



Premiums4Good™

Investment Impact Report

2018-2019

At a glance

About QBE

QBE is listed on the Australian Securities Exchange (ASX) and headquartered in Sydney.

We employ more than 12,000 people in over 31 countries. QBE is a general insurance and reinsurance company.

Across our operations, we offer commercial, personal and specialty products and risk management solutions to our customers.

Our purpose is to give people the confidence to achieve their ambitions. Our focus on sustainability, and the identification of current and emerging environmental, social and governance (ESG) trends, is an integral part of achieving this purpose, understanding the needs of our customers and ensuring the sustainability of our own business.

About Premiums4Good

Premiums4Good is an innovative initiative that sees QBE invest everyday premiums to make an extraordinary difference to communities across the globe.

Through Premiums4Good, we invest customers' premiums into investments that have additional social or environmental benefits at no extra cost to the customer.

These investments include social impact bonds, social bonds, green bonds and infrastructure, supporting a range of projects and programs that seek to create change.

From renewable energy initiatives and sustainable infrastructure, to social services and programs to support vulnerable people and communities - Premiums4Good helps us, together with our customers and partners, make a difference.

About our Premiums4Good investment approach

Premiums4Good supports our belief that we can deliver attractive risk-adjusted returns and business value, while also seeking to deliver positive social and environmental impact.

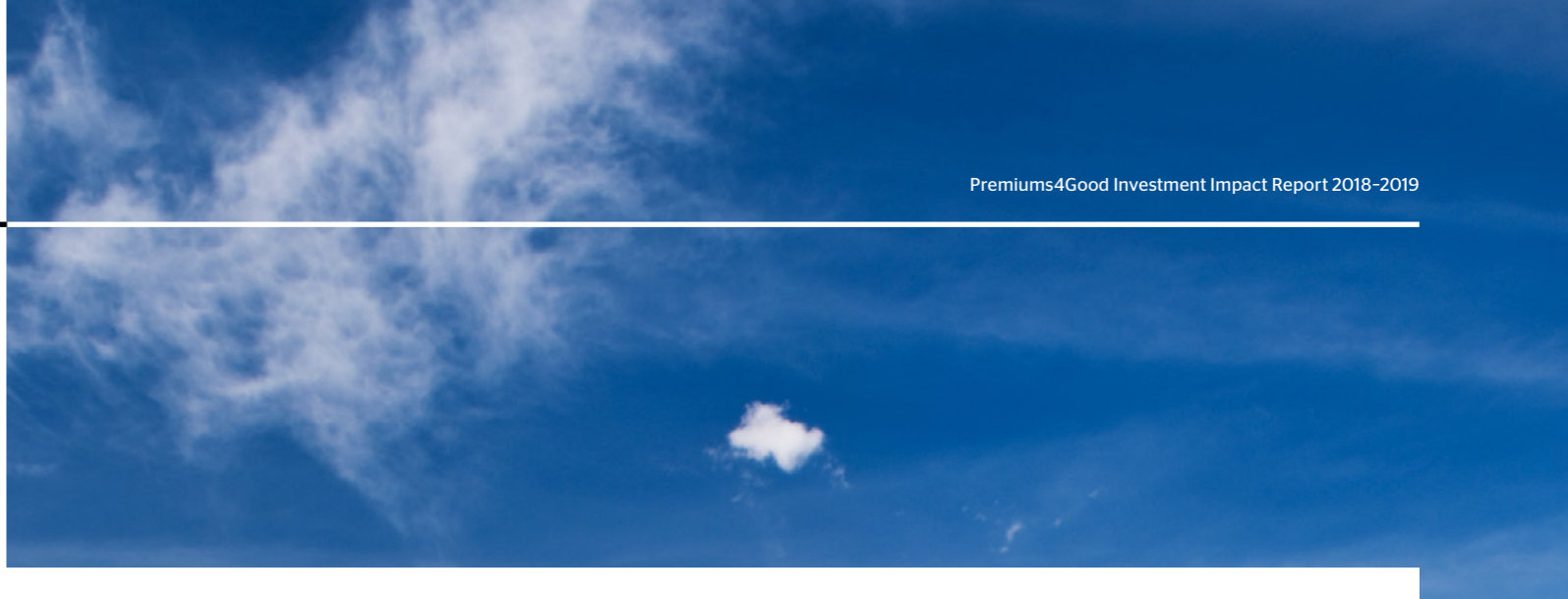
We have a globally consistent approach to impact investment across our North American, European and Australia Pacific operations. In 2019, each division committed a minimum of USD 100m, GBP 100m and AUD 100m of premium respectively to Premiums4Good on behalf of our policy holders.

To help us grow Premiums4Good, select customers also can also choose to contribute more and opt in to allocate 25% of their premiums to the initiative.

Our ambition is to grow our impact investment allocation to USD 1 billion by 2021.

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Everyday premiums making an extraordinary difference to communities across the globe...

Welcome to the 2018-2019 Premiums4Good investment impact report. In the following pages, we reflect on another successful year for this innovative program and highlight some of the exciting and ground-breaking projects at the heart of Premiums4Good.

