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www.qbe.com

19 February 2021

The Manager
Markets Announcements Office
ASX Limited
Level 4
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Report on results and financial statements for the year ended 31 December 2020

QBE Insurance Group Limited announces to the market the financial results for the year ended 31 December 2020.

The following documents are attached:

1. Appendix 4E – Preliminary Final Report;

2. QBE's 2020 Annual Report including financial statements for the year ended 31 December 2020;

3. Appendix 4G for the year ended 31 December 2020; and

4. QBE's 2020 Sustainability Report.

This release has been authorised by the QBE Board of Directors.

Yours faithfully,

Carolyn Scobie
Company Secretary

Encl.

QBE Insurance Group Limited
Appendix 4E - Preliminary final report for the year ended 31 December 2020

Results for announcement to the market

	UP / DOWN	% CHANGE	2020 US$M	2019 US$M
Revenue from ordinary activities from continuing operations	Up	17%	**17,814**	**15,190**
(Loss) profit from ordinary activities after income tax attributable to equity holders of the Company from continuing operations	Down	N/A	**(1,517)**	**571**
(Loss) profit for the period attributable to ordinary equity holders of the Company	Down	N/A	**(1,517)**	**550**

The net loss after tax was $1,517 million for the year ended 31 December 2020, compared with a net profit after tax of $550 million last year. The result included an estimated $655 million underwriting result impact from COVID-19, adverse prior accident year claims development, elevated catastrophe claims, a significantly reduced investment return as a result of extreme first-half market volatility, and goodwill and deferred tax asset impairments in North America of $390 million and $120 million, respectively.

The Group reported an underwriting loss of $869 million compared with a loss of $2 million last year, which was impacted by the aforementioned COVID-19 costs, higher than anticipated catastrophe claims and adverse prior accident year claims development. These were partly offset by the benefits of strong premium rate increases and further improvement in the attritional and large individual risk claims ratios.

Net investment and other income was $226 million compared with $1,036 million last year. Whilst fixed income assets benefited from falling sovereign bond yields, realised losses on emerging market and high yield debt assets negatively impacted fixed income returns. Growth asset returns were substantially impacted by market volatility.

The Group's effective tax rate was negative 3% compared with 15% in the prior period reflecting the mix of corporate tax rates in the jurisdictions in which QBE operates, current period taxable losses in the North American tax group where an already substantial deferred tax asset limited recognition of further tax losses, non-deductible goodwill impairment and the $120 million de-recognition of deferred tax assets in the North American tax group.

DIVIDENDS	AMOUNT PER SECURITY (AUSTRALIAN CENTS)	FRANKED AMOUNT PER SECURITY (AUSTRALIAN CENTS)
Interim dividend	**4**	**0.4**
Final dividend	**Nil**	**Nil**

In light of the substantial reported loss, the directors have elected not to declare a final dividend.

Additional disclosures

During 2020, the Group disposed of insurance entities in North America, none of which is individually material.

Additional Appendix 4E disclosure requirements can be found in the QBE Insurance Group Limited Annual Report for the year ended 31 December 2020 (Attachment A).

The Annual Report should be read in conjunction with any market or public announcements made by QBE Insurance Group Limited during the reporting year in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The independent auditor's report is included at pages 157 to 164 of the Annual Report.

Other information

At the balance date, QBE held an interest in Mitti Insurance Pty Ltd (50%), Raheja QBE General Insurance Company (49%) and Chrysalis Management Ltd (25%). During the period, QBE sold its interest in RiskGenius and Pacific Re Limited. The Group's aggregate share of profit or loss in these entities is not material.

On 6 July 2020, QBE announced the sale of Raheja QBE Insurance Company Limited. The transaction is currently awaiting regulatory approval in India.

QBE Insurance Group Limited
Attachment A: Annual Report for the year ended 31 December 2020

QBE

2020 Annual Report

QBE INSURANCE GROUP LIMITED

This is an interactive PDF designed to enhance your experience. The best way to view this report is with Adobe Acrobat Reader. Click on the links on the contents pages or use the home button in the footer to navigate the report.

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ANNUAL REPORT 2020

Evolving and transforming our business

The COVID-19 pandemic coupled with increased catastrophe activity and a shifting global geopolitical landscape provided a challenging backdrop in 2020. Although the lowest point of the crisis may be behind us, the effects of the pandemic are likely to reverberate for some time, creating ongoing uncertainty for our business, our customers and society at large.

The pandemic had far-reaching consequences beyond the spread of the disease itself. Global economies face long-term repercussions with higher unemployment, equity market volatility and ongoing downward pressure on interest rates. Like most industries, the insurance industry has been impacted by the pandemic, with higher claims costs and lower investment returns. Nonetheless, QBE is well placed to benefit as economies recover in the markets in which we operate, and we are able to leverage our global diversification and a continuing strong rate environment.

Amid the pandemic, we also saw social unrest and a year of significantly higher than normal catastrophe events around the world, including an extremely active wildfire season as well as a record number of named storms in the US, extreme bushfires and storm activity including hail damage in Australia, and typhoons in Asia.

Notwithstanding this period of volatility and unrest, QBE remained focused on delivering sound underlying performance as well as supporting the wellbeing and safety of our people, our customers, our business partners and the communities in which we operate. This focus remains relevant for the here and now as well as underpinning our plans for the future.

The strength and resilience of our business are evident in the Group's underlying financial performance for the year ended December 2020. While your Board recognises the disappointing headline statutory loss reported for the 2020 financial year, both our capital position and our underlying business fundamentals remain strong. Actions taken early on as the pandemic crisis unfolded stood us in good stead, ensuring we retained a strong balance sheet while maintaining underlying earnings momentum. Further details of our full year results are explored in the reports of both the Interim Group Chief Executive Officer and Group Chief Financial Officer on subsequent pages.

QBE remains focused on the key drivers of business performance and the maintenance of the underlying disciplines that are fundamental for long-term success. To this end, cell reviews and Brilliant Basics remain important, as is our ongoing operational efficiency program.

In light of the substantial 2020 statutory loss, the Board has elected not to declare a final dividend. In making the decision, we have been conscious of maintaining a strong balance sheet which provides us with considerable flexibility for future investment in, and growth of, our business.

Leadership

In 2020, we saw changes to the Group Executive Committee and this year we are pleased to announce the appointments of Fiona Larnach, as our new Group Chief Risk Officer, and Sue Houghton, as our new Chief Executive Officer Australia Pacific. These appointments highlight our commitment to diversity and in 2021 the Group Executive Committee will comprise 45% women.

During 2020, we also saw the departure of our Group Chief Executive Officer, Pat Regan, following an external investigation concerning workplace communications that the Board concluded did not meet the standards set out in the Group Code of Ethics and Conduct. While this was a setback, the fundamentals of the business remain strong and importantly our strategy and priorities remain unchanged. In October, we announced that Richard Pryce would assume the role of Interim Group Chief Executive Officer while a search is underway for a permanent replacement, providing important continuity as we execute on our strategic priorities.

Our business is supported by the hard work and dedication of our people. I am proud of how our teams have responded in this time of uncertainty and their ability to continue to deliver the best possible outcomes and solutions for our customers. On behalf of the Board, I extend my sincere thanks to Richard and the entire executive team as well as all our people for their demonstrated adaptability and flexibility around new ways of working and their continued commitment to meeting the needs of our customers and the communities in which we operate.

Following the departure of Pat Regan, we announced that we would undertake a review of QBE's culture. This review will seek to build on the many strong elements of our culture while also identifying the target culture that we need for the future. We remain committed to providing a respectful and inclusive environment for all of our people and continue to build a stronger, better QBE. With this in mind, we have put in place a series of initiatives that will add to our existing QBE DNA framework. John Green, Deputy Chair and Tan Le, non-executive director, have been appointed by the Board as sponsors to drive these initiatives. Supporting this is our global Culture Advisory Group, which will work with our external partners to help us build on our leadership capability and identify any gaps and levers to further enhance our culture.

The Board is also committed to ensuring we continue to invest in our leaders, with succession planning a key area. In 2021, we will accelerate our focus on the development of existing leaders to prepare them for their next role and invest in the development of our talent pipeline. Board renewal is also an important part of setting QBE up for the future. As such, we were pleased to welcome Tan Le and Eric Smith who both joined our Board in September 2020, supporting our digital agenda and broadening our skills in the North American insurance market respectively.

Operating sustainably

We continue to integrate sustainability across all facets of the business. In a year of major natural disasters and the COVID-19 pandemic, we have scaled up our support for our customers and communities through disaster relief and risk management education. We also became a signatory to the United Nations Global Compact and are working to advance the 10 principles related to human rights, labour, environment and anti-corruption by embedding them into our strategy, culture and day-to-day operations at QBE.

Our sustainability scorecard, outlined in our 2020 Sustainability Report, highlights progress against our key sustainability objectives. We also remain committed to advancing the United Nations Sustainable Development Goals, with a focus on our five priority goals where we can have the greatest impact.

Throughout the year, we continued to deliver against our Climate Change Action Plan. We have set metrics and targets to measure and monitor climate-related risks and opportunities as outlined in our climate change disclosures on pages 28 to 35 of this Annual Report. This includes recently joining the UN-convened Net-Zero Asset Owner Alliance and committing to transition our investment portfolios to net-zero greenhouse gas emissions by 2050. In 2020, we also developed an environmental and social (E&S) risk framework which identifies the sectors and issues that present an increased E&S risk to our business, including energy and biodiversity, and outlines our approach to managing those risks. The framework has been developed to promote informed decision making that is consistent with our commitment to sustainable insurance and investment. The framework further supports the integration of environmental, social and governance (ESG) considerations into our core business and increased transparency with our customers.

Looking ahead

We commence the 2021 year with optimism; however, we acknowledge that challenges remain from an economic and industry perspective. While it is unclear how long it will take for economies and society more generally to fully recover from the pandemic, we remain focused on transforming our business, processes and technology to deliver better outcomes for all of our stakeholders.

We will continue to work with governments and regulators to better prepare for, and to respond to, low probability, high impact events like the COVID-19 pandemic. This has prompted a broad discussion within the industry as to how we provide appropriate support to our customers during this extraordinary and challenging time. QBE remains determined to play an active and constructive role in these discussions.

QBE responded decisively in 2020 to establish solid foundations for the future. I am very proud of our people who work every day to deliver outstanding outcomes for our customers. We have a hardworking and talented team, a sound balance sheet and a program of work that allow us to better serve our customers, shareholders and communities.

Given the considerable uncertainty as a result of the pandemic and its impact on economies, QBE has determined not to provide results targets for the 2021 financial year, at this stage. We will continue to review this decision and will update the market accordingly.

Mike Wilkins AO
Independent Chair

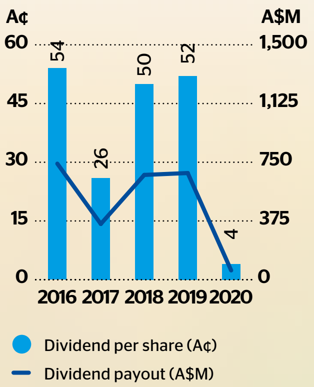
2020 snapshot[1]

Shareholder highlights

Dividend payout (A$M)

59

91% from 2019



Adjusted cash (loss) profit return on average shareholders' equity[2]

(10.9)%

2019 **8.9%**

Earnings (loss) profit per share (US¢)

(108.5)

2019 **41.8**

Dividend per share (A¢)

4

Sustainability highlights

Climate action

Joined the UN-convened Net-Zero Asset Owner Alliance

our investment portfolio is targeting net-zero greenhouse gas emissions by 2050

CDP climate change disclosure score

A- CDP DISCLOSURE INSIGHT ACTION

from **B** in 2019

Operational renewable electricity use

Target by **2025**

100%

Currently

97%

2019 **63%**

Premiums4Good (US$B)

2025 ambition

$2.0B

Total invested

$1.1B

as at 31 December 2020

Building an inclusive workplace and culture

QBE Voice survey result: Engagement

76%

2019 **70%**

Insurance Business Asia: Top insurance workplace

2020 Top INSURANCE WORKPLACES Insurance

Included as a member of the 2021 Bloomberg Gender-Equality Index

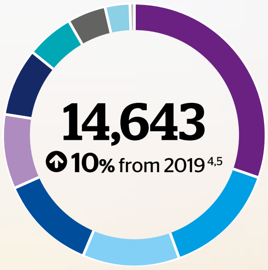
Bloomberg Gender-Equality Index 2021

1 Financial information in the tables above is extracted or derived from the Group's audited financial statements included on pages 80 to 164 of this Annual Report. The Group Chief Financial Officer's report sets out further analysis of the results.

2 2020 adjusted cash loss return on average shareholders' equity excludes non-cash and material non-recurring items such as restructuring costs, losses on disposals, and adjusts for Additional Tier 1 capital (AT1) coupons. 2019 adjusted cash profit return on average shareholders' equity excludes restructuring costs, losses on disposals, the impact of the Ogden decision in the UK, and discontinued operations.

Financial highlights[3]

Gross written premium by class of business (US$M)



	2020 %	2019 %
Commercial & domestic property	30.4	29.2
Agriculture	14.1	13.7
Motor & motor casualty	12.1	14.4
Public/product liability	11.9	11.9
Professional indemnity	9.2	8.4
Marine, energy & aviation	8.2	6.6
Workers' compensation	5.8	7.1
Accident & health	4.8	5.3
Financial & credit	3.2	3.3
Other	0.3	0.1

Net earned premium (US$M)

11,708

4% from 2019[4,5]

Net earned premium by type

90% direct and facultative insurance

10% inward reinsurance

Combined operating ratio[6]

104.2%

2019 **97.5%**[7]

Net (loss) profit after tax (US$M)

(1,517)

2019 **622**[7]

Insurance (loss) profit (US$M)

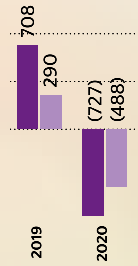
(727)

2019 **708**[7]

Underwriting (loss) profit[6] (US$M)

(488)

2019 **290**[7]



Operational highlights[3]

Gross written premium growth[5]

10%[4]

2019 **4%**

Average renewal premium rate increase[8]

Group

9.8%

2019 **6.3%**

Segment

Segment	
North America	10.2%
International	12.8%
Australia Pacific	5.4%

Premium retention

82%

2019 **78%**

Attritional claims ratio[4,9]

Group

44.6%

2019 **47.5%**

Segment

Segment	
North America	46.3%
International	40.2%
Australia Pacific	49.4%

Large individual risk claims[4] (US$M)

932

2% from 2019

Catastrophe claims[4] (US$M)

688

62% from 2019

3 2019 figures reflect results for continuing operations only.
4 Excludes impact of COVID-19.
5 Constant currency basis and excluding impact of 2019 disposals.
6 Excludes the impact of changes in risk-free rates used to discount net outstanding claims.
7 Excludes one-off impact of the Ogden decision in the UK.
8 Excludes premium rate changes relating to North America Crop and/or Australian compulsory third party motor (CTP).
9 Excludes Crop and/or lenders' mortgage insurance (LMI).

Delivering value for our customers

The last 12 months have been dominated by COVID-19 and an elevated level of catastrophe activity, resulting in one of the most challenging years in recent history for many industries and communities. QBE is no exception, and we navigated multiple challenges while continuing to support our customers, people and communities. The impact of COVID-19 has been widespread and unparalleled and, while some economic uncertainties remain, we commence 2021 with more optimism.

Customer focus

Building a culture of consistent, proactive and insightful engagement.

Building better relationships to generate sustainable growth.

The insurance industry started 2020 managing the effects of a deep and protracted soft market which contributed to claims reserve deficiencies across the sector. This continued during the year and, combined with the ongoing effects of social inflation, is one of the reasons we are seeing meaningful premium rate increases in casualty lines, particularly in the northern hemisphere. We also witnessed an extreme sequence of adverse weather events, with an estimated global insurance industry catastrophe cost of $97 billion, making 2020 the fifth-costliest year since 1970. More than three quarters of all insured natural catastrophe losses in 2020 occurred in the United States which saw a record 30 named storms and approximately 50,000 wildfires burning 8.5 million acres.

Australia was also a major contributor to the global losses, with extreme bushfires burning close to 46 million acres throughout 2019 and 2020, destroying over 3,500 homes. Australia also witnessed increased storm activity in 2020 including severe hailstorms. These events are having an impact on pricing for property business with the possibility of further increases if we continue to see higher than normal catastrophe activity.

Given the acceleration of premium rate increases in many of our geographies and products in response to the generally unfavourable claims environment, QBE is well positioned to maximise the opportunity presented by improving market conditions globally. We have an excellent range of products across an extended geographical footprint, supported by a quality claims service. In addition, our global reinsurance business, QBE Re, is expected to grow as reinsurance pricing continues to improve. We continue to invest in analytical risk selection and pricing tools that will enable our underwriting teams to deploy capital in the most beneficial way for shareholders.

I am also pleased that we were able to renew the Group's 2021 reinsurance structure broadly in line with the 2020 expiring program and at better terms than initially expected.

Sustainability

The frequency of weather events in 2020 continued to remind us of the challenge that climate change presents and the need for an ongoing focus on managing climate-related risks. We recognise the important part we play in our customers' lives when such events occur and we are working closely with governments, the insurance industry and the community to address or mitigate some of the issues through disaster relief and risk management education. We continue to advance our Climate Change Action Plan and have set metrics and targets to measure and monitor climate-related risks and opportunities as outlined in our climate disclosures on pages 28 to 35 of this Annual Report.

We were pleased to join the UN-convened Net-Zero Asset Owners Alliance, further supporting the transition to a lower carbon economy, and we became a signatory to the United Nations Global Compact. We are also working closely with many of our customers as they manage their transition towards clean energy. One example of this is the support we provided through insurance of the Dogger Bank wind farm project off the north east coast of England. This joint venture by two of our customers resulted in the world's largest offshore wind farm with capacity to power up to 4.5 million homes. In Europe, we have increased our renewable energy book of business by around 50% to $33 million.

Supporting our customers, people and communities

At QBE, we recognise the significant hardship many of our customers and communities are facing, and we have adapted the way we operate in response to the pandemic to ensure the safety and wellbeing of our customers, people and communities.

Throughout 2020, our 11,000 strong workforce moved seamlessly to operate remotely as various government directives impacted our ways of working. Despite these challenges, we continued to deliver on our customer commitments with service levels remaining relatively unchanged. We provided a wide range of additional support and financial relief, such as premium rebates and payment holidays, and continue to pay legitimate claims as quickly as possible. In 2020, we paid $101 million of COVID-19 related claims. We also put in place a range of initiatives that helped alleviate financial pressures to support our customers throughout the period.

The safety of our people remains paramount. At the start of the pandemic, we successfully set up our people to work remotely. We are starting to return to offices in certain locations where it is safe to do so and in limited numbers, to allow for social distancing. We continue to support our people in these new ways of working and offer a range of benefits and support, including a regular check in through our Group-wide wellbeing survey, wellbeing-focused activities and access to the employee assistance programs. We know that 2020 was a challenging year for our people, impacted as they were by the pandemic and changes in the Group's senior leadership as outlined in the Chair's message on pages 2 to 3. We are working with our Board sponsors to build on our QBE DNA with the Culture Accelerator framework now underway, to ensure we continue to provide a safe, respectful and inclusive environment for our people.

Through the pandemic, the QBE Foundation has remained active in supporting the communities in which we work, partnering with impactful not-for-profit organisations around the world to safeguard vulnerable communities, enabling financial resilience and strengthening their health and wellbeing. We responded proactively to the challenges presented by COVID-19, pivoting where required to support our existing partners, Red Cross and Save the Children, as they experienced increased demand for their services and a reduction in funding and donations.

Financial performance

As the pandemic emerged, we took pre-emptive action to strengthen our capital position, executing a capital plan to protect the balance sheet against potential downside scenarios. This action enables us to take advantage of profitable growth opportunities as they arise, as well as supporting our target regulatory capital range and reducing gearing.

In December 2020, we updated the market of our revised 2020 result expectations and subsequently announced a full year statutory loss of $1,517 million, a result we all recognise as disappointing and well below expectations. In addition to a disappointing underwriting performance, the result was impacted by significantly reduced investment income and a number of material one-off and/or non-cash charges including an impairment of goodwill and deferred tax assets in North America as well as IT and real estate related charges.

The net combined operating ratio increased to 104.2% [1] from 97.5% [1,2,3] in 2019, largely as a result of material COVID-19 related costs, adverse prior accident year claims development (including the impact of social inflation) and elevated catastrophe claims. As is explained in more detail in the Group Chief Financial Officer's report, despite the poor headline underwriting result the underlying current accident year combined operating ratio improved to 94.0% [4,5] from 98.4% [2,3,5] in 2019. This was primarily due to a further material improvement in our attritional claims ratio and a modest improvement in our large individual risk claims ratio, and reflects significant premium rate increases.

Gross written premium increased 10% [4,6] year-on-year, underpinned by an average renewal premium rate increase of 9.8% [7], particularly in our North America and International divisions where we saw premium rates accelerate further during the second half of 2020.

After a significant first half investment loss, our investment return rebounded strongly in the second half of the year with credit spread losses fully recovered by year end. We intend to retain a conservative asset allocation while there remains significant ongoing economic uncertainty associated with the pandemic.

1 Excludes impact of changes in risk-free rates used to discount net outstanding claims.
2 Excludes one-off impact of the Ogden decision in the UK.
3 Continuing operations basis.
4 Excludes impact of COVID-19.
5 Normalised for above plan catastrophe claims and changes in risk margin increase.
6 Constant currency basis and excludes impact of 2019 disposals.
7 Excludes premium rate changes relating to North America Crop and/or Australian CTP.

Strategic focus

All of our activities throughout 2021 and the longer term are anchored around our four strategic priorities: performance, customer focus, modernisation and talent & culture, underpinned by our DNA.

Performance

In 2018, we laid the foundations for our cell review and Brilliant Basics programs, both of which are now well embedded throughout QBE. Recognising that there is still more work to be done to improve the performance of some portfolios, we are evolving and reinvigorating the cell review process with a greater focus on speedy execution and portfolio optimisation. In Brilliant Basics, we continue to invest in enhancing our capabilities in pricing, risk selection and claims management across QBE. As a key Brilliant Basics initiative, we are accelerating the completion of the remaining phases of work associated with our global property pricing project. We are focused on targeted and sustainable growth and maximising the benefits of the favourable rate environment, underpinned by strong performance discipline built through cell reviews and Brilliant Basics. We also remain committed to delivering on our climate-related and sustainability targets.

Customer focus

Central to our overall strategy is an imperative to better understand our customers, their industries and needs, and to embed a culture of consistent, proactive and insightful customer engagement. To support this, we officially launched Customer@QBE in 2020.

Customer@QBE is our global approach to delivering value for our customers in a responsible and accountable way through a focus on three key elements: mindset (how we think about our customers), insights (the knowledge we have about our customers combined with our insurance expertise) and delivery (what and how we deliver to our customers). Our focus for 2021 is to create and embed a consistent customer mindset to support an understanding of our customers, how we can add the greatest value to them and how we can build a solid pipeline. By helping our customers manage risk well, we manage risk well.

Modernisation

In 2021, we will remain focused on creating a customer-centric business that is more digitally enabled and supported by a modern technology infrastructure. We are streamlining and modernising our technology estate to better support the evolving needs of our customers, people and business. As we do this, we are mindful of our digital customer interactions and are further automating underwriting, distribution and claims processes, and introducing analytical tools. Internally, we are looking at digitisation and process automation to improve performance, drive efficiency and reduce risk.

Talent & culture

We will accelerate our talent and leadership strategy, developing our future cohort of leaders and preparing them for bigger and more complex roles. We are concurrently focused on deepening our talent pool, with continued succession planning to build our future talent pipeline.

We will focus on enhancing our culture and reinforcing a positive risk culture through the Culture Accelerator, building upon our existing DNA values given their strong resonance with our people. Through this, we are seeking to create an environment where people always know and feel that it is safe to speak up, and where we welcome and embrace diversity in all of its many forms.

Conclusion

I am proud of the support we provided our customers, people and the communities during a difficult year. I would like to thank our teams around the world for their dedication, resilience and hard work. I would also like to thank our customers, brokers and partners for their loyalty and ongoing support of QBE.

As we saw in 2020, we are able to adapt quickly in a dynamic environment and, while our operating environment remains uncertain, we are even more committed and focused on delivering our strategic priorities; we remain confident in the strength of our business, our franchise and our people.

We are well positioned to maximise many of the opportunities created by the currently favourable trading environment. While the value of insurance in managing or transferring risk has never been more evident, we must ensure we receive an appropriate return for the risk we take.

Richard Pryce
Interim Group Chief Executive Officer

2021
Strategic priorities

Performance

Evolve and reinvigorate cell reviews and Brilliant Basics+ to further enhance performance discipline and drive portfolio optimisation

Targeted, sustainable, profitable growth, maximising the favourable rate environment

Deliver against our sustainability and climate commitments

Continued focus on shareholder returns

Customer Focus

Deliver value and exceed customer expectations through Customer@QBE

Better understanding of our customers' industries and needs

Embed a culture of proactive, insightful customer engagement

Fully embed the use of Salesforce and related analytical tools across the business, central to all our customer activity

Modernisation

Deliver on our program of work to accelerate our technology infrastructure modernisation

Continued automation across underwriting, distribution and claims to support the evolving needs of our customers and partners

Accelerate adoption of machine learning models across pricing and claims

Talent & Culture

Enhance the QBE culture and reinforce a positive risk culture by building on the QBE DNA through the Culture Accelerator

Accelerate our talent and leadership strategy by developing our people and building a diverse talent pipeline

Focus on embedding performance through ME@QBE and retaining and motivating people through our Reward approach

Define our future ways of working

Operating and financial review

Group Chief Financial Officer's report

2020 proved to be a very challenging year and we are disappointed with our financial result. In addition to COVID-19, the result was impacted by above average catastrophe claims and prior accident year claims development. However, we enter 2021 with confidence and are well placed to maximise opportunities in the best global insurance trading conditions in over a decade.

Gross written premium (US$M)

14,643

10% from 2019[1,2]

Net earned premium (US$M)

11,708

4% from 2019[1,2]

Combined operating ratio[3]

104.2%

2019 97.5%[4]

Net (loss) profit after tax (US$M)

(1,517)

2019 622[4,5]

Financial performance

QBE reported a statutory net loss after tax of $1,517 million compared with a $550 million profit in 2019.

The disappointing result reflects a deterioration in the underwriting result coupled with a significant reduction in investment income, an impairment of goodwill and deferred tax assets in North America and write-downs related to rationalisation of legacy IT platforms and our real estate footprint.

Gross written premium increased 10%[1,2] due to strong premium rate increases, improved premium retention and new business growth, especially in North America and International.

The combined operating ratio increased to 104.2%[3] from 97.5%[3,4] in 2019, reflecting COVID-19 impacts, adverse prior accident year claims development and elevated catastrophe claims.

Normalised for above plan catastrophe experience and excluding COVID-19 and the increase in risk margins, the current accident year combined operating ratio improved to 94.0% from 98.4% in 2019.

This is a pleasing uplift in underlying profitability and is primarily due to a further 2.9%[6] improvement in the attritional claims ratio and a modest improvement in the large individual risk claims ratio.

Given market conditions, it was pleasing to renew the Group's main reinsurance program broadly in line with the 2020 expiring program and on terms in line with or better than expectations. As noted at the time, following heightened catastrophe experience we have increased our catastrophe allowance to provide greater confidence in our 2021 earnings profile.

As discussed on page 12, our operational efficiency program is running ahead of schedule and we are now entering the next phase of our efficiency journey.

1 Constant currency basis and excluding impact of 2019 disposals.
2 Excludes impact of COVID-19.
3 Excludes impact of changes in risk-free rates used to discount net outstanding claims.
4 Excludes one-off impact of the Ogden decision in the UK.
5 Continuing operations basis.
6 Excludes Crop and/or LMI.

Financial strength and capital management

The onset of COVID-19 in early 2020 triggered widespread dislocation in social, economic and investment market conditions. In response, QBE executed a capital plan to raise $813 million of ordinary equity and $500 million of Additional Tier 1 capital, and reduced risk by repositioning the investment portfolio and purchasing additional reinsurance. These initiatives were executed in April and May 2020.

The Group also issued A$500 million of capital-qualifying Tier 2 subordinated debt in August to finance the redemption of A$200 million of Tier 2 subordinated debt in September and $200 million of subordinated Tier 2 debt in March 2021.

At 31 December 2020, QBE's APRA PCA multiple was 1.72x, slightly above the midpoint of the Group's 1.6–1.8x target range.

The PCA multiple is largely unchanged from 2019, reflecting the benefit of the capital actions largely offset by the loss for the year, balance sheet growth and dividends paid during calendar year 2020.

Allowing for subordinated debt to be redeemed in March of 2021, pro forma gearing was 32.4%, down significantly from 38.0% at 31 December 2019 and within the Group's benchmark range of 25–35%.

On the same basis, pro forma Group Head Office liquidity was $1.2 billion.

The probability of adequacy (PoA) of net outstanding claims increased to 92.5%, the top end of our 87.5–92.5% target range, reflecting a $344 million risk margin strengthening, including $300 million directly related to COVID-19 uncertainty.

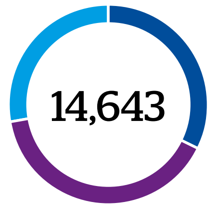
Investment performance and strategy

Investment market volatility heavily impacted investment returns during the first half of 2020. A strong second half recovery contributed to a 2020 investment return of 0.9%, reflecting falling bond yields and the resilience of our real assets (property and infrastructure).

The portfolio remains conservatively positioned with only 7% in growth assets, comprised of real assets, coupled with a small amount of gold and private equity.

Reflecting very strong premium rate momentum, we intend to maintain a cautious asset allocation in the near term as we see better opportunities for capital deployment across the Group's underwriting business.

Gross written premium[1] (US$M)



- North America 4,744
- International 5,845
- Australia Pacific 4,079

Gross written premium growth[2,3]

10%

- North America 13%
- International 12%
- Australia Pacific 6%

1 Divisional split excludes Corporate and other.
2 Constant currency basis and excludes impact of 2019 disposals.
3 Excludes impact of COVID-19.

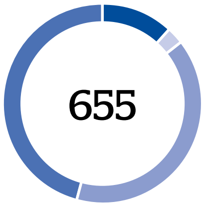
Summary income statement and underwriting performance

FOR THE YEAR ENDED 31 DECEMBER	STATUTORY RESULT 2020 US$M	STATUTORY RESULT 2019 US$M	ADJUSTMENTS 2020 US$M	ADJUSTMENTS 2019 US$M	ADJUSTED RESULT 2020 US$M	ADJUSTED RESULT 2019[1] US$M
Gross written premium	**14,643**	13,442	**–**	–	**14,643**	13,442
Gross earned premium	**14,008**	13,257	**–**	–	**14,008**	13,257
Net earned premium	**11,708**	11,609	**–**	–	**11,708**	11,609
Net claims expense	**(8,934)**	(8,102)	**–**	61	**(8,934)**	(8,041)
Net commission	**(1,891)**	(1,819)	**–**	–	**(1,891)**	(1,819)
Underwriting and other expenses	**(1,752)**	(1,690)	**–**	–	**(1,752)**	(1,690)
Underwriting result	**(869)**	(2)	**–**	61	**(869)**	59
Net investment income on policyholders' funds	**142**	649	**–**	–	**142**	649
Insurance (loss) profit	**(727)**	647	**–**	61	**(727)**	708
Net investment income on shareholders' funds	**84**	387	**–**	–	**84**	387
Financing and other costs	**(252)**	(257)	**–**	–	**(252)**	(257)
Loss on sale of entities and businesses	**(2)**	(8)	**–**	–	**(2)**	(8)
Share of net loss of associates	**(5)**	(3)	**–**	–	**(5)**	(3)
Restructuring and related expenses	**(104)**	(43)	**–**	–	**(104)**	(43)
Amortisation and impairment of intangibles	**(466)**	(51)	**–**	–	**(466)**	(51)
(Loss) profit before income tax from continuing operations	**(1,472)**	672	**–**	61	**(1,472)**	733
Income tax expense	**(39)**	(104)	**–**	(10)	**(39)**	(114)
(Loss) profit after income tax from continuing operations	**(1,511)**	568	**–**	51	**(1,511)**	619
Loss after income tax from discontinued operations	**–**	(21)	**–**	–	**–**	(21)
Non-controlling interests	**(6)**	3	**–**	–	**(6)**	3
Net (loss) profit after income tax	**(1,517)**	550	**–**	51	**(1,517)**	601
KEY RATIOS	**%**	**%**			**%**	**%**
Net claims ratio	**76.3**	69.8			**76.3**	69.3
Net commission ratio	**16.1**	15.6			**16.1**	15.6
Expense ratio	**15.0**	14.6			**15.0**	14.6
Combined operating ratio	**107.4**	100.0			**107.4**	99.5
Adjusted combined operating ratio[2]	**104.2**	98.0			**104.2**	97.5
Insurance (loss) profit margin	**(6.2)**	5.6			**(6.2)**	6.1

1 Excludes one-off impact of the Ogden decision in the UK.
2 Excludes impact of changes in risk-free rates used to discount net outstanding claims.

COVID-19 impact

2020 impact (US$M)



- Premium 77
- Acquisition costs 18
- Claims 260
- Risk margins 300

COVID-19 was declared a pandemic by the World Health Organisation in March 2020. The virus itself, and the measures to contain its spread have had a profound impact on the global economy which resulted in extreme investment market volatility and coordinated action by central banks to dramatically reduce interest rates.

In addition to materially impacting QBE's investment returns, COVID-19 impacted the Group's underwriting result by $655 million.

The Group estimates the ultimate net cost (including risk margin) of COVID-19 to be around $785 million pre-tax, comprising the $655 million 2020 charge coupled with an allowance for a further $130 million of potential net claims that could emerge over the next 12 to 18 months, primarily in trade credit, casualty lines and LMI.

Significant risk margins and extensive reinsurance protections, particularly for business interruption insurance, give us confidence in this estimate.

COVID-19 underwriting result impacts

FOR THE YEAR ENDED 31 DECEMBER	2020 STATUTORY RESULT US$M	NORTH AMERICA US$M	INTER-NATIONAL US$M	AUSTRALIA PACIFIC US$M	CORPORATE & OTHER US$M	COVID-19 TOTAL US$M	2020 ADJUSTED EX-COVID US$M
Gross written premium	**14,643**	(31)	(11)	–	–	**(42)**	**14,685**
Gross earned premium	**14,008**	(31)	(11)	–	–	**(42)**	**14,050**
Net earned premium	**11,708**	(31)	(46)	(1)	1	**(77)**	**11,785**
Net claims expense	**(8,934)**	(57)	(123)	(163)	(217)	**(560)**	**(8,374)**
Net commission	**(1,891)**	6	3	–	–	**9**	**(1,900)**
Underwriting and other expenses	**(1,752)**	(13)	7	(17)	(4)	**(27)**	**(1,725)**
Underwriting result	**(869)**	(95)	(159)	(181)	(220)	**(655)**	**(214)**

Operational efficiency

Underwriting and other expenses (US$M)

1,725[1]

2% from 2019

Expense ratio

14.6%[1]

Unchanged from 2019

In December 2018, QBE announced a three-year operational efficiency program targeting gross cost savings of $200 million by 2021, translating into net savings of $130 million after allowing for inflation and further investment in technology, digitisation and Brilliant Basics.

From a 2018 cost base of $1.8 billion[2] and an expense ratio of 15.2%[2], we are targeting an expense ratio of "less than 14%" by 2021.

Two years into a three-year schedule of work, the program has progressed ahead of plan. Meaningful progress has been made in technology rationalisation and modernisation as we simplify our technology estate. Additional savings were realised from the disposal of the retail personal lines business in North America, operating model efficiencies across Australia, New Zealand and Asia, and further reductions in third party consulting, travel and other discretionary costs.

As a result of these initiatives, we have now achieved recurring net cost savings of around $125 million. To support the program and as previously foreshadowed, we incurred a $41 million restructuring charge that was not reported as part of the Group's underwriting expenses.

Excluding $47 million of elevated risk and regulatory costs as well as a $61 million NSW CTP profit normalisation charge, but adjusting for well below plan variable remuneration costs and other one-off net savings, run-rate costs are estimated at $1,690 million which equates to an underlying expense ratio of 14.3%.

We have commenced the next phase of our operational efficiency program focused on IT modernisation and are targeting an expense ratio of 13% by 2023. To support the program, we will incur a restructuring charge of $150 million to be expensed over three years.

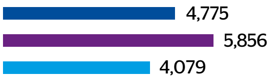
1 Excludes impact of COVID-19.

2 Continuing operations basis.

Segment performance

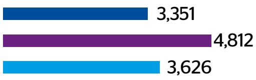
Gross written premium by segment[1,2] (US$M)

14,685



Net earned premium by segment[1,2] (US$M)

11,785



Combined operating ratio by segment[1,3]

98.6%

North America

North America reported a combined operating ratio of 115.7%[3], up from 105.6%[3,4] in 2019, due to COVID-19 costs, elevated catastrophe claims and adverse prior accident year claims development.

Excluding COVID-19, the current accident year combined operating ratio was unchanged at 103.7%. While the attritional claims ratio improved, significant catastrophe claims and a Crop result well below average contributed to a disappointing underwriting loss.

Premium rate momentum accelerated in 2020, with North America achieving an annual average renewal rate increase of 10.2%[4] compared with 5.7%[4,5] in 2019, which contributed to underlying gross written premium growth of 13%[6].

International

International recorded a very strong underlying result.

Despite material COVID-19 related costs and a modest amount of adverse prior accident year claims development, the combined operating ratio improved to 94.5%[3] from 96.8%[3,4,7] in 2019.

Excluding COVID-19, the current accident year combined operating ratio improved to 89.6% from 95.4%[4,7] in the prior year, largely reflecting a further significant improvement in the attritional claims ratio and favourable catastrophe experience.

Premium rate momentum accelerated across 2020, with International achieving an annual average renewal premium rate increase of 12.8% compared with 6.0%[4] in 2019, which contributed to underlying gross written premium growth of 12%[6].

Australia Pacific

Australia Pacific reported a combined operating ratio of 97.8%[3], up from 90.0%[3] in 2019, largely due to COVID-19 claims costs, a reduced level of positive prior accident year claims development and adverse catastrophe experience.

Excluding COVID-19, the current accident year combined operating ratio increased marginally to 93.3% from 92.9% in the prior year. This included a further improvement in the attritional claims ratio which was more than offset by adverse catastrophe experience and an increase in the expense ratio due to heightened risk and regulatory costs, as well as a material NSW CTP profit normalisation charge.

Premium rate momentum slowed in 2020 following the decision to suspend rate increases (as a COVID-19 relief measure) in certain classes of business during 2Q20 and 3Q20. Australia Pacific achieved an annual average renewal premium rate increase of 5.4%[5] compared with 7.3%[5] in 2019, which supported underlying gross written premium growth of 6%[6].

Australia Pacific reinstated premium rate increases effective 1 October 2020.

1 Excludes impact of COVID-19.
2 Divisional split excludes Corporate and other.
3 Excludes impact of changes in risk-free rates used to discount net outstanding claims.
4 Restated for transfer of North America's inward reinsurance business to International.
5 Excludes premium rate changes relating to North America Crop and/or Australian CTP.
6 Constant currency basis and excluding impact of 2019 disposals.
7 Excludes one-off impact of the Ogden decision in the UK.

FOR THE YEAR ENDED 31 DECEMBER	GROSS WRITTEN PREMIUM		NET EARNED PREMIUM		COMBINED OPERATING RATIO		INSURANCE (LOSS) PROFIT BEFORE INCOME TAX	
	2020 US$M	2019 US$M	2020 US$M	2019 US$M	2020 %	2019 %	2020 US$M	2019 US$M
North America[1,2]	**4,775**	4,361	**3,351**	3,692	**112.7**[3]	105.6[3]	**(488)**	(137)
International[1,2]	**5,856**	5,200	**4,812**	4,339	**91.3**[3]	96.8[3,4]	**265**	341[4]
Australia Pacific[1]	**4,079**	3,920	**3,626**	3,568	**92.8**[3]	90.0[3]	**252**	487
Corporate and other adjustments[1]	**(25)**	(39)	**(4)**	10	**–**	–	**(101)**	17
Group adjusted[1]	**14,685**	13,442	**11,785**	11,609	**98.6**[3]	97.5[3,4]	**(72)**	708[4]
Risk-free rate impact	**–**	–	**–**	–	**3.2**	2.0	**–**	–
COVID-19 impact	**(42)**	–	**(77)**	–	**5.6**	–	**(655)**	–
Ogden decision impact	**–**	–	**–**	–	**–**	0.5	**–**	(61)
Group statutory	**14,643**	13,442	**11,708**	11,609	**107.4**	100.0	**(727)**	647
Direct and facultative	**13,226**	12,263	**10,508**	10,641	**107.2**	99.7	**(633)**	629
Inward reinsurance	**1,417**	1,179	**1,200**	968	**109.1**	103.7	**(94)**	18
Group statutory	**14,643**	13,442	**11,708**	11,609	**107.4**	100.0	**(727)**	647

1 Excludes impact of COVID-19.
2 The 2019 results have been restated to reflect the transfer of North America's inward reinsurance business to QBE Re, part of International.
3 Excludes impact of changes in risk-free rates used to discount net outstanding claims.
4 Excludes one-off impact of the Ogden decision in the UK.

Cash profit and dividends

Reconciliation of cash profit

FOR THE YEAR ENDED 31 DECEMBER	2020 US$M	2019 US$M
Net (loss) profit after tax	**(1,517)**	550
Amortisation and impairment of intangibles after tax [1]	**455**	71
Write-off of deferred tax assets	**120**	–
Write-off of capitalised IT assets	**27**	–
Reclassification of foreign currency translation reserve after tax [2]	**–**	16
Net cash (loss) profit after tax	**(915)**	637
Restructuring and related expenses after tax	**75**	32
Net loss on disposals after tax	**2**	8
Additional Tier 1 capital coupon accrual [3]	**(25)**	–
Ogden decision after tax	**–**	51
Loss from discontinued operations after tax (excluding reclassification of FCTR)	**–**	5
Adjusted net cash (loss) profit after tax	**(863)**	**733**
Return on average shareholders' equity – adjusted cash basis (%)	**(10.9)**	8.9
Basic (loss) earnings per share – cash basis (US cents)	**(64.1)**	48.4
Dividend payout ratio (percentage of adjusted cash profit) [4]	**N/A**	65%

1 $50 million of pre-tax amortisation expense is included in underwriting expenses (2019 $43 million).

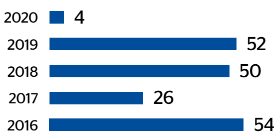
2 The sale of certain operations gave rise to a foreign currency translation reserve (FCTR) reclassification charge which was a non-cash item and did not impact shareholders' equity or QBE's regulatory or rating agency capital base.

3 Additional Tier 1 capital pays distributions out of after tax profits and thus impacts adjusted cash profit for the purposes of assessing ordinary dividend capacity.

4 Dividend payout ratio is calculated as the total AUD dividend divided by adjusted cash profit converted to AUD at the period average rate of exchange.

Dividends per share (A¢)

4.0



Dividend payout (A$M)

59

Dividends

Our dividend policy is designed to ensure that we reward shareholders relative to adjusted cash profit and maintain sufficient capital for future investment and growth of the business.

In light of the substantial 2020 statutory loss, the Board has elected not to declare a final dividend.

The combined 2020 interim and final dividend of 4 Australian cents per share is down substantially from 52 Australian cents per share in 2019.

Subject to global economic conditions not deteriorating materially, the Board expects to resume dividend payments – up to 65% of adjusted cash profit – in conjunction with the 2021 interim result.

Statutory result versus management result

In order to more directly compare Group and divisional underwriting results with the prior year, the Group's underwriting results are tabled on page 12 including and excluding the estimated impact of COVID-19.

Similarly, the underwriting results in the standalone divisional result commentaries are disclosed on the same basis.

While QBE has separately identified obvious COVID-19 underwriting revenue and expense impacts, there will be other less significant impacts, both positive and negative, that are not readily identifiable or quantifiable.

The 2019 adjusted result in the summary income statement on page 11 excludes a $61 million increase in the Group's net central estimate of outstanding claims reflecting the reduction in statutory discount rates applicable to UK personal injury liabilities (the Ogden decision) with an associated $10 million tax impact.

Unless otherwise stated, the commentary following refers to the Group's result on an ex-COVID-19 and adjusted basis as described above.

Premium income

Gross written premium (US$M)

14,685

10% from 2019[1]

Net earned premium (US$M)

11,785

4% from 2019[1]

Average renewal premium rate increase[2]

Group

+9.8%

North America	+10.2%
International	+12.8%
Australia Pacific	+5.4%

North America

North America reported a 9% increase in gross written premium, underpinned by an average renewal premium rate increase of 10.2%[2] compared with 5.7%[2,3] in 2019.

Adjusting for the disposal of the personal lines business in 2019, underlying growth was 13%, reflecting premium rate increases coupled with strong growth in Crop, property programs and Accident & Health (A&H).

International

International reported a 12%[1] uplift in gross written premium, underpinned by an average renewal premium rate increase of 12.8% compared with 6.0%[3] in 2019.

European operations achieved gross written premium growth of 14%[1] reflecting accelerating pricing momentum and emerging new business opportunities, particularly in International Markets, QBE Re and Continental European insurance.

Growth in European operations was partly offset by a 7%[1] contraction in Asia, primarily due to COVID-19 impacts, particularly in travel insurance, trade credit and marine cargo insurance.

Australia Pacific

Australia Pacific reported a 6%[1] increase in gross written premium reflecting an average renewal premium rate increase of 5.4%[2] compared with 7.3%[2] in 2019.

Rate-driven growth was offset by moderation in CTP, the 2019 sale of the travel insurance business and the impact of the economic slowdown on the Pacific Islands business. Excluding CTP and travel insurance, underlying growth was around 8% reflecting growth in strata, LMI, householders and New Zealand.

Reinsurance expense

Reinsurance expense increased 40% to $2,300 million from $1,648 million in 2019.

Additional Crop quota share reinsurance, and significantly reduced MPCI recoveries relative to the especially poor Crop result in 2019, increased reinsurance expense by $438 million relative to 2019.

Reinsurance expense was also impacted by the North America peak zone catastrophe buydown announced in April 2020 as well as growth in portfolios protected by quota share reinsurance, including Equator Re, and additional facultative and retrocession purchases, particularly in International.

1 Constant currency basis and excludes impact of 2019 disposals.
2 Excludes premium rate changes relating to North America Crop and/or Australian CTP.
3 Restated for transfer of North America's inward reinsurance business to International.

Underwriting expenses, commission and tax

Expense ratio

14.6%

2019 14.6%

Net commission ratio

16.1%

2019 15.6%

Tax rate

(3)%

2019 16%

Underwriting and other expenses

The Group's expense ratio was stable at 14.6%.

Improvement in International was offset by deterioration in North America and Australia Pacific, the latter reflecting a material NSW CTP profit normalisation charge. While North America reduced costs in absolute terms, the expense ratio was impacted by a greater reduction in net earned premium due to the sale of the retail personal lines business and material de-risking (reinsurance) initiatives.

As discussed on page 12, run-rate costs are $1,690 million which equates to an underlying expense ratio of 14.3%.

Net commission

The commission ratio increased to 16.1% from 15.6% in 2019, in part due to relative growth in International where commission rates are higher due to the specialised nature of the business. At the same time, International's commission ratio increased due to strong growth in higher commission London Market Specialty business where rate increases were especially strong.

Income tax expense

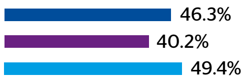
The effective statutory tax rate of negative 3% compares with 16% in the prior year and is distorted by a $120 million write-off of deferred tax assets and impairment of goodwill in North America of which only a portion was tax effected. The tax rate otherwise reflects the mix of corporate tax rates in the countries where we operate, with limitations on recognition of losses in North America and Bermuda.

The dividend franking account balance stood at A$71 million as at 31 December 2020, enabling the Group to fully frank A$165 million of dividends.

Claims

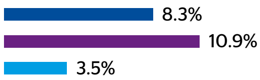
Attritional claims ratio[1]

44.6%



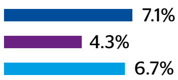
Large individual risk claims ratio

7.9%



Catastrophe claims ratio

5.8%



- North America
- International
- Australia Pacific

Incurred claims

The Group's net claims ratio increased to 71.1% from 69.3%[2] in 2019, largely reflecting a further material reduction in risk-free rates used to discount net outstanding claims liabilities.

Risk-free rate movements aside, a further significant improvement in the attritional claims ratio and a modest reduction in the large individual risk claims ratio were more than offset by a material increase in catastrophe claims coupled with adverse prior accident year claims development.

The additional Crop quota share and North American catastrophe reinsurance adversely impacted the net claims ratio (especially the large individual risk and catastrophe claims ratios) relative to the prior year by reducing net earned premium by $325 million.

The major components of the net claims ratio are summarised in the table below.

Attritional claims ratio

Excluding Crop and LMI, the attritional claims ratio improved a further 2.9% to 44.6% from 47.5% in the prior year, reflecting improvement across all divisions but especially International.

Excluding Crop, North America's attritional claims ratio improved 2.4% relative to the prior year. The benefit of earned rate increases, as well as the sale of the retail (independent agency) personal lines business, were partly offset by the adoption of more prudent current accident year actuarial assumptions, increased reinsurance spend to reduce North America peak zone catastrophe exposure and strong growth in A&H, which operates on a materially higher attritional claims ratio than the portfolio average.

International's attritional claims ratio improved 4.0% relative to the prior year, reflecting an increasingly favourable pricing landscape.

Excluding LMI, Australia Pacific's attritional claims ratio reduced by a further 1.7%, with improvement observed across most portfolios except for householders which was impacted by adverse weather.

1 Excludes Crop and/or LMI.
2 Excludes one-off impact of the Ogden decision in the UK.

Net incurred claims

FOR THE YEAR ENDED 31 DECEMBER	2020		2019	
	STATUTORY %	EX-COVID %	STATUTORY %	ADJUSTED[1] %
Attritional claims	**47.8**	**47.6**	52.5	52.5
Large individual risk and catastrophe claims	**16.0**	**13.7**	11.9	11.9
Claims settlement costs	**3.5**	**3.5**	3.3	3.3
Claims discount	**(0.3)**	**(0.3)**	(1.4)	(1.4)
Net incurred central estimate claims ratio (current accident year)	**67.0**	**64.5**	66.3	66.3
Changes in undiscounted prior accident year central estimate	**3.1**	**2.9**	(0.8)	(0.8)
Impact of Ogden decision	**–**	**–**	0.5	–
Impact of changes in risk-free rates	**3.3**	**3.2**	2.0	2.0
Movement in risk margins	**2.9**	**0.4**	(0.2)	(0.2)
Other (including unwind of prior year discount)	**–**	**0.1**	2.0	2.0
Net claims ratio	**76.3**	**71.1**	69.8	69.3

1 Excludes one-off impact of the Ogden decision in the UK.

Attritional claims ratio

FOR THE YEAR ENDED 31 DECEMBER	2020		2019	
	NEP US$M	ATTRITIONAL %	NEP US$M	ATTRITIONAL %
Rest of portfolio	**10,760**	**44.6**	10,251	47.5
Crop insurance	**876**	**86.8**	1,197	97.7
LMI	**149**	**32.9**	161	34.8
QBE Group adjusted	**11,785**	**47.6**	11,609	52.5

Large individual risk and catastrophe claims

The net cost of catastrophe claims increased to $688 million or 5.8% of net earned premium compared with 3.7% in 2019. This was $134 million or 1.1% above our allowance reflecting particularly adverse experience in Australia due to widespread bushfires and significant Australian east coast hail and storm claims, coupled with a record number of Atlantic hurricanes. Catastrophe experience was better than expected in International, albeit worse than the especially benign prior year.

The net cost of large individual risk claims reduced to $932 million or 7.9% of net earned premium from 8.2% in the prior year. This is a pleasing outcome with significant improvement in International partly offset by higher than expected claims severity in North America aviation and NSW CTP.

The 2021 catastrophe allowance is $685 million, up from $554 million in 2020, reflecting a small increase in aggregate due to growth, the impact of changes to our reinsurance structure and our prudent response to the elevated level of catastrophe claims in more recent years.

Weighted average risk-free rates

As summarised in the table below, the currency weighted average risk-free rate used to discount net outstanding claims liabilities decreased to 0.30% at 31 December 2020 from 1.05% at 31 December 2019.

Risk-free rates decreased appreciably across all currencies resulting in a $381 million underwriting charge that increased the net claims ratio by 3.2% compared with a $231 million charge in 2019 that increased the net claims ratio by 2.0%.

The $381 million adverse risk-free rate impact on the underwriting result was more than offset by a $481 million benefit in investment income due to the maintenance of a surplus duration position for the first half of 2020.

Total catastrophe claims (US$M)

688

5.8% of NEP

2019 426

Total large individual risk claims (US$M)

932

7.9% of NEP

2019 955

Total large individual risk and catastrophe claims (US$M)

1,620

13.7% of NEP

2019 1,381

Weighted average risk-free rates

CURRENCY		31 DECEMBER 2020	30 JUNE 2020	31 DECEMBER 2019
Australian dollar	%	**0.41**	**0.50**	1.11
US dollar	%	**0.82**	**0.69**	1.95
Sterling	%	**0.07**	**0.16**	0.80
Euro	%	**(0.59)**	**(0.34)**	(0.08)
Group weighted	%	**0.30**	**0.31**	1.05
Estimated risk-free rate charge	US$M	**(381)**	**(335)**	(231)

Prior accident year claims development

Excluding $20 million of positive prior accident year claims development pertaining to North America Crop insurance that is matched by additional premium cessions under the MPCI scheme, adverse prior accident year claims development was $366 million or 3.1% of net earned premium, compared with $22 million or 0.2% in the prior year.

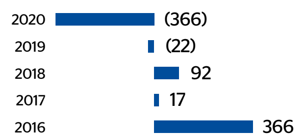
Disappointingly, North America reported $305 million of adverse development spanning the closed excess and surplus lines (E&S) portfolio, aviation, industry-wide development on Hurricane Irma and an additional explicit allowance to address systemic risks including social inflation and higher severity trends in casualty lines.

International reported $80 million of adverse development, primarily reflecting development on the North America inward reinsurance business (now part of QBE Re), 2019 Japanese typhoons and higher than anticipated claims inflation in European financial lines.

Australia Pacific reported $18 million of positive prior accident year claims development. Favourable development in NSW CTP, commercial property and workers' compensation was partly offset by modest development in householders, liability classes and in New Zealand.

Prior accident year claims development (US$M)

(366)



Balance sheet and capital management

PCA multiple

1.72x

2019 1.71x

Target PCA multiple

1.6–1.8x

Debt to equity

32.4%[1]

2019 38.0%

Target debt to equity

25–35%

Capital management

During 2020, QBE undertook significant capital management initiatives including:

- a $750 million equity raising via an institutional placement at A$8.25 per share;
- a $63 million equity raising via a Share Purchase Plan for retail investors at A$7.51 per share;
- a $500 million AT1 securities issuance; and
- net A$300 million of Tier 2 subordinated debt issuance.

In May 2020, QBE issued $500 million of perpetual fixed rate resetting capital notes that are AT1 qualifying under APRA's capital adequacy framework.

The notes are classified as equity, pay franked after tax distributions and do not impact the weighted average number of shares for earnings per share calculations (since the notes are written off in whole or in part if APRA determines QBE is, or would become, non-viable).

Together with the reclassified 2017 perpetual fixed rate capital notes, the annual after tax distribution on QBE's AT1 capital will be $50 million, while the reclassification of the 2017 notes will result in annual financing and other costs reducing by $21 million.

Allowing for subordinated debt to be repaid in March 2021, pro forma gearing was 32.4%, down significantly from 38.0% at 31 December 2019 and within the Group's internal benchmark range of 25–35%.

Prescribed capital amount

The PCA multiple increased marginally to 1.72x at 31 December 2020 from 1.71x at 31 December 2019, reflecting:

- execution of the capital actions announced on 14 April 2020;
- a reduced insurance concentration risk charge (ICRC) mainly due to the purchase of additional catastrophe reinsurance protection for the North America region; largely offset by
- the full year cash operating loss and payment of the 2019 final and 2020 interim dividends;
- a higher insurance risk charge due to an increase in outstanding claims and premium liabilities as a result of lower risk-free rates, prior accident year claims development and an allowance for significant COVID-19 claims within outstanding claims and premium liabilities; and
- a higher asset risk charge reflecting the material increase in investment assets which more than offset the benefit of de-risking initiatives.

The $200 million subordinated debt redemption to be completed in March 2021, does not materially impact the PCA multiple as only $37 million was regulatory capital qualifying at the balance date.

1 Pro forma adjusting for $200 million pre-funded debt repayment to be completed in March 2021.

Capitalisation and capital metrics

AS AT 31 DECEMBER		BENCHMARK	2020	2019
Net assets	US$M		**8,492**	8,153
Less: intangible assets	US$M		**(2,534)**	(2,791)
Net tangible assets	US$M		**5,958**	5,362
Add: borrowings	US$M		**2,955**	3,095
Total tangible capitalisation	US$M		**8,913**	8,457
Debt to equity [1]	%	25–35	**32.4**	38.0
Debt to tangible equity [1]	%		**46.2**	57.7
Premium solvency [2]	%		**50.6**	46.2
QBE's regulatory capital base	US$M		**9,348**	8,502
APRA's PCA	US$M		**5,436**	4,966
PCA multiple [3]		1.6–1.8x	**1.72x**	1.71x

1 Pro forma adjusting for $200 million pre-funded debt repayment to be completed in March 2021.

2 The ratio of net tangible assets to adjusted net earned premium.

3 Indicative APRA PCA calculation at 31 December 2020.

Net outstanding claims

Net outstanding claims liabilities are discounted using sovereign bond rates as a proxy for risk-free interest rates and not the actual earning rate on our investments.

At 31 December 2020, risk margins in net outstanding claims were $1,537 million or 9.7% of the net central estimate of outstanding claims compared with $1,136 million or 8.3% of the net central estimate at 31 December 2019. Excluding foreign exchange movements, risk margins increased $344 million in 2020 compared with a $23 million decrease in 2019.

The PoA of net outstanding claims increased to 92.5% from 90.0% at 31 December 2019, primarily due to a $300 million uplift in risk margins reflecting heightened reserve uncertainty arising from COVID-19, particularly with respect to business interruption claims.

AS AT 31 DECEMBER		2020	2019
Net central estimate	US$M	**15,797**	13,675
Risk margin	US$M	**1,537**	1,136
Net outstanding claims	US$M	**17,334**	14,811
PoA	%	**92.5**	90.0
Risk margins to central estimate	%	**9.7**	8.3

Borrowings

As at 31 December 2020, total borrowings were $2,955 million, down $140 million from $3,095 million at 31 December 2019.

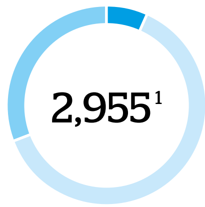
In July 2020, the Group reclassified $400 million of perpetual fixed rate capital notes out of borrowings into equity following a successful consent solicitation to amend the terms of the capital notes.

In August 2020, the Group issued A$500 million of subordinated notes to pre-fund the redemption of A$200 million of subordinated notes in September 2020 and $200 million of subordinated notes in March 2021.

Gross interest expense on long-term borrowings for the year was $185 million, down from $195 million in the prior year. The average annualised cash cost of borrowings at 31 December 2020 was 6.1%, down slightly from 6.3% as at 31 December 2019.

As at 31 December 2020, all but $169 million of the Group's borrowings continued to count towards regulatory capital.

Total borrowings (US$M)



Less than one year	200
One to five years	1,848
More than five years	907

Borrowings profile

Senior debt[2]	-
Subordinated debt	100%

1 Based on first call date.
2 Senior debt outstanding at 31 December 2020 is $6 million.

Identifiable intangibles and goodwill

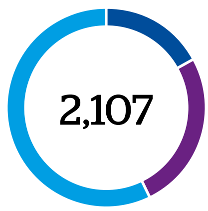
The carrying value of identifiable intangibles and goodwill at 31 December 2020 was $2,534 million, down from $2,791 million at 31 December 2019.

During the year, the carrying value of intangibles reduced by $257 million due to amortisation and impairment expense of $512 million, which more than offset a $188 million foreign exchange impact and net additions in the period, being mainly the capitalisation of software in relation to various information technology projects.

As at 31 December 2020, QBE recognised a North America goodwill impairment charge of $390 million reflecting a combination of factors including:

- lower investment return expectations that reflect market conditions, including lower long-term return assumptions and an updated strategic asset allocation that was determined as part of our annual planning process;
- an increase in the 10-year average Crop combined ratio that resulted from the deterioration in performance of the business in the second half of the year, principally due to the impact of the California wildfires; and
- an increase in North America's catastrophe allowance as a result of elevated catastrophe experience in the second half of the year.

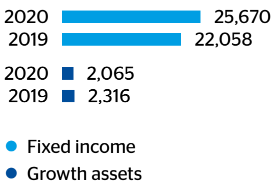
Goodwill (US$M)



North America	358
International	546
Australia Pacific	1,203

Investment performance and strategy

Funds under management (US$M)



Net investment income (US$M)

226

78% from 2019

Net investment return

0.9%

2019 4.4%

Fixed income Vs Growth assets

Fixed income	Growth assets
1.9%	**(4.8)%**
2019 3.7%	2019 11.8%

Having been heavily impacted by market volatility in March 2020, the investment portfolio subsequently experienced strong gains as substantial and coordinated monetary and fiscal policy stimuli helped bolster risk sentiment. The net investment return for 2020 was 0.9%, down materially from 4.4% in the prior year.

Our fixed income portfolio returned 1.9% compared with 3.7% in 2019, as sovereign bond yields fell to and remained anchored at historic lows. After initially widening substantially, credit spreads eventually retraced back toward or in some cases beyond their pre-COVID-19 levels.

Despite a challenging environment for corporate credit, our portfolio has remained resilient with no downgrades into high yield and a broadly lower incidence of downgrades relative to the wider market.

Growth assets returned a loss of 4.8% compared with income of 11.8% in 2019, largely reflecting the equity market sell-off in March 2020. Unlisted assets remained resilient over the course of 2020; unlisted property experienced only modest weakness, infrastructure assets just managed a positive return and private equity enjoyed strong gains as momentum gathered in the second half.

At 31 December 2020, total cash and investments was $27,735 million, up significantly from the prior year, reflecting strong operating cash flow coupled with depreciation of the US dollar against our other major currencies such as GBP, AUD and Euro.

The portfolio remains conservatively positioned with around 7% invested in growth assets, comprised of real estate, coupled with a small amount of gold and private equity.

With sovereign bond yields anchored near historical lows, we intend to broadly match the interest rate sensitivity of our fixed income assets with our net outstanding claims liabilities, implying an asset duration of, or modestly above, 2.2 years.

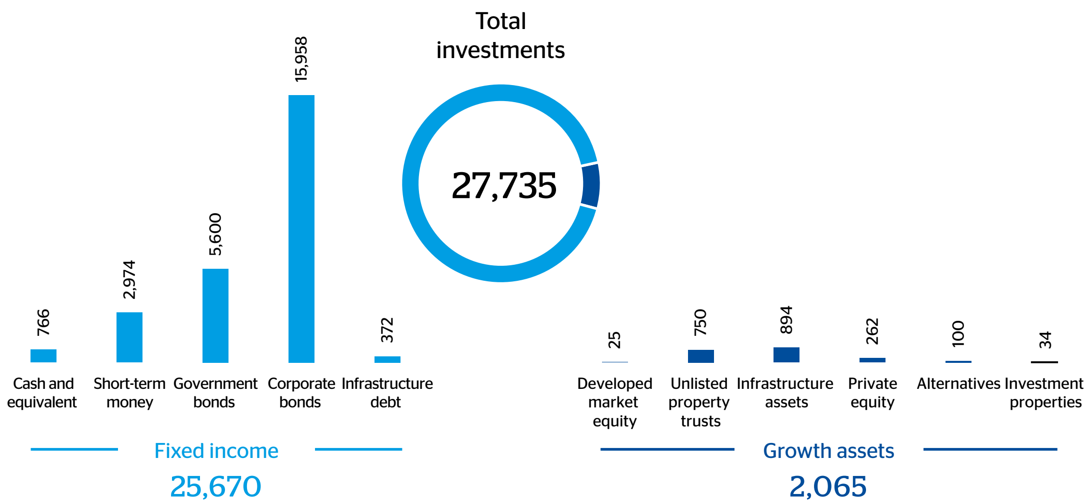
Interest bearing financial assets – S&P security grading

AS AT 31 DECEMBER	2020 %	2019 %
Rating		
AAA	**12**	13
AA	**38**	38
A	**36**	34
<A	**14**	15

Currency mix of investments

AS AT 31 DECEMBER	2020 %	2019 %
US dollar	**33**	34
Australian dollar	**27**	27
Sterling	**17**	17
Euro	**14**	12
Other	**9**	10

Total cash and investments (US$M)



1 Performance overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Other information

Closing remarks

While there remains significant lingering (COVID-19 related) global economic uncertainty, we have taken reasonable steps to de-risk the business and pricing conditions remain favourable. Given underlying business momentum, we are confident of delivering an improvement in our financial performance in 2021.

2021 focus

Maximise the market opportunity to achieve targeted growth and margin expansion.

Performance improvement in 2021

We have set clear operational and financial priorities for 2021 and are now focused on executing against the following ambitions:

- deliver our 2021 business plan built around maximising the market opportunity to achieve targeted growth and margin improvement;
- execute on profit improvement plans in North America, recognising that not enough progress has been made to establish a sustainable base of underwriting earnings;
- evolve and reinvigorate the cell review process with a greater focus on speed of execution, portfolio optimisation and enhancing risk-adjusted returns; and
- continue to improve operational efficiency through the next phase of our program which is centred around migrating our technology infrastructure to the cloud and investing in digitisation to simplify and improve our processes.

The current premium rate momentum is in excess of claims inflation and we expect this, coupled with the ongoing benefit of expense efficiencies, to translate into margin expansion in 2021.

