusion

Promoting a diverse and inclusive workplace
QBE strives to provide a diverse, inclusive and innovative workplace and looks for opportunities to leverage our global footprint and expertise to support business outcomes. We are committed to creating an organisation that respectfully embraces all employees irrespective of visible and invisible differences. We believe this is essential to attract, retain and develop the best people and we recognise workforce diversity as an organisational strength.

Global Policy
Launched in February 2016, our Global Diversity and Inclusion (D&I) Policy sets out our commitment to promoting and embedding D&I in our workplace. The Board Remuneration Committee oversees our strategy and progress and the Global D&I Council (comprising our Group Executive Committee) takes accountability for driving our agenda collectively and regionally. We report our progress publicly through QBE’s Corporate Governance Statement.

Supporting women’s empowerment
In 2017, we were proud to become a signatory to the Women’s Empowerment Principles (WEPs). Embedding the WEPs into our thinking supports our goal to enhance and leverage D&I practices so our workplace reflects our people, customers, partners and the broader community.

Encouraging diversity
To appeal to a broader candidate pool, some QBE divisions are working with external partners to enhance our value proposition and employer brand so we can attract different groups of people. They have undertaken a range of activities across the globe.

- External benchmarking surveys with Stonewall in the UK and Pride in Diversity in Australia to measure progress on LGBTI inclusion in the workplace.
- Participating in and sponsoring LGBTI Pride events in Australia, North America, the Philippines and the UK.
- Partnering with global D&I careers platform Vercida in our European Operations.
- Sponsoring the Women from Miami (Re)Insurance Industry networking event in our Latin American Operations.
- Partnering with local colleges and universities in Hong Kong.
- Continuing our partnership with Career Trackers in Australia so we can double our internship opportunities for Indigenous Australians.

QBE announced a donation of $20,000 to the Pinnacle Foundation, which has been established to provide scholarships to LGBTIQ students who are marginalised or disadvantaged.

In the photo from left: Brandon Saputra, mentee, Margaret Murphy, Global Chief Human Resources Officer, Liam Buckley, interim Group Chief Risk Officer, Axel Nathaniel Rose, mentee, and Mark Baxter, Chief Risk Officer Australian & New Zealand Operations.
We are also continuing to build D&I awareness and empowering employees to work together on diversity areas that they care about as individuals, including:

- gender equality;
- LGBT inclusion;
- accessibility and workability;
- work/life integration and family;
- inclusion of Indigenous and minority groups;
- supporting and including military veterans.

Ongoing advocacy
Throughout 2017, we regularly participated in external dialogue on D&I issues and looked for opportunities to advocate through local partnerships.

- QBE in North America brought together a group of insurers to support the advancement of women in insurance through mentoring and internships and the annual Million Women Mentors summit.
- As part of the Inclusion@Lloyds industry D&I initiative, we supported Dive In, the festival for diversity and inclusion in insurance; across major cities such as London, New York, Paris and Sydney.
- QBE’s Australian & New Zealand Operations joined the Australian Marriage Equality’s corporate support campaign.
- Our Group CEO joined the Male Champions of Change, a coalition of Australian men of power and influence addressing gender equality issues in organisations and communities.
- With the Australian Human Rights Commission, Deloitte Australia and other corporations, we sponsored external research on diverse customer insights that was published as Missing Out: The business case for customer diversity.

Addressing discrimination and equal employment opportunity
As part of QBE’s commitment to treating people with respect and dignity as individuals, we do not tolerate any form of discrimination.

Equal employment opportunity is an important foundation for QBE’s approach to workforce diversity and we strive to be an equal opportunity employer in all locations.

Our retention strategies aim to ensure all our people management practices and decisions are based on fairness and merit, eliminating all forms of discrimination and bias in relation to hiring, talent identification, reward and development.

Training and education on appropriate workplace behaviour and discrimination is provided to all employees and the Group Whistleblowing Policy provides guidance on how to report incidents of discrimination.

