

QBE Green Bond Annual Review 2019

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Engagement Team: Lili Hocke, lili.hocke@sustainalytics.com, (+31) 20 205 00 40; Begum Gursoy, begum.gursoy@sustainalytics.com, (+31) 20 888 72 92

Introduction

In 2017, QBE Insurance Group (QBE) issued green bonds whose proceeds would be allocated towards financing/refinancing investments in its green bond portfolio. In January 2019, QBE engaged Sustainalytics to review the projects funded through the issued green bonds and provide an assessment as to whether the projects met the Use of Proceeds criteria and the Reporting commitments outlined in the QBE Green Bond Framework (updated August 2018¹).

Evaluation Criteria for the Green Bond

Sustainalytics evaluated the companies and assets funded in 2018 based on whether the companies financed and QBE:

1. Met the Use of Proceeds and Eligibility Criteria outlined in the Green Bond Framework; and
2. Reported on at least one of the Key Performance Indicators (KPIs) for each Use of Proceeds criteria outlined in the Green Bond Framework.

Table 1 lists all the Use of Proceeds and Eligibility Criteria, while Table 2 lists the associated the KPIs.

Table 1: Use of Proceeds and Eligibility Criteria

Use of Proceeds	Eligibility Criteria
Overall eligibility criteria	<ul style="list-style-type: none"> • The green bond is certified under the Climate Bonds Standard OR has been assessed to be in compliance with the Green Bond Principles through a second-party opinion. • The green bond finances/refinances projects or activities that meet one or a combination of the following thematic eligibility criteria. • Exclusionary criteria are listed in Appendix 1
Renewable Energy	<ul style="list-style-type: none"> • Development, construction, or operation of wind farms, solar farms, hydropower projects, bio-energy projects (including biomass), or geothermal energy projects • Development, construction or operation of manufacturing facilities dedicated to production of renewable energy technologies and equipment, or components of equipment, including solar panels, wind turbines, storage technology, or other equipment produced specifically for generating renewable energy. • Transmission systems or other infrastructure (including information, communication and technology infrastructure, storage facilities, etc.) that facilitates the integration of renewable electricity into the grid.
Energy Efficiency	<ul style="list-style-type: none"> • Installation of products or services that increase the energy efficiency of industrial processes

¹ <https://www.qbe.com/-/media/Group/Debt%20Investor%20Documents/Social%20bonds/Green%20Bonds/QBE%20Green%20Bond%20Framework%20August%202018.pdf>

	<ul style="list-style-type: none"> • Industrial/utility energy-efficiency improvements involving changes in processes, reduction of heat losses and/or increased waste heat recovery. This includes the installation of cogeneration plants. • Development or manufacture of energy efficiency technologies and products such as efficient appliances, lighting, etc.
Green Buildings	<ul style="list-style-type: none"> • Development or construction of buildings that meet sustainability standards (equivalent to LEED Gold or higher). • Retrofits of existing buildings such as architectural changes that enable a reduction in energy consumption. • Energy-efficiency improvements through the installation of more efficient insulation, lighting, appliances, waste heat recovery systems and/or other equipment. • Development and manufacture of products and services that increase energy efficiency in residential, commercial and other buildings, including energy efficient lighting, insulation, efficient heating, ventilation and air conditioning equipment, and integrated buildings control systems.
Low carbon Transportation	<ul style="list-style-type: none"> • Development, manufacture and/or distribution of technologies and equipment to increase the sustainability (through improved energy/fuel efficiency or switching to electricity) of auto, truck, train, marine and aerospace transportation. • Development and operation of sustainable public/mass transportation systems and/or of equipment for such systems (including most rail and Bus Rapid Transit that meets the BRT standard).
Sustainable Agriculture and Forestry	<ul style="list-style-type: none"> • Forest management activities that comply with international standards for sustainable forestry such as those of the Forest Stewardship Council (FSC). • Reforestation of previously forested land. • Afforestation (plantations) of non-forested land. • Environmentally sustainable agriculture • Environmentally sustainable husbandry • Climate smart farm inputs such as biological crop protection or drop irrigation • Environmentally sustainable fishery and aquaculture
Water Efficiency	<ul style="list-style-type: none"> • Development/construction of infrastructure designed to conserve water resources and/or increase the efficiency of water use. • Development, manufacture and/or installation of technologies designed to increase reuse and to improve the efficiency of water use by end users.
Waste Management	<ul style="list-style-type: none"> • Development, manufacture and/or installation of technology and/or equipment that make waste management more sustainable (e.g. waste-to-energy systems, composters, and anaerobic digesters). • Development and/or installation of technology or equipment that increases a company's resource efficiency and/or reduces its waste production.

