



QBE

QBE GREEN BOND FRAMEWORK

**QBE INSURANCE GROUP LIMITED (QBG)
ABN 28 008 485 014**

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1. Introduction

QBE Insurance Group (QBE) recognises that we have responsibilities not only towards our customers, employees and shareholders, but also the countries and communities in which we operate. This means understanding and managing the impact we have on society and the environment and investing in the future of our employees and the communities we serve.

QBE seeks a balance of economic, social and environmental factors by following good international practices on environmental and social risks. Furthermore, QBE recognises and supports the move to a low-carbon economy, which will help reduce climate change and benefit communities in the longer term.

The QBE Green Bond Framework represents a further step in supporting investors to meet their objectives whilst supporting insurance clients to realise opportunities in the fast developing low carbon economy.

QBE's Green Bond Framework is consistent with the current Green Bond Principles (GBP), as held by ICMA, and reflects recent guidance by the investor groups.

The QBE Green Bond Framework is not an offer of, or invitation to apply for, or a recommendation to buy securities to any person in any jurisdiction. Any offers or invitations to apply for securities will be made only in accordance with all applicable laws.

2. Framework Overview

For any Green Bonds that may be issued by QBE a framework has been created that follows the four key pillars of the Green Bond Principles (GBP):

- Use of Proceeds
- Selection Process
- Management of Proceeds
- Reporting

3. Use of Proceeds for any QBE Green Bond

The cornerstone of a Green Bond is the use of the bond proceeds. The proceeds of any QBE Green Bond(s) will be allocated towards financing / refinancing investment in our green bond portfolio. This portfolio may invest in labelled green bonds that are eligible as per the criteria defined below. In addition to defining eligibility criteria for the framework, QBE has committed that where green bond review and evaluation has been completed and the allocation of proceeds has been determined at the time of issuance, it will disclose the specific projects funded through any bond proceeds, and the relevant eligibility criteria the funded projects will fall under, upon issuance of any QBE Green Bond.

Eligibility Criteria

1. The green bond is certified under the Climate Bonds Standard OR has been assessed to be in compliance with the Green Bond Principles through a second-party opinion.

AND

2. The green bond finances/refinances projects or activities that meet one or a combination of the following thematic eligibility criteria.

Thematic Eligibility Criteria

1. Renewable Energy

- i. Development, construction, or operation of wind farms, solar farms, hydropower projects, bio-energy projects (including biomass), or geothermal energy projects.
- ii. Development, construction or operation of manufacturing facilities dedicated to production of renewable energy technologies and equipment, or components of equipment, including solar panels, wind turbines, storage technology, or other equipment produced specifically for generating renewable energy.
- iii. Transmission systems or other infrastructure (including information, communication and technology infrastructure, storage facilities, etc.) that facilitates the integration of renewable electricity into the grid.

2. Energy Efficiency

- i. Installation of products or services that increase the energy efficiency of industrial processes.
- ii. Industrial/utility energy-efficiency improvements involving changes in processes, reduction of heat losses and/or increased waste heat recovery. This includes the installation of cogeneration plants.
- iii. Development or manufacture of energy efficiency technologies and products such as efficient appliances, lighting, etc.

3. Green Buildings

- i. Development or construction of buildings that meet sustainability standards (equivalent to LEED Gold or higher).
- ii. Retrofits of existing buildings such as architectural changes that enable a reduction in energy consumption.
- iii. Energy-efficiency improvements through the installation of more efficient insulation, lighting, appliances, waste heat recovery systems and/or other equipment.
- iv. Development and manufacture of products and services that increase energy efficiency in residential, commercial and other buildings, including energy efficient lighting, insulation, efficient heating, ventilation and air conditioning equipment, and integrated buildings control systems.

4. Low carbon Transportation

- i. Development, manufacture and/or distribution of technologies and equipment to increase the sustainability (through improved energy/fuel efficiency or switching to electricity) of auto, truck, train, marine and aerospace transportation.
- ii. Development and operation of sustainable public/mass transportation systems and/or of equipment for such systems (including most rail and Bus Rapid Transit that meets the BRT standard).

5. Sustainable Agriculture and Forestry

- i. Forest management activities that comply with international standards for sustainable forestry such as those of the Forest Stewardship Council (FSC).
- ii. Reforestation of previously forested land.
- iii. Afforestation (plantations) of non-forested land.
- iv. Environmentally sustainable agriculture
- v. Environmentally sustainable husbandry
- vi. Climate smart farm inputs such as biological crop protection or drop irrigation
- vii. Environmentally sustainable fishery and aquaculture

6. Water Efficiency

- i. Development/construction of infrastructure designed to conserve water resources and/or increase the efficiency of water use.
- ii. Development, manufacture and/or installation of technologies designed to increase reuse and to improve the efficiency of water use by end users.

7. Waste Management

- i. Development, manufacture and/or installation of technology and/or equipment that make waste management more sustainable (e.g. waste-to-energy systems, composters, and anaerobic digesters).
- ii. Development and/or installation of technology or equipment that increases a company's resource efficiency and/or reduces its waste production.