Premiums4Good is a unique collaboration between QBE, our customers, partners and our shareholders, through which a portion of customer premiums are channelled into investments that have additional social or environmental benefits.

In 2018-19, Premiums4Good has continued to rally support across each of our divisions, delivering another successful year of impact and value creation, with both the value and volume of our impact investments growing significantly.

As at June 2019, a total of USD 633 million (m) was invested across 43 assets, spanning a range of classes including green bonds, social bonds and infrastructure, with positive impacts in communities across Europe, North America, Africa, Asia and the Pacific. This year, we enhanced our investment strategy to focus on opportunities that deliver deeper social or environmental impact. New investments were made in areas including social care and provision of community services, social inclusion, diversity and gender, as well as urban and community development. We also expanded our Premiums4Good geographical footprint into New Zealand, with our investment in the Housing New Zealand Sustainability Bond and the Auckland Council Green Bond.

In line with QBE's commitment to sustainability and our support for the United Nations Sustainable Development Goals (SDGs), this year we mapped our investments to the SDGs - establishing alignment between each investment and one or more SDG.

We also celebrated a number of significant milestones for the program. In Australia, the New South Wales based Benevolent Society Social Benefit Bond (SBB) reached term in October 2018 having performed well and made a difference to more than 800 children.

While in the United Kingdom, Futureshapers, a social and educational program for at-risk young people, also matured, having helped more than 1,000 young people establish pathways into the world of work, training and employment.

On the investments front, a new, globally consistent approach to Premiums4Good contributions was established in January 2019. This will see us commit a minimum USD 100m, GBP 100m and AUD 100m of premium to the program from the United States, Europe and Australia Pacific respectively. These contributions will be made in addition to those from our select customers who elect to allocate 25 per cent of their premiums to the initiative.

I was also very pleased to announce our expanded ambition to grow our impact investing allocation to USD1 billion by 2021. This ambition was made in line with our organisation-wide focus on sustainability and in response to strong support from our customers.

Thank you to our customers, people and partners who have helped to make Premiums4Good a continuing success and distinctive differentiator for QBE. Without your support, Premiums4Good simply would not be possible.

Together, we're making a difference.

Yours sincerely,

Pat Regan
Chief Executive Officer
QBE Insurance Group



Premiums4Good snapshot

2021 ambition to grow our impact investments to

USD 1 billion

by 2021

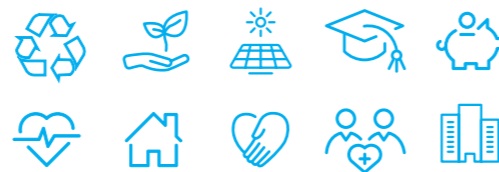
USD 633 million

total invested in Premiums4Good at the end of June 2019

43 securities

invested in by QBE as part of Premiums4Good in June 2019, up from 29 in June 2018

10 impact areas



invested in by QBE as part of Premiums4Good in June 2019

Industry recognition

2018 **Asset owner** of the year at the Australian Impact Investment Awards

AUSTRALIAN IMPACT INVESTMENT AWARDS



Finalist in the 2018 Finance for the Future Awards

Founded by The Prince of Wales's Accounting for Sustainability (A4S) Project and the Institute of Chartered Accountants in England and Wales

Key areas of geographical impact

Premiums4Good has a global reach. The below map indicates key geographical regions invested in through its pool of assets between June 30 2018 and June 30 2019. Significantly, the Premiums4Good investment pool invests in developing markets across the globe.



Sustainable Development Goals

Aligned with 17 Sustainable Development Goals in line with the Global Priorities to 2030

We support the aims and objectives of the United Nations Sustainable Development Goals (SDGs) which arose through collaboration between governments, civil society, the private sector and academia. The SDGs seek to address the world's most pressing environmental and social challenges and form part of a wider 2030 Agenda for Sustainable Development. At QBE we aligned our sustainability agenda to support advancement of these global goals. As a universal agreement to work towards a better future, the SDGs align closely with our own purpose to give people the confidence to achieve their ambitions.



We sought to invest in assets that would expand the program's geographical footprint and broaden and deepen its impact.

Investment summary 2018-2019

Premiums4Good continued to make its mark in the 12-month period to June 2019. The program grew from 29 investments valued at USD 417m in June 2018 to include 43 securities valued at USD 633m by June 2019.

As in previous years, the Premiums4Good pool of investments over the period spanned multiple asset classes, geographies and impact areas. However, through a refreshed investment approach we sought to invest in assets that would expand the program's geographical footprint and broaden and deepen its impact.

Highlights of this new approach included:

- An expansion into private equity investment which saw us make a significant investment in the LeapFrog Emerging Consumer Fund III. The fund invests in companies servicing emerging markets that seek to improve access to financial services and consumer health products.
- Investment in the New Zealand market with an investment in the Housing New Zealand Sustainability Bond and the Auckland Council Green Bond.
- New investments in areas including social care and provision of community services, social inclusion, diversity and gender as well as urban and community development (such as the Reinvestment Fund Impact Investment Bond).
- A continued commitment to social impact bonds (SIBs) and Pay For Success investments that provide evidence-based deep impact. By June 2019, we had invested in 11 SIBs directly, and in two SIB funds, across multiple currencies and locations.
- Mapping of all investments to demonstrate their alignment with one or more United Nations Sustainable Development Goals (SDGs), a reflection of our organisation-wide support of these Global Priorities to 2030.