Normalised for catastrophe costs and excluding COVID-19 and the increase in risk margins, the 2020 current accident year underlying combined operating ratio improved to 94.0% from 98.4%[1] in 2019. Adjusting for the increase in the Group's reinsurance costs and catastrophe allowance in 2021 but assuming a normal Crop result indicates an 'exit' combined operating ratio of ~95%. QBE expects margin expansion in 2021 from this base.

Inder Singh
Group Chief Financial Officer

1 Excludes one-off impact of the Ogden decision in the UK.

North America business review[1]

North America's result was severely impacted by COVID-19, a record Atlantic hurricane season and prior accident year claims development, most notably in run-off portfolios and to address systemic risks. Despite this, an encouraging underlying performance and the strong premium rate environment bode well for 2021.

Todd Jones • Chief Executive Officer • North America

Gross written premium (US$M)

4,775[2]

13% from 2019[3]

Net earned premium (US$M)

3,351[2]

5% from 2019[3]

Combined operating ratio[4]

112.7%[2]

2019 105.6%

Underwriting result[4] (US$M)

(425)[2]

216 from 2019

Insurance (loss) profit margin

(14.6)%[2]

2019 (3.7)%

2020 overview

Market conditions continued to improve in 2020, as the industry strives to achieve premium rate adequacy despite the challenges of COVID-19.

Pricing accelerated across most lines resulting in an average renewal rate increase of 10.2% compared with 5.7% in 2019, underpinned by 20% in professional and financial lines, 18% in aviation, 17% in property programs and 11% in A&H. Brilliant Basics continues to underpin a disciplined approach to selecting and pricing risk.

2020 included meaningful catastrophe claims as a result of the most active Atlantic hurricane season on record. Weather also impacted the Crop business, notably the California wildfires and related smoke taint to Napa Valley vineyards, as well as the Iowa derecho. Following heightened Crop hail claims in recent years, we purchased additional quota share reinsurance which minimised exposure to hail events.

Unless otherwise stated, the profit and loss commentary following refers to the result excluding the impacts of COVID-19.

Operating and financial performance

Underwriting performance

North America reported a combined operating ratio of 112.7%[4], up from 105.6%[4] in 2019.

The underwriting result was heavily impacted by prior accident year claims development which increased the combined operating ratio by 9.0% compared with 1.9% in the prior year.

The current accident year combined operating ratio was unchanged at 103.7%. An improved Crop result and a further reduction in the attritional claims ratio were offset by increased large individual risk and catastrophe claims, primarily due to record hurricane activity.

Crop recorded a combined operating ratio of 98%. Although well above the historical average due to the Iowa derecho and the impact of wildfires in the Napa Valley, it was a material improvement from 107.5% in the prior year which was impacted by a very high level of prevented planting claims.

Underwriting result

FOR THE YEAR ENDED 31 DECEMBER		2020	2020 EX-COVID	2019	2018	2017[5]
Gross written premium	US$M	**4,744**	**4,775**	4,361	4,450	4,287
Gross earned premium	US$M	**4,520**	**4,551**	4,375	4,348	4,347
Net earned premium	US$M	**3,320**	**3,351**	3,692	3,557	3,581
Net incurred claims	US$M	**2,974**	**2,917**	2,929	2,397	2,838
Net commission	US$M	**480**	**486**	536	535	559
Expenses	US$M	**482**	**469**	488	528	529
Underwriting result	US$M	**(616)**	**(521)**	(261)	97	(345)
Net claims ratio	%	**89.6**	**87.0**	79.3	67.4	79.2
Net commission ratio	%	**14.5**	**14.5**	14.5	15.1	15.6
Expense ratio	%	**14.5**	**14.0**	13.2	14.8	14.8
Combined operating ratio	%	**118.6**	**115.5**	107.0	97.3	109.6
Adjusted combined operating ratio[3]	%	**115.7**	**112.7**	105.6	98.1	109.9
Insurance (loss) profit margin	%	**(17.6)**	**(14.6)**	(3.7)	N/A	N/A

1 The 2019 and prior results of North America have been restated to reflect the transfer of North America's inward reinsurance business to QBE Re, part of International.
2 Excludes impact of COVID-19.
3 Excludes impact of 2019 disposals.
4 Excludes impact of changes in risk-free rates used to discount net outstanding claims.
5 Excludes transactions to reinsure liabilities.

Premium income

Strong premium growth was achieved through improved retention and new business in lines where we have market leading positions including Crop, A&H and property programs.

Gross written premium increased 9% to $4,775 million. Adjusting for the sale of the retail personal lines business in 2019, underlying growth was 13% reflecting premium rate increases, focused new business initiatives and improved retention, especially in retail commercial.

Specialty & Commercial grew 11% due to new business and premium rate-driven growth, principally in A&H and middle market commercial lines, as well as strong rate increases in aviation and professional lines. Growth in these areas more than offset the targeted run-off of E&S.

Crop gross written premium increased 14% due to growth in policy count, which more than offset lower commodity prices and reduced volatility factors.

Alternative Markets' gross written premium increased 13%. Premium growth in programs, particularly from rate and improved retention in property and specialty, was partly offset by premium contraction in the affiliated home insurance portfolio due to reduced new business levels.

Net earned premium fell 9% to $3,351 million from $3,692 million in 2019, primarily due to the sale of the retail personal lines business and the purchase of additional catastrophe and crop hail reinsurance. Adjusting for these items, underlying net earned premium growth was around 4%.

Claims expense

The attritional claims ratio (excluding Crop) improved by 2.4% to 46.3% from 48.7% in the prior year.

The net cost of large individual risk claims increased to 8.3% of net earned premium from 6.0% in 2019, largely due to increased severity in general aviation coupled with a strengthening of current accident year claims ratios on short-tail lines, notably in commercial property.

The net cost of catastrophe claims increased to 7.1% of net earned premium from 2.7% in 2019, primarily due to the record number of Atlantic hurricanes.

The result included adverse prior accident year claims development of $305 million or 9.0% of net earned premium compared with $71 million or 1.9% in 2019.

Prior accident year claims development included $71 million pertaining to the E&S run-off portfolio, $60 million in aviation, primarily driven by a single large claim, and $33 million on Hurricane Irma, consistent with industry experience.

The result also included a second half reserve strengthening of around $100 million. This strengthening was largely to address a combination of systemic risk factors, notably social inflation and the potential for higher severity loss trends in casualty lines, including general liability, umbrella and professional lines, rather than in response to specific underlying development observed during 2020.

Commission and expenses

The net commission ratio was unchanged at 14.5%. Growth in the relatively high commission paying program business was offset by additional commission income following increased Crop hail quota share reinsurance.

Although cost reduction initiatives drove a 4% reduction in underwriting expenses, the expense ratio increased to 14.0% from 13.2% in 2019, reflecting the reduction in net earned premium due to de-risking (reinsurance) initiatives and the sale of retail personal lines.

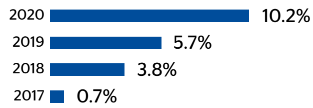
COVID-19 impact

The 2020 ex-COVID-19 result in the table on the preceding page excludes impacts directly attributable to the COVID-19 pandemic. These impacts include: an estimated $31 million wage audit related workers' compensation premium refund, partly offset by reduced exposure and lower commissions; $57 million of claims, primarily impacting workers' compensation, aviation and trade credit; and a $13 million expense impact, primarily reflecting anticipated bad debts.

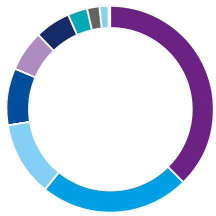
Average renewal premium rate increase

10.2%

4.5% from 2019



Gross written premium by class of business



	2020 %
Agriculture	37.7
Commercial & domestic property	23.3
Professional indemnity	11.5
Accident & health	9.1
Workers' compensation	6.2
Public/product liability	5.8
Marine, energy & aviation	2.8
Motor & motor casualty	2.2
Financial & credit	1.3
Other	0.1

Combined commission and expense ratio

28.5%

0.8% from 2019

International business review[1]

A relentless focus on disciplined underwriting and technical pricing led to a significant improvement in International's performance. The business fully leveraged the improved trading environment to record a materially improved combined operating ratio of 91.3%[2,3].

Jason Harris • Chief Executive Officer • International

Gross written premium (US$M)

5,856[3]

12% from 2019[4]

Net earned premium (US$M)

4,812[3]

10% from 2019[4]

Underwriting result[2] (US$M)

419[3]

280 from 2019[5]

Combined operating ratio[2]

91.3%[3]

2019 96.8%[5]

Insurance profit margin

5.5%[3]

2019 7.9%[5]

2020 overview

Market conditions improved across all lines as premium rates gravitated towards technically adequate levels. Pricing momentum accelerated across the year and has continued into the important January 2021 renewal period.

Following relatively benign experience in 2019, catastrophe claims increased significantly in 2020, with our international energy and reinsurance businesses particularly impacted by the record Atlantic hurricane season.

Following a surprising ruling in the FCA's business interruption test case that departed from previously well-established case law, the Group established significant claims provisions and remains committed to supporting customers and settling valid claims as soon as possible.

Unless otherwise stated, the commentary following refers to the result excluding the impacts of COVID-19.

Operating and financial performance

Underwriting performance

International reported a combined operating ratio of 91.3%[2] compared with 96.8%[2,5] in 2019.

Significant premium rate increases and an improved attritional claims ratio were partly offset by adverse prior accident year claims development and increased catastrophe claims.

The current accident year combined operating ratio was 89.6%, a significant improvement compared with 95.4%[5] in the prior year.

The combined operating ratio of the European insurance business improved to 88.6%[2] from 95.5%[2,5] in 2019, while QBE Re's combined operating ratio improved 1.0% to 96.4%[2].

Asia recorded a combined operating ratio of 100.8%[2] compared with 101.5%[2] in 2019. An improved attritional claims ratio was partly offset by the impact of lower premium on the expense ratio and a modest amount of prior accident year claims development.

Underwriting result

FOR THE YEAR ENDED 31 DECEMBER		2020	2020 EX-COVID	2019[5]	2018[6]	2017[5]
Gross written premium	US$M	**5,845**	**5,856**	5,200	5,137	4,940
Gross earned premium	US$M	**5,531**	**5,542**	5,010	5,153	4,933
Net earned premium	US$M	**4,766**	**4,812**	4,339	4,463	4,213
Net incurred claims	US$M	**3,229**	**3,106**	2,918	2,811	2,826
Net commission	US$M	**874**	**877**	752	840	801
Expenses	US$M	**648**	**655**	652	657	674
Underwriting result	US$M	**15**	**174**	17	155	(88)
Net claims ratio	%	**67.8**	**64.5**	67.3	63.1	67.1
Net commission ratio	%	**18.3**	**18.3**	17.3	18.8	19.0
Expense ratio	%	**13.6**	**13.6**	15.0	14.7	16.0
Combined operating ratio	%	**99.7**	**96.4**	99.6	96.6	102.1
Adjusted combined operating ratio[2]	%	**94.5**	**91.3**	96.8	96.7	103.5
Insurance profit margin	%	**2.2**	**5.5**	7.9	N/A	N/A

1 The 2019 and prior results of International have been restated to reflect the transfer of North America's inward reinsurance business to QBE Re, part of International.
2 Excludes impact of changes in risk-free rates used to discount net outstanding claims.
3 Excludes impact of COVID-19.
4 Constant currency basis and excludes impact of 2019 disposals.
5 Excludes one-off impact of the Ogden decision in the UK.
6 Excludes transaction to reinsure Hong Kong construction workers' compensation liabilities.

Premium income

Gross written premium increased 12%[1] to $5,856 million, primarily reflecting the strengthening premium rate environment across the London Market and European insurance businesses.

International achieved an average renewal premium rate increase of 12.8% compared with 6.0% in the prior year. This included a 19.2% increase in International Markets and 14.4% in the UK regional business, up from 9.8% and 7.1% respectively in 2019, with especially strong increases in classes affected by inflation such as financial lines and international liability, as well as catastrophe exposed lines.

Significant premium growth has allowed the business to reduce our exposure to portfolios such as financial lines where further price correction is warranted.

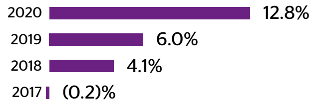
In reinsurance markets where the premium rating environment remains subdued, notably motor and Europe, the priority remains margin protection. Conversely, in major hubs where pricing is supportive of margin expansion such as New York, London and Bermuda, we have grown our portfolio.

While we continue to build out our Asian capabilities, growth in the region was subdued as we maintain our commitment to sustainable underwriting. The rating environment in the region is improving, though it has not yet corrected to the extent of other markets. Renewal premium rate increases averaged 7.0% compared with 3.5% in the prior year.

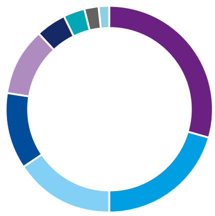
Average renewal premium rate increase

12.8%

6.8% from 2019



Gross written premium by class of business (US$M)



	2020 %
Commercial & domestic property	29.7
Public/product liability	20.3
Marine, energy & aviation	15.8
Motor & motor casualty	11.7
Professional indemnity	10.8
Workers' compensation	4.7
Accident & health	3.3
Financial & credit	2.1
Other	1.6

Claims expense

The net claims ratio improved to 59.4%[2] from 64.5%[2,3] in 2019. Improvements in the attritional and large individual risk claims ratios were partly offset by adverse prior accident year claims development and an increase in catastrophe claims, albeit from especially benign experience in 2019.

The attritional claims ratio improved 4.0% to 40.2%, reflecting targeted underwriting actions and the strong rate environment.

Large individual risk claims improved to $527 million or 10.9% of net earned premium from 13.9% in 2019, reflecting improved market conditions, our focus on underwriting discipline and ongoing portfolio de-risking.

Net catastrophe costs increased to $206 million or 4.3% of net earned premium compared with 3.1% in the prior year, reflecting a record Atlantic hurricane season and the Iowa derecho.

The result included adverse prior accident year claims development of $80 million or 1.7% of net earned premium compared with $54[3] million or 1.3%[3] of adverse development in 2019. This included adverse development on transferred North America reinsurance treaties, 2019 typhoon reinsurance claims and the strengthening of provisions for European financial lines in recognition of higher than anticipated claims inflation.

Commission and expenses

The net commission ratio increased to 18.3% from 17.3% in 2019, reflecting strong premium rate driven growth in high commission paying London Market Specialty business.

The expense ratio improved to 13.6% from 15.0% in 2019, reflecting operating leverage coupled with disciplined cost management which limited the increase in underwriting expenses to $3 million.

Combined commission and expense ratio

31.9%

0.4% from 2019

COVID-19 impact

The 2020 ex-COVID-19 result in the table on the preceding page excludes impacts directly attributable to the COVID-19 pandemic. These impacts include: a $46 million reduction in net earned premium, reflecting premium rebates to commercial motor customers, additional reinsurance reinstatement premiums and Hong Kong travel; and $123 million of additional claims net of the benefit of reduced claims frequency in some classes of business during lockdown periods across Europe.

1 Constant currency basis and excludes impact of 2019 disposals.
2 Excludes impact of changes in risk-free rates used to discount net outstanding claims.
3 Excludes one-off impact of the Ogden decision in the UK.
4 Excludes transaction to reinsure Hong Kong construction workers' compensation liabilities.

Australia Pacific business review

Australia Pacific recorded a strong combined operating ratio of 92.8%[1,2] despite the impacts of significantly elevated catastrophe activity in Australia. Industry-wide pricing momentum coupled with benefits from our cell review and Brilliant Basics programs led to a further 1.7%[2,3] improvement in our attritional claims ratio.

Frank Costigan • Interim Managing Director • Australia

Gross written premium (US$M)

4,079

6% from 2019[4]

Net earned premium (US$M)

3,626[2]

3% from 2019[4]

Underwriting result[1] (US$M)

260[2]

98 from 2019

Combined operating ratio[1]

92.8%[2]

2019 90.0%

Insurance profit margin

6.9%[2]

2019 13.6%

2020 overview

The year began with extreme bushfires across much of eastern Australia followed by higher than normal levels of storm activity. As the first quarter drew to a close, COVID-19 took hold and became the pervasive issue of 2020.

COVID-19 significantly impacted our customers, communities and financial results. For the insurance industry, pandemic discussions focused on business interruption policy wording. The industry view is clear: pandemic exclusions apply to infectious disease and prevention of access wordings, and the Insurance Council of Australia (ICA) test case was undertaken to clarify the issue. While the court ruled against the ICA, the industry has now sought leave to appeal the decision. Due to the complex and wide-ranging nature of the issue, COVID-19 related business interruption claims will likely take time to be fully resolved.

Unless otherwise stated, the commentary following refers to the result excluding the impacts of COVID-19.

Operating and financial performance

Underwriting performance

Australia Pacific reported a combined operating ratio of 92.8%[1] compared with 90.0%[1] in 2019.

The underwriting result was impacted by increased catastrophe costs in Australia, coupled with a reduced level of positive prior accident year claims development partly offset by a further improvement in both the attritional and large individual risk claims ratios.

The combined operating ratio of our LMI business increased to 62.3%[1] from 58.3%[1] in 2019. While underlying arrears are broadly stable, more cautious economic assumptions have been incorporated into reserving assumptions through additional risk margin.

The LMI result also included a $60 million provision for COVID-19 which allows for peak unemployment of 8% and average house price declines of 5%.

Underwriting result

FOR THE YEAR ENDED 31 DECEMBER		2020	2020 EX-COVID	2019	2018	2017
Gross written premium	US$M	**4,079**	**4,079**	3,920	4,104	4,139
Gross earned premium	US$M	**3,985**	**3,985**	3,885	4,103	4,252
Net earned premium	US$M	**3,625**	**3,626**	3,568	3,758	3,895
Net incurred claims	US$M	**2,479**	**2,316**	2,223	2,310	2,444
Net commission	US$M	**534**	**534**	526	561	548
Expenses	US$M	**572**	**555**	519	542	532
Underwriting result	US$M	**40**	**221**	300	345	371
Net claims ratio	%	**68.4**	**63.9**	62.3	61.5	62.7
Net commission ratio	%	**14.7**	**14.7**	14.8	14.9	14.1
Expense ratio	%	**15.8**	**15.3**	14.5	14.4	13.7
Combined operating ratio	%	**98.9**	**93.9**	91.6	90.8	90.5
Adjusted combined operating ratio[1]	%	**97.8**	**92.8**	90.0	90.3	90.5
Insurance profit margin	%	**2.0**	**6.9**	13.6	13.3	13.8

1 Excludes impact of changes in risk-free rates used to discount net outstanding claims.
2 Excludes impact of COVID-19.
3 Excludes LMI.
4 Constant currency basis and excludes impact of 2019 disposals.

Premium income

Gross written premium increased 6%[1] to $4,079 million. This was despite a moderation in pricing and a deterioration in economic conditions, which led to reduced income on lines of business where premiums adjust to turnover and/or payroll.

Renewal premium rate increases averaged 5.4%[2], down from 7.3%[2] in 2019, due to the temporary suspension of premium rate increases to certain small to medium-sized and personal lines customers in response to COVID-19. Premium rate increases recovered to 6.4%[2] in the final quarter of the year as COVID-19 relief initiatives ceased.

Improved retention, coupled with growth in strata, LMI, home and New Zealand, was offset by a reduction in workers' compensation and CTP, the sale of the travel insurance business and the impact of the economic slowdown on our Pacific Islands business.

In 2020, we launched new home and motor products and re-built our digital front end. Results have surpassed expectations with digital motor and home sales up more than 50% and (nearly) 100% respectively.

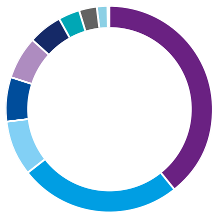
Net earned premium increased marginally to $3,626 million, up 3% on a constant currency basis and excluding disposals.

Average renewal premium rate increase[2]

5.4%

1.9% from 2019

Gross written premium by class of business



	2020 %
Commercial & domestic property	39.4
Motor & motor casualty	25.1
Public/product liability	8.8
Financial & credit	6.8
Agriculture	6.6
Workers' compensation	5.5
Marine, energy & aviation	3.3
Professional indemnity	2.6
Accident & health	1.8
Other	0.1

Claims expense

The net claims ratio increased to 62.8%[3] from 60.7%[3] in 2019. A further reduction in the attritional claims ratio was more than offset by an increase in catastrophe claims and a reduced level of positive prior accident year claims development.

The attritional claims ratio improved a further 1.7% to 49.4%[4] as a result of ongoing and targeted pricing increases, coupled with enhanced risk selection and claims management initiatives.

The large individual risk claims ratio improved marginally to 3.5% of net earned premium from 3.7% in 2019, as risk selection and claims management enhancements offset unusual claims severity in CTP.

Net catastrophe costs increased $49 million to 6.7% of net earned premium from 5.4% in 2019, reflecting bushfire, storm and cyclone activity in Australia and flooding in New Zealand.

The underwriting result included $18 million of positive prior accident year claims development or 0.5% of net earned premium compared with $104 million or 2.9% in the prior year. Favourable development, primarily in NSW CTP, commercial property and workers' compensation, was largely offset by modest strengthening in liability lines and minor adverse development in short-tail classes and New Zealand.

Commission and expenses

The net commission ratio reduced slightly to 14.7% from 14.8% in 2019. Growth in strata, which attracts a relatively high commission ratio, was more than offset by lower profit commissions payable as a result of reduced profitability due to higher catastrophe activity.

The expense ratio increased to 15.3% from 14.5% in the prior year. A reduction in staff, project, marketing and travel and entertainment costs was more than offset by higher risk and regulatory costs and a strong performance in NSW CTP, which gave rise to a $61 million profit normalisation charge (transitional excess profits and losses or TEPL).

Combined commission and expense ratio

30.0%

0.7% from 2019

COVID-19 impact

The 2020 ex-COVID-19 result in the table on the preceding page excludes impacts directly attributable to the COVID-19 pandemic. These impacts include $163 million of net claims spanning business interruption, LMI, trade credit and other classes, partly offset by a $70 million benefit due to a reduction in claims costs across motor, workers' compensation, aviation and commercial packages. Expenses of $17 million included gift cards which were provided to customers due to reduced motor claims frequency during lockdown.

1 Constant currency basis and excludes impact of 2019 disposals.
2 Excludes premium rate changes relating to CTP.
3 Excludes impact of changes in risk-free rates used to discount net outstanding claims.
4 Excludes LMI.

Climate change – our approach to risks and opportunities

In fulfilling our role to financially protect people and assets, we recognise the material risk climate change poses to our business and are committed to embedding climate-related risks and opportunities in our decision making.

We continue to support the objectives of the Paris Agreement and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. This report details our approach to managing climate-related risks and opportunities, including our progress and performance against our Climate Change Action Plan. We will continue to enhance our disclosures in line with the TCFD recommendations over time.

Throughout 2020, we have expanded our analysis across physical, transition and liability risks and opportunities to understand where we could have material exposure and have started to develop appropriate responses. We have also used the analysis to highlight the drivers of the key risks we face.

Governance

Our climate governance framework clearly defines the roles and responsibilities for effective oversight and management of climate-related risks and opportunities at the Board and senior management levels.

The Board Risk & Capital Committee and the Executive Non-Financial Risk Committee received quarterly reports on environment, social and governance (ESG) issues, including climate change. We have three working groups under the Climate Change Steering Committee to focus our work in the key areas of physical, transition and liability risk. These cross functional groups comprise representatives from our underwriting, finance, investment, risk, sustainability, strategy, reinsurance and product development teams.

Climate change and remuneration

A component of our Group Executive Committee's incentive outcome is determined with reference to the achievement against QBE's strategic priorities. Priorities are set each year and, in 2020, 35% of the incentive outcome for all members of the Group Executive Committee is determined with reference to performance against these.

Delivery of key sustainability and climate commitments forms part of QBE's strategic priorities and directly impacts remuneration outcomes.

QBE's Head of ESG Risk is responsible for identifying and integrating climate-related risks into our risk framework, while QBE's Head of Environment is responsible for developing and implementing the strategy to address the environmental impacts of our operations. Incentives for both of these roles are significantly impacted by the achievement of relevant performance objectives.

Climate governance framework

Board

Risk & Capital
Climate-related risk management

Audit
Climate-related financial reporting

Investment
Climate-related investment risks and opportunities

Operations & Technology
Climate-related operational risks and opportunities

Group Executive Committee

Accountable for implementation of climate change strategy
Receive and review progress reports

Group Chief Risk Officer
Accountable for embedding climate-related risk into the Group's risk management framework

Group Chief Financial Officer
Accountable for reviewing climate-related disclosures including TCFD

Group Chief Underwriting Officer
Accountable for embedding climate-related risks and opportunities within underwriting decisions

Group Executive, Corporate Affairs and Sustainability
Accountable for embedding climate strategy into Company brand, narrative and engagement

Executive Non-Financial Risk Committee
Accountable for overseeing the integration of ESG risk into business processes

Head of ESG Risk
Integration of climate-related risks and opportunities into risk framework

Group Chief Investment Officer
Integration of climate-related risks and opportunities into investment strategy

Group Head of Sustainability
Alignment of climate-related strategy with overall sustainability strategy
External reporting and stakeholder engagement

Head of Environment
Implementation of the strategy to minimise the climate-related impact of our business operations

ESG Risk Committee
Reviews ESG business policies and strategies, including climate-related policy positions, and provides recommendations to the Executive Non-Financial Risk Committee for approval

Climate Change Steering Committee
Oversees the identification and management of climate-related risks and opportunities, reporting and working group activities

Strategy

Climate change is a material financial risk in and of itself, and it can also act as a risk multiplier. For example, prolonged droughts combined with stronger winds are making bushfires in Australia and wildfires in California, and elsewhere, more intense. Coastal windstorms, together with increasing sea levels, may multiply the scale and intensity of damage within a coastal region. Equally, the past may no longer be a good guide to the future; risk models based on historic experience need to be adjusted to allow for the impact of climate change over time.

This represents a challenge where we provide cover for physical loss or damage to assets. It also increases the potential for third party injury and/or damage. Given this, we have spent considerable time over the past two years analysing what the potential impacts of climate change may be from a physical, liability and transition risk perspective and using this analysis to assess the resilience of our strategic responses, improve our underwriting, pricing and business planning, and to set our risk appetite.

Going forward, we will focus our climate-related activities in the following areas:

- building resilience for our customers and communities;
- investing towards a net-zero economy;
- strategically integrating climate change risks and opportunities;
- aligning our business operations and people to reduce our footprint and support climate action; and
- being transparent about our governance and performance.

Physical analysis

QBE helps customers protect insured assets against threats caused by extreme weather. Consequently, QBE is exposed to risks associated with extreme weather events including the risk of increasing frequency and severity of weather events as the climate continues to change.

The physical impact of climate change is a material risk for QBE. Over the long term, we anticipate that the increased frequency and/or severity of extreme weather events, even under scenarios consistent with the achievement of the Paris Agreement, has the potential to result in increased damage to our customers' assets and increased claims costs. If these scenarios do eventuate and cause an increase in claims cost, it is likely that insurance premiums may also increase, especially for customers in higher risk areas.

Extreme weather risk has a quantifiable impact on QBE's financial performance each year. QBE's incurred net claims for all catastrophe events, including weather-related events, were $688 million, $426 million and $523 million in 2020, 2019 and 2018 respectively.

QBE management devotes significant resources to assessing and managing the extreme weather risk we assume while protecting customers' assets. We use sophisticated computer simulations to quantify potential natural catastrophe claims, factoring in the current climate and weather (inclusive of the change in climate we have experienced since the start of the industrial revolution).

Claims experience and catastrophe modelling allow us to better understand the risks we are facing and to accurately price each property we insure. A significant portion of our extreme weather risk stems from perils including cyclones, convective storms, hail, windstorm and floods. While our customers have assets spread across the world, Australia, the United States and Western Europe account for the majority of our weather risk.

To better understand how our extreme weather risk may evolve as the climate continues to change over the next 30+ years, we have partnered with catastrophe modelling vendors Risk Management Solutions, Inc. and AIR Worldwide, and with Aon to enhance our catastrophe models.

Our methodology

With the help of our partners, we analysed the scientific literature related to the potential impact of climate change on specific perils and regions.

For Australia, we have used scenarios developed by Australia's leading climate scientists at CSIRO and the Bureau of Meteorology through the Climate Measurement Standard Initiative (CMSI).

Further information on CMSI can be found in Partnerships and Initiatives on page 35.

We have concentrated our analysis on the perils and regions representing over 80% of QBE's extreme weather exposure as measured by annual average losses.

The perils and regions we have analysed are:

- cyclone – Australia, North America
- convective storm/hail – Australia, North America
- windstorm – Europe
- flood – Australia, Europe.

Our analysis has considered risks at 2030, 2050 and 2090.

Our analysis considered two potential scenarios of a temperature increase by 2100 relative to pre-industrial times of:

- less than 2°C, low emissions consistent with Representative Concentration Pathway (RCP) 2.6
- greater than 2°C (3.2°C to 5.4°C), high emissions consistent with RCP 8.5

QBE is committed to supporting the objectives of the Paris Agreement; however, we recognise that the greater risk for our business is under a high emissions scenario and we want to understand the potential impacts of this pathway.

We recalibrated our catastrophe models to reflect the potential change indicated by scientific literature in order to estimate annual average losses under each scenario. These scenarios do not represent forecasts of the impact of climate change, and instead are indicative of the potential outcomes assuming the scenario occurs. Our analysis assumes no changes to our portfolio of risks over time, no change in vulnerability of assets through improvements in resilience and no changes in cover provided.

What did we find?

The impact of climate change will differ across specific perils/regions

Our analysis showed that the impact of climate change will differ significantly across the catastrophe perils and the regions we studied. From the perils/regions studied so far, flood claims in Europe potentially could be the most impacted, while cyclones and convective storms may take a little longer (mid-century) before the impact of climate change becomes more significant.

Helping American farmers

In 2020, working with the Federal Crop Insurance Corporation, we launched the first ever Enhanced Coverage Option (ECO) for crop insurance, to help American farmers with crop damage or poor farming conditions as a result of extreme weather conditions. The ECO is an area-based coverage which can reduce a farmer's loss retention from 15% to 5% or 10% of expected crop value. The ECO is expected to be available on over 30 crops beginning in 2021, with more to follow in 2022 and beyond.

There is a significant level of uncertainty regarding the localised impact of climate change

We found during our review of scientific literature that most of the climate change research and modelling are of a global nature and subject to significant uncertainty associated with: whether or not concerted global efforts are taken to achieve the scenario; the range of possible temperature outcomes under each scenario; the behaviour of perils in each region under each scenario; the year-on-year natural variability of each peril; and the estimation of claims costs under each scenario given the inherent approximation of each model. Further, there is additional uncertainty in resolving the impact of perils at a local address level for underwriting and pricing risks. To understand the impact on our claims cost, we need to understand the local impact of climate change on specific perils. Given those limitations, predictions of the local impact of climate change is subject to much more uncertainty than predictions of the global impact.

The greenhouse gas concentration pathway will impact future catastrophe claims

Higher greenhouse gas emissions will result in significant increases in annual average losses expected in 2050 and 2090, with less impact on costs in 2030.

In the short term, the overall impact of climate change may be difficult to discern from the normal volatility of catastrophe events

Our analysis generally indicates that changes in claims related to climate change over the next 10 years will be less than the expected annual variability in natural catastrophe losses. There are minimal impacts to most of the perils and regions we studied, through to 2030, with the exception of flood in Europe and Australia which could potentially see up to a 25% increase in annual average losses under a high emissions scenario.

Factors such as distance between our accumulations of insured properties and the locations of severe weather events, and the wide variation of intensity and footprints of such events, result in a large range of potential catastrophe claims even under stable climate assumptions. This will make assessing the impact of climate from observing claims information more difficult. It is likely to take 10 to 30 years before our actual claims experience confirms our climate change analysis. This lag gives us time to adapt our products and services, but also makes it very important to continue to refine our analysis to better anticipate future fluctuations of claims.

In the medium term, greater divergence starts to show between the high and low emissions scenarios across all perils and regions

By 2050, the impact of climate change under a high emissions scenario starts to rise more noticeably across all perils/regions. Flood continues to be the biggest driver of claims, followed by cyclone in North America.

In the long term, there is potential for climate change to impact certain perils/regions very significantly

Due to climate change, some of our product offerings may have to be adjusted to continue to be commercially viable while still meeting the evolving needs of our customers. Our analysis illustrated the potential for large increases in claims in specific perils and regions by 2090. The impact under a low emissions scenario is not much greater in 2090 than in 2030. However, under a high emissions scenario the impact is considerable with the most affected perils/regions being flood in Europe and Australia, and cyclone in North America.

Importantly, we will continue to monitor the evolving scientific literature to maintain the best possible understanding of the potential impact of climate change on our products and our customers and to use this information to evolve our product offerings to better serve our customers, our shareholders, and the communities in which we operate.

How are we responding?

Following the conclusion of the analysis, we integrated the results into our catastrophe accumulation management process to enable us to consider the impact of climate change on other areas related to catastrophe risk.

In the short term, QBE will manage natural catastrophe claim volatility by considering a wide range of event frequency and severity scenarios in our capital planning, and by purchasing a comprehensive Group catastrophe reinsurance program.

Over the longer term, we will continue to engage with external stakeholders, including governments, to encourage adaptation including the adoption of resilience measures against weather-related events.

In 2021, we intend exploring bushfire scenario analysis, particularly for Australia and the United States. We will further utilise the scenario analysis results in our strategic business planning and portfolio monitoring.

Supporting the transition to a low carbon economy

Renewable energy underwriting

QBE has a longstanding role in the energy business, insuring customers that support global energy markets from a diverse number of sources. In 2020, we are proud to have supported the insurance of the Dogger Bank Project, a joint-venture project by two of our customers, Equinor and SSE. Dogger Bank wind farm is an offshore wind farm being developed in three phases and is located off the north east coast of England. Collectively, it will become the world's largest offshore wind farm and will have an installed capacity of up to 3.6GW and will be capable of powering up to 4.5 million homes. Overall, in 2020, we have increased gross written premium from renewable energy by around 50% to $33 million.

Investing in Australia's first climate, equity-linked green bond

QBE collaborated with BNP Paribas, the Clean Energy Finance Corporation and Aware Super to invest in Australia's first climate equity-linked bond. The eight-year BNP Equity-Linked Green Bond has a fixed coupon component and a variable component to the return. The variable portion is linked to a forward-looking climate index called the Australian Climate Transition Index, meaning that QBE is aligning capital and returns towards companies expected to perform better in the transition to a low carbon economy.

Premiums4Good

In 2020, QBE extended the ambition to grow impact investments to $2 billion by 2025. Premiums4Good has grown to 68 securities and $1.1 billion in portfolio value as at 31 December 2020. Consistent with our commitment to positive opportunities in relation to climate risk, more than $641 million is invested in environmental impact areas.

Transition analysis

Scenario analysis

During 2020, we have undertaken scenario analysis to understand the impact of the transition to a low carbon economy on our business. We worked with Planetrics, a Vivid Economics company, to understand sectoral trends to 2030 and 2050, which we can use to inform our strategic positioning over the coming years. The analysis is based on the Network for Greening the Financial System Orderly and Disorderly scenarios (REMIND model) and the Inevitable Policy Response Forecast Policy Scenario. All three scenarios are consistent with keeping the increase in global temperatures to below 2°C. The scenarios are expressed relative to a baseline of current policies (3–4°C).

The sectors most impacted by 2030 and 2050 by the transition to a low carbon economy include fossil fuel production and transport. As the economy decarbonises, demand for oil and gas, and internal combustion engine vehicles declines, and transport service providers face rising carbon costs on their emissions. The utilities sector experiences a high variation in impact, with low carbon utilities benefiting from rising demand for low carbon electricity and high carbon utilities facing rising carbon costs. Within the transport sector, air transportation is most affected, with passenger road and rail transportation least affected due to the relative availability of low cost electric alternatives.

Significant growth is expected in demand for green products and inputs such as electric vehicles, copper, battery materials and renewable energy equipment.

For each scenario, we have focused on the impact (by profit) on the most material sectors for our underwriting and investment portfolios. The results show that transition risk is low for the majority of our business. Our exposure to high transition risk sectors is low. For some of the more affected sectors, we have started to respond through progressing our policy positions, engaging with our customers and undertaking due diligence.

Underwriting

The top three sectors that our underwriting business is exposed to (by gross written premium) are construction, real estate and professional services. Across all three scenarios, by 2030, the impact of the climate transition to these sectors is expected to be modest (up to -1%), although individual corporates in these sectors could be more materially affected on both the upside and downside.

Investment

The top three sectors we are exposed to (by investment value) through our corporate credit portfolio are financial services, health and pharmaceuticals, and communications. Across all three scenarios, by 2030, the impact of the climate transition to these sectors is expected to be modest.

Paris Agreement Capital Transition Assessment

In 2020, we again completed transition analysis for our corporate credit portfolio at both the divisional and Group level using the Paris Agreement Capital Transition Assessment (PACTA) tool.

We used the Sustainable Development Scenario, which is an economic transition scenario consistent with limiting global warming to 2°C above pre-industrial levels. The PACTA tool analysis focuses on the fossil fuel, power and automotive sectors. Currently, less than 3% of the Group's corporate credit portfolio is exposed to activities across these three sectors and this includes exposure to both high carbon (e.g. fossil fuels) and low carbon (e.g. renewables, electric vehicles) activities. We currently have no exposure to fossil fuel production.

Transition stress test

In 2020, as part of an independent review of the strategic asset allocation of our investment portfolio, we undertook a climate transition stress test. Two scenarios were considered – one consistent with a 2°C pathway and one consistent with a 4°C pathway. The results found that the investment portfolio, over a five year timeframe, is likely to perform slightly better (less than 1%) under a 2°C pathway, and likely to experience minor negative returns (less than 1%) under a 4°C pathway, relative to the baseline. Overall, the portfolio is well positioned for climate transition.

Investment management

QBE manages a multi-asset, multi-currency investment portfolio. Our fixed income portfolio, of which the majority is corporate credit, represents 93% of our total investment assets at 31 December 2020 and is mostly managed directly using in-house portfolio managers and analysts. Growth assets comprise the remaining 7% of our investment assets, and we mostly use external investment managers and passive index vehicles to access a variety of asset classes.

Carbon footprint of corporate credit portfolio

Carbon footprinting reflects our exposure to carbon intensive issuers. As at 31 December 2020, the weighted average carbon intensity of the corporate credit portfolio was 18 tCO_2-e/$M sales. This is considered to be in MSCI's low carbon risk category and our intent is to maintain a low level. The MSCI World Index is shown below as a relative comparison to the QBE corporate credit portfolio.

18 tCO_2-e/$M sales
QBE corporate credit portfolio
as at 31 December 2020

162 tCO_2-e/$M sales
MSCI World Index
as at 30 April 2020

Unlisted property funds – physical risk exposure

Over the past year, we leveraged our catastrophe models to analyse the exposure of our investments in unlisted property funds to physical climate risks. Our initial analysis considered our top 157 properties across the funds (by property value) located in the United States, Europe and Australia, as these are the regions for which we have future climate scenario analysis embedded in our models. The findings showed that there are no significant aggregations of properties in the portfolio, which reduces the likelihood of large catastrophe claims. Over the next 10 years, climate change is not expected to meaningfully influence the value of the properties assessed. By 2050, exposure to windstorm, severe convective storm and flood perils is expected to increase more noticeably (for all RCP scenarios).

QBE investment portfolio commits to net zero emissions by 2050

In 2020, we committed to achieving net zero emissions by 2050 in our investment portfolio and became the first Australian-headquartered insurance business to join the UN-convened Net-Zero Asset Owner Alliance. Joining the Alliance means QBE will take into account the best available scientific knowledge and collaborate with other global institutional investors on developing standard industry frameworks.

Over the coming years, we will explore strategies and approaches to align our investment portfolio with the objective of the Paris Agreement to be net zero emissions by 2050, including setting and communicating our interim targets.

Liability analysis

In 2020, we undertook a detailed analysis of climate change litigation including considering climate liability risk from two different perspectives: we analysed US-based climate-related litigation cases to better understand our potential exposure, and we commenced analysis of specific liability scenarios in relation to our liabilities.

We completed a detailed analysis of all climate-related litigation cases in the United States (from 1986 to 2020), with a particular focus on industry, defendant, jurisdiction and damages sought. Based on these criteria, the analysis helped to identify our potential exposure, how our policies may respond and how we might mitigate this exposure to prospective future litigation. In 2021, we plan to complete analysis for non-US litigation and we will continue to monitor new cases and types of coverage we offer.

The litigation landscape continues to evolve as plaintiffs find new and innovative ways to bring climate-related litigation cases to the courts. This analysis will therefore be an ongoing consideration, with interpretation varying by policy wordings in place.

During 2020, we also engaged an external modelling consultant, Arium, which has developed a casualty analytics platform. This platform contains a large database of casualty scenarios which is being used to specify scenarios to quantify our exposures to remote yet plausible climate scenarios. To support this analysis, QBE has grouped liability exposures, for example by industry sector and by product, and a working group has been formed to identify and develop these scenarios for testing to increase our understanding of liability-related climate risks.

Risk management

Climate-related risk is a type of strategic risk which we identify, assess and manage using our enterprise risk management framework and ESG business practices. Climate-related risk is also implicitly considered within the insurance, credit, market, liquidity and operational risk classes.

For further detail on how sustainability, including climate change, is integrated into risk management, refer to the Sustainable Insurance section of QBE's 2020 Sustainability Report at www.qbe.com/sustainability.

Environmental and social risk framework

In 2020, we developed an environmental and social (E&S) risk framework to help us identify and mitigate risks to our underwriting and investment portfolios. The following issues and sectors are included in the E&S risk framework:

- biodiversity and protected areas
- forestry
- fishing
- defence
  - controversial weapons
  - firearms
- energy
  - coal
  - oil sands and Arctic drilling
  - oil and gas
- mining; and
- large-scale hydropower dams.

The E&S risk framework, which will be fully implemented by 1 January 2022, was developed to promote informed decision making that is consistent with our commitment to sustainable insurance and investment. In line with our United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance (PSI) and Principles for Responsible Investment (PRI) commitments, the E&S risk framework further supports the integration of ESG considerations into our underwriting and investment and increases transparency with customers.

The E&S risk framework is available here: www.qbe.com/investor-relations/corporate-governance/global-policies.

Regulatory oversight of climate change risk

Following the release of the United Kingdom's Prudential Regulation Authority (PRA) Supervisory Statement SS3/19 in 2019, QBE developed a roadmap for meeting its requirements which has been approved by the board of our European operations and submitted to the PRA. In QBE's European operations, the Chief Risk Officer is approved by the PRA as the accountable senior executive under the Senior Managers Regime. A European climate risk working group has also been established to support the Chief Risk Officer with meeting our roadmap commitments. Reporting on roadmap implementation progress to the European Risk and Capital Committee takes place on a quarterly basis.

To raise awareness and support delivery of the roadmap, a townhall meeting was held in 2020 attended by over 100 underwriting staff in Europe. The session provided appropriate context regarding the UK PRA SS3/19 requirements and QBE's roadmap, and guidance on how to identify potential exposures and develop underwriting strategies in response.

QBE remains on track to fulfil all of its regulatory climate risk obligations. We anticipate that over time these requirements will become increasingly prevalent in a growing number of jurisdictions.

Metrics and targets

We continue to evolve our climate-related metrics and targets. Our aim is to establish metrics and targets that are relevant and reliable, and that will drive performance and transparency against our climate-related goals. During 2020, we have maintained our carbon neutrality and achieved our energy use, air travel and science-based emission reduction targets ahead of time. While COVID-19 had a substantial impact on our business operations and target performance, we expect to achieve our 2021 targets when we return to a more normal operating environment in 2021.

In 2020 we committed to achieving net zero emissions by 2050 in our investment portfolio. Over the coming years we will set interim targets and progress against these targets will be included as part of our annual reporting.

Our climate-related metrics and targets are presented below:

MEASURE	TARGET	2019	2020	STATUS
Energy use (GJ)	15% reduction by 2021 (from 2018 levels)	153,296 (-14%)	122,115 (-32%)	Achieved
Scope 1 & 2 emissions (1.5°C trajectory aligned science-based target) (tCO_2-e)	30% reduction by 2025 (from 2018 levels)	12,772 (-57%)	5,881 (-80%)	Achieved
Renewable electricity use (MWh)	100% by 2025	18,876 (63%)	22,529 (97%)	On track
Air travel (tCO_2-e)	20% reduction by 2021 (from 2017 levels)	12,160 (-31%)	2,717 (-85%)	Achieved
Impact investing ambition	$2 billion by 2025	$663 million	$1.1 billion	On track
Investment portfolio emissions	Net zero emissions in investment portfolio by 2050	N/A	N/A	Ongoing

Partnerships and initiatives

We are actively involved in a range of initiatives including:

- Actuaries Institute Climate Change Working Group
- Australian Sustainable Finance Initiative
- CDP
- ClimateWise
- Investor Group on Climate Change
- RE100
- UN-convened Net-Zero Asset Owners Alliance
- UNEP FI PRI
- UNEP FI PSI

For further detail on our collaboration on climate change, sustainable finance and resilience, refer to QBE's 2020 Sustainability Report at www.qbe.com/sustainability.

UNEP FI insurance pilot

QBE, along with 22 other global reinsurers and insurers, has been part of the UNEP FI's PSI Initiative to pilot the TCFD recommendations for insurance portfolios. The aim of the initiative is to contribute to the development of consistent and transparent analytical approaches that can be used to identify, assess and disclose climate change-related risks and opportunities. The initiative has covered physical, transition and liability risks and opportunities. QBE has been a member of the working group looking at transition risk in the property sector in Australia, which developed a model to assess the risk which we aim to pilot in 2021. We have also been a member of the litigation working group, which complemented our internal analysis on climate-related liability risk.

The report is available here: www.unepfi.org/psi/wp-content/uploads/2021/01/PSI-TCFD-final-report.pdf.

CDP

Our climate-related progress has been externally recognised, with our CDP score moving from a 'B' to 'A-' in 2020, putting us in the Leadership band. Areas of highest performance include governance, business strategy and planning, risk management processes, scope 1 and 2 emissions, and value chain engagement. CDP runs a global disclosure system accessed by 515 investors with $106 trillion in assets under management that assesses our awareness of climate change issues, management methods and progress towards action taken on climate change.

Climate Measurement Standards Initiative

QBE, in collaboration with banks, insurers and asset owners, has been actively involved in the CMSI, which has developed standards for assessing climate physical risk projections of damage to property in Australia. The CMSI has delivered two reports with recommendations on:

- disclosure – guidance to the financial services industry on disclosing scenario analyses under the recommendations of the TCFD; and
- science – scenario specifications for physical risk for Australia. These specifications are based on the latest scientific research on the impact of climate change on tropical cyclones, floods, storms, bushfires and other extreme events.

The reports are available here: www.cmsi.org.au/reports.

Insurance Council of Australia – Climate Change Action Committee

QBE is a member of the Insurance Council of Australia's Climate Change Action Committee (CCAC). In 2020, the CCAC initiated a number of projects to address the challenges of climate change in Australia, including:

- partnering with the Green Building Council of Australia on their Future Homes project to develop standards for healthy, resilient and energy efficient homes in Australia;
- providing our data to assist in the assessment of the vulnerability of residential buildings to floods and cyclones in Australia, that can be used to improve building standards; and
- understanding the impact of climate change on sea levels and actions of the sea and developing future options to improve the resilience of communities exposed to ongoing sea level rise.

Further information is available here: www.climaterisk.insure.

Managing risk – our business

Managing risk is a key focus for QBE. While navigating the impacts of COVID-19 and increasing regulatory and community expectations, we have enhanced our risk management practices and accelerated the transition of those practices into business as usual.

COVID-19 response

COVID-19 is the most significant global crisis the insurance industry has experienced since the Global Financial Crisis, creating unprecedented economic and investment market uncertainty.

QBE's approach to managing the impacts of COVID-19 on our customers, employees and communities has been informed by the relevant government authorities, with robust plans, protocols and resources put in place to reduce risk to these key stakeholders. Managing the risks to the safety and wellbeing of our people has been a top priority. Feedback from QBE staff indicated that they supported QBE's approach to the pandemic and were appreciative of the priority given to supporting our people and equipping them to work from home.

Board and executive oversight of COVID-19 was extensive. Regular and comprehensive Board reporting was put in place, led by the risk management function, to ensure that the Board was fully apprised across all aspects of COVID-19's impact and QBE's response. This enabled QBE to understand the actual and potential risks that COVID-19 posed and to undertake strategic risk management actions to manage the more immediate impacts and prepare the organisation for a post-pandemic future.

With the unprecedented challenge for the insurance industry and the economy more broadly, the year has seen a significant shift by our regulators from normal supervisory activities to prioritising oversight of our COVID-19 response.

Our Group-wide Supervisor, the Australian Prudential Regulation Authority, alongside other prudential regulators, examined how the timing of regulatory initiatives and activities might be adjusted to allow financial institutions to concentrate on their businesses and assist their customers as they adjusted to the impacts of COVID-19. This resulted in the pausing and reprioritisation of some regulator activities.

The key focus areas for 2020 for our regulators were predominantly:

- capital management and liquidity;
- operational resilience (business continuity), including people; and
- adaptability of our strategy to the changing environment.

In April, the Group took pre-emptive and decisive action, both by de-risking our investment portfolio and with the execution of a comprehensive capital plan, raising over $1.3 billion of equity through an underwritten institutional placement and share purchase plan for retail shareholders. This positioned QBE with demonstrable capital strength to navigate a range of severe economic scenarios as well as enabling QBE to continue to support our regulated entities.

The Group also refined its modelling of insurance and investment exposure scenarios. These actions substantially uplifted our scenario and capital planning capabilities and provided clarity regarding the range of potential financial and non-financial impacts of COVID-19. This has allowed us to better understand and manage the uncertainties in relation to potential exposures such as business interruption and policy interpretation.

COVID-19 has also added complexity in terms of QBE's business operations. In March 2020, we stood up our head office and divisional crisis management teams to respond to both immediate challenges as well as consider future scenarios. In many ways, COVID-19 has been the ultimate stress test of QBE's risk management processes. Our business continuity and crisis management processes responded well to this unprecedented environment. QBE has proven to be operationally resilient through the pandemic, and our ability to transition the entire organisation to work from home and the resilience of our technology systems should be called out as two key successes of 2020, demonstrating our effectiveness in managing risk.

Non-financial risks

The Group's frameworks for modelling non-financial risks allowed QBE to aggregate exposures and identify mitigation strategies for the Group.

COVID-19 has impacted a wide number of areas across our business, including productivity, wellbeing and mental health, collaboration, ability to innovate, ability to effect significant change, nearshoring and offshoring and the broader impact on culture. The Group undertook an assessment of non-financial risks across each of these elements, with a common set of risk scenarios developed and assessed in each division. The outcomes of the non-financial risk scenario modelling and associated management action plans were presented to the Board for challenge and approval. With the ongoing COVID-19 environment, these scenarios will be reassessed in a targeted manner with a key focus area on physical and mental health, reputational impacts, and the effect on our claims supply chain.

Risk culture

Risk management plays an important role in establishing the framework for risk culture and monitoring cultural indicators through a risk lens.

In 2020, QBE focused on developing risk culture frameworks and processes, including the pilot of a culture dashboard supporting triangulation of cultural insights from diverse data sources. People risks, including wellbeing and other measures, were monitored closely as QBE transitioned to a remote workforce for an extended period.

Consistent with APRA's lead, QBE is increasingly focused toward its governance, accountability and remuneration practices and their reinforcing influence on a sound risk culture.

Launched in January 2021, our Culture Accelerator is a forward-looking program of work, designed to support our strategic priorities into the future: customer, performance, talent & culture, and modernisation. A key area of focus is 'psychological safety', which will support greater transparency and collaboration around risks.

Climate change

We are aware of the physical, transition and liability risks and opportunities associated with climate change, which is a material risk for our business.

Throughout 2020, we have expanded our scenario analysis across physical, transition and liability risks and opportunities to understand where we could have material exposure. We have started to embed the results into our business processes, and we continue development of appropriate responses. We have also used the analysis to highlight the drivers of the key risks we face and develop metrics and targets to help us regularly assess these. Further detail of the work done is provided in our climate disclosures on pages 28 to 35 of this Annual Report.

QBE, along with 21 other global insurers and reinsurers, has been part of the UNEP FI's PSI Initiative to pilot the TCFD recommendations. We have been part of the working groups on climate litigation and transition risk in the property sector in Australia.

Emerging risks

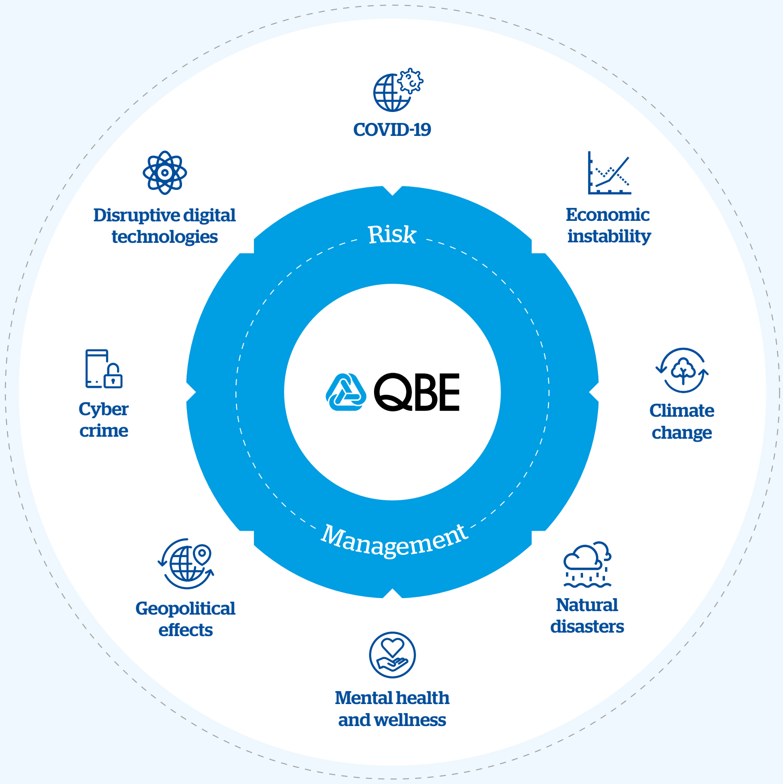
We have continued to embed our emerging risks standard across the Group.

We have collaborated with key industry governance forums on emerging risks, including the refresh of the CRO Forum's emerging risk radar and also contributed to a deep dive on demographics.

For further detail on our collaboration, refer to www.thecroforum.org/2020/06/30/emerging-risk-initiativemajor-trends-and-emerging-risk-radar-2020-update/ and www.thecroforum.org/2020/12/17/imagine-all-the-people-demographics-and-social-change-from-an-insurance-perspective.

Across our business, our emerging risk forums considered a variety of emerging risks in each division, including: future regulatory changes, value chain disruption, unexpected climate impacts, changing consumer preferences, new cyber security risks, disruptive technologies, new pandemics and regulation of nanotechnology. For each emerging risk, we have developed and begun to implement actions to mitigate the resulting risks to our business.

2020 risk landscape



Investing in risk capabilities

Investing in uplift in our risk management capabilities remains an ongoing priority for our organisation.

In line with the increasing community and regulatory expectations on how organisations should operate, QBE has enhanced a number of aspects of our enterprise risk management (ERM) framework, with refreshed standards covering conflicts of interest, gifts and entertainment, obligations management and incidents and issues. Enhancing standards supports a greater understanding of risk management within QBE and also reflects a significant uplift in the maturity of the design of our ERM framework.

One of the key processes we use to manage risk is the Risk & Control Self-Assessment (RCSA) process. A refresh of the RCSA process is driving greater consistency and quality in the identification, measurement and mitigation of risk across QBE. By better understanding our risk exposures and proactively improving our control environment, it allows us to better manage risk and drive continuous improvement across the Group.

In addition, we continue to enhance our risk management capabilities with additional modules deployed in our governance, risk and compliance system, Insight. This system provides a central global platform to support QBE's ERM framework, empowering more informed decision making to better enable a more consistent approach in the management of risk and compliance processes across the Group. This centralised global platform will help us build a stronger and more resilient QBE.

Board of Directors

Michael (Mike) Wilkins AO BCom, MBA, FCA, FAICD

Independent Chair

Mike became a non-executive director of QBE in 2016 and was appointed Chair in March 2020. He is Chair of the Governance & Nomination Committee and a member of the People & Remuneration, Audit, Investment, Risk & Capital, Operations & Technology Committees. Mike has more than 30 years' experience in financial services. He was the Managing Director and CEO of Insurance Australia Group Limited until November 2015 and previously served as Managing Director and CEO of Promina Group Limited and Managing Director of Tyndall Australia Limited. He is currently Chair of Medibank Private Limited and a non-executive director of Scentre Group Limited. He previously served as a non-executive director of AMP Limited, Alinta Limited, Maple-Brown Abbott Limited, The Geneva Association and the Australian Business and Community Network. Mike was the founding member of the Australian Business Roundtable for Disaster Resilience & Safer Communities from 2013 until his retirement in 2015.

Stephen Fitzgerald AO BEc

Independent Director

Stephen became a non-executive director of QBE in 2014. He is Chair of the Investment Committee, Deputy Chair of the People & Remuneration Committee, and a member of the Risk & Capital and Governance & Nomination Committees. Stephen joined Goldman Sachs in 1992 and held a number of leadership roles in London, Tokyo, Hong Kong and Australia. He was Chair of Goldman Sachs, Australia and New Zealand when he retired in 2012. Stephen is currently the Managing Partner of Affirmative Investment Management and sits on the board of Great Barrier Reef Foundation and Champions of Change Coalition, and is a member of the Investment Committee of the British Museum. He is also on the board of Lombard Odier Investment Management. Stephen was previously a member of the Board of Guardians of the Future Fund (Australia's Sovereign Wealth Fund).

John M Green BJURIS/LLB, FAICD, SF FIN

Independent Deputy Chair

John became a non-executive director of QBE in 2010. He is Deputy Chair of the Board, Chair of the People & Remuneration Committee and Deputy Chair of the Investment, Operations & Technology and Governance & Nomination Committees. He is also a member of the Risk & Capital and Audit Committees. John was previously a director of Worley Limited, an executive director at Macquarie Group leading its financial institutions group, and a partner at two major law firms. John is a non-executive director of the Cyber Security Cooperative Research Centre and Challenger Limited. He is also a novelist and co-founder of independent book publisher Pantera Press.

Tan Le BCom (Hons), LLB (Hons)

Independent Director

Tan became a non-executive director of QBE in September 2020. She is a member of the Audit, Operations & Technology and Governance & Nomination Committees. Tan is the founder and CEO of EMOTIV, a neuroinformatics company advancing understanding of the human brain. She was previously co-founder and President of SASme, a wireless technology company. Tan has been a contributor at the World Economic Forum (WEF) and previously served on the WEF Global Future Council and on the WEF Board of Stewards on Shaping the Future of Information & Entertainment.

Kathryn (Kathy) Lisson BSc (Hons)

Independent Director

Kathy became a non-executive director of QBE in 2016. She is Chair of the Operations & Technology Committee and a member of the Audit and Governance & Nomination Committees. Kathy has over 30 years' experience across insurance and banking in technology, operations and management. She was previously Chief Operating Officer for two insurance companies (QBE Europe (a QBE regulated entity) and Brit Insurance) and Operational Transformation Director at Barclays Bank, which included delivering global solutions in digital technology, cyber security and IT risk. Kathy also held executive positions at Bank of Montreal, including as President of its Mortgage Corporation and EVP Technology Strategy and Delivery. Kathy was a senior partner at Ernst & Young and Price Waterhouse in Canada, leading their insurance and banking advisory practices. Kathy has also held non-executive director roles in the United Kingdom and in Canada.

Sir Brian Pomeroy MA, FCA

Independent Director

Sir Brian became a non-executive director of QBE in 2014. He is Deputy Chair of the Audit Committee and a member of the Investment, Risk & Capital and Governance & Nomination Committees. He has extensive insurance industry experience, including in his previous role as a Nominated Member of the Council of Lloyd's and as Chair of the Independent Commission on Equitable Life Payments. He was formerly a non-executive member of the Board of the Financial Conduct Authority in the United Kingdom and a non-executive director on QBE's European regulated boards. Sir Brian also chaired the United Kingdom Treasury's Financial Inclusion Taskforce, the Payments Council and the Gambling Commission. He was the Senior Partner of Deloitte Consulting in the United Kingdom until 1999.

Jann Skinner BCom, FCA, FAICD

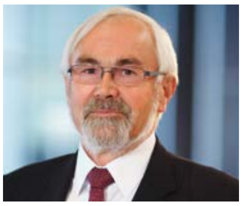
Independent Director

Jann became a non-executive director of QBE in 2014. She is Chair of the Audit Committee, Deputy Chair of the Risk & Capital Committee and a member of the People & Remuneration and Governance & Nomination Committees. Jann has over 30 years' professional experience in audit and accounting with a focus on financial services, particularly the insurance industry. She was an audit partner for 17 years with PricewaterhouseCoopers before retiring in 2004. Jann is a non-executive director of Telix Pharmaceuticals Limited, HSBC Bank Australia Limited and Create Foundation Limited. Previously, Jann was a non-executive director of Enstar Australia Group and the Tasmanian Public Finance Corporation. Jann was also a non-executive director on QBE's Australian regulated boards.

Eric Smith MBA, BSc

Independent Director

Eric became a non-executive director of QBE in September 2020. He is a member of the Risk & Capital, Operations & Technology and Governance & Nominations Committees. Eric has more than 40 years' experience in insurance and financial services, and was most recently President and Chief Executive Officer of Swiss Re Americas from 2011 to 2020. Eric has held a number of executive roles in his career including President of USAA Life Insurance Co and President of Allstate Financial Services, Allstate's business unit that distributes life insurance, annuities and other financial products. He has also held various roles in property and casualty insurance with Country Financial over a 20-year period.



Rolf Tolle Dipl.-Pol

Independent Director

Rolf became a non-executive director of QBE in 2016. He is Chair of the Risk & Capital Committee and a member of the Audit, People & Remuneration and Governance & Nomination Committees. He has significant experience in specialist insurance and reinsurance businesses, having held senior positions in a number of global companies. He was the first ever Franchise Performance Director at Lloyd's, for which he was awarded the Silver Medal for Services at Lloyd's, an honour bestowed to only a few individuals since its creation in 1917. Rolf is a director of Marco Insurance PCC Limited and is also on the advisory board of Wrisk Ltd. Rolf was previously a director of Beazley plc and Beazley Furlonge Ltd.

Patrick (Pat) Regan BSc, FCA

Former Group Chief Executive Officer

Pat joined QBE in 2014 and was appointed Group Chief Executive Officer in 2018. Pat ceased employment with QBE in September 2020.

Group Executive Committee

Richard Pryce BHis (Hons)

Interim Group Chief Executive Officer

Richard was appointed Interim Group Chief Executive Officer in October 2020. Having joined QBE in 2012, he became Chief Executive Officer, European Operations in 2013, and in 2019 he became Chief Executive Officer, International Operations. Richard began his insurance career with R.W. Sturge syndicate at Lloyd's where he was Claims Director. In 1996, he joined Ockham as Professional Lines Class Underwriter for Syndicate 204. Richard went on to run ACE's financial lines business in London before becoming President of ACE Global Markets in 2003 and ACE United Kingdom in 2007. He has worked in the London insurance market for over 35 years.

Inder Singh BCom

Group Chief Financial Officer

Inder joined QBE in 2015 and was appointed Group Chief Financial Officer in 2018. His previous roles at QBE include Chief Financial Officer for Australian & New Zealand Operations and Group Head of Corporate Development and Financial Planning & Analysis. Inder has more than 20 years' experience in financial services spanning property & casualty, life insurance and banking. He started his career at Arthur Andersen before working in investment banking in Sydney and London with Deutsche Bank and UBS. Prior to joining QBE, he was Group M&A Director at Aviva plc in London where he led a number of transformational transactions.

Vivienne (Viv) Bower BA Organisational Communication

Group Executive, Corporate Affairs and Sustainability

Viv joined QBE in 2017 and was appointed Group Executive, Corporate Affairs and Sustainability in 2019. She has previously held a number of senior investor relations and corporate affairs roles, including Group Head of Corporate Affairs and Investor Relations at Lendlease, Head of Group Internal Communications at Westpac and Group General Manager of Communications at Multiplex Group.

Jason Brown BEc, ACA

Group Chief Underwriting Officer

Jason joined QBE in 2002 and was appointed Group Chief Underwriting Officer in 2019. His previous roles at QBE include Chief Executive Officer, Asia Pacific; Executive General Manager, Technical & Operations for Australian and New Zealand Operations; Chief Risk Officer for Australian & New Zealand Operations; and Group Chief Risk Officer. Jason has more than 30 years' experience in the financial services industry, having spent 13 years at Ernst & Young in the Financial Services Group in both assurance and consulting roles in Australia and the United Kingdom.

Jason Harris BSc (Hons) Geology

Chief Executive Officer, International

Jason joined QBE as Chief Executive Officer, International in October 2020. Prior to joining QBE, Jason held a number of global and international leadership roles at XL Group including most recently as Chief Executive, Global Property and Casualty and previously as Chief Executive, International Property and Casualty. He previously worked at AIG/Chartis in several senior roles including Executive Director, Commercial Lines. He is an underwriter by background and started his career in offshore energy. He has worked in insurance for over 25 years.

Todd Jones BSc, MBA

Chief Executive Officer, North America

Todd joined QBE in 2019 as Chief Executive Officer, North America. Prior to joining QBE, Todd held a number of senior roles at Willis Towers Watson, including most recently as Head of Global Corporate Risk and Broking, and previously as CEO for Willis North America. Todd began his career as a technical broker in directors' and officers and management liability insurance, serving large complex and middle market clients. Todd has over 25 years' insurance and financial services industry experience.

Matt Mansour MBA

Group Chief Information Officer

Matt joined QBE in 2018 as Group Chief Information Officer and was appointed to the Group Executive Committee in 2019. Prior to joining QBE, he held senior global roles in Barclays Bank and GE Capital. Matt has over 27 years' experience in technology, operations and digital business leadership roles.

