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# QBE Insurance Group Limited

# Energy Policy

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## **QBE supports an orderly policy-driven transition to a lower carbon global economy**

Consistent with reports of the Intergovernmental Panel on Climate Change (IPCC) and the 2015 Paris Agreement, QBE recognises that continued global warming will lead to increasingly unpredictable and potentially more severe weather events with significant economic and social consequences. For the long-term sustainability and value of its business for shareholders, QBE aims to support its customers in the transition to a lower carbon global economy, consistent with the objectives of the Paris Agreement.

With this objective, growth in renewables and the development and deployment of new technologies is important, along with reductions in greenhouse gas emissions.

QBE's role as an insurer is to financially protect assets and people, to assist recovery from natural disasters and other risks, and to support economic activity for the communities in which it operates. QBE will continue to support its customers by providing risk management and insurance services to those moving towards a lower carbon economy and investing in renewable energy and other technologies that enable this shift.

## **QBE will target zero direct investment in and phase out insurance for the thermal coal industry**

Due to the thermal coal industry's high emissions intensity, potential substitution by renewable energy and gas, and in the absence to date of large-scale deployment of economically viable carbon capture and storage technology, QBE will target zero direct investment in the thermal coal industry by 1 July 2019. QBE will however maintain a margin of up to 0.5% of total funds under management in order to allow for exposures in our indirectly managed investments, such as through equity index funds.

Thermal coal customers – those with more than 30% of revenue or 30% of power generation from thermal coal – make up less than 0.5% of QBE's current premium revenue. From 1 July 2019 QBE will not provide any new direct insurance services for new construction projects for thermal coal mines or power stations or

thermal coal transport infrastructure. QBE will continue to provide statutory or compulsory insurance such as workers' compensation and compulsory third-party motor insurance for such projects.

By 1 January 2030, QBE will have phased out all direct insurance services for thermal coal customers, except for statutory or compulsory insurance.

## **QBE will continue to invest in and provide insurance for metallurgical (or coking) coal customers**

Currently, there are no industrial-scale alternatives to metallurgical coal for the manufacture of steel, which is vital for future economic development and for the construction of renewable energy assets. Some alternative technologies are showing promising signs, such as hydrogen, but these are yet to reach economic scale.

## **QBE will continue to invest in and provide insurance for oil and gas customers**

Due to its much lower emissions intensity, gas has an important role as a transitional fuel in accelerating the curtailment of thermal coal. Gas can also complement renewable energy in electricity grids by providing dispatchable energy during periods of intermittency. Gas is expected to be an important transitional fuel well past 2040, and demand for oil and gas is expected to increase in the short-term.

Currently, oil has a major role in transport, products like plastic and plays a minor role in electricity generation. Oil use is likely to be reduced as alternatives are developed for these essential products, including electric vehicles.

## **QBE will monitor its policy as developments occur**

QBE will continue to review its investment and insurance policies as the world transitions to a lower carbon economy. It will have regard to government action under the Paris Agreement, scenario analyses such as those provided by the International Energy Agency and IPCC reports, as well as through engagement with its customers across multiple economic sectors.