Significantly, a number of major milestones from our existing portfolio of investments were also celebrated over the period.

- In Australia, the NSW-based Benevolent Society Social Benefit Bond (SBB) reached term in October 2018 and performed well, making a difference to more than 800 children. The SBB funded the implementation of *Resilient Families*, an intensive family support program designed to keep children with their families and out of foster care where it was safe to do so. The program saw children stay with their families at a rate 32 per cent higher than the control group. This will ultimately see more children with better education, health and employment outcomes in the long term.
- The Futureshapers Program in the UK also matured at the end of 2018. This social and educational program for at-risk young people has helped more than 1,000 young people in Sheffield to establish pathways into the world of work, training and employment.

These positive outcomes once again demonstrated the power of impact investment - changing lives and helping us support people in the communities we operate in while also delivering attractive, risk-adjusted financial returns.

Premiums4Good Investments

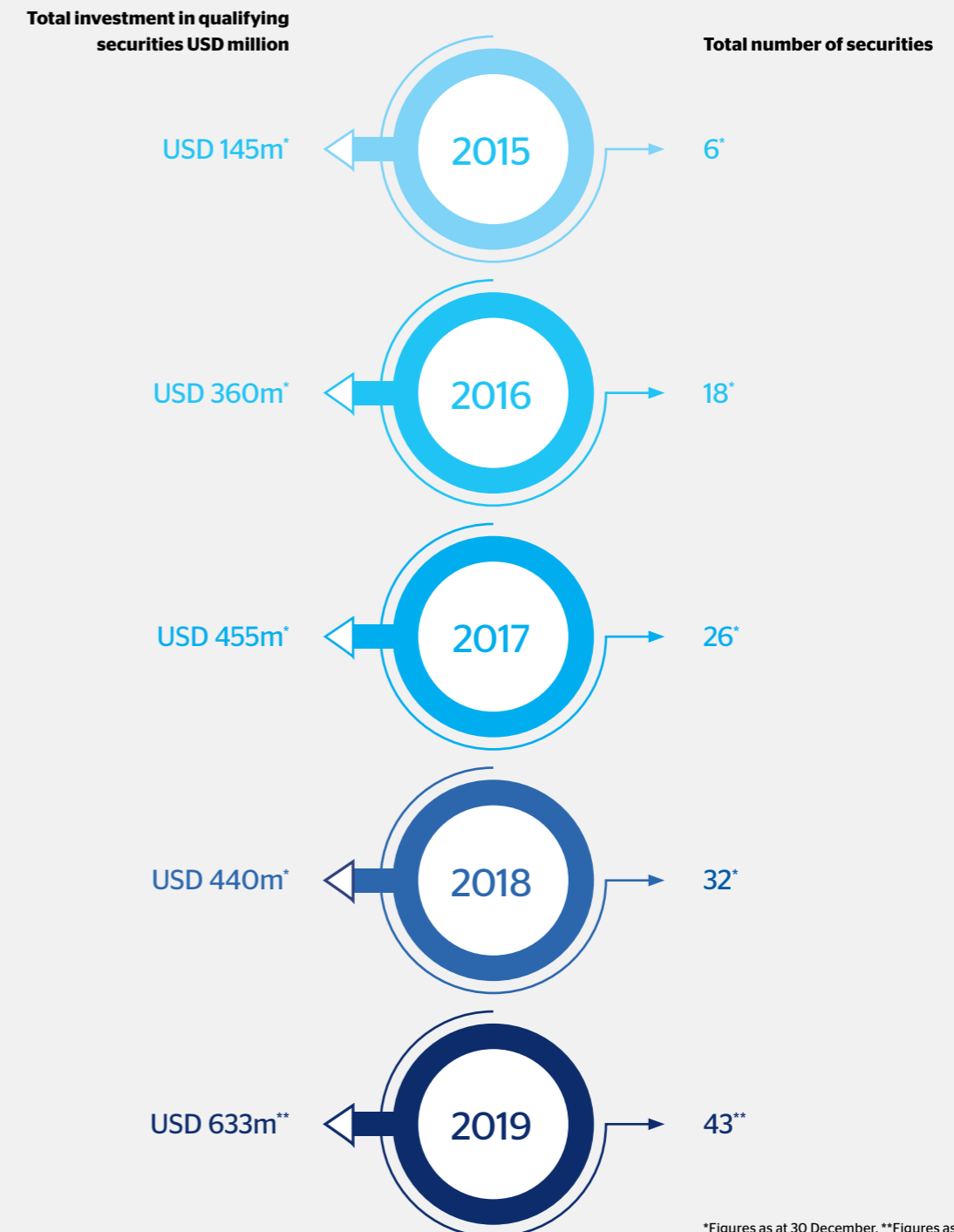
Impact area and location of impact as at June 30 2018