Margaret Murphy BA (Hons) Business

Group Executive, People & Change

Margaret joined QBE in 2016. Prior to joining QBE, she held various executive human resources and transformation roles in Barclays, including within the retail bank, corporate bank and global functions, leading large-scale organisational change. Margaret has over 30 years' experience, having previously worked at London Underground, Inchcape, British American Tobacco and J Sainsbury plc.

Carolyn Scobie BA, LLB, MA, AGIA, GAICD

Group General Counsel and Company Secretary

Carolyn joined QBE in 2016 as Group General Counsel and Company Secretary. Prior to joining QBE, Carolyn was Group General Counsel at Goodman Group for 17 years, where she ran a multi-disciplinary legal team. Carolyn has extensive experience in corporate law, compliance, regulatory matters, litigation and managing the complexity of multiple jurisdictions.

Patrick (Pat) Regan BSc, FCA

Former Group Chief Executive Officer

Pat joined QBE in 2014 and was appointed Group Chief Executive Officer in 2018. Pat ceased employment with QBE in September 2020.

Vivek Bhatia BEng, MBA, CFA

Former Chief Executive Officer, Australia Pacific

Vivek joined QBE in 2018 as Chief Executive Officer, Australia Pacific. Vivek ceased employment with QBE in August 2020.

Since August 2020, Frank Costigan (Interim Managing Director Australia) and Declan Moore (CEO and Chief Customer Officer New Zealand & Pacific) have assumed interim responsibility for Australia Pacific.

Peter Grewal BA (Hons), CMIIA

Former Group Chief Risk Officer

Peter joined QBE in July 2018 as Group Chief Risk Officer. Peter ceased employment with QBE in December 2020.

Since December 2020, Jonathan Groves has been Acting Group Chief Risk Officer.

Corporate governance statement

QBE is committed to the highest standards of corporate governance. The QBE DNA consists of seven interwoven elements that are fundamental to QBE and how QBE needs to operate in the future to succeed, recognising its customers, people, shareholders and communities. QBE believes that a culture that rewards transparency, integrity and performance will promote its long-term sustainability and the ongoing success of its business.

Board and management

Board functions

The Board charter sets out the role and responsibilities of the Board, including matters expressly reserved for the Board and those delegated to its Committees and management. The role of the Board is to represent and serve the interests of shareholders by providing guidance and oversight of QBE's strategies, policies and performance. This includes demonstrating leadership, setting the strategic direction for QBE, approving the values of QBE that underpin the desired culture, monitoring the performance of management in the delivery of strategy, and instilling the values and desired culture of QBE. The Board's principal objective is to maintain and increase shareholder value while ensuring that the activities of QBE are properly managed.

The Board reviews strategy on an ongoing basis. To help the Board maintain its understanding of the business and to effectively assess management, directors receive regular presentations from the divisional chief executive officers and other senior managers of the various divisions on relevant topics, including budgets, three-year business plans and operating performance. The Board receives updated forecasts during the year. The non-executive directors also have contact with senior executives in various forums throughout the year.

Visits by non-executive directors to QBE's offices in key locations are encouraged. The Board meets regularly in Australia and, due to QBE's substantial overseas operations, usually spends time in the United Kingdom and the United States each year; however, in 2020, due to COVID-19, the majority of Board and Committee meetings, strategy sessions and other meetings were held virtually.

Each formal Board meeting normally considers reports from the Group Chief Executive Officer and the Group Chief Financial Officer together with other relevant reports. The non-executive directors regularly meet in the absence of management. The Chair and Group Chief Executive Officer in particular, and directors in general, including those on the divisional boards, have substantial contact outside Board and Committee meetings.

Details of the number of Board meetings held during the 2020 financial year and attendance by directors are set out in the Directors' Report. Directors are expected to attend all Board meetings.

Senior management functions

Management's responsibilities are to:

- develop a draft strategy, make recommendations to the Board and implement the Board approved strategy, subject to market conditions;
- instill and reinforce QBE's values and desired culture;
- prepare annual budgets and three-year business plans;
- carry on day-to-day operations within the Board approved annual budget and three-year business plans, subject to market conditions;
- design and maintain internal controls;
- set-up and keep under review an effective risk management and compliance management system, and monitor and manage all material risks consistent with the strategic objectives, risk appetite statements and policies approved by the Board;
- provide the Board with accurate, timely and clear information on the Group's operations, including on compliance with material legal and regulatory requirements and any conduct materially inconsistent with the Group Code of Ethics and Conduct;
- inform the Board of material matters and keep the Board and market fully informed about material continuous disclosure; and
- monitor that succession plans exist for all Group executive positions other than the Group Chief Executive Officer. The succession plans for the Group Chief Executive Officer are managed by Governance & Nomination Committee, and are discussed in more detail below.

The Board delegates responsibility to the Group Chief Executive Officer for the day-to-day management of the business.

QBE has operated under an extensive written system of delegated authorities for many years. In particular, a written delegated authority with specified limits is approved by the Board each year to enable the Group Chief Executive Officer to conduct QBE's business in accordance with detailed budgets and business plans. This delegated authority deals with topics such as underwriting, reinsurance protection, claims, investments, acquisitions and expenses. The Group Chief Executive Officer delegates authority to management throughout the Group on a selective basis, taking into account expertise and past performance. Compliance with delegated authorities is monitored by management and adjusted as required for actual performance, market conditions and other factors. Management and the Group's internal audit teams review compliance with delegated authorities and any breach can lead to disciplinary procedures, including dismissal.

Chair

The independent Chair of the Board is Mike Wilkins AO, who was appointed to that role in March 2020. The Chair is responsible for ensuring that the Board functions as an effective and cohesive group. The Chair works closely with the Group Chief Executive Officer to determine the strategic direction for QBE and to establish high standards of governance and leadership. Mike Wilkins was appointed to the role of Executive Chair from 1 September to 23 October 2020. During this time, John M Green, the independent Deputy Chair, fulfilled the role of independent Chair when Mr Wilkins was conflicted.

Committees

The Board is supported by several Committees which meet regularly to consider audit, risk management, investments, remuneration, technology, operations and other matters. The main Committees of the Board are the Audit, Governance & Nomination, Investment, Operations & Technology, People & Remuneration and Risk & Capital Committees. Further sub-committees of the Board may be convened to confer on particular issues from time to time. Any non-executive director may attend a Committee meeting. The Committees have free and unfettered access to QBE's senior managers and may consult external advisers at QBE's cost, including requiring their attendance at Committee meetings, with the consent of the Committee Chair. A report on each Committee's last meeting is provided at the next Board meeting.

Each Committee comprises at least three independent directors and each Committee Chair is an independent director who is not the Chair of the Board (excluding the Governance & Nomination Committee, the Chair of which is Mike Wilkins). Mr Wilkins was appointed Executive Chair for a short period (1 September to 23 October 2020), however the overall composition of Committees still complied with the requirements of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The only exception to this is the Governance & Nomination Committee, of which Mike Wilkins chaired one meeting in his capacity as Executive Chair. Each Committee operates under a written charter approved by the Board. These charters are available at www.qbe.com/investor-relations/corporate-governance/qbe-charters-and-constitution. The membership of each Committee is provided at www.qbe.com/about-qbe/group-board-of-directors and details of the number of Committee meetings held during the 2020 financial year and attendance by Committee members at Committee meetings is set out in the Directors' Report.

Further information regarding the Committees can be found throughout this Corporate governance statement.

Company Secretary

The Company Secretary acts as secretary to the Board and all of the Committees and is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. All directors have direct access to the Company Secretary.

The Company Secretary's role is described in the Board charter and includes communication with regulatory bodies and the Australian Securities Exchange (ASX), all statutory and other filings and assisting with good information flows within the Board and its Committees and between non-executive directors and senior management, as well as facilitating induction and professional development as required. The Company Secretary may also provide guidance to directors in relation to governance matters.

Board skills and experience

Directors are selected to provide to QBE a broad range of skills, experience and expertise complementary to QBE's insurance activities. The Board comprised nine directors at 31 December 2020, being an independent Chair and eight other independent directors.

The Board has a skills matrix covering the range of competencies and experience of each director. When the need for a new director is identified, the required experience and competencies of the new director are considered in the context of this matrix and any gaps that may exist.

A summary of the Board's skills matrix is below:

SKILLS		
Financial literacy	Commercial expertise	Digital technology
Legal	Risk management	Cyber security
Governance	Government relations	IT risks
Strategy	Executive leadership	Data analytics

INDUSTRY	
General insurance	Private equity
Reinsurance	Financial services
Investment banking	Accounting

Details of individual directors, including their qualifications and experience, independence status and period of office serving on the Board, are set out in the Board of Directors' section of the Annual Report and can also be found on the QBE website at www.qbe.com/about-qbe/group-board-of-directors.

Independence of the Board

During the 2020 year, the majority of the directors on the Board were independent directors, applying the 'independence' definition of the ASX Corporate Governance Council. The Board currently comprises only independent directors. When applying this definition, the Board has determined that an independent director's relationship with QBE as a professional adviser, consultant, supplier, customer or otherwise is not material unless amounts paid under that relationship exceed 0.1% of QBE's revenue. The roles of the Chair and Group Chief Executive Officer are generally also not exercised by the same individual. In 2020, following the departure of Patrick Regan as Group Chief Executive Officer, Mr Wilkins was appointed Executive Chair for a short period (1 September to 23 October 2020) until Richard Pryce was appointed as Interim Group Chief Executive Officer.

Directors are required to advise the Board on an ongoing basis of any interest they have that they believe could conflict with QBE's interests. If a potential conflict does arise, either the director concerned may choose not to, or the Board may decide that he or she should not, receive documents or take part in Board discussions while the matter is being considered. Conflicts of interest, including related party transactions, are a standing agenda item and are considered by the Board at each Board meeting.

Tenure

The mere fact that a director has served on the Board for a lengthy period of time does not, of itself, suggest a lack of independence; however, the Board has agreed that an non-executive director's term should be approximately 10 years. Under the Company's Constitution, there is no maximum fixed term or retirement age for non-executive directors. The Board considers that a mandatory limit on tenure would deprive the Group of valuable and relevant corporate experience in the complex world of international general insurance and reinsurance. John M Green has been a non-executive director since 2010 and Deputy Chair since 2015. He was re-elected as a director at the 2019 Annual General Meeting (AGM). QBE's other directors believe that Mr Green continues to exercise independent judgement and, through his QBE experience, makes an important contribution. The tenure of each director is set out in the Board of Directors section of the Annual Report and can also be found on the QBE website at www.qbe.com/about-qbe/group-board-of-directors.

The Constitution provides that no director, except the Group Chief Executive Officer, shall hold office for a continuous period in excess of three years or past the third AGM following a director's appointment, whichever is the longer, without submission for individual re-election.

Corporate governance statement continued

Board and senior executive selection process

The Board has a Governance & Nomination Committee which meets regularly during the year around the time of the Board meetings. The Committee assists the Board in appointing directors so that the Board as a whole has the necessary range of skills, knowledge and experience to be effective. The Committee also assists the Board in managing the succession plans for the Group Chief Executive Officer and reviewing succession plans for members of the Group Executive Committee. The Governance & Nomination Committee is comprised of all the non-executive directors of the Board and is chaired by Mike Wilkins.

A formal process for the selection and appointment of directors or senior executives is undertaken by the Governance & Nomination Committee and Board. Appropriate background checks are undertaken before the Board appoints a new director or senior executive or puts forward a candidate for election. External consultants may be employed, where necessary, to search for prospective directors. Candidates are assessed against the required skills and on their qualifications, background and personal qualities.

For Board appointments, candidates must also have the required time to commit to the position. The Board regularly reviews the mix of skills that is required to operate effectively. Under the Constitution, the size of the Board is limited to 12 directors. The Board considers that a maximum of 12 directors reflects the largest realistic size of the Board that is consistent with:

- maintaining the Board's efficiency and cohesion in carrying out its governance duties on behalf of shareholders;
- reducing the risk of a director being insufficiently involved and informed in the business of QBE; and
- providing individual directors with greater potential to contribute and participate.

QBE also provides shareholders with all material information in its possession that is relevant to a decision on whether or not to elect or re-elect a director through a number of channels, such as the notice of meeting, director biographies and other information contained in the Annual Report.

Upon appointment, each non-executive director and senior executive is provided with a written agreement which sets out the terms of their appointment.

The Board believes that orderly succession and renewal contribute to strong corporate governance and are achieved by careful planning and continual review. As an ongoing evaluation, the Board regularly discusses its composition in relation to the mix of skills, diversity and geographic location of directors to meet the needs of QBE.

Director induction and training

Upon appointment, directors attend induction sessions where they are briefed on QBE's history, DNA, strategy, financials, and risk management and governance frameworks.

The Board obtains the information it requires to be effective including, where necessary, independent professional advice.

A non-executive director may seek such advice at QBE's cost with the consent of the Chair. Directors are also provided with ongoing professional development and training programs to enable them to develop and maintain their skills and knowledge at QBE's cost, with the consent of the Chair. Non-executive directors are required to complete continuing professional development each year, including on insurance, customer and regulatory matters.

Performance evaluation and remuneration

Performance evaluation – Board and directors

The Chair oversees the performance of the Board, its Committees and each director. The Board regularly reviews its performance through internal and external assessments, and recommendations for either improvement or increased focus are agreed and promptly implemented.

A Board performance evaluation was conducted in 2020 for the 2019 year. The review covered the performance of boards and committees at both the Group and divisional levels.

People & Remuneration Committee

The Board has a People & Remuneration Committee which meets at least quarterly to assist it in, amongst other things, overseeing major remuneration practices of QBE. The People & Remuneration Committee is comprised of independent directors and is chaired by John M Green.

Performance evaluation – senior executives

The People & Remuneration Committee oversees the performance of senior executives. In addition, the Board continually monitors the performance of senior executives through regular review and reporting.

In 2020, QBE used a balanced scorecard of an individual's achievement against specific strategic priorities. Other than as set out in the Remuneration Report, senior executives have 35% of their short-term incentive plan outcome determined with reference to individual objectives.

The scorecard is aligned to QBE's business plans and measures objectives which supported QBE's strategic objectives in 2020. The Remuneration Report sets out a summary of the key objectives and outcomes against these for the executive key management personnel.

The Interim Group Chief Executive Officer's scorecard was formulated initially through a discussion between the Interim Group Chief Executive Officer and the Chair and was approved by the Board. Consistent with the Interim Group Chief Executive Officer's scorecard, the scorecards for the rest of senior executives align with QBE's business plans and support the strategic priorities. The approval and assessment process for the senior executives scorecards is completed by the People & Remuneration Committee.

A senior executives performance evaluation was conducted for the 2020 year. The 2020 objectives for senior executives were used to measure their performance for the year.

Remuneration policies and practices

Details of QBE's policies and practices regarding the remuneration of executives and non-executive directors (being Key Management Personnel) are set out in the Remuneration Report.

Other than meeting statutory superannuation requirements, QBE does not have in place any retirement benefit schemes for non-executive directors.

QBE's Securities Trading Policy outlines QBE's approach to derivatives or otherwise limiting the economic risk of participating in an equity-based remuneration scheme, available at www.qbe.com/investor-relations/corporate-governance/global-policies.

Group governance

Governance frameworks

QBE has a Board-approved Group governance framework that sets out five overarching governance principles that support best practice governance across QBE and is designed to encourage collective accountability across Group Head Office and the divisions.

The framework defines the roles, responsibilities and composition of the Group and divisional boards and committees to facilitate the governance surrounding appropriate guidance and oversight over the business. The framework also strengthens the relationship and information flows between these governance bodies, so they can work together to achieve the best possible outcomes for QBE.

The executive governance framework governs the mechanisms supporting the exercise of Group functions by executives, with a focus on information flows between the Group Executive Committees, the Board and divisions.

QBE DNA

Everything we do at QBE is underpinned by our QBE DNA, which consists of seven interwoven elements. These elements describe who we are and what we stand for, and outline the standards and behaviours we expect from our employees to achieve our goals and fulfil our purpose.

At QBE, when we show-up for our customers, shareholders, communities and each other:
- We are customer-centred
- We are technical experts
- We are diverse
- We are fast-paced
- We are courageous
- We are accountable
- We are a team.

The QBE DNA is set and approved by the Board, with the Group Executive Committee responsible for bringing the elements to life throughout the organisation through our day-to-day interactions as well through our recruitment, onboarding, performance, reward, leadership, feedback, learning and communication practices.

Employees' demonstration of the QBE DNA is integral to how strategic performance objectives are measured. At the end of the performance year, employees are assessed in terms of both what they have achieved and how they have achieved it – whether their behaviours have aligned to the QBE DNA. This in turn links to reward outcomes and is applicable for all employees, including senior executives.

The Group Code of Ethics and Conduct addresses the responsibilities employees have to the Group, to each other and to customers, suppliers, communities and governments. It provides clear guidance to help employees apply good judgement and make considered decisions that exemplify the QBE DNA.

Group policies

QBE has a global policy framework which is designed to facilitate an understanding of the Group's compliance and conduct expectations. QBE's approach in key compliance areas recognises that employees (including contractors, directors and agents) are key to maintaining a compliant and ethical approach to QBE's business practices. Most global policies are supported by Group standards and procedures that provide additional information and guidance to support employees.

The Group Code of Ethics and Conduct applies to all employees as well as directors, agents and contractors. The Group Code of Ethics and Conduct is complemented by the Group Whistleblowing Policy which was updated on 1 January 2020. The Board oversees the Group Code of Ethics and Conduct and receives reports on compliance with the Group Code of Ethics and Conduct. The Group Conflicts of Interest Policy was updated in August 2020 and operates together with the Group Gift and Entertainment Policy to create a system to identify and report actual or potential conflicts of interest. In recognition of the importance of protecting employee and customer data across QBE, a privacy framework has been reviewed, updated and launched in June 2020 to reflect developments in privacy laws across the global footprint.

QBE's policy framework also addresses sanctions, outsourcing, modern slavery, anti-bribery and corruption, health, safety and wellbeing, continuous disclosure, diversity and inclusion, securities trading, flexible working, supplier sustainability, and environment and energy. Policy summaries are available at www.qbe.com/investor-relations/corporate-governance/global-policies. Material breaches and incidents relating to the policies within the policy framework, including the Group Code of Ethics and Conduct and the Group Whistleblowing Policy, are required to be recorded and cascaded through to Board reporting.

Global policies are also in place to address prudential requirements of APRA, including risk management, cyber, business continuity management, reinsurance management, fitness and propriety and material outsourcing.

In Australia, QBE complies with the General Insurance Code of Practice, a self-regulated code relating to the provision of products and services to customers of the general insurance industry in Australia. The Code Governance Committee (CGC) is the independent body that monitors and enforces insurers' compliance with the Code. QBE's Australian business is also a member of the Australian Financial Complaints Authority (AFCA), the external dispute resolution scheme that deals with complaints from consumers in the financial system.

Corporate governance statement continued

Diversity and inclusion

QBE is committed to diversity and to offering a workplace culture that values and leverages the ideas, capabilities and experiences of our global workforce. The Global Diversity and Inclusion Policy aims, through its implementation, that QBE is:

- attracting and hiring diverse teams that enhance the approach to problem solving and innovation;
- supporting productivity and engagement by offering an inclusive, flexible and modern workplace;
- leveraging diverse skills to enhance the customer experience and organisational growth; and
- supporting our local communities and strengthening our brand reputation.

To achieve this, the Group Executive Committee, which constitutes the Global Diversity & Inclusion Council, has set the following objectives which are implemented and overseen by the Council and assessed and reviewed annually by the People & Remuneration Committee of the Board:

AREA OF FOCUS	ACHIEVEMENTS IN 2020
Inclusive leadership – look to support the set-up of collaborative/ inclusive teams and normalise flexibility to increase productivity and retention	• To enable our leaders to help their teams navigate a year unlike any other, we deployed a range of resources and programs. We designed, delivered and embedded a targeted and contemporary global leadership development initiative focused on building the core mindset and skills needed for future leadership at QBE. • Our Flex@QBE Principles outline our approach to workplace flexibility, supporting our Global Diversity and Inclusion Policy. We believe the office will continue to be critical to connection, innovation and collaboration, however, we also recognise the benefits of a more flexible workforce. Our aim is to drive a common culture through shared principles. Our forward looking business strategy speaks to greater trust and empowerment with purpose led, agile teams. We have continued to see benefits made by our teams in flexible working – a valuable building block to enable us to move forward toward a more agile business. • Continued commitment from our senior-level leadership to external pledges which require visible sponsorship and accountability – including Male Champions of Change in Australia, the HM Treasury Women in Finance Charter in the United Kingdom and France's L'Autre Cercle charter on LGBT+ inclusion. This is in addition to being a signatory to the Statement of Support for the Women's Empowerment Principles.
Diversity in leadership representation – progressively inclusive, gender balanced leadership teams at senior management	• Across the Group, women in leadership (the Group Executive Committee and our top three levels of management) reached 34.8% at the end of 2020, with 39% of all hires and 46% of promotions being women, demonstrating a continued focus on gender diversity in leadership representation. We continue to identify pain points and develop targeted initiatives to address hiring, promotion and retention challenges related to gender and in 2020 developed a target of having 40% of women in leadership by 2025. • QBE continues to see gender balance in our hiring across all employee levels, with 50% of all hires being women. We have also continued to build our pipeline of female talent, with 58% of promotions across QBE being women.
Strong pipeline of diverse talent – progressively implement equitable policies and practices to govern QBE's attraction, retention and optimisation of all talent	• Under our performance management approach, ME@QBE, our leaders are taking increased personal responsibility for mentoring, sponsoring and driving career conversations. We continue to enhance ME@QBE and in 2020 allowed snapshot feedback to be gathered in real time. • In Australia Pacific, we re-launched the 'Your Development@QBE' portal with the aim of providing our employees with the right development programs and resources to support their continuous development.
Fair remuneration – seek to reward our employees fairly and support gender pay equity through regular analysis, monitoring and transparent communication	• In 2020, as part of the global annual salary review process, we again performed an analysis of our workforce to assess pay equity. We continue to advance our methodology to measure gender pay equity using multivariate regression analysis in our major markets of Australia, the United Kingdom, the United States and the Philippines (covering approximately 90% of our workforce). This allowed us to assess gender pay equity based on the key drivers of pay in our organisation, including the role, location and performance of the employee. • As an average across these markets, our gender pay equity gap is sufficiently small for QBE to be confident that we pay men and women equally in like-for-like roles. However, we recognise that at an individual level, some pay gaps still exist and we will continue to work to address any identified gaps through our ongoing salary review processes and other initiatives.
Customer satisfaction and retention – progressively review our products, policies and practices to enhance equitable access to our diverse customer base	• QBE continues to offer Premiums4Good to our customers, which invites them to join with us to make a real difference. By choosing QBE, a portion of customer's premium is directed towards investments and select customers can ask us to direct a further 25% of their insurance premium in impact investments – investments in securities with an additional environmental or social objective. This social objective includes social inclusion, diversity and gender.

1 Performance overview
2 Operating and financial review
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Gender balance at Board and senior management levels

In 2015, we set ourselves the goal of achieving 35% women in leadership across QBE by 2020. Across the Group, we came close to achieving our goal with an increase over the last year from 33.7% to 34.8%. In 2020, we developed a new target of 40% women in leadership by 2025 and are developing a clear strategy and actions to reach this target.

In 2015, we also set ourselves the goal of achieving 30% women on our Board by 2020. During 2020, the percentage of women on our Board increased from 22% to 33%. Succession planning for the Board will continue to include actions to progress the diversity of our Board, and we have set a new target of 40% women on our Board by 2025.

Details of gender representation across our workforce and management levels together with targets are set out below:

FEMALE REPRESENTATION	GENDER TARGET BY 2020	ACTUAL 31 DECEMBER 2020	ACTUAL 31 DECEMBER 2019	ACTUAL 31 DECEMBER 2018	ACTUAL 31 DECEMBER 2017	ACTUAL 31 DECEMBER 2016	BASELINE 31 DECEMBER 2015
Board	30%	**33%**	22%	22%	22%	27%	22%
Group Executive Committee (GEC)		**30%**	27%	27%	11%	11%	10%
Level 1		**28%**	20%	23%	22%	22%	20%
Level 2		**29%**	29%	26%	22%	22%	21%
Level 3		**36%**	35%	34%	32%	30%	29%
Women in senior management (total % of GEC and Levels 1–3)	35%	**35%**	34%	32%	30%	28%	27%
Women in workforce	40% to 60%	**52%**	52%	53%	53%	53%	53%

QBE's gender target of 40% to 60% for women in the workforce reflects our aim to maintain a gender balance across the organisation, while providing a flexible approach which supports our commitment to achieving our targets for gender diversity in the composition of our Board and senior management.

In addition to gender equality, QBE's commitment extends to other areas of diversity including:

- actively promoting inclusion for lesbian, gay, bisexual, transgender, intersex and queer plus (LGBTIQ+) employees with a global QBE Pride employee network;
- ongoing commitment to supporting Indigenous communities in Australia and launching our third Reconciliation Action Plan (RAP), which is now at the Innovate stage of the RAP framework, in September 2020;
- looking to embed accessibility in the workplace and enhance our ability to employ people with a disability, with our recruitment team now embedding questions around workplace adjustments into every stage of the recruitment process; and
- actively promoting racial equity with a global guide and glossary with advice on how to engage in conversation around race relations, inequality and injustice.

For further details on our approach and progress, refer to QBE's 2020 Sustainability Report. QBE also makes an annual filing to comply with the *Workplace Gender Equality Act 2012* (Cth) (WGEA) in Australia disclosing our performance against the 'Gender Equality Indicators'. The report can be found at www.qbe.com/investor-relations/corporate-governance/global-policies.

Communications with shareholders

Shareholder engagement

QBE is committed to regularly communicating with its shareholders and other stakeholders in a timely and accessible manner, and encouraging shareholder participation at its general meetings. Detailed information about QBE can be found on the website at www.qbe.com including:

- its history;
- the Board and management;
- its Constitution, Board charter and the charters of each of its Committees;
- corporate governance and policies;
- periodic disclosures, including Annual Report, Half Year Report and Sustainability Report;
- ASX announcements;
- shareholder calendar;
- notices of meeting and any accompanying documents;
- presentation materials provided at investor and analyst briefings; and
- webcasts of meetings of shareholders and investor and analyst briefings.

The QBE website includes a dedicated investor relations section where shareholders can access relevant information regarding their shares. There is also a direct link where shareholders can access their shareholding online through QBE's share registry, Computershare. They can update their personal information and provide their email address and elect to receive communications electronically. Shareholders can discuss their shareholding with either QBE's shareholder services department by email to shares@qbe.com or by contacting QBE's share registry, Computershare by email to qbe.queries@computershare.com.au or by phone at +61 3 9415 4840. Shareholders may request to receive a hard copy of the Annual Report by updating their communication preferences by logging into their shareholding at www.investorcentre.com/au.

QBE has a comprehensive investor relations program that facilitates effective communication with its investors. The Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer, Group General Counsel and Company Secretary, Global Head of Investor Relations, Group Executive Corporate Affairs and Sustainability, Group Treasurer and divisional chief executives generally deal with analysts, investors, media, rating agencies and others, taking account of regulatory guidelines including those issued by the ASX on continuous disclosure. The presentations on the 30 June and 31 December period results and other major presentations are sent to the ASX before the presentations commence and are available promptly at www.qbe.com/investor-relations/reports-presentations. The 30 June and 31 December period results presentations are also webcast live and subsequently archived at www.qbe.com/investor-relations/reports-presentations.

Corporate governance statement continued

Annual General Meetings

QBE welcomes and encourages shareholder participation at its AGM, in person, online or by proxy. The AGM is held in Sydney each year. In response to the COVID-19 pandemic, QBE held the 2020 Annual General Meeting virtually. Shareholders were able to:

- participate by watching online or dialling in to the teleconference;
- ask questions online and on the telephone once they were verified; and
- vote by appointing a proxy, direct voting prior to the AGM and direct voting online during the AGM.

Within the required statutory period before each AGM, QBE distributes to shareholders a notice of meeting and proxy form in accordance with the requirements of the *Corporations Act 2001*, the ASX Listing Rules and the Company's Constitution.

To encourage effective participation at AGMs, QBE:

- issues notices of meeting that are honest, accurate and not misleading;
- includes explanatory notes for all resolutions included in the notice;
- provides a proxy appointment form which clearly indicates how a shareholder may appoint a proxy, direct their proxy how to vote on a particular resolution if they so choose and, if they appoint the Chair of the meeting as their proxy, how the Chair intends to vote undirected proxies;
- only combines or 'bundles' resolutions in notices of meeting in limited circumstances; and
- provides shareholders with the opportunity to lodge proxies electronically.

Shareholders are encouraged to provide questions or comments ahead of the AGM so that these can be addressed at the meeting. QBE will make directors, members of the management team and the external auditor available to shareholders at the AGM to respond to questions regarding the items of business, including about the conduct of the audit and the preparation and content of the auditor's report.

Votes at the AGM are by way of a poll, one vote for each fully paid ordinary share.

Continuous disclosure

QBE takes its continuous disclosure obligations seriously and issues market releases during the year to satisfy those obligations. Significant developments affecting QBE may be the subject of an announcement to the ASX. All ASX announcements are placed on QBE's website at www.qbe.com/investor-relations/asx-announcements as soon as practicable after release. The Board and relevant management also receive copies of all material market announcements promptly after they have been made. QBE's Continuous Disclosure Policy is available at www.qbe.com/investor-relations/corporate-governance/global-policies.

Verification of periodic corporate reports

QBE prepares periodic corporate reports for the benefit of investors such as Annual Reports, Half Year Reports and Sustainability Reports. Where a corporate report is not subject to audit or review by an external auditor, QBE follows a robust process for satisfying itself that the report is materially accurate and balanced, and that it provides investors with appropriate information to make investment decisions.

Periodic corporate reports are drafted by staff with direct responsibility for, or expertise in, the subject matter and are supported by evidence, including by documenting the various sources of information and consultation undertaken within QBE or with external parties. The information is then reviewed by senior management who have the knowledge and skills to verify the accuracy and completeness of the information provided. For the annual Sustainability Report, QBE uses an independent assurance engagement to confirm that certain data sets have been prepared and presented appropriately in all material aspects.

The Board and its Committees review and approve statutory and other significant corporate reports prior to release to the market. All other periodic corporate reports are submitted for approval to the Disclosure Committee, a committee comprised of senior executives including the Group Chief Executive Officer and Group Chief Financial Officer.

Financial and other reporting

Audit Committee

The Board has an Audit Committee which meets at least quarterly to support the Board in overseeing the effectiveness of the Group's financial reporting and risk management framework. In particular, the Audit Committee oversees and monitors the integrity of the Group's financial reporting, including climate-related financial disclosures. The Audit Committee is also responsible for the oversight of management of tax risks. The Audit Committee is comprised of independent directors, all of which have financial expertise, and is chaired by Jann Skinner.

Interim Group Chief Executive Officer and Group Chief Financial Officer declaration

Prior to the Audit Committee's review and the Board's approval of the 2020 Annual Report, the Interim Group Chief Executive Officer and Group Chief Financial Officer provided a declaration to the Board that, in their opinion, the financial records were properly maintained, that the financial statements complied with the appropriate accounting standards and that they gave a true and fair view of the financial position and performance of QBE. The declaration also provides that the opinion of the Interim Group Chief Executive Officer and Group Chief Financial Officer was based on a sound system of risk management and internal control which is operating effectively.

External auditor independence

QBE firmly believes that the external auditor must be, and must be seen to be, independent. The external auditor confirms its independence and the Audit Committee verifies this by separate enquiry. The Audit Committee regularly meets with the external auditor in the absence of management. The external auditor attends the AGM and a representative is available to answer questions from shareholders relevant to the audit.

The Audit Committee has free and unfettered access to the external auditor. The external auditor has free and unfettered access to the Audit Committee.

QBE has issued an internal policy on external auditor independence. Under this policy, the external auditor is not allowed to provide the excluded services of preparing accounting records, financial reports or asset or liability valuations. Furthermore, it cannot act in a management capacity, as an advocate, as a custodian of assets or as a share registry.

The Board believes some non-audit services are appropriate given the external auditor's knowledge of the QBE Group. QBE may engage the external auditor for some non-audit services, subject to the general principle that fees for non-audit services excluding audit-related and assurance services should not exceed 50% of all fees paid to the external auditor in any one financial year. External tax services are generally provided by an accounting firm other than the external auditor.

The Audit Committee approves the audit plan each year and receives information on the external auditor's fees. QBE also considers the terms of engagement of the external auditor every few years. The *Corporations Act 2001* and Australian professional auditing standards require rotation of the lead engagement partner after five years. The lead engagement partner of the external auditor was last rotated in 2019.

The Audit Committee regularly reviews the need to rotate external auditors and if the Audit Committee thought it appropriate to change the firm undertaking QBE's external audit, it would conduct a competitive tender process.

Actuarial review

The central estimate of QBE's insurance liabilities, comprising outstanding claims and premium liabilities, is determined by experienced internal actuarial staff. Actuarial staff form an independent view of both the central estimate and the probability of adequacy of outstanding claims and premium liabilities. At 31 December 2020, close to 100% of QBE's outstanding claims central estimate was also reviewed by external actuaries.

Internal audit

A global internal audit function is a core part of QBE's three lines of defence approach to effective risk management. QBE's Group Internal Audit team is an independent global function that operates on an integrated basis and is managed by the Group Head of Internal Audit. Group Internal Audit is formally accountable to the Chair of the Audit Committee and has an operational reporting line to the Group Chief Financial Officer. Group Internal Audit operates under an Audit Committee-approved internal audit charter that provides Group Internal Audit with free and unrestricted access to the Audit Committee, and all management, records and properties. Group Internal Audit's primary purpose is to assist the Audit Committee and senior management to discharge their responsibility for sound and prudent management of risk at QBE. Group Internal Audit does this by performing audits, reviews, and investigations to provide independent assurance that the design and operation of controls across QBE's international operations are effective. Group Internal Audit develops and delivers an annual risk-based internal audit plan that is aligned to QBE's risk management framework, and includes audits to address relevant regulatory requirements. The annual Group Internal Audit plan is designed so that higher materiality risk processes are reviewed more frequently. Audit findings and related themes are reported to management, local audit committees and the Audit Committee.

Risk management

QBE is in the business of managing risk. The Board and management are fully committed to adopting a disciplined approach to how we manage risk, to deliver leading practice and to maintaining robust and independent risk management processes and systems. QBE's risk management framework supports its businesses across all divisions and provides a sound foundation for reducing uncertainty and volatility in business performance.

Further details of how QBE manages risk are set out in the risk section of the Annual Report on pages 36 to 37. An overview of QBE's risk management framework, including QBE's material economic risks and how these are mitigated, is also set out in note 4 to the financial statements.

Risk & Capital Committee

The Board monitors QBE's performance and, as such, plays a significant role in monitoring that an effective risk management strategy is established and maintained. The Board has a Risk & Capital Committee which meets at least quarterly to support the Board in overseeing the effectiveness of QBE's risk and capital management frameworks. The proper oversight of these frameworks supports strategic objectives, informs business plans and enables current and future risks to be identified, assessed and monitored in line with risk appetite. Under its charter, the Risk & Capital Committee is required to review the risk management framework periodically to confirm it continues to be sound. This review was undertaken during 2020 as part of the annual refresh of the Risk Management Strategy. The Risk & Capital Committee is also responsible for overseeing QBE's environmental, social and governance (ESG) responsibilities and performance, and external reporting relating to this.

The Risk & Capital Committee is comprised of independent directors and is chaired by Rolf Tolle. The Risk & Capital Committee has free and unfettered access to the Group Chief Risk Officer and other relevant senior management.

Environmental, social, governance and economic risk

Information about how QBE approaches sustainability and the management of ESG issues can be found in the climate disclosures section on pages 28 to 35 of the Annual Report and in the 2020 Sustainability Report available at www.qbe.com/sustainability.

Refer to QBE's 2020 Sustainability Report at www.qbe.com/sustainability.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2020

Your directors present their report on QBE Insurance Group Limited and the entities it controlled at, or during the year ended, 31 December 2020.

Directors

Marty Becker (Chair until 29 February 2020, director until 30 April 2020)
Stephen Fitzgerald AO
John M Green (Deputy Chair)
Tan Le (from 1 September 2020)
Kathryn Lisson
Sir Brian Pomeroy
Patrick Regan (until 8 September 2020)
Jann Skinner
Eric Smith (from 1 September 2020)
Rolf Tolle
Michael Wilkins AO (Chair from 1 March 2020)

Consolidated results

	STATUTORY RESULT	
	2020 US$M	2019 US$M
Gross written premium	**14,643**	13,442
Gross earned premium revenue	**14,008**	13,257
Net earned premium	**11,708**	11,609
Net claims expense	**(8,934)**	(8,102)
Net commission	**(1,891)**	(1,819)
Underwriting and other expenses	**(1,752)**	(1,690)
Underwriting result	**(869)**	(2)
Net investment income on policyholders' funds	**142**	649
Insurance (loss) profit	**(727)**	647
Net investment income on shareholders' funds	**84**	387
Financing and other costs	**(252)**	(257)
Loss on sale of entities and businesses	**(2)**	(8)
Share of net loss of associates	**(5)**	(3)
Restructuring and related expenses	**(104)**	(43)
Amortisation and impairment of intangibles	**(466)**	(51)
(Loss) profit before income tax from continuing operations	**(1,472)**	672
Income tax expense	**(39)**	(104)
(Loss) profit after income tax from continuing operations	**(1,511)**	568
Loss after income tax from discontinued operations	**–**	(21)
(Loss) profit after income tax	**(1,511)**	547
Net (profit) loss attributable to non-controlling interests	**(6)**	3
Net (loss) profit after income tax attributable to ordinary equity holders of the Company	**(1,517)**	550

Result

The Group reported a net loss after tax attributable to ordinary equity holders of the Company of $1,517 million for the year ended 31 December 2020, compared with a net profit after tax of $550 million for the prior year. The result was materially impacted by an estimated $655 million loss due to underwriting result impacts of COVID-19, adverse prior accident year claims development, elevated catastrophe claims, a significantly reduced investment return as a result of extreme first-half market volatility, and goodwill and deferred tax asset impairments in North America of $390 million and $120 million, respectively.

Gross written premium increased by $1,201 million mainly due to strong premium rate increases in North America and International, partly offset by the impact of divestments. Reinsurance expense increased by $652 million, mainly reflecting increased reinsurance purchases in North America, particularly in the Crop business.

The Group reported an underwriting loss of $869 million compared with a loss of $2 million in the prior year, equating to a combined operating ratio of 107.4% compared with 100.0%. Excluding the impact of changes in risk-free rates, the combined operating ratio was 104.2% compared with 98.0% in the prior year.

The net claims ratio was 76.3% compared with 69.8% in the prior year. Excluding the impact of changes in risk-free rates and the Ogden decision in the prior year, the net claims ratio was 73.1% compared with 67.3%. The claims ratio was impacted by COVID-19 claims ($260 million), a strengthening of risk margins in response to uncertainty created by COVID-19 ($300 million), higher than anticipated catastrophe claims and adverse prior accident year claims development. These were partly offset by a further improvement in the attritional and large individual risk claims ratios.

The combined commission and expense ratio increased slightly to 31.1% from 30.2% in the prior year. The net commission expense ratio increased to 16.1% from 15.6% in the prior year, mainly reflecting premium growth and changes in business mix in International. The Group's expense ratio increased to 15.0% from 14.6% in the prior year, with cost savings more than offset by elevated risk and regulatory costs and a NSW CTP profit normalisation charge.

Net investment and other income was $226 million compared with $1,036 million in the prior year. The investment portfolio was severely impacted by COVID-19 market volatility, particularly in the first half of the year. While fixed income assets benefited from falling sovereign bond yields, realised losses on emerging market and high yield debt assets negatively impacted fixed income returns. Growth assets were substantially impacted by market volatility. The Group now has minimal exposure to listed equities and sold all high yield and emerging market debt instruments to de-risk the investment portfolio in the first half of the year.

The Group's effective tax rate was negative 3% compared with 15% in the prior period reflecting the mix of corporate tax rates in the jurisdictions in which QBE operates, current period taxable losses in the North American tax group where an already substantial deferred tax asset limited recognition of further tax losses, non-deductible goodwill impairment, and the write-down of the deferred tax asset in the North American tax group following a reassessment of expected future taxable profits.

Dividends

Our dividend policy is designed to reward shareholders relative to cash profit while maintaining sufficient capital for future investment and growth of the business. In light of the substantial reported loss, the directors have elected not to declare a final dividend.

In the prior year, the directors announced a final dividend of 27 Australian cents per share, franked at 30%.

The 2020 full year dividend payout is A$59 million compared with A$681 million for 2019. Further details of dividends paid during the year are set out in note 5.4 to the financial statements.

Activities

The principal activities of QBE during the year were underwriting general insurance and reinsurance risks, management of Lloyd's syndicates and investment management.

Presentation currency

The Group has presented the Financial Report in US dollars because a significant proportion of its underwriting activity is denominated in US dollars. The US dollar is also the currency that is widely understood by the global insurance industry, international investors and analysts.

Operating and financial review

A review of the Group's operations during the year and the results of those operations is set on pages 4 to 27 of this Annual Report. These pages also deal with the Group's operations, financial position, business strategies and prospects for future financial years.

Outstanding claims liability

The net central estimate of outstanding claims is determined by the Group Chief Actuary after consultation with internal and external actuaries. The assessment takes into account the statistical analysis of past claims, allowance for claims incurred but not reported, reinsurance and other recoveries and future interest and inflation factors.

As in previous years, the directors consider that substantial risk margins are required over the actuarial net central estimate to mitigate the inherent uncertainty in the net central estimate. The probability of adequacy of the outstanding claims liability at 31 December 2020 was 92.5% compared with 90.0% last year. The Australian Prudential Regulation Authority (APRA) prudential standards provide a capital credit for outstanding claims in excess of a probability of adequacy of 75%.

Group indemnities

Rule 78 of the Company's Constitution provides that the Company indemnifies past and present directors, secretaries or other officers against any liability incurred by that person as a director, secretary or other officer of the Company or its subsidiaries. The indemnity does not apply to any liability (excluding legal costs):

- owed to the Company or a related body corporate (e.g. breach of directors' duties);
- for a pecuniary penalty under section 1317G or a compensation order under sections 1317H or 1317HA of the *Corporations Act 2001* (Cth) (or a similar provision of the corresponding legislation in another jurisdiction); or
- that is owed to someone other than the Company or a related body corporate and which did not arise out of conduct in good faith.

The indemnity extends to legal costs other than where:

- in civil proceedings, one or more of the above exclusions apply;
- in criminal proceedings, the person is found guilty;
- the person is liable in proceedings brought by the Australian Securities and Investments Commission (ASIC), a corresponding regulator in another jurisdiction or a liquidator (unless as part of the investigation before proceedings are commenced); or
- the court does not grant relief after an application under the *Corporations Act 2001* or corresponding legislation in another jurisdiction.

In addition, a deed exists between the Company and each director which includes an indemnity in similar terms to rule 78 of the Company's constitution.

Directors' Report continued

FOR THE YEAR ENDED 31 DECEMBER 2020

Directors' and officers' insurance

QBE pays a premium each year in respect of a contract insuring directors, secretaries, senior managers and employees of the Group together with any natural person who is either a trustee or a member of a policy committee for a superannuation plan established for the benefit of the Group's employees against liabilities past, present or future. The officers of the Group covered by the insurance contract include the directors listed on pages 38 and 39 of this Annual Report, the Group Company Secretary, Carolyn Scobie, and Deputy Company Secretary, Peter Smiles.

In accordance with normal commercial practice, disclosure of the amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No such insurance cover has been provided for the benefit of any external auditor of the Group.

Significant changes

There were no significant changes in the Group's state of affairs during the financial year other than as disclosed in this Annual Report.

Likely developments and expected results of operations

Likely developments in the Group's operations in future financial years and the expected results of those operations have been included in the review of operations on pages 4 to 27 of this Annual Report.

Events after balance date

No matter or circumstance has arisen since 31 December 2020 that, in the opinion of the directors, has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial periods.

Material business risks

As a global insurance and reinsurance business, QBE is subject to a substantial variety of business risks. The Board believes that effective management of these risks is critical to delivering value for QBE's stakeholders. It is QBE's policy to adopt a rigorous approach to managing risk throughout the Group. Risk management is a continuous process and an integral part of QBE's governance structure, QBE's broader business processes and, most importantly, QBE's culture.

Some of the material business risks that QBE faces include strategic, insurance, credit, market, liquidity, operational, compliance and group risks. Explanations of these risks and their mitigations are set out in detail in note 4 to the financial statements which we recommend you read. Further details of how QBE manages risk are set out in the risk section on pages 36 to 37, the climate disclosures on pages 28 to 35 and the risk management section of the Corporate Governance Statement on pages 42 to 49 of this Annual Report.

The Group makes judgements and estimates in respect of the reported amounts of certain assets and liabilities, the most significant of which are in relation to the determination of the net outstanding claims liability, the application of the liability adequacy test and the valuation of deferred tax assets and impairment testing of goodwill in North America. Details of these, and information on how QBE has responded to uncertainties created by COVID-19, are included in the notes to the financial statements.

Meetings of directors

	FULL MEETINGS OF DIRECTORS[1]		MEETINGS OF INDEPENDENT DIRECTORS		MEETINGS OF COMMITTEES: AUDIT		GOVERNANCE & NOMINATION		INVESTMENT		OPERATIONS & TECHNOLOGY		PEOPLE & REMUNERATION		RISK & CAPITAL		SUB-COMMITTEES[2]	
	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A
Marty Becker	5	5	1	1	1	1	1	1	1	1	1	1	1	1	1	1	–	–
Stephen Fitzgerald	14	13	10	10	–	–	5	5	4	4	–	–	4	4	6	6	–	–
John M Green	14	14	10	10	5	5	5	5	4	4	4	4	4	4	6	6	29	29
Tan Le	5	5	3	3	2	2	2	2	–	–	2	2	–	–	–	–	–	–
Kathryn Lisson	14	14	10	10	5	5	5	5	–	–	4	4	–	–	–	–	2	2
Sir Brian Pomeroy	14	14	10	10	5	5	5	5	4	4	–	–	–	–	6	6	1	–
Patrick Regan	9	9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	6	6
Jann Skinner	14	14	10	10	5	5	5	5	–	–	–	–	4	4	6	6	27	27
Eric Smith	5	4	3	3	–	–	2	2	–	–	2	2	–	–	2	2	–	–
Rolf Tolle	14	14	10	10	5	5	5	5	–	–	–	–	4	4	6	6	5	5
Michael Wilkins	14	14	10	10	5	5	5	5	2	2	4	4	4	4	3	3	29	29

H Number of meetings held while a Board or Committee member.

A Number of meetings attended while a Board or Committee member.

1 All directors attended all scheduled Board meetings. Some of the 2020 Board meetings were unscheduled and called at short notice, resulting in some directors being unable to attend.

2 Ad hoc committees of the Board were convened during the year in relation to the financial results and other reporting matters.

Further meetings occurred during the year, including meetings of the Chair, Group Chief Executive Officer and Interim Group Chief Executive Officer, and meetings of the directors with management. Often directors attend meetings of committees of which they are not currently members.

1 Performance overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Other information

Directorships of listed companies held by the members of the Board

From 1 January 2018 to 19 February 2021, the directors also served as directors of the following listed entities:

DIRECTOR	POSITION	DATE APPOINTED	DATE CEASED
John M Green			
Challenger Limited	Director	6 December 2017	–
Michael Wilkins			
AMP Limited	Director	12 September 2016	14 February 2020
Medibank Private Limited	Director	25 May 2017	–
Scentre Group Limited	Director	8 April 2020	–
Jann Skinner			
Telix Pharmaceuticals Limited	Director	19 June 2018	–

Qualifications and experience of directors

The qualifications and experience of each director are set out on pages 38 to 39 of this Annual Report.

Qualifications and experience of company secretaries

Carolyn Scobie, BA, LLB, MA, AGIA, GAICD
Carolyn joined QBE in 2016 as Group General Counsel and Company Secretary. Prior to joining QBE, Carolyn was Group General Counsel at Goodman Group for 17 years, where she ran a multi-disciplinary legal team. Carolyn has extensive experience in corporate law, compliance, regulatory matters, litigation and managing the complexity of multiple jurisdictions.

Peter Smiles, LLB, MBA, FGIA, FCIS, GAICD
Peter is Deputy Company Secretary of QBE Insurance Group Limited and a company secretary of various QBE subsidiaries in Australia. He has 30 years of insurance experience, which includes 24 years as a corporate lawyer. In addition to his current company secretarial duties, he acts as a corporate lawyer advising Group head office departments.

Directors' interests and benefits

Ordinary share capital

Directors' relevant interests, including those of their personal related parties, in the ordinary share capital of the Company at the date of this report are as follows:

DIRECTOR	NUMBER OF SHARES HELD
Stephen Fitzgerald	**65,286**
John M Green	**41,253**
Tan Le	**783**
Kathryn Lisson	**40,442**
Sir Brian Pomeroy	**33,757**
Jann Skinner	**63,995**
Eric Smith	**783**
Rolf Tolle	**63,336**
Michael Wilkins	**63,172**

Options and conditional rights

No executives hold options at the date of this report. Details of the schemes under which options and conditional rights are granted are provided in the Remuneration Report and in note 8.5 to the financial statements.

The names of all persons who currently hold options granted under the Employee Share and Option Plan and conditional rights to ordinary shares of the Company are entered in the registers kept by the Company pursuant to section 168 of the *Corporations Act 2001*.

Environmental regulation

While the Group is not currently required to report under any significant environmental regulations under Commonwealth, State or Territory legislation, climate disclosures are provided on pages 28 to 35 of this Annual Report and operational greenhouse gas emissions and other environmental data is disclosed in the 2020 Sustainability Report.

Remuneration Report

Remuneration Report contents

This Remuneration Report sets out QBE's remuneration framework and provides detail of remuneration outcomes for key management personnel (KMP) for 2020 and how this aligns with QBE's performance.

Accounting standards define KMP as those executives and non-executive directors with the authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

The 2020 Remuneration Report has been prepared and audited in accordance with the disclosure requirements of the *Corporations Act 2001*.

To our shareholders

On behalf of the Board, I present QBE's Remuneration Report for 2020.

Our response to COVID-19

The economic and social disruption caused by the COVID-19 pandemic is widespread and continues to be felt right across the world.

For QBE, this impacted our business performance and investment income in 2020 and continues to impact our people and our customers. Combined with elevated catastrophe experience and adverse prior accident year claims development, we delivered a Group financial result that, disappointingly, was well below our target. However, despite the significant volatility during 2020, QBE made solid progress on a number of key priorities and demonstrated considerable adaptability and resilience. For that, and their sustained commitment, we thank our people around the globe.

COVID-19 led to a transformational shift in how our people work and connect with each other. We rapidly mobilised resources and technology to support people working remotely, while also prioritising our customers. In line with our QBE DNA and culture, the safety and wellbeing of our people was central throughout QBE's response to the pandemic. We focused on the physical and mental wellbeing of our people in this sustained work-from-home environment, offered additional support for more vulnerable employees and continue to be mindful of the challenges that remain for the year ahead.

Board and executive changes

We announced the departure of the former Group Chief Executive Officer (CEO), Pat Regan, in September 2020. This followed decisive action by the Board after an external investigation concerning workplace communications. Our commitment to a respectful and inclusive environment at QBE continues, and is being expanded through our Culture Accelerator program mentioned below. Group Chair, Mike Wilkins, took on the role of Executive Chair during September and October. In October, we appointed Richard Pryce, CEO, International, as Interim Group CEO. The Board is grateful to Mr Pryce for delaying his planned retirement to take on the interim role while we search for a new Group CEO.

Mr Pryce's skills and operational discipline are being positively received across the business. His interim remuneration arrangements, structured to account for the temporary nature of his role, vary to some extent from the prior Group CEO's.

For more information, refer to page 56.

Along with two new Board members, Tan Le and Eric Smith, Jason Harris the new CEO, International, joined QBE in 2020. Our new Group Chief Risk Officer, Fiona Larnach, will commence in March 2021 and our new CEO, Australia Pacific, Sue Houghton, is expected to commence in Q3 2021. We are pleased that we continue to attract executives of this calibre and build our executive bench strength, whilst improving our gender balance. From Q3 2021, 45% of the Group Executive team will be female.

People, culture, diversity and inclusion

We have been strengthening our focus on culture, succession and talent. We continue to embed the QBE DNA and in late 2020, we commenced our Culture Accelerator to refine and enhance our DNA and support our journey towards making QBE more future-fit.

Fostering an environment where our employees feel engaged, supported and equipped to do their best is essential to our success, helping to drive business performance with positive customer, employee and partner outcomes. QBE wants our people to feel safe and encouraged to speak up, to raise ideas, to call out issues without fear and to embrace diversity.

Our annual employee engagement survey achieved a strong response with an overall engagement score of 76%, up from 70% in 2019, and an enablement score of 76%, up from 71% in 2019. There were also strong increases in some other key focus areas. These were pleasing results in a very challenging environment.

In addition to the activity highlighted above, our women in leadership and gender balance levels improved across the Group, QBE Australia was named *JobAccess Best Workplace Diversity and Inclusion Program* at the 2020 Australian HR Awards, recognising our 'Share the Care' flexible parental leave policy. QBE was also voted #10 in the 2020 Top 20 Australian Workplaces for New Dads (by HBF Direct Advice for Dads). Our continued commitment to creating meaningful relationships and promoting opportunities to empower Aboriginal and Torres Strait Islander communities, organisations and businesses is reflected in our recently launched Reconciliation Action Plan 2020–2022.

For more information, refer to QBE's Sustainability Report at www.qbe.com/sustainability.

Performance during 2020

The Group's 2020 financial result was disappointing and reflects the difficult operating environment which was heavily impacted by the pandemic. Despite COVID-19 related costs, the International division delivered pleasing margin improvement and encouraging growth as a result of strong pricing conditions and ongoing discipline in risk selection. In addition to material COVID-19 impacts, our North America and Australia Pacific divisions' results were heavily impacted by catastrophe claims that were significantly above allowances. North America also experienced material adverse prior accident year claims development.

Though QBE made significant progress on a number of important deliverables, the Group's adjusted combined operating ratio (COR) and the Group's cash return on equity (ROE) were well below our expectations at 103.8% and (16.2)% respectively. As a result, the financial component of the short-term incentive (STI) resulted in a zero outcome for most of the executive KMP. However, in assessing the non-financial component of STI for the executive KMP, the ME@QBE component, the Board gave careful consideration to the unprecedented challenges that the management team responded to in 2020 and the perseverance, commitment and resilience each of them demonstrated throughout the year. While COVID-19 presented many challenges, other significant issues culminated in 2020 being one of the most challenging years in the Company's recent history. Collectively and individually the executives led QBE through a very turbulent year and the Board believes that, despite the poor financial outcomes for the Group, their significant work in that respect should be recognised.

Accordingly, the Board has determined to award the executive KMP for the 35% non-financial component of their STI. However, it has exercised its discretion to make those awards as deferred equity (conditional rights), vesting over two years (2022 and 2023) with no cash component. This creates greater alignment with shareholders through increased share ownership. It reflects the Board's determination to motivate, retain and stabilise the executive team in a manner that is in the best interests of shareholders and the long-term performance of the Company.

The 2020 STI outcome for the Interim Group CEO reflects that for the majority of the year he was in his prior role as CEO, International, the strong performance of the International division and his achievement against ME@QBE objectives. Based on this, he will receive 90.4% of his target opportunity (60.3% of his maximum opportunity). For the remaining executive KMP, the average STI outcome is 31.7% of their maximum opportunity.

For more information, refer to pages 57 to 62.

Looking ahead

We will be making some minor revisions to remuneration arrangements for 2021 as we proactively respond to the upcoming regulatory requirements in Australia. These include revised malus and new clawback rules for our incentive plans.

STI financial measures will continue to include COR and cash ROE, and will retain their weighting for 65% of the outcomes, the remaining 35% being weighted on performance against our strategic priorities. For 2021, we will utilise a blended COR from the divisional outcomes rather than the Group COR to improve the line of sight and enhance the impact of these measures across the Group.

The continued impact of COVID-19 creates a greater than usual challenge for setting the incentive targets for 2021. This is particularly relevant for the 2021 long-term incentive (LTI) performance measures.

For the 2021 LTI award, average cash ROE and relative total shareholder return (TSR) will continue to be the two key performance conditions measured over a three-year performance period and the catastrophe collar will remain. However, for the 2021 average cash ROE measure, we will vary the approach for calculating the target. Rather than setting a three-year target at this time, we will, at the end of the performance period, combine the three individual annual performance ranges that we will set over the three individual years. The outcomes for the 2021 performance year will be disclosed in next year's Remuneration Report.

For more information, refer to page 70.

A broader review of remuneration will occur during 2021 to address the future regulatory requirements for expanded non-financial metrics and longer incentive deferral mechanisms. The remuneration principles detailed on the next page will underpin any changes to our arrangements.

We intend to engage key stakeholders as these are developed and next year's report will contain further detail.

As always, we look forward to shareholder feedback.

John M Green

Deputy Chair
Chair, People & Remuneration Committee

Our remuneration framework at a glance

Our purpose and remuneration principles

Our purpose: We give people the confidence to achieve their ambitions

QBE's remuneration strategy is designed to attract, motivate and retain QBE's executives by providing market competitive remuneration aligned with the creation of sustained shareholder value.

- Simple and clear
- Linked to strategy
- Motivating
- Aligned to shareholders
- Globally consistent and locally competitive

How the remuneration framework supports the strategy

Simple and clear

A simple and clear view of how delivery of our strategy impacts incentive outcomes for our executives.

Adaptable to changes in our strategy and external environment

Performance targets aimed at delivering our long-term objectives will evolve with our strategy, changes to business cycles and the external operating environment.

Measures that are correlated with performance

Measures that focus on profitability, management of the balance sheet and our longer-term strategic priorities enable remuneration outcomes to reflect a holistic view of performance.

Encourages our executives to think and act like business owners

A significant portion of incentives is paid in equity which focuses executives on creating shareholder value, managing risk and being accountable for the long-term success of QBE.

Aligning remuneration to culture and managing risk

The remuneration structure is designed to align remuneration with prudent risk-taking, underpinned by clear messaging of our QBE DNA which describes who we are, what we stand for and how we need to operate to be successful. The way that each executive manages risk and conduct is a key consideration of the Board in determining incentive outcomes.

2020 incentive plan key features for the Group CEO

Feature	STI	LTI
Remuneration components	STI cash (50%) and STI deferred equity (50%) Board discretion applied for 2020 to deliver 100% of any STI award as STI deferred equity	Equity (100%)
Target incentive opportunity	Former Group CEO – 133% target (200% maximum) Interim Group CEO – 150% target (225% maximum)	Former Group CEO – 200% (face-value) Interim Group CEO – 88% (face-value)
Performance period	One year	Former Group CEO – three years Interim Group CEO – time in role
Equity deferral period	One to two years from end of performance period	Three to five years from start of performance period
Performance measures[1]	Group cash ROE (25%) Group COR (40%) Strategic performance objectives (35%)	Former Group CEO – Group average cash ROE (50%) and relative TSR (50%) Interim Group CEO – special equity grant
Malus	Subject to malus during the vesting period	
Executive minimum shareholding	The minimum shareholding requirement (MSR) is three times fixed remuneration for the Group CEO (to be achieved within five years), the Interim Group CEO is aligned to other executive KMP, refer to page 63.	
Risk and behaviours	Performance assessments of each executive KMP include a formal assessment of risk and behaviours using input from the Group Chief Risk Officer (CRO), the Chair of the People & Remuneration Committee, the Chair of the Risk & Capital Committee and the Chairs of divisional boards where relevant.	

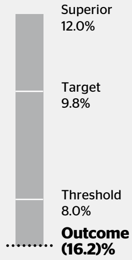
1 The 2020 STI performance measures and outcomes for the Interim Group CEO are provided as part of the executive KMP performance snapshots on page 60. The LTI provided is subject to specific interim deliverables refer to page 69.

How we performed: **Financial performance**

Group cash ROE[1]

Award

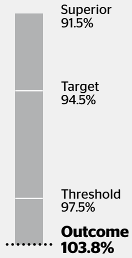
0.0%



Group COR[2]

Award

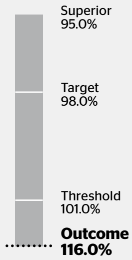
0.0%



North America COR[5]

Award

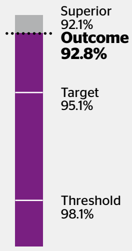
0.0%



International COR[2,5]

Award

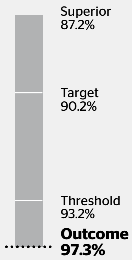
138.3%



Australia Pacific COR[2]

Award

0.0%



Performance outcomes for the Group were significantly impacted in 2020 by catastrophe claims in excess of allowances in both Australia Pacific and North America and adverse prior accident year claims in North America. This was in contrast to a strong result in International.

As a result of the above, the Group adjusted cash ROE of (16.2)%[1] was below the threshold for incentives to be awarded for this measure. The Group adjusted COR of 103.8%[2] was also below the threshold for incentives to be awarded for this measure.

The impact of the financial performance on the incentive payouts for executive KMP is provided on pages 60 to 62.

Financial performance – five-year summary

		2020	2019	2018	2017	2016
Statutory COR[3]	(%)	**107.4**	100.0	95.9	104.8	94.0
Net (loss) profit after tax[3]	(US$M)	**(1,517)**	571	567	(1,249)	844
Return on average shareholders' equity	(%)	**(18.2)**	6.7	4.5	(13.0)	8.1
Group cash ROE for incentive purposes[1]	(%)	**(16.2)**	8.9	8.0	(9.2)	8.4
Group COR for incentive purposes[2]	(%)	**103.8**	97.5	95.7	104.1	N/A

Return to shareholders – five-year summary

		2020	2019	2018	2017	2016
Share price at 31 December	(A$/share)	**8.53**	12.88	10.10	10.68	12.42
Dividend per share	(Australian cents)	**4**	52	50	26	54
TSR	(%)	**(24.0)**	29.2	(0.9)	(8.9)	5.3

Group CEO outcomes – five-year summary[4]

	2020	2019	2018	2017	2016
STI or Executive Incentive Plan (EIP) (from 2017 to 2018) as % of target	**90.4**	68.5	98.6	15.6	75.3
LTI vested (% of grant)	**–**	0	0	0	0

Tracking of unvested LTI awards

LTI AWARD	PERFORMANCE MEASURES	VESTING DATES	TRACKING
2019	Average cash ROE and relative TSR	March 2022/23/24	Unlikely to vest in full
2020	Same as above	March 2023/24/25	On track

1 For incentive purposes, the adjusted cash ROE of (10.9)% provided on page 14 is adjusted by (5.3)% for goodwill and impairment of intangibles. For 2018 and prior years, cash ROE was adjusted for 50% of the impact of unbudgeted movements in discount rates. This adjustment no longer applies.
2 For incentive purposes, the 2020 COR of 104.2%, excluding the impact of changes in risk-free rates, is adjusted by (0.4)% to exclude elevated risk and regulatory costs. The reconciliation of the statutory to adjusted COR is included on page 11.
3 From 2018, the results reflect continuing operations only. For 2017 and prior years, the results reflect consolidated Group performance including discontinued operations.
4 For 2020, the results reflect the pro-rated STI outcome for Mr Pryce for the period in both the Interim Group CEO and CEO, International roles. There were no LTI grants due to vest in 2020.
5 Excludes transfer of certain North American inward reinsurance business to International.

How we performed: **2020 priorities**

In addition to financial results, focus on our progress against our strategic priorities through 2020 underpinned the determination of incentive outcomes for the year.

In 2020, executive KMP had 35% of their STI outcome determined with reference to strategic performance objectives aligned to QBE's strategic priorities.

The information on the right provides a summary of the priorities and the outcomes achieved during 2020.

The executive KMP objectives are aligned with these and their actual STI outcomes are provided in the following pages.

Performance

Continue to mature our cell review process to deliver our target COR. Deliver against key sustainability and climate commitments. Turn our focus to organic growth opportunities.

Brilliant Basics +

Execute the next phase of Brilliant Basics with a sharper focus on delivering for our customers. Leverage best in class AI, data, and digital capabilities to embed everyday brilliance in underwriting and pricing and in particular, throughout our customer claims experience.

Our 2020 achievements

Performance

- **Continued focus**
  We remained focused on the rigour of cell reviews and took steps to enhance and improve those processes through the use of additional financial and capital metrics as part of the reviews. In response to the emergent COVID-19 threat globally, we moved quickly to protect the balance sheet and took prudent steps to de-risk our investment portfolio.
- **Sustainability focus**
  We continued to deliver against our climate and sustainability commitments and were the first Australian insurer to join the UN-convened Net-Zero Asset Owner Alliance, pledging to transition our investment portfolio to net-zero greenhouse gas emissions by 2050. We used 97% of renewable electricity across our global operations and maintained our carbon neutrality. We developed an environment and social risk framework to support integration of ESG considerations into our Group Underwriting Standards.
- **Supporting our customers**
  Our customer service levels remained relatively unchanged despite our people working remotely. We also provided our customers with a wide range of additional support including premium rebates and other financial relief measures.

Brilliant Basics +

- **Core capability build**
  Our Brilliant Basics discipline has enabled us to further enhance our core capabilities of pricing, risk selection and claims management. This is evident in the improvement in our attritional claims ratio which has continued to improve since the introduction of Brilliant Basics, as well as an increase in the sophistication of our pricing capabilities. We provided support to our customers through COVID-19, for example pricing relief in Australia, whilst also ensuring strict underwriting discipline to de-risk our portfolios more exposed to economic risk such as Trade Credit and LMI. This provided QBE the balance to be able to navigate through a challenging year.
- **Claims focus**
  As part of Brilliant Basics claims, we delivered significant uplift in operational capabilities across all major claims lines. Through modernisation we created a simpler, more efficient claims function for a better customer experience, as well as improved financial performance. Examples include the introduction of digital claims lodgement platform and pursuing straight-through processing and no-touch claims.