8. Pollution Control

- i. Development, manufacture, and/or installation of products and services that prevent or reduce the pollution of air, water or land caused by pollutants such as sulphur dioxide, nitrous oxide, fluorocarbons, mercury, particulates, and carbon monoxide.
- ii. Projects or equipment that reduce non-energy-related GHG emissions that result from industrial processes (e.g. cement, chemical industries).

Exclusionary Criteria

QBE has developed a list of exclusionary criteria for the proceeds of any QBE Green Bond. QBE commits itself to not knowingly be involved in financing any of the following projects/activities through the proceeds of any QBE Green Bond(s):

1. Manufacture or wholesale retail of alcoholic beverages
2. Manufacture or wholesale retail of tobacco products
3. Ownership or operation of gambling enterprises
4. Production or distribution of adult entertainment materials
5. Manufacture or retail sale and distribution of weapons and small arms
6. Transportation of live cattle
7. Whaling
8. Predatory lending activities
9. Production or refining of palm oil
10. Extraction or refining of fossil fuels
11. Large scale hydro projects (i.e. projects that generate greater than 20 MW of electricity)
12. Technology and equipment for large scale hydro projects
13. Transmission infrastructure and systems where 25% or more of electricity transmitted to the grid is fossil-fuel-generated
14. Technologies that increase the energy efficiency of fossil fuel production and/or distribution
15. Systems and infrastructure used primarily for the transportation of fossil fuels
16. Agricultural or afforestation operations located on land designated as primary forest, high conservation value areas, or legally preserved areas
17. Green bond issuers that are involved in major environmental, social or governance controversies (Category 5 controversies), as assessed by Sustainalytics.

4. Project Evaluation and Selection Process

QBE's Investment Team identifies bonds that meet the company's investment risk/return criteria and makes the investment in the bond. If the investment is a green bond, the Manager, Responsible Investments (MRI) is notified. The MRI then assesses if the green bond meets the eligibility criteria defined in the framework, and if proceeds from the QBE Green Bond(s) can be allocated to financing / refinancing of any green bond investment(s).

In addition to assessing each green bond investment's compliance with the framework eligibility criteria, QBE also assesses each green bond investment's eligibility for the P4G program. Labelled green bonds are presented by the MRI to the QBE Green Bond Committee ('The Committee'). The Committee reviews and classifies these green bond investments as meeting the "additional social or environmental objective". The Committee is also responsible for annually monitoring its green bond investment to review its classification and monitor its continued suitability.

The Committee consist of a QBE Group Non-Executive Director, the QBE Group Treasurer and the QBE Group Chief Investment Officer.

5. Management and Tracking of the Proceeds of Issuance

QBE will track the Use of Proceeds of any Green Bond(s) via its internal information systems. Each QBE Green Bond will be booked under an earmarked position which is set up for each Green Bond specifically in the appropriate internal system. QBE will establish a register, recording each specific acquired green bond ID allocated as Use of Proceeds for each Green Bond by a unique position identifier.

6. Reporting on Use of Proceeds

Allocation and Impact Reporting

The QBE Green Bond issuing entity will provide a Green Progress Report on an annual basis including:

- (i) The cost of the investment(s);
- (ii) Aggregate amounts of funds allocated to each of the Thematic Eligibility Criteria (Section 3) together with a description of the types of projects being financed / refinanced;
- (iii) The remaining balance of unallocated Green Bond proceeds at the reporting period end; and
- (iv) Confirmation that the Use of Proceeds of the Green Bond (s) issued conforms with the QBE Green Bond Framework.

QBE recognises investors' preference for enhanced information on Use of Proceeds. Where possible QBE will provide further information and examples of green bonds financed / refinanced by a QBE Green Bond.

The QBE issuing entity will prepare the report and the Committee will review and approve each Green Progress Report. Each Green Progress Report will be produced to a 31 December reporting date and will be published on the QBE Fixed Income Investor webpage, found through www.qbe.com.

QBE has also committed that where possible, it will use the impact metrics described in Table 1 as guidance for its impact reporting. Given that QBE is dependent on regular impact reporting from invested green bonds, QBE will include impact reporting as a part of its annual Green Bond Progress Report when the data from investees is available in a timely manner.

7. Amendments to the Framework

Pursuant to the QBE Green Bond Charter, the QBE Green Bond Committee is authorised to approve ongoing amendments to the QBE Green Bond Framework.

8. Assurance

QBE will obtain a second party opinion from an appropriate provider to confirm the validity of the QBE Green Bond Framework. The second party opinion will be published on the QBE Investor Relations webpage, found through www.qbe.com.

For any Green Bond issuance under the QBE Green Bond Framework, we will engage an appropriate external assurance provider to independently assure the Green Bond Progress Report, on an annual basis, and opine on its conformity with the QBE Green Bond Framework.

The annual Green Bond Progress Report and related assurance report will be made available, to the public at the QBE Investor Relations webpage, found through www.qbe.com.

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