	Global	Australia and New Zealand	Europe and UK	North America	Developing markets	Total
Environment						
Resource Efficiency, Recycling, Re-use & Conservation				1	2	3
Sustainable Energy	2	2	3	5		12
Total	2	2	3	6	2	15
Social						
Education & Employment			1		1	2
Financial Inclusion			2		1	3
Health		1		1		2
Housing & Social Real Estate		2	1			3
Social Care & Provision of Community Services		2		2		4
Total		5	4	3	2	14
Grand total	2	7	7	9	4	29

Impact area and location of impact as at June 30 2019

	Australia and New Zealand	Europe and UK	North America	Developing markets	Total
Environment					
Food & Agriculture				1	1
Resource Efficiency, Recycling, Re-use & Conservation				1	1
Sustainable Energy	4	7	9		20
Total	4	7	9	2	22
Social					
Education & Employment				1	1
Financial Inclusion		2		1	3
Health	1		1		2
Housing & Social Real Estate	4	1	1		6
Social Care & Provision of Community Services	1	1	3		5
Social Inclusion, Diversity & Gender			1		1
Urban & Community Development			3		3
Total	6	4	9	2	21
Grand total	10	11	18	4	43

Securities and investment totals 2015-2019



Primary impact areas, impact areas, geographies and Sustainable Development Goals in this report are mapped and categorised by QBE in line with our QBE impact investment definitions and classifications. Please note that individual investments or investees may classify these differently.

*Figures as at 30 December. **Figures as at 30 June.

Bridges Social Outcomes Fund II

Primary impact area:
Social

Impact area:
Social Care & Provision of Community Services

Geographic location of impact:
United Kingdom

Investment commencement:
2019

SDG alignment:




Bridges Outcome Funds

Social services are key to improving the lives of vulnerable and underserved people in the United Kingdom (UK). By supporting numerous Social Outcomes Contracts (SOCs) commissioned by local and central Government departments, the £35m Bridges Social Outcomes Fund II provides working capital and additional management resources for delivery partners providing vital services in areas including children and families, housing, employment, health and social care.

These outcome-based contracts are structured so that the commissioner pays directly for social improvements achieved by

providers. This means the Bridges funds only make a financial return if valuable outcomes are delivered for communities and the government.

These contracts support projects that are touching thousands of lives, including: helping families whose children are at risk of being taken into care to stay together; enabling people to better manage their long-term health conditions; supporting young people at risk of homelessness; and supporting disadvantaged children who are struggling at school. Collectively, the projects supported by Bridges have already delivered positive social outcomes with a short-term value to Government of over £75m.

The contracts supported by Bridges

have contributed to reduced levels of homelessness and improved education, health and wellbeing and employment outcomes amongst its target groups, including:

- Over 125,000 days out of care achieved
- About 11,000 qualifications achieved
- Over 2,500 people helped to enter and or sustain accommodation
- Nearly 4,000 well-being improvements for people with long-term health conditions.

Bridges Social Outcomes Fund II is expected to achieve further successes in these areas over its 12-year term (which includes a 6-year investment period). These results will ultimately help to build stronger, more inclusive communities across the UK.

Through its pioneering Premiums4Good initiative, QBE is showing that blue-chip institutional investors can pursue impact goals alongside their financial goals - which can only encourage other like-minded institutions to follow suit. By supporting the growth of the social outcomes contract market in the UK, this investment will not only have a direct impact on the lives of some of the most vulnerable people in the country; it will also help to transform our public services by catalysing smarter and more effective delivery models.

Mila Lukic
Partner
Bridges Social Outcomes Funds

Case study: Pause for Change, Plymouth



Pause for Change is a social outcomes contract delivering the Pause intervention - an intense, relationship-based program of support for women who have had multiple children removed from their care.

In the UK, around 90 children are taken into the care system every day. These children have a much higher chance of experiencing poor life outcomes in a range of areas, from education and employment to mental health.

This project is based on a model developed by Pause, a non-profit organisation. Pause works with women who have experienced, or are at risk of, repeated pregnancies that result in children needing to be removed from their care. Through an intense program of support, it aims to break this cycle and give women the opportunity to reflect, tackle destructive patterns of behaviour, and to develop new skills and responses that can help them create a more positive future.

Bridges worked closely with Plymouth Council to develop the program (with additional funding from the Government's Life Chances Fund), design the contract and commission a local provider.

The initial project, which began in April 2019, involves working intensively with around 50 women in the Plymouth area over a 5-year period. The primary objective is to reduce the number of children being taken into care.

The program is expected to yield significant benefits to participants as well as generate positive economic and social outcomes for the broader community. The project also seeks to create an exemplar delivery model that can potentially be scaled into other geographies in the future.

Connecticut Family Stability PFS Project

Primary impact area:
Social

Impact area:
Social Care & Provision of Community Services

Geographic location of impact:
North America, United States (Connecticut)

Investment commencement:
2016

SDG alignment:




The Connecticut Department (CT) of Children and Families (DCF) spends more than USD 600m each year to address child abuse and neglect. Significantly, the DCF estimates approximately half of these cases involved parental substance use. The Connecticut Family Stability Pay For Success (PFS) project is part of an innovative strategy to better support these families and mitigate both social and financial costs.