Innovation & Technology

Enhance our digital and data capability, update our IT platforms and accelerate the transition to the cloud. Through innovative partnerships and QBE Ventures, cultivate skills and capabilities for the future and create an environment that nurtures innovation and continuous improvement.

Strengthened foundations

We showcased the importance of the investments we have made in strengthening our technology foundations by shifting the entire employee base to work from home with cloud-enabled tools and minimal disruption to our customers. We have also continued to advance our program of work to streamline and modernise our technology estate with the decommissioning of over 60 applications and continued improvements in platform stability whilst reducing the volume of critical incidents by over 80% in the past three years. Preparations are well advanced to exit our data centre in Australia in favour of a cloud first and co-location strategy. At the same time, we delivered upgrades to a number of core insurance platforms to address technology debt. We continue to enhance our digital offerings and capabilities including the launch of a digital marketing cloud in North America and new and expanded digital sales platforms in Australia and Asia.

Ventures

We reset QBE Ventures during the year, recruiting key talent and enhancing scope to better identify and invest in partnerships aligned to long-term growth. We also launched Mitti, a new digital venture built in partnership with SafetyCulture. This merges risk management and insurance to deliver a more customer -centred value proposition to small and medium-sized enterprises.

Talent & Culture

Accelerate our talent and leadership strategy, building on our DNA to empower our people to thrive, now and in the future. Continue to enhance our performance management system, ME@QBE, supporting our people and leaders in managing career and talent development.

Supported our people

Our people have been provided with significant support through the extraordinary circumstances that 2020 has presented.

Health and wellbeing

We bolstered our focus across our geographies and introduced new more frequent pulse surveys to understand current sentiment and how best to support our employees and deliver for our customers. This enabled us to address and respond to feedback and boost employee wellbeing. An improvement in the Group's overall employee engagement and enablement scores (to 76%) was testament to this focus, especially given the challenging environment.

Leadership capability uplift

Our focus has been on enabling our people to be their best. We have reset our talent acquisition program and evolved our flexible working principles. Our future women in leadership targets continue to drive inclusivity across the organisation with improvements in our gender balance across the executive team during the year (increasing from 33.7% to 34.8%).

Diversity focus

We remain committed to being a diverse and inclusive employer and have been recognised as one of Australia's top LGBTIQ+ inclusion employers, for the second year in a row, being awarded Gold Employer status through the Australian Workplace Equality Index.

Customer Focus

Expand the breadth and depth of our customer focus by embedding our Customer@QBE framework, leveraging customer research to build deeper industry expertise and customer insights. Implement leading digital technologies to create seamless end-to-end experiences for our customers.

Customer@QBE launch

During the year we formally launched Customer@QBE, encapsulating a range of initiatives across the Group to deliver on our customer focus imperative. Driven by our divisions, the intent is to unify our focus on better understanding our customers in order to deliver exceptional customer experience. The program targets three key elements of customer focus – mindset, insights and delivery.

We continued to sharpen our customer focus through improving claims experiences, execution of Brilliant Basics initiatives and strong attention on key trading relationships, leveraging advanced analytics, data and digital capabilities.

Global sales approach

As an enabler of the above, this initiative has unified our people around customer-focused sales and relationship management to generate strategic and profitable growth and is aligned tightly with the embedding of sales enablement tools which have allowed QBE to integrate internal and external data and provide actionable data insights.

1. EXECUTIVE KMP PERFORMANCE SNAPSHOTS

QBE discloses actual remuneration outcomes in the financial period under review.

The realised 2020 remuneration figures below include the accrued STI cash award for the 2020 financial year, the value of any conditional rights granted in prior years that vested during 2020 and executive shareholdings against the MSR.

For the 2020 STI, the Board has applied discretion to deliver the outcomes as deferred equity (conditional rights), vesting in 2022 and 2023. No STI cash will be provided.

The value of vested conditional rights awards has been calculated using the share price on the vesting date. These figures are different from those shown in the statutory table on page 71. For example, the statutory table includes an apportioned accounting value for all unvested conditional rights held during the year, which remain subject to performance and service conditions and consequently may or may not ultimately vest.

Interim Group CEO

Richard Pryce
Interim Group CEO

Term as KMP in 2020
Full year

Country of residence
United Kingdom

Total value of shareholdings against the MSR (times fixed remuneration) **2.6**

Target remuneration mix

30% | 22% | 22% | 26%

2020 STI outcome (US$000)

STI (cash) $0

STI (deferred) $1,421

90.4% of target

measured on...

11.5% Group cash ROE (achieved 0.0%)
18.5% Group COR (achieved 0.0%)
35.0% Divisional COR (achieved 138.3%)
35.0% Strategic performance objectives (achieved 120.0%)

2020 realised remuneration[1] (US$000) **$2,080** Total

$1,089 | $814 | $177

Divisional executive KMP

Jason Harris
Chief Executive Officer, International

Term as KMP in 2020
Commenced 4 December 2020

Country of residence
United Kingdom

Total value of shareholdings against the MSR (times fixed remuneration) **0.5**

Target remuneration mix

32% | 25% | 12% | 31%

2020 STI outcome (US$000)

STI (cash) $0

STI (deferred) $64

83.4% of target

measured on...

11.5% Group cash ROE (achieved 0.0%)
18.5% Group COR (achieved 0.0%)
35.0% Divisional COR (achieved 138.3%)
35.0% Strategic performance objectives (achieved 100.0%)

2020 realised remuneration[2] (US$000) **$907** Total

$60 | $847

1 Richard Pryce commenced in the Interim Group CEO role on 26 October 2020; his prior role was as CEO, International. The 2020 STI outcome, realised remuneration and STI cash/deferred split shown is pro-rated for the period in both executive KMP roles.
2 Other for Jason Harris includes a cash payment of GBP660,000 on commencement of employment with QBE, payable in March 2021.

Key: Fixed remuneration · STI (cash) · STI (deferred) · LTI face-value · Value of vested rights · Other

Todd Jones
Chief Executive Officer, North America

Term as KMP in 2020
Full year

Country of residence
United States

Total value of shareholdings against the MSR (times fixed remuneration) **2.3**

Target remuneration mix

27% | 22% | 11% | 40%

2020 STI outcome (US$000)

STI (cash) $0

STI (deferred) $430

35.0% of target

measured on...

11.5% Group cash ROE (achieved 0.0%)
18.5% Group COR (achieved 0.0%)
35.0% Divisional COR (achieved 0.0%)
35.0% Strategic performance objectives (achieved 100.0%)

2020 realised remuneration (US$000)

$2,584 Total

$1,023 | $1,455 | $106

Group Head Office executive KMP

Jason Brown
Group Chief Underwriting Officer

Term as KMP in 2020
Full year

Country of residence
United Kingdom

Total value of shareholdings against the MSR (times fixed remuneration) **2.7**

Target remuneration mix

32% | 25% | 12% | 31%

2020 STI outcome (US$000)

STI (cash) $0

STI (deferred) $296

35.0% of target

measured on...

25.0% Group cash ROE (achieved 0.0%)
40.0% Group COR (achieved 0.0%)
35.0% Strategic performance objectives (achieved 100.0%)

2020 realised remuneration (US$000)

$940 Total

$641 | $202 | $97

Peter Grewal
Group Chief Risk Officer

Term as KMP in 2020
Full year

Country of residence
United Kingdom

Total value of shareholdings against the MSR (times fixed remuneration) **0.7**

Target remuneration mix

34% | 22% | 11% | 33%

2020 STI outcome (US$000)

Peter Grewal ceased employment from 31 December 2020 and is not eligible for a 2020 STI award.

2020 realised remuneration (US$000)

$1,098 Total

$535 | $479 | $84

Key: Fixed remuneration · STI (cash) · STI (deferred) · LTI face-value · Value of vested rights · Other

Remuneration Report continued

1. EXECUTIVE KMP PERFORMANCE SNAPSHOTS

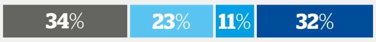
Margaret Murphy
Group Executive,
People & Change

Term as KMP in 2020
Full year

Country of residence
Australia

Total value of shareholdings against the MSR (times fixed remuneration) **2.4**

Target remuneration mix



2020 STI outcome (US$000)

STI (cash) $0

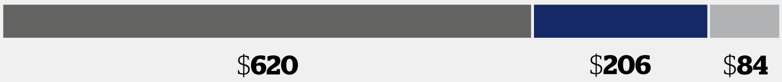
STI (deferred) $260

42.0% of target

measured on...

25.0% Group cash ROE (achieved 0.0%)
40.0% Group COR (achieved 0.0%)
35.0% Strategic performance objectives (achieved 120.0%)

2020 realised remuneration [1] (US$000) **$910** Total



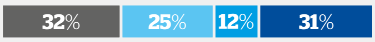
Inder Singh
Group Chief
Financial Officer

Term as KMP in 2020
Full year

Country of residence
Australia

Total value of shareholdings against the MSR (times fixed remuneration) **1.8**

Target remuneration mix



2020 STI outcome (US$000)

STI (cash) $0

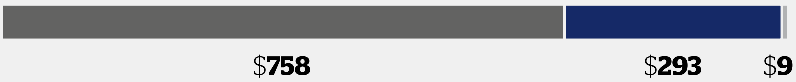
STI (deferred) $382

42.0% of target

measured on...

25.0% Group cash ROE (achieved 0.0%)
40.0% Group COR (achieved 0.0%)
35.0% Strategic performance objectives (achieved 120.0%)

2020 realised remuneration (US$000) **$1,060** Total



Former executive KMP

Patrick Regan (former Group Chief Executive Officer) – Patrick Regan ceased as executive KMP on 1 September 2020. His exit arrangements were communicated in an ASX release at the time of departure; in summary, a payment in lieu of a reduced notice period and statutory leave entitlements were provided, all unvested conditional rights lapsed upon cessation and he is not eligible for a 2020 STI award.

Vivek Bhatia (former Chief Executive Officer, Australia Pacific) – Vivek Bhatia ceased as executive KMP on 14 August 2020. All unvested conditional rights lapsed upon cessation and he is not eligible for a 2020 STI award.

1 The fixed remuneration for Margaret Murphy was increased from A$850,000 to A$900,000 on 1 January 2020 as part of a stepped adjustment which recognised an expansion in the scope of her role in 2019 to include Change. Prior adjustments were disclosed in the 2019 Remuneration Report.

Key: Fixed remuneration   STI (cash)   STI (deferred)   LTI face-value   Value of vested rights   Other

2. REMUNERATION GOVERNANCE

QBE has a robust remuneration governance framework overseen by the QBE Board. This ensures that the remuneration arrangements are appropriately managed and that the agreed frameworks and policies are applied across QBE.

QBE Board

Has overall responsibility for the remuneration strategy and outcomes for executives and non-executive directors.

People & Remuneration Committee

Is the main governing body for key people and remuneration items across the Group.

Further details on the role and scope of the People & Remuneration Committee are set out in the QBE People & Remuneration Committee charter (available from www.qbe.com/investor-relations/corporate-governance/qbe-charters-and-constitution).

Group CEO | **Divisional people and remuneration committees** | **External advisors**

Use of external advisors

Remuneration consultants provide guidance on remuneration for executives, facilitate discussion, review remuneration and at-risk reward benchmarking within industry peer groups and provide guidance on current trends in executive remuneration practices. Any advice provided by remuneration consultants is used as a guide and is not a substitute for consideration of all the issues by each non-executive director on the People & Remuneration Committee.

Australian-based firm Ernst & Young (EY) currently acts as the independent remuneration advisor to the People & Remuneration Committee. The People & Remuneration Committee and the Board are satisfied that the advice provided by EY during 2020 was free from undue influence. The cost of advice and assistance provided by EY in 2020 was $65,000 (in 2019 this was $18,000).

During 2020, management requested reports on market practice from PricewaterhouseCoopers, Willis Towers Watson and other sources. No recommendations in relation to the remuneration of KMP were provided as part of these engagements.

Treatment of conditional rights on a change in control of QBE

In accordance with the rules of each of QBE's incentive plans, a change in control is defined as either a scheme of arrangement that has been approved by QBE's shareholders or the acquisition by a bidder of at least 50% of the issued and to be issued QBE shares under an unconditional takeover offer made in accordance with the *Corporations Act 2001*.

Should a change in organisational control occur, the People & Remuneration Committee has discretion to determine how unvested conditional rights should be treated, having regard to factors such as the length of time elapsed in the performance period, the level of performance to date and the circumstances of the change of control.

Minimum shareholding requirement

The MSR ensures executives build their shareholding to have significant exposure to QBE's share price. Under the MSR, a minimum of three times fixed remuneration for the Group CEO (one and a half times for other executive KMP including the Interim Group CEO) is to be maintained as long as the executive KMP remains at QBE. The value of shareholdings as at 31 December 2020 for each executive KMP is shown on pages 60 to 62. New executive KMP are required to build their shareholdings over a five-year period after becoming an executive KMP.

2. REMUNERATION GOVERNANCE

Trading policy

Trading in QBE ordinary shares is generally permitted outside of designated closed periods. The QBE Insurance Group Securities Trading Policy states that non-executive directors and other designated employees must notify any intended share transaction to nominated people within the Group. The policy prohibits the hedging of QBE securities at all times. The purpose of this prohibition is to ensure that there is an alignment between the interests of executives and shareholders.

A copy of QBE's trading policy for dealing in securities is available from www.qbe.com/investor-relations/corporate-governance/global-policies.

Dilution limits for share plans

Shares awarded under QBE's employee share plans may be purchased on-market or issued subject to Board discretion and the requirements of the *Corporations Act 2001* and the ASX Listing Rules. At 31 December 2020, the proportion of shares and unvested conditional rights and options held in the QBE Employee Share Plan is 1.17%. This is significantly less than the maximum of 10% over a 10-year period allowed under the plan rules.

Managing risk

The continued focus and investment in managing our risk provide for a stronger and resilient QBE.

Executive KMP are required to adhere to a range of Group-wide policies to ensure risks are well managed, strong governance structures are in place and high ethical standards are maintained. The Group Board approves a comprehensive delegated authority for the Group CEO, which is an integral part of QBE's risk management process.

The People & Remuneration Committee works with Group Risk and Human Resources to ensure that any risk associated with remuneration arrangements is managed within the Group's risk management framework. The Chair of the People & Remuneration Committee is a member of the Risk & Capital Committee and vice versa.

The remuneration governance framework incorporates risk oversight policies, so that executives cannot unduly influence a decision that could materially impact their own incentive outcome. The attendance of the full Board at the People & Remuneration Committee meetings and close working relationship with the Risk & Capital Committee strengthen remuneration governance across QBE.

The performance-based components of remuneration established in QBE's incentive plans are designed to encourage behaviour that supports the Group's long-term financial soundness.

Specifically, the QBE incentive plans:

- recognise adherence to QBE's risk management processes and support the QBE risk culture in a robust and globally consistent manner through a minimum set of corporate standards that apply to all employees across the performance year;
- balance both short and long-term performance through STI and LTI based on performance against a range of financial metrics that measure progress against longer-term strategy;
- incorporate individual objectives through the STI that measure demonstrable proactive sound risk management, including the setting of a clear and consistent tone about the importance of managing risk throughout the organisation;
- set financial targets in the context of business plans that have been appropriately stress-tested by the Group CRO;
- defer a significant portion of the STI award in equity (which vests over an extended timeframe);
- have plan rules which provide the Board with discretion to take other factors into account when determining the appropriate award outcome;
- include a malus provision (see below);
- enable the build-up of meaningful shareholding through STI deferred equity and LTI underpinned by a MSR for executive KMP (refer to page 63); and
- result in a target remuneration mix that is appropriately balanced between fixed/variable remuneration and short and long-term.

The Group CRO attends the People & Remuneration Committee periodically to report on executive risk behaviours.

As part of the year end process, an individual assessment of risk for senior executives has been completed using input from the CRO. Across the Group in 2020, over 100 assessments were carried out including for executive KMP and divisional executive teams.

This process recognises positive and negative risk culture and risk management through upward or downward adjustment of performance ranges, incentive payouts and consequences that can include executives leaving the organisation. Based on the assessments in 2020, there were adjustments applied both upwards and downwards.

Malus provision

The malus provision gives the People & Remuneration Committee discretion to reduce the amount of an unvested award (including to zero) in certain circumstances during the retention period including in the case of:

- serious misconduct; or
- circumstances that materially undermine the reputation or performance of QBE,

and on the basis that, in each case, the conduct or circumstances were not foreseen at the time of granting the award.

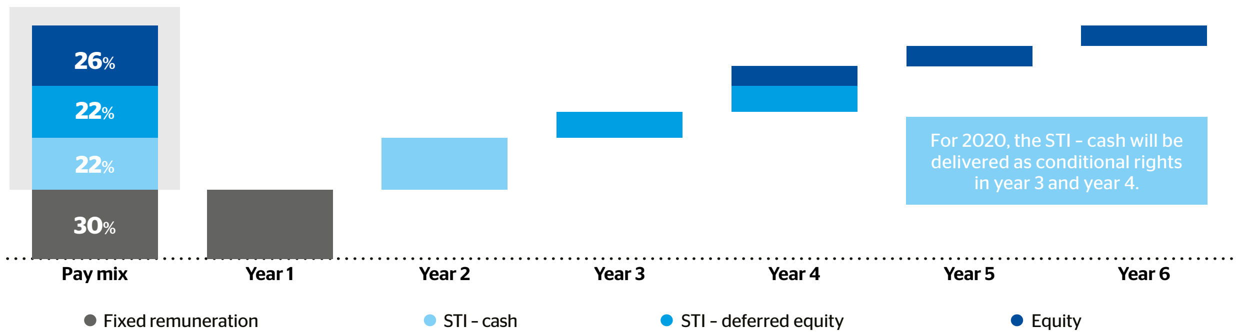
This provision reflects QBE's obligations under APRA's Prudential Standard CPS 510 *Governance* to incorporate terms allowing for the adjustment of incentive awards to protect QBE's financial soundness and ability to respond to unforeseen significant issues. A review against the malus provision was completed as part of the year end process. There was no requirement to apply the provision in 2020.

In response to the release of the revised draft of the APRA Prudential Standard CPS 511 *Remuneration* in late 2020, an update to the malus provision will be introduced for the 2021 performance year. This update will be in addition to the introduction of clawback provisions across the Group and will be in advance of the formal requirement to implement.

3. EXECUTIVE KMP REMUNERATION IN DETAIL

At QBE, our purpose is to give people the confidence to achieve their ambitions, both personally and professionally. Having the right talent across the Group enables us to create shareholder value, whilst prudently managing risk and maintaining strong corporate governance. To deliver our strategic ambitions, we must ensure that our executive remuneration framework reflects QBE's desire to attract and retain the best people.

This section sets out our approach for 2020. The graph below sets out the typical remuneration structure and delivery for the Interim Group CEO for on-target performance, and how the remuneration vests over time:



Executive remuneration structure

QBE's executive remuneration structure for 2020 remained consistent with the prior year and comprised a mix of fixed and at-risk remuneration through STI and LTI plan arrangements.

Each of these components is discussed in further detail in the following pages.

Fixed remuneration

The following outlines key details of executive KMP fixed remuneration.

Description

Fixed remuneration comprises cash salary, superannuation/pension and packaged benefits, additional annual benefits and associated taxes. Additional annual benefits may include health insurance, life assurance, personal accident insurance, car allowances, expatriate benefits, spouse travel to accompany the executive on business and the applicable taxes thereon. Such benefits exclude deemed interest on employee share loans and long service leave accruals.

Fixed remuneration is delivered in accordance with terms and conditions of employment.

Determining fixed remuneration levels

Fixed remuneration considers the diversity, complexity and expertise required of individual roles. Remuneration quantum is set in the context of QBE's broader reward strategy and internal relativities.

To assess the competitiveness of fixed remuneration, the People & Remuneration Committee considers market data and recognised published surveys. In addition, external market reviews are undertaken periodically to inform the setting of competitive fixed remuneration levels.

Executive roles that are Australian-based are generally benchmarked to the ASX 30 and ASX 10-50 peer group of companies, with a specific focus on global companies and companies in the financial services industry.

Overseas-based executives or roles that have a global reach are compared with a peer group consisting of global insurers. The peer group of companies used for remuneration benchmarking purposes is set out in the table below:

PEER GROUP	DESCRIPTION
ASX peer group	The financial services company sub-peer group is determined based on the industry classification listed on the ASX and includes commercial banks and insurers.
Global insurance peer group	Consists of large, global insurance companies aligned with the peer group used for the LTI plan.

STI

The following outlines the key details of the STI plan.

Description

The STI is a performance-based incentive delivered in the form of an annual cash payment and deferred award in the form of conditional rights to QBE shares. Performance is measured over a 12-month period.

Performance measures and rationale

STI outcomes are based on performance against Group cash ROE and COR and divisional COR targets in the case of divisional executives, as well as individual strategic performance objectives reflecting QBE's strategic priorities as they apply to each executive's role. An explanation of the financial measures and their rationale is provided below:

GROUP CASH ROE	COR
Definition: A measure of how effectively we are managing shareholders' investment in QBE. For the STI, this measure will generally be measured on the same basis as that used to determine shareholder dividends. As a principle, losses due to unbudgeted amortisation/impairment of intangibles will, other than in exceptional circumstances, be included in cash ROE so that executives remain accountable for the management of intangible assets.	**Definition:** Net claims, commissions and expenses as a percentage of net earned premium. Consistent with how we report COR to the market, this is measured excluding the impact of changes in risk-free rates used to discount net outstanding claims.
Rationale: Cash ROE is a measure of how effectively we manage shareholder funds.	**Rationale:** COR is the most relevant measure of the profitability of our insurance operations. The measure excludes risk-free rates because it is the basis on which we report and the market assesses the performance of QBE.

Adjustments: Any other items (such as material acquisitions or divestments) not included in the business plan and deemed appropriate by the People & Remuneration Committee.

Strategic performance objectives: The strategic performance objectives are linked to our longer-term strategic priorities. Executive KMP performance against the strategic performance objectives is evaluated annually by the Group CEO, and by the Chair in respect of the Group CEO, through formal business review assessments which include management of risk.

A summary of the achievements against the strategic performance objectives for 2020 is provided on pages 58 to 59.

Vesting schedule

The indicative STI vesting schedule is outlined below:

	THRESHOLD	TARGET	SUPERIOR
% of STI opportunity achieved	30%	100%	150%

The STI rules provide suitable discretion to the People & Remuneration Committee to adjust any formulaic outcome to ensure STI awards appropriately reflect performance.

Instrument and deferral mechanics

67% of any STI award is delivered in cash (50% in the case of the Interim Group CEO) and 33% of any STI award is deferred as conditional rights to QBE shares (50% in the case of the Interim Group CEO). For 2020, the Board exercised its discretion to deliver the entire award as conditional rights.

Deferred STI vests in two equal tranches – half on the first anniversary of the award and the remainder on the second anniversary of the award. Vesting is subject to service conditions and malus provisions during the deferral period. To calculate the number of conditional rights to be granted, the award value is divided by the volume weighted average sale price of QBE shares over the five trading days prior to the grant date. Notional dividends accrue during the deferral period.

Leaver provisions

On voluntary termination, dismissal or termination due to poor performance, all awards are forfeited.

'Good leaver' provisions (e.g. retirement, redundancy, ill health, injury, mutually agreed separation (in some cases)) will apply such that:

- STI opportunity is reduced to a pro-rata amount to reflect the proportion of the performance year in service; and
- deferred awards remain in the plan subject to the original vesting conditions.

Malus provisions

STI deferral is subject to malus, enabling awards to be either forfeited or reduced at the discretion of the People & Remuneration Committee.

STI awards made for the 2020 performance year are detailed on pages 60 to 62.

3. EXECUTIVE KMP REMUNERATION IN DETAIL

LTI

The following outlines the key details of the LTI plan.

Description

The LTI plan consists of an award of conditional rights to QBE shares. Conditional rights are awarded at no cost to the executive KMP.

Performance measures

Vesting is subject to two equally weighted performance conditions measured over a three-year performance period:

AVERAGE CASH ROE	RELATIVE TSR
Definition: The arithmetic average of the three annual cash ROEs for the three-year performance period. To reduce the impact of extreme catastrophe events or equally very benign periods, we have a catastrophe adjustment which effectively provides a ceiling and floor on catastrophe claims when determining LTI outcomes. See below.	**Definition:** TSR is the change in percentage value of an entity's share price plus the value of reinvested dividends and any capital returns measured over the three-year performance period. TSR of QBE is measured against two independent peer groups: 1. ASX 50 peer group (for 50% of the TSR component); and 2. global insurance peer group (for 50% of the TSR component).
Rationale: Cash ROE is the primary financial measure of success for QBE and is most tangible for long-term decision-making.	**Rationale:** The use of two independent peer groups (shown below) provides strong alignment to our shareholder base.

Adjustments: Managing catastrophe risk is a core part of our business, with natural flow through consequences for STI awards across the organisation; however, because the LTI performance period extends over three years, extreme or benign catastrophe periods can have a material effect across multiple LTI awards. A levelling mechanism, which effectively puts a ceiling and a floor on aggregate catastrophe claims when determining LTI outcomes, was built into the plan in 2019. This levelling mechanism uses a range of +/- 1.5% of net earned premium either side of the budgeted catastrophe allowance for which LTI participants are exposed to catastrophe risk.

For 2020, the range of $375 million to $725 million is applied. This means where actual aggregate catastrophe claims (after allowing for reinsurance recoveries) exceed $725 million, aggregate catastrophe claims are capped at this amount for calculating cash ROE. Conversely, in a very benign period, the lower limit of the collar ($375 million) provides a floor on aggregate catastrophe claims for calculating cash ROE. The cost of catastrophe claims for 2020 was $163 million (after tax) in excess of the range and consequently an adjusted cash ROE of (14.2)% will be used for the 2020 performance period.

Any other items (such as material acquisitions or divestments) not included in the business plan and deemed appropriate by the People & Remuneration Committee may be adjusted.

TSR peer group 1 – ASX 50 peer group (excludes any organisations domiciled overseas)

AGL Energy Limited	Computershare Limited	Newcrest Mining Limited	Suncorp Group Limited
APA Group	CSL Limited	Orica Limited	Sydney Airport
Aristocrat Leisure Limited	Dexus	Origin Energy Limited	Tabcorp Holdings Limited
ASX Limited	Fortescue Metals Group Ltd	Qantas Airways Limited	Telstra Corporation Limited
Aurizon Holdings Limited	Goodman Group	QBE Insurance Group Limited	Transurban Group
Australia and New Zealand Banking Group Limited	GPT Group	Ramsay Health Care Limited	Treasury Wine Estates Limited
BHP Group Limited	Insurance Australia Group Limited	REA Group Ltd	Vicinity Centres
Brambles Limited	Lendlease Group	Rio Tinto Limited	Wesfarmers Limited
Ampol Limited (formerly trading as Caltex Australia Limited)	Macquarie Group Limited	Santos Limited	Westpac Banking Corporation
CIMIC Group Limited	Magellan Financial Group Limited	Scentre Group	Woodside Petroleum Ltd
Cochlear Limited	Medibank Private Limited	Sonic Healthcare Limited	Woolworths Group Limited
Coles Group Limited	Mirvac Group	South32 Limited	
Commonwealth Bank of Australia	National Australia Bank Limited	Stockland	

TSR peer group 2 – Global insurance peer group

Allianz SE	Beazley PLC	Insurance Australia Group Limited	Hartford Financial Services Group, Inc.
American International Group	Chubb Ltd	QBE Insurance Group Limited	The Travelers Companies, Inc.
Aviva plc	CNA Financial Corp	RSA Insurance Group plc	Zurich Insurance Group AG
AXA SA	Hiscox Ltd	Suncorp Group Limited	

LTI allocation

To calculate the number of conditional rights to be granted, the award value is divided by the volume weighted average price of QBE shares over the five trading days prior to the grant date.

Vesting schedules

The indicative Group average cash ROE vesting schedule for 2020 awards is outlined below:

QBE'S AVERAGE GROUP ROE PERFORMANCE	% OF LTI CONDITIONAL RIGHTS SUBJECT TO THE GROUP CASH ROE COMPONENT WHICH MAY VEST
Below 8.0%	0%
At 8.0%	30%
Between 8.0% and 12.0%	Straight line vesting between 30% and 100%
At or above 12.0%	100%

The indicative relative TSR vesting schedule for 2020 awards is outlined below:

QBE'S TSR PERFORMANCE RELATIVE TO THE PEER GROUPS	% OF LTI CONDITIONAL RIGHTS SUBJECT TO THE TSR COMPONENT WHICH MAY VEST
Less than 50th percentile	0%
At the 50th percentile	50%
Between 50th and 75th percentile	50% plus 2% for each percentile above the 50th percentile
75th percentile or greater	100%

The LTI rules provide suitable discretion to the People & Remuneration Committee to adjust any formulaic outcome to ensure LTI awards appropriately reflect performance.

Vesting periods

Following assessment of performance measures at the end of the three-year performance period, conditional rights will vest in three tranches as set out in the table below, subject to service conditions and malus provisions:

TRANCHE	VESTING DATE	PERFORMANCE PERIOD	PROPORTION OF ELIGIBLE 2020 LTI CONDITIONAL RIGHTS TO VEST
1	23 February 2023	End of the three-year performance period	33%
2	23 February 2024	First anniversary of the end of the performance period	33%
3	23 February 2025	Second anniversary of the end of the performance period	34%

Notional dividends accrue during the vesting period.

Leaver provisions

'Good leaver' provisions (e.g. retirement, redundancy, ill health, injury, mutually agreed separation (in some cases)) will apply such that a pro-rata amount (applied over the three-year performance period) of LTI conditional rights remain subject to the original performance and vesting conditions.

Malus provisions

LTI is subject to malus provisions, enabling awards to be either forfeited or reduced at the discretion of the People & Remuneration Committee.

Special LTI awards

The LTI award made to Richard Pryce in early 2020 includes performance criteria that align to specific deliverables as he transitions to retirement. Aside from tailored performance criteria, the terms and conditions of the LTI award to Mr Pryce are consistent with those of other executive KMP.

A further tailored LTI award was made to Mr Pryce in October 2020 at the time of his appointment as Interim Group CEO. The amount of the grant was GBP1,100,000 with the effective date of the grant being the date of appointment, 26 October 2020. Vesting is subject to two performance conditions measured by the Board over the period as Interim Group CEO. The performance measures for the grant have been set with a focus on the delivery of a number of important priorities. These include a blend of individual and strategic measures to both reward for the stability provided as Interim Group CEO through 2021, setting QBE up for future success and the creation of alignment with shareholder interests:

- individual component (40%) – the Board will apply its discretion to determine outcomes against this component having considered achievement of agreed deliverables relating to executive team transition and development, building talent succession and depth, and effective engagement with regulators and shareholders; and
- strategic component (60%) – this component will be measured against the delivery of a number of objectives including Customer@QBE, reinsurance strategy, IT modernisation strategy and cultural change.

Subject to performance against the above, consideration of appropriate financial outcomes, risk behaviours during the vesting period and malus provisions, the conditional rights will vest in three tranches in March 2024 (33%), 2025 (33%) and 2026 (34%).

For further details of all LTI awards made in 2020, refer to pages 72 to 73. The 2020 LTI award for the former Group CEO was approved by shareholders at the 2020 Annual General Meeting (AGM).

3. EXECUTIVE KMP REMUNERATION IN DETAIL

Changes to incentives for 2021

2020 was an unprecedented year and that uncertainty has factored into how we plan to adapt incentives for 2021. In response to the imminent regulatory changes through the Financial Accountability Regime and the APRA Prudential Standard CPS 511 *Remuneration*, the introduction of revised malus and new clawback rules will apply for the 2021 STI performance period and LTI awards granted in 2021.

In addition, in order to improve line of sight and enhance the impact of the divisional COR outcomes across the Group, the use of Group COR in the STI will be replaced with a blend of divisional COR outcomes. For example, where Group COR was utilised as a performance measure with a weighting of 40%, an equal blend of the COR outcomes for Australia Pacific (1/3), International (1/3) and North America (1/3) will be used.

For the 2021 LTI, the Group cash ROE component will use the average of the three individual annual performance ranges set over the three individual years, being 2021, 2022 and 2023 to determine vesting outcomes. This is versus setting a three-year average cash ROE target and recognises the difficulty with long range forecasting at this time due to the economic volatility. All other components of the existing LTI remain consistent with the current arrangements, that is, the use of relative TSR, the three-year performance period and vesting of any awards can occur from years three through five.

For both STI and LTI plans, the People & Remuneration Committee will continue to have the ability to apply adjustments to ensure the formulaic outcomes appropriately reflect performance.

Employment agreements

The table below summarises the material terms for the current executive KMP which are subject to applicable laws. The terms and conditions of employment of each executive KMP reflect market conditions at the time of their contract negotiation on appointment and thereafter.

CONTRACTUAL TERM	GROUP CEO[1]	OTHER EXECUTIVE KMP
Duration	Permanent full-time employment contract until notice given by either party.	
Notice period (by executive KMP or QBE)	12 months: QBE may elect to make a payment in lieu of notice.	Six months: QBE may elect to make a payment in lieu of notice. For Todd Jones, notice required by QBE is 12 months, reducing to six months after 18 months of service.
Treatment of incentives – involuntary termination	**On termination with cause or for poor performance:** All unvested incentives are forfeited. **On termination without cause:** For STI in the year of termination, the executive remains eligible to be considered for an award on a pro-rata basis, with any award to be determined following the end of the performance year and subject to the standard deferral arrangements. Unvested deferred Executive Incentive Plan and STI conditional rights remain in the plan subject to the original vesting dates and malus provisions. A pro-rata number of LTI conditional rights, reflecting the portion of the three-year performance period the executive KMP was in service, remain in the plan subject to the original performance and vesting conditions. Legacy LTI awards generally remain in the plan subject to the original performance and vesting conditions; however, the People & Remuneration Committee has discretion to vest these awards.	
Treatment of incentives – voluntary termination	All unvested incentives are forfeited.	
Post-employment restraints	12 months non-compete and non-solicitation.	Six months non-compete and non-solicitation.

1 The terms for the Interim Group CEO have not been aligned with the former Group CEO due to the interim nature of the role.

4. EXECUTIVE KMP REMUNERATION TABLES

4.1 Statutory remuneration disclosures

The following table provides details of the remuneration of QBE's executive KMP as determined by reference to applicable Australian Accounting Standards (AASB) for the financial year ended 31 December 2020. Remuneration has been converted to US dollars using the average rate of exchange for the relevant year.

		SHORT-TERM EMPLOYMENT BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYEE BENEFITS	SHARE-BASED PAYMENTS		
	YEAR	BASE SALARY US$000	OTHER[1] US$000	STI CASH[2] US$000	SUPERANNUATION US$000	LEAVE ACCRUALS[3] US$000	CONDITIONAL RIGHTS[4] US$000	TERMINATION BENEFITS[5] US$000	TOTAL US$000
Richard Pryce[6]	**2020**	**1,089**	**177**	**–**	**–**	**–**	**2,003**	**–**	**3,269**
	2019	1,008	173	1,051	–	–	1,344	–	3,576
Jason Brown	**2020**	**641**	**97**	**–**	**–**	**–**	**472**	**–**	**1,210**
	2019	685	199	406	6	–	449	–	1,745
Peter Grewal[7]	**2020**	**523**	**84**	**–**	**12**	**–**	**(223)**	**–**	**396**
	2019	507	173	395	14	9	511	–	1,609
Jason Harris[8]	**2020**	**60**	**847**	**–**	**–**	**–**	**39**	**–**	**946**
	2019	–	–	–	–	–	–	–	–
Todd Jones[9]	**2020**	**1,000**	**106**	**–**	**23**	**–**	**2,160**	**–**	**3,289**
	2019	246	731	156	13	–	1,165	–	2,311
Margaret Murphy	**2020**	**605**	**84**	**–**	**15**	**15**	**582**	**–**	**1,301**
	2019	553	44	327	14	6	557	–	1,501
Inder Singh	**2020**	**743**	**9**	**–**	**15**	**23**	**568**	**–**	**1,358**
	2019	750	3	496	14	3	554	–	1,820
Former executive KMP									
Vivek Bhatia[10]	**2020**	**513**	**19**	**–**	**11**	**–**	**(586)**	**143**	**100**
	2019	820	14	614	14	56	777	–	2,295
Patrick Regan[11]	**2020**	**1,025**	**295**	**–**	**–**	**–**	**(2,222)**	**479**	**(423)**
	2019	1,459	137	665	–	48	2,119	–	4,428
Total	**2020**	**6,199**	**1,718**	**–**	**76**	**38**	**2,793**	**622**	**11,446**
	2019[12]	6,028	1,474	4,110	75	122	7,476	–	19,285

1 Other includes provision of motor vehicles, health insurance, spouse travel, accommodation costs, staff insurance discount benefits received during the year, life assurance and personal accident insurance and the applicable taxes thereon. It also includes the deemed value of interest-free share loans, tax accruals in respect of employment benefits and other one-off expenses. For Jason Harris, this includes a cash payment of GBP660,000 on commencement to compensate for incentives forfeited in ceasing his previous employment to join QBE, payable in March 2021.
2 No STI cash is payable for performance in 2020. The Board exercised its discretion to deliver STI for the performance year as conditional rights with vesting to occur in 2022 and 2023.
3 Includes the movement in annual leave and long service leave provisions during the year.
4 The fair value at grant date of conditional rights is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. The fair value of each conditional right is recognised evenly over the service period ending at vesting date. Where an award will no longer vest, the related accounting charge for any non-market component is reversed in full and the reversal is included in the table above. For Jason Harris, this includes GBP300,000 of conditional rights granted as compensation for incentives forfeited on ceasing his previous employment to join QBE in addition to a pro-rata grant of conditional rights for the 2020 LTI. Details of grants of conditional rights are provided on pages 72 to 73.
5 Termination benefits includes apportioned fixed remuneration, and related benefits if applicable, paid for the balance of the notice period to the termination date, STI cash awards from the date of ceasing to be executive KMP to the date of termination, the accelerated accounting charge or reversal of equity vesting or cancellation and other termination payments.
6 Richard Pryce changed roles during the year, commencing as Interim Group CEO from 26 October 2020.
7 Peter Grewal was an executive KMP through to 31 December 2020 having ceased employment with QBE. He is ineligible for 2020 STI.
8 Jason Harris was an executive KMP from 4 December 2020.
9 Todd Jones was an executive KMP for part of the year during 2019.
10 Vivek Bhatia was an executive KMP through to 14 August 2020 having ceased employment with QBE. In accordance with contractual terms, termination benefits include statutory leave entitlements ($143,000).
11 Patrick Regan was an executive KMP through to 1 September 2020 having ceased employment with QBE. In accordance with contractual terms, termination benefits include a payment in lieu of a reduced notice period ($213,500) and statutory leave entitlements ($265,500).
12 The 2019 totals above are not the same as those disclosed in the 2019 Remuneration Report because of changes in executive KMP.

4. EXECUTIVE KMP REMUNERATION TABLES

4.2 Conditional rights movements

Equity awards at QBE are granted in the form of conditional rights. A conditional right is a promise by QBE to acquire or issue one fully paid ordinary QBE Insurance Group Limited share where certain conditions are met.

The table below details conditional rights provided under the terms of both current and legacy plans, details of which can be found at pages 67 to 69 and 74, and contractual arrangements. LTI conditional rights are subject to future performance hurdles as detailed on pages 68 to 69.

Conditional rights under the STI for the 2020 performance year will be granted in the first quarter of 2021.

2020	BALANCE AT 1 JANUARY 2020 NUMBER	GRANTED NUMBER[1]	VALUE AT GRANT DATE US$000[2]	VESTED AND EXERCISED NUMBER	VALUE AT VESTING DATE US$000	FORFEITED / LAPSED NUMBER[3]	NOTIONAL DIVIDENDS ATTACHING IN THE YEAR NUMBER	BALANCE AT 31 DECEMBER 2020 NUMBER
Richard Pryce	481,298	412,259	3,279	(89,791)	814	–	20,406	824,172
Jason Brown	167,493	92,705	846	(22,265)	202	–	8,439	246,372
Peter Grewal	138,061	77,780	712	(51,458)	479	(170,203)	5,820	–
Jason Harris	–	162,533	802	–	–	–	–	162,533
Todd Jones	467,668	162,968	1,446	(158,711)	1,455	–	16,721	488,646
Margaret Murphy	230,093	75,923	691	(22,597)	206	–	10,051	293,470
Inder Singh	213,100	97,380	892	(32,229)	293	–	9,860	288,111
Former executive KMP								
Vivek Bhatia	262,815	109,692	1,008	(73,018)	677	(308,853)	9,364	–
Patrick Regan	773,138	359,310	1,725	(111,485)	1,014	(1,052,869)	31,906	–

1 On commencement of employment, Jason Harris was granted conditional rights as compensation for incentives forfeited on ceasing his previous employment to join QBE. The awards comprise a grant of conditional rights, with vesting on 1 March 2022 subject to service conditions, and a pro-rata LTI grant subject to the performance conditions detailed on pages 68 to 69. The special LTI grants of conditional rights to Richard Pryce in 2020 have performance conditions as detailed on page 69.

2 The value at grant date is calculated in accordance with AASB 2 *Share-based Payment.*

3 For Peter Grewal, Vivek Bhatia and Patrick Regan, this represents the conditional rights which lapsed on ceasing to be an executive KMP from 31 December 2020, 14 August 2020 and 1 September 2020 respectively. Peter Grewal was executive KMP for the full year.

4.3 Valuation of conditional rights outstanding at 31 December 2020

The table below details the conditional rights issued affecting remuneration of executives in the previous, current or future reporting periods:

2020	GRANT	GRANT DATE	PERFORMANCE PERIOD START DATE	EXERCISE DATE	CONDITIONAL RIGHTS AT 31 DECEMBER 2020 NUMBER[1]	MAXIMUM VALUE OF AWARD TO VEST	FAIR VALUE PER CONDITIONAL RIGHT A$[2]		
							GROUP ROE	TSR	TIME
Richard Pryce[3]	2017 EIP	5-Mar-18	1-Jan-17	2021-2022	78,275	807,015			10.31
	2018 EIP	4-Mar-19	1-Jan-18	2021-2023	161,512	1,965,601			12.17
	2019 Special LTI	4-Mar-19	1-Jan-19	2022-2024	165,594	2,015,279			12.17
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	55,142	822,167			14.91
	2020 Special LTI	24-Feb-20	1-Jan-20	2023-2025	135,772	2,024,361			14.91
	2021 Special LTI	26-Oct-20	26-Oct-20	2024-2026	227,877	2,014,433			8.84
Jason Brown	2017 EIP	5-Mar-18	1-Jan-17	2021-2022	14,722	151,784			10.31
	2018 EIP	4-Mar-19	1-Jan-18	2021-2023	47,084	573,012			12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	88,573	918,947	12.17	8.58	
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	21,316	317,822			14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	74,677	954,552	14.91	10.66	
Peter Grewal[4]	2018 EIP	4-Mar-19	1-Jan-18	2021-2023	23,123	281,407			12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	66,546	690,433	12.17	8.58	
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	19,437	289,806			14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	61,097	780,975	14.91	10.66	
Jason Harris	Special	1-Oct-20	1-Oct-20	1-Mar-22	61,917	538,678			8.70
	2020 LTI	1-Oct-20	1-Jan-20	2023-2025	100,616	626,083	8.70	3.75	
Todd Jones	Special	1-Oct-19	1-Oct-19	3-Mar-21	164,335	2,070,621			12.60
	2019 LTI	1-Oct-19	1-Jan-19	2022-2024	155,569	1,587,983	12.60	7.82	
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	8,079	120,458			14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	160,663	2,053,673	14.91	10.66	
Margaret Murphy	2017 EIP	5-Mar-18	1-Jan-17	2021-2022	13,620	140,422			10.31
	Special	5-Mar-18	5-Mar-18	4-Mar-21	80,478	829,728			10.31
	2018 EIP	4-Mar-19	1-Jan-18	2021-2023	49,767	605,664			12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	70,990	736,518	12.17	8.58	
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	16,104	240,111			14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	62,511	799,045	14.91	10.66	
Inder Singh	2017 EIP	5-Mar-18	1-Jan-17	2021-2022	20,888	215,355			10.31
	2018 EIP	4-Mar-19	1-Jan-18	2021-2023	68,784	837,101			12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	97,613	1,012,722	12.17	8.58	
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	24,429	364,236			14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	76,397	976,547	14.91	10.66	
Former executive KMP									
Vivek Bhatia[4]	2018 EIP	4-Mar-19	1-Jan-18	2021-2023	89,680	1,091,406			12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	106,051	1,100,285	12.17	8.58	
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	30,109	448,925			14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	83,013	1,061,107	14.91	10.66	
Patrick Regan[4]	2017 EIP	5-Mar-18	1-Jan-17	2021-2022	67,509	696,018			10.31
	2018 EIP	4-Mar-19	1-Jan-18	2021-2023	243,647	3,140,610			12.89
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	371,173	4,093,120	12.89	9.17	
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	66,169	986,580			14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	304,371	1,597,945	7.93	2.57	

1 Includes original grant of conditional rights and notional dividends.

2 The fair value of conditional rights at grant date is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. The fair value of each conditional right is recognised evenly over the service period ending at vesting date. For the LTI allocations, the TSR fair value shown above was averaged over the two peer groups.

3 The Special LTI awards for Richard Pryce include specific performance measures as detailed on page 69.

4 For Peter Grewal, Vivek Bhatia and Patrick Regan, this represents the number of conditional rights at 31 December 2020, 14 August 2020 and 1 September 2020 respectively, immediately prior to ceasing to be an executive KMP. All rights were subsequently lapsed.

Remuneration Report continued

4. EXECUTIVE KMP REMUNERATION TABLES

4.4 Executive KMP shareholdings

The table below details movements during the year in the number of ordinary shares in QBE held by executives, including their personally-related parties:

2020	INTEREST IN SHARES AT 1 JANUARY 2020 NUMBER	DIVIDENDS REINVESTED NUMBER	CONDITIONAL RIGHTS VESTED NUMBER	SHARES PURCHASED (SOLD) NUMBER[1]	INTEREST IN SHARES AT 31 DECEMBER 2020[2] NUMBER	INTEREST IN SHARES AT 31 DECEMBER 2020 SUBJECT TO NON-RECOURSE LOANS NUMBER
Richard Pryce	202,984	5,447	89,791	(42,334)	255,888	–
Jason Brown	165,572	5,205	22,265	(3,403)	189,639	–
Peter Grewal	–	1,063	51,458	(52,521)	–	–
Jason Harris	–	–	–	–	–	–
Todd Jones	–	3,467	158,711	(60,844)	101,334	–
Margaret Murphy	12,029	1,227	22,597	–	35,853	–
Inder Singh	31,631	2,263	32,229	1,332	67,455	–
Former executive KMP						
Vivek Bhatia	44,030	3,658	73,018	3,995	124,701	–
Patrick Regan	915,538	25,252	111,485	3,995	1,056,270	–

1 The shares listed as sold either partially or fully relate to sales to meet withholding tax obligations upon the vesting of conditional rights.
2 For Vivek Bhatia and Patrick Regan, this represents the interest in shares at 14 August 2020 and 1 September 2020 respectively, the dates they ceased to be executive KMP.

4.5 Loans

Prior to 20 June 2005, non-recourse loans were provided by the Group to executive KMP for the purchase of shares in QBE. All non-recourse loans are due to be paid within 10 days of ceasing employment. Under AASB 2 *Share-based Payment*, non-recourse loans and the related shares are derecognised and are instead treated as options.

2020	BALANCE AT 1 JANUARY 2020 A$000	LOANS MADE IN THE YEAR A$000	REPAYMENTS A$000	BALANCE AT 31 DECEMBER 2020 A$000	INTEREST NOT CHARGED A$000[1]	HIGHEST BALANCE IN THE PERIOD A$000
Jason Brown	3	–	3	–	–	3

1 Deemed value of interest not charged for the period as executive KMP.

4.6 Legacy equity schemes

The information below summarises QBE's legacy incentive plan.

Executive Incentive Plan (EIP) – until 31 December 2018

The EIP was an at-risk reward structure comprised of cash and deferred equity that vested progressively over a five-year period.

40% of the award was delivered in cash (20% in the case of the Group CEO) and 60% of the award was deferred as conditional rights to fully paid ordinary QBE shares (80% in the case of Group CEO).

The conditional rights were deferred over four equal tranches: 25% over each of the four anniversaries of the award. EIP outcomes were subject to the achievement of multiple performance measures over the one-year performance period including the Group's cash ROE and COR targets, individual performance ratings and for divisional staff, divisional COR targets.

The EIP was replaced by the STI and LTI plans for executive KMP from 2019 but remains in use for senior employees below the executive KMP level.

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5. NON-EXECUTIVE DIRECTOR REMUNERATION

The following section contains information on the approach to non-executive director remuneration, the fees, other benefits and shareholdings.

Remuneration philosophy

Non-executive director remuneration reflects QBE's desire to attract, motivate and retain experienced independent directors and to ensure their active participation in the Group's affairs for the purpose of corporate governance, regulatory compliance and other matters. QBE aims to provide a level of remuneration for non-executive directors comparable with that of its peers, which include multi-national financial institutions. The Board reviews surveys published by independent remuneration consultants and other public information to ensure that fee levels are appropriate. The remuneration arrangements of non-executive directors are distinct and separate from those of the executive KMP.

Fee structure and components

The aggregate amount approved by shareholders at the 2017 AGM was A$4,000,000 per annum.

The total amount paid to non-executive directors in 2020 was A$3,237,700 (2019 A$3,851,000).

Under the current fee framework, non-executive directors receive a base fee expressed in Australian dollars. In addition, a non-executive director (other than the Chair) may receive further fees for chairing or membership of a board committee.

No changes were made to non-executive director remuneration during 2020 and none are proposed for 2021.

The non-executive director fee structure in place since 2017 is shown in the table below:

ROLE	CHAIR FEE	DEPUTY CHAIR FEE	MEMBER FEE
Board	A$663,000	A$229,000	A$208,000
Committee	A$50,000	–	A$27,000

Other benefits

Non-executive directors do not receive any performance-based remuneration such as cash incentives or equity awards. Under QBE's Constitution, non-executive directors are entitled to be reimbursed for all travel and related expenses properly incurred in connection with the business of QBE. All non-executive directors receive an annual cash travel allowance of A$42,750 (A$64,000 for the Chair), in addition to fees for the time involved in travelling to Board meetings and other Board commitments.

Due to the impacts of COVID-19, the travel allowance was temporarily ceased for the non-executive directors from 1 April 2020 to 31 December 2020.

Superannuation

QBE pays superannuation to Australian-based non-executive directors in accordance with Australian superannuation guarantee (SG) legislation. Overseas-based non-executive directors receive the cash equivalent amount in addition to their fees. From 1 January 2020, Australian-based directors may elect to opt out of superannuation contributions as long as they are still receiving contributions from at least one employer. In such cases, a superannuation allowance will be paid in lieu of actual contributions.

Minimum shareholding requirement

With effect from 1 April 2014, a non-executive director MSR was introduced for the Board. Under this requirement, non-executive directors have five years to build a minimum shareholding equal to 100% of annual base fees.

To assist current and new non-executive directors in meeting the requirement, a Director Share Acquisition Plan (DSAP) was established with effect from 1 June 2014. The DSAP allows non-executive directors to sacrifice a portion of their director pre-tax fees to acquire QBE shares.

Where the MSR has not been met, non-executive directors are required to sacrifice a mandatory minimum amount of 20% of pre-tax fees into the DSAP until the MSR is achieved. Shares acquired in this way are not subject to performance targets, as they are acquired in place of cash payments. Directors' shareholdings are shown overleaf. All non-executive directors have met the MSR as at 31 December 2020, or are within the five-year period to achieve the MSR.

5. NON-EXECUTIVE DIRECTOR REMUNERATION

Non-executive director shareholdings

The table below details movements during the year in the number of ordinary shares in QBE held by the non-executive directors, including their personally-related parties:

2020	INTEREST IN SHARES AT 1 JANUARY 2020 NUMBER	CHANGES DURING THE YEAR NUMBER	INTEREST IN SHARES AT 31 DECEMBER 2020 NUMBER
Michael Wilkins	28,514	34,658	63,172
Marty Becker[1]	148,067	5,520	153,587
Stephen Fitzgerald	54,237	11,049	65,286
John M Green	37,258	3,995	41,253
Tan Le[2]	–	783	783
Kathryn Lisson	28,293	12,149	40,442
Sir Brian Pomeroy	27,527	6,230	33,757
Jann Skinner	50,000	13,995	63,995
Eric Smith[2]	–	783	783
Rolf Tolle	45,885	17,451	63,336

1 Marty Becker retired 30 April 2020. The interest in shares represents the number as of 30 April 2020.
2 Tan Le and Eric Smith commenced 1 September 2020.

Remuneration details for non-executive directors

The table below details the nature and amount of each component of the remuneration of QBE's current non-executive directors. Remuneration has been converted to US dollars using the average rate of exchange for the relevant year.

		SHORT-TERM EMPLOYMENT BENEFITS		POST-EMPLOYMENT BENEFITS		
NON-EXECUTIVE DIRECTOR	YEAR	FEES[1] US$000	OTHER US$000	SUPERANNUATION - SG[2] US$000	SUPERANNUATION - OTHER[2] US$000	TOTAL US$000
Michael Wilkins	**2020**	**422**	**–**	**15**	**25**	**462**
	2019	231	–	14	7	252
Marty Becker[3]	**2020**	**137**	**7**	**–**	**–**	**144**
	2019	553	4	–	–	557
Stephen Fitzgerald	**2020**	**253**	**–**	**–**	**–**	**253**
	2019	288	–	–	–	288
John M Green	**2020**	**263**	**–**	**–**	**25**	**288**
	2019	283	–	14	12	309
Tan Le[4]	**2020**	**66**	**2**	**–**	**–**	**68**
	2019	–	–	–	–	–
Kathryn Lisson	**2020**	**223**	**4**	**–**	**–**	**227**
	2019	250	4	–	–	254
Sir Brian Pomeroy	**2020**	**226**	**4**	**–**	**–**	**230**
	2019	255	2	–	–	257
Jann Skinner	**2020**	**222**	**–**	**4**	**17**	**243**
	2019	244	–	14	9	267
Eric Smith[4]	**2020**	**66**	**1**	**–**	**–**	**67**
	2019	–	–	–	–	–
Rolf Tolle	**2020**	**243**	**4**	**–**	**–**	**247**
	2019	270	2	–	–	272
Total	**2020**	**2,121**	**22**	**19**	**67**	**2,229**
	2019	2,374	12	42	28	2,456

1 Travel allowances, additional fees in lieu of superannuation in Australia and amounts sacrificed in relation to the DSAP are included in directors' fees. Travel allowances ceased temporarily from 1 April 2020 to 31 December 2020 due to the travel impacts of COVID-19.
- Michael Wilkins acted as Executive Chair from 1 September through to 25 October 2020; no additional remuneration was provided for that period in the role.
- Marty Becker, Stephen Fitzgerald, Tan Le, Kathryn Lisson, Sir Brian Pomeroy, Eric Smith and Rolf Tolle received additional fees of 9.5% in lieu of superannuation in Australia.
- Michael Wilkins, Marty Becker, Stephen Fitzgerald, Tan Le, Kathryn Lisson, Sir Brian Pomeroy, Eric Smith and Rolf Tolle all participated in the DSAP.

2 Michael Wilkins, John M Green and Jann Skinner are Australian residents. Superannuation is calculated as 9.5% of fees. Superannuation in excess of the statutory minimum may be taken as additional cash fees or in the form of superannuation contributions at the option of the director. During all or part year during 2020, John M Green and Jann Skinner elected to opt out of superannuation contributions and a superannuation allowance was paid in lieu of superannuation contributions.
3 Marty Becker retired 30 April 2020.
4 Tan Le and Eric Smith commenced 1 September 2020.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2020

Auditor

PricewaterhouseCoopers, Chartered Accountants, continues in office in accordance with section 327B of the *Corporations Act 2001*.

Non-audit services

During the year, PricewaterhouseCoopers performed certain other services in addition to statutory duties.

The Board, on the advice of the Audit Committee, has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are also satisfied that the provision of non-audit services by the auditor, as set out in note 8.8 to the financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001*.

A copy of the auditor's independence declaration required under section 307C of the *Corporations Act 2001* is set out on page 78.

Details of amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services are provided in note 8.8 to the financial statements.

Rounding of amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.* Amounts have been rounded off in the Directors' Report to the nearest million dollars or, in certain cases, to the nearest thousand dollars in accordance with that instrument.

Signed in SYDNEY this 19th day of February 2021 in accordance with a resolution of the directors.

Michael Wilkins AO
Director

John M Green
Director

pwc

Auditor's independence declaration

As lead auditor for the audit of QBE Insurance Group Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of QBE Insurance Group Limited and the entities it controlled during the period.

V. Papageorgiou

Voula Papageorgiou
Partner, PricewaterhouseCoopers

Sydney
19 February 2021

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Financial Report contents

This Annual Report includes the consolidated financial statements for QBE Insurance Group Limited (the ultimate parent entity or the Company) and its controlled entities (QBE or the Group). All amounts in this Financial Report are presented in US dollars unless otherwise stated. QBE Insurance Group Limited is a company limited by its shares and incorporated and domiciled in Australia. Its registered office is located at:

Level 27, 8 Chifley Square
Sydney NSW 2000
Australia.

A description of the nature of the Group's operations and its principal activities is included on pages 4 to 27, none of which is part of this Financial Report. The Financial Report was authorised for issue by the directors on 19 February 2021. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the Company. All material press releases, this Financial Report and other information are available at our QBE investor centre at our website: www.qbe.com.

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTE	2020 US$M	2019 US$M
Gross written premium		**14,643**	13,442
Unearned premium movement		**(635)**	(185)
Gross earned premium revenue	2.1	**14,008**	13,257
Outward reinsurance premium		**(2,462)**	(1,825)
Deferred reinsurance premium movement		**162**	177
Outward reinsurance premium expense		**(2,300)**	(1,648)
Net earned premium (a)		**11,708**	11,609
Gross claims expense	2.2	**(12,300)**	(9,676)
Reinsurance and other recoveries revenue	2.2	**3,366**	1,574
Net claims expense (b)	2.2	**(8,934)**	(8,102)
Gross commission expense		**(2,331)**	(2,178)
Reinsurance commission revenue	2.1	**440**	359
Net commission (c)		**(1,891)**	(1,819)
Underwriting and other expenses (d)		**(1,752)**	(1,690)
Underwriting result (a)+(b)+(c)+(d)		**(869)**	(2)
Investment income – policyholders' funds	3.1	**153**	660
Investment expenses – policyholders' funds	3.1	**(11)**	(11)
Insurance (loss) profit		**(727)**	647
Investment income – shareholders' funds	3.1	**90**	393
Investment expenses – shareholders' funds	3.1	**(6)**	(6)
Financing and other costs	5.1.2	**(252)**	(257)
Loss on sale of entities and businesses	7.1.1	**(2)**	(8)
Share of net loss of associates		**(5)**	(3)
Restructuring and related expenses		**(104)**	(43)
Amortisation and impairment of intangibles	7.2	**(466)**	(51)
(Loss) profit before income tax from continuing operations		**(1,472)**	672
Income tax expense	6.1	**(39)**	(104)
(Loss) profit after income tax from continuing operations		**(1,511)**	568
Loss after income tax from discontinued operations	7.1.2	**–**	(21)
(Loss) profit after income tax		**(1,511)**	547
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net movement in foreign currency translation reserve	5.3.2	**375**	28
Net movement in cash flow hedge and cost of hedging reserves	5.3.2	**(24)**	(7)
Income tax relating to these components of other comprehensive income		**7**	2
Other comprehensive income from discontinued operations after income tax		**–**	10
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit plans		**38**	(9)
Income tax relating to this component of other comprehensive income		**(10)**	2
Other comprehensive income after income tax		**386**	26
Total comprehensive (loss) income after income tax		**(1,125)**	573
(Loss) profit after income tax from continuing operations attributable to:			
Ordinary equity holders of the Company		**(1,517)**	571
Non-controlling interests		**6**	(3)
		(1,511)	568
(Loss) profit after income tax attributable to:			
Ordinary equity holders of the Company		**(1,517)**	550
Non-controlling interests		**6**	(3)
		(1,511)	547
Total comprehensive (loss) income after income tax attributable to:			
Ordinary equity holders of the Company		**(1,131)**	576
Non-controlling interests		**6**	(3)
		(1,125)	573

(LOSS) EARNINGS PER SHARE FOR (LOSS) PROFIT AFTER INCOME TAX ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	NOTE	2020 US CENTS	2019 US CENTS
For (loss) profit after income tax from continuing operations			
Basic (loss) earnings per share	5.5	**(108.5)**	43.4
Diluted (loss) earnings per share	5.5	**(108.5)**	43.1
For (loss) profit after income tax			
Basic (loss) earnings per share	5.5	**(108.5)**	41.8
Diluted (loss) earnings per share	5.5	**(108.5)**	41.5

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

AS AT 31 DECEMBER 2020

	NOTE	2020 US$M	2019 US$M
Assets			
Cash and cash equivalents	5.2	**766**	547
Investments	3.2	**26,935**	23,790
Derivative financial instruments	5.6	**520**	195
Trade and other receivables	2.6	**5,760**	4,748
Current tax assets		**60**	36
Deferred insurance costs	2.5	**2,282**	1,907
Reinsurance and other recoveries on outstanding claims	2.3	**6,527**	5,104
Other assets		**19**	13
Defined benefit plan surpluses	8.7	**64**	45
Right-of-use lease assets		**383**	275
Property, plant and equipment		**167**	170
Deferred tax assets	6.2	**546**	479
Investment properties		**34**	37
Investments in associates		**27**	25
Intangible assets	7.2	**2,534**	2,791
Total assets		**46,624**	40,162
Liabilities			
Derivative financial instruments	5.6	**845**	202
Trade and other payables	2.7	**2,338**	1,802
Current tax liabilities		**15**	43
Unearned premium	2.5	**7,466**	6,460
Gross outstanding claims	2.3	**23,861**	19,915
Lease liabilities		**431**	299
Provisions		**149**	136
Defined benefit plan deficits	8.7	**21**	42
Deferred tax liabilities	6.2	**51**	15
Borrowings	5.1	**2,955**	3,095
Total liabilities		**38,132**	32,009
Net assets		**8,492**	8,153
Equity			
Contributed equity	5.3.1	**10,273**	7,594
Treasury shares held in trust		**(1)**	(1)
Reserves	5.3.2	**(1,898)**	(1,335)
Retained profits		**117**	1,895
Shareholders' equity		**8,491**	8,153
Non-controlling interests		**1**	–
Total equity		**8,492**	8,153

The consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2020

	CONTRIBUTED EQUITY US$M	TREASURY SHARES HELD IN TRUST US$M	RESERVES US$M	RETAINED PROFITS US$M	SHARE-HOLDERS' EQUITY US$M	NON-CONTROLLING INTERESTS US$M	TOTAL EQUITY US$M
As at 1 January 2020	**7,594**	**(1)**	**(1,335)**	**1,895**	**8,153**	**–**	**8,153**
Loss after income tax	**–**	**–**	**–**	**(1,517)**	**(1,517)**	**6**	**(1,511)**
Other comprehensive income	**–**	**–**	**358**	**28**	**386**	**–**	**386**
Total comprehensive income (loss)	**–**	**–**	**358**	**(1,489)**	**(1,131)**	**6**	**(1,125)**
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	**26**	**(28)**	**–**	**–**	**(2)**	**–**	**(2)**
Share-based payment expense	**–**	**–**	**20**	**–**	**20**	**–**	**20**
Shares vested and/or released	**–**	**28**	**(28)**	**–**	**–**	**–**	**–**
Contributions of equity, net of transaction costs	**1,699**	**–**	**–**	**–**	**1,699**	**–**	**1,699**
Reclassification on disposal of controlled entities	**–**	**–**	**2**	**(2)**	**–**	**–**	**–**
Dividends paid on ordinary shares	**–**	**–**	**–**	**(265)**	**(265)**	**(5)**	**(270)**
Dividend Reinvestment Plan and Bonus Share Plan	**27**	**–**	**–**	**3**	**30**	**–**	**30**
Distribution on capital notes	**–**	**–**	**–**	**(25)**	**(25)**	**–**	**(25)**
Foreign exchange	**927**	**–**	**(915)**	**–**	**12**	**–**	**12**
As at 31 December 2020	**10,273**	**(1)**	**(1,898)**	**117**	**8,491**	**1**	**8,492**

	CONTRIBUTED EQUITY US$M	TREASURY SHARES HELD IN TRUST US$M	RESERVES US$M	RETAINED PROFITS US$M	SHARE-HOLDERS' EQUITY US$M	NON-CONTROLLING INTERESTS US$M	TOTAL EQUITY US$M
As at 1 January 2019	7,830	(7)	(1,363)	1,838	8,298	19	8,317
Profit (loss) after income tax	–	–	–	550	550	(3)	547
Other comprehensive income (loss)	–	–	33	(7)	26	–	26
Total comprehensive income (loss)	–	–	33	543	576	(3)	573
Transactions with owners in their capacity as owners							
Shares bought back on-market and cancelled	(205)	–	–	–	(205)	–	(205)
Shares acquired and held in trust	–	(63)	–	–	(63)	–	(63)
Share-based payment expense	–	–	38	–	38	–	38
Shares vested and/or released	–	69	(41)	–	28	–	28
Contributions of equity, net of transaction costs and tax	1	–	–	–	1	–	1
Net changes in non-controlling interests	–	–	(4)	–	(4)	(12)	(16)
Reclassification on disposal of owner occupied property	–	–	3	(3)	–	–	–
Dividends paid on ordinary shares	–	–	–	(488)	(488)	(4)	(492)
Dividend reinvestment under Bonus Share Plan	–	–	–	5	5	–	5
Foreign exchange	(32)	–	(1)	–	(33)	–	(33)
As at 31 December 2019	7,594	(1)	(1,335)	1,895	8,153	–	8,153

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTE	2020 US$M	2019 US$M
Operating activities			
Premium received		**14,471**	13,705
Reinsurance and other recoveries received		**2,080**	2,373
Outward reinsurance premium paid		**(2,054)**	(1,815)
Claims paid		**(9,429)**	(8,899)
Acquisition and other underwriting costs paid		**(3,793)**	(3,729)
Interest received		**426**	473
Dividends received		**77**	127
Other operating payments		**(174)**	(154)
Interest paid		**(257)**	(250)
Income taxes paid		**(113)**	(52)
Net cash flows from operating activities	8.4	**1,234**	1,779
Investing activities			
Net proceeds on sale of growth assets		**42**	489
Net payments for purchase of interest-bearing financial assets		**(2,387)**	(1,506)
Net proceeds from (payments for) foreign exchange transactions		**277**	(64)
Payments for purchase of intangible assets		**(71)**	(84)
Proceeds on sale of property, plant and equipment		**–**	1
Payments for purchase of property, plant and equipment		**(40)**	(30)
Payments on acquisition of non-controlling interests		**–**	(13)
Proceeds on disposal of entities and businesses (net of cash disposed)		**17**	131
Net cash flows from investing activities		**(2,162)**	(1,076)
Financing activities			
Net proceeds from issue of equity instruments		**1,300**	–
Payments for shares bought back on-market and cancelled		**–**	(205)
Purchase of treasury shares		**–**	(63)
Proceeds from settlement of staff share loans		**1**	1
Payments relating to principal element of lease liabilities		**(61)**	(59)
Proceeds from borrowings		**358**	–
Repayment of borrowings		**(140)**	(199)
Dividends paid		**(265)**	(459)
Net cash flows from financing activities		**1,193**	(984)
Net movement in cash and cash equivalents		**265**	(281)
Cash and cash equivalents at the beginning of the year		**547**	863
Effect of exchange rate changes		**(46)**	(37)
Net cash flows attributable to entities held for sale		**–**	2
Cash and cash equivalents at the end of the year	5.2	**766**	547

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2020

1. OVERVIEW

1.1 About QBE

About QBE Insurance Group

QBE is one of the world's largest insurance and reinsurance companies, with operations in all the major insurance markets. Formed in Australia in 1886, QBE employs more than 11,000 people and carries on insurance activities in 27 countries, with operations in Australia, Europe, North America, Asia and the Pacific. QBE's captive reinsurer, Equator Re, provides reinsurance protection to our divisions in conjunction with the Group's external reinsurance programs.