<table>
<thead>
<tr>
<th>Women in senior management</th>
<th>2017 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>North American Operations</td>
<td>27</td>
</tr>
<tr>
<td>European Operations</td>
<td>26</td>
</tr>
<tr>
<td>Australian &amp; New Zealand Operations</td>
<td>26</td>
</tr>
<tr>
<td>Asia Pacific Operations</td>
<td>31</td>
</tr>
<tr>
<td>Latin American Operations</td>
<td>30</td>
</tr>
<tr>
<td>Group Head Office</td>
<td>30</td>
</tr>
<tr>
<td>Group Shared Services Centre</td>
<td>30</td>
</tr>
</tbody>
</table>

*Women in senior management defined as Levels 0, 1, 2 & 3.
As an insurance company, we are uniquely placed to help people in their times of need and our community initiatives mirror this role.

We have three main channels for community contribution and participation across our global business divisions:

• the QBE Foundation;
• natural disaster relief;
• sponsorship and events.

We also seek to positively impact communities through business initiatives such as Premiums4Good (see Responsible Investments section) and identifying opportunities through our procurement decisions (e.g. seeking to purchase from social enterprises).

The QBE Foundation

The QBE Foundation ensures our community-related activities are managed effectively and consistently, and in line with QBE’s purpose, strategy and investment criteria. Its vision is:

To help people overcome disadvantage, strengthen their abilities and live more independently, successfully and productively.

This vision is an extension of QBE’s purpose – to give people the confidence to achieve their ambitions. The Foundation has three objectives:

1. Make a difference in areas that are impacting our wider community and that align to QBE’s purpose, vision, strategy and values.
2. Drive employee engagement by encouraging networking and a strong team-based culture.
3. Maximise the return and impact of any collection, distribution and allocation of community investment resources.

The QBE Foundation is overseen by the Group Foundation Committee. Its role is to set the community investment strategy, monitor regional activity and maintain a long-term focus. The Committee reports to the Board Remuneration Committee.

Each division has a local QBE Foundation Committee, which works with local employees to engage with charities in their region.

The activities of the QBE Foundation fall into three categories: charity partnerships, employee grants and volunteering.

Charity partnerships

Each regional QBE Foundation Committee assesses applications against global eligibility criteria. These include the requirement that no more than 15% of any donation goes to administrative costs, to ensure our investment directly benefits the people and causes we wish to support. Our partners receive discretionary funding for a minimum of 12 months and a commitment that QBE will support them through events, fundraising, media advocacy and employee volunteering.

Large charity partners must provide funding impact reports so we can review the success and impact of the partnership.

In 2017, we partnered with 34 charities, many of which focus on supporting health and wellbeing, social welfare and diversity and inclusion.

Employee grants

The QBE Foundation provides employees with the opportunity to apply for matched funding of up to $5,000 a year for their personal fundraising initiatives. Employees may also apply for grants of up to $10,000 for an organisation or cause of their choice, subject to eligibility criteria and budget allocation.
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In 2017, we partnered with 34 charities, many of which focus on supporting health and wellbeing, and volunteering.

Natural disaster relief

As an insurer, we are one of the first ports of call for our customers when they are affected by a disaster. We aim to respond quickly, to be caring, and to deliver on our commitment to customers.

We expand on this role by directly supporting disaster relief through:

- financial donations;
- providing aid e.g. water, food, medicines, toiletries, equipment; volunteer support.

Sponsorships

Supporting sports and the arts

As well as QBE Foundation activities, our regional businesses sponsor opportunities for communities to come together through sport and the arts while helping QBE to build customer relationships and our brand profile.

These sponsorships connect us with local stakeholders and communities and highlight values such as teamwork, commitment, tenacity, leadership and diversity. Through our arts sponsorships, we celebrate diversity, culture and talent.