Pollution Control	<ul style="list-style-type: none"> • Development, manufacture, and/or installation of products and services that prevent or reduce the pollution of air, water or land caused by pollutants such as sulphur dioxide, nitrous oxide, fluorocarbons, mercury, particulates, and carbon monoxide. • Projects or equipment that reduce non-energy-related GHG emissions that result from industrial processes (e.g. cement, chemical industries).
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Table 2: Key Performance Indicators

Key performance indicators	
Renewable energy	<ul style="list-style-type: none"> • kWh of power generated from renewable energy • Tonnes of CO2 equivalent avoided
Energy efficiency	<ul style="list-style-type: none"> • Energy saved per year (kWh/year) • Percentage energy efficiency achieved
Green buildings	<ul style="list-style-type: none"> • Energy consumption reduced per square foot • List of eligible buildings that received third party verified green building certification
Low carbon transportation	<ul style="list-style-type: none"> • GHG emissions savings/tonnes of CO2 equivalent avoided
Sustainable Agriculture and Forestry	<ul style="list-style-type: none"> • CO2 emissions avoided through planted forests • Total land area under sustainably certified forests
Water efficiency	<ul style="list-style-type: none"> • Amount of water saved
Waste Management	<ul style="list-style-type: none"> • Annual amount of hazardous waste reduced/avoided • Estimate of annual GHG emissions reduced/avoided (tCO2e) [for waste-energy technologies]
Pollution control	<ul style="list-style-type: none"> • Estimate of equipment's annual potential to reduce/avoid the emission or release of a given pollutant

Issuing Entity's Responsibility

QBE is responsible for providing accurate information and documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact.

Independence and Quality Control

Sustainalytics, a leading provider of ESG and corporate governance research and ratings to investors, conducted the verification of QBE's Green Bond Use of Proceeds. The work undertaken as part of this engagement included collection of documentation from QBE employees and review of documentation to verify conformance with the Green Bond Framework.

Sustainalytics has relied on the information and the facts presented by QBE with respect to the Nominated Projects. Sustainalytics is not responsible nor shall it be held liable if any of the opinions, findings, or conclusions it has set forth herein are not correct due to incorrect or incomplete data provided by QBE.

Sustainalytics made all efforts to ensure the highest quality and rigor during its assessment process and enlisted its Sustainability Bonds Review Committee to provide oversight over the assessment of the review.

Conclusion

Based on the limited assurance procedures conducted,² nothing has come to Sustainalytics' attention that causes us to believe that, in all material respects, the reviewed bond projects, funded through proceeds of QBE Green Bond, are not in conformance with the Use of Proceeds and Reporting Criteria outlined in the Green Bond Framework. QBE has disclosed to Sustainalytics that the proceeds of the green bond were fully allocated as of 23 June 2018.

Detailed Findings

Table 3: Detailed Findings

Eligibility Criteria	Procedure Performed	Factual Findings	Error or Exceptions Identified
Use of Proceeds Criteria	Verification of the projects funded by the green bond in 2018 to determine if projects aligned with the Use of Proceeds criteria outlined in the Green Bond Framework (updated August 2018) and above in Table 1.	All projects reviewed complied with the Use of Proceeds criteria.	None
Reporting Criteria	Verification of the projects funded by the green bond in 2018 to determine if impact of projects was reported in line with the KPIs outlined in the Green Bond Framework (updated August 2018) and above in Table 2. For a list of KPIs reported please refer to Appendix 2.	All projects reviewed reported on at least one KPI per Use of Proceeds criteria.	None

² Sustainalytics limited assurance process includes reviewing the documentation relating to the details of the projects that have been funded, including description of projects, estimated and realized costs of projects, and project impact, which were provided by the Issuer. The Issuer is responsible for providing accurate information. Sustainalytics has not conducted on-site visits to projects.

