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 exposure reduction targets should also be included on QBE Insurance Group Limited's Notice of 2019 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 cannot follow the example 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 the shareholders seek more information or favour a particular approach to corporate policy.

The Constitution of QBE 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, the QBE board and all QBE shareholders.

Passage of this resolution – to amend the QBE constitution – will simply put QBE 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 – Exposure Reduction Targets
Shareholders request that the company disclose short-, medium- and long-term targets to reduce investment and underwriting exposure to coal, oil and gas assets, along with plans and progress to achieve the targets set. These targets should be consistent with the goal of

the Paris Agreement to limit the increase in global average temperature to 1.5°C. This information should be published annually, starting with the 2019 annual report.

Supporting Statement 2
This resolution is proposed in order to protect the long-term interests of the company, noting that:

a) Climate change is already impacting our company's profitability and any increase in global warming enhances the risk profile of climate change impacts to our financial health;
b) a primary driver of global warming is the fossil fuel industry, which our company is exposed to through investments and underwriting;
c) while our company is planning to improve its disclosures on climate risks and opportunities, there are no plans to reduce exposure through investment and underwriting to activities that present a fundamental threat to our bottom line;
d) many of our international competitors have taken steps to reduce fossil fuel investment and underwriting;
e) to be a credible public proponent for action that mitigates and builds resilience to climate change impacts, QBE should have its own house in order; and
f) beyond the self-interest of the company, QBE should be making its own contribution to global efforts to mitigate climate change, rather than undermining those efforts.

Shareholder value at risk
Since 2011 QBE has paid out US$12.2 billion on natural catastrophe and large individual risk claims. This equates to 11.4% of the company's net earned premium over the period, well above the 8.1% over the 7 years to 2010. In December 2018 QBE flagged it will have to increase its budget for large individual risk and catastrophe claims from $1.2 billion to $1.4 billion for 2019.[1]

QBE reported a US$1.2 billion loss in 2017, largely due to extreme weather.[2] In 2018 catastrophe claims amounted to US$523 million, down on the record-breaking US$1.2 billion from 2017 but still an increase on 2016 claims. Catastrophe claims were reported as above average in each of our key markets of Australia and New Zealand, the United States, and Europe. Large individual risk and catastrophe claims totalled US$1.16 billion last year, or 9.8% of the company's Net Earned Premium.[3] QBE admitted in the 2018 annual report that natural disasters were once again worse than expected, stating "*…catastrophe claims were higher than expected due to significant catastrophe activity across much of Australia during December 2018.*"[4]

The losses incurred by QBE on catastrophes, exacerbated by global warming, are a direct hit to the shareholder capital invested in this company, and present fundamental risks to our industry's ability to operate. According to Tom Herbstein of Cambridge University's insurance

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[1] https://www.smh.com.au/business/banking-and-finance/qbe-flags-50m-to-100m-profit-headwind-20181211-p50lez.html
[2] https://www.intelligentinsurer.com/news/qbe-records-1-2bn-loss-for-2017-14687
[3] https://www.qbe.com/investor-relations/reports-presentations, 2018 annual report, page 18
[4] Ibid, page 30

project ClimateWise, “climate change fundamentally challenges the existing insurance business model because it is rendering actuary analysis in many places obsolete.”[5]

In 2018 IAG[6] and the NZ Reserve Bank[7] warned the effects of climate change will render huge swathes of the globe uninsurable. The same warning was made specifically for Townsville after its record-breaking floods in February 2019.[8] According to Munich Re, during the three decades to 2012 Australian weather-related insurance losses rose fourfold.[9] The trend is clear. Without significant and urgent action in both climate change mitigation and adaptation, QBE faces shrinking markets and growing and less predictable natural catastrophe claims.

Falling behind

To be invested in and underwrite the operations of companies that are the primary contributors to climate change, which in turn poses structural risk to QBE’s operations, amounts to the company shooting itself in the foot.

Many of QBE’s competitors have begun to align their economic interest with their policies on fossil fuels. The December 2018 *Insuring Coal No More* report shows that seven major re/insurers (including Allianz, AXA, Swiss Re, Munich Re and Zurich) have restricted underwriting for coal, and 19 major insurers, with more than $6 trillion in assets have divested from coal.[10] QBE was ranked poorly alongside its competitors in the same report, scoring zero out of ten for its non-effort to limit underwriting and investments of coal and tar sands, two of the worst greenhouse gas emitting industries. Since that report was released another insurer, Vienna Insurance Group, has stopped insuring new coal mines and power stations.[11]

In contrast to the action being taken by our competitors, QBE’s current plan is to:

> “...complete our analyses of priority underwriting portfolios in 2019. In 2020, we will use this analysis to develop metrics for assessing our exposure to climate-related risks within our underwriting and investment portfolios and set targets for these metrics...”[12]

This language is disturbing on several levels. It reveals a lack of prior knowledge on the company’s investments and underwriting that shareholders should find alarming. It is

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5 https://www.bloomberg.com/news/articles/2017-11-13/big-insurers-brace-for-perilous-future-as-climate-risks-escalate
6 https://www.afr.com/business/insurance/climate-change-on-track-to-make-world-uninsurable-iag-20181115-h17xu5
7 https://www.stuff.co.nz/business/108931621/reserve-bank-voices-fears-climate-change-will-render-homes-uninsurable
8 https://www.insurancebusinessmag.com/au/news/breaking-news/climate-changedriven-flood-risk-could-make-townsville-homes-uninsurable-159513.aspx
9 https://www.smh.com.au/business/the-economy/australias-insurance-losses-to-climb-as-globe-warms-munich-re-20121027-28bxa.html
10 https://unfriendcoal.com/2018scorecard
11 https://www.vig.com/fileadmin/web/Corporate_Responsibility/Klimawandel-Strategie/20190218_VIG_Climate_Change_Strategy_2019.pdf
12 https://www.qbe.com/investor-relations/reports-presentations, 2018 annual report, page 41

vaguely-worded, not specifying which risks will be assessed. It delays any potential action for two years while making no commitment to disclose any metrics and targets.

This language suggests the company's management lacks the desire and/or competency to sufficiently manage climate risks and limit the extent to which it supports activities that worsen global warming.

Finally, since this plan allows QBE to spend at least two years continuing business as usual, which includes investing in and underwriting fossil fuel expansions, our company will not be aligned with global efforts to achieve a 1.5 degree warming limit.[13] [14]

Investor support is required
This resolution is intended to ensure QBE is acting sufficiently, within its sphere of influence, to manage and mitigate a risk that is already undermining the financial health of the company and its shareholders. It would afford the company credibility among its peers and in the public domain when calling for action to be taken on climate change, and send an important signal to markets that an urgent transition to a low-carbon economy is necessary.

We encourage shareholders to vote in favour of this resolution.

[13] https://unfccc.int/topics/science/workstreams/cooperation-with-the-ipcc/ipcc-special-report-on-global-warming-of-15-degc

[14] https://www.theguardian.com/business/2018/nov/13/world-has-no-capacity-to-absorb-new-fossil-fuel-plants-warns-iea