Encouraging diversity in sport

QBE Australia has been Principal Partner of the Sydney Swans for 31 years. We also support the QBE Sydney Swans Academy, which provides elite talent development programs for boys aged 11–19 years. In 2017, we became supporters of the Academy’s new Youth Girls program, which is providing talent pathways for young female footballers.

We also got behind the Swans’ first Diversity Action Plan. This followed the club’s important work through their Reconciliation Action Plan, which is strengthening relationships with Aboriginal and Torres Strait Islander communities through education and opportunities.

The club’s Diversity Action Plan makes meaningful commitments to disability empowerment, multicultural inclusion, the advancement of women and LGBTIQ pride. Like QBE, the Swans joined Australia’s Marriage Equality campaign in 2017, and we once again supported the annual Pride Game, which promotes diversity and inclusion.
Promoting health and wellbeing
Supporting the health and wellbeing of our people and their communities is a priority for us. Each year, the QBE Foundation partners with charities that strive to improve medical research, treatment and support for health concerns such as cancer, diabetes, rare genetic conditions, birth defects, mental health and physical disability.

Our support includes formal charity partnerships, grants, events participation, volunteering, awareness-raising events and fundraising.

North American Operations
In 2017, the QBE Foundation held an awareness campaign and discussion on the topic of living with cancer, early detection and treatment. A large grant was made to the American Cancer Society’s National Patient Service Center, which handles program coordination for patient services across the US. The Foundation also supports the Manhattan Hope Lodge in New York City, which provides shelter and care for people undergoing cancer treatment.

Australian & New Zealand Operations
The QBE Foundation has partnered with the McGrath Foundation since 2015 to sponsor a specialist McGrath Breast Care Nurse for the Western Sydney community. Our funding ensures that Vicki Bell, the ‘McGrath QBE Breast Care Nurse’, provides support for patients and their families during challenging times. Vicki has more than 30 years nursing experience and helps patients adjust to their breast cancer diagnosis by providing clinical care and psychosocial support.

European Operations
Breast cancer resonates strongly with our employees as a health issue. In our European Operations, which include Canada and the United Arab Emirates, the QBE Foundation worked with employees during 2017 to support charity partner Breast Cancer Care, which provides information, practical assistance and emotional support for anyone affected by breast cancer. Our employees provided support through a wide range of fundraising activities, including social events, collections, office challenges, raffles, auctions, sponsored walks and bake sales. Over two years, over $370,000 was raised, well surpassing our original aim to raise $257,000 by the end of 2017.

Asia Pacific Operations
The QBE Foundation has partnered with Smile Train, an international organisation providing corrective surgery and comprehensive care for children and adults with orofacial clefts. Over six weeks, life changing surgeries were performed for a total of 90 children and adults in Metro Manila and Central Visayas. Comprehensive care and learning development were also given to the beneficiaries after their surgery. They undergo speech therapy with professional pathologist and social learning sessions. These efforts will help them prepare for their reintegration to the community and enjoy a new life.

Supporting communities after natural disasters
Our global communities were impacted by several natural disasters in 2017, including: Hurricanes Harvey, Irma and Maria across the Americas; mudslides in Colombia; and Tropical Cyclone Debbie in Australia.

Across our regions, we provided emergency assistance through donations, fundraising and matched funding. We also provided direct help through:
• on-the-ground catastrophe teams;
• volunteers providing specialist expertise;
• deploying specialist technology such as drones so we could keep customers informed;
• organising and delivering essential aid relief;
• engaging clients in the relief effort;
• spending face-to-face time with affected policyholders.
Making a difference to young people
By supporting education and welfare initiatives, QBE is improving the lives and prospects of thousands of young people around the world. We are involved in a broad range of initiatives.

North American Operations
QBE supports Covenant House’s Rights of Passage program, a transitional living program for at-risk children. Through One Sandwich at a Time (hosted by our Major Trading Partner, AON), our volunteers have assembled, bagged and boxed peanut butter and jelly sandwiches for homeless LGBTI young people at New York City shelters.

