

Notice to company pursuant to ss 249N & P of the Corporations Act 2001 (CA)

I/we(name of 'shareholder')

of
[address]

.....
identified by the Holder Identification Number (HIN) or Shareholder Reference Number (SRN) [HIN or SRN]

in respect of any holding of the shareholder's QBE Insurance Group Limited ('QBE' or 'the company') ordinary fully paid shares;

hereby give notice (in accord with section 249N & P of the CA) to the company of: the following resolutions (1: Amendment to the Constitution and 2: Climate Risk Disclosure) the shareholder proposes to move at a general meeting of the company; and request (in accordance with section 249P) that the company give to all members each of the Supporting Statements following the resolutions.

SIGNED

..... (Signature of individual Shareholder [†] /company director) (Signature of second shareholder in a joint holding/for a company second director or company secretary)
--	--

† Or sole company director and sole company secretary. JOINT HOLDING: For a holding in more than one name all shareholders must sign)

Resolution 1 – Amendment to the Constitution

To insert into our company's constitution beneath 'Business of Annual and Other General Meetings' the following new sub-clause 32(c): "The company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the company partially or exclusively vested in the directors has been or should be exercised. However, such a resolution must relate to an issue of material financial relevance and cannot either advocate action which would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company."

(Note that an accompanying ordinary resolution seeking climate risk disclosure should also be included on QBE Insurance Group's Notice of 2018 Annual General Meeting. Shareholders who vote by proxy should be able to lodge a vote on both resolutions.)

Supporting Statement 1

Shareholder resolutions are a healthy part of corporate democracy in many jurisdictions other than Australia. For example, in the UK shareholders can consider resolutions seeking to explicitly direct the conduct of the board. In the US, New Zealand and Canada shareholders can consider resolutions seeking to advise their board as to how it should act. As a matter of practice, typically, unless the board permits it, Australian shareholders can follow the example of none of their UK, US, New Zealand or Canadian cousins in this respect.

A board of Directors is a steward for shareholders and accountability for the discharge of that stewardship is essential to long-term corporate prosperity.

In rare situations the appropriate course of action for shareholders dissatisfied with the conduct of board members is to seek to remove them. But in many situations, such a personality-focused approach is unproductive and unwarranted. In those situations, a better course of action is to formally and publicly allow shareholders the opportunity at shareholder meetings such as the AGM to alert board members that they seek more information or favour a particular approach to corporate policy.

The Constitution of QBE Insurance Group is not conducive to the right of shareholders to place resolutions on the agenda of a shareholder meeting. In our view, this is contrary to the long-term interests of QBE Insurance Group, the QBE Insurance Group board and all QBE Insurance Group shareholders. Passage of this resolution – to amend the QBE Insurance Group constitution – will simply put QBE Insurance Group in a similar position in regard to shareholder resolutions as any listed company in the UK, US, Canada or New Zealand.

We encourage shareholders to vote in favour of this resolution.

Resolution 2 – Climate Risk Disclosure

That in order to address our interest in the longer-term success of the company, given the recognised risks and opportunities associated with climate change, we as shareholders of the company request information about the company's exposure to climate change-related risks. Such information should be provided in routine annual reporting from 2019, in accordance with both the Final Recommendations, and Supplemental Guidance for Insurance Companies, of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

Supporting Statement 2

We move this resolution with the intention to:

- a) improve disclosures pertaining to material climate risk faced by our company, aligning them with international expectations;
- b) increase our company's resilience to regulatory and market changes that can be foreseen as international action is taken to satisfy the goals established by the Paris climate change agreement; and
- c) ensure our company is resilient to the physical impacts of climate change and minimises financial risks thereof.

In June 2017, the Task Force for Climate-related Financial Disclosures (TCFD)¹ published its final recommendations. According to the TCFD, improved disclosure of climate-related information will allow investors to “appropriately assess and price climate-related risk and opportunities”. Global insurer AXA and reinsurer Swiss Re were involved in drafting the recommendations, and immediately endorsed their adoption.

The Sustainable Insurance Forum, a global network of insurance supervisors and regulators, welcomed the TCFD recommendations, stating that “clear, comparable and consistent climate-related financial disclosure enables insurance firms to improve their management of physical and transition risks in their underwriting operations”².

In Australia, Australian Prudential Regulatory Authority (APRA) Executive Board member Geoff Summerhayes confirmed, “whether due to regulatory action or – more likely – pressure from investors and consumers, Australia’s financial sector can expect to see more emphasis on disclosure around climate risk exposure and management”³.