The Company is listed on the Australian Securities Exchange and is a for-profit entity.

About insurance

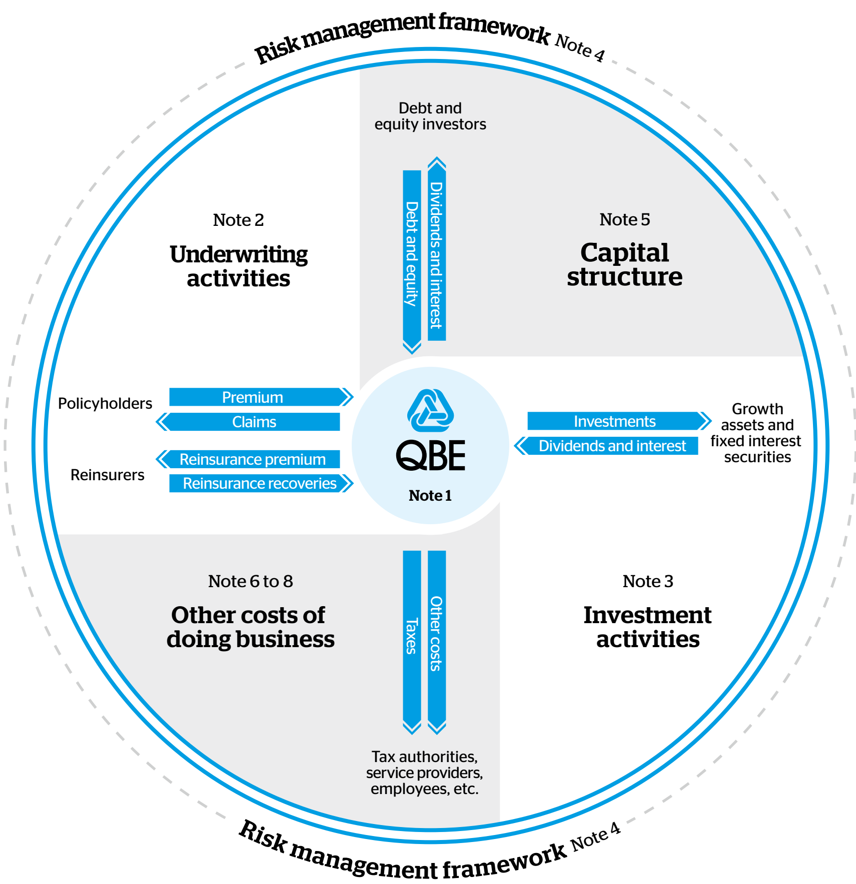
In simple terms, insurance and reinsurance companies help their customers (consumers, businesses and other insurance companies) to manage risk. More broadly put, an insurance company creates value by pooling and redistributing risk. This is done by collecting premium from those that it insures (i.e. policyholders), and then paying the claims of the few that call upon their insurance protection. A company may also choose to reduce some of its own accumulated risk through the use of outward reinsurance, which is insurance for insurance companies. As not all policyholders will actually experience a claims event, the effective pooling and redistribution of risk lowers the total cost of risk management, thereby making insurance protection more cost effective for all.

The operating model of insurance companies relies on profits being generated by:

- appropriately pricing risk and charging adequate premium to cover the expected payouts that will be incurred over the life of the insurance policy (both claims and operating expenses); and
- earning a return on the collected premium and funds withheld to pay future claims through the adoption of an appropriate investment strategy.

Insurance therefore serves a critical function of providing customers with the confidence to achieve their business and personal goals through cost-effective risk management. This is achieved within a highly regulated environment, designed to ensure that insurance companies maintain adequate capital to protect the interests of policyholders.

The diagram below presents a simplified overview of the key components of this Financial Report:



1.2 About this report

This Financial Report includes the consolidated financial statements of QBE Insurance Group Limited (the ultimate parent entity or the Company) and its controlled entities (QBE or the Group).

The Financial Report includes the four primary statements, namely the statement of comprehensive income (which comprises profit or loss and other comprehensive income or loss), balance sheet, statement of changes in equity and statement of cash flows as well as associated notes as required by Australian Accounting Standards. Disclosures have been grouped into the following categories in order to assist users in their understanding of the financial statements:

1. **Overview** contains information that impacts the Financial Report as a whole as well as segment reporting disclosures.
2. **Underwriting activities** brings together results and balance sheet disclosures relevant to the Group's insurance activities.
3. **Investment activities** includes results and balance sheet disclosures relevant to the Group's investments.
4. **Risk management** provides commentary on the Group's exposure to various financial and capital risks, explaining the potential impact on the results and balance sheet and how the Group manages these risks.
5. **Capital structure** provides information about the debt and equity components of the Group's capital.
6. **Tax** includes disclosures relating to the Group's tax expense and balances.
7. **Group structure** provides a summary of the Group's controlled entities and includes disclosures in relation to transactions impacting the Group structure.
8. **Other** includes additional disclosures required to comply with Australian Accounting Standards.

Where applicable within each note, disclosures are further analysed as follows:

- **Overview** provides some context to assist users in understanding the disclosures.
- **Disclosures** (both numbers and commentary) provide analysis of balances as required by Australian Accounting Standards.
- **How we account for the numbers** summarises the accounting policies relevant to an understanding of the numbers.
- **Critical accounting judgements and estimates** explains the key estimates and judgements applied by QBE in determining the numbers.

The notes include information which the directors believe is required to understand the financial statements and is material and relevant to the operations, balance sheet and results of the Group. Information is considered material and relevant if:

- the amount in question is significant because of its size or nature;
- it is important to assist in understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, significant acquisitions or disposals; or
- it relates to an aspect of the Group's operations that is important to its future performance.

1.2.1 Basis of preparation

This Financial Report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting standards and the *Corporations Act 2001*;
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC);
- has been prepared on a historical cost basis as modified by certain exceptions, the most significant of which are the measurement of investments and derivatives at fair value and the measurement of the net outstanding claims liability at present value;
- is presented in US dollars; and
- is presented with values rounded to the nearest million dollars or, in certain cases, to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

New and amended Accounting Standards and Interpretations issued by the AASB that are now effective are detailed in note 8.1.1.

The Group has not adopted any Accounting Standards and Interpretations that have been issued or amended but are not yet effective as listed in note 8.1.2.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 31 December 2020 and the results for the financial year then ended. In preparing the consolidated financial statements, all transactions between controlled entities are eliminated in full. Where control of an entity commences or ceases during a financial year, the results are included for that part of the year during which control existed. A list of entities controlled by the Company at year end is contained in note 7.3.

Lloyd's syndicates are accounted for on a proportional basis. The nature of Lloyd's syndicates is such that, even when one party provides the majority of capital, the syndicate as a whole is not controlled for accounting purposes.

Where necessary, comparative information has been restated to conform to the current year's disclosures.

1. OVERVIEW

1.2.2 Critical accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements and estimates that affect reported amounts. The diversity and complexity of the Group are evidenced by its international operations and the broad product range as shown in the class of business analysis in note 4.2.

In view of its geographic and product diversity, the Group has developed a centralised risk management and policy framework designed to ensure consistency of approach across a number of operational activities, subject to the specific requirements of local markets, legislation and regulation. Such operational activities include underwriting, claims management, actuarial assessment of the outstanding claims liability and investment management.

Given the centralised approach to many activities and the diversity of products and geographies, sensitivity analyses in respect of critical accounting estimates and judgements are presented at the consolidated Group level in order to provide information and analysis which is meaningful, relevant, reliable and comparable year-on-year. Sensitivity disclosure at business segment or product level would not provide a meaningful overview given the complex interrelationships between the variables underpinning the Group's operations.

The key areas in which critical estimates and judgements are applied are as follows:

- net outstanding claims liability (note 2.3);
- liability adequacy test (note 2.5.1);
- recoverability of deferred tax assets (note 6.2.1); and
- impairment testing of intangible assets (note 7.2.1).

The impacts of COVID-19 on these areas are discussed in note 1.2.3 and in individual notes where appropriate.

1.2.3 COVID-19

COVID-19 was declared a pandemic by the World Health Organisation in March 2020. The virus itself, as well as measures to slow its spread, have had a profound impact on the global economy. QBE has considered a broad range of factors to inform an assessment of the impact of the resulting uncertainty and general market volatility on the consolidated financial statements.

While the critical accounting judgements and estimates did not materially change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the evolving and uncertain impact of COVID-19, we anticipate that there are likely to be changes in market conditions in the future and that the impact of these changes will be accounted for in future reporting periods as they arise and/or are able to be reasonably predicted.

Areas which are most significantly impacted by COVID-19 are as follows:

- **Net discounted central estimate (note 2.3):** QBE has recorded net incurred claims (excluding risk margin) of $260 million resulting from COVID-19 in the year to 31 December 2020. While this estimate has been based on a detailed review of the Group's exposures, scenario analysis under a variety of macroeconomic and legislative outcomes, consideration of the Group's reinsurance protections and early indicators from claim payments to date, significant uncertainty remains around potential claims emergence from property business interruption claims, credit exposed classes (i.e. lenders' mortgage, trade credit, surety and landlords' insurance) and from certain long-tail classes that may experience heightened claims activity due to increased risk from recessionary and other factors (i.e. casualty, financial lines and workers' compensation). QBE will continue to closely monitor emerging claims experience, legislative outcomes and wider market developments to ensure that the net discounted central estimate is reflective of the Group's best estimate of expected future claims.
- **Risk margin (note 2.3.3):** The Group aims to maintain a probability of adequacy in the range of 87.5% to 92.5% reflecting the level of uncertainty in the net discounted central estimate. In response to the significantly heightened level of uncertainty created by COVID-19 claims as described above, particularly business interruption claims, QBE has increased the risk margin by $300 million which, when combined with the impacts of movements in risk-free rates and foreign exchange rates, resulted in a probability of adequacy at the balance date of 92.5% (2019 90.0%).
- **Liability adequacy test (note 2.5.1):** This assessment is informed by the Group's expectation of future net claims including a risk margin and is therefore subject to the same uncertainties summarised above. Future claims assumptions used in the liability adequacy test have been prepared on a basis that is consistent with the COVID-19 assumptions informing the determination of the net discounted central estimate.
- **Goodwill impairment testing (note 7.2.1):** A detailed impairment test has been completed in respect of the carrying value of QBE's cash-generating units, which included consideration of the impact of COVID-19. To address the current heightened levels of uncertainty with respect to the future cash flows, the following changes have been reflected in the impairment test: (i) cash flows have been adjusted with reference to scenario-based modelling, taking into account possible impacts of COVID-19 on short to medium-term cash flows; (ii) the pre-tax discount rate includes a temporary risk premium adjustment in the cost of equity assumption; (iii) the terminal value growth assumption has been revised down from 2.5% to 2.3% to reflect QBE's current view of long-term growth in the United States which is consistent with external benchmarks; and (iv) forecast investment returns have been reassessed to align with current market expectations. Note 7.2.1 details factors impacting the impairment of North American goodwill.
- **North American tax group deferred tax asset recoverability (note 6.2.1):** QBE's reassessment of the recoverability of this asset included consideration of the potential impacts of COVID-19. The recoverability assessment has been updated, consistent with the impairment testing completed for the North American cash-generating unit and other entities where relevant.

The Group's COVID-19 financial impact assessment was not limited to the areas identified above. All material components of the balance sheet were considered in detail, as was the effectiveness of QBE's risk management framework in responding to both financial and non-financial risks, with no material issues identified.

1.2.4 Foreign currency

Translation of foreign currency transactions and balances

Transactions included in the financial statements of controlled entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Foreign currency transactions are translated into functional currencies at the spot rates of exchange applicable at the dates of the transactions. At the balance date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at that date. Resulting exchange gains and losses are included in profit or loss.

Translation of foreign operations

The results and balance sheets of all foreign operations that have a functional currency different from the Group's presentation currency of US dollars are translated into US dollars as follows:

- income, expenses and other current period movements in comprehensive income are translated at average rates of exchange; and
- balance sheet items are translated at the closing balance date rates of exchange.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity and recognised in other comprehensive income. When a foreign operation is sold in whole or part and capital is repatriated, exchange differences on translation from the entity's functional currency to the ultimate parent entity's functional currency of Australian dollars are reclassified out of other comprehensive income and recognised in profit or loss as part of the gain or loss on sale.

Hedging of foreign exchange risk

The Group manages its foreign exchange exposures as part of its foreign currency risk management processes, further information on which is provided in note 4.4.

QBE uses borrowings to mitigate currency risk on translation of net investments in foreign operations to the ultimate parent's functional currency of Australian dollars. QBE does not ordinarily use derivatives to mitigate such risks; however, in periods of extraordinary volatility that are expected to persist for an extended period of time, QBE may elect to utilise derivatives to mitigate currency translation risk to preserve capital.

QBE also uses derivatives to mitigate risk associated with foreign currency transactions and balances.

The Group designates hedge relationships which meet the specified criteria in AASB 9 *Financial Instruments* as either cash flow hedges or hedges of a net investment in a foreign operation. Further information on the accounting for derivatives and for designated hedge relationships is provided in note 5.6.

Exchange rates

The principal exchange rates used in the preparation of the financial statements were:

	2020		2019	
	PROFIT OR LOSS	BALANCE SHEET	PROFIT OR LOSS	BALANCE SHEET
A$/US$	**0.688**	**0.771**	0.695	0.702
£/US$	**1.283**	**1.368**	1.276	1.325
€/US$	**1.140**	**1.222**	1.119	1.122

1. OVERVIEW

1.3 Segment information

Overview

Information is provided by operating segment to assist the understanding of the Group's performance. The operating segments are consistent with the basis on which information is provided to the Group Executive Committee for measuring performance and determining the allocation of capital, being the basis upon which the Group's underwriting products and services are managed within the various markets in which QBE operates.

This note presents the results of continuing operations only. The results of discontinued operations are presented in note 7.1.2.

Operating segments

The Group's operating segments are as follows:

- North America writes general insurance, reinsurance and Crop business in the United States.
- International writes general insurance business in the United Kingdom, Europe and Canada. It also writes general insurance and reinsurance business through Lloyd's; worldwide reinsurance business through offices in the United Kingdom, United States, Ireland, Bermuda and mainland Europe; and provides personal and commercial insurance covers in Hong Kong, Singapore, Malaysia and Vietnam.
- Australia Pacific primarily underwrites general insurance risks throughout Australia, New Zealand and the Pacific region, providing all major lines of insurance for personal and commercial risks.

Consistent with information provided to the Group Executive Committee for the current period, certain inward reinsurance business written by North America but managed by International is now reflected in the results of the International segment to drive better end-to-end underwriting, pricing, reserving and performance management discipline. Where material, comparative information in the notes to the financial statements have been restated consistently.

Corporate & Other includes non-operating holding companies that do not form part of the Group's insurance operations; gains or losses on disposals except those relating to discontinued operations (refer to note 7.1.2); and financing costs and amortisation of any intangibles which are not allocated to a specific operating segment. It also includes consolidation adjustments and internal reinsurance eliminations. Intersegment transactions are priced on an arm's length basis and are eliminated on consolidation.

2020	NORTH AMERICA US$M	INTERNATIONAL US$M	AUSTRALIA PACIFIC US$M	TOTAL REPORTABLE SEGMENTS US$M	CORPORATE & OTHER US$M	TOTAL US$M
Gross written premium	4,744	5,845	4,079	14,668	(25)	14,643
Gross earned premium revenue – external	4,519	5,513	3,984	14,016	(8)	14,008
Gross earned premium revenue – internal	1	18	1	20	(20)	–
Outward reinsurance premium expense	(1,200)	(765)	(360)	(2,325)	25	(2,300)
Net earned premium	3,320	4,766	3,625	11,711	(3)	11,708
Net claims expense	(2,974)	(3,229)	(2,479)	(8,682)	(252)	(8,934)
Net commission	(480)	(874)	(534)	(1,888)	(3)	(1,891)
Underwriting and other expenses	(482)	(648)	(572)	(1,702)	(50)	(1,752)
Underwriting result	(616)	15	40	(561)	(308)	(869)
Net investment income (loss) – policyholders' funds	33	91	31	155	(13)	142
Insurance (loss) profit	(583)	106	71	(406)	(321)	(727)
Net investment income – shareholders' funds	33	27	7	67	17	84
Financing and other costs	(2)	(2)	(5)	(9)	(243)	(252)
Loss on sale of entities and businesses	–	–	–	–	(2)	(2)
Share of net loss of associates	–	–	–	–	(5)	(5)
Restructuring and related expenses	(22)	(8)	(37)	(67)	(37)	(104)
Amortisation and impairment of intangibles	–	(5)	(16)	(21)	(445)	(466)
(Loss) profit before income tax from continuing operations	(574)	118	20	(436)	(1,036)	(1,472)
Income tax credit (expense)	121	(25)	(6)	90	(129)	(39)
(Loss) profit after income tax from continuing operations	(453)	93	14	(346)	(1,165)	(1,511)
Net profit from continuing operations attributable to non-controlling interests	–	–	–	–	(6)	(6)
Net (loss) profit after income tax from continuing operations attributable to ordinary equity holders of the Company	(453)	93	14	(346)	(1,171)	(1,517)

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2020

1. OVERVIEW

2019	NORTH AMERICA US$M	INTERNATIONAL US$M	AUSTRALIA PACIFIC US$M	TOTAL REPORTABLE SEGMENTS US$M	CORPORATE & OTHER US$M	TOTAL US$M
Gross written premium	4,361	5,200	3,920	13,481	(39)	13,442
Gross earned premium revenue – external	4,375	4,999	3,883	13,257	–	13,257
Gross earned premium revenue – internal	–	11	2	13	(13)	–
Outward reinsurance premium expense	(683)	(671)	(317)	(1,671)	23	(1,648)
Net earned premium	3,692	4,339	3,568	11,599	10	11,609
Net claims expense	(2,929)	(2,979)	(2,223)	(8,131)	29	(8,102)
Net commission	(536)	(752)	(526)	(1,814)	(5)	(1,819)
Underwriting and other expenses	(488)	(652)	(519)	(1,659)	(31)	(1,690)
Underwriting result	(261)	(44)	300	(5)	3	(2)
Net investment income – policyholders' funds	124	324	187	635	14	649
Insurance (loss) profit	(137)	280	487	630	17	647
Net investment income – shareholders' funds	149	137	109	395	(8)	387
Financing and other costs	(3)	(2)	(5)	(10)	(247)	(257)
Loss on sale of entities and businesses	–	–	–	–	(8)	(8)
Share of net loss of associates	–	–	–	–	(3)	(3)
Restructuring and related expenses	(4)	(6)	(30)	(40)	(3)	(43)
Amortisation and impairment of intangibles	–	–	(31)	(31)	(20)	(51)
Profit (loss) before income tax from continuing operations	5	409	530	944	(272)	672
Income tax (expense) credit	(1)	(86)	(164)	(251)	147	(104)
Net profit (loss) after income tax from continuing operations	4	323	366	693	(125)	568
Net loss from continuing operations attributable to non-controlling interests	–	–	–	–	3	3
Net profit (loss) after income tax from continuing operations attributable to ordinary equity holders of the Company	4	323	366	693	(122)	571

Geographical analysis

North America is defined by reference to its geographical location and, as such, satisfies the requirements of a geographical analysis as well as an operating segment analysis.

Gross earned premium revenue – external for Australia, the ultimate parent entity's country of domicile, was $3,573 million (2019 $3,487 million). No other country within International or Australia Pacific is individually material in this respect.

Product analysis

QBE does not collect group-wide revenue information by product and the cost to develop this information would be excessive. Gross earned premium revenue by class of business is disclosed in note 4.2.

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2. UNDERWRITING ACTIVITIES

Overview

This section provides analysis and commentary on the Group's underwriting activities. Underwriting, in simple terms, is the agreement by the insurer to assume insurance risk in return for a premium paid by the insured. The underwriter assesses the quality of the risk and prices it accordingly.

2.1 Revenue

Overview

Revenue mainly comprises premiums charged for providing insurance coverage. Premiums are classified as:

- direct, being those paid by the policyholder to the insurer;
- facultative, being reinsurance of an individual (usually significant) risk by a ceding insurer or reinsurer; or
- inward reinsurance, being coverage provided to an insurer or reinsurer in relation to a specified grouping of policies or risks.

Other sources of revenue include amounts recovered from reinsurers under the terms of reinsurance contracts, commission income from reinsurers and salvage or third-party recoveries.

	NOTE	2020 US$M	2019 US$M
Gross earned premium revenue			
Direct and facultative		**12,634**	12,146
Inward reinsurance		**1,374**	1,111
		14,008	13,257
Other revenue			
Reinsurance and other recoveries revenue	2.2	**3,366**	1,574
Reinsurance commission revenue		**440**	359
		17,814	15,190

How we account for the numbers

Premium revenue

Premium written comprises amounts charged to policyholders, excluding taxes collected on behalf of third parties. Premium is recognised as revenue in profit or loss based on the incidence of the pattern of risk associated with the insurance policy. The earned portion of premium on unclosed business, being business that is written at the balance date but for which detailed policy information is not yet booked, is also included in premium revenue.

Reinsurance and other recoveries

Reinsurance and other recoveries on paid claims, reported claims not yet paid, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER) are recognised as revenue. Recoveries are measured as the present value of the expected future receipts.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2020

2. UNDERWRITING ACTIVITIES

2.2 Net claims expense

Overview

The largest expense for an insurance company is net claims expense, which is the difference between the net outstanding claims liability (as described in note 2.3) at the beginning and the end of the financial year plus any claims payments made net of reinsurance and other recoveries received during the financial year.

	NOTE	2020 US$M	2019 US$M
Gross claims expense			
Direct and facultative		**11,144**	8,881
Inward reinsurance		**1,156**	795
		12,300	9,676
Reinsurance and other recoveries revenue			
Direct and facultative		**3,217**	1,517
Inward reinsurance		**149**	57
	2.1	**3,366**	1,574
Net claims expense		**8,934**	8,102
Analysed as follows:			
Movement in net discounted central estimate	2.4.2	**8,590**	8,125
Movement in risk margin	2.3.3	**344**	(23)
Net claims expense		**8,934**	8,102

2.3 Net outstanding claims liability

Overview

The net outstanding claims liability comprises the elements described below:

- **the gross central estimate (note 2.3.1)**. This is the provision for expected future claims payments and includes claims reported but not yet paid, IBNR, IBNER and estimated claims handling costs; less
- **reinsurance and other recoveries on outstanding claims (note 2.3.2)**. Insurance companies may elect to purchase reinsurance cover to manage their exposure to any one claim or series of claims. When an insurance company incurs a claim as a result of an insured loss, it may be able to recover some of that claim from reinsurance. An insurer may also be entitled to non-reinsurance recoveries under the insurance contract such as salvage, subrogation and sharing arrangements with other insurers; less
- **an amount to reflect the discount to present value using risk-free rates of return**. The net central estimate is discounted to present value recognising that the claim and/or recovery may not be settled for some time. The weighted average risk-free rate for each operating segment and for the consolidated Group are summarised in note 2.3.4; plus
- **a risk margin (note 2.3.3)**. A risk margin is added to reflect the inherent uncertainty in the net discounted central estimate of outstanding claims.

	NOTE	2020 US$M	2019 US$M
Gross discounted central estimate	2.3.1	**22,324**	18,779
Risk margin	2.3.3	**1,537**	1,136
Gross outstanding claims		**23,861**	19,915
Reinsurance and other recoveries on outstanding claims	2.3.2	**(6,527)**	(5,104)
Net outstanding claims		**17,334**	14,811

The table below analyses the movement in the net outstanding claims liability, showing separately the movement in the gross liability and the impact of reinsurance:

		2020			2019		
	NOTE	GROSS US$M	REINSURANCE US$M	NET US$M	GROSS US$M	REINSURANCE US$M	NET US$M
At 1 January		**19,915**	**(5,104)**	**14,811**	19,579	(5,551)	14,028
Claims expense – current accident year	2.4.2	**10,947**	**(3,099)**	**7,848**	8,698	(973)	7,725
Claims expense – prior accident years	2.4.2	**1,009**	**(267)**	**742**	1,001	(601)	400
Movement in risk margin	2.3.3	**344**	**–**	**344**	(23)	–	(23)
Incurred claims recognised in profit or loss from continuing operations	2.2	**12,300**	**(3,366)**	**8,934**	9,676	(1,574)	8,102
Claims payments		**(9,254)**	**2,079**	**(7,175)**	(9,290)	1,824	(7,466)
Foreign exchange		**900**	**(136)**	**764**	(50)	197	147
At 31 December		**23,861**	**(6,527)**	**17,334**	19,915	(5,104)	14,811

2.3.1 Gross discounted central estimate

	NOTE	2020 US$M	2019 US$M
Gross undiscounted central estimate excluding claims settlement costs		**22,169**	19,202
Claims settlement costs		**447**	369
Gross undiscounted central estimate		**22,616**	19,571
Discount to present value		**(292)**	(792)
Gross discounted central estimate	2.3	**22,324**	18,779
Payable within 12 months		**7,777**	6,609
Payable in greater than 12 months		**14,547**	12,170
Gross discounted central estimate	2.3	**22,324**	18,779

How we account for the numbers

The gross discounted central estimate is the present value of the expected future payments for claims incurred and includes reported but unpaid claims, IBNR, IBNER and claims handling costs. The central estimate is determined by the Group Chief Actuary, supported by a team of actuaries in each of the Group's divisions. The valuation process is performed quarterly and, on at least a semi-annual basis, includes extensive consultation with claims and underwriting staff as well as senior management. The central estimate of outstanding claims is also subject to annual comprehensive independent actuarial review. The risk management procedures related to the actuarial function are explained in note 4.2.

2. UNDERWRITING ACTIVITIES

Critical accounting judgements and estimates

The determination of the amounts that the Group will ultimately pay for claims arising under insurance and inward reinsurance contracts involves a number of critical assumptions. Some of the uncertainties impacting these assumptions are as follows:

- changes in patterns of claims incidence, reporting and payment;
- volatility in the estimation of future costs for long-tail insurance classes due to the longer period of time that can elapse before a claim is paid in full;
- existence of complex underlying exposures;
- incidence of catastrophic events close to the balance date;
- changes in the legal environment, including the interpretation of liability laws and the quantum of damages;
- changing social, political and economic trends, for example price and wage inflation; and
- impact of COVID-19 as described in note 1.2.3.

The estimation of IBNR and IBNER is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims that have been reported to the Group but are not yet paid, for which more information about the claims is generally available. The notification and settlement of claims relating to liability and other long-tail classes of business may not happen for many years after the event giving rise to the claim. As a consequence, liability and other long-tail classes typically display greater variability between initial estimates and final settlement due to delays in reporting claims and uncertainty in respect of court awards and future claims inflation. Claims in respect of property and other short-tail classes are typically reported and settled soon after the claim event, giving rise to more certainty.

Central estimates for each class of business are determined using a variety of estimation techniques, generally based on an analysis of historical experience and with reference to external benchmarks where relevant. The gross central estimate is discounted to present value using appropriate risk-free rates.

Central estimates are calculated gross of any reinsurance and other recoveries. A separate estimate is made of the amounts recoverable based on the gross central estimate (refer to note 2.3.2).

2.3.2 Reinsurance and other recoveries on outstanding claims

	NOTE	2020 US$M	2019 US$M
Reinsurance and other recoveries on outstanding claims – undiscounted[1]		**6,623**	5,342
Discount to present value		**(96)**	(238)
Reinsurance and other recoveries on outstanding claims	2.3	**6,527**	5,104
Receivable within 12 months		**2,715**	1,902
Receivable in greater than 12 months		**3,812**	3,202
Reinsurance and other recoveries on outstanding claims	2.3	**6,527**	5,104

1 Net of a provision for impairment of $21 million (2019 $23 million).

How we account for the numbers

The recoverability of amounts due from reinsurers is assessed at each balance date to ensure that the balances properly reflect the amounts ultimately expected to be received, taking into account counterparty credit risk and the contractual terms of the reinsurance contract. Counterparty credit risk in relation to reinsurance assets is considered in note 4.3. Recoveries are discounted to present value using appropriate risk-free rates.

2.3.3 Risk margin

Overview

A risk margin is determined by the Board to reflect the inherent uncertainty in the net discounted central estimate.

The risk margin and the net discounted central estimate are key inputs in the determination of the probability of adequacy, which is a statistical measure of the relative adequacy of the outstanding claims liability to ultimately be able to pay claims. For example, a 90% probability of adequacy indicates that the outstanding claims liability is expected to be adequate nine years in 10.

		2020	2019
Risk margin	US$M	**1,537**	1,136
Risk margin as a percentage of the net discounted central estimate	%	**9.7**	8.3
Probability of adequacy	%	**92.5**	90.0

Excluding the impact of foreign exchange which increased the risk margin by $57 million (2019 $1 million), the net movement in profit or loss was a charge of $344 million (2019 $23 million release). The resulting probability of adequacy was 92.5% (2019 90.0%). Net loss after tax would have reduced by $125 million, at the Group's prima facie income tax rate of 30%, if the probability of adequacy was maintained at 90.0%.

The increase in risk margin was mainly in response to the uncertainty created by COVID-19. Refer to note 1.2.3.

How we account for the numbers

AASB 1023 *General Insurance Contracts* requires an entity to adopt an appropriate risk margin. The resulting probability of adequacy is not of itself an accounting policy as defined by AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

QBE reviews a number of factors when determining the appropriate risk margin, including any changes in the level of uncertainty in the net discounted central estimate, the resulting probability of adequacy and the risk margin as a percentage of the net discounted central estimate. The Group aims to maintain a probability of adequacy in the range of 87.5% to 92.5%.

Critical accounting judgements and estimates

The risk margin is determined by the Board and is held to mitigate the potential for uncertainty in the net discounted central estimate. The determination of the appropriate level of risk margin takes into account similar factors to those used to determine the central estimate, such as:

- mix of business, in particular the mix of short-tail and long-tail business and the overall weighted average term to settlement; and
- the level of uncertainty in the central estimate due to estimation error, data quality, variability of key inflation assumptions and possible economic and legislative changes.

The variability by class of business is measured using techniques that determine a range of possible outcomes of ultimate payments and assign a likelihood to outcomes at different levels. These techniques generally use standard statistical distributions, and the measure of variability is referred to as the coefficient of variation.

The appropriate risk margin for two or more classes of business or for two or more geographic locations combined is likely to be less than the sum of the risk margins for the individual classes, reflecting the benefit of diversification in general insurance, but is not determined by reference to a fixed probability of adequacy. The statistical measure used to determine diversification is called the correlation; the higher the correlation between two classes of business, the more likely it is that a negative outcome in one class will correspond to a negative outcome in the other class. For example, higher correlation exists between classes of business affected by court cases involving bodily injury claims such as motor third-party liability, workers' compensation and public liability, particularly in the same jurisdiction.

The probability of adequacy for the Group is determined by analysing the variability of each class of business and the correlation between classes of business and divisions. Correlations are determined for aggregations of classes of business, where appropriate, at the divisional level. The correlations adopted by the Group are generally derived from industry analysis, the Group's historical experience and the judgement of experienced and qualified actuaries.

2. UNDERWRITING ACTIVITIES

2.3.4 Discount rate used to determine the outstanding claims liability

Overview

Claims in relation to long-tail classes of business (e.g. professional indemnity and workers' compensation) typically may not settle for many years. As such, the liability is discounted to reflect the time value of money. The table below summarises the weighted average discount rate for each operating segment and for the Group.

	2020 %	2019 %
North America	**0.84**	1.96
International	**0.03**	0.79
Australia Pacific	**0.41**	1.01
Group	**0.30**	1.05

How we account for the numbers

AASB 1023 *General Insurance Contracts* requires that the net central estimate is discounted to reflect the time value of money using risk-free rates that are based on current observable, objective rates that reflect the nature, structure and terms of the future obligations.

2.3.5 Weighted average term to settlement

Overview

The weighted average term to settlement refers to the period from the balance date to the expected date of claims settlement. All other factors being equal, a longer weighted average term to settlement generally results in a larger impact on the central estimate from discounting. The table below summarises the weighted average term to settlement for each operating segment and for the consolidated Group.

	2020 YEARS						2019 YEARS					
	US$	£	A$	€	OTHER	TOTAL	US$	£	A$	€	OTHER	TOTAL
North America	**3.6**	**–**	**–**	**–**	**–**	**3.6**	3.2	–	–	–	–	3.2
International	**3.6**	**3.3**	**3.5**	**4.3**	**2.4**	**3.7**	4.0	4.0	3.2	5.9	2.3	4.5
Australia Pacific	**–**	**–**	**2.7**	**–**	**1.9**	**2.6**	–	–	2.4	–	1.7	2.3
Group	**3.6**	**3.3**	**2.7**	**4.3**	**2.3**	**3.3**	3.5	4.0	2.4	5.9	2.2	3.6

2.3.6 Net discounted central estimate maturity profile

Overview

The maturity profile is the Group's expectation of the period over which the net central estimate will be settled. The Group uses this information to ensure that it has adequate liquidity to pay claims as they are due to be settled and to inform the Group's investment strategy. The table below summarises the expected maturity profile of the Group's net discounted central estimate for each operating segment.

2020	LESS THAN 1 YEAR US$M	13 TO 24 MONTHS US$M	25 TO 36 MONTHS US$M	37 TO 48 MONTHS US$M	49 TO 60 MONTHS US$M	OVER 5 YEARS US$M	TOTAL US$M
North America	**1,241**	**571**	**417**	**289**	**195**	**684**	**3,397**
International	**2,581**	**1,192**	**1,201**	**897**	**665**	**1,992**	**8,528**
Australia Pacific	**1,240**	**831**	**596**	**454**	**268**	**483**	**3,872**
	5,062	**2,594**	**2,214**	**1,640**	**1,128**	**3,159**	**15,797**

2019	LESS THAN 1 YEAR US$M	13 TO 24 MONTHS US$M	25 TO 36 MONTHS US$M	37 TO 48 MONTHS US$M	49 TO 60 MONTHS US$M	OVER 5 YEARS US$M	TOTAL US$M
North America	1,296	388	285	209	145	499	2,822
International	2,165	1,161	959	767	562	2,035	7,649
Australia Pacific	1,246	684	466	314	181	313	3,204
	4,707	2,233	1,710	1,290	888	2,847	13,675

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FOR THE YEAR ENDED 31 DECEMBER 2020

2. UNDERWRITING ACTIVITIES

2.3.7 Impact of changes in key variables on the net outstanding claims liability

Overview

The impact of changes in key variables used in the calculation of the outstanding claims liability is summarised in the table below. Each change has been calculated in isolation from the other changes and shows the after-tax impact on profit or loss assuming that there is no change to any of the other variables. In practice, this is considered unlikely to occur as, for example, an increase in interest rates is normally associated with an increase in the rate of inflation. Over the medium to longer term, the impact of a change in discount rates is expected to be largely offset by the impact of a change in the rate of inflation.

The sensitivities below assume that all changes directly impact profit after tax. In practice, if the central estimate was to increase, it is possible that part of the increase may result in an offsetting change in the level of risk margin required rather than in a change to profit or loss after tax, depending on the nature of the change in the central estimate and risk outlook. Likewise, if the coefficient of variation were to increase, it is possible that the probability of adequacy would reduce from its current level rather than result in a change to net profit or loss after income tax.

		PROFIT (LOSS)[1]	
	SENSITIVITY %	2020 US$M	2019 US$M
Net discounted central estimate	+5	**(553)**	(479)
	-5	**553**	479
Risk margin	+5	**(54)**	(40)
	-5	**54**	40
Inflation rate	+0.5	**(194)**	(177)
	-0.5	**185**	168
Discount rate	+0.5	**185**	168
	-0.5	**(194)**	(177)
Coefficient of variation	+1	**(166)**	(126)
	-1	**166**	125
Probability of adequacy	+1	**(60)**	(39)
	-1	**54**	36
Weighted average term to settlement	+10	**11**	39
	-10	**(11)**	(39)

1 Impact on continuing operations net of tax at the Group's prima facie income tax rate of 30%.

2.4 Claims development – net undiscounted central estimate

Overview

The claims development table demonstrates the extent to which the original estimate of net ultimate claims payments in any one accident year (item (a) in the table below) has subsequently developed favourably (i.e. claims cost estimates have reduced) or unfavourably (i.e. further claims expense has been recognised in subsequent years). This table therefore illustrates the variability and inherent uncertainty in estimating the central estimate each year. The ultimate claims cost for any particular accident year is not known until all claims payments have been made which, for some long-tail classes of business, could be many years into the future. The estimate of net ultimate claims payments at the end of each subsequent accident year demonstrates how the original estimate has been revised over time (b).

Cumulative net claims payments (d) are deducted from the estimate of net ultimate claims payments in each accident year (c) at the current balance date, resulting in the undiscounted central estimate at a fixed rate of exchange (e). This is revalued to the balance date rate of exchange (f) to report the net undiscounted central estimate (g), which is reconciled to the discounted net outstanding claims liability (h). The treatment of foreign exchange in the claims development table is explained on the following page.

The net increase (decrease) in estimated net ultimate claims payments (i) reflects the estimated ultimate net claims payments at the end of the current financial year (c) less the equivalent at the end of the previous financial year (b). This is further summarised in note 2.4.1.

The claims development table is presented net of reinsurance. With insurance operations in 27 countries, hundreds of products, various reinsurance arrangements and with the Group's risk tolerance managed on a consolidated basis, it is considered neither meaningful nor practicable to provide this information other than on a consolidated Group basis.

		2010 & PRIOR US$M	2011 US$M	2012 US$M	2013 US$M	2014 US$M	2015 US$M	2016 US$M	2017 US$M	2018 US$M	2019 US$M	2020 US$M	TOTAL US$M
Net ultimate claims payments[1]													
(a)	Original estimate of net ultimate claims payments		8,511	7,519	7,105	6,932	6,207	6,624	7,931	7,024	7,489	7,469	
(b)	One year later		8,719	7,574	7,023	6,938	6,226	6,413	7,987	7,187	7,726		
	Two years later		8,750	7,469	6,974	6,790	6,007	6,284	7,944	7,196			
	Three years later		8,596	7,465	6,954	6,698	5,980	6,276	8,135				
	Four years later		8,585	7,458	6,873	6,673	5,892	6,366					
	Five years later		8,534	7,412	6,973	6,683	5,875						
	Six years later		8,508	7,344	6,936	6,643							
	Seven years later		8,422	7,311	6,924								
	Eight years later		8,391	7,319									
	Nine years later		8,360										
(c)	Current estimate of net ultimate claims payments		8,360	7,319	6,924	6,643	5,875	6,366	8,135	7,196	7,726	7,469	72,013
(d)	Cumulative net payments to date		(8,235)	(7,231)	(6,739)	(6,440)	(5,313)	(5,531)	(6,633)	(5,189)	(4,403)	(2,126)	(57,840)
(e)	Net undiscounted central estimate at fixed rate of exchange[2]	783	125	88	185	203	562	835	1,502	2,007	3,323	5,343	14,956
(f)	Foreign exchange impact												569
	Provision for impairment												21
(g)	Net undiscounted central estimate at 31 December 2020												15,546
	Discount to present value												(196)
	Claims settlement costs												447
	Risk margin												1,537
(h)	Net outstanding claims liability at 31 December 2020 (note 2.3)												17,334
(i)	Movement in estimated net ultimate claims payments (note 2.4.1)	(72)	(31)	8	(12)	(40)	(17)	90	191	9	237	7,469	7,832

1 Excludes discontinued operations, consistent with other profit or loss disclosures.

2 Excludes claims settlement costs.

2. UNDERWRITING ACTIVITIES

How we account for the numbers

The estimate of net ultimate claims payments attributable to business acquired is generally included in the claims development table in the accident year in which the acquisition was made. The exception is increased participation in Lloyd's syndicates where the estimate of net ultimate claims payments is allocated to the original accident year(s) in which the underlying claim was incurred.

The Group writes business in many currencies. The translation of estimated net ultimate claims payments denominated in foreign currencies gives rise to foreign exchange movements which have no direct bearing on the development of the underlying claims. To eliminate this distortion, estimated net ultimate claims payments have been translated to the functional currencies of our controlled entities at constant rates of exchange. All estimates of ultimate claims payments for the 10 most recent accident years reported in functional currencies other than US dollars have been translated to US dollars using the 2020 average rates of exchange.

2.4.1 Reconciliation of claims development table to profit or loss

Overview

The table below reconciles the net increase or decrease in estimated net ultimate claims payments in the current financial year from the claims development table (item (i) in note 2.4) to the analysis of current and prior accident year net central estimate development recognised in profit or loss (refer to note 2.4.2).

	2020			2019		
	CURRENT ACCIDENT YEAR US$M	PRIOR ACCIDENT YEARS US$M	TOTAL US$M	CURRENT ACCIDENT YEAR US$M	PRIOR ACCIDENT YEARS US$M	TOTAL US$M
Movement in estimated net ultimate claims payments (note 2.4)[1,2,3]	**7,469**	**363**	**7,832**	7,487	(40)	7,447
Movement in claims settlement costs	**413**	**(1)**	**412**	386	(5)	381
Movement in discount	**(39)**	**387**	**348**	(143)	452	309
Other movements	**5**	**(7)**	**(2)**	(5)	(7)	(12)
Movement in net discounted central estimate (note 2.4.2)	**7,848**	**742**	**8,590**	7,725	400	8,125

1 Excludes claims settlement costs.

2 The movement in prior accident year claims in 2020 mainly reflects adverse development in North America and, to a lesser extent, International, partly offset by positive development in Australia Pacific.

3 The movement in prior accident year claims in 2019 includes an undiscounted $56 million adverse impact as a result of the Ogden rate change in the United Kingdom. Excluding this, the underlying prior accident year release of $96 million from continuing operations comprised positive development in Australia Pacific and International, partly offset by adverse development in North America.

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2.4.2 Net central estimate development

Overview

The table below further analyses the current and prior accident year movement in the net discounted central estimate, separately identifying the gross and reinsurance components. Prior accident year claims are those claims that occurred in a previous year but for which a reassessment of the claims cost has impacted the result in the current period.

	2020			2019		
	CURRENT ACCIDENT YEAR US$M	PRIOR ACCIDENT YEARS US$M	TOTAL US$M	CURRENT ACCIDENT YEAR US$M	PRIOR ACCIDENT YEARS US$M	TOTAL US$M
Gross central estimate development						
Undiscounted	**10,994**	**476**	**11,470**	8,878	377	9,255
Discount	**(47)**	**533**	**486**	(180)	624	444
	10,947	**1,009**	**11,956**	8,698	1,001	9,699
Reinsurance and other recoveries						
Undiscounted	**(3,107)**	**(121)**	**(3,228)**	1,010	429	1,439
Discount	**8**	**(146)**	**(138)**	(37)	172	135
	(3,099)	**(267)**	**(3,366)**	973	601	1,574
Net central estimate development						
Undiscounted	**7,887**	**355**	**8,242**	7,868	(52)	7,816
Discount	**(39)**	**387**	**348**	(143)	452	309
Net discounted central estimate development (note 2.4.1)	**7,848**	**742**	**8,590**	7,725	400	8,125

2.5 Unearned premium and deferred insurance costs

Overview

Unearned premium

Gross written premium is earned in profit or loss in accordance with the pattern of incidence of risk of the related business. The unearned premium liability is that portion of gross written premium that QBE has not yet earned in profit or loss as it represents insurance coverage to be provided by QBE after the balance date.

Deferred insurance costs

Premium ceded to reinsurers by QBE in exchange for reinsurance protection is expensed in profit or loss in accordance with the reinsurance contract's expected pattern of incidence of risk. The deferred reinsurance premium asset is that portion of the reinsurance premium that QBE has not yet expensed in profit or loss as it represents reinsurance coverage to be received by QBE after the balance date.

Acquisition costs are the costs associated with obtaining and recording insurance business. Acquisition costs are similarly capitalised and amortised, consistent with the earning of the related premium for that business. Commissions are a type of acquisition cost and are disclosed separately.

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2. UNDERWRITING ACTIVITIES

Summary of unearned premium and deferred insurance costs

	2020 US$M	2019 US$M
Unearned premium (a)	**7,466**	6,460
To be earned within 12 months	**6,429**	5,912
To be earned in greater than 12 months	**1,037**	548
Unearned premium	**7,466**	6,460
Deferred reinsurance premium[1]	**724**	523
Deferred net commission	**1,141**	1,008
Deferred acquisition costs	**417**	376
Deferred insurance costs (b)	**2,282**	1,907
To be expensed within 12 months	**1,909**	1,744
To be expensed in greater than 12 months	**373**	163
Deferred insurance costs	**2,282**	1,907
Net unearned premium (a) – (b)	**5,184**	4,553

1 Deferred reinsurance premium relating to future business not yet written was $96 million (2019 $71 million).

Unearned premium movements

	2020 US$M	2019 US$M
At 1 January	**6,460**	6,212
Deferral of unearned premium on contracts written in the financial year	**5,988**	5,162
Earning of premium written in previous financial years	**(5,353)**	(4,977)
Net profit or loss movement relating to continuing operations	**635**	185
Transfers from liabilities held for sale/disposals	**–**	17
Foreign exchange	**371**	46
At 31 December	**7,466**	6,460

Deferred insurance costs movements

	DEFERRED REINSURANCE PREMIUM		DEFERRED NET COMMISSION		DEFERRED ACQUISITION COSTS	
	2020 US$M	2019 US$M	2020 US$M	2019 US$M	2020 US$M	2019 US$M
At 1 January	**523**	357	**1,008**	951	**376**	354
Costs deferred in financial year	**593**	399	**891**	754	**329**	299
Amortisation of costs deferred in previous financial years	**(431)**	(222)	**(815)**	(713)	**(310)**	(271)
Net profit or loss movement relating to continuing operations	**162**	177	**76**	41	**19**	28
Transfers from (to) assets held for sale/disposals	**–**	1	**–**	4	**–**	(3)
Foreign exchange	**39**	(12)	**57**	12	**22**	(3)
At 31 December	**724**	523	**1,141**	1,008	**417**	376

How we account for the numbers

Unearned premium

Unearned premium is calculated based on the coverage period of the insurance or reinsurance contract and in accordance with the expected pattern of the incidence of risk, using either the daily pro-rata method or the 24ths method, adjusted where appropriate to reflect different risk patterns.

Deferred insurance costs

Deferred reinsurance premium is calculated based on the period of indemnity provided to QBE by the reinsurance contract and in accordance with the related pattern of the incidence of risk.

Acquisition costs are capitalised when they relate to new business or the renewal of existing business and are amortised on the same basis as the earning pattern for that business. At the balance date, deferred acquisition costs represent the capitalised acquisition costs that relate to unearned premium and are carried forward to a subsequent accounting period in recognition of their future benefit. The carrying value of deferred acquisition costs is subject to impairment testing in the form of the liability adequacy test (refer to note 2.5.1). Deferred net commission is a type of deferred acquisition cost and is disclosed separately.

2.5.1 Liability adequacy test

Overview

At each balance date, the Group is required to assess net unearned premium to determine whether the amount provided is sufficient to pay future claims net of reinsurance recoveries attributable to the net unearned premium.

If the present value of expected future net claims including a risk margin exceeds the net unearned premium, adjusted for deferred reinsurance premium relating to future business not yet written, the net unearned premium is deemed deficient. This deficiency is immediately recognised in profit or loss. In recognising the deficiency, an insurer must first write down related intangible assets and then deferred acquisition costs before recognising an unexpired risk liability.

Expected present value of future cash flows for future claims including risk margin

	2020 US$M	2019 US$M
Undiscounted net central estimate	**4,676**	4,227
Discount to present value	**(23)**	(104)
	4,653	4,123
Risk margin at the 75th percentile of insurance liabilities	**181**	169
Expected present value of future cash flows for future claims including risk margin	**4,834**	4,292

The application of liability adequacy at 31 December 2020 did not identify a deficiency (2019 nil).

How we account for the numbers

At each balance date, the adequacy of net unearned premium is assessed on a net of reinsurance basis against the present value of the expected future claims cash flows in respect of the relevant insurance contracts, plus an additional risk margin to reflect the inherent uncertainty of the central estimate. The assessment is carried out at the operating segment level other than Europe, Asia, and the Group's captive reinsurer, Equator Re, which are assessed separately, each being a portfolio of contracts subject to broadly similar risks and which are managed together as a single portfolio.

2. UNDERWRITING ACTIVITIES

Critical accounting judgements and estimates

In assessing the adequacy of net unearned premium, AASB 1023 *General Insurance Contracts* requires the inclusion of a risk margin but does not prescribe a minimum level of margin. While there is established practice in the calculation of the probability of adequacy of the outstanding claims liability, no such guidance exists in respect of the level of risk margin to be used in determining the adequacy of net unearned premium.

The liability adequacy test assumes a 75% probability of adequacy. The risk margin (note 2.3.3) is determined on a consistent basis and also reflects the benefit of diversification.

The 75% basis is a recognised industry benchmark in Australia, being the minimum probability of adequacy required for Australian licensed insurers by APRA.

2.6 Trade and other receivables

Overview

Trade and other receivables are principally amounts owed to QBE by policyholders or reinsurance counterparties. Unclosed premium receivables are estimated amounts due to QBE in relation to business for which the Group is on risk but where the policy is not billed to the counterparty at the balance date.

	2020 US$M	2019 US$M
Trade debtors		
Premium receivable[1]	**2,990**	2,707
Reinsurance and other recoveries[2]	**1,452**	1,063
Unclosed premium	**729**	497
Other trade debtors	**224**	148
	5,395	4,415
Other receivables	**365**	333
Trade and other receivables	**5,760**	4,748
Receivable within 12 months	**5,471**	4,532
Receivable in greater than 12 months	**289**	216
Trade and other receivables	**5,760**	4,748

1 Net of a provision for impairment of $88 million (2019 $65 million).

2 Net of a provision for impairment of $14 million (2019 $12 million).

Due to the predominantly short-term nature of these receivables, the carrying value is assumed to approximate the fair value.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. No receivables are pledged by the Group as collateral for liabilities or contingent liabilities. Information on the ageing and credit rating of these balances is included in note 4.3.

How we account for the numbers

Receivables are recognised at fair value and are subsequently measured at amortised cost less any impairment.

The vast majority of the Group's receivables arise from general insurance contracts. These include premium receivable, reinsurance and other recoveries, and unclosed premium. For these receivables, a provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The remainder of the Group's receivables are assessed for impairment based on expected credit losses, the impacts of which are not material. Any increase or decrease in the provision for impairment is recognised in profit or loss within underwriting expenses.

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2.7 Trade and other payables

Overview

Trade payables primarily comprise amounts owed to reinsurance counterparties and cedants. Treasury and investment payables are amounts due to counterparties in settlement of treasury and investment transactions.

	2020 US$M	2019 US$M
Trade payables	**1,604**	1,020
Other payables and accrued expenses	**714**	591
Treasury payables	**16**	21
Investment payables	**4**	170
Trade and other payables	**2,338**	1,802
Payable within 12 months	**2,174**	1,627
Payable in greater than 12 months	**164**	175
Trade and other payables	**2,338**	1,802

Due to the predominantly short-term nature of these payables, the carrying value is assumed to approximate the fair value.

How we account for the numbers

Trade payables are recognised initially at their fair value and are subsequently measured at amortised cost using the effective interest method.

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3. INVESTMENT ACTIVITIES

Overview

Premiums collected from policyholders are invested to meet the Group's cash flow needs to pay claims and other expenses, as well as generating a return that contributes to the Group's profitability. A sound investment strategy is therefore integral to the success of the Group's operations.

The Group invests across a diversified range of instruments to achieve an appropriate balance between risk and return. Decisions on where to invest are dependent on expected returns, cash flow requirements of the Group, liquidity of the instrument, credit quality of the instrument and the overall risk appetite of the Group. Further details on the management of risk associated with investment assets can be found in note 4.

3.1 Investment income

	2020 US$M	2019 US$M
Income on fixed interest securities, short-term money and cash[1]	**449**	806
(Loss) income on growth assets[1]	**(170)**	288
Gross investment income[2]	**279**	1,094
Investment expenses	**(17)**	(17)
Net investment income	**262**	1,077
Foreign exchange	**(29)**	(23)
Other income	**5**	1
Other expenses	**(12)**	(19)
Total investment income	**226**	1,036
Investment income – policyholders' funds	**153**	660
Investment expenses – policyholders' funds	**(11)**	(11)
Investment income – shareholders' funds	**90**	393
Investment expenses – shareholders' funds	**(6)**	(6)
Total investment income	**226**	1,036

1 From 1 January 2020, income from emerging market and high yield debt instruments is presented in income on fixed income securities, short-term money and cash, having previously been presented in income on growth assets. Corresponding changes have been made in notes 3.2 and 3.2.1, and comparative period information has been restated for consistency where relevant throughout the investment notes and the consolidated statement of cash flows.

2 Includes net fair value losses of $206 million (2019 gains of $492 million), interest income of $407 million (2019 $479 million) and dividend and distribution income of $78 million (2019 $123 million).

How we account for the numbers

Interest income is recognised in the period in which it is earned. Dividends are recognised when the right to receive payment is established. Investment income includes realised and unrealised gains or losses on financial assets which are reported on a combined basis as fair value gains or losses on financial assets.

3.2 Investment assets

	2020 US$M	2019 US$M
Fixed income assets		
Short-term money	**2,974**	1,066
Government bonds	**5,600**	5,813
Corporate bonds	**15,958**	13,268
Infrastructure debt	**372**	386
Emerging market debt	**–**	554
High yield debt	**–**	401
	24,904	21,488
Growth assets		
Developed market equity	**25**	281
Emerging market equity	**–**	108
Unlisted property trusts	**750**	716
Infrastructure assets	**894**	903
Private equity	**262**	203
Alternatives	**100**	91
	2,031	2,302
Total investments	**26,935**	23,790
Amounts maturing within 12 months	**6,679**	4,794
Amounts maturing in greater than 12 months	**20,256**	18,996
Total investments	**26,935**	23,790

At 31 December 2020, QBE had undrawn commitments to externally managed investment vehicles of $156 million (2019 $169 million).

How we account for the numbers

The Group's investments are required to be measured at fair value through profit or loss, with all investments managed and assessed on a fair value basis to maximise returns within risk appetites and investment strategy parameters and limits. They are therefore initially re-recognised at fair value, determined as the cost of acquisition excluding transaction costs, and are remeasured to fair value through profit or loss at each reporting date. The fair value hierarchy and the Group’s approach to measuring the fair value of each category of investment instrument are disclosed in note 3.2.1.

All purchases and sales of investments that require delivery of the asset within the time frame established by regulation or market convention are recognised at trade date, being the date on which the Group commits to buy or sell the asset. Investments are de-recognised when the right to receive future cash flows from the asset has expired or has been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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3. INVESTMENT ACTIVITIES

3.2.1 Fair value hierarchy

Overview

The Group Valuation Committee is responsible for the governance and oversight of the valuation process. The fair value of investments is determined in accordance with the Group's investment valuation policy.

The investments of the Group are disclosed in the table below using a fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

Level 1: Valuation is based on quoted prices in active markets for identical instruments.

Level 2: Valuation is based on quoted prices for identical instruments in markets which are not active, quoted prices for similar instruments, or valuation techniques for which all significant inputs are based on observable market data, for example, consensus pricing using broker quotes or valuation models with observable inputs.

Level 3: Valuation techniques are applied in which one or more significant inputs are not based on observable market data.

	2020				2019			
	LEVEL 1 US$M	LEVEL 2 US$M	LEVEL 3 US$M	TOTAL US$M	LEVEL 1 US$M	LEVEL 2 US$M	LEVEL 3 US$M	TOTAL US$M
Fixed income assets								
Short-term money	**24**	**2,950**	**–**	**2,974**	173	893	–	1,066
Government bonds	**2,978**	**2,622**	**–**	**5,600**	4,086	1,727	–	5,813
Corporate bonds	**–**	**15,953**	**5**	**15,958**	–	13,262	6	13,268
Infrastructure debt	**–**	**–**	**372**	**372**	–	122	264	386
Emerging market debt	**–**	**–**	**–**	**–**	554	–	–	554
High yield debt	**–**	**–**	**–**	**–**	401	–	–	401
	3,002	**21,525**	**377**	**24,904**	5,214	16,004	270	21,488
Growth assets								
Developed market equity	**23**	**–**	**2**	**25**	278	–	3	281
Emerging market equity	**–**	**–**	**–**	**–**	108	–	–	108
Unlisted property trusts	**–**	**–**	**750**	**750**	–	716	–	716
Infrastructure assets	**–**	**–**	**894**	**894**	–	–	903	903
Private equity	**–**	**–**	**262**	**262**	–	–	203	203
Alternatives	**100**	**–**	**–**	**100**	91	–	–	91
	123	**–**	**1,908**	**2,031**	477	716	1,109	2,302
Total investments	**3,125**	**21,525**	**2,285**	**26,935**	5,691	16,720	1,379	23,790

The Group's approach to measuring the fair value of investments is described below:

Short-term money

Cash managed as part of the investment portfolio is categorised as a level 1 fair value measurement. Term deposits are valued at par; other short-term money (bank bills, certificates of deposit, treasury bills and other short-term instruments) is priced using interest rates and yield curves observable at commonly quoted intervals.

Government bonds and corporate bonds

Bonds which are traded in active markets and have quoted prices are categorised as level 1 fair value measurements. Bonds which are not traded in active markets are valued by reference to quoted prices, comparable prices for similar instruments or valuation techniques for which all significant inputs are based on observable market data. Quoted prices are sourced from external data providers.

Infrastructure debt

Infrastructure debt is priced by external data providers where quoted prices are available or by the external fund manager who may use a combination of observable market prices or comparable prices where available and other valuation techniques. When valuation techniques require the use of significant unobservable inputs, these assets have been classified as level 3. At 31 December 2020, $154 million of infrastructure debt was reclassified from level 2 to level 3 following a reassessment of the observability of external price sources used in the valuation of those assets.

Emerging market debt, high yield debt, emerging market equity, unlisted property trusts and infrastructure assets

These assets are valued using quoted bid prices in active markets or current unit prices as advised by the responsible entity, trustee or equivalent of the investment management scheme. $662 million of unlisted property trusts were reclassified from level 2 to level 3 at 30 June 2020 following a reassessment of the observability of external price sources used in the valuation of those assets.

Developed market equity

Listed equities traded in active markets are valued by reference to quoted bid prices. Unlisted equities are priced using QBE's share of the net assets of the entity.

Private equity

These assets comprise limited partnerships and fund of funds vehicles. Fair value is based on the net asset value of the vehicle, and the responsibility for the valuation of the underlying securities lies with the external fund manager. In most cases, an independent administrator will be utilised by the external fund manager for pricing and valuation. When the most up to date information is not available at the balance date, management may consider a combination of other valuation techniques in the determination of fair value.

Alternatives

These assets comprise investments in exchange-traded commodity products. They are listed, traded in active markets and valued by reference to quoted bid prices.

Movements in level 3 investments

The following table provides an analysis of investments valued with reference to level 3 inputs:

LEVEL 3	2020 US$M	2019 US$M
At 1 January	**1,379**	1,374
Purchases	**121**	151
Disposals	**(146)**	(194)
Reclassifications from level 2	**816**	–
Fair value movement recognised in profit or loss	**17**	46
Foreign exchange	**98**	2
At 31 December	**2,285**	1,379

3.2.2 Charges over investments and restrictions on use

A controlled entity has given fixed and floating charges over certain of its investments and other assets in order to secure the obligations of the Group's corporate members at Lloyd's as described in note 8.2.

Included in investments are amounts totalling $3,071 million (2019 $2,900 million) which are held in Lloyd's syndicate trust funds. In order to conduct underwriting business within some territories, Lloyd's syndicates are required to lodge assets in locally regulated trust funds. Under Lloyd's bylaws, these amounts can only be used to pay claims and allowable expenses of the syndicate and cannot be withdrawn from the trust funds until they become distributable as profit once annual solvency requirements are met. Included in this amount is $164 million (2019 $31 million) of short-term money.

3.2.3 Derivatives over investment assets

In accordance with our investment management policies and procedures, derivatives may be used in the investment portfolio as both a hedging tool and to alter the risk profile of the portfolio. All long positions must be cash backed, all short positions must be covered by an underlying physical asset and no net short exposure to an asset class is permitted. Risk management policies over the use of derivatives are set out in note 4.

QBE may also have exposure to derivatives through investments in underlying pooled funds in accordance with the fund mandate. Those derivative exposures are not included in the table below.

The Group's notional exposure to investment derivatives at the balance date is set out in the table below:

NOTIONAL EXPOSURE	2020 US$M	2019 US$M
Bond futures		
US 5 year note future	**(403)**	–

How we account for the numbers

Derivatives over investment assets are required to be measured at fair value through profit or loss. They are therefore initially recognised at fair value, determined as the cost of acquisition excluding transaction costs, and are remeasured to fair value through profit or loss at each reporting date. For derivatives traded in an active market, the fair value of derivatives is determined by reference to quoted market prices. The mark-to-market value of futures positions is cash settled on a daily basis resulting in a fair value of nil at the balance date.

4. RISK MANAGEMENT

Overview

QBE is in the business of managing risk. The Group's ability to satisfy customers' risk management needs is central to what we do. QBE aims to generate wealth and maximise returns for its shareholders by pursuing opportunities that involve risk. Our people are responsible for ensuring that QBE's risks are managed and controlled on a day-to-day basis. QBE aims to use its ability to properly manage risk to provide more certainty and improved outcomes for all stakeholders.

QBE applies a consistent and integrated approach to enterprise risk management (ERM). QBE's framework for managing risk sets out the approach to managing risk effectively to meet strategic objectives while taking into account the creation of value for our shareholders. QBE's ERM framework is articulated in the Group Risk Management Strategy (RMS) and Reinsurance Management Strategy (REMS), both of which are approved annually by the Group Board and lodged with APRA.

The ERM framework consists of complementary elements that are embedded throughout the business management cycle and culture of the organisation. Key aspects include risk appetite, governance, reporting, risk identification and measurement, modelling and stress testing, risk systems, and risk culture.

Risk management is a continuous process and an integral part of robust business management. QBE's approach is to integrate risk management into the broader management processes of the organisation. It is QBE's philosophy to ensure that risk management remains embedded in the business and that the risk makers or risk takers are themselves the risk managers. Specifically, the management of risk must occur at each point in the business management cycle.

QBE Group's strategy for managing risk is to:

- achieve competitive advantage by better understanding the risk environments in which we operate;
- give confidence to the business to make objective, risk-based decisions to optimise returns; and
- avoid unwelcome surprises to the achievement of business objectives by reducing uncertainty and volatility through the identification and management of risks.

The framework is supported by a suite of policies that detail QBE's approach to the key risk categories used by QBE to classify risk as follows:

- strategic risk (note 4.1);
- insurance risk (note 4.2);
- credit risk (note 4.3);
- market risk (note 4.4);
- liquidity risk (note 4.5);
- operational risk (note 4.6);
- compliance risk (note 4.7); and
- group risk (note 4.8).

4.1 Strategic risk

Overview

Strategic risk is the current and prospective impact on earnings and/or capital arising from strategic business decisions and responsiveness to external change. QBE classifies strategic risk into six subcategories, as follows:

- Performance risk: QBE is not able to achieve its performance objectives.
- Capital risk: QBE's structure and availability of capital does not meet regulatory requirements and/or support strategic initiatives.
- Reputational risk: QBE's stakeholders have a negative perception of QBE's brand which may damage QBE's reputation and threaten overall performance.
- Environmental, social and governance (ESG) risk: Negative impact on QBE's strategic priorities or objectives from environmental, social or governance issues.
- Emerging risk: New or future risks which are difficult to assess but may have a significant impact to QBE or the markets in which it operates.
- Risk culture: The norms of behaviour within QBE that determine the organisation's ability to understand, discuss and act on current and future risks.

QBE's approach to managing strategic risk is underpinned by the Group strategic risk appetite statement as set by the Group Board and is summarised below.

Performance risk

Failure to deliver acceptable performance can result in shareholders losing confidence in QBE, impacting our reputation in the market and ultimately impacting our ability to deliver our strategic objectives.