Asia Pacific Operations
In 2017, the QBE Foundation (Philippines) supported several education programs that provide alternative learning solutions for out-of-school youths and street children. More than 350 students have benefited. The Singapore executive team participated in a five-day house-building project in Surabaya, Indonesia, where they built a house for people in need.

Latin American Operations
The QBE Foundation in Latin America supports organisations that provide youth and disadvantaged children with learning and development services and the skills to become job ready. The QBE Foundation provided funding to Caminos de Luz (Ecuador), which offers quality education to children with low economic resources. We also supported Junior Achievement (Argentina) which uses practical and combined learning in financial education, preparation for work and entrepreneurship to empower young people to grow their ideas and improve their work skills.

European Operations
The QBE Foundation has partnered with the Balia Foundation since 2012 on a range of funding initiatives that help children and young people who are at risk of social exclusion in Madrid. Our funding supports activities that aim to prevent early school leaving, reduce the likelihood of addiction and violence, and improve personal and social skills. Colleagues from our Spanish office are also involved in the Balia corporate volunteering program for the Young District Project.

Enhancing diversity and inclusion
As part of our commitment to encouraging diversity and inclusion, QBE supports community initiatives that promote acceptance and opportunity for vulnerable and under-represented groups. Our support includes mentoring, awareness-raising and sporting initiatives.

Australian & New Zealand Operations
In September 2017, QBE embarked on a two-year partnership with the Women’s Justice Network’s Youth Mentoring Program in Australia. This provides life-changing support to 30 young, vulnerable women who are at risk of entering the criminal justice system. In addition to this funding, our Procurement team raised $30,000 at a supplier Trivia night to help replace the charity’s ageing vehicle and support mentoring opportunities. For the second year, we renewed our partnership with The Pinnacle Foundation which supports LGBTI students. QBE Foundation enabled four at-risk students to continue their undergraduate studies through Pinnacle’s mentoring program.

North American Operations
In North America, our people, supported by the QBE Foundation, have a focus on supporting military veterans. Since 2011, the QBE Foundation has partnered with the Wounded Warrior Project, providing monetary grants, awareness campaign advocacy, employee volunteering and fundraising efforts. Through Warrior’s at Work, unemployed and wounded veterans gain access to employment and regain their independence. We have also assisted the Warrior Care Network, which provides access to support and services, veterans living with moderate to severe post-traumatic stress disorder and other mental health issues. Our employees have also been involved in awareness campaigns such as the Soldier Ride in New York, Atlanta and Chicago, a unique four-day cycling event that helps warriors gain confidence and experience the heartfelt appreciation and support of communities around the country.

European Operations
Since 2015, the QBE Foundation has worked with the Change Foundation to fund the development of blind rugby. Blind rugby is adapted from the Rugby 7s touch format and is safe and accessible for people with visual impairment. Formerly targeted at adults, a new program for young people aged 12-16 years was launched in 2017. In line with our sponsorship of the British and Irish Lions 2017 tour of New Zealand, QBE also supported the first international series of blind rugby, supporting players from London to play demonstration matches against a blind and visually impacted New Zealand team at QBE Stadium in Auckland.
QBE is subject to extensive legal and regulatory requirements and obligations, industry codes and business and ethical standards across our business activities wherever we operate. Compliance with these is critical to assist QBE to deliver our strategy, create long-term value and maintain our social licence to operate.

For our Corporate Governance Statement, see our 2017 Annual Report. It includes information about the QBE Board and management, our Group governance framework and guidelines, and reporting and risk management.

Compliance Framework

At the Group level, leadership relating to compliance risk is provided by the Board Risk and Capital Committee. Our Group Compliance Framework outlines QBE’s global approach to managing compliance risk; defines how we expect our business to be conducted in accordance with applicable laws and regulations in the countries where we operate; and requires that breaches of these obligations are identified and escalated, as appropriate. It also sets out QBE’s governance arrangements and key roles and responsibilities relating to compliance management and describes the key components of our approach.

