Statement in support of Resolution 7b
Market Forces, 9 May 2019

Resolution:

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.

I'll speak briefly today in favour of the resolution calling on our company to put short, medium and long term targets in place for reducing exposure to coal, oil and gas in both investments and underwriting.

Global warming is an existential threat to QBE, and QBE needs to be acting like the fight to limit global warming to 1.5 degrees is the fight of its life, because that's exactly what it is. This resolution presents a holistic approach to fossil fuel exposures, and is far better than the piecemeal approach that QBE currently has.

Expensive climate-related natural catastrophes like storms, floods and bushfires are increasing in frequency, severity and unpredictability. Insurance companies are continually under-provisioning for these costs and we saw in 2017 what a bad year can look like with QBE making a $1.2 billion US dollar loss, mainly due to extreme weather. In our 2018 annual report there was an admission that once again "catastrophe claims were higher than expected" and we've had to increase our budget for large individual risk and catastrophe claims from $1.2 billion to $1.4 billion for 2019.

Current trends show that we are likely to experience more and more years like 2017 - it is not a once-off but a glimpse into our future.

Insurance companies are responding to this by refusing to insure high risk areas and increasing premiums. This is progressively shrinking our available market. Back in March Munich Re and Insurance Europe, the peak body for insurers over there, warned that insurance in some areas was becoming unaffordable for low and average income earners.

So not only is global warming shrinking our markets and increasing claims, but this refusal to cover ever-growing high risk areas is also increasing the risk that governments step in and regulate - which is another threat to our bottom line.

So QBE needs to be actively encouraging governments and fellow corporations to be acting to limit warming to 1.5 degrees above pre-industrial levels and doing what we can to adapt to the physical risks it is posing. However, to have any credibility in the matter we needs to be doing our part - not making the problem worse. The biggest drivers of global warming are the coal, oil and gas industries. The science is clear that these industries need to be phased out as soon as possible, and QBE's policy must reflect this.

About a month ago QBE took the positive step of announcing a phase out of its thermal coal business by January 1st, 2030 - thereby achieving one third of what the resolution in question calls for.

However, in the Group Energy Policy QBE also made some erroneous remarks in order to justify our continued investment in and underwriting of oil and gas projects - which is unfortunate proof that QBE's piecemeal approach to climate risk management continues and reinforces why this resolution is so necessary.

Oil and gas use combined produces more carbon pollution than coal. The intergovernmental panel on climate change's 1.5 degree report from October last year clearly shows that oil and gas use needs to start falling in order to give us a chance of limiting warming to 1.5 degrees. QBE's Energy Policy justifies our inaction on oil and gas exposure by saying oil and gas use is expected to increase in the short term. This is not what the science says needs to happen, and this puts QBE out of line with the 1.5 degree target.

When this policy came out I contacted QBE's Sustainability and ESG risk team to ask what this erroneous assertion was based on - and never got an answer.

The other concerning, and frankly ridiculous remark was referring to natural gas as a "transitional fuel". This is the idea that ramping up gas use is the best way to speed up the phase-out of coal. It's important to note that this is actually a public relations line the gas industry made-up and it makes QBE seem foolish to be repeating it in official policy.

In Australia and many other countries, renewable energy like wind and solar is cheaper than new gas plants, and in a growing number of them it is already cheaper than existing gas plants. Putting aside the urgent need to phase out gas use, why would you replace coal with the more expensive option when you can replace it with wind and solar with storage?

Again, I contacted QBE’s Sustainability and ESG risk team to ask for an explanation as to how gas could be a “transitional” fuel in light of this - and never got an answer.

So to conclude, while QBE has taken a positive step recently on thermal coal, it is up to us investors to keep insisting that it takes a big-picture view of this crisis with its physical and transitional risks. 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. It would afford our company increased credibility among its peers and in the public domain when calling for action to be taken on the climate crisis, and send an important signal to markets that an urgent transition to a low-carbon economy is necessary.