QBE monitors performance risk by assessing changing levels of risk in the business plan, and taking action accordingly prior to signing-off the plan and making market commitments.

Capital risk

The Internal Capital Adequacy Assessment Process (ICAAP) outlines QBE's approach for ensuring adequate Group capital is maintained over time and for monitoring compliance with regulatory capital requirements and targets. The ICAAP includes:

- specific capital targets set in the context of QBE's risk profile, the Board's risk appetite and regulatory capital requirements;
- plans for how target levels of capital are to be met; and
- potential sources of additional capital, if required.

The ICAAP also sets out QBE's actions and procedures for monitoring compliance with its regulatory capital requirements and capital targets. These include:

- the setting of triggers to alert management to potential breaches of these requirements; and
- actions to avert and rectify potential breaches of these requirements.

Achieving capital targets is dependent on an appropriate level and mix of capital, and effective capital management to yield adequate returns. Oversight of the Group's capital management framework is performed by senior management, the Executive Financial Risk & Capital Committee and the Board Risk & Capital Committee.

Management has a particular focus on the following performance indicators:

- The Group actively manages the components of capital in order to maintain a level of eligible regulatory capital that exceeds APRA requirements. Having determined that the current risk appetite remains appropriate, the Board has set the target level of regulatory capital for 2020 at 1.6–1.8 times (2019 1.6–1.8 times) the Group's Prescribed Capital Amount (PCA).
- All regulated controlled entities are required to maintain a minimum level of capital to meet obligations to policyholders. It is the Group's policy that each regulated entity maintains a capital base appropriate to its size, business mix, complexity and risk profile which fully complies with and meets or exceeds local regulatory requirements.
- The Group aims to maintain the ratio of borrowings to shareholders' equity at 25%–35% (2019 25%–35%). At the balance date, the ratio of borrowings to shareholders' equity was 34.8% (2019 38.0%) reflecting the benefits of active liability management activity.
- Insurer financial strength ratings are provided by the major rating agencies which indicate the Group's financial strength and claims paying ability.

4. RISK MANAGEMENT

Reputational risk

QBE assesses reputational risk through the quality of the relationships with key stakeholders, including shareholders, regulators, customers, government, communities, employees, and third-party partners including distributors and suppliers. Each of these relationships is managed through divisional and group teams, including corporate affairs, human resources, regulatory, compliance and distribution teams.

ESG and emerging risks

QBE's ESG risk and emerging risk standards operationalise QBE's approach to managing ESG and emerging risks respectively, including climate change. Biannual horizon scans are performed on ESG and emerging risks, including assessment of potential financial and reputational impacts to the Group. Risk treatment plans are developed for material risks, which include development of underwriting and investment policy, monitoring frameworks and stress and scenario analysis. ESG and emerging risks are regularly reported to the Executive Non-Financial Risk Committee and the Board Risk & Capital Committee.

Climate change is a material business risk for QBE, potentially impacting our business and customers in the medium to long term. We have considered potential short-term scenarios that could affect our insurance business written to date and our current investments, and we expect no material impact on the amounts recognised or disclosed in the financial statements. Further detail on QBE's approach to climate change, is included in our climate change disclosures on pages 28 to 35 of this Annual Report.

Risk culture

Risk culture forms part of QBE's risk management strategy and is a key component of the ERM framework, which outlines how risk culture applies to QBE's people and how it is operationalised across QBE.

QBE is committed to, and supports, a strong risk culture. It recognises the importance of risk awareness and culture as being instrumental in the effectiveness of the ERM framework. Further information on risk culture is provided on page 36 of this Annual Report.

4.2 Insurance risk

Overview

Insurance risk is the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations.

QBE classifies insurance risk into three subcategories, as follows:

- underwriting/pricing risk;
- insurance concentration risk; and
- reserving risk.

QBE's approach to managing insurance risk is underpinned by the Group's insurance risk appetite statement which is set by the Board and is summarised below.

Underwriting/pricing risk

QBE manages underwriting/pricing risk by appropriately setting and adjusting underwriting strategy, risk selection and pricing practices throughout the underwriting cycle.

QBE's underwriting strategy aims to diversify and limit the type of insurance risks accepted and reduce the variability of the expected outcome. The underwriting strategy is implemented through QBE's annual business planning process, supported by minimum underwriting standards and delegated authorities. These authorities reflect the level of risk that the Group is prepared to take with respect to each permitted insurance class.

Pricing of risks is controlled by the use of in-house pricing models relevant to specific portfolios and the markets in which QBE operates. Underwriters and actuaries maintain pricing and claims analysis for each portfolio, combined with a knowledge of current developments in the respective markets and classes of business.

Insurance concentration risk

QBE's exposure to concentrations of insurance risk is mitigated by maintaining a business portfolio that is diversified across countries and classes of business. Product diversification is pursued through a strategy of developing strong underwriting skills in a wide variety of classes of business.

The table below demonstrates the diversity of QBE's operations:

GROSS EARNED PREMIUM REVENUE	2020 US$M	2019 US$M
Commercial and domestic property	**4,194**	3,900
Motor and motor casualty	**1,750**	1,953
Agriculture	**1,957**	1,807
Public/product liability	**1,647**	1,505
Professional indemnity	**1,263**	1,105
Marine, energy & aviation	**1,098**	880
Workers' compensation	**847**	885
Accident and health	**727**	716
Financial and credit	**465**	475
Other	**60**	31
	14,008	13,257

Insurance concentration risk includes the risks from natural or man-made events that have the potential to produce claims from many of the Group's policyholders at the same time (e.g. catastrophes). QBE currently uses a variety of methodologies to monitor aggregates and manage catastrophe risk. These include the use of catastrophe models from third-party vendors such as RMS and AIR, the Lloyd's realistic disaster scenarios and group aggregate methodology. QBE sets the risk appetite relating to catastrophe risk with reference to the insurance concentration risk charge (ICRC). QBE's maximum risk tolerance for an individual natural catastrophe, measured using the ICRC methodology, is determined annually and is linked to a maximum net aggregate allowance of catastrophe and large individual risk claims.

Reserving risk

Reserving risk is managed through the quarterly actuarial valuation of insurance liabilities and monitoring of the probability of adequacy of the net discounted central estimate. The valuation of the net discounted central estimate is performed by qualified and experienced actuaries, with reference to historical data and reasoned expectations of future experience and events. The net discounted central estimate of outstanding claims is subject to a comprehensive independent review at least annually.

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FOR THE YEAR ENDED 31 DECEMBER 2020

4. RISK MANAGEMENT

4.3 Credit risk

Overview

Credit risk is the risk of financial loss where a customer, counterparty or issuer fails to meet their financial obligations to QBE in accordance with agreed terms. QBE's exposure to credit risk results from financial transactions with securities issuers, debtors, brokers, policyholders, reinsurers and guarantors.

QBE's approach to managing credit risk is underpinned by the Group's credit risk appetite as set by the Group Board and is summarised below.

Reinsurance credit risk

The Group's objective is to maximise placement of reinsurance with highly rated counterparties. Concentration of risk with reinsurance counterparties is monitored strictly and regularly by the Group's Security Committee and is controlled by reference to the following protocols:

- treaty or facultative reinsurance is placed in accordance with the requirements of the Group REMS and Group Security Committee guidelines;
- reinsurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical claims and potential future claims based on the Group's insurance concentrations; and
- exposure to reinsurance counterparties and the credit quality of those counterparties are actively monitored.

Credit risk exposures are calculated regularly and compared with authorised credit limits. The Group is exposed to material concentrations of credit risk in relation to reinsurance recoveries at the balance date, in particular to large global reinsurers. In certain cases, the Group requires letters of credit or other collateral arrangements to be provided to guarantee the recoverability of the amount involved. Collateral held for the Group in respect of reinsurance arrangements is $1,098 million (2019 $1,218 million). The carrying amount of relevant asset classes on the balance sheet represents the maximum amount of credit exposure. Collateral held may reduce the level of credit risk associated with this exposure but generally does not change its amount. The credit rating analysis below includes the impact of such security arrangements. In some cases, further security has been obtained in the form of trust arrangements, reinsurer default protection and other potential offsets. This additional security has not been included in the credit rating analysis below.

The following table provides information about the quality of the Group's credit risk exposure in respect of reinsurance recoveries at the balance date. The analysis classifies the assets according to Standard & Poor's (S&P) counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as speculative grade.

	CREDIT RATING						
	AAA US$M	AA US$M	A US$M	BBB US$M	SPECULATIVE GRADE US$M	NOT RATED US$M	TOTAL US$M
As at 31 December 2020							
Reinsurance recoveries on outstanding claims[1,2]	**67**	**4,613**	**1,419**	**58**	**–**	**67**	**6,224**
Reinsurance recoveries on paid claims[1]	**1**	**1,138**	**301**	**3**	**–**	**9**	**1,452**
As at 31 December 2019							
Reinsurance recoveries on outstanding claims[1,2]	72	3,917	706	–	1	81	4,777
Reinsurance recoveries on paid claims[1]	1	914	148	–	–	–	1,063

1 Net of a provision for impairment.

2 Excludes other recoveries of $303 million (2019 $327 million).

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The following table provides further information regarding the ageing of reinsurance recoveries on paid claims at the balance date:

			PAST DUE BUT NOT IMPAIRED				
	YEAR	NEITHER PAST DUE NOR IMPAIRED US$M	0 TO 3 MONTHS US$M	4 TO 6 MONTHS US$M	7 MONTHS TO 1 YEAR US$M	GREATER THAN 1 YEAR US$M	TOTAL US$M
Reinsurance recoveries on paid claims[1]	**2020**	**1,014**	**304**	**76**	**31**	**27**	**1,452**
	2019	844	153	–	48	18	1,063

1 Net of a provision for impairment.

Investment and treasury credit risk

The Group only transacts with investment counterparties within the limits outlined in the delegated authorities. Investment counterparty exposure limits are applied to individual counterparty exposures and to multiple exposures within a group of related companies in relation to investments, cash deposits and forward foreign exchange exposures. Counterparty exposure limit compliance is monitored daily.

The following table provides information regarding the Group's aggregate credit risk exposure at the balance date in respect of the major classes of financial assets. Trade and other receivables are excluded from this analysis on the basis that they comprise smaller credit risk items which generally cannot be rated and are not individually material. The analysis classifies the assets according to S&P counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as speculative grade.

	CREDIT RATING						
	AAA US$M	AA US$M	A US$M	BBB US$M	SPECULATIVE GRADE US$M	NOT RATED US$M	TOTAL US$M
As at 31 December 2020							
Cash and cash equivalents	**38**	**238**	**275**	**155**	**–**	**60**	**766**
Interest-bearing investments	**2,947**	**9,509**	**8,982**	**3,427**	**–**	**39**	**24,904**
Derivative financial instruments	**–**	**217**	**115**	**186**	**–**	**1**	**520**
As at 31 December 2019							
Cash and cash equivalents	–	125	218	157	1	46	547
Interest-bearing investments	2,726	7,933	6,925	2,897	12	995	21,488
Derivative financial instruments	–	93	65	36	–	1	195

The carrying amount of the relevant asset classes on the balance sheet represents the maximum amount of credit exposure at the balance date. The fair value of derivatives shown on the balance sheet represents the current risk exposure but not the maximum risk exposure that could arise in the future as a result of changing values.

Insurance and other credit risk

The Group transacts with brokers that are reputable, suitable and approved in accordance with local broker policies. The continuous due diligence over brokers involves an assessment of the broker's reputation, regulatory standing and financial strength.

QBE regularly reviews the collectability of receivables and the adequacy of associated provisions for impairment. Concentration risk for large brokers is also monitored. Balances are monitored on the basis of uncollected debt and debt outstanding in excess of six months. Brokers are also subject to regular due diligence to ensure adherence to local broker policies and associated requirements.

The following table provides information regarding the ageing of the Group's financial assets that are past due but not impaired and which are largely unrated at the balance date:

		PAST DUE BUT NOT IMPAIRED				
	NEITHER PAST DUE NOR IMPAIRED US$M	0 TO 3 MONTHS US$M	4 TO 6 MONTHS US$M	7 MONTHS TO 1 YEAR US$M	GREATER THAN 1 YEAR US$M	TOTAL US$M
As at 31 December 2020						
Premium receivable[1]	**2,425**	**334**	**159**	**50**	**22**	**2,990**
Other trade debtors	**212**	**1**	**2**	**3**	**6**	**224**
Other receivables	**353**	**4**	**1**	**1**	**6**	**365**
As at 31 December 2019						
Premium receivable[1]	2,107	372	119	70	39	2,707
Other trade debtors	120	11	3	5	9	148
Other receivables	322	7	1	2	1	333

1 Net of a provision for impairment.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2020

4. RISK MANAGEMENT

4.4 Market risk

Overview

Market risk is the risk of adverse impacts on earnings resulting from changes in market factors. Market factors include, but are not limited to, interest rates, equity price risks, credit spreads and foreign exchange rates.

QBE's approach to managing market risk is underpinned by the Group's market risk appetite as set by the Group Board and is summarised below.

QBE's approach to managing investment market movements is underpinned by the Group's investment strategy which outlines QBE's view of the markets and its corresponding investment approach.

Investment market risk is managed through the application of exposure and asset limits. These limits are based on the market risk appetite as determined by the Group Board and apply to:

- losses generated on the investment portfolio under market stress scenarios. The scenarios assume adverse movements in market factors and are designed to reflect a significant market stress event;
- sensitivities to changes in interest rate and credit spread risk, measured in terms of modified duration and spread duration; and
- total combined holdings in equities, investment property and other growth assets as a proportion of the Group's total investment portfolio.

Interest rate risk

QBE is exposed to interest rate risk through its holdings in interest-bearing assets. Financial instruments with a floating interest rate expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value interest rate risk. Interest-bearing borrowings issued by the Group are measured at amortised cost and therefore do not expose the Group result to fair value interest rate risk.

QBE's risk management approach is to minimise interest rate risk by actively managing investment portfolios to achieve a balance between cash flow interest rate risk and fair value interest rate risk. The Group predominantly invests in high quality, liquid interest-bearing securities and cash and may use derivative financial instruments to manage the interest rate risk of the fixed interest portfolio and other financial instruments. The risk management processes over these derivative financial instruments include close senior management scrutiny, including appropriate board and other management reporting. Derivatives are used only for approved purposes and are subject to Board approved risk appetites and delegated authority levels provided to management. The level of derivative exposure is reviewed on an ongoing basis. Appropriate segregation of duties exists with respect to derivative use, and compliance with policy, limits and other requirements is closely monitored.

The net central estimate of outstanding claims is discounted to present value by reference to risk-free interest rates. The Group is therefore exposed to potential underwriting result volatility as a result of interest rate movements. In practice, over the longer term, an increase or decrease in interest rates is normally offset by a corresponding increase or decrease in inflation. Information is provided in note 2.3.7. At the balance date, the average modified duration of cash and fixed interest securities was 2.1 years (2019 2.6 years). Although QBE maintains a shorter asset duration relative to insurance liabilities, the Group's overall exposure to interest rate risk is not material given the quantum by which the value of fixed income assets exceeds the value of insurance liabilities.

All investments are financial assets measured at fair value through profit or loss. Movements in interest rates impact the fair value of interest-bearing financial assets and therefore impact reported profit or loss after tax. The impact of a 0.5% increase or decrease in interest rates on interest-bearing financial assets owned by the Group at the balance date is shown in the table below:

		PROFIT (LOSS)[1]	
	SENSITIVITY %	2020 US\$M	2019 US\$M
Interest rate movement – interest-bearing financial assets	+0.5	**(186)**	(206)
	-0.5	**101**	181

1 Impact on continuing operations net of tax at the Group's prima facie income tax rate of 30%.

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded on the market.

QBE is exposed to equity price risk on its investment in growth assets and may use derivative financial instruments to manage this exposure. The risk management processes over these derivative financial instruments are the same as those already explained in respect of interest rate derivative financial instruments. Exposure is also managed by diversification across international markets and currencies.

Growth assets are measured at fair value through profit or loss. The impact of a 20% increase or decrease in the value of investments owned by the Group at the balance date on profit after tax from continuing operations is shown in the table below:

	SENSITIVITY %	PROFIT (LOSS)[1] 2020 US$M	PROFIT (LOSS)[1] 2019 US$M
ASX 200	+20	**2**	21
	-20	**(2)**	(21)
FTSE 100	+20	**–**	7
	-20	**–**	(7)
EURO STOXX	+20	**–**	3
	-20	**–**	(3)
S&P 500	+20	**–**	6
	-20	**–**	(6)
MSCI Emerging Markets Index	+20	**–**	15
	-20	**–**	(15)
Unlisted property trusts	+20	**105**	100
	-20	**(105)**	(100)
Infrastructure assets	+20	**125**	126
	-20	**(125)**	(126)
Private equity	+20	**37**	28
	-20	**(37)**	(28)
Alternatives	+20	**14**	12
	-20	**(14)**	(12)

1 Impact on continuing operations net of tax at the Group's prima facie income tax rate of 30%.

QBE is also exposed to price risk on its fixed interest securities as discussed above in relation to interest rate risk, and below in relation to credit spread risk. All securities are measured at fair value through profit or loss.

Credit spread risk

Movements in credit spreads impact the value of corporate interest-bearing securities and emerging market and high yield debt, and therefore impact reported profit or loss after tax. This risk is managed by investing in high quality, liquid interest-bearing securities and by managing the credit spread duration of the corporate securities portfolio.

The impact of a 0.5% increase or decrease in credit spreads on interest-bearing financial assets held by the Group at the balance date on profit or loss after tax from continuing operations is shown in the table below:

	SENSITIVITY %	PROFIT (LOSS)[1] 2020 US$M	PROFIT (LOSS)[1] 2019 US$M
Credit spread movement – corporate interest-bearing financial assets[2]	+0.5	**(143)**	(112)
	-0.5	**111**	89
Credit spread movement – emerging market and high yield debt	+0.5	**–**	(20)
	-0.5	**–**	20

1 Impact on continuing operations net of tax at the Group's prima facie income tax rate of 30%.
2 Includes infrastructure debt and other investments in non-government bonds.

Foreign exchange risk

QBE's approach to foreign exchange management is underpinned by the Group's foreign currency strategy. The Group's foreign exchange exposure generally arises as a result of either the translation of foreign currency amounts to the functional currency of a controlled entity (operational currency risk) or due to the translation of the Group's net investment in foreign operations to the functional currency of the ultimate parent entity of Australian dollars and to QBE's presentation currency of US dollars (currency translation risk).

4. RISK MANAGEMENT

Operational currency risk

Operational currency risk is managed as follows:

- Each controlled entity manages the volatility arising from changes in foreign exchange rates by matching liabilities with assets of the same currency, as far as is practicable, thus ensuring that any exposures to foreign currencies are minimised. The Group's aim is to mitigate, where possible, its operational foreign currency exposures at a controlled entity level.
- Forward foreign exchange contracts are used where possible to protect any residual currency positions. Where appropriate, forward foreign exchange contracts may also be used in relation to the Group's borrowings. In either case, these may be designated as hedge relationships for accounting purposes. Further information on forward foreign exchange contracts used to manage operational currency risk is provided in note 5.6.

The risk management process relating to the use of forward foreign exchange contracts involves close senior management scrutiny. All forward foreign exchange contracts are subject to delegated authority levels provided to management and the levels of exposure are reviewed on an ongoing basis.

The analysis below demonstrates the impact on profit or loss after income tax of a 10% strengthening or weakening of the major currencies against the functional currencies of the underlying QBE entities for which the Group has a material exposure at the balance date. The exposures below reflect the aggregation of operational currency exposures of multiple entities with different functional currencies. The sensitivity is measured with reference to the Group's residual (or unmatched) operational foreign currency exposures at the balance date. Operational foreign exchange gains or losses are recognised in profit or loss in accordance with the policy set out in note 1.2.4. The sensitivities provided demonstrate the impact of a change in one key variable in isolation while other assumptions remain unchanged.

The sensitivities shown in the table below are relevant only at the balance sheet date, as any unmatched exposures are actively monitored by management and the exposure subsequently matched.

	2020			2019		
EXPOSURE CURRENCY	RESIDUAL EXPOSURE US$M	SENSITIVITY %	PROFIT(LOSS)[1] US$M	RESIDUAL EXPOSURE US$M	SENSITIVITY %	PROFIT (LOSS)[1] US$M
US dollar	**258**	**+10**	**18**	(23)	+10	(2)
		-10	**(18)**		-10	2
Australian dollar	**(55)**	**+10**	**(4)**	(90)	+10	(6)
		-10	**4**		-10	6
Sterling	**6**	**+10**	**–**	19	+10	1
		-10	**–**		-10	(1)

1 Impact on continuing operations net of tax at the Group's prima facie income tax rate of 30%.

Currency risk in relation to translation of net investments in foreign operations

QBE is exposed to currency risk in relation to the translation of:

- the ultimate parent entity's net investments in foreign operations to its functional currency of Australian dollars; and
- all non-US dollar functional currency operations to the Group's presentation currency of US dollars.

Currency translation risk in relation to QBE's investment in foreign operations is monitored on an ongoing basis and may be mitigated by designation of foreign currency borrowings as a hedge of this risk. Any debt security that qualifies as a hedging instrument may be designated as a hedge of the Australian dollar ultimate parent entity's net investment in foreign operations and any residual exposure to foreign operations in tradeable currencies may be hedged up to the limit specified in the Group risk appetite statement. The extent of hedging this exposure is carefully managed to ensure an appropriate balance between currency risk and associated risks such as liquidity risk and stability of capital adequacy levels.

QBE does not ordinarily seek to use derivatives to mitigate currency translation risk on translation to the ultimate parent entity functional currency of Australian dollars for the following reasons:

- currency translation gains and losses generally have no cash flow;
- currency translation gains and losses are accounted for in the foreign currency translation reserve (a component of equity) and therefore do not impact profit or loss unless the related foreign operation is disposed of; and
- management of translation risk needs to be balanced against the impact on capital requirements and liquidity risk.

In periods of extraordinary volatility that are expected to persist for an extended period of time, QBE may elect to utilise derivatives to mitigate currency translation risk to preserve capital.

Currency management processes are actively monitored by the Group Treasurer and involve close senior management scrutiny. All hedge transactions are subject to delegated authority levels provided to management, and the levels of exposure are reviewed on an ongoing basis. All instruments that are designated as hedges are tested for effectiveness in accordance with AASB 9.

At the balance date, derivatives with a net exposure of $648 million (2019 $101 million) and borrowings of $536 million (2019 $547 million) were designated as hedges of net investments in foreign operations, further information on which is provided in note 5.6.1.

Foreign exchange gains or losses arising on translation of the Group's foreign operations from the ultimate parent entity's functional currency of Australian dollars to the Group's US dollar presentation currency are recognised directly in equity in accordance with the policy set out in note 1.2.4. The Group cannot hedge this exposure.

The analysis below demonstrates the impact on equity of a 10% strengthening or weakening against the US dollar of the major currencies to which QBE is exposed through its net investment in foreign operations. The basis for the sensitivity calculation is the Group's actual residual exposure at the balance date.

	2020			2019		
EXPOSURE CURRENCY	RESIDUAL EXPOSURE US$M	SENSITIVITY %	EQUITY INCREASE (DECREASE) US$M	RESIDUAL EXPOSURE US$M	SENSITIVITY %	EQUITY INCREASE (DECREASE)[1] US$M
Australian dollar	**2,962**	**+10**	**296**	2,554	+10	255
		-10	**(296)**		-10	(255)
Sterling	**150**	**+10**	**15**	1,134	+10	113
		-10	**(15)**		-10	(113)
Euro	**1,632**	**+10**	**163**	814	+10	81
		-10	**(163)**		-10	(81)
Hong Kong dollar	**36**	**+10**	**4**	176	+10	18
		-10	**(4)**		-10	(18)
New Zealand dollar	**222**	**+10**	**22**	183	+10	18
		-10	**(22)**		-10	(18)
Singapore dollar	**120**	**+10**	**12**	132	+10	13
		-10	**(12)**		-10	(13)

1 The impact on equity is disclosed, including both continuing and discontinued operations.

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4. RISK MANAGEMENT

4.5 Liquidity risk

Overview

Liquidity risk is the risk of having insufficient liquid assets to meet liabilities as they fall due to policyholders and creditors or only being able to access liquidity at excessive cost.

QBE's approach to managing liquidity risk is underpinned by the Group's liquidity risk appetite which is set by the Board and is summarised below.

QBE manages liquidity risk using a number of tools, as follows:

- cash flow targeting;
- maintenance of a minimum level of liquid assets relative to the Group's liabilities;
- cash flow forecasting; and
- stress testing and contingency planning.

Liquidity is managed across the Group using a number of cash flow forecasting and targeting tools and techniques. Cash flow forecasting and targeting are conducted at a legal entity level and involve actively managing operational cash flow requirements.

To supplement the cash flow targeting and to ensure that there are sufficient liquid funds available to meet insurance and investment obligations, a minimum percentage of QBE's liabilities is held, at all times, in cash and liquid securities. QBE also maintains a defined proportion of the funds under management in liquid assets.

QBE actively forecasts cash flow requirements to identify future cash surpluses and shortages to optimise invested cash balances and limit unexpected calls from the investment pool. The Group limits the risk of liquidity shortfalls resulting from mismatches in the timing of claims payments and receipts of claims recoveries by negotiating cash call clauses in reinsurance contracts and seeking accelerated settlements for large reinsurance recoveries.

The following table summarises the maturity profile of the Group's financial liabilities based on the remaining contractual obligations. Borrowings and contractual undiscounted interest payments are disclosed by reference to the first call date of the borrowings, details of which are included in note 5.1.

	LESS THAN 1 YEAR US$M	13 TO 36 MONTHS US$M	37 TO 60 MONTHS US$M	OVER 5 YEARS US$M	NO FIXED TERM US$M	TOTAL US$M
As at 31 December 2020						
Forward foreign exchange contracts	**316**	**231**	**298**	**–**	**–**	**845**
Trade payables	**1,475**	**122**	**3**	**–**	**4**	**1,604**
Other payables and accrued expenses	**679**	**26**	**3**	**–**	**6**	**714**
Treasury payables	**16**	**–**	**–**	**–**	**–**	**16**
Investment payables	**4**	**–**	**–**	**–**	**–**	**4**
Lease liabilities	**68**	**103**	**84**	**176**	**–**	**431**
Borrowings[1]	**200**	**854**	**1,000**	**909**	**–**	**2,963**
Contractual undiscounted interest payments	**191**	**326**	**194**	**23**	**–**	**734**
As at 31 December 2019						
Forward foreign exchange contracts	169	–	33	–	–	202
Trade payables	877	84	5	13	41	1,020
Other payables and accrued expenses	559	29	2	–	1	591
Treasury payables	21	–	–	–	–	21
Investment payables	170	–	–	–	–	170
Lease liabilities	60	102	57	80	–	299
Borrowings[1]	140	632	1,106	824	400	3,102
Contractual undiscounted interest payments	194	337	262	70	–	863

1 Excludes capitalised finance costs of $8 million (2019 $7 million).

The maturity profile of the Group's net discounted central estimate is analysed in note 2.3.6.

The maturity of the Group's directly held interest-bearing financial assets is shown in the table below.

		INTEREST-BEARING FINANCIAL ASSETS MATURING IN:						
		LESS THAN 1 YEAR	13 TO 24 MONTHS	25 TO 36 MONTHS	37 TO 48 MONTHS	49 TO 60 MONTHS	OVER 5 YEARS	TOTAL
As at 31 December 2020								
Fixed rate	US$M	**5,867**	**4,095**	**3,677**	**2,314**	**2,030**	**3,374**	**21,357**
Weighted average interest rate	% p.a.	**0.4**	**0.2**	**0.3**	**0.4**	**0.4**	**0.6**	**0.4**
Floating rate	US$M	**1,578**	**630**	**610**	**297**	**341**	**857**	**4,313**
Weighted average interest rate	% p.a.	**0.1**	**0.3**	**0.4**	**1.0**	**0.8**	**1.2**	**0.5**
As at 31 December 2019								
Fixed rate	US$M	3,986	2,865	2,741	2,436	1,622	3,600	17,250
Weighted average interest rate	% p.a.	1.7	1.5	1.2	1.5	1.3	1.5	1.5
Floating rate	US$M	2,309	745	520	100	183	928	4,785
Weighted average interest rate	% p.a.	2.3	1.4	1.5	1.0	2.0	1.8	1.4

4.6 Operational risk

Overview

Operational risk is the risk of financial loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk can materialise in a number of forms including fraud perpetrated by employees or by external parties (e.g. claims fraud or cyber attacks), employment practices (e.g. losses arising from breaches of employment, health or safety laws), improper business practices (e.g. failure to meet professional obligations or issues with the nature or design of an insurance product), business disruption and system failures, or business and transaction processing failures.

QBE manages operational risk through setting policy, minimum standards, and process and system controls, including effective segregation of duties, access controls, authorisations and reconciliation procedures, business continuity management, fraud management, information security and physical security.

QBE identifies, assesses and manages operational risk through the:

- risk and control self-assessment process, which identifies and assesses the key risks to achieving business objectives and is conducted at the business unit level;
- total risk assessment process, which creates a single, divisional-level view of risk across all QBE risk categories;
- operational risk appetite statement, which sets out the nature and level of risk that the Board and Group Executive Committee are willing to take in pursuit of the organisation's objectives. The operational risk appetite statement is measured through an assessment of the control environment, key risk indicators, issues and incidents;
- emerging risks process, which identifies and assesses new risks, which are characterised by incomplete but developing knowledge or existing risks that develop in new or surprising ways; and
- scenario analysis process, which assesses the impact of potentially extreme scenarios and the appropriateness of our contingency planning.

Key residual risks from the above processes are monitored by the Executive Non-Financial Risk Committee.

4. RISK MANAGEMENT

4.7 Compliance risk

Overview

Compliance risk is the risk of legal or regulatory penalties, financial loss or impacts and non-financial loss or impacts (including reputational damage) resulting from a breach of obligations. Obligations refers to those in legislation, regulation, industry codes and standards, internal policies and ethical and business standards.

QBE's approach to managing compliance risk is underpinned by the Group risk appetite as set by the Board and is summarised below.

QBE manages compliance risk through its governance, culture, stakeholder management and strategy approach. There are six components for managing compliance risk:

- identify compliance obligations and controls;
- embed compliance obligations across systems and processes;
- communicate and train staff on compliance requirements;
- monitor obligations and controls;
- identify and rectify issues, incidents and breaches; and
- report on and assess the state of compliance.

Compliance management is subject to continuous improvement, recognising changes in the regulatory and legal environment and industry, customer and community expectations.

4.8 Group risk

Overview

Group risk is the risk to a division arising specifically from being part of the wider Group, including financial impact and loss of support from the Company.

QBE's approach to managing Group risk is underpinned by the Group risk appetite which is set by the Board and is summarised below.

Sources of Group risk may include:

- shared global reinsurance program;
- intercompany loans and shared use of centralised Group functions (e.g. Group IT);
- contagion reputational risk;
- credit agency dependency;
- use of Group functions where there is a global operating model in place;
- use of QBE's internal asset management function – Group Investments;
- Group initiatives or decisions with a material impact on one or more division; and
- liquidity and central foreign exchange management.

QBE manages Group risk through various systems, controls and processes, including the management of reinsurance arrangements, use of intercompany transactions and balances accounting guidance, transfer pricing guidelines, investment management agreements, capital planning and assessments of the use of Group functions, Group initiatives and contagion reputational events.

5. CAPITAL STRUCTURE

Overview

QBE's objective in managing capital is to maintain an optimal balance between debt and equity in order to reduce the overall cost of capital while satisfying the capital adequacy requirements of regulators and rating agencies, providing financial security for our policyholders and continuing to provide an adequate return to shareholders.

The Company is listed on the Australian Securities Exchange and its share capital is denominated in Australian dollars. The Group also accesses international debt markets to diversify its funding base and maintain an appropriate amount of leverage. Debt is diversified across currencies and tenure.

Details of the Group's approach to capital risk management are disclosed in note 4.1.

5.1 Borrowings

FINAL MATURITY DATE	ISSUE DATE	PRINCIPAL AMOUNT	2020 US$M	2019 US$M
Senior debt				
25 May 2023	21 September 2017	$6 million	**6**	6
			6	6
Subordinated debt				
25 August 2036	19 August 2020	A$500 million (2019 nil)[1]	**385**	–
29 September 2040	29 September 2015	Nil (2019 A$200 million)	**–**	140
24 May 2041	24 May 2011	$167 million	**167**	167
24 May 2041	24 May 2011	£24 million	**33**	32
24 May 2042	19 May 2016	£327 million	**445**	433
24 November 2043	17 November 2016	$400 million/A$689 million[1]	**400**	400
2 December 2044	2 December 2014	$700 million/A$1,169 million[1]	**697**	696
12 November 2045	12 November 2015	$300 million	**300**	300
17 June 2046	17 June 2016	$524 million	**522**	522
			2,949	2,690
Additional Tier 1 instruments				
No fixed date	16 November 2017	Nil (2019 $400 million)[2]	**–**	399
Total borrowings[3]			**2,955**	3,095
Amounts maturing within 12 months			**200**	–
Amounts maturing in greater than 12 months			**2,755**	3,095
Total borrowings			**2,955**	3,095

1 Details of related hedging activity are included in note 5.6.1.
2 In July 2020, the terms of these instruments were amended, resulting in their classification as equity. Further information is disclosed in note 5.3.1.
3 $2 million of finance costs (2019 nil) were capitalised during the year.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2020

5. CAPITAL STRUCTURE

Subordinated debt key terms

Subordinated debt due 2036

Interest is payable quarterly in arrears at a rate equal to the three-month BBSW rate plus a margin of 2.75% per annum.

Subordinated debt due 2040

Interest is payable quarterly in arrears at a rate equal to the 90-day average mid-rate bank bill rate plus a margin of 4.0% per annum.

The securities were redeemed with APRA approval on 29 September 2020.

Subordinated debt due 2041

Interest is payable semi-annually in arrears at a fixed rate of 7.25% per annum on the US dollar denominated debt and 7.5% per annum on the sterling debt.

Early redemption notices were issued after the balance date. Redemption is expected in early March 2021.

Subordinated debt due 2042

Interest is payable semi-annually in arrears at a fixed rate of 6.115% per annum until 24 May 2022. The rate will reset in 2022, 2027, 2032 and 2037 to a rate calculated by reference to the then five-year mid-market swap rate plus a margin of 5.0% per annum.

Subordinated debt due 2043

Interest is payable semi-annually in arrears at a fixed rate of 7.50% per annum until 24 November 2023. The rate will reset in 2023 and 2033 to a rate calculated by reference to the then 10-year US dollar swap rate plus a margin of 6.03% per annum.

QBE has an option to defer payment of interest in certain circumstances and such deferral will not constitute an event of default.

Subordinated debt due 2044

Interest is payable semi-annually in arrears at a fixed rate of 6.75% per annum until 2 December 2024, at which time the rate will reset to a 10-year mid-market swap rate plus a margin of 4.3% per annum. The rate will reset again, on the same basis, on 2 December 2034.

Subordinated debt due 2045

Interest is payable semi-annually in arrears at a fixed rate of 6.1% per annum until 12 November 2025, at which time the rate will reset to a 10-year mid-market swap rate plus a margin of 3.993% per annum. The rate will reset again, on the same basis, on 12 November 2035.

Subordinated debt due 2046

Interest is payable semi-annually in arrears at a fixed rate of 5.875% per annum until 17 June 2026. The rate will reset in 2026 and 2036 to a rate calculated by reference to the then 10-year mid-market swap rate plus a margin of 4.395% per annum.

Redemption terms

The securities are redeemable at the option of QBE, with the prior written approval of APRA on 25 August 2026 and each interest payment date thereafter for securities due 2036; on each interest reset date for securities due 2042, 2043, 2044, 2045 and 2046; or at any time in the event of certain tax and regulatory events.

Conversion terms

The securities due 2036, 2042, 2043, 2044, 2045 and 2046 must be converted into a variable number of QBE ordinary shares, or written off, if APRA determines QBE to be non-viable. The conversion rate is subject to a price floor of 20% of the VWAP of the shares in the five trading days before the date of issue of the securities.

Security arrangements

The claims of bondholders pursuant to the subordinated debt will be subordinated in right of payment to the claims of all senior creditors.

How we account for the numbers

Borrowings are initially measured at fair value net of transaction costs directly attributable to the transaction and are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised through profit or loss over the period of the financial liability using the effective interest method.

5.1.1 Fair value of borrowings

	2020 US$M	2019 US$M
Senior debt	**6**	6
Subordinated debt	**3,220**	2,958
Additional Tier 1 instruments	**–**	412
Total fair value of borrowings	**3,226**	3,376

Consistent with other financial instruments, QBE is required to disclose the basis of valuation with reference to the fair value hierarchy which is explained in detail in note 3.2.1. The fair value of the Group's borrowings is categorised as level 2 fair value measurements. Fixed and floating rate securities are priced using broker quotes and comparable prices for similar instruments in active markets. Where no active market exists, floating rate resettable notes are priced using par plus accrued interest.

5.1.2 Financing and other costs

	2020 US$M	2019 US$M
Interest expense on borrowings	**188**	200
Other costs	**64**	57
Total financing and other costs	**252**	257

5.1.3 Movement in borrowings

	2020 US$M	2019 US$M
At 1 January	**3,095**	3,188
Net changes from financing cash flows	**218**	(199)
Reclassification of AT1 instrument	**(399)**	–
Other non-cash changes	**(1)**	84
Foreign exchange	**42**	22
At 31 December	**2,955**	3,095

5.2 Cash and cash equivalents

	2020 US$M	2019 US$M
Fixed interest rate	**13**	13
Floating interest rate	**753**	534
	766	547

Restrictions on use

Included in cash and cash equivalents are amounts totalling $73 million (2019 $30 million) which are held in Lloyd's syndicate trust funds. In order to conduct underwriting business within some territories, Lloyd's syndicates are required to lodge assets in locally regulated trust funds. Under Lloyd's bylaws, these amounts can only be used to pay claims and allowable expenses of the syndicates and cannot be withdrawn from the trust funds until allowed to be distributed as profit once annual solvency requirements are met.

Also included in cash and cash equivalents is $110 million (2019 $103 million) relating to policyholder trust accounts in the United Kingdom which can only be accessed by QBE in certain circumstances, such as when QBE is owed a deductible by the policyholder on a claim. The Group recognises a corresponding payable in relation to these until such an event occurs.

QBE has operations in many countries which have foreign exchange controls and regulations. These controls and regulations can vary from simple reporting requirements to outright prohibition of movement of funds without explicit prior central bank or regulator approval. The impact of these controls and regulations may restrict the Group's capacity to repatriate capital and/or profits.

How we account for the numbers

Cash and cash equivalents include cash at bank and on hand and deposits at call which are readily convertible to cash on hand and which are used for operational cash requirements. Amounts in cash and cash equivalents are the same as those included in the statement of cash flows.

The reconciliation of profit or loss after income tax to net cash flows from operating activities is included in note 8.4.

5. CAPITAL STRUCTURE

5.3 Contributed equity and reserves

Overview

Ordinary shares in the Company rank after all creditors, have no par value and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

During the current period, the Group issued share capital, capital notes and amended the terms of existing Additional Tier 1 instruments, details of which are set out in note 5.3.1. These notes, together with share capital, are presented as contributed equity in the consolidated balance sheet.

5.3.1 Contributed equity

	31 DECEMBER 2020 US$M	31 DECEMBER 2019 US$M
Share capital	**9,387**	7,594
Capital notes	**886**	–
Contributed equity	**10,273**	7,594

Share capital

	2020		2019	
	NUMBER OF SHARES MILLIONS	US$M	NUMBER OF SHARES MILLIONS	US$M
Issued ordinary shares, fully paid at 1 January	**1,305**	**7,594**	1,327	7,830
Shares issued on-market net of transaction costs	**157**	**813**	–	–
Shares issued under the Employee Share and Option Plan	**3**	**26**	1	1
Shares issued under Dividend Reinvestment Plan	**5**	**27**	–	–
Shares issued under Bonus Share Plan	**1**	**–**	1	–
Shares bought back on-market and cancelled	**–**	**–**	(24)	(205)
Foreign exchange	**–**	**927**	–	(32)
Issued ordinary shares, fully paid at 31 December	**1,471**	**9,387**	1,305	7,594
Shares notified to the Australian Securities Exchange	**1,471**	**9,390**	1,305	7,597
Less: plan shares subject to non-recourse loans, de-recognised under accounting standards	**–**	**(3)**	–	(3)
Issued ordinary shares, fully paid at 31 December	**1,471**	**9,387**	1,305	7,594

Capital notes

Capital notes have no fixed redemption date and distributions are discretionary and non-cumulative. The notes are redeemable at the option of QBE, with the prior written approval of APRA, on each interest reset date or at any time in the event of certain tax or regulatory events. In the event that APRA was to declare a point of non-viability, the notes would be written off.

On 12 May 2020, the Company issued $500 million of capital notes ($493 million net of transaction costs). Distributions of 5.875% per annum are paid semi-annually in arrears until 12 May 2025. The rate will reset in May 2025 and on every fifth anniversary thereafter by reference to a reset rate to be determined at that time plus a margin of 5.513% per annum.

On 16 July 2020, the terms of Additional Tier 1 instruments with a principal amount of $400 million ($393 million carrying value) were amended such that the notes are written off at a point of non-viability, as determined by APRA, with no possibility of conversion into ordinary shares of QBE. The amended instruments are classified as equity. Distributions of 5.25% per annum are paid semi-annually in arrears until 16 May 2025. The rate will reset in May 2025 and on every fifth anniversary thereafter by reference to a reset rate to be determined at that time plus a margin of 3.047% per annum. Further information is provided in note 5.1.

5.3.2 Reserves

	2020 US$M	2019 US$M
Owner occupied property revaluation reserve[1]		
At 1 January	**1**	4
Reclassification on disposal of owner occupied property	**–**	(3)
At 31 December	**1**	1
Cash flow hedge reserve[2]		
At 1 January	**(4)**	(1)
Hedging amounts recognised in other comprehensive income	**(157)**	(16)
Hedging amounts reclassified to profit or loss	**127**	12
Taxation	**9**	1
At 31 December	**(25)**	(4)
Cost of hedging reserve[3]		
At 1 January	**(2)**	–
Amounts recognised in other comprehensive income	**11**	(1)
Amounts reclassified to profit or loss	**(5)**	(2)
Taxation	**(2)**	1
At 31 December	**2**	(2)
Foreign currency translation reserve[4]		
At 1 January	**(1,479)**	(1,517)
Net movement on translation	**(525)**	8
Net movement on hedging transactions	**(27)**	20
Net movement relating to continuing operations	**(552)**	28
Net movement relating to discontinued operations	**–**	10
At 31 December	**(2,031)**	(1,479)
Share-based payment reserve[5]		
At 1 January	**164**	167
Options and conditional rights expense	**20**	38
Transfers from reserve on vesting of options and conditional rights	**(28)**	(41)
Foreign exchange	**12**	–
At 31 December	**168**	164
Premium on purchase of non-controlling interests[6]		
At 1 January	**(15)**	(16)
Net changes in non-controlling interests	**–**	(5)
Reclassification to retained profits on disposal	**2**	6
At 31 December	**(13)**	(15)
Total reserves at 31 December	**(1,898)**	(1,335)

Each of the above reserves relates to the following:

1 Fair value movements in the carrying value of owner occupied property.
2 Cash flow hedges of foreign exchange risk, the accounting policies for which are disclosed in note 5.6.1.
3 Cost of hedging elections as described in note 5.6.1.
4 Exchange gains and losses arising on translation of foreign controlled entities and related hedging instruments, the accounting policies for which are disclosed in note 5.6.1.
5 Equity-settled share-based payment awards.
6 Movements in ownership interests in subsidiaries that do not result in a loss of control and represent the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2020

5. CAPITAL STRUCTURE

5.4 Dividends

Overview

Our dividend policy is designed to ensure that we reward shareholders relative to cash profit and maintain sufficient capital for future investment and growth of the business.

	2020	2019	
	INTERIM	FINAL	INTERIM
Dividend per share (Australian cents)	**4**	27	25
Franking percentage	**10%**	30%	60%
Franked amount per share (Australian cents)	**0.4**	8.1	15.0
Dividend payout (A$M)	**59**	352	329
Payment date	**25 September 2020**	9 April 2020	4 October 2019

The Board has elected not to declare a final dividend for 2020.

	2020 US$M	2019 US$M
Previous year final dividend on ordinary shares – 30% franked (2018 60% franked)	**224**	266
Interim dividend on ordinary shares – 10% franked (2019 60% franked)	**41**	222
Bonus Share Plan dividend forgone	**(3)**	(5)
Total dividend paid	**262**	483

Dividend Reinvestment and Bonus Share Plans

The Company operates a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP) which allow equity holders to receive their dividend entitlement in the form of QBE ordinary shares.

Bonus Share Plan dividend forgone

The amount paid in dividends during the year has been reduced as a result of certain eligible shareholders participating in the BSP and forgoing all or part of their right to dividends. These shareholders were issued ordinary shares under the BSP. During the year, 523,532 (2019 613,874) ordinary shares were issued under the BSP.

Franking credits

The franking account balance on a tax paid basis at 31 December 2020 was a surplus of A$71 million (2019 A$87 million).

The unfranked part of the dividend is declared to be conduit foreign income. For shareholders not resident in Australia, the dividend will not be subject to Australian withholding tax.

5.5 Earnings per share

Overview

Earnings per share (EPS) is the amount of profit or loss after income tax attributable to each share. Diluted EPS adjusts the EPS for the impact of shares that are not yet issued but which may be in the future, such as shares potentially issuable from convertible notes, options and employee share-based payments plans.

	2020 US CENTS	2019 US CENTS
For (loss) profit after income tax from continuing operations		
Basic (loss) earnings per share	**(108.5)**	43.4
Diluted (loss) earnings per share	**(108.5)**	43.1
For (loss) profit after income tax		
Basic (loss) earnings per share	**(108.5)**	41.8
Diluted (loss) earnings per share	**(108.5)**	41.5

5.5.1 Reconciliation of earnings used for earnings per share measures

Earnings per share is based on profit or loss after income tax attributable to ordinary equity holders of the Company, as follows:

	2020 US$M	2019 US$M
(Loss) profit after income tax from continuing operations attributable to ordinary equity holders of the Company	**(1,517)**	571
Less: distributions paid on capital notes classified as equity (note 5.3.1)	**(25)**	–
(Loss) profit used in calculating basic and diluted earnings per share from continuing operations	**(1,542)**	571
(Loss) profit used in calculating basic and diluted earnings per share from discontinued operations	**–**	(21)
(Loss) profit used in calculating basic and diluted earnings per share	**(1,542)**	550

5.5.2 Reconciliation of weighted average number of ordinary shares used for earnings per share measures

	2020 NUMBER OF SHARES MILLIONS	2019 NUMBER OF SHARES MILLIONS
Weighted average number of ordinary shares on issue	**1,421**	1,318
Weighted average number of non-recourse loan shares issued under the Employee Share and Option Plan (the Plan)	**–**	(1)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,421**	1,317
Weighted average number of dilutive potential ordinary shares issued under the Plan[1]	**–**	9
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**1,421**	1,326

1 8 million (2019 nil) potential ordinary shares issued were excluded from the calculation because they are anti-dilutive.

The basic and diluted average numbers of ordinary shares shown above are used for calculating all earnings per share measures including those for profit or loss after income tax, profit or loss after income tax from continuing operations and loss after income tax from discontinued operations (refer to note 7.1.2).

How we account for the numbers

Basic (loss) earnings per share is calculated by dividing profit or loss after income tax attributable to members of the Company, adjusted for the cost of servicing capital notes classified as equity, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted (loss) earnings per share adjusts the weighted average number of shares to include dilutive potential ordinary shares and instruments with mandatory conversion features. As there are no impacts on interest and other financing costs from such instruments, diluted (loss) earnings per share utilises the same (loss) earnings figure used in the determination of basic (loss) earnings per share.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2020

5. CAPITAL STRUCTURE

5.6 Derivatives

Overview

Derivatives may be used as a tool to hedge the Group's foreign exchange exposures. Each controlled entity manages operational foreign exchange volatility by matching liabilities with assets of the same currency, as far as practicable. Forward foreign exchange contracts are used to hedge residual currency exposures, with both the foreign exchange gains or losses on translation of the exposure and the mark-to-market of related derivatives reported through profit or loss. Forward foreign exchange contracts and purchased currency options may also be utilised in cash flow hedging of foreign currency borrowings and/or exposure to net investments in foreign operations (NIFO).

Interest rate swaps and swaptions are used to hedge exposure to interest rate movements on the Group's borrowings.

Refer to note 4.4 for additional information relating to QBE's approach to managing interest rate risk and currency risk.

The Group's exposure to treasury derivatives at the balance date determined by reference to the functional currency of the relevant controlled entity is set out in the table below:

	2020			2019		
	EXPOSURE US$M	FAIR VALUE ASSET US$M	FAIR VALUE LIABILITY US$M	EXPOSURE US$M	FAIR VALUE ASSET US$M	FAIR VALUE LIABILITY US$M
Forward foreign exchange contracts	**2,603**	**505**	**394**	1,865	181	164
Forward foreign exchange contracts used in cash flow hedges	**(1,796)**	**–**	**419**	(1,451)	13	33
Forward foreign exchange contracts used in NIFO hedges	**(345)**	**13**	**32**	(101)	1	3
Interest rate swaps	**–**	**–**	**–**	140	–	2
Interest rate swaptions	**385**	**2**	**–**	–	–	–
		520	**845**		195	202

The fair value of forward foreign exchange contracts, interest rate swaps and interest rate swaptions are categorised as level 2 in the fair value hierarchy. They are fair valued using present value techniques utilising observable market data, broker quotes and/or comparable prices for similar instruments in active markets.

How we account for the numbers

Derivatives are initially recognised at fair value, determined as the cost of acquisition excluding transaction costs, and remeasured to fair value at each reporting date. Remeasurements are recognised in profit or loss at each reporting date, unless the derivative is designated as part of a qualifying hedge relationship (refer to note 5.6.1).

5.6.1 Designated hedges

The Group's material designated hedge relationships are analysed below by risk category and are accounted for using the accounting policies set out at the end of this note. Hedging ratios, being the relationship between the quantity of the hedging instrument and the quantity of the hedged item, are 1:1 as the nominal values of hedging instruments match those of the hedged items. Any ineffectiveness arising from factors such as credit risk is not expected to be material. Amounts recognised in equity or reclassified to profit or loss are disclosed in note 5.3.2.

Cash flow hedges of borrowings

At the balance date, forward foreign exchange contracts were used to hedge foreign currency risk associated with highly probable forecast transactions in relation to $400 million of subordinated notes maturing in 2043 and $700 million of subordinated notes maturing in 2044. Foreign currency risk on future coupons and principal amounts are hedged up to and including the first call dates of the notes, being 2023 and 2024 respectively. Similarly, an interest rate swaption was put in place to hedge interest rate risk in relation to coupons on A$500 million of subordinated notes maturing in 2036. The swaption is exercisable in August 2023 and hedges coupon payments from that date to the first call date in August 2026. These hedges were put in place to more effectively manage currency exposures and costs of funding.

Only the spot components of the forward foreign exchange contracts and the intrinsic value of the interest rate swaptions are designated in hedge relationships. For forward foreign exchange contracts, reclassifications of hedging gains and losses to profit or loss are included in foreign exchange in note 3.1, consistent with the currency movement of the hedged borrowings. For the interest rate swaption, reclassifications of any cumulative hedging gains or losses to profit or loss will occur as related coupon payments are made during the period from August 2023 to August 2026. A 'cost of hedging' election was made in respect of these hedges, as described below, and amortisation of the forward and currency basis components is included in financing costs in note 5.1.2, consistent with the hedged interest and principal payments.

The interest rate swaption does not generate any cash flows until August 2023, when the potential settlement would occur if the swaption is in-the-money at that point in time. The timing of cash flows relating to the forward foreign exchange contracts and corresponding average forward rates are provided in the following table:

		MATURING IN:					
2020		LESS THAN 1 YEAR	13 TO 24 MONTHS	25 TO 36 MONTHS	37 TO 48 MONTHS	49 TO 60 MONTHS	OVER 5 YEARS
Nominal amounts	Buy US$M/ Sell A$M	**77/129**	**77/130**	**477/819**	**747/1,251**	**–**	**–**
Average forward rate	US$/A$	**0.60**	**0.60**	**0.58**	**0.60**	**–**	**–**

		MATURING IN:					
2019		LESS THAN 1 YEAR	13 TO 24 MONTHS	25 TO 36 MONTHS	37 TO 48 MONTHS	49 TO 60 MONTHS	OVER 5 YEARS
Nominal amounts	Buy US$M/ Sell A$M	77/105	77/105	77/105	477/682	747/1,073	–
Average forward rate	US$/A$	0.74	0.74	0.74	0.70	0.70	–

Hedges of currency risk relating to translation of net investments in foreign operations

At the balance date, forward foreign exchange contracts and borrowings were designated as hedges of net investments in foreign operations. Only the spot components of the forward foreign exchange contracts are designated as being in hedge relationships. The forward and currency basis components are measured at fair value through profit or loss and included in foreign exchange in note 3.1. Cumulative hedging gains or losses recognised in equity are recycled to profit or loss only on disposal of the foreign operation.

The timing of cash flows relating to the hedging instruments and corresponding average forward rates, if applicable, are provided in the following table, with borrowings being disclosed by reference to their first call dates (refer to note 5.1):

		MATURING IN:					
2020		LESS THAN 1 YEAR	13 TO 24 MONTHS	25 TO 36 MONTHS	37 TO 48 MONTHS	49 TO 60 MONTHS	OVER 5 YEARS
Debt instruments hedging US dollar net investment in foreign operations							
Subordinated debt	US$M	**–**	**–**	**–**	**–**	**–**	**49**
Senior debt	US$M	**–**	**–**	**6**	**–**	**–**	**–**
Forward foreign exchange contracts hedging sterling net investment in foreign operations							
Nominal amounts	Buy A$M/ Sell £M	**657/367**	**–**	**–**	**–**	**–**	**–**
Average forward rate	A$/£	**0.56**	**–**	**–**	**–**	**–**	**–**
Debt instruments hedging sterling net investment in foreign operations							
Subordinated debt	£M	**25**	**327**	**–**	**–**	**–**	**–**
Forward foreign exchange contracts hedging Hong Kong dollar net investment in foreign operations							
Nominal amounts	Buy A$M/ Sell HKDM	**177/970**	**–**	**–**	**–**	**–**	**–**
Average forward rate	A$/HKD	**5.48**	**–**	**–**	**–**	**–**	**–**
Forward foreign exchange contracts hedging Indian Rupees net investment in foreign operations							
Nominal amounts	Buy A$M/ Sell INRM	**27/1,484**		**–**	**–**	**–**	**–**
Average forward rate	A$/INR	**54.89**	**–**	**–**	**–**	**–**	**–**

		MATURING IN:					
2019		LESS THAN 1 YEAR	13 TO 24 MONTHS	25 TO 36 MONTHS	37 TO 48 MONTHS	49 TO 60 MONTHS	OVER 5 YEARS
Debt instruments hedging US dollar net investment in foreign operations							
Subordinated debt	Buy US$M/ Sell A$M	–	1	–	–	–	73
Senior debt	US$/A$	–	–	–	6	–	–
Forward foreign exchange contracts hedging sterling net investment in foreign operations							
Nominal amounts	Buy A$M/ Sell £M	145/76	–	–	–	–	–
Average forward rate	A$/£	0.53	–	–	–	–	–
Debt instruments hedging sterling net investment in foreign operations							
Subordinated debt	£M	–	25	327	–	–	–

5. CAPITAL STRUCTURE

How we account for the numbers

When a derivative or other financial instrument is designated in a qualifying hedge relationship, the relevant controlled entity formally documents the relationship between the hedging instrument and hedged item, as well as its risk management objectives and its strategy for undertaking hedging transactions. The relevant entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedge effectiveness requirements are met, including the relevant economic relationship, the effect of credit risk and the hedge ratio.

For qualifying cash flow hedges and hedges of net investments in foreign operations, the gain or loss on the hedging instrument associated with the effective portion of the hedge is accumulated in equity through other comprehensive income and is subsequently reclassified to profit or loss when the hedged item also affects profit or loss. For cash flow hedges, this is reflected in the cash flow hedge reserve; for hedges of net investments in foreign operations, this is reflected in the foreign currency translation reserve (refer to note 5.3.2). The gain or loss on any ineffective portion of the hedging instrument is recognised in profit or loss immediately.

Where the forward and currency basis components of a designated derivative do not form part of the designated hedge relationship, these components are accounted for at fair value through profit or loss unless a 'cost of hedging' election is made. Under this election, the fair value of these components at inception of the hedge are amortised through profit or loss over time periods relevant to the hedge, with other changes in their fair values after inception recognised in equity through other comprehensive income. This election can be made on a hedge-by-hedge basis and is reflected in the cost of hedging reserve (refer to note 5.3.2).

Hedge accounting is discontinued when the qualifying hedge no longer meets the criteria for hedge accounting, including when the risk management objective is no longer met or is no longer relevant; the hedging instrument expires or is sold, terminated or exercised; the hedged item matures, is sold or repaid; or a hedged forecast transaction is no longer considered highly probable. When a cash flow hedge is discontinued, any cumulative hedging gain or loss in equity at that time remains in equity and is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is a forecast transaction that is no longer considered highly probable, the cumulative gain or loss is immediately reclassified to profit or loss. When a hedge of a net investment in a foreign operation is discontinued, any cumulative hedging gain or loss at that time remains in equity and is only recycled to profit or loss on disposal of the foreign operation, forming part of the resulting gain or loss.

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6. TAX

Overview

Income tax expense or credit is the accounting tax outcome for the period and is calculated as the tax payable on the current period taxable income based on the applicable income tax rate for each jurisdiction, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses. The relationship between accounting profit or loss and income tax expense or credit is provided in the reconciliation of prima facie tax to income tax expense or credit (refer to note 6.1). Income tax expense does not equate to the amount of tax actually paid to tax authorities around the world, as it is based upon the accrual accounting concept.

Accounting income and expenses do not always have the same recognition pattern as taxable income and expenses, creating a timing difference as to when a tax expense or benefit can be recognised. These differences usually reverse over time but, until they do, a deferred tax asset or liability is recognised on the balance sheet. Note 6.2 details the composition and movements in deferred tax balances and the key management assumptions applied in recognising tax losses.

Details of franking credits available to shareholders are disclosed in note 5.4.

6.1 Reconciliation of prima facie tax to income tax expense or credit

	NOTE	2020 US$M	2019 US$M
(Loss) profit before income tax from continuing operations		**(1,472)**	672
Prima facie tax (credit) expense at 30%		**(442)**	202
Tax effect of non-temporary differences:			
Untaxed dividends		**(1)**	(8)
Differences in tax rates		**109**	(13)
Other, including non-allowable expenses and non-taxable income		**75**	18
Prima facie tax adjusted for non-temporary differences		**(259)**	199
Deferred tax assets de-recognised (re-recognised)		**278**	(64)
Underprovision (overprovision) in prior years		**20**	(31)
Income tax expense		**39**	104
Analysed as follows:			
Current tax		**59**	133
Deferred tax		**(20)**	(29)
		39	104
Deferred tax (credit) expense comprises:			
Deferred tax assets recognised in profit or loss relating to continuing operations	6.2.1	**(125)**	(58)
Deferred tax liabilities recognised in profit or loss relating to continuing operations	6.2.2	**105**	29
		(20)	(29)

How we account for the numbers

The current income tax credit or expense is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries in which controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, as appropriate.

Notes to the financial statements continued

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6. TAX

6.2 Deferred income tax

	NOTE	2020 US$M	2019 US$M
Deferred tax assets	6.2.1	**546**	479
Deferred tax liabilities	6.2.2	**51**	15

6.2.1 Deferred tax assets

	NOTE	2020 US$M	2019 US$M
Amounts recognised in profit or loss			
Financial assets – fair value movements		**4**	9
Provision for impairment		**14**	12
Employee benefits		**55**	58
Intangible assets		**161**	148
Insurance provisions		**696**	525
Tax losses recognised		**204**	271
Other		**136**	91
		1,270	1,114
Amounts recognised in other comprehensive income and equity			
Defined benefit plans		**32**	34
Other		**4**	2
		36	36
Deferred tax assets before set-off		**1,306**	1,150
Set-off of deferred tax liabilities	6.2.2	**(760)**	(671)
	6.2	**546**	479

Movements

	NOTE	2020 US$M	2019 US$M
At 1 January		**1,150**	1,074
Adjustment on adoption of AASB 16 *Leases*		**–**	5
Amounts recognised in profit or loss relating to continuing operations	6.1	**125**	58
Amounts recognised in other comprehensive income		**(1)**	2
Transfer from assets held for sale		**–**	9
Foreign exchange		**32**	2
At 31 December		**1,306**	1,150

Critical accounting judgements and estimates

Recoverability of deferred tax assets

QBE assesses the recoverability of deferred tax assets at each balance date. In making this assessment, QBE considers in particular each controlled entity's future business plans, history of generating taxable profits, whether the unused tax losses resulted from identifiable causes which are unlikely to recur and if any tax planning opportunities exist in the period in which the taxable losses can be utilised.

The recoverability assessment resulted in the de-recognition of North America tax group deferred tax assets of $120 million, reflecting updated estimates of future taxable profits consistent with QBE's reassessment of estimated future cash flows used for impairment testing of North American goodwill as discussed in note 7.2.1. The recognised deferred tax asset relating to the North America tax group of $295 million (2019 $415 million) comprises $117 million (2019 $254 million) of carry forward tax losses and $178 million (2019 $161 million) of deductible temporary differences, net of applicable offsetting deferred tax liabilities, as a result of insurance technical reserves and the tax deductibility of goodwill and other intangibles.

Uncertainty continues to exist in relation to the utilisation of this asset, which is subject to there being continued future taxable profits over the period of time in which the losses can be utilised. QBE has made a judgement that the North America tax group will be able to generate sufficient taxable profits over the foreseeable future, based upon its future business plans. Key assumptions include an expectation of future taxable profit driven by no material deterioration in the prior accident year central estimate, a sustained return to underwriting profitability, benefits flowing from initiatives to reduce the cost base of the division and future increases in investment yields. Losses expire over the next 20 years, with the majority expiring between 2031 and 2040. The uncertainty around the recognition of the deferred tax asset will be resolved in future years if taxable profits are generated. Recovery of the asset continues to be sensitive to changes in the combined operating ratio, premium growth and investment yield assumptions as these items are the key drivers of future taxable profits.

6.2.2 Deferred tax liabilities

	NOTE	2020 US$M	2019 US$M
Amounts recognised in profit or loss			
Intangible assets		**143**	142
Insurance provisions		**531**	441
Financial assets – fair value movements		**7**	13
Other provisions		**27**	12
Other		**92**	74
		800	682
Amounts recognised in other comprehensive income and equity			
Defined benefit plans		**11**	4
		11	4
Deferred tax liabilities before set-off		**811**	686
Set-off of deferred tax assets	6.2.1	**(760)**	(671)
	6.2	**51**	15

Movements

	NOTE	2020 US$M	2019 US$M
At 1 January		**686**	653
Amounts recognised in profit or loss relating to continuing operations	6.1	**105**	29
Amounts recognised in other comprehensive income		**6**	2
Foreign exchange		**14**	2
At 31 December		**811**	686

6. TAX

How we account for the numbers

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill or if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Controlled entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset in the consolidated financial statements when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

6.2.3 Tax losses

The Group has not brought to account $414 million (2019 $149 million) of tax losses, which includes the benefit arising from tax losses in overseas countries. $66 million of tax losses not brought to account have an indefinite life and the remaining $348 million expire in two to 20 years. The benefits of unused tax losses will only be brought to account when it is probable that they will be realised.

This benefit of tax losses will only be obtained if:

- the Group derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

6.2.4 Tax consolidation legislation

On adoption of the tax consolidation legislation, the Company and its wholly-owned Australian controlled entities entered into a tax sharing and tax funding agreement that requires the Australian entities to fully compensate the Company for current tax liabilities and to be fully compensated by the Company for any current tax or deferred tax assets in respect of tax losses arising from external transactions occurring after the date of implementation of the tax consolidation legislation. The contributions are allocated by reference to the notional taxable income of each Australian entity. The head entity is QBE Insurance Group Limited.

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7. GROUP STRUCTURE

Overview

This section provides information to help users understand the QBE Group structure, including the impact of changes in the financial year. This includes acquisitions and disposals of businesses, intangible assets acquired or developed and the results of impairment reviews.

7.1 Disposals and assets held for sale

7.1.1 Disposals – continuing operations

2020

During the year, QBE disposed of Southern Fire & Casualty Company and Unigard Insurance Company, resulting in a gain of $2 million.

A post-closing adjustment of $4 million loss was recognised in the current period in respect of prior period disposals, mainly in relation to North America's personal lines business.

2019

During 2019, the Group disposed of its insurance operations in Indonesia and the Philippines, the travel insurance and wool and livestock in transit insurance business in Australia, the Unigard Indemnity entity and remaining personal lines business in North America. These disposals resulted in an aggregate pre-tax loss of $8 million.