The Framework has been drafted to take into account the International Standard ISO 19600:2014 Compliance Management Systems – Guidelines, which provides a sound benchmark for a compliance management system.

It supports our Group Risk Management Strategy and is complemented by the Group Compliance Monitoring Program and annual Compliance Monitoring Plan, and a range of compliance policies, guidelines, programs and processes.

Compliance across QBE is overseen by a Group Regulatory and Compliance team with responsibility for providing independent assurance and oversight to our Group Board Risk and Capital Committee.
Code of Ethics and Conduct

QBE is committed to maintaining high ethical standards in how we conduct our business. The actions and conduct of our employees and others acting on QBE’s behalf are key to maintaining these standards. Our Group Code of Ethics and Conduct (the Code) helps guide QBE employees to act with honesty and integrity, promotes QBE’s reputation and supports a positive compliance culture.

The Code sets behavioural standards for everyone who works for, or on behalf of, QBE and applies to all employees, directors, and contractors. Acting in accordance with our Code is a condition of employment, and everyone is required to undertake regular Code training. Information about mechanisms for raising and managing concerns is outlined in the Whistleblowing section.

In February 2018, we released an updated Code. The Code was reviewed and updated to take into account QBE’s changing business environment, approach and strategy and emerging regulatory and compliance issues.

Financial crime

QBE’s commitment to acting with integrity means we do not tolerate any person engaging in financial crime. We clearly define our expectations around these requirements for our people and third parties who work with us, so they can be aware of potential financial crime activities that may occur within their area of responsibility.

Our financial crime approach is both preventive (e.g. structured training and third party requirements, clear policies and processes) and reactive (e.g. monitoring financial crime risk in accordance with our annual Compliance Monitoring Plan and via whistleblowing reporting).

Anti-Money Laundering and sanctions

Our minimum standards for preventing Anti-Money Laundering (AML) are set out in our Code. The Code provides high-level guidance and reminds employees to be alert to irregularities. AML risk is closely linked to sanctions risk.

QBE is committed to ensuring we comply with the requirements of sanctions regimes in the jurisdictions where we operate or seek to operate. These include the Australian, European Union, UK, United Nations Security Council (UNSC) and US sanctions regimes.

Our approach to sanctions is supported by a Global Sanctions Policy and Guidelines and, where appropriate, local sanctions policies and guidelines.

Anti-bribery and anti-corruption

QBE is determined to play an active role in the global fight against corruption. We have no tolerance for any incidence of bribery or corruption committed by people within or outside our organisation.

Our commitment to anti-bribery and anti-corruption compliance is reflected in our Code and our Group Anti-Bribery and Anti-Corruption Policy, supported where appropriate by local anti-bribery and anti-corruption policies.

The proper giving and receiving of gifts and entertainment is an essential element of our approach to managing bribery and corruption risk. Across QBE, we have minimum standards for these activities. They must be reasonable, modest and proportionate; given or received in good faith, and appropriately approved and registered, depending on their value.

Anti-competitive and anti-trust practices

QBE’s success in the marketplace results from providing products and services at competitive prices. We do not seek to gain advantage through improper or anti-competitive practices. Employees must not engage in anti-competitive practices or behaviours, including any agreements, decisions and collaborative practices (whether documented or oral) with competitors that may prevent, restrict or distort competition. Examples include price-fixing, bid-rigging and boycotts.

Our employees must also take care when participating in industry associations. They should consider all aspects of an association’s activities, including its membership criteria, rules and standards. Any meeting agendas and participation should not extend to a QBE employee providing pricing or other commercially sensitive information that may be anti-competitive.

Whistleblowing

We set clear expectations for our leaders and employees about how they are expected to behave in our workplaces and business dealings. We also encourage them to speak up about and resolve issues when they occur.