The CT Family Stability PFS project is a public-private partnership of DCF, Family-Based Recovery Services at the Yale Child Study Center, and not-for-profit Pay For Success intermediary, Social Finance.

Significantly, the project is designed to align government, investors and social service providers to achieve positive results for the people involved, as well as financial returns and government cost savings.

The project leverages USD 11.2m of invested capital to serve approximately 500 families across Connecticut over four and a half years.

It delivers an in-home treatment program to families working with DCF that have children up to the age of 6 years old. The evidence-based intensive treatment focuses on parent-child attachment and substance use recovery, encouraging

stronger parent-child bonds and creating safer and more supportive environments for children to develop in.

Evidence shows improved social, education and employment, and economic outcomes for children when they are safe to remain with their families over the longer term. As a result, these outcomes save the state significant funds and support more productive and sustainable communities. Since 2016, hundreds of families have successfully enrolled in the program, progressing through the substance use and parenting therapies with the support of the six new FBR teams funded by the project.

The Connecticut Family Stability PFS project supports positive child-parent interactions and helps parents on their path to substance use recovery, delivering better long-term outcomes for the children and families involved. QBE's investment, through Premiums4Good, helped us bring this innovative program to life.

Tracy Palandjian
Co-Founder and Chief Executive Officer
Social Finance

Case study: Alison's story



Alison* was a mother struggling with substance use, and underlying depression. Alison's child Charlie* was identified as at-risk, with potential to be removed from the family home. Alison was invited to participate in the Family-Based Recovery program (FBR), which works to build stronger parent-child bonds and safe home environments.

Charlie and Alison's case was referred to an FBR clinician team, who spent time understanding both Alison's and Charlie's circumstances and supported Alison in building her responses to Charlie's developmental needs.

A representative from the program reported that Alison is progressing well.

"She was our first client and despite a relapse early in treatment we were able to work with DCF to keep the child in the home with a supervision plan in place."

"Since that time, she has been testing negative, she has started psychotropic medication through our prescriber and reports this has lifted depression symptoms significantly."

"DCF has lifted the supervision requirement, and she is now working a steady part-time job. In addition to this, her child has been attending regular childcare and is making developmental gains such as progress on potty training."

These positive short-term results hold long-term potential for Charlie, Alison and their community.

**Names, identities changed for privacy*

Copper Mountain Solar III

Primary impact area:
Environment

Impact area:
Sustainable Energy

Geographic location of impact:
North America, United States

Investment commencement:
2016

SDG alignment:




This clean energy generation means that greenhouse gases are reduced by an estimated 419,000 tons annually

Renewable energy creation is an important part of responding to climate change and building greener, more sustainable communities. The Copper Mountain solar facility taps into the Nevada desert sun to produce clean energy, powering thousands of homes and represents an important part of the growing renewable energy sector in the United States (US).

Located on about 1,400 acres of land in Boulder City, the landmark Copper Mountain Solar complex is one of the largest photovoltaic solar facilities in the US. The Copper Mountain Solar III investment financed the construction of a 250MW solar unit as part of the third stage of construction on the Copper Mountain complex.

The entire 552MW facility now generates enough electricity to power approximately 90,000 Californian homes. This clean energy generation means that greenhouse gases are reduced by an estimated 419,000 tons annually - the equivalent to taking approximately 88,000 cars off the road.

Significantly, the Copper Mountain Solar facility and its expansion also supports a stronger local economy. At the height of its construction the facility generated approximately 500 jobs while four full-time staff are employed at the complex. The facility also generates state and local revenue, through the sale of clean energy to the Southern California Public Power Authority, which is projected to total more than USD 732m over 20 years - supporting the local Boulder Economy.

European Investment Bank Climate Awareness Bond

Primary impact area:
Environment

Impact area:
Renewable Energy

Geographic location of impact:
Europe and Developing Markets

Investment commencement:
2018

SDG alignment:



The drive to preserve the human and natural environment for future generations is at the heart of the European Investment Bank (EIB) Climate Awareness Bond.

By directing funds to projects that contribute to mitigating climate change, the bond is helping to create a greener, brighter tomorrow.

EIB is the world's largest multilateral provider of climate finance. The Climate Awareness Bond, in which Premiums4Good has invested, sees funds allocated to projects across the renewable energy and energy efficiency sectors globally.

These include offshore wind renewable energy projects in the UK, Belgium and Peru; a biomass power plant producing renewable energy in Spain; a power system expansion project in Nepal; and a water supply project with a renewable energy component in the Netherlands.



Through these projects, the bond supports environmental outcomes including renewable energy and energy efficiency,

contributing to affordable and sustainable energy in communities around the world.

Case study: Nobelwind Offshore Wind Farm Project



Nobelwind Offshore Wind Farm Project received allocation from the European Investment Bank Climate Awareness Bond.

The renewable energy project involved the construction of an offshore wind farm located in the Belgian North Sea located approximately 45 kilometres off the coast of Oostende and is one of the largest offshore wind farms in Belgian territorial waters.