In its 2017 Annual Report, QBE confirmed it had formed a “cross-functional Climate Change Working Group”, and that it was “reviewing [its] readiness to disclose” in line with the TCFD recommendations⁴. QBE has made no firm commitment to improve its disclosure of climate-change related risks. Additionally, QBE’s Climate Change submission to the CDP in 2017 earned a “D” rating⁵.

The TCFD Supplemental Guidance for Insurance Companies suggests companies “describe the processes for identifying and assessing climate-related risks on re-/insurance portfolios by geography, business division, or product segments, including the following risks:

- physical risks from changing frequencies and intensities of weather-related perils,
- transition risks resulting from a reduction in insurable interest due to a decline in value, changing energy costs, or implementation of carbon regulation, and
- liability risks that could intensify due to a possible increase in litigation”⁶.

Physical Risks

In September 2015, Bank of England Governor Mark Carney highlighted to insurers that:

- “Since the 1980s the number of registered weather-related loss events has tripled; and
- Inflation-adjusted insurance losses from these events have increased from an annual average of around US\$10 billion in the 1980s to around US\$50 billion over the past decade”⁷.

Locally, APRA Executive Board member Geoff Summerhayes noted that Tropical Cyclone Debbie was the second costliest cyclone event of the past 50 years⁸.

Munich Re confirmed that 2017 was the second costliest year in insurance history, with losses from natural disasters amounting to US\$330 billion⁹. In January, QBE’s new CEO Pat

¹Recommendations of the Task Force on Climate-related Financial Disclosures, Final Report, June 2017

²http://unepinquiry.org/wp-content/uploads/2017/07/SIF_TCFD_Statement_July_2017.pdf

³<http://www.apra.gov.au/Speeches/Documents/CPD%20Speech%2029Nov2017.pdf>

⁴2017 Annual Report, QBE Insurance Group Ltd

⁵<http://www.cdp.net/en/>

⁶Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, June 2017

⁷Breaking the Tragedy of the Horizon – climate change and financial stability, Mark Carney, Governor of the Bank of England, September 2015

⁸<http://www.apra.gov.au/Speeches/Documents/CPD%20Speech%2029Nov2017.pdf>

Regan declared 2017 had seen “an unprecedented cost of catastrophes”¹⁰. The net cost of catastrophes for QBE in 2017 (after reinsurance), was US\$1.227 billion compared with US\$439 million in 2016¹¹.

Many insurance companies are concerned about the ongoing viability of the industry’s basic business model. Tom Herbstein of Cambridge University’s insurance project ClimateWise, has said “climate change fundamentally challenges the existing insurance business model because it is rendering actuary analysis in many places obsolete.”¹²

Transition Risks

QBE is an underwriter of offshore oil rigs, tar sands operations, coal mines and coal-fired power stations. Though ‘Marine, Energy and Aviation’ contributed just 6.4% of Gross Earned Premium in 2017¹³, these have all been identified as high-risk sectors by the TCFD. QBE has not disclosed how it intends to respond to the disruption ongoing in the energy and transport sectors.

Liability Risks

Globally insurance companies are acting to reduce their exposure to companies with a high degree of climate risk and avoid underwriting assets that are primary drivers of greenhouse gas pollution. AXA, Allianz, Aviva, Lloyds, Munich Re, SCOR and Swiss Re are among those to divest from coal companies in their investment portfolios, and/or restrict underwriting to the coal industry. These actions are undertaken on the basis that it is incongruent for insurance companies whose business models are at stake from physical climate change impacts, to be investing in or actively supporting one of the key causes of the problem.

Improved Disclosure

This resolution simply asks that QBE provide information consistent with the recommendations of the TCFD so that shareholders can understand the extent to which the company is exposed to climate risk.

Arguably, the most important element of the TCFD recommendations is scenario analysis. To date, QBE has not disclosed the impacts to the company of policy scenarios and market responses consistent with the Paris Agreement.

As the physical impacts of climate change are already impacting the insurance industry, QBE should produce and disclose analyses of the material impact of physical risk to its business in scenarios where the Paris Agreement is met, along with scenarios where the 2°C global warming limit is breached.

We encourage shareholders to vote in favour of this resolution.

⁹<https://www.munichre.com/en/media-relations/publications/press-releases/2018/2018-01-04-press-release/index.html>

¹⁰<https://www.asx.com.au/asxpdf/20180123/pdf/43qzhtzfdb4nt.pdf>

¹¹2017 Annual Report, QBE Insurance Group Ltd

¹²<https://www.bloomberg.com/news/articles/2017-11-13/big-insurers-brace-for-perilous-future-as-climate-risks-escalate>

¹³2017 Annual Report, QBE Insurance Group Ltd