Our Group Whistleblowing Policy, supported by local whistleblowing policies, sets out avenues for employees and contractors to raise concerns or report misconduct. They can raise reports through line managers or certain prescribed employees, and through our Human Resources and Compliance teams. Our people can also confidentially and anonymously report matters to an independent third party. Where a concern is raised, we will assess whether the issue should be investigated in accordance with the investigation requirements of our Whistleblowing policies.

We acknowledge, investigate (as appropriate) and document all reported concerns. Where reports are substantiated, we take appropriate remedial actions, advise the reporter promptly and document the outcomes. We do not tolerate any form of retaliation against anyone who raises a concern or participates in an investigation.

We continue to review the operation and effectiveness of our whistleblowing systems and controls, which are subject to Board Risk and Capital Committee and Audit Committee oversight.
**Human rights**
Wherever we operate, we respect human rights and are committed to avoiding human rights harm. This includes rejecting any form of modern slavery, such as slavery, servitude, human trafficking and forced or compulsory labour.

We aim to identify and manage any risks related to human rights across our own business and through our supply chain relationships.

Our commitment is reinforced through the inclusion of human rights in our Code and supplier requirements, and through a focus on implementing and enforcing effective systems and controls to prevent involvement in human rights harm.

During 2018, we will continue to work with our recruitment and supply chain partners to enhance the management of human rights and modern slavery risk.

**Privacy**
We are committed to protecting the privacy of all stakeholders. Our Group Privacy Policy, which outlines minimum standards for the protection and security of personal information, is supported by local privacy policies where appropriate.

Our approach to information security includes measures to secure personal information and to protect this information from misuse, interference and loss, as well as unauthorised access, modification and disclosure.

QBE’s global Privacy Working Group (PWG) is an advice, evaluation and approval group for matters with potential or actual privacy implications. It aims to promote and foster increased communication, engagement, knowledge sharing and collaboration across QBE employees with responsibilities for privacy.

**Training**
During 2017, we enhanced QBE’s mandatory compliance training program to support our Group policies.

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**QBE’s Compliance Framework**
- Promotes a positive compliance culture through a clear link to our values and Group Code of Ethics and Conduct.
  - These values, ethics and minimum standards of conduct are designed to ensure QBE employees act with honesty and integrity; promote QBE’s reputation; and support a positive compliance culture, outcomes and risk management.
- Embeds compliance management into our governance arrangements to establish authority, accountability and responsibilities for compliance management throughout the accepted three lines of defence against risk (frontline staff, oversight functions, and auditing/Board governance).
- Applies to all our obligations, recognising that ownership and responsibility for ensuring or overseeing compliance with them is shared across a number of business units and teams.
- Establishes a clear definition of compliance risk and an associated risk appetite.
- Comprises key systems and controls that are specific to the effective operational management of compliance risk:
  - identify and assess obligations and risks;
  - design and implementation, communication and training;
  - monitoring, reporting and review;
  - incident and issues management;
  - continuous improvement.
Independent limited assurance report

to the management of QBE Insurance Group Limited on the 2017 Greenhouse Gas Emissions Data

Deloitte.

Independent limited assurance report to the management of QBE Insurance Group Limited on the 2017 Greenhouse Gas Emissions Data

We have undertaken a limited assurance engagement on the subject matter detailed below (the 'Subject Matter') presented in QBE Insurance Group Limited’s (‘QBE’) 2017 Sustainability Report for the year ended 31 December 2017.

Subject matter and reporting criteria

The Subject Matter and Reporting Criteria for our limited assurance engagement for the year ended 31 December 2017 is as follows:

Subject Matter

QBE’s Scope 1, Scope 2 and Scope 3 Greenhouse Gas (GHG) emissions for the year ended 31 December 2017, collectively referred to as the ‘2017 GHG Emissions Data’ as disclosed on pages 17 to 18 of the QBE 2017 Sustainability Report.