Offshore wind energy farms, like the Nobelwind Offshore Wind Project, generate clean electrical energy using wind turbines installed at sea. Usually, the wind blows faster and more steadily at sea than on land, resulting in higher and more stable energy yields. With an installed capacity of 165MW, the Nobelwind Offshore Wind Farm has an annual output capacity of 600GWh, which is equivalent to offsetting 283,000t of CO2 emissions a year.

The now complete project makes a critical contribution to provision of a safe, affordable and diversified energy supply for a large portion of the Belgian population, helping to achieve both local and European renewable and sustainable energy targets and fighting climate change.

Housing New Zealand Ltd Sustainability Bond

Primary impact area:
Social

Impact area:
Housing & Social Real Estate

Geographic location of impact:
New Zealand

Investment commencement:
2019

SDG alignment:



Image credit: Housing New Zealand

Public and social housing is vital to the livelihoods of thousands of vulnerable New Zealanders. The Housing New Zealand (HNZ) Ltd Sustainability Bond provides funds to HNZ's social housing program, addressing growing public housing demand in communities across New Zealand.

HNZ is the largest residential landlord in New Zealand, housing approximately 185,000 people in its 64,000 properties. Its portfolio is valued at NZD26.7 billion, making it one of the New Zealand Government's largest assets.

Funds invested as part of the bond will be used to construct new, or retrofit existing, social housing- delivering more homes at an accelerated pace for vulnerable New Zealanders. The housing that will be

provided will not only provide access to safe, affordable places to live but will also connect at-risk New Zealanders with wrap-around social services which further support their social and economic participation in the New Zealand community.

Notably, the bond supports environmental outcomes in addition to social ones. By funding energy-efficient housing design

and construction, the program is set to mitigate emissions, water use and waste - creating greener more sustainable communities.

Through its investment in the New Zealand Housing and Sustainability Bond, QBE's Premiums4Good is helping to make our vital housing program possible, supporting the accelerated delivery of high quality and environmentally sustainable housing to thousands of in-need New Zealanders.

Matthew Needham
Deputy Chief Executive - Finance
Kāinga Ora - Homes and Communities



Case study: HNZ social housing program

Image credit: Housing New Zealand

Doreen loves her warm, brand new home - it's a far cry from sleeping in her car and emergency housing, which was where she found herself before moving into her HNZ home.

Following the death of her mother and after escaping an abusive relationship, Doreen and her daughter Tisharn were homeless. The pair were forced to sleep in a car for about three weeks before they found shelter in emergency accommodation for around six months.

Now, the mother and daughter have a permanent, warm, new home.

Doreen is one of 14 people and families to move into brand new units in Eveleyn Couzins Ave, Christchurch, funded by the HNZ social housing program. Doreen's home is one of 14 two-bedroom units at the location, which opened in July 2018.

"I love it, because it's my own," Doreen said. "It just feels really awesome. It's mine. I won't have to be homeless or think about anything like that anymore."

Each of the new two-bedroom units has its own parking space, and careful consideration has been taken with storm and wastewater storage systems.

The new homes complete the second and final part of the complex, joining 23 one-bedroom units and a large common room to connect the units and help foster a thriving and connected community.

More housing like Doreen's will be funded through the HNZ Sustainability Bond and part of the HNZ social housing program, with the bond aspiring to help support other New Zealanders like Doreen and her daughter.

LeapFrog Emerging Consumer Fund III

Primary impact area:
Social

Impact area:
Financial inclusion & healthcare

Geographic location of impact:
Asia and Africa - Emerging Markets

Investment commencement:
2018

SDG alignment:



Rapid developments in Africa and Asia have impacted the dynamics of global markets. Billions of emerging consumers are now joining the global economy, without access to many of the basic services required for success. By investing in companies that provide essential financial and health services across developing countries, LeapFrog Emerging Consumer Fund III is helping to meet these growing needs at scale. LeapFrog's companies currently serve 188 million people.

QBE, through Premiums4Good, is an investor in the USD 743m fund, joining a number of investors across the globe



Image credit: Leapfrog Investments

in the fund's mission to change lives in communities in countries like Kenya, Nigeria, Ghana, South Africa, India, Indonesia, the Philippines and Sri Lanka.

The fund's investments to date include WorldRemit, which enables fast secure international money transfer, and NeoGrowth, a digitally enabled financial company that provides business loans and insurance in India. The fund has also made investments in East African healthcare provider Goodlife Pharmacy, providing diagnostics and basic health care in communities where public healthcare is limited, as well as Ascent Meditech, a business that manufactures and delivers orthopaedic products across India.

Through these and additional investments, the fund strives to impact the lives of millions of people as well as to generate robust financial returns for investors.

By investing in the provision of essential services, the fund is a powerful enabler of financial inclusion and access to healthcare. It supports the elimination of poverty, contributes to healthier, more productive communities and helps drive economic success. Significantly, the fund targets reaching more than 70 million emerging consumers over the next five years.