7.1.2 Discontinued operations

In 2019, operations in Latin America were classified as a discontinued operation and were disposed of prior to 2020. Summarised information relating to the 2019 results and cash flows from discontinued operations is disclosed below:

Loss from discontinued operations

	2019 US$M
Gain before income tax from discontinued operations	2
Income tax expense	–
Gain after income tax from discontinued operations	2
Loss on disposal	(23)
Loss after income tax from discontinued operations attributable to ordinary equity holders of the Company	(21)

LOSS PER SHARE FROM DISCONTINUED OPERATIONS ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	2019 US CENTS
Basic loss per share	(1.6)
Diluted loss per share	(1.6)

7. GROUP STRUCTURE

During the prior period, the Group disposed of its remaining discontinued Latin American operations in Colombia and Puerto Rico, information on which is set out in the table below:

	2019 US$M
Assets	
Cash, investments and other financial assets	169
Insurance assets	187
Current and deferred tax assets	17
Property, plant and equipment	4
Total assets	377
Liabilities	
Insurance liabilities	304
Current and deferred tax liabilities	1
Other liabilities	5
Total liabilities	310
Net assets at the dates of disposal	67
Proceeds received on disposal	54
Net loss on disposal before reclassification of foreign currency translation reserve	(13)
Reclassification of foreign currency translation reserve	(10)
Net loss on disposal after reclassification of foreign currency translation reserve included in the results of discontinued operations	(23)

Net cash flows from discontinued operations

	2019 US$M
Net movement in cash and cash equivalents from discontinued operations	(13)

7.2 Intangible assets

Overview

Intangible assets are assets with no physical substance. The most significant classes of intangible assets are detailed below:

Lloyd's syndicate capacity

The Lloyd's syndicate capacity intangible asset relates to the syndicate capacity acquired as part of the acquisition of QBE Underwriting Limited (formerly trading as Limit) in 2000 and costs incurred as a result of increasing capacity since that date. Syndicate capacity is the aggregate of the premium limits of each member of that syndicate at a point in time. An existing capital provider has the first right to participate on the next year of account, giving the indefinite right to participate on all future years of account. The Group has demonstrated a long-term commitment to developing its operations at Lloyd's. The value of this asset is in the access it gives to future underwriting profits at Lloyd's. For these reasons, Lloyd's syndicate capacity is deemed to have an indefinite useful life.

Customer relationships

Customer relationships comprise the capitalisation of future profits relating to insurance contracts acquired and the expected renewal of those contracts. It also includes the value of distribution networks and agency relationships. Customer relationships are amortised over remaining lives of up to five years depending on the classes of business to which the assets relate.

Brand names

These assets reflect the revenue generating ability of acquired brands. In some circumstances, brand names are considered to have an indefinite useful life due to the long-term nature of the asset.

Insurance licences

These assets give the Group the right to operate in certain geographic locations and to write certain classes of business with a potential to generate additional revenue. In some cases, these are considered to have an indefinite useful life due to their long-term nature; however, where there is a finite useful life, assets are amortised over the remaining period, up to 16 years.

Software

This includes both acquired and internally developed software which is not integral or closely related to an item of hardware such as an underwriting system. Capitalised software is amortised over periods of up to 10 years, reflecting the period during which the Group is expected to benefit from the use of the software.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired. Goodwill has an indefinite useful life and therefore is not subject to amortisation but is tested for impairment annually, or more often if there is an indication of impairment.

Notes to the financial statements continued

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7. GROUP STRUCTURE

	IDENTIFIABLE INTANGIBLES						GOODWILL	TOTAL
2020	LLOYD'S SYNDICATE CAPACITY US$M	CUSTOMER RELATION-SHIPS US$M	BRAND NAMES US$M	INSURANCE LICENCES US$M	SOFTWARE US$M	OTHER US$M	US$M	US$M
Cost								
At 1 January	**84**	**454**	**26**	**152**	**378**	**19**	**2,330**	**3,443**
Additions/reclassifications	**–**	**–**	**–**	**–**	**71**	**–**	**–**	**71**
Impairment – continuing operations	**–**	**(3)**	**–**	**(11)**	**(34)**	**–**	**(390)**	**(438)**
Disposals/transfers to assets held for sale	**–**	**–**	**–**	**(3)**	**(1)**	**–**	**–**	**(4)**
Foreign exchange	**3**	**4**	**1**	**10**	**28**	**–**	**167**	**213**
At 31 December	**87**	**455**	**27**	**148**	**442**	**19**	**2,107**	**3,285**
Amortisation								
At 1 January	**–**	**(388)**	**(21)**	**(70)**	**(155)**	**(18)**	**–**	**(652)**
Amortisation – continuing operations[1]	**–**	**(21)**	**–**	**(2)**	**(50)**	**(1)**	**–**	**(74)**
Foreign exchange	**–**	**(3)**	**(1)**	**(7)**	**(14)**	**–**	**–**	**(25)**
At 31 December	**–**	**(412)**	**(22)**	**(79)**	**(219)**	**(19)**	**–**	**(751)**
Carrying amount								
At 31 December	**87**	**43**	**5**	**69**	**223**	**–**	**2,107**	**2,534**

1 Amortisation of $46 million is included in underwriting expenses as it relates to intangible assets integral to the Group's underwriting activities.

	IDENTIFIABLE INTANGIBLES						GOODWILL	TOTAL
2019	LLOYD'S SYNDICATE CAPACITY US$M	CUSTOMER RELATION-SHIPS US$M	BRAND NAMES US$M	INSURANCE LICENSES US$M	SOFTWARE US$M	OTHER US$M	US$M	US$M
Cost								
At 1 January	81	564	26	41	292	16	2,333	3,353
Additions/reclassifications	–	(111)	–	111	83	1	–	84
Impairment reversal – continuing operations	–	–	–	–	6	–	–	6
Impairment – continuing operations	–	–	–	–	(2)	–	–	(2)
Disposals/transfer to assets held for sale	–	–	–	(2)	(4)	–	(2)	(8)
Foreign exchange	3	1	–	2	3	2	(1)	10
At 31 December	84	454	26	152	378	19	2,330	3,443
Amortisation								
At 1 January	–	(403)	(19)	–	(115)	(16)	–	(553)
Reclassifications	–	72	–	(72)	–	–	–	–
Amortisation – continuing operations[1]	–	(53)	–	–	(43)	(2)	–	(98)
Disposals/transfers to assets held for sale	–	–	–	3	3	–	–	6
Foreign exchange	–	(4)	(2)	(1)	–	–	–	(7)
At 31 December	–	(388)	(21)	(70)	(155)	(18)	–	(652)
Carrying amount								
At 31 December	84	66	5	82	223	1	2,330	2,791

1 Amortisation of $43 million is included in underwriting expenses as it relates to intangible assets integral to the Group's underwriting activities.

How we account for the numbers

Intangible assets are measured at cost less accumulated amortisation and impairment. Those with a finite useful life are amortised over their estimated useful life in accordance with the pattern of expected consumption of economic benefits, with amortisation expense reported in underwriting and other expenses or in amortisation and impairment of intangibles depending on the use of the asset. Intangible assets with an indefinite useful life are not subject to amortisation but are tested for impairment annually or more frequently if there are indicators of impairment. Intangible assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

7.2.1 Impairment testing of intangible assets

Overview

An intangible asset's recoverable value is the greater of its value in use and its fair value less cost to sell.

For intangible assets with a finite life, if there are indicators that the intangible asset's recoverable value has fallen below its carrying value (e.g. due to changing market conditions), an impairment test is performed and a loss is recognised for the amount by which the carrying value exceeds the asset's recoverable value.

Intangible assets that have an indefinite useful life, such as goodwill, are tested annually for impairment or more frequently where there is an indication that the carrying amount may not be recoverable.

Goodwill is allocated to cash-generating units, or groups of units, expected to benefit from synergies arising from the acquisition giving rise to the goodwill. Cash-generating units or groups of cash-generating units reflect the level at which goodwill is monitored for impairment by management. As the Group acquires or disposes of operations or reorganises the way that operations are managed, reporting structures may change, giving rise to a reassessment of cash-generating units and the allocation of goodwill to those cash-generating units.

The changes to the Group's operating segments described in note 1.3 have resulted in changes to the composition of the cash-generating units to which goodwill is allocated.

The goodwill relating to certain acquisitions is denominated in currencies other than the US dollar and so is subject to foreign exchange movements.

Goodwill is analysed by groups of cash-generating units as follows:

	2020 US$M	2019 US$M
North America	**358**	832
International	**546**	417
Australia Pacific	**1,203**	1,081
	2,107	2,330

Impairment losses

During 2020, $390 million of goodwill relating to North America was impaired. Further detail is provided below.

During 2020, capitalised software assets of $34 million were impaired following management's review for indicators of impairment in light of planned strategic changes to modernise the Group's technology state. Insurance licences and customer relationship assets were also impaired by $14 million in aggregate following a review of their recoverability in light of recent business performance.

During 2019, capitalised software assets of $2 million were impaired and $6 million of previous impairment was reversed.

7. GROUP STRUCTURE

How we account for the numbers

Impairment testing of identifiable intangible assets

The recoverable amount of each intangible asset with an indefinite useful life has been determined by reference to a value in use calculation based on the following key assumptions and estimates:

- Cash flow forecasts relevant to the initial valuation of the identifiable intangible asset are reviewed and updated (if appropriate) by management. Cash flow forecasts are based on a combination of actual performance to date and management's expectations of future performance based on prevailing and anticipated market factors.
- Discount rates that include a beta and a market risk premium sourced from observable market information and a specific risk premium appropriate to reflect the nature of the risk associated with the intangible asset or the cash-generating unit to which the asset is allocated.

Impairment testing of goodwill

The recoverable amount of each cash-generating unit or group of cash-generating units has been determined by reference to a value in use calculation based on the following key assumptions and estimates:

- Cash flow forecasts reflecting combined operating ratio and investment return assumptions that build from the latest three-year business plan. These forecasts cover a period of five years, with the final two years determined with reference to the terminal growth rates discussed below. The cash flow forecasts are based on a combination of historical performance and management's expectations of future performance based on prevailing and anticipated market factors and the benefit of committed cost saving measures.
- Terminal value is calculated using a perpetuity growth formula from the end of the cash flow forecast period. Growth rates reflect the long-term average growth rates of the countries relevant to the cash-generating unit or group of cash-generating units and are based on observable market information. The terminal growth rates used in management's impairment testing are: North America 2.3% (2019 2.5%), Australia Pacific 2.5% (2019 2.5%) and International 2.0% (2019 2.0%).
- Discount rates that reflect a beta and a market risk premium sourced from observable market information and a specific risk premium appropriate to reflect the nature of the business of each cash-generating unit or group of cash-generating units. The pre-tax discount rates used were: North America 9.8% (2019 10.9%), Australia Pacific 12.5% (2019 12.4%) and International 9.0% (2019 8.9%). The post-tax discount rates used were: North America 7.8% (2019 8.9%), Australia Pacific 9.1% (2019 8.8%) and International 7.3% (2019 7.4%).

Critical accounting judgements and estimates

The impairment test completed in respect of goodwill relating to North America resulted in an impairment of $390 million at the current balance date. QBE has reassessed the business plan and terminal value combined operating ratio assumption used in the impairment test, and has explicitly considered the impacts of COVID-19, as well as elevated catastrophe activity and crop losses that occurred in the second half of the year. The reassessment resulted in an increase to the terminal value combined operating ratio assumption (broadly aligned with the historical underlying financial performance of the business), and a reduction in the specific risk premium in the discount rate to account for the execution risk that is directly reflected in the updated combined operating ratio assumption. The updated assumptions are set out below.

After recognising the impairment, both the recoverable amount and carrying value of the North American cash-generating unit are $2,450 million, resulting in nil headroom (being the excess of recoverable value over carrying value) at the current balance date compared with headroom of $596 million at 31 December 2019. The valuation continues to be highly sensitive to a range of assumptions, in particular the forecast combined operating ratio used in the terminal value calculation, discount rate and long-term investment return. The impact of changes in these key assumptions is shown in the table below and each change has been calculated in isolation from other changes. In practice, this is considered unlikely to occur due to interrelationships between assumptions.

As previously noted, the structural and reporting changes associated with changes to the Group's operating segments have resulted in changes to the composition of cash-generating units to which North American goodwill is allocated. Excluding this change, impairment of goodwill relating to North America would have been $415 million.

KEY ASSUMPTION	ASSUMPTION %	SENSITIVITY %	IMPACT OF SENSITIVITY ON CARRYING VALUE OF GOODWILL
Terminal value combined operating ratio	98.5	+1	Impairment of $358 million
	(2019 95.8)	-1	Headroom of $491 million
Long-term investment return	3.75	+1	Headroom of $714 million
	(2019 4.17)	-1	Impairment of $358 million
Post-tax discount rate	7.8	+1	Impairment of $358 million
	(2019 8.9)	-1	Headroom of $654 million

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7. GROUP STRUCTURE

7.3 Controlled entities

Overview

This section lists the Group's controlled entities. The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company at 31 December 2020 and the results for the financial year then ended, or for the period during which control existed if the entity was acquired or disposed of during the financial year.

7.3.1 Controlled entities

	COUNTRY OF INCORPORATION/ FORMATION	EQUITY HOLDING 2020 %	EQUITY HOLDING 2019 %
Ultimate parent entity			
QBE Insurance Group Limited	Australia		
Controlled entities			
Anex Jenni & Partner SA (in the process of deregistration)	Switzerland	**100.00**	100.00
Austral Mercantile Collections Pty Limited	Australia	**100.00**	100.00
Australian Aviation Underwriting Pool Pty Limited	Australia	**100.00**	100.00
Burnett & Company, Inc.	United States	**100.00**	100.00
Elders Insurance (Underwriting Agency) Pty Limited	Australia	**80.00**	80.00
Equator Reinsurances Limited	Bermuda	**100.00**	100.00
General Casualty Company of Wisconsin	United States	**100.00**	100.00
General Casualty Insurance Company	United States	**100.00**	100.00
Greenhill BAIA Underwriting GmbH	Germany	**100.00**	100.00
Greenhill International Insurance Holdings Limited	United Kingdom	**100.00**	100.00
Greenhill Sturge Underwriting Limited	United Kingdom	**100.00**	100.00
Greenhill Underwriting Espana Limited	United Kingdom	**100.00**	100.00
Hoosier Insurance Company (merged with General Casualty Company of Wisconsin on 1 October 2020)	United States	**–**	100.00
Insurance Box Holdings Pty Limited (in the process of deregistration)	Australia	**100.00**	100.00
Insurance Box Pty Limited (in the process of deregistration)	Australia	**100.00**	100.00
Lifeco s.r.o.	Czech Republic	**100.00**	100.00
NAU Country Insurance Company	United States	**100.00**	100.00
North Pointe Insurance Company	United States	**100.00**	100.00
Praetorian Insurance Company	United States	**100.00**	100.00
QBE (PNG) Limited	PNG	**100.00**	100.00
QBE Administration Services, Inc.	United States	**100.00**	100.00
QBE Americas, Inc.	United States	**100.00**	100.00
QBE Asia Pacific Holdings Limited	Hong Kong	**100.00**	100.00
QBE Blue Ocean Re Limited	Bermuda	**100.00**	100.00
QBE Capital Funding III Limited	Jersey	**100.00**	100.00
QBE Capital Funding IV Limited	Jersey	**100.00**	100.00
QBE Corporate Limited	United Kingdom	**100.00**	100.00
QBE Emerging Markets Holdings Pty Limited	Australia	**100.00**	100.00
QBE Employee Share Trust[1]	Australia	**–**	–
QBE Europe Intermediary Services SAS	France	**100.00**	100.00
QBE Europe SA/NV	Belgium	**100.00**	100.00
QBE European Operations plc	United Kingdom	**100.00**	100.00
QBE European Services Limited	United Kingdom	**100.00**	100.00
QBE European Underwriting Services (Australia) Pty Limited	Australia	**100.00**	100.00
QBE Finance Holdings (EO) Limited	United Kingdom	**100.00**	100.00

	COUNTRY OF INCORPORATION/ FORMATION	EQUITY HOLDING 2020 %	EQUITY HOLDING 2019 %
QBE FIRST Enterprises, LLC	United States	**100.00**	100.00
QBE FIRST Property Tax Solutions, LLC	United States	**100.00**	100.00
QBE General Insurance (Hong Kong) Limited	Hong Kong	**100.00**	100.00
QBE Group Services Pty Ltd	Australia	**100.00**	100.00
QBE Group Shared Services Limited	United Kingdom	**100.00**	100.00
QBE Holdings (AAP) Pty Limited	Australia	**100.00**	100.00
QBE Holdings (EO) Limited	United Kingdom	**100.00**	100.00
QBE Holdings, Inc.	United States	**100.00**	100.00
QBE Hongkong & Shanghai Insurance Limited	Hong Kong	**100.00**	100.00
QBE Insurance (Australia) Limited	Australia	**100.00**	100.00
QBE Insurance (Fiji) Limited	Fiji	**100.00**	100.00
QBE Insurance (International) Pty Limited	Australia	**100.00**	100.00
QBE Insurance (Malaysia) Berhad	Malaysia	**100.00**	100.00
QBE Insurance (PNG) Limited	PNG	**100.00**	100.00
QBE Insurance (Singapore) Pte Ltd	Singapore	**100.00**	100.00
QBE Insurance (Vanuatu) Limited	Vanuatu	**100.00**	100.00
QBE Insurance (Vietnam) Company Limited	Vietnam	**100.00**	100.00
QBE Insurance Corporation	United States	**100.00**	100.00
QBE Insurance Holdings Pty Limited	Australia	**100.00**	100.00
QBE International Markets Pte Ltd	Singapore	**100.00**	100.00
QBE Investments (Australia) Pty Limited	Australia	**100.00**	100.00
QBE Investments (North America), Inc.	United States	**100.00**	100.00
QBE Irish Share Incentive Plan [1]	Ireland	**–**	–
QBE Latin America Insurance Holdings Pty Ltd	Australia	**100.00**	100.00
QBE Lenders' Mortgage Insurance Limited	Australia	**100.00**	100.00
QBE Management (Ireland) Limited	Ireland	**100.00**	100.00
QBE Management, Inc.	United States	**100.00**	100.00
QBE Management Services (Philippines) Pty Limited	Australia	**100.00**	100.00
QBE Management Services (UK) Limited	United Kingdom	**100.00**	100.00
QBE Management Services Pty Limited	Australia	**100.00**	100.00
QBE Mortgage Insurance (Asia) Limited	Hong Kong	**100.00**	100.00
QBE Partner Services (Europe) LLP	United Kingdom	**100.00**	100.00
QBE Regional Companies (N.A.), Inc.	United States	**100.00**	100.00
QBE Reinsurance Corporation	United States	**100.00**	100.00
QBE Reinsurance Services (Bermuda) Limited	Bermuda	**100.00**	100.00
QBE Services Inc	Canada	**100.00**	100.00
QBE SK s.r.o. (in the process of liquidation)	Slovakia	**100.00**	100.00
QBE Specialty Insurance Company	United States	**100.00**	100.00
QBE s.r.o.	Czech Republic	**100.00**	100.00
QBE Stonington Insurance Holdings Inc	United States	**100.00**	100.00
QBE Strategic Capital (Europe) Limited	United Kingdom	**100.00**	100.00
QBE Strategic Capital (International) Limited (incorporated 6 April 2020)	United Kingdom	**100.00**	–
QBE Strategic Capital Company Pty Limited	Australia	**100.00**	100.00
QBE UK Finance IV Limited	United Kingdom	**100.00**	100.00
QBE UK Limited	United Kingdom	**100.00**	100.00
QBE UK Share Incentive Plan [1]	United Kingdom	**–**	–
QBE Underwriting Limited	United Kingdom	**100.00**	100.00
QBE Underwriting Services (Ireland) Limited	Ireland	**100.00**	100.00
QBE Underwriting Services (UK) Limited	United Kingdom	**100.00**	100.00
QBE Ventures Pty Limited (incorporated 22 October 2020)	Australia	**100.00**	–
QBE Workers Compensation (NSW) Limited (dormant)	Australia	**100.00**	100.00
QBE Workers Compensation (VIC) Pty Limited (dormant)	Australia	**100.00**	100.00
Queensland Insurance (Investments) Pte Limited (previously Queensland Insurance (Investments) Limited)	Fiji	**100.00**	100.00

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2020

7. GROUP STRUCTURE

	COUNTRY OF INCORPORATION/ FORMATION	EQUITY HOLDING 2020 %	2019 %
Regent Insurance Company	United States	**100.00**	100.00
Ridgwell Fox & Partners (Underwriting Management) Limited (in the process of liquidation)	United Kingdom	**100.00**	100.00
Sinkaonamahasarn Company Limited[2]	Thailand	**49.00**	49.00
Southern Fire & Casualty Company (sold effective 1 November 2020)	United States	**–**	100.00
Southern National Risk Management Corporation	United States	**100.00**	100.00
Southern Pilot Insurance Company	United States	**100.00**	100.00
Standfast Corporate Underwriters Limited	United Kingdom	**100.00**	100.00
Stonington Insurance Company	United States	**100.00**	100.00
Trade Credit Collections Pty Limited	Australia	**100.00**	100.00
Trade Credit Underwriting Agency NZ Limited	NZ	**100.00**	100.00
Trade Credit Underwriting Agency Pty Limited	Australia	**100.00**	100.00
Unigard Insurance Company (sold effective 1 November 2020)	United States	**–**	100.00
Westwood Insurance Agency	United States	**100.00**	100.00

1 QBE Employee Share Trust, QBE Irish Share Incentive Plan and QBE United Kingdom Share Incentive Plan have been included in the consolidated financial statements as these entities are special purpose entities that exist for the benefit of the Group.

2 Although QBE has less than a 50% equity interest in Sinkaonamahasarn Company Limited, controlled entities have the right to acquire the remaining share capital.

All equity in controlled entities is held in the form of shares or through contractual arrangements.

How we account for the numbers

Controlled entities

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over it. All transactions between and with controlled entities are eliminated in full. Non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated statement of comprehensive income, balance sheet and statement of changes in equity.

Where control of an entity commences during a financial year, its results are included in the consolidated statement of comprehensive income from the date on which control is obtained. Where control of an entity ceases during a financial year, its results are included for that part of the year during which the control existed.

A change in ownership of a controlled entity without the gain or loss of control is accounted for as an equity transaction.

8. OTHER

Overview

This section includes other information that must be disclosed to comply with the Australian Accounting Standards or the *Corporations Act 2001*.

8.1 Other accounting policies

8.1.1 New accounting standards and amendments adopted by the Group

The Group adopted the following new or amended accounting standards from 1 January 2020:

TITLE	
Revised Conceptual Framework for Financial Reporting	
AASB 2019-5	*Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*
AASB 2018-6	*Amendments to Australian Accounting Standards – Definition of a Business*
AASB 2018-7	*Amendments to Australian Accounting Standards – Definition of Material*
AASB 2019-1	*Amendments to Australian Accounting Standards – References to the Conceptual Framework*
AASB 2019-3	*Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*

The adoption of these new or amended standards did not significantly impact the Group's accounting policies or financial statements.

8.1.2 New accounting standards and amendments issued but not yet effective

TITLE		OPERATIVE DATE
AASB 2020-8	*Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*	1 January 2021
AASB 2014-10	*Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2022
AASB 2020-1	*Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 January 2022
AASB 2020-3	*Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments*	1 January 2022
AASB 2020-4	*Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions*	1 January 2022
AASB 17	*Insurance Contracts*	1 January 2023

The Australian Accounting Standards and amendments detailed in the table above are not mandatory for the Group until the operative dates stated; however, early adoption is often permitted.

The Group currently plans to adopt the standards and amendments detailed above in the reporting periods beginning on their respective operative dates. An assessment of the financial impact of the standards and amendments has been undertaken and they are not expected to have a material impact on the Group's financial statements, except where noted below:

AASB 17 *Insurance Contracts*

AASB 17, a new accounting standard for insurance contracts, was adopted by the AASB in July 2017. In June 2020, the IASB issued Amendments to IFRS 17 which deferred the effective date from 1 January 2021 to 1 January 2023 and made significant amendments to the standard in response to feedback from, and implementation issues raised by, stakeholders. These amendments were adopted by the AASB in July 2020.

Given the broad scope of the recent amendments, complexity of the new requirements and lack of general consensus on the interpretation of key components of the standard, the impact of AASB 17 on the Group's financial statements is still being determined; however, significant presentation and disclosure changes and some impact on reported profit or loss are expected.

The standard introduces a new 'general model' for the recognition and measurement of insurance contracts, but permits the use of a simplified approach (which is similar to the current basis on which general insurance is brought to account under AASB 1023) if the liability for remaining coverage under the simplified approach is not expected to materially differ from the general model. QBE has completed a gap assessment and has determined that the simplified approach is expected to apply to more than 95% of the Group's business, based on the current business mix.

8. OTHER

QBE has considered the key areas of expected impact and plans to apply the following accounting policy choices permitted by AASB 17:

- **Acquisition costs:** For groups of contracts that apply the simplified approach and have a coverage period of one year or less, AASB 17 provides an option to recognise any insurance acquisition costs as expenses when incurred. QBE does not plan to apply this option and expects to amortise acquisition costs over the coverage period of the related insurance contracts.
- **Effect of previous interim reporting:** AASB 17 provides an option to change the treatment of accounting estimates made in previous interim financial statements when applying AASB 17 in the annual financial statements (i.e. a 'year-to-date basis'). QBE expects to apply this option and will measure accounting estimates on a year-to-date basis which is consistent with existing practice.

The areas of judgement applicable to measuring insurance contract liabilities under AASB 17 are expected to be broadly similar to those applicable when applying AASB 1023 and include the following, noting that there are differences in the way they are to be measured:

- **Discount rates:** AASB 1023 requires the net outstanding claims liability to be discounted using risk-free rates as described in note 2.3.4. Under AASB 17, QBE expects to apply a 'bottom-up approach' to determining discount rates used to discount insurance contract liabilities, which uses risk-free rates adjusted to reflect the liquidity characteristics of the insurance contracts.
- **Risk adjustment:** The risk adjustment under AASB 17 is conceptually similar to the risk margin under AASB 1023. Similar to AASB 1023, AASB 17 requires the disclosure of the confidence level that corresponds to the risk adjustment used in the measurement of insurance contract liabilities.
- **Onerous contracts:** AASB 17 requires the identification of 'groups' of onerous contracts which are expected to be determined at a more granular level of aggregation than the level at which the liability adequacy test is performed under AASB 1023.
- **Attribution of expenses:** The measurement of insurance contract liabilities under AASB 17 will include all cash flows that directly relate to the fulfilment of insurance contracts, including acquisition, claims settlement, policy administration and maintenance costs. It also includes other costs such as overheads which are currently recognised in 'Trade and other payables' on the balance sheet.

On transition to AASB 17, QBE expects to apply the new standard retrospectively to all insurance contracts except for certain contracts acquired in the past (e.g. as part of a business combination) that, at the time of acquisition, were considered past expiry and were in their claims settlement period. For these contracts, QBE expects to apply a modified retrospective approach under AASB 17 whereby the related liabilities are classified as liabilities for incurred claims, on the basis that it would be impracticable to treat these liabilities as related to unexpired coverage.

The requirements of AASB 17 are complex and the expectations noted above are subject to change as the project progresses and as the Group continues to analyse the impacts of the standard and recent amendments. Group-wide accounting guidance and application methodologies are being developed, and a global project team has been mobilised to progress the detailed design and implementation of required changes to financial reporting systems. Market developments also continue to be monitored in order to assess the impact of evolving interpretations and other changes.

8.2 Contingent liabilities

Overview

Contingent liabilities are disclosed when the possibility of a future settlement of economic benefits is considered to be less than probable but more likely than remote. If the expected settlement of the liability becomes probable, a provision is recognised.

QBE is required to support the underwriting activities of the Group's controlled entities including corporate members at Lloyd's. Funds at Lloyd's are those funds of the Group which are subject to the terms of the Lloyd's Deposit Trust Deed and are required to support underwriting for the following year and the open years of account, determined by a formula prescribed by Lloyd's each year. At the balance date, letters of credit and similar forms of support of $2,085 million (2019 $1,848 million) were in place in respect of the Group's participation in Lloyd's, along with cash and investments of $250 million (2019 $37 million). In addition, a controlled entity has entered into various trust and security deeds with Lloyd's in respect of assets lodged to support its underwriting activities. These deeds contain covenants that require the entity to meet financial obligations should they arise in relation to cash calls from syndicate participations. A cash call would be made first on the assets held in syndicate trust funds and would only call on funds at Lloyd's after syndicate resources were exhausted. Only if the level of these trust funds was not sufficient would a cash call result in a draw down on the letters of credit and other assets lodged with Lloyd's.

In the normal course of business, the Group is also exposed to contingent liabilities in relation to claims litigation and regulatory examinations arising out of its insurance and reinsurance activities. The Group may also be exposed to the possibility of contingent liabilities in relation to insurance and non-insurance litigation including but not limited to regulatory test cases and class actions, taxation and compliance matters, which may result in legal or regulatory penalties and financial or non-financial losses and other impacts. Entities in the Group may also provide guarantees to support representations in commercial transactions.

8.3 Offsetting financial assets and liabilities

The Group has $261 million receivable from and payable to (2019 nil) a single counterparty which are fully set off in the balance sheet in accordance with Australian Accounting Standards, on the basis that the Group intends to settle these on a net basis and has a legally enforceable right to do so.

8.4 Reconciliation of profit or loss after income tax to net cash flows from operating activities

Overview

AASB 1054 *Australian Additional Disclosures* requires a reconciliation of profit or loss after income tax to net cash flows from operating activities.

	2020 US$M	2019 US$M
(Loss) profit after income tax from continuing operations	**(1,511)**	568
Loss after income tax from discontinued operations	**–**	(21)
(Loss) profit after income tax	**(1,511)**	547
Adjustments for:		
Depreciation and impairment of property, plant and equipment	**40**	37
Amortisation of right-of-use lease assets	**68**	66
Amortisation/impairment of intangibles	**512**	94
Loss on sale of entities and businesses	**2**	8
Share of net loss of associates	**5**	3
Net foreign exchange losses	**29**	23
Fair value losses (gains) on financial assets	**206**	(492)
Share-based payments expense	**20**	38
Balance sheet movements:		
(Increase) decrease in trade debtors	**(433)**	616
Increase in net operating assets	**(142)**	(119)
Increase in trade payables	**378**	299
Increase in gross outstanding claims liability	**1,760**	637
Increase in unearned premium	**635**	185
Increase in deferred insurance costs	**(262)**	(245)
Increase in net defined benefit obligation	**1**	9
(Increase) decrease in net tax assets	**(74)**	73
Net cash flows from operating activities	**1,234**	1,779

8. OTHER

8.5 Share-based payments

Overview

Share-based payments are equity-based compensation schemes provided to employees and executives. The Company issues shares from time to time under an Employee Share and Option Plan (the Plan). Any full-time or part-time employee of the Group or any equally-owned joint venture who is offered shares or options is eligible to participate in the Plan.

8.5.1 Share schemes

A summary of deferred equity award plans is set out below:

PLAN	AVAILABLE TO:	NATURE OF AWARD	VESTING CONDITIONS
Executive Incentive Plan (EIP) (2017–2020)	Executives (before 1 Jan 2019) and other key senior employees	• 40%-50% delivered in cash (20% in the case of the Group CEO). • 50%-60% deferred as conditional rights[1] to fully paid ordinary QBE shares (80% in the case of the Group CEO).	The conditional rights are deferred in four equal tranches, such that 25% vests on each of the first, second, third and fourth anniversaries of the award. EIP outcomes are subject to the achievement of: • Group COR and cash ROE targets; • divisional COR targets in the case of divisional employees; and • individual performance objectives reflecting QBE's strategic priorities.
Short-term Incentive (STI) (2014–2020)	Executives and other key senior employees	• 67% delivered in cash (50% in the case of the Group CEO). • 33% deferred as conditional rights to fully paid ordinary QBE shares (50% in the case of the Group CEO).	The conditional rights are deferred in two equal tranches such that 50% vests on the first anniversary of the award and 50% vests on the second anniversary of the award. STI outcomes are subject to the achievement of: • Group COR and cash ROE targets; • divisional COR targets[2] in the case of divisional employees; and • individual performance objectives reflecting QBE's strategic priorities.
Long-term incentive (LTI) (2019–2020)	Executives	• Conditional rights to fully paid ordinary QBE shares.	On achievement of the performance measures at the end of a three-year performance period, conditional rights vest in three tranches as follows: • 33% at the end of the three-year performance period; • 33% on the first anniversary of the end of the performance period; and • 34% on the second anniversary of the end of the performance period. Vesting is subject to performance conditions as follows: • 50% of each tranche is subject to the achievement against a three-year average Group ROE performance target; and • 50% of each tranche is subject to the performance of the Group's relative total shareholder return, compared against two independent peer groups, over a three-year performance period.

1 For participants outside of Australia, the deferred component may be delivered in equal shares of conditional rights and cash.
2 Divisional return on allocated capital targets until 31 December 2016.

Additionally:

- plan rules provide suitable discretion for the People & Remuneration Committee to adjust any formulaic outcome to ensure that awards made under the EIP, STI and LTI appropriately reflect performance;
- during the period from the grant date to the vesting date, further conditional rights are issued under the Bonus Share Plan to reflect dividends paid on ordinary shares of the Company. These conditional rights are subject to the same vesting conditions as the original grant of conditional rights;
- recipients must remain in the Group's service throughout the service period in order for the awards to vest, except in cases where good leaver provisions apply. Vesting is also subject to malus provisions;

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- under good leaver provisions (e.g. retirement, redundancy, ill health, injury or mutually agreed separation), a pro-rata amount of conditional rights remains subject to the performance and vesting conditions; and
- once vested, conditional rights can be exercised for no consideration.

8.5.2 Conditional rights

Details of the number of employee entitlements to conditional rights to ordinary shares granted, vested and transferred to employees during the year are as follows:

	2020 NUMBER OF RIGHTS	2019 NUMBER OF RIGHTS
At 1 January	**13,484,807**	12,630,099
Granted	**3,999,178**	7,220,150
Dividends attaching	**357,956**	408,101
Vested and transferred to employees	**(2,827,980)**	(4,994,517)
Forfeited	**(1,766,721)**	(1,779,026)
At 31 December	**13,247,240**	13,484,807
Weighted average share price at date of vesting of conditional rights during the year	**A$13.10**	A$12.45
Weighted average fair value of conditional rights granted during the year	**A$12.35**	A$11.93

8.5.3 Fair value of conditional rights

The fair value of conditional rights granted during the year was determined using the following significant assumptions:

		2020	2019
Five-day volume weighted average price of instrument at grant date	A$	**7.49–14.91**	11.88–12.77
Expected volatility	%	**21–24**	21–22
Risk-free rate	%	**0.18–0.68**	0.67–1.79
Expected life of instrument	Years	**0.1–5.0**	0.1–5.0

The fair value is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. Some of the assumptions used may be based on historical data which is not necessarily indicative of future trends. Reasonable changes in these assumptions would not have a material impact on the Group's financial statements.

8.5.4 Employee options

The market value of all shares underlying the options at the balance date is A$0.1 million (2019 A$0.2 million). During 2020, no options were cancelled or forfeited. At 31 December 2020, 17,000 remained (excluding notional dividends). The options were issued to employees in 2004 in lieu of shares under the Plan. The options vested immediately and are exercisable until March 2024.

8.5.5 Share-based payment expense

Total expenses arising from share-based payment awards under the Plan amounted to $20 million (2019 $38 million). These amounts are included in underwriting and other expenses.

8.5.6 Shares purchased on-market

The Group may purchase shares on-market to satisfy entitlements under employee share schemes. The Group acquired 0.2 million (2019 four million) such shares during the period at an average price of A$13.18 (2019 A$12.14).

How we account for the numbers

The fair value of the employee services received in exchange for the grant of equity-settled instruments is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the instruments granted, excluding the impact of any non-market vesting conditions. The impacts of non-market vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable.

The fair value of each instrument is recognised evenly over the service period ending at the vesting date; however, at each balance date, the Group revises its estimates of the number of instruments that are expected to become exercisable due to the achievement of non-market vesting conditions. The Group recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity.

8. OTHER

8.6 Key management personnel

Overview

AASB 124 *Related Party Disclosures* requires disclosure of the compensation of directors (executive and non-executive) and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. This group is collectively defined as key management personnel. Additional details in respect of key management personnel and their remuneration are shown in the Remuneration Report.

	2020 US$000	2019 US$000
Short-term employee benefits	**10,060**	15,565
Post-employment benefits	**162**	167
Other long-term employment benefits	**38**	122
Share-based payments	**2,793**	7,617
Termination benefits	**622**	1,383
	13,675	24,854

How we account for the numbers

Short-term employee benefits – profit sharing and bonus plans

A provision is recognised for profit sharing and bonus plans where there is a contractual obligation or where past practice has created a constructive obligation at the end of each reporting period. Bonus or profit sharing obligations are settled within 12 months from the balance date.

Post-employment benefits – defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays a fixed contribution into a fund during the course of employment and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans are expensed as incurred.

Other long-term employee employment benefits

The liabilities for long service leave and annual leave are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using high quality corporate bond yields with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the date when the Group:

- can no longer withdraw the offer of those benefits; and
- recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

8.7 Defined benefit plans

Overview

Defined benefit plans are post-employment plans which provide benefits to employees on retirement, disability or death. The benefits are based on years of service and an average salary calculation. Contributions are made to cover the current cash outflows from the plans and a liability is recorded to recognise the estimated accrued but not yet funded obligations.

		FAIR VALUE OF PLAN ASSETS		PRESENT VALUE OF PLAN OBLIGATIONS		NET RECOGNISED SURPLUSES (DEFICITS)	
	DATE OF LAST ACTUARIAL ASSESSMENT	2020 US$M	2019 US$M	2020 US$M	2019 US$M	2020 US$M	2019 US$M
Defined benefit plan surpluses							
Iron Trades Insurance staff trust	31 Dec 2020	**363**	330	**(299)**	(285)	**64**	45
Defined benefit plan deficits							
Janson Green final salary superannuation scheme[1]	31 Dec 2020	**209**	186	**(208)**	(202)	**1**	(16)
QBE the Americas plan[1]	31 Dec 2020	**258**	248	**(259)**	(255)	**(1)**	(7)
Other plans[2]	31 Dec 2020	**44**	41	**(65)**	(60)	**(21)**	(19)
		511	475	**(532)**	(517)	**(21)**	(42)

1 Defined benefit plan obligations are funded.
2 Other plans includes $12 million (2019 $12 million) of defined benefit post-employment plan obligations that are not funded.

The measurement of assets and liabilities in defined benefit plans makes it necessary to use assumptions about discount rates, expected future salary increases, investment returns, inflation and life expectancy. If actual outcomes differ materially from actuarial assumptions, this could result in a significant change in employee benefit expense recognised in profit or loss or in actuarial remeasurements recognised in other comprehensive income, together with the defined benefit assets and liabilities recognised in the balance sheet.

The Group does not control the investment strategies of defined benefit plans; they are managed by independent trustees. Nonetheless, the Group has agreed, as part of ongoing funding arrangements, that the trustees should manage their strategic asset allocation in order to minimise the risk of material adverse impact. In particular, the Group has agreed with the trustees to reduce the level of investment risk by investing in assets that match, where possible, the profile of the liabilities. This involves holding a mixture of government and corporate bonds. The Group believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is also appropriate.

The charge recognised in profit or loss in the year of $3 million (2019 $2 million) is included in underwriting expenses. Total employer contributions expected to be paid to the various plans in 2021 amount to $1 million.

How we account for the numbers

The surplus or deficit recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have a term to maturity approximating the term of the related superannuation liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, and are recognised in other comprehensive income. Past service costs are recognised immediately in profit or loss.

8. OTHER

8.8 Remuneration of auditors

Overview

QBE may engage the external auditor for non-audit services other than excluded services subject to the general principle that fees for non-audit services should not exceed 50% of all fees paid to the external auditor in any one financial year. The Board believes some non-audit services are appropriate given the external auditor's knowledge of the Group. External tax services are generally provided by an accounting firm other than the external auditor. Consistent with prior periods, the external auditor cannot provide the excluded services of preparing accounting records or financial reports or acting in a management capacity.

	2020 US$000	2019 US$000
PricewaterhouseCoopers (PwC) Australian firm		
Audit or review of financial reports of the ultimate parent entity	**1,868**	1,694
Audit of financial reports of controlled entities	**1,805**	1,895
Audit of statutory returns	**483**	533
Other assurance services	**920**	194
Taxation services	**32**	39
Advisory services	**505**	214
	5,613	4,569
Related practices of PwC Australian firm (including overseas PwC firms)		
Audit of financial reports of controlled entities	**9,654**	8,831
Audit of statutory returns	**2,824**	2,747
Other assurance services	**130**	72
Taxation services	**74**	240
Advisory services	**102**	839
	12,784	12,729
	18,397	17,298
Audit and assurance services	**17,684**	15,966
Other services	**713**	1,332
	18,397	17,298
Other auditors		
Audit of financial reports of controlled entities	**15**	44

8.9 Ultimate parent entity information

Overview

The *Corporations Act 2001* requires the disclosure of summarised financial information relating to the ultimate parent entity, QBE Insurance Group Limited.

8.9.1 Summarised financial data of QBE Insurance Group Limited (the Company)

	2020 US$M	2019 US$M
(Loss) profit after income tax	**(78)**	343
Other comprehensive loss	**(1,011)**	(13)
Total comprehensive income (loss)	**(1,089)**	330
Assets due within 12 months[1]	**1,366**	700
Shares in controlled entities	**14,860**	12,993
Total assets	**16,226**	13,693
Liabilities payable within 12 months[2]	**504**	714
Borrowings	**3,016**	2,897
Total liabilities	**3,520**	3,611
Net assets	**12,706**	10,082
Share capital	**10,273**	7,594
Treasury shares held in trust	**(1)**	(1)
Foreign currency translation reserve	**116**	113
Other reserves	**315**	6
Retained profits	**2,003**	2,370
Total equity	**12,706**	10,082

1 Includes amounts due from QBE companies of $977 million (2019 $306 million).
2 Includes amounts due to QBE companies of $255 million (2019 $676 million).

8.9.2 Guarantees and contingent liabilities

	2020 US$M	2019 US$M
Support of the Group's participation in Lloyd's	**2,085**	1,848
Support of other insurance operations of controlled entities	**2,187**	2,491
Guarantees to investors in subordinated debt[1]	**1,443**	1,429

1 Excludes subordinated debt owned by the ultimate parent entity.

8.9.3 Tax consolidation legislation

The accounting in relation to the legislation is set out in note 6.2.4. On adoption of the tax consolidation legislation, the directors of the Company and its wholly-owned Australian controlled entities entered into a tax sharing and tax funding agreement that requires the Australian entities to fully compensate the Company for current tax liabilities and to be fully compensated by the Company for any current tax or deferred tax assets in respect of tax losses arising from external transactions occurring after the date of implementation of the tax consolidation legislation. The contributions are allocated by reference to the notional taxable income of each Australian entity.

Details of franking credits available to shareholders are shown in note 5.4.

How we account for the numbers

The financial information of the ultimate parent entity of the Group has been prepared on the same basis as the consolidated financial report except for shares in controlled entities, which are recorded at cost less any provision for impairment.

Directors' declaration

FOR THE YEAR ENDED 31 DECEMBER 2020

In the directors' opinion:

(a) the financial statements and notes set out on pages 80 to 155 are in accordance with the *Corporations Act 2001*, including:
  (i) complying with accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  (ii) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1.2.1 confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Interim Group Chief Executive Officer and Group Chief Financial Officer required by section 295A of the *Corporations Act 2001* and as recommended under the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Signed in Sydney this 19th day of February 2021 in accordance with a resolution of the directors.

Michael Wilkins AO
Director

John M Green
Director

Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

Report on the audit of the Financial Report

Our opinion

In our opinion:

The accompanying Financial Report of QBE Insurance Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group Financial Report comprises:

- the consolidated balance sheet as at 31 December 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
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Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Independent auditor's report

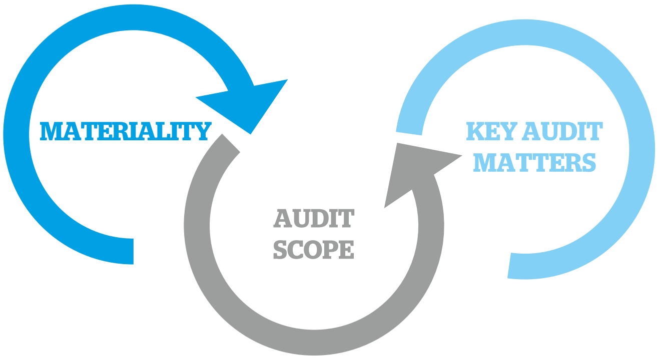
TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

pwc

Our audit approach

An audit is designed to provide reasonable assurance about whether the Financial Report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of US$57.8 million, which represents approximately 0.5% of the Group's net earned premium.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the Financial Report as a whole.
- We chose Group net earned premium because, in our view, it is a key financial statement metric used in assessing the performance of the Group and is not as volatile as other profit or loss measures.
- We utilised a 0.5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We conducted an audit of the most financially significant components, being the Australia Pacific, International and North America divisions. In addition, we performed specified risk focused audit procedures in relation to the captive reinsurer, Equator Re, and other head office entities. Further audit procedures were performed over the consolidation process.
- We determined the level of involvement we needed to have in the audit work performed by component auditors to be satisfied that sufficient audit evidence had been obtained for the purposes of our opinion.
- We kept in regular communication with component auditors throughout the year with conference calls and written instructions.
- We also ensured that our team, including the component auditors across the Group, possessed the appropriate skills and competencies needed for the audit of a complex global insurer. This included industry expertise as well as specialists and experts in IT, actuarial, tax and valuations.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report for the current period. The key audit matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit Committee.

Key audit matter	How our audit addressed the key audit matter
Valuation of net outstanding claims liability **(Refer to note 2.3) US$17,334 million** The liability for outstanding claims relates to claims incurred during the year or prior periods, net of any reinsurance recoveries. The liability for outstanding claims is estimated by the Group as a central estimate but, as is the case with any accounting estimate, there is a risk that the ultimate claims paid will differ from the initial estimate. A risk margin is therefore applied by the Group to reflect the uncertainty in the estimate. The central estimate and risk margin combined, which are estimated based on judgements and actuarial expertise, are intended to achieve a probability of adequacy within the Group's desired range of 87.5% - 92.5%, being the estimated overall sufficiency of reserves to pay future claims. We considered the valuation of net outstanding claims liability a key audit matter due to: • The significant judgement required by the Group and the inherent uncertainty in estimating the expected future payments for claims incurred, including those not yet reported. • The uncertainty related to catastrophe events, particularly those occurring closer to year end, and in relation to classes of business where there is a greater length of time between the initial claim event and settlement, because of the inherent difficulty in assessing amounts until further evidence is available. • The uncertainty created by the COVID-19 pandemic on particular classes of business including property business interruption, credit exposed lines and certain long-tail classes that may experience heightened claims activity due to increased risk from economic impacts and other factors. • Models used to calculate the net outstanding claims liability across the Group are complex and judgement is applied in determining the appropriate construct of the models. • The higher degree of auditor subjectivity and effort in performing procedures and evaluating audit evidence related to significant assumptions, particularly patterns of claims incidence, reporting and payment. • The audit effort required the use of experts with specialised skills and knowledge.	Together with PwC actuarial experts, our procedures included: **Gross discounted central estimate** • Evaluating the design of the Group's relevant controls over the claims reserving process and assessing whether a sample of these controls operated effectively throughout the year. • Evaluating whether the Group's actuarial methodologies were consistent with recognised practices and with prior periods. • Evaluating the appropriateness and reliability of data used to derive the central estimate, including testing a sample of case estimates and settlements by agreeing to underlying documentation. • Assessing the reasonableness of significant actuarial assumptions such as patterns of claims incidence, reporting and payment, focusing on those classes of business which present a higher risk and in particular those impacted by the COVID-19 pandemic. We assessed these assumptions by comparing them with our expectations based on the Group's experience, current trends and benchmarks, and our own industry knowledge. • Testing the discount assumptions applied through evaluating the yield curves and claims payment patterns. This included comparing the rates applied to external market data and the payment patterns to historical information. **Reinsurance and recoveries** • Evaluating a sample of reinsurance recoveries held by divisions and the Group against underlying contracts to assess the existence of cover and appropriateness of their recognition, including inspecting relevant legal advice obtained by the Group. • Assessing the recoverability of the reinsurance recoveries by considering the payment history and credit worthiness of reinsurer counterparties for a sample of reinsurance recoveries.

Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

Key audit matter	How our audit addressed the key audit matter
	Risk margin and probability of adequacy • Assessing the Group's approach to setting the risk margin in accordance with the requirements of Australian Accounting Standards, with a focus on the assessed level of uncertainty in the net central estimate leading to a change in the margin year on year. • Considering the Group's key judgements about the variability of each class of business underwritten and the extent of correlation within each division based on the Group's experience and prior periods. • Evaluating the Group's actuarial calculation of the probability of adequacy for reasonableness and consistency with previous valuations. This included developing an understanding of and testing the actuarial techniques applied by the Group and comparing the results with industry approach. We also considered the reasonableness of the Group's disclosures against the requirements of Australian Accounting Standards.
Carrying value of goodwill **(Refer to note 7.2.1) US$2,107 million** An impairment assessment is performed annually by the Group, or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired. Potential impairment is identified by comparing the value-in-use of a cash-generating unit (CGU) to its carrying value, including goodwill. The value-in-use for each of the CGUs is estimated by the Group using a discounted cash flow model which includes significant judgements and assumptions relating to cash flow projections, investment returns, terminal growth rates, and discount rates. The impairment test for the North America CGU resulted in an impairment charge of US$390 million for the Group. We considered the carrying value of goodwill a key audit matter due to: • The inherent estimation uncertainty and subjectivity in judgements in a number of assumptions, including cash flow projections, investment returns, terminal growth rates and discount rates. • Models used to calculate value-in-use are complex and judgement is applied in determining the appropriate construct of the models. • The higher degree of auditor subjectivity and effort in performing procedures and evaluating audit evidence related to significant assumptions, particularly cash flow projections. • The audit effort required the use of experts with specialised skills and knowledge.	Our procedures included: • Evaluating the determination and composition of the CGUs to which goodwill is allocated. • Evaluating the appropriateness of the value-in-use methodology based on the requirements of Australian Accounting Standards. • Developing an understanding of the process by which the cash flow projections were developed and comparing the cash flows included in the impairment assessment with the three year business plan presented to the Board. • Evaluating the reasonableness of significant assumptions used to derive the cash flow projections, with a particular focus on the impact of the COVID-19 pandemic, by comparing to external market and industry data where available, and current and past performance of the CGUs. • Together with PwC valuation experts, we: – Assessed the consistency of the terminal growth rates and investment returns with available external information. – Reperformed the calculation of the discount rates applied to cash flow projections, comparing key inputs (including risk-free-rate, market premium and unlevered beta) to industry or other benchmarks. • Testing the mathematical accuracy of the models which were used to determine the value-in-use of the CGUs. We also considered the reasonableness of the Group's disclosures against the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter

Recoverability of deferred tax assets in the North America tax group
(Refer to note 6.2.1) US$295 million

The Group holds deferred tax assets comprised of carry forward tax losses and deductible temporary differences related to the North America tax group.

The Group performs a recoverability assessment at each balance date in order to evaluate the expected utilisation of the deferred tax assets. The assessment is largely dependent upon the future profitability of the North America CGU, as well as the period over which tax losses will be available for recovery, and the execution of any future tax planning strategies. The recoverability assessment resulted in a write down of the deferred tax assets of US$120 million for the Group.

We considered the recoverability of the deferred tax assets in the North America tax group a key audit matter due to:

- The inherent estimation uncertainty and subjectivity in judgements in a number of assumptions, including cash flow projections, investment returns, and terminal growth rates.
- The higher degree of auditor subjectivity and effort in performing procedures and evaluating audit evidence related to significant assumptions, particularly cash flow projections.

Our procedures included:

- Evaluating the reasonableness of the deferred tax assets recoverability assessment based on the requirements of Australian Accounting Standards with consideration of the “convincing other evidence” test under AASB 112 *Income Taxes*.
- Evaluating the reasonableness of significant assumptions used to derive the cash flow projections, with a particular focus on the impact of the COVID-19 pandemic, by comparing with external market and industry data where available, and current and past performance of the North America CGU.
- Comparing cash flow projections and other assumptions used in the deferred tax assets recoverability assessment to those used for the goodwill impairment assessment for the North America CGU.
- Testing the mathematical accuracy of the model which was used to determine the recoverability of the deferred tax assets.

We also considered the reasonableness of the Group’s disclosures against the requirements of Australian Accounting Standards.

Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

Key audit matter	How our audit addressed the key audit matter
Valuation of level 3 investments **(Refer to note 3.2.1) US$2,285 million** The Group held US$26,935 million of investments at 31 December 2020, of which US$2,285 million were classified as level 3 in accordance with AASB 13 *Fair Value Measurement*. The Group exercises judgement in valuing level 3 investments as there are significant unobservable inputs as a result of market illiquidity or instrument complexity. The level 3 investments held at fair value largely consist of infrastructure assets and debt, unlisted property trusts and private equity. We considered the valuation of level 3 investments a key audit matter due to: • The extent of judgement involved in determining the fair value of investments as a result of significant unobservable market inputs. • The level of effort required in evaluating audit evidence obtained in relation to the valuation, and use of experts with specialised skills and knowledge.	Our procedures included: • Evaluating the design of the Group's relevant controls over the investments process and assessing whether a sample of these controls operated effectively throughout the year. • Evaluating the appropriateness of the valuation methodologies used against the requirements of Australian Accounting Standards. • For infrastructure debt, we compared the Group's calculation of fair value with our own calculation. Together with PwC valuation experts, this included sourcing independent inputs from market data providers and using our own valuation models. • For infrastructure assets and unlisted property trusts where the Group determines the fair value with reference to external information, we: – Compared the price used by the Group to the 31 December 2020 price quoted by the fund manager. – Obtained the most recent audited financial statements of the relevant funds and evaluated the reliability and accuracy of past statements. – Inspected the most recent reports provided by the fund manager setting out the controls in place at the fund manager, and that included an independent audit opinion over the design and operating effectiveness of those controls, where available. • For private equity, together with PwC valuation experts, we assessed the appropriateness of the methodology and key inputs used in the valuation model with reference to external information, where available. We also considered the reasonableness of the Group's disclosures against the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Operation of IT systems and controls The Group's operations and financial reporting systems are heavily dependent on IT systems, including automated accounting procedures and IT dependent manual controls. The Group's controls over IT systems include: • The framework of governance over IT systems. • Controls over program development and changes. • Controls over access to programs, data and IT operations. • Governance over generic and privileged user accounts. We considered this a key audit matter given the reliance on the IT systems in the financial reporting process and the impact on relevant controls we seek to rely on as part of our audit.	Our procedures included: • Evaluating the design, and testing the operating effectiveness, of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. Where we identified design and operating effectiveness issues relating to IT systems or application controls relevant to our audit, we performed alternative audit procedures. • Assessing the operation of key applications to establish the accuracy of selected calculations, the correct generation of certain reports, and to evaluate the correct operation of selected automated controls and technology-dependent manual controls. • Where technology services were provided by a third party, we considered assurance reports from the third party's auditor on the design and operating effectiveness of controls.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 31 December 2020, but does not include the Financial Report and our auditor's report thereon.

Our opinion on the Financial Report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the Financial Report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

Report on the Remuneration Report

Our opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 54 to 76 of the Directors' Report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of QBE Insurance Group Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

V. Papageorgiou

Voula Papageorgiou
Partner

Sydney
19 February 2021

Shareholder information

The Company was incorporated in Australia, is listed on the Australian Securities Exchange (ASX) and trades under the code 'QBE'.

Registered office

QBE Insurance Group Limited
Level 27, 8 Chifley Square
Sydney NSW 2000 Australia

Telephone: +61 2 9375 4444
Facsimile: +61 2 9231 6104

Website: www.qbe.com

QBE website

QBE's website provides investors with information about QBE including annual reports, corporate governance statements, sustainability reports, half yearly reports and announcements to the ASX. The website also offers regular QBE share price updates, a calendar of events, a history of QBE's dividend and online access to your shareholding details via the share registry.

Shareholder information and enquiries

Enquiries and correspondence regarding shareholdings can be directed to QBE's share registry:

Computershare Investor Services Pty Limited (Computershare)
GPO Box 2975
Melbourne VIC 3001 Australia

452 Johnston Street
Abbotsford VIC 3067 Australia

Telephone: 1300 723 487 (Australia)
Telephone: +61 3 9415 4840 (International)

Website: www.computershare.com.au
Email: qbe.queries@computershare.com.au

For security purposes, you will need to quote your Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

If you are broker (CHESS) sponsored, queries relating to incorrect registrations and changes to name and/or address can only be processed by your stockbroker. Please contact your stockbroker. Computershare cannot assist you with these changes.

Shareholding details online

Manage your shareholding online by visiting QBE's share registry, Computershare. Log onto www.investorcentre.com to view your holding balance and dividend statements, to update your address (if you are registered with an SRN) or direct credit instructions, provide DRP or BSP instructions or change/add your TFN/ABN details.

You may also register to receive shareholder documentation electronically including your dividend statement, notice of meeting and proxy and annual reports.

Privacy legislation

Chapter 2C of the *Corporations Act 2001* requires information about you as a security holder (including your name, address and details of the securities you hold) to be included in QBE's share register. These details must continue to be included in the public register even if you cease to be a security holder. A copy of the privacy policy is available on Computershare's website.

Dividends

QBE pays cash dividends to shareholders resident in Australia and New Zealand by direct credit. Shareholders in the United Kingdom and the United States also have the option to receive their cash dividends by direct credit, although it is not mandatory. The benefit to shareholders of the direct credit facility is access to cleared funds quickly and securely, reducing the risk of cheques being lost or stolen. Shareholders in other countries will receive cheque payments in Australian dollars if they have not elected to receive their payment by direct credit. Shareholders receive a dividend statement for tax records, either by post or by email depending on the selected communications option.

Eligible shareholders can participate in QBE's Dividend Reinvestment Plan (DRP) and Bonus Share Plan (BSP) when the plans are active. The DRP enables shareholders to subscribe for additional shares. The BSP is a bonus share plan whereby the dividend entitlement is forgone for bonus shares in lieu of the dividend. In order to participate in either the DRP or BSP, shareholders must have a minimum shareholding of 100 shares and have a registered address in Australia or New Zealand.

Participants may change their election to participate in the DRP and BSP at any time. DRP/BSP election cut-off dates and application forms are available from QBE's website.

Tax File Number (TFN), Australian Business Number (ABN) or exemption – Australian residents

You can confirm whether you have lodged your TFN, ABN or exemption by visiting Computershare's Investor Centre. If you choose not to lodge these details, QBE is obliged to deduct tax at the highest marginal rate (plus the Medicare levy) from the unfranked portion of dividends paid. Australian shareholders living abroad should advise Computershare of their resident status.

Shareholder information continued

Conduit foreign income (CFI)

Shareholders will receive CFI credits in respect of the whole unfranked portion of QBE dividends. These credits exempt non-resident shareholders from Australian withholding tax.

Unpresented cheques/unclaimed money

Under the Unclaimed Moneys Act, unclaimed dividends six or more years old must be given to the ACT Public Trustee. It is very important that shareholders bank outstanding dividend cheques promptly and advise Computershare immediately of changes of address or bank account details.

Recent QBE dividends

DATE PAID	TYPE	RECORD DATE	AUSTRALIAN CENTS PER SHARE	FRANKING %
28 March 2013	Final	8 March 2013	10	100
23 September 2013	Interim	2 September 2013	20	100
31 March 2014	Final	13 March 2014	12	100
23 September 2014	Interim	29 August 2014	15	100
13 April 2015	Final	6 March 2015	22	100
2 October 2015	Interim	28 August 2015	20	100
14 April 2016	Final	11 March 2016	30	100
28 September 2016	Interim	26 August 2016	21	50
13 April 2017	Final	10 March 2017	33	50
29 September 2017	Interim	25 August 2017	22	30
20 April 2018	Final	9 March 2018	4	30
5 October 2018	Interim	24 August 2018	22	30
18 April 2019	Final	8 March 2019	28	60
4 October 2019	Interim	23 August 2019	25	60
9 April 2020	Final	6 March 2020	27	30
25 September 2020	Interim	21 August 2020	4	10

Annual General Meeting

The Annual General Meeting of QBE Insurance Group Limited will be held at 10.00am on Wednesday, 5 May 2021. Details of the meeting, including information about how to vote, will be contained in our notice of meeting.

Annual Report mailing list

Amendments to the *Corporations Act 2001* have removed the obligation for companies to mail an annual report to shareholders. To improve efficiency, save costs and reduce our impact on the environment by minimising unnecessary use of paper and printing resources, QBE's Annual Report is published on our website at www.qbe.com.

If you wish to receive a hard copy of the Annual Report, please update your communication preferences by logging into your shareholding at www.investorcentre.com.

1 Performance overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Other information

Top 20 shareholders as at 31 January 2021

NAME	NUMBER OF SHARES	% OF TOTAL
HSBC Custody Nominees (Australia) Limited	542,951,951	36.91
J P Morgan Nominees Australia Pty Limited	391,112,577	26.59
Citicorp Nominees Pty Limited	130,417,753	8.87
National Nominees Limited	85,930,616	5.84
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	26,302,354	1.79
BNP Paribas Noms Pty Ltd (DRP)	24,179,078	1.64
HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	12,126,122	0.82
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	9,632,116	0.65
HSBC Custody Nominees (Australia) Limited – A/C 2	9,162,864	0.62
HSBC Custody Nominees (Australia) Limited – GSCO ECA	8,503,525	0.58
Argo Investments Limited	7,790,088	0.53
CPU Share Plans Pty Ltd (QBE Ves Control A/C)	3,573,668	0.24
Netwealth Investments Limited (Wrap Services A/C)	2,542,190	0.17
AMP Life Limited	2,173,624	0.15
Mutual Trust Pty Ltd	1,813,771	0.12
The Senior Master Of The Supreme Court (Common Fund No 3 A/C)	1,412,939	0.10
Navigator Australia Ltd (MLC Investment Sett A/C)	1,164,153	0.08
Nulis Nominees (Australia) Limited (Navigator Mast Plan Sett A/C)	1,099,308	0.07
BNP Paribas Nominess Pty Ltd HUB24 Custodial Serv Ltd (DRP A/C)	1,096,967	0.07
National Nominees Limited (N A/C)	1,059,757	0.07
	1,264,045,421	85.94

QBE substantial shareholders as at 31 January 2021

NAME	NUMBER OF SHARES	% OF TOTAL	DATE OF NOTICE[1]
AustralianSuper Pty Ltd	93,021,577	6.33	29 September 2020
Vanguard Group (The Vanguard Group, Inc and its controlled entities)	80,289,148	6.06	17 May 2019
BlackRock Group (and its associated entities)	76,689,478	6.03	6 June 2019

1 Percentage of total at date of notice.

Distribution of shareholders and shareholdings as at 31 January 2021

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 to 1,000	52,422	57.16	20,820,186	1.42
1,001 to 5,000	31,388	34.22	70,766,358	4.81
5,001 to 10,000	4,984	5.43	35,012,235	2.38
10,001 to 100,000	2,817	3.07	58,099,547	3.95
100,001 and over	105	0.12	1,286,165,647	87.44
Total	91,716	100.00	1,470,863,973	100.00

Shareholdings of less than a marketable parcel as at 31 January 2021

	SHAREHOLDERS		SHARES	
	NUMBER	% OF TOTAL	NUMBER	% OF TOTAL
Holdings of 63 or fewer shares	7,013	7.65	214,583	0.0146

Financial calendar

YEAR	MONTH	DAY	ANNOUNCEMENT
2021	**February**	**19**	Results and dividend announcement for the full year ended 31 December 2020
	May	**5**	2021 Annual General Meeting
	June	**30**	Half year end
	August	**12**[1]	Results and dividend announcement for the half year ended 30 June 2021
		19[1]	Shares begin trading ex dividend
		20[1]	Record date for determining shareholders' entitlement to the 2021 interim dividend
		23[1]	DRP/BSP election close date – last day to nominate participation in the Dividend Reinvestment Plan or the Bonus Share Plan
	September	**24**[1]	Payment date for the 2021 interim dividend
	December	**31**	Full year end

1 Dates shown may be subject to change.

10-year history

FOR THE YEAR ENDED 31 DECEMBER

		2020	2019[1]	2018[1]	2017[1]	2016	2015	2014	2013	2012	2011
Profit or loss information											
Gross written premium	US$M	**14,643**	13,442	13,657	13,328	14,395	15,092	16,332	17,975	18,434	18,291
Gross earned premium	US$M	**14,008**	13,257	13,601	13,611	14,276	14,922	16,521	17,889	18,341	17,840
Net earned premium	US$M	**11,708**	11,609	11,640	11,351	11,066	12,314	14,084	15,396	15,798	15,359
Claims ratio	%	**76.3**	69.8	63.6	71.5	58.2	60.4	63.2	64.5	66.0	68.2
Commission ratio	%	**16.1**	15.6	16.9	17.1	18.4	17.2	16.8	16.8	16.2	14.9
Expense ratio	%	**15.0**	14.6	15.4	15.9	17.4	17.3	16.1	16.5	14.9	13.7
Combined operating ratio	%	**107.4**	100.0	95.9	104.5	94.0	94.9	96.1	97.8	97.1	96.8
Investment income											
before investment gains/losses	US$M	**432**	555	690	576	641	541	676	691	723	948
after investment gains/losses	US$M	**226**	1,036	547	758	746	665	814	772	1,227	767
Insurance (loss) profit	US$M	**(727)**	647	826	(60)	1,075	1,031	1,074	841	1,262	1,085
Insurance (loss) profit to net earned premium	%	**(6.2)**	5.6	7.1	(0.5)	9.7	8.4	7.6	5.5	8.0	7.1
Financing and other costs	US$M	**252**	257	305	302	294	244	297	345	324	275
Operating (loss) profit											
before income tax	US$M	**(1,472)**	672	627	(793)	1,072	953	931	(448)	941	868
after income tax and non-controlling interests	US$M	**(1,517)**	571	567	(1,212)	844	687	742	(254)	761	704
Balance sheet and share information											
Number of ordinary shares on issue [2]	millions	**1,471**	1,305	1,327	1,358	1,370	1,370	1,363	1,247	1,194	1,112
Shareholders' equity	US$M	**8,492**	8,153	8,381	8,859	10,284	10,505	11,030	10,356	11,358	10,386
Total assets	US$M	**46,624**	40,035	39,582	43,862	41,583	42,176	45,000	47,271	50,748	46,737
Net tangible assets per share [2]	US$	**4.05**	4.11	4.22	4.29	4.90	5.07	5.32	4.75	4.49	3.93
Borrowings to shareholders' equity	%	**34.8**	38.0	38.0	40.8	33.8	33.6	32.5	44.1	43.4	45.8
Basic (loss) earnings per share [2]	US cents	**(108.5)**	41.8	29.0	(91.5)	61.6	50.3	57.4	(22.8)	65.1	64.9
Basic (loss) earnings per share – cash basis [3]	US cents	**(64.1)**	48.4	53.1	(18.9)	65.5	65.3	63.5	62.9	89.1	73.0
Diluted (loss) earnings per share	US cents	**(108.5)**	41.5	28.6	(91.5)	60.8	49.8	55.8	(22.8)	61.6	61.3
Return on average shareholders' equity	%	**(18.2)**	6.7	4.5	(13.0)	8.1	6.4	6.9	(2.3)	7.0	6.8
Dividend per share	Australian cents	**4**	52	50	26	54	50	37	32	50	87
Dividend payout	A$M	**59**	681	669	356	741	685	492	394	593	956
Total investments and cash [4]	US$M	**27,735**	24,374	22,887	26,141	25,235	26,708	28,583	30,619	31,525	28,024

1 Profit or loss information for 2017 to 2019 excludes the results of discontinued operations.

2 Reflects shares on an accounting basis.

3 Calculated with reference to cash profit, being profit after tax adjusted for amortisation and impairment of intangibles and other non-cash items net of tax.