Reporting Criteria

- Global Reporting Initiative (‘GRI’) Standards’ requirements for Disclosures 305-1, 305-2 and 305-3;
- QBE’s ESG Reporting – Greenhouse Gas Reporting Framework;
- the Greenhouse Gas Protocol’s Corporate Accounting and Reporting Standard;
- the Greenhouse Gas Protocol’s Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

QBE’s responsibility for the 2017 GHG emissions data

The Management of QBE is responsible for the preparation and presentation of the 2017 GHG Emissions Data in accordance with the Reporting Criteria, in all material respects. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the 2017 GHG Emissions Data that is free from material misstatement, whether due to fraud or error.

The Management of QBE is responsible for the interpretation and application of the requirements of the Reporting Criteria in determining operational control and quantifying emissions, which are reflected in QBE’s ESG Reporting Greenhouse-Gas Reporting Framework.

Our independence and quality control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard AUQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
Our responsibility

Our responsibility is to express a limited assurance conclusion on the 2017 GHG Emissions Data based on the procedures we have performed and the evidence we have obtained.

We conducted our limited assurance engagement in accordance with Australian Standards on Assurance Engagements ASAE 3410 Assurance Engagements on Greenhouse Gas Statements (ASAE 3410), issued by the Australian Auditing and Assurance Standards Board in order to express a conclusion whether, based on the procedures performed and the evidence obtained, anything has come to our attention that causes us to believe that the 2017 GHG Emissions Data has not been prepared and presented in all material respects in accordance with the Reporting Criteria. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the 2017 GHG Emissions Data is free from material misstatement.

We read other information included within the 2017 Sustainability Report and considered whether it was consistent with the knowledge obtained through our procedures. We considered the implications for our report if we became aware of any apparent material inconsistencies with the 2017 Sustainability Report. Our responsibilities did not extend to any other information.

A limited assurance engagement in accordance with ASAE 3410 involves identifying areas where a material misstatement of the 2017 GHG Emissions Data information is likely to arise, addressing the areas identified and considering the process used to prepare the 2017 GHG Emissions Data in the 2017 Sustainability Report. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and included enquiries with relevant process owners and data owners, observations of processes performed, inspection of documents, analytical procedures, evaluating appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above, we:

- evaluated the appropriateness of the quantification methods and reporting policies used, and the reasonableness of emissions estimates made by the Management of QBE;
- evaluated the application of the activity definitions in determining facility boundaries and operational control in determining controlling corporation boundaries;
- evaluated the overall presentation of the 2017 GHG Emissions Data.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance about whether the 2017 GHG Emissions Data has been properly prepared and presented, in all material respects, in accordance with Reporting Criteria.

Inherent limitations

There are inherent limitations in performing an assurance engagement – for example, assurance engagements are based on selective testing of the information being examined – and it is possible that fraud, error or non-compliance may occur and not be detected. An assurance engagement is not designed to detect all misstatements, as an assurance engagement is not performed continuously throughout the year that is the subject of the engagement and the procedures performed on a test basis. The conclusion expressed in this report has been formed on the above basis.

Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and sampling or estimating such data. We specifically note that the Management of QBE have used estimates or extrapolated underlying information to calculate certain amounts included within the 2017 GHG Emissions Data.

Limitations of use

Our assurance report has been prepared solely for the Management of QBE in accordance with our Statement of Work dated 21 November 2017. We disclaim any assumption of responsibility for any reliance on this report or on the Subject Matter to which it relates, to any person other than the management of QBE or for any purpose other than that for which it was prepared.

Matters relating to electronic presentation of information

Our limited assurance engagement included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of the 2017 Sustainability Report after the date of this assurance statement.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the 2017 GHG Emissions Data has not been properly prepared and presented, in all material respects, in accordance with the Reporting Criteria for the year ended 31 December 2017.

DELOITTE TOUCHE TOHMATSU

PR Dobson
Partner
Sydney, 26 February 2018
Designed and produced by ArmstrongQ