QBE was the first Australian insurance group to back LeapFrog's new impact investment fund. By investing in high-growth companies in emerging Asia and Africa, the fund aims to reach 70 million low-income people with healthcare and financial tools. Most of those people will be accessing these essential services for the first time, helping lift themselves and their families into security. At over \$1billion, LeapFrog Fund III is the largest equity fund ever raised by a pure impact investor. As a key participant, QBE is also sending a powerful signal to the country and the world that it is possible to achieve Profit with Purpose.

Andy Kuper
CEO
Leapfrog Investments

Case study: WorldRemit



WorldRemit is a payments and remittances technology company, founded by Chairman Ismail Ahmed, enabling money transfer in developing countries - and helping change the face of business in developing communities.

As a schoolboy in Somaliland, Ismail Ahmed's brother was one of the tens of thousands who crossed the Red Sea to work in the Gulf states. "It was kind of a gold rush, and I became a recipient of remittances from my brother, who would send money back. Then, when I came to the UK to study on a scholarship, I became a sender. I saw remittances from both sides."

This early exposure to the business of money transfers led Ahmed to later set up WorldRemit, which not only offers traditional means to transfer and receive money, but as a digital disrupter, also includes mobile and airtime top-up, reaching emerging consumers with fast, secure, low-cost remittance services. The company is also a trailblazer in international transfers to mobile money accounts, dramatically reducing both corruption and costs faced by low-income consumers - often lowering remittance costs between 9 and 15 per cent to 2 per cent.

WorldRemit currently reaches several million migrants and their families in over 100 countries - enabling the economic growth and success of individuals and businesses across the globe. However, with an estimated two billion people worldwide still classified as unbanked, but owning a mobile phone, there remains a significant opportunity to further disrupt the industry and reach these emerging consumers. The investment made through the LeapFrog Emerging Consumer Fund III will support the company's plans to reach 10 million customers connected to emerging markets by 2020.

Treasury Corp Victoria (TCV) Green Bond

Primary impact area:
Environment

Impact area:
Sustainable Energy

Geographic location of impact:
Victoria, Australia

Investment commencement:
2016

SDG alignment:



Building and fostering sustainable communities is a critical part of preserving our natural environment and nurturing human development. Treasury Corp Victoria (TCV) Green Bond funds a portfolio of projects and assets that are creating greener, more energy efficient communities across Victoria, Australia.

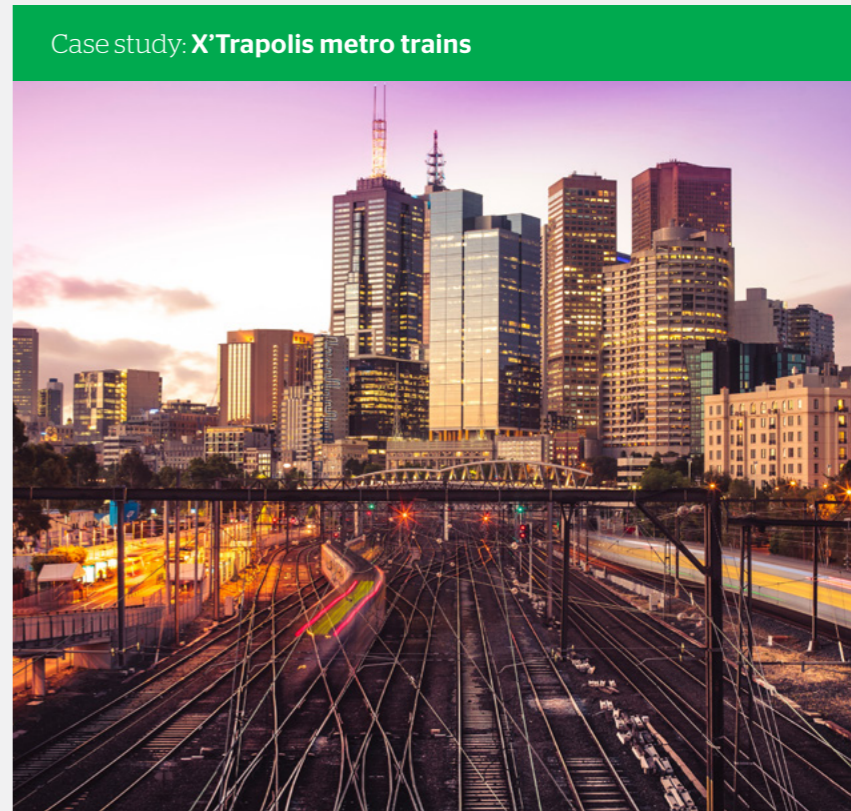
TCV is the central financing authority for the State of Victoria. TVC's AUD 300m green bond funds 40 different environmental projects across the state over five years. It spans areas including low carbon building, sustainable water infrastructure, renewable energy, energy efficiency and low carbon transportation.



Examples of projects include energy efficient LED upgrades to traffic lights, public housing energy efficiency, high rise energy efficiency upgrades, construction of a large-scale renewable energy power station facility and the implementation of electrical train systems.

The projects have, and continue to, reduce the production of greenhouse gas emissions by reducing energy demand, improving energy efficiency and utilising low carbon energy sources. Ultimately these projects enable cleaner more resilient and sustainable communities.