4 Includes financial assets at fair value through profit or loss, cash and cash equivalents and investment properties; excludes any balances held for sale.

Glossary

Accident year claims	The matching of all claims occurring (regardless of when reported or paid) during a given 12-month period with all premium earned over the same period.
Acquisition cost	The total of net commission and operating expenses incurred in the generation of net earned premium and often expressed as a percentage of net earned premium.
Admitted insurance	Insurance written by an insurance company that is admitted (or licensed) to do business in the state in the United States in which the policy was sold.
Agent	One who negotiates contracts of insurance or reinsurance as an insurance company's representative i.e. the agent's primary responsibility is to the insurance company, not the insured party.
APRA	The Australian Prudential Regulation Authority, being the Group's primary insurance regulator.
Attritional claims ratio	Total of all claims with a net cost of less than $2.5 million as a percentage of net earned premium.
Broker	One who negotiates contracts of insurance or reinsurance on behalf of an insured party, receiving a commission from the insurance or reinsurance company for placement and other services rendered. In contrast with an agent, the broker's primary responsibility is to the insured party not the insurance company.
Capacity	In relation to a Lloyd's member, the maximum amount of insurance premium (gross of reinsurance but net of brokerage) which a member can accept. In relation to a syndicate, the aggregate of each member's capacity allocated to that syndicate.
Cash profit or loss	Profit or loss after tax attributable to QBE shareholders, adjusted for the post-tax effect of amortisation and impairment of intangibles and other non-cash items. This definition is used for the purpose of the Group's dividend policy.
Casualty insurance	Insurance that is primarily concerned with the claims resulting from injuries to third persons or their property (i.e. not the policyholder) and the resulting legal liability imposed on the insured. It includes, but is not limited to, general liability, employers' liability, workers' compensation, professional liability, public liability and motor liability insurance.
Catastrophe reinsurance	A reinsurance contract (often in the form of excess of loss reinsurance) that, subject to specified limits and retention, compensates the ceding insurer for financial losses related to an accumulation of claims resulting from a catastrophe event or series of events.
Claim	The amount payable under a contract of insurance or reinsurance arising from a loss relating to an insured event.
Claims incurred	The aggregate of all claims paid during an accounting period adjusted for the change in the claims provision in that accounting period.
Claims provision	The estimate of the most likely cost of settling present and future claims and associated claims adjustment expenses plus a risk margin to cover possible fluctuation of the liability.
Claims ratio	Net claims incurred as a percentage of net earned premium.
Coefficient of variation	The measure of variability in the net discounted central estimate used in the determination of the probability of adequacy.
Combined operating ratio (COR)	The sum of the net claims ratio, commission ratio and expense ratio. A combined operating ratio below 100% indicates an underwriting profit. A combined operating ratio over 100% indicates an underwriting loss.
Commercial lines	Refers to insurance for businesses, professionals and commercial establishments.
Commission	Fee paid to an agent or broker as a percentage of the policy premium. The percentage varies widely depending on coverage, the insurer and the marketing methods.
Commission ratio	Net commission expense as a percentage of net earned premium.
Credit spread	The difference in yield between a bond and a reference yield (e.g. LIBOR, BBSW or a fixed sovereign bond yield).
Credit spread duration	The weighted average term of cash flows for a corporate bond. It is used to measure the price sensitivity of a corporate bond to changes in credit spreads.
Deductible	The amount or proportion of some or all losses arising under an insurance contract that the insured must bear.
Deferred acquisition costs	Acquisition costs relating to the unexpired period of risk of contracts in force at the balance date which are carried forward from one accounting period to subsequent accounting periods.
Excess of loss reinsurance	A form of reinsurance in which, in return for a premium, the reinsurer accepts liability for claims settled by the original insurer in excess of an agreed amount, generally subject to an upper limit.
Expense ratio	Underwriting and administrative expenses as a percentage of net earned premium.
Facultative reinsurance	The reinsurance of individual risks through a transaction between the reinsurer and the cedant (usually the primary insurer) involving a specified risk.
General insurance	Generally used to describe non-life insurance business including property and casualty insurance.

Gross claims incurred	The amount of claims incurred during an accounting period before deducting reinsurance recoveries.
Gross earned premium (GEP)	The proportion of gross written premium recognised as revenue in the current accounting period, reflecting the pattern of the incidence of risk and the expiry of that risk.
Gross written premium (GWP)	The total premium on insurance underwritten by an insurer or reinsurer during an accounting period, before deduction of reinsurance premium.
Incurred but not reported (IBNR)	Claims arising out of events that have occurred before the end of an accounting period but have not been reported to the insurer by that date.
Incurred but not enough reported (IBNER)	The upward adjustment to claims incurred as a result of the initial under-estimation of the ultimate cost of claims.
Insurance profit or loss	The sum of the underwriting result and net investment income or loss on assets backing policyholders' funds.
Insurance profit margin	The ratio of insurance profit or loss to net earned premium.
Inward reinsurance	See Reinsurance.
Large individual risk and catastrophe claims ratio	The aggregate of claims each with a net cost of $2.5 million or more as a percentage of net earned premium.
Lead/non-lead underwriter	A lead underwriter operates in the subscription market and sets the terms and price of an insurance or reinsurance policy. The follower or non-lead is an underwriter of a syndicate or an insurance or reinsurance company that agrees to accept a proportion of a given risk on terms set by the lead underwriter.
Lenders' mortgage insurance (LMI)	A policy that protects the lender (e.g. a bank) against non-payment or default on the part of the borrower on a residential property loan.
Letters of credit (LoC)	Written undertaking by a financial institution to provide funding if required.
Lloyd's	Insurance and reinsurance market in London. It is not a company but is a society of individuals and corporate underwriting members.
Lloyd's managing agent	An underwriting agent which has permission from Lloyd's to manage one or more syndicates and carry on underwriting and other functions for a member.
Long-tail	Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer.
Managing General Agent (MGA)	A wholesale insurance agent with the authority to accept placements from (and often to appoint) retail agents on behalf of an insurer. MGAs generally provide underwriting and administrative services such as policy issuance on behalf of the insurers they represent. Some may handle claims.
Maximum event retention (MER)	An estimate of the largest claim to which an insurer will be exposed (taking into account the probability of that loss event at a return period of one in 250 years) due to a concentration of risk exposures, after netting off any potential reinsurance recoveries and inward and outward reinstatement premiums.
Modified duration	The weighted average term of cash flows in a bond. It is used to measure the price sensitivity of a bond to changes in interest rates.
Multi-peril crop scheme	United States federally regulated crop insurance protecting against crop yield losses by allowing participating insurers to insure a certain percentage of historical crop production.
Net claims incurred	The amount of claims incurred during an accounting period after deducting reinsurance recoveries.
Net claims ratio	Net claims incurred as a percentage of net earned premium.
Net earned premium (NEP)	Net written premium adjusted by the change in net unearned premium.
Net investment income or loss	Gross investment income or loss including foreign exchange gains and losses and net of investment expenses.
Net written premium (NWP)	The total premium on insurance underwritten by an insurer during a specified period after the deduction of premium applicable to reinsurance.
Outstanding claims liability	The amount of provision established for claims and related claims expenses that have occurred but have not been paid.
Personal lines	Insurance for individuals and families, such as private motor vehicle and homeowners' insurance.
Policyholders' funds	The net insurance liabilities of the Group.
Premium	Amount payable by the insured or reinsured in order to obtain insurance or reinsurance protection.
Premium solvency ratio	Ratio of net tangible assets to net earned premium. This is an important industry indicator in assessing the ability of general insurers to settle their existing liabilities.
Prescribed Capital Amount (PCA)	The sum of the capital charges for asset risk, asset concentration risk, insurance concentration risk and operational risk as required by APRA. The PCA must be disclosed at least annually.

Glossary continued

Probability of adequacy	A statistical measure of the level of confidence that the outstanding claims liability will be sufficient to pay claims as and when they fall due.
Proportional reinsurance	A type of reinsurance in which the insurer and the reinsurer share claims in the same proportion as they share premiums.
Prudential Capital Requirement (PCR)	The sum of the PCA plus any supervisory adjustment determined by APRA. The PCR may not be disclosed.
Recoveries	The amount of claims recovered from reinsurance, third parties or salvage.
Reinsurance	An agreement to indemnify an insurer by a reinsurer in consideration of a premium with respect to agreed risks insured by the insurer. The enterprise accepting the risk is the reinsurer and is said to accept inward reinsurance. The enterprise ceding the risks is the cedant or ceding company and is said to place outward reinsurance.
Reinsurance to close	A reinsurance agreement under which members of a syndicate, for a year of account to be closed, are reinsured by members who comprise that or another syndicate for a later year of account against all liabilities arising out of insurance business written by the reinsured syndicate.
Reinsurer	The insurer that assumes all or part of the insurance or reinsurance liability written by another insurer. The term includes retrocessionaires, being insurers that assume reinsurance from a reinsurer.
Retention	That amount of liability for which an insurer will remain responsible after it has completed its reinsurance arrangements.
Retrocession	Reinsurance of a reinsurer by another reinsurance company.
Return on allocated capital (RoAC)	Divisional management-basis profit as a percentage of allocated capital as determined by the Group's economic capital model.
Return on equity (ROE)	Group statutory net profit after tax as a percentage of average shareholders' equity.
Short-tail	Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months.
Stop loss reinsurance	A form of excess of loss reinsurance which provides that the reinsurer will pay some or all of the reinsured's claims in excess of a stated percentage of the reinsured's premium income, subject (usually) to an overall limit of liability.
Surplus (or excess) lines insurers	In contrast to admitted insurers, every state in the United States also allows non-admitted (or surplus lines or excess lines) carriers to transact business where there is a special need that cannot or will not be met by admitted carriers. The rates and forms of non-admitted carriers generally are not regulated in that state, nor are the policies back-stopped by the state insolvency fund covering admitted insurance. Brokers must inform insurers if their insurance has been placed with a non-admitted insurer.
Survival ratio	A measure of how many years it would take for dust disease claims to exhaust the current level of claims provision. It is calculated on the average level of claims payments in the last three years.
Syndicate	A member or group of members underwriting insurance business at Lloyd's through the agency of a managing agent.
Total shareholder return (TSR)	A measure of performance of a company's shares over time. It includes share price appreciation and dividend performance.
Treaty reinsurance	Reinsurance of risks in which the reinsurer is obliged by agreement with the cedant to accept, within agreed limits, all risks to be underwritten by the cedant within specified classes of business in a given period of time.
Underwriting	The process of reviewing applications submitted for insurance or reinsurance coverage, deciding whether to provide all or part of the coverage requested and determining the applicable premium.
Underwriting expenses	The aggregate of policy acquisition costs, excluding commissions, and the portion of administrative, general and other expenses attributable to underwriting operations.
Underwriting result	The amount of profit or loss from insurance activities exclusive of net investment income and capital gains or losses.
Underwriting year	The year in which the contract of insurance commenced or was underwritten.
Unearned premium	The portion of a premium representing the unexpired portion of the contract term as of a certain date.
Volume weighted average price (VWAP)	A methodology used for determining the share price applicable to dividend and other share-related transactions.

Designed and produced by ArmstrongQ

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Appendix 4G

Key to Disclosures
Corporate Governance Council Principles and Recommendations

Name of entity

QBE Insurance Group Limited

ABN/ARBN	Financial year ended:
28 008 485 014	31 December 2020

Our corporate governance statement[1] for the period above can be found at:[2]

☒	These pages of our annual report:	42-49
☒	This URL on our website:	https://www.qbe.com/investor-relations/corporate-governance

The Corporate Governance Statement is accurate and up to date as at 19 February 2021 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.[3]

Date:	19 February 2021
Name of authorised officer authorising lodgement:	Carolyn Scobie

[1] "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of Listing Rule 4.10.3.

Under Listing Rule 4.7.3, an entity must also lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX. The Appendix 4G serves a dual purpose. It acts as a key designed to assist readers to locate the governance disclosures made by a listed entity under Listing Rule 4.10.3 and under the ASX Corporate Governance Council's recommendations. It also acts as a verification tool for listed entities to confirm that they have met the disclosure requirements of Listing Rule 4.10.3.

The Appendix 4G is not a substitute for, and is not to be confused with, the entity's corporate governance statement. They serve different purposes and an entity must produce each of them separately.

[2] Tick whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where your corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

[3] Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

See notes 4 and 5 below for further instructions on how to complete this form.

ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT			
1.1	A listed entity should have and disclose a board charter setting out: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	☒ and we have disclosed a copy of our board charter at: www.qbe.com/investor-relations/corporate-governance/qbe-charters-and-constitution	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

[4] Tick the box in this column only if you have followed the relevant recommendation in full for the whole of the period above. Where the recommendation has a disclosure obligation attached, you must insert the location where that disclosure has been made, where indicated by the line with "*insert location*" underneath. If the disclosure in question has been made in your corporate governance statement, you need only insert "our corporate governance statement". If the disclosure has been made in your annual report, you should insert the page number(s) of your annual report (eg "pages 10-12 of our annual report"). If the disclosure has been made on your website, you should insert the URL of the web page where the disclosure has been made or can be accessed (eg "www.entityname.com.au/corporate governance/charters/").

[5] If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

<table>
<tr><th colspan="2">Corporate Governance Council recommendation</th><th>Where a box below is ticked,[4] we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:</th><th>Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]</th></tr>
<tr><td>1.5</td><td>A listed entity should:
(a) have and disclose a diversity policy;
(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and
(c) disclose in relation to each reporting period:
(1) the measurable objectives set for that period to achieve gender diversity;
(2) the entity’s progress towards achieving those objectives; and
(3) either:
(A) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined “senior executive” for these purposes); or
(B) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.
If the entity was in the S&P / ASX 300 Index at the commencement of the reporting period, the measurable objective for achieving gender diversity in the composition of its board should be to have not less than 30% of its directors of each gender within a specified period.</td><td>☒
and we have disclosed a copy of our diversity policy at:
www.qbe.com/investor-relations/corporate-governance/global-policies

and we have disclosed the information referred to in paragraph (c) at:
In the Corporate Governance Statement on page 47 of the Annual Report and https://www.qbe.com/investor-relations/corporate-governance/global-policies

and if we were included in the S&P / ASX 300 Index at the commencement of the reporting period our measurable objective for achieving gender diversity in the composition of its board of not less than 30% of its directors of each gender within a specified period.</td><td>☐ set out in our Corporate Governance Statement <u>**OR**</u>
☐ we are an externally managed entity and this recommendation is therefore not applicable</td></tr>
</table>

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	☒ and we have disclosed the evaluation process referred to in paragraph (a) at: In the Corporate Governance Statement on page 44 in the Annual Report and whether a performance evaluation was undertaken for the reporting period in accordance with that process at: In the Corporate Governance Statement on page 44 in the Annual Report	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
1.7	A listed entity should: (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and (b) disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	☒ and we have disclosed the evaluation process referred to in paragraph (a) at: In the Corporate Governance Statement on page 44 in the Annual Report and whether a performance evaluation was undertaken for the reporting period in accordance with that process at: In the Corporate Governance Statement on page 44 in the Annual Report	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

<table>
<tr><th colspan="2">Corporate Governance Council recommendation</th><th>Where a box below is ticked,[4] we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:</th><th>Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]</th></tr>
<tr><td colspan="4">PRINCIPLE 2 - STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE</td></tr>
<tr><td>2.1</td><td>The board of a listed entity should:
(a) have a nomination committee which:
(1) has at least three members, a majority of whom are independent directors; and
(2) is chaired by an independent director,
and disclose:
(3) the charter of the committee;
(4) the members of the committee; and
(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</td><td>☐
[If the entity complies with paragraph (a):]
and we have disclosed a copy of the charter of the committee at:
………………………………………………………………………
[insert location]
and the information referred to in paragraphs (4) and (5) at:
………………………………………………………………………
[insert location]
[If the entity complies with paragraph (b):]
and we have disclosed the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively at:
………………………………………………………………………
[insert location]</td><td>☒ set out in our Corporate Governance Statement on page 43 of in the Annual Report
<u>OR</u>
☐ we are an externally managed entity and this recommendation is therefore not applicable</td></tr>
<tr><td>2.2</td><td>A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.</td><td>☒
and we have disclosed our board skills matrix at:
In the Corporate Governance Statement on page 43 of in the Annual Report</td><td>☐ set out in our Corporate Governance Statement <u>OR</u>
☐ we are an externally managed entity and this recommendation is therefore not applicable</td></tr>
</table>

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, affiliation or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	☒ and we have disclosed the names of the directors considered by the board to be independent directors at: In the Board of Directors section on pages 38-39 of the Annual Report and www.qbe.com/about-qbe/group-board-of-directors and, where applicable, the information referred to in paragraph (b) at: N/A and the length of service of each director at: In the Board of Directors section on pages 38-39 of the Annual Report and www.qbe.com/about-qbe/group-board-of-directors	☐ set out in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	☐	☒ set out in our Corporate Governance Statement on page 43 of in the Annual Report **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	☒	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY			
3.1	A listed entity should articulate and disclose its values.	☒ and we have disclosed our values at: In the Corporate Governance Statement on page 45 of the Annual Report and www.qbe.com/about-qbe/purpose-and-vision	☐ set out in our Corporate Governance Statement
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.	☒ and we have disclosed our code of conduct at: www.qbe.com/investor-relations/corporate-governance/global-policies	☐ set out in our Corporate Governance Statement
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	☒ and we have disclosed our whistleblower policy at: www.qbe.com/investor-relations/corporate-governance/global-policies	☐ set out in our Corporate Governance Statement
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or committee of the board is informed of any material breaches of that policy.	☒ and we have disclosed our anti-bribery and corruption policy at: www.qbe.com/investor-relations/corporate-governance/global-policies	☐ set out in our Corporate Governance Statement

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS			
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	☒ *[If the entity complies with paragraph (a):]* and we have disclosed a copy of the charter of the committee at: www.qbe.com/investor-relations/corporate-governance/qbe-charters-and-constitution and the information referred to in paragraphs (4) and (5) at: In the Board of Directors section on pages 38-39 of the Annual Report, and in the Directors Report on page 52 of the Annual Report	☐ set out in our Corporate Governance Statement
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	☒	☐ set out in our Corporate Governance Statement
4.3	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.	☒	☐ set out in our Corporate Governance Statement

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE			
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.	☒ and we have disclosed our continuous disclosure compliance policy at: www.qbe.com/investor-relations/corporate-governance/global-policies	☐ set out in our Corporate Governance Statement
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	☒	☐ set out in our Corporate Governance Statement
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	☒	☐ set out in our Corporate Governance Statement
PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	☒ and we have disclosed information about us and our governance on our website at: https://www.qbe.com/about-qbe and www.qbe.com/investor-relations/corporate-governance	☐ set out in our Corporate Governance Statement
6.2	A listed entity should have an investor relations program that facilitates effective two-way communication with investors.	☒	☐ set out in our Corporate Governance Statement
6.3	A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.	☒ and we have disclosed how we facilitate and encourage participation at meetings of security holders at: In our Corporate Governance Statement on page 48 of the Annual Report	☐ set out in our Corporate Governance Statement
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	☒	☐ set out in our Corporate Governance Statement

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	☒	☐ set out in our Corporate Governance Statement
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.	☒ *[If the entity complies with paragraph (a):]* and we have disclosed a copy of the charter of the committee at: www.qbe.com/investor-relations/corporate-governance/qbe-charters-and-constitution and the information referred to in paragraphs (4) and (5) at: In the Board of Directors section on pages 38-39 of the Annual Report, and in the Directors Report on page 52 of the Annual Report	☐ set out in our Corporate Governance Statement
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	☒ and we have disclosed whether a review of the entity's risk management framework was undertaken during the reporting period at: In the Corporate Governance Statement on page 49 of the Annual Report	☐ set out in our Corporate Governance Statement

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.	☒ *[If the entity complies with paragraph (a):]* and we have disclosed how our internal audit function is structured and what role it performs at: In the Corporate Governance Statement on page 49 of the Annual Report	☐ set out in our Corporate Governance Statement
7.4	A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.	☒ and we have disclosed whether we have any material exposure to environmental and social risks at: in the climate change disclosures on pages 28-35 of the Annual Report and in the Sustainability Report at www.qbe.com/sustainability and, if we do, how we manage or intend to manage those risks at: in the climate change disclosures on pages 28-35 of the Annual Report and in the Sustainability Report at www.qbe.com/sustainability	☐ set out in our Corporate Governance Statement

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	☒ *[If the entity complies with paragraph (a):]* and we have disclosed a copy of the charter of the committee at: www.qbe.com/investor-relations/corporate-governance/qbe-charters-and-constitution and the information referred to in paragraphs (4) and (5) at: In the Board of Directors section on pages 38-39 of the Annual Report, and in the Directors Report on page 52 of the Annual Report	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	☒ and we have disclosed separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives at: In the Remuneration Report on pages 54-76 of the Annual Report	☐ set out in our Corporate Governance Statement **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	☒ and we have disclosed our policy on this issue or a summary of it at: www.qbe.com/investor-relations/corporate-governance/global-policies	☐ set out in our Corporate Governance Statement **OR** ☐ we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation in full for the whole of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
ADDITIONAL RECOMMENDATIONS THAT APPLY ONLY IN CERTAIN CASES			
9.1	A listed entity with a director who does not speak the language in which board or security holder meetings are held or key corporate documents are written should disclose the processes it has in place to ensure the director understands and can contribute to the discussions at those meetings and understands and can discharge their obligations in relation to those documents.	☐ and we have disclosed information about the processes in place at: …………………………………………………………………… [*insert location*]	☐ set out in our Corporate Governance Statement **OR** ☐ we do not have a director in this position and this recommendation is therefore not applicable **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
9.2	A listed entity established outside Australia should ensure that meetings of security holders are held at a reasonable place and time.	☐	☐ set out in our Corporate Governance Statement **OR** ☐ we are established in Australia and this recommendation is therefore not applicable **OR** ☐ we are an externally managed entity and this recommendation is therefore not applicable
9.3	A listed entity established outside Australia, and an externally managed listed entity that has an AGM, should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	☐	☐ set out in our Corporate Governance Statement **OR** ☐ we are established in Australia and not an externally managed listed entity and this recommendation is therefore not applicable ☐ we are an externally managed entity that does not hold an AGM and this recommendation is therefore not applicable
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	*Alternative to Recommendation 1.1 for externally managed listed entities:* The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; and (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	☐ and we have disclosed the information referred to in paragraphs (a) and (b) at: …………………………………………………………………………… [*insert location*]	☐ set out in our Corporate Governance Statement

Corporate Governance Council recommendation		Where a box below is ticked,[4] we have followed the recommendation <u>in full</u> for the <u>whole</u> of the period above. We have disclosed this in our Corporate Governance Statement:	Where a box below is ticked, we have NOT followed the recommendation in full for the whole of the period above. Our reasons for not doing so are:[5]
-	*Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:* An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	☐ and we have disclosed the terms governing our remuneration as manager of the entity at: …………………………………………………………………………. [*insert location*]	☐ set out in our Corporate Governance Statement


QBE
2020
Sustainability
Report
QBE INSURANCE GROUP LIMITED

Table of contents

QBE at a glance

Who we are

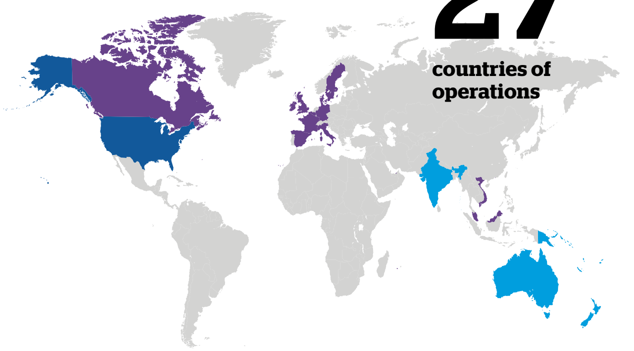
QBE is listed on the Australian Securities Exchange (ASX) and headquartered in Sydney. We employ more than 11,690 people in 27 countries.

QBE is an international insurer and reinsurer offering a diverse portfolio of commercial, personal and specialty products, as well as risk management solutions. Our diverse product portfolio includes property, motor, crop, public/product liability, professional indemnity, workers' compensation, energy, marine and aviation. We operate in three segments being North America, Australia Pacific, and International (the United Kingdom, Europe, Asia, Canada and through our Lloyd's syndicates). Further information about our operations can be found in the 2020 Annual Report.

Our purpose is to give people the confidence to achieve their ambitions.

Where we are

27[1] **countries of operations**



● North America ● International ● Australia Pacific

1 QBE's Group Shared Services Centre in the Philippines provides a comprehensive range of insurance services to QBE's customers and brokers across North America, Australia, New Zealand, Pacific Islands, Europe and Asia such as underwriting support, policy servicing, claims, control and customer service. It also provides knowledge processing services such as Finance, Technology, HR Delivery, Data Analytics and Reporting to QBE businesses globally.

About the cover

As a global insurer, we see first-hand the impacts natural disasters have on our customers and communities in which we operate. When disaster strikes, we are one of the first ports of call for our customers. We aim to respond quickly, show care and sensitivity, and deliver efficient services to those impacted by catastrophes – in line with our focus on building resilience for our customers and communities through risk preparation and mitigation. We continue to invest in technology such as powerful artificial intelligence tools for communications, our industry-first customer mapping tool to allocate resources and identify vulnerable customers, and video claims assessing to help connect with customers. Image from a major wildfire at Shaver Lake, California, United States.

> As a company that helps people and businesses protect themselves from risk, QBE has a focus on sustainability. The identification of current and emerging environmental, social and governance (ESG) trends is an integral part of achieving our purpose, understanding the needs of our customers and ensuring the sustainability of our own business.

About this Report

This Sustainability Report (Report) covers the activities of QBE across its divisions during the financial year ended 31 December 2020 in alignment with our financial statements. It provides an overview of initiatives underway to demonstrate progress across the pillars of our Sustainability Framework. All financial figures in this Report are in US dollars unless otherwise stated.

The information in this Report is validated by subject matter experts across the business and is supported by evidence, including by documenting the various sources of information and consultation undertaken within QBE or with external parties. The information is then reviewed by senior management who have the knowledge and skills to verify the accuracy and completeness of the information provided. The Report is approved by the Group Board. QBE also uses an independent assurance engagement to confirm that certain data sets have been prepared and presented appropriately in all material aspects.

We engaged Deloitte Touche Tohmatsu (Deloitte) to work with us to enhance the rigour behind our sustainability reporting. Deloitte conducted independent limited assurance over QBE's global greenhouse gas (GHG) emissions data and environmental indicators, selected workforce-related metrics and the total number of Premiums4Good impact investment projects and associated financial contributions, for the year ended 31 December 2020.

This limited assurance engagement has been undertaken in accordance with the Auditing and Assurance Standards Board's Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

The purpose of this was to provide QBE management with limited assurance over the reported data, calculated in accordance with selected disclosure requirements outlined in the Global Reporting Initiative Standards and QBE's Sustainability Reporting Framework, including its GHG Reporting Framework. The full limited assurance statement, which includes a summary of the specific reporting criteria used for each of the selected metrics, is available at the end of this Report here.

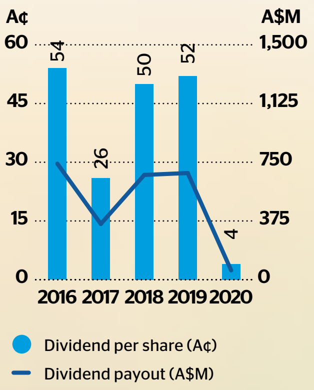
2020 snapshot[1]

Shareholder highlights

Dividend payout (A$M)

59

91% from 2019



Adjusted cash (loss) profit return on average shareholders' equity[2]

(10.9)%

2019 **8.9%**

Earnings (loss) profit per share (US¢)

(108.5)

2019 **41.8**

Dividend per share (A¢)

4

Sustainability highlights

Climate action

Joined the UN-convened Net-Zero Asset Owner Alliance

our investment portfolio is targeting net-zero greenhouse gas emissions by 2050

CDP climate change disclosure score

A- CDP DISCLOSURE INSIGHT ACTION

from **B** in 2019

Operational renewable electricity use

Target by **2025**

100%

Currently

97%

2019 **63%**

Premiums4Good (US$B)

2025 ambition

$2.0B

Total invested

$1.1B

as at 31 December 2020

Building an inclusive workplace and culture

QBE Voice survey result: Engagement

76%

2019 **70%**

Insurance Business Asia: Top insurance workplace

2020 Top INSURANCE WORKPLACES Insurance BUSINESS

Included as a member of the 2021 Bloomberg Gender-Equality Index

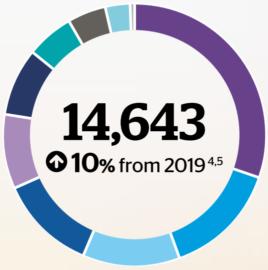
Bloomberg Gender-Equality Index 2021

1 Financial information in the tables above is extracted or derived from the Group's audited financial statements included on pages 80 to 164 of the 2020 Annual Report. The Group Chief Financial Officer's report sets out further analysis of the results.

2 2020 adjusted cash loss return on average shareholders' equity excludes non-cash and material non-recurring items such as restructuring costs, losses on disposals, and adjusts for Additional Tier 1 capital (AT1) coupons. 2019 adjusted cash profit return on average shareholders' equity excludes restructuring costs, losses on disposals, the impact of the Ogden decision in the UK, and discontinued operations.

Financial highlights[3]

Gross written premium by class of business (US$M)



	2020 %	2019 %
Commercial & domestic property	30.4	29.2
Agriculture	14.1	13.7
Motor & motor casualty	12.1	14.4
Public/product liability	11.9	11.9
Professional indemnity	9.2	8.4
Marine, energy & aviation	8.2	6.6
Workers' compensation	5.8	7.1
Accident & health	4.8	5.3
Financial & credit	3.2	3.3
Other	0.3	0.1

Net earned premium (US$M)

11,708

4% from 2019[4,5]

Net earned premium by type

90% direct and facultative insurance

10% inward reinsurance

Combined operating ratio[6]

104.2%

2019 **97.5%**[7]

Net (loss) profit after tax (US$M)

(1,517)

2019 **622**[7]

Insurance (loss) profit (US$M)

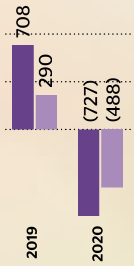
(727)

2019 **708**[7]

Underwriting (loss) profit[6] (US$M)

(488)

2019 **290**[7]



Operational highlights[3]

Gross written premium growth[5]

10%[4]

2019 **4%**

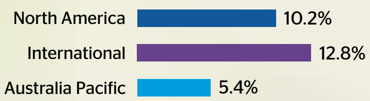
Average renewal premium rate increase[8]

Group

9.8%

2019 **6.3%**

Segment



Premium retention

82%

2019 **78%**

Attritional claims ratio[4,9]

Group

44.6%

2019 **47.5%**

Segment

Large individual risk claims[4] (US$M)

932

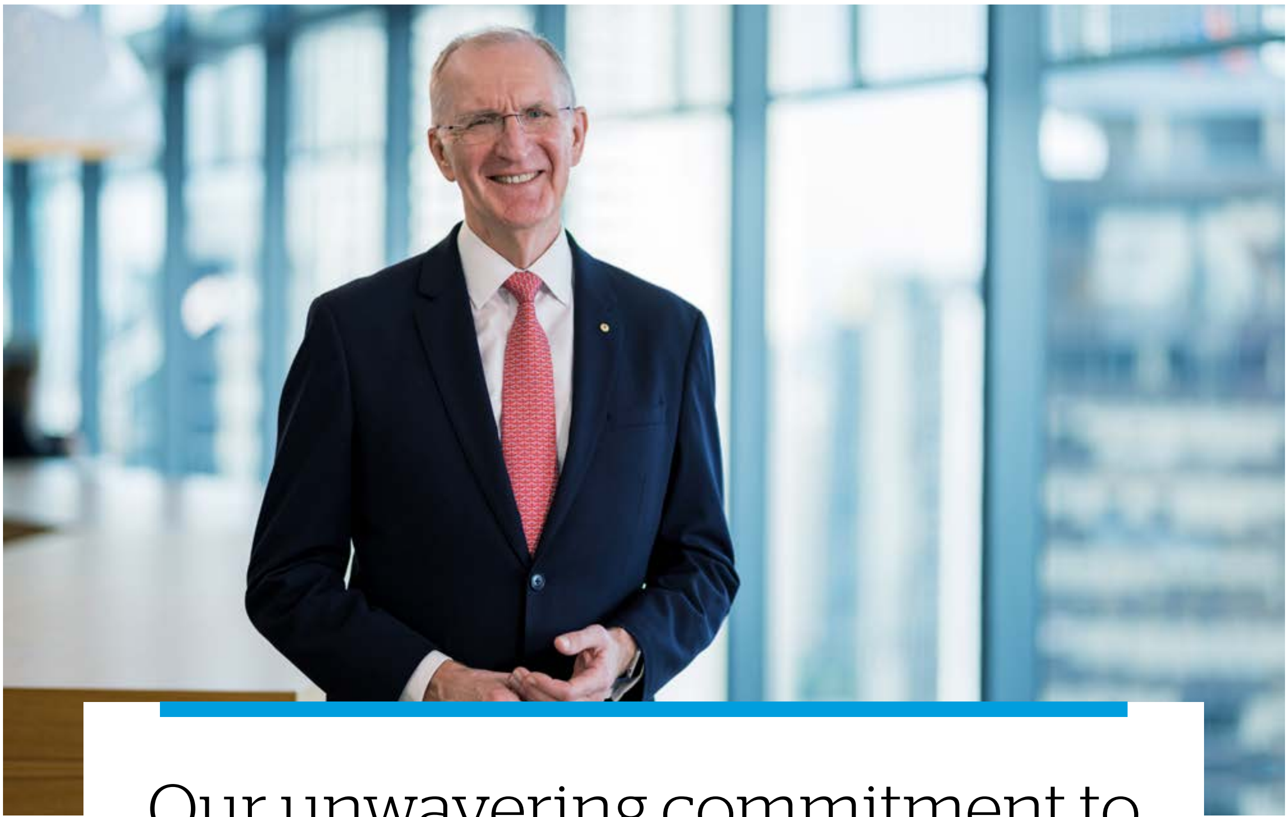
2% from 2019

Catastrophe claims[4] (US$M)

688

62% from 2019

3 2019 figures reflect results for continuing operations only.
4 Excludes impact of COVID-19.
5 Constant currency basis and excluding impact of 2019 disposals.
6 Excludes the impact of changes in risk-free rates used to discount net outstanding claims.
7 Excludes one-off impact of the Ogden decision in the UK.
8 Excludes premium rate changes relating to North America Crop and/or Australian compulsory third party motor (CTP).
9 Excludes Crop and/or lenders' mortgage insurance (LMI).



Our unwavering commitment to sustainability amid uncertainty

Our world continues to transform at an unprecedented pace. 2020 was an extraordinary year – one shaped by a global pandemic, widespread social and economic unrest and significantly higher than usual catastrophic events around the globe.

This included an extremely active wildfire season as well as a record number of named storms in the United States, extreme bushfires and storm activity such as hail damage in Australia, floods and typhoons in Asia. The Coronavirus (COVID-19) pandemic also triggered a deep global recession, resulting in profound economic consequences for many countries, businesses and individuals. We will continue to work with governments and regulators to better prepare for, and respond to, low probability, high impact events like the pandemic. This has prompted a broad discussion within the industry as to how we provide appropriate support to our customers during this extraordinary and challenging time. QBE remains determined to play an active and constructive role in these discussions. While the pandemic's impact will vary across nations, indications are that it is likely to lead to an increase in poverty and inequalities at a global scale. This in turn places more emphasis, and urgency, on the achievement of the United Nations (UN) Sustainable Development Goals (SDGs) by 2030.

At QBE, sustainability continues to be integrated as part of our strategic priorities, notably within the performance pillar as we focus on meeting our climate-related and broader sustainability commitments. As an international business, we are acutely aware of the need for us to continue driving longer-term sustainability measures to help our customers, people and communities across the world manage risk, achieve their ambitions and enjoy a more sustainable future.

Our continued commitment to sustainability

We are committed to the SDGs and continue to advance the goals, particularly those where we feel we can have the greatest impact. Our five priority goals are outlined in this Report as well as the active steps we are taking to further our achievement of these goals. We believe that the private sector has a pivotal role to play in achieving the SDGs through more responsible business operations and practices, investing with impact and developing innovative products and solutions using a sustainability lens.

Amid the great upheavals of 2020, we remain focused on a better, more sustainable tomorrow and on the importance of working with our stakeholders, industry partners, governments, regulators and others to drive better outcomes for our customers and communities – including enhanced resilience.

We became a signatory to the United Nations Global Compact. We are working to integrate the ten universal principles relating to human rights, labour, environment and anti-corruption across our strategy, culture and day-to-day operations.

In 2020, we developed an Environmental and Social Risk Framework to capture our approach to managing various ESG topics such as energy and biodiversity. We continue to deliver on our climate and other ESG risk commitments including establishing relevant metrics and targets for our business as we transition to a low-carbon economy. We also joined the UN-convened Net-Zero Asset Owner Alliance, committing to transition our investment portfolio to net-zero greenhouse gas emissions by 2050. As our work progresses, we will continue to engage with a range of stakeholders, including those involved in previous shareholder resolutions on climate change and world heritage sites.

Further information about our work on climate change can be found here.

We understand the important role we play as an insurer in the lives of our customers and communities. We continue to work closely with many of our customers in their transition to renewable energy. Sustainability is a core component of discussions with our customers, and we continuously seek to support them as their needs or businesses change. This support can range from small, but important, optimisation projects that help reduce greenhouse gas emissions on-site, to the types of large greenfield investments in offshore wind which have already transformed the global energy market.

Our important work with the wider insurance industry, governments and regulators to enable a more sustainable future continues. As a key participant in the Australian Sustainable Finance Initiative, we were involved in the successful launch of the Australian Sustainable Finance Roadmap. In Hong Kong, we participated in the China Green Finance Task Force's Report on Green Insurance. In North America, we are committed to working with the State Insurance Commissions to support policyholders impacted by natural disasters.

Our inclusive culture

At QBE, we believe our success is founded on maintaining a dynamic, supportive, diverse and inclusive workplace, where people have the safety and opportunity to achieve their personal and professional goals. Recognising the backgrounds, perspectives and life experiences of our people helps us to build strong connections with our customers, motivate our people and make better decisions for our business and the communities in which we work. Through our QBE DNA and our strategic focus on talent and culture, we continue to build a workplace that provides our people with the opportunity to thrive and grow; something we believe is key to the long-term sustainability of our business.

Culture is a core priority at QBE. The departure of our Group CEO, due to a breach of our Group Code of Ethics and Conduct (the Code), demonstrates our commitment to strong corporate governance and the wellbeing of our people. The Board's swift decision highlights that all our employees are held to the same standards. While this was a setback, I am proud of the prompt action by the Board to apply appropriate sanctions and solidify the Board's zero tolerance stand towards breaches of the Code.

We are pleased to say that, despite this setback, the fundamentals of our business remain strong. Implementing our QBE DNA has strengthened our culture in recent years, and we continue to work to create a respectful and inclusive environment for our people. To further our efforts, we have put in place a series of initiatives that will add to our existing QBE DNA. We have also created a global Culture Advisory Group to work with our external partner to help us build on our leadership capability and identify any gaps and levers to further enhance our culture.

Governed by our Board People & Remuneration Committee and Diversity & Inclusion Council, our Global Diversity and Inclusion Policy expresses our strong commitment to promoting equality and embedding inclusion in our workplace. We continually measure ourselves against the progress made on the strategy and targets we have set ourselves in this policy.

Across the Group, we came close to achieving our goal of having 35% women in leadership by 2020, with an increase over the last year from 33.7% to 34.8%. We have developed a new target of having 40% of women in leadership by 2025. I am also pleased to announce that in 2020, we achieved our target of having 30% of women on the Group Board.

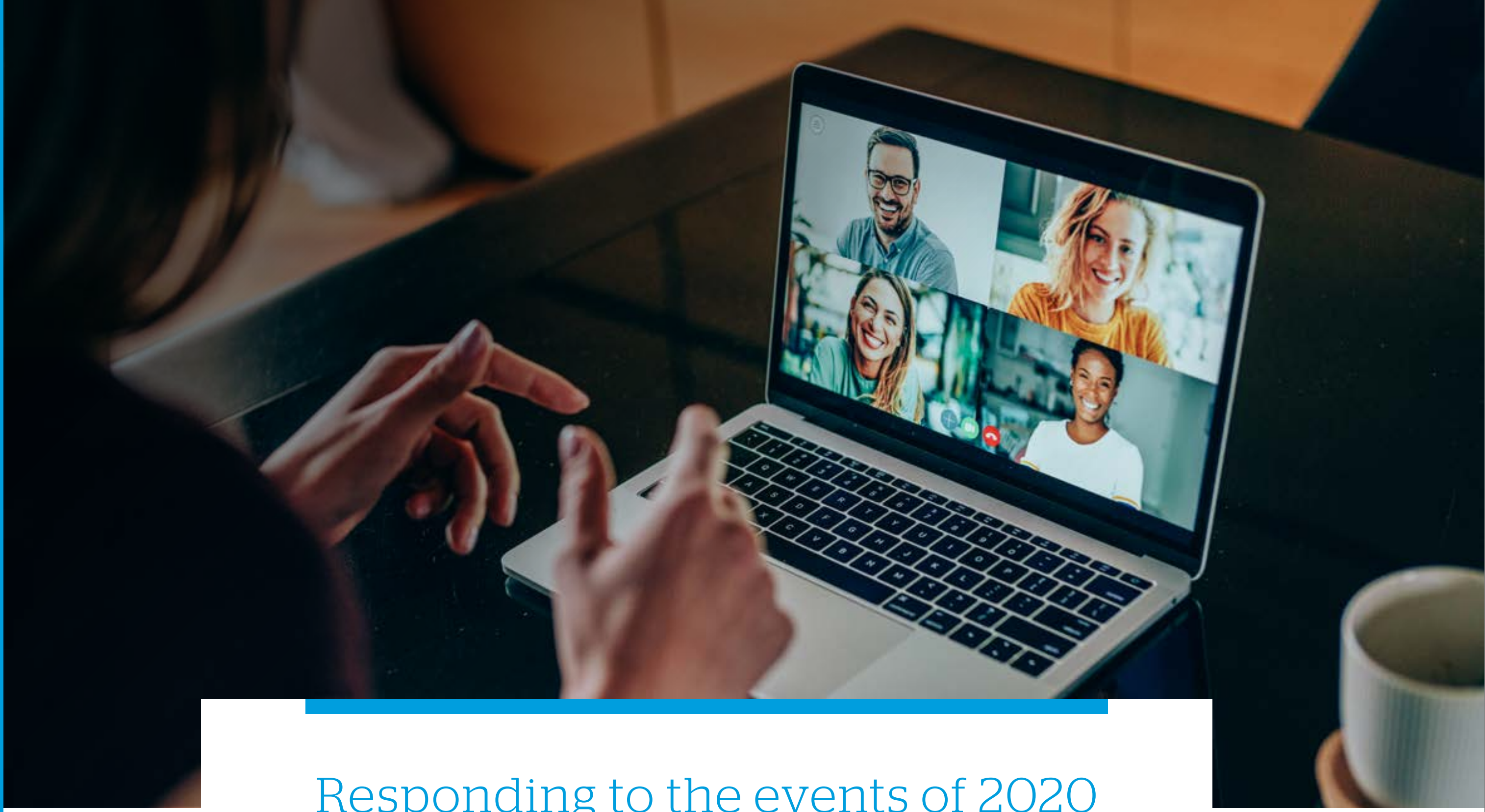
In Australia, we launched our 2020–2022 Reconciliation Action Plan outlining our vision for reconciliation. True to our purpose to give people the confidence to achieve their ambitions, we work hard every day to build strong and enduring relationships with our Aboriginal and Torres Strait Islander customers, partners, communities and charities. We believe that maintaining strong relationships like these can assist with the critical goal of reconciliation.

Our focus on wellbeing

The health, safety and wellbeing of our people, customers and communities have always been important to us, but never more so than in an extraordinary year like 2020. In a period marred by catastrophic natural disasters and a one-in-one-hundred year global health crisis, we scaled up our support for our customers and communities through financial aid initiatives, risk management education and tools.

To support our customer wellbeing at the beginning of the pandemic, we provided much-needed financial assistance such as freezing premium rates on policy renewals and deferring premium payments, and established a dedicated resource centre to help customers manage their risk and make claims. We also provided financial and other assistance to customers impacted by natural disasters throughout the year. Our global disaster relief partnership with Red Cross and Save the Children enabled QBE to assist the communities in which we operate through the catastrophic events of 2020 and forms part of our ongoing COVID-19 response. Further information about our support of customers and communities can be found in the next few pages.

Mike Wilkins AO
Independent Chair



Responding to the events of 2020

People

Across the world, the COVID-19 pandemic led to a transformational shift in the ways in which we work and how we connect with each other. Globally, we rapidly mobilised resources and technology to support our employees to work remotely while also prioritising our customers.

In line with our QBE DNA and culture, the safety and wellbeing of our people around the world have remained our priority throughout QBE's response to the COVID-19 pandemic. We implemented contact tracing protocols and global tracking of confirmed employee cases, ensuring specific support measures were in place for employees in high risk categories, including our international assignee population. As we moved to working from home globally, we provided our employees with the necessary equipment and support mechanisms. Feedback from across the organisation was that our employees were grateful for our approach and the priority we placed on supporting our teams and efficiently equipping them for remote working.

94% of employees were satisfied with QBE's efforts to maintain a safe work environment based on our Q.Pulse surveys with a 51% response rate.

To support our ongoing crisis response, a multifunctional and global crisis management team (CMT) was formed, consisting of Human Resources (HR), communications and business continuity teams. The CMT met frequently, through the critical crisis time from March to May, with a clear cadence of 1:1 conversations directly with each QBE locality using a consistent crisis response checklist. The CMT focused on:

- sustainable strategies to support our people leaders to connect with and manage their teams virtually;
- the wellbeing of our people in a sustained work-from-home environment with additional support for vulnerable employees;
- reviewing our critical HR processes to ensure continuity; and
- regular and co-ordinated employee communications at a local and global level.

Health, safety and wellbeing@QBE

Across our business, the health, safety and wellbeing of all employees, contractors and visitors are key priorities. The following policies continue to support our efforts in this area:

- Global Work, Health, and Safety (WHS) Policy;
- Flex@QBE Principles; and
- Group Code of Ethics and Conduct.

Our Group and divisional CEOs take executive-level responsibility for these topics. All people leaders at QBE are responsible for improving employee awareness of, and access to, relevant policies, processes and support.

The five pillars of employee wellbeing

In response to COVID-19, we implemented focused and tailored measures and campaigns to support our people across five areas of wellbeing: mental wellbeing, physical wellbeing, financial wellbeing, flexible working and supporting the vulnerable.

Mental wellbeing

Across our business, we launched a series of initiatives including virtual events, webinars and 1:1 wellbeing coaching. Examples of topics covered included burnout, nutritional advice, resiliency in times of uncertainty, looking out for co-workers and stress management. We introduced wellbeing check-ins within teams across QBE to drive a culture of care and reduce the stigma associated with poor mental health. Our Employee Assistance Programs in each division played a major role in our COVID-19 response.

Physical wellbeing

Physical wellbeing has proved more important than ever with many countries experiencing, often severe, movement restrictions. We delivered webinars focused on physical wellbeing, eating healthily and stretching. In Europe, we partnered with nutrition expert SuperWellness and PureGym, a mobile fitness app offering virtual high intensity training workouts, and offered yoga sessions and screen break videos. In North America, we expanded the wellbeing rebate program that reimburses health-related activities and community agriculture programs to encourage employees to take care of themselves while working from home.

Financial wellbeing

This period of economic uncertainty has highlighted financial wellbeing as a key concern for our employees. We have provided resources and webinars to support our people on different aspects of financial wellbeing. This included 1:1 financial reviews, webinars on financial wellness, classes on budgeting, training on retirement planning (including superannuation and pension fund management) and estate planning.

Flexible working

We are committed to supporting a diverse and inclusive workforce by recognising and responding to people's needs at different stages of their lives. As employees transformed their homes into offices, we launched resources to support working from home, with tailored learning programs on leading teams virtually and guidelines for creating ergonomic workspaces. Our Flex@QBE Principles guide how we approach flexible working, considering both the needs of the business and the preferences of our employees. We understand that people have had to take on additional responsibilities and stresses during the pandemic. We introduced additional sick leave for those who exhausted all other leave entitlements. In North America, we introduced caregiver leave, which provides unpaid job-protected leave for up to 12 weeks, plus 10 days with pay.

Vulnerable persons

During 2020, we introduced several initiatives to protect vulnerable employees. In Europe, we provided additional domestic abuse resources and support. In Australia Pacific, we launched the 'Care & Connect' series to provide leaders with the knowledge and resources to support their teams' individual needs through remote working. We also expanded our policy to offer 10 days dedicated Family & Domestic Violence leave and launched a Family & Domestic Violence First Responder national network across Australia and New Zealand to support our people. Across all our divisions, we monitored who was going into the office and conducted wellbeing checks where these were deemed necessary to gauge whether employees were safe working from home.

Our global WHS Leadership Team exchanges initiatives and ideas from members' respective locations to enhance the offerings available to staff and contractors, and to mitigate risks that may arise. The team regularly reports their work and findings to the Group Board.

QBE Asia was selected as a *Top Insurance Workplace in 2020* by *Insurance Business Asia* in recognition of our response to COVID-19 and for our continued focus on fostering a diverse and empowered workplace that positively affects our people.

Responding to the events of 2020

Customers

2020 was a year of devastating hardship, volatility and uncertainty. The COVID-19 pandemic alone has caused significant loss of life and unemployment, leaving unprecedented numbers of people isolated, distressed and uncertain of the future. At QBE, we are committed to supporting our customers through times of crisis. In 2020, we launched Customer@QBE, our globally consistent approach to delivering value to customers in a responsible, accountable manner to ensure long-term sustainable relationships.

Supporting our customers through natural catastrophes

Bushfires destroyed vast areas of Australia from late 2019 through to early 2020. QBE responded quickly with a dedicated Bushfire Catastrophe team to fast track claims. We worked with our partners to create temporary locations in disaster-affected areas to expedite the claims process for our affected customers. We used our industry-first customer mapping tool to allocate resources and identify vulnerable customers. This innovative tool allowed us to assign appropriate responders and suppliers to a claim, freeing up our people to focus on the human side of things and provide individualised and empathetic customer service.

Alongside the catastrophic fire season in the Western United States, the Atlantic hurricane season has also been at its most active since 2005. Using our powerful artificial intelligence tools, we sent proactive communications to customers identified to be in the path of disaster. With extreme winds making it impossible to assess fields across the Midwest, we also utilised drone technology to determine damaged versus salvageable acreage.

During the pandemic, we continue to connect with customers using a video claims process, enabling our claims team to perform assessments at a time that suits the customer while meeting social distancing requirements. We have been able to fast track claims and repairs, offering greater accessibility and inclusion for our remote and disabled customers. Video claims assessing is now a compulsory tool for our supplier networks which means we can still connect with customers where physical access is not possible.

Alongside implementing health and safety measures, we also work with our suppliers to understand what they are experiencing and the ways in which we can better protect them, and our customers. To support our partners through times of crisis, we aim to reduce the time to pay our small to medium enterprise (SME) suppliers from 30 days to within 15 days.

COVID-19 support for SME customers

Throughout 2020, we have taken action to support our customers as they face uncertain and difficult circumstances. QBE developed a COVID-19 risk management toolkit to help businesses return to work and adjust to the 'new normal'. The toolkit covers what businesses should take into consideration around the topics of social distancing and self-isolation, hygiene and surface decontamination, control systems to reduce the risk of virus spread in the workplace, personal protective equipment and supporting employee mental health.

We also developed a series of webinars for brokers and customers designed to support their teams to manage the changing environment, as well as tailored coaching sessions from experts in varied fields such as mental health and wellbeing, leadership and culture.

In Australia, we supported our SME customers experiencing financial hardship through:

- continued insurance for vacant premises and extension of cover for business assets temporarily removed;
- deferred premium payments;
- premium instalments for workers' compensation;
- 'Laid up' cover for commercial vehicles, marine commercial hull vessels and aircraft no longer in use;
- accelerated cash-settlement processes for customers with a natural disaster claim underway, who prefer to manage their own repairs; and
- maintained expiring premium where the sum insured hasn't changed.

Supporting vulnerable customers

In 2020, QBE continued building its capability for supporting customers experiencing vulnerability, implementing internal policies and training to better identify and understand vulnerability, and how to best respond with respectful support that takes into account the customer's particular needs and circumstances. A Family & Domestic Violence Customer Support Policy was also launched providing customers with information on how they will be supported if affected by family violence, along with details of a range of services and resources available to them. Customers experiencing vulnerability can be connected with counselling support and external services or be provided with relief options or payment plans where experiencing financial hardship. Building our capabilities for supporting vulnerable customers is another way we affirm our commitment to be customer-focused and make a positive difference in our customers' lives.

Extending REACH My Best

During the bushfires and the subsequent COVID-19 pandemic, QBE has made our free employee assistance program 'REACH My Best' available to our Australian customers. It provides counselling sessions with qualified, experienced and independent health and wellbeing psychologists to assist with recovery and welfare. All discussions remain private and confidential.

Mental health coverage

QBE Hong Kong has launched new mental health coverage, offering specific COVID-19 support to individuals and their families. Consultations with professional psychologists are subsidised, providing support to those suffering in government restrictions and under enforced work-from-home arrangements. The new coverage assists in reducing the cost of professional counselling, helping our customers prioritise their mental wellbeing.

COVID-19 support for hardship

In the United Kingdom, QBE has returned more than £10 million to motor fleet customers whose vehicles were taken off the road during government restrictions. Rebates were processed quickly, and vehicles continued to be covered for accidental damage, fire and theft while unused. We also offered free and discounted risk management services on vehicle safety and online driving courses to help customers safely return to the road. In Australia, QBE provided existing and new private-use motor customers with financial assistance in the form of a one-off COVID-19 benefit. Comprehensive car insurance customers were entitled to an A$50 e-gift card, with an A$25 e-gift card for customers with motorcycle, caravan or other private-use motor insurance. A$21 million was set aside for e-gift cards for over 470,000 customer policies.
In Australia, our Consumer Credit Insurance product was adapted to support customers claiming for involuntary unemployment due to COVID-19 induced hardship. Self-employed customers no longer needed to provide evidence of business dissolution, and customers were no longer required to register with a government agency to prove they were seeking re-employment. Cover was also extended to employees stood down, but not let go.

Responding to the events of 2020

Communities

In 2020, the QBE Foundation took an active and coordinated approach to supporting our partners and communities around the globe. The not-for-profit and community sector was hit hard by the COVID-19 pandemic and we worked with our charity partners to assist them in dealing with increased demand for their services while helping to offset a decrease in donations and funding due to the economic impact of COVID-19. Over $1.5 million of QBE Foundation funding was either redirected or provided in addition to our standing partnership commitments.

As the pandemic first surged, we paused reporting requirements and waived restrictions on using funding for capital and operational expenses. QBE supported vital initiatives in Australia, New Zealand, the Pacific, the United Kingdom, Italy, Spain, North America, the Philippines, Hong Kong, Malaysia, Singapore and Vietnam. We will continue to work with our local charity partners to support them in developing and adapting their operations in this difficult environment.

Globally, our disaster relief and resilience partnership with Red Cross and Save the Children has enabled us to reach and support more vulnerable communities than ever before. The partnership is built around rapid mobilisation of funding, allowing our humanitarian partners more flexibility to respond to disasters as and where they arise. The partnership also allows us to focus on building resilience in, and the long-term recovery of, communities. Our partnership has enabled QBE to assist in the global response to some of the largest catastrophes of 2020.

Australian Black Summer bushfires

The Black Summer bushfires showed just how devastating the impact of climate change on our environment can be. Dozens of lives and thousands of homes were lost, with whole communities destroyed. QBE was able to rapidly deploy aid through our partnership with Red Cross and Save the Children. We expanded beyond our financial commitment through additional donations, including matching employee fundraising, and training a team of our employees to assist in evacuation centres. Our support contributed to the implementation of recovery plans, the delivery of relief to evacuation centres and the provision of outreach support.

We worked on several initiatives with Red Cross to aid in their recovery effort. Our Claims team assisted in facilitating effective delivery of grants to impacted communities while screening for possible fraud.

Along with other companies, we made material donations to deliver financial and practical assistance to those in need. Funding was dispersed among communities in the form of emergency grants, urgent home repairs, re-establishment of homes, supporting people hospitalised for injuries and providing financial hardship relief.

Our support for Save the Children, alongside other donors, enabled them to plan and deliver their two-phase bushfire plan, 'Response and Recovery'. The Response phase implemented nine child-friendly spaces in evacuation and recovery centres which helped support 782 children; giving them the space to draw, play and socialise. The spaces also helped them to process their experiences in a safe environment while parents began the critical journey of recovery. The Recovery Phase, still in progress around the country, includes outreach activities and delivering the Journey of Hope in-school program to assist children in processing and expressing trauma and their feelings.

COVID-19 community impact

COVID-19 has had a profound impact on people worldwide, but especially those already experiencing vulnerability. We mobilised our disaster relief and resilience partnership to strengthen the ability of Red Cross and Save the Children to respond to the ongoing crisis. QBE is proud to support our partners in delivering programs that focus on providing financial assistance, healthcare, pre-stocking of relief aid in high risk areas and proactive communications within communities.

Our support has also contributed to Save the Children's launch of the 'By Your Side' program in Spain, helping to safeguard the education and wellbeing of children and their families most affected by the pandemic. So far, 2,290 families, which includes 3,840 children have been supported with cash vouchers, distribution of technological devices and Wi-Fi cards ensuring marginalised families have access to digital education and information.

In Australia, the QBE Foundation supported Red Cross' 'Double Impact Campaign', where we matched donations to their COVID-19 response up to a total of A$100,000. Many communities were already scarred by the impact of drought and fire. The campaign aimed to raise awareness of this additional pandemic impact and raise much-needed funding to support the ongoing work of Red Cross in their response. Our donation enabled them to adapt their door-to-door and community-based support work to phone and online channels to ensure all Australians were supported.

Image by Pedro Armestre

Supporting North American communities

Communities in the United States have experienced hurricanes, wildfires and a derecho (tornado) across the Midwest, all during the pandemic. QBE supported the American Red Cross as they responded to these disasters through relief funds and matching employee donations. Our support has gone toward providing impacted communities with vital supplies including clean water, safe shelter and hot meals.

Cyclone Harold

Cyclone Harold devastated communities across the Pacific Islands. Along with contributing funding towards delivering hygiene and shelter packs to families in Vanuatu and Fiji, QBE support is enabling Save the Children to establish the first ever cash transfer program in Papua New Guinea, enabling the most vulnerable to access money for food, water and health supplies using their mobile phone. A cashless transfer minimises people having to physically queue for aid, also providing some protection for women against the risk of violence or theft. Cash Transfers enable quick and safe access to financial aid post-disaster, including remote regions where aid can often be significantly delayed.

Disaster support in Vietnam and the Philippines

The world's strongest typhoon in 2020, Typhoon Goni, created havoc across the Philippines. The resulting wind, rainfall and flooding left many communities with no electricity, contaminated water and severe building damage. QBE supported Save the Children to help provide people with water kits and essential hygiene supplies, including face masks and sanitiser.

We also activated the disaster relief fund to support the Viet Nam Red Cross Society Emergency Appeal in response to the October 2020 floods. The funding will contribute to the delivery of assistance and support for the immediate and early recovery needs of 160,000 people for 12 months. The operation will focus on shelter, livelihoods, health, hygiene, disaster risk reduction, community engagement and accountability as well as protection and inclusion.

SHARED VALUE AWARDS
2020 FINALIST

QBE and our Global Disaster Relief and Resilience partners Red Cross and Save the Children were shortlisted for the Shared Value Awards for *Collaboration of the Year.*

Our approach to sustainability

Sustainability Framework

As an international insurer and reinsurer, strong corporate governance, sustainable business practices, being a great employer and making a positive and impactful contribution to the economies and communities in which we operate underpin everything that we do.

Sustainability is integrated in QBE's strategic priorities, particularly within the performance pillar where we remain focused on meeting our climate and broader sustainability commitments. Our priorities around customer, talent and culture are also deeply linked to our sustainability approach. We build current and emerging environmental, social and governance (ESG) considerations into our decision-making processes to help our customers, partners and communities manage risk through our products and services. Our holistic, integrated, long-term approach to risk seeks to create value for our stakeholders and supports the ongoing success and sustainability of our business. The events of 2020 have reinforced the importance of integrating sustainability considerations throughout our business. Our Sustainability Framework continues to help us drive performance, manage risks and identify opportunities across the areas of sustainability that are most important to our business, customers and stakeholders.

This Report outlines our performance for the year, and initiatives that are underway in the focus areas of our Sustainability Framework.

Our 2021 Sustainability scorecard provides a summary of our commitments, initiatives and targets that enable us to stay focused on our sustainability priorities, address our material topics and drive improved ESG outcomes.

Our memberships and industry collaboration

We are proud members of, or signatories to, many global and local sustainability-related initiatives. These provide us with a platform to collaborate with stakeholders on key sustainability issues through open communication and knowledge sharing. Our involvement assists us to develop solutions to address current and emerging local and global challenges.

Performance and reporting

We seek to be transparent and open about our sustainability goals and achievements through ongoing stakeholder engagement and regular reporting. External sustainability ratings and industry benchmarking initiatives provide an important opportunity for us to continually improve our sustainability performance. We participate in a range of these including:

Further information can be found on our website.

Sustainability governance and management

Oversight and accountability

In line with its charter, the Group Board is responsible for overseeing QBE's social, ethical and environmental responsibilities across the business. The Board is supported by the Board Risk & Capital Committee (BRCC), comprised of independent directors, which oversees and guides QBE's sustainability approach, initiatives and reporting. The Group Sustainability team updates the BRCC on our sustainability performance and activity at each of its meetings (six meetings were held in 2020).

Our Group Executive Committee (GEC) reviews and approves our sustainability agenda and priorities, receiving updates on these throughout the year. Our Executive Non-Financial Risk Committee (ENFRC) supports the GEC in managing non-financial risks.

Integrating sustainability across our business

Group Sustainability team

The Group Sustainability team, operating under the Group Head of Sustainability, reports to the Group Executive Corporate Affairs and Sustainability, a GEC member. The team drives sustainability across QBE, including development and implementation of our sustainability approach and initiatives, stakeholder engagement and communications, performance management and reporting.

Group ESG Risk team

The Group ESG Risk team reports to the Group Chief Risk Officer (CRO), a GEC member. The team is responsible for coordinating the identification, analysis and management of ESG risks and integration into QBE's risk management practices and systems. The team supports the ESG Risk Committee and our Climate Change Steering Committee and working groups.

Group Impact and Responsible Investments team

Our dedicated Group Impact and Responsible Investments (IRI) team reports to the Group Chief Investment Officer (CIO) and the Group Chief Financial Officer, a GEC member. The IRI team seeks to integrate ESG considerations into our investment decision-making process. The team's activities are also overseen by the BRCC and, where appropriate, the Board Investment Committee. The Group CIO and the Head of IRI participate in numerous sustainability-related committees including the ESG Risk Committee and Climate Change Steering Committee.

Sustainability Committee

The Sustainability Committee supports the business in the delivery and effectiveness of our sustainability strategy, initiatives and reporting. It comprises senior representatives from across the Group who are involved in the day-to-day management of sustainability issues. These representatives come from business units including Risk, Finance, Investments, Investor Relations, People and Change, Communications, Legal, Company Secretariat, Compliance, Operations and Claims.

The Sustainability Committee is chaired by our Group Executive Corporate Affairs and Sustainability, a GEC member.

ESG Risk Committee

The ESG Risk Committee supports the ENFRC in the management of ESG Risks across the group according to the ESG Risk Standard, as part of the QBE Group Enterprise Risk Management Framework. The Committee oversees actions to identify and review ESG Risks and develop appropriate treatment plans and strategic responses to recommend to the ENFRC.

Other governance forums

We have a range of other internal governance forums and working groups whose members possess the specialist skills required to understand and address current and emerging sustainability issues. These include our:

- Global Emerging Risk Forum;
- Climate Change Steering Committee;
- Group Underwriting Committee;
- Global Privacy Council;
- Premiums4Good Global Steering Committee;
- Diversity & Inclusion Council;
- Health & Safety Working Group; and
- QBE Global Foundation Committee.

Further information about these can be found throughout this Report under the relevant sections.

Sustainability
Governance Framework

Highest level of oversight

- Group Board of Directors
- Board Risk & Capital Committee

Accountability for sustainability

- Group Executive Committee
- Executive Non-Financial Risk Committee

Integrate sustainability across our business

- Group Sustainability team
- Group