Appendix 1: Exclusionary Criteria

QBE's Green Bond excluded investments in companies and bonds that are involved or finance the following activities:

- Manufacture or wholesale retail of alcoholic beverages
- Manufacture or wholesale retail of tobacco products
- Ownership or operation of gambling enterprises
- Production or distribution of adult entertainment materials
- Manufacture or retail sale and distribution of weapons and small arms
- Transportation of live cattle
- Whaling
- Predatory lending activities
- Production or refining of palm oil
- Extraction or refining of fossil fuels
- Large scale hydro projects (i.e. projects that generate greater than 20 MW of electricity)
- Technology and equipment for large scale hydro projects
- Transmission infrastructure and systems where 25% or more of electricity transmitted to the grid is fossil-fuel-generated
- Technologies that increase the energy efficiency of fossil fuel production and/or distribution
- Systems and infrastructure used primarily for the transportation of fossil fuels
- Agricultural or afforestation operations located on land designated as primary forest, high conservation value areas, or legally preserved areas
- Green bond issuers that are involved in major environmental, social or governance controversies (Category 5 controversies), as assessed by Sustainalytics. See Annex 1 for details on Sustainalytics' controversy assessment methodology.

Appendix 2: Impact Reporting by Eligibility Criteria

Use of Proceeds and Eligibility Criteria Category	Environmental Impact Reported by Eligibility Criteria
Renewable Energy	<ul style="list-style-type: none"> • Installed renewable energy capacity (MWh): 1,427,014 • MWh of power generated from renewable energy: 758,728 • Tonnes of CO2 equivalent avoided: 1,750,439 • Tonnes saved in GHG: 811,794
Green buildings	<ul style="list-style-type: none"> • Tonnes of CO2 equivalent avoided: 139,486 • Annual Energy Savings (MWh): 10,191 • Installed renewable energy capacity (MWh): 25,968
Water efficiency	<ul style="list-style-type: none"> • Gallons of water savings: 89,000,000

Waste Management	<ul style="list-style-type: none">• Metric tons waste diverted from landfills: 43,400• Thousand cubic meters of water treated: 23,000
Pollution Prevention & Control	<ul style="list-style-type: none">• MWh of power generated from renewable energy: 150,000• Tonnes of CO2 equivalent avoided: 17,600

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Sustainalytics

Sustainalytics is a leading independent ESG and corporate governance research, ratings and analytics firm that support investors around the world with the development and implementation of responsible investment strategies. With 13 offices globally, the firm partners with institutional investors who integrate ESG information and assessments into their investment processes. Spanning 30 countries, the world's leading issuers, from multinational corporations to financial institutions to governments, turn to Sustainalytics for second-party opinions on green and sustainable bond frameworks. Sustainalytics has been certified by the Climate Bonds Standard Board as a verifier organization, and supports various stakeholders in the development and verification of their frameworks. In 2015, Global Capital awarded Sustainalytics "Best SRI or Green Bond Research or Ratings Firm" and in 2018 and 2019, named Sustainalytics the "Most Impressive Second Party Opinion Provider". The firm was recognized as the "Largest External Reviewer" by the Climate Bonds Initiative as well as Environmental Finance in 2018, and in 2019 was named the "Largest Approved Verifier for Certified Climate Bonds" by the Climate Bonds Initiative. In addition, Sustainalytics received a Special Mention Sustainable Finance Award in 2018 from The Research Institute for Environmental Finance Japan and the Minister of the Environment Award in the Japan Green Contributor category of the Japan Green Bond Awards in 2019.

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Or contact us info@sustainalytics.com