The bond, which was the first bond in Australia issued by an Australian Government Authority to operate under the Climate Bonds standard, has also acted as a positive example for others across the country.



Case study: **X'Trapolis metro trains**

The expansion of the Victorian Government Melbourne metropolitan rail network is a key project supported by the TVC Green Bond, put in place to support the State's carbon reduction strategy.

The expansion project sees additional electric X'Trapolis trainsets added to Melbourne's suburban rail network. The project will see the fleet expand to include 106 trains (636 cars).

The new trains, built by manufacturer Alstom, are being delivered in stages. Between 2016 and 2018 nine trains were delivered as part of the project and are currently operational. An additional five, six-car X'Trapolis trains will be delivered progressively from September 2019 as part of the next project phase, with the final train expected to enter service in February 2020.

Composed of six cars, the 145-metre-long trains have been designed to optimise capacity (1,238 passengers) whilst maximising energy efficiency as well as delivering excellent passenger experience, comfort and safety. The new trains also feature enhanced accessibility and improved automated safety features.

The additional trains further enhance the network's capacity while also increasing the reliability of the entire system - transporting more passengers and taking cars off Victorian roads.

The trains have already proven to be the most reliable rolling stock on the Melbourne network, and are yielding significant environmental benefits. Offering a high-performance traction system, regenerative braking, and boasting a lightweight carbodyshell, the X'Trapolis, saves up to 30% in energy consumption compared to similar older rolling stock.

Significantly, each train equates to 525 cars off the road and 40% less CO2 emissions than road travel per Passenger Kilometre. These benefits see the network contribute significantly to the Department's carbon strategy.

US Domestic Small Cap Pay For Success (PFS) Fund

Primary impact area:
Social

Impact area:
Social Care & Provision of Community Services

Geographic location of impact:
North America

Investment commencement:
2017

SDG alignment:




High-quality, effective social services are integral to creating sustainable, thriving communities. The Domestic Small Cap Pay For Success (PFS) Fund and its investors provide financing for the delivery of these important services to individuals and communities across the United States (US).

The US Domestic Small Cap PFS Fund was the first Social Impact Bond or PFS Fund in the US and is focused on supporting transactions that see services delivered in a range of areas, including but not limited to social services, health care, housing, and education across communities in the US.

The fund invests in projects in these and other community areas that seek to implement evidence-based interventions

to improve social outcomes on behalf of government and its taxpayers and communities. The investors in PFS are repaid, and achieve a moderate return, when the programs achieve their social objectives.

Projects invested in by the fund include Project Welcome Home (PWH) - a project which will see up to 200 homeless people supported with clinical services and housing in Santa Clara County, and Project Ventura - a program in Ventura County which seeks to facilitate effective and productive re-entry of individuals into society after prison.

The projects are expected to deliver significant value to the communities they target, with social benefits that will be realised in the short and long term. These benefits include reduced costs as well as improved health, economic, safety and productivity outcomes - ultimately creating stronger, safer, healthier individuals and communities. For example, the Ventura County transaction is projected to create approximately USD 900,000 in net savings for the County based upon criminal justice system-wide savings.

The US Domestic Small Cap Pay For Success (PFS) Fund, the first of its kind in the United States, is a powerful alignment of private investment with promising policy interventions and high impact social services - while also offsetting financial risk. Thanks to the support of investment partners like QBE and our other investors, the Fund promises to be a catalyst for building stronger, healthier communities across the country.

Sara Vernon Sterman
VP of Strategic Investments
Reinvestment Fund

Case study: Project Welcome Home



Image credit: Abode Services, Esteban Allard-Valdivieso

Homelessness is a growing concern in Santa Clara County California - with significant social and financial costs to the county.

Mental health issues, financial instability, and lack of support networks often mean chronically homeless individuals experience significant barriers to housing. The County spends an average USD 83,000 annually on persistently homeless individuals across justice system, health care, social service, non-profit, and housing agencies.

To help tackle these social and financial costs, The US Domestic Small Cap Pay For Success (PFS) Fund has provided financing to support Project Welcome Home - a USD 6.9m project providing community-based clinical services and permanent supportive housing for up to 200 homeless individuals.

The program will run over six years and is aimed at both improving the quality of life of chronically homeless participants and reducing reliance on government-funded services.

The program brings together the County of Santa Clara and Abode Services, a national leader in innovative housing services for homeless persons, to provide participants with access to community-based clinical services and permanent supportive housing using evidence-based Assertive Community Treatment (ACT) and a Housing First approach.

The program hopes to see at least 80% of participants achieve one year or more of continuous, stable housing. Ultimately the delivery of the program is expected to reduce homelessness levels in the community - supporting individual participants income and health and wellbeing levels - as well as producing economic savings for the County through reduced utilisation of medical services. A mid-point evaluation produced by the PWH evaluators in 2018 found that 24 months after enrolling in the program, there were statistically significant reductions in the number of psychiatric emergency department visits and emergency department visits occurring via police transport among participants in comparison to the control group. There were also non-statistically significant reductions in emergency department visits, inpatient hospital visits, and shelter days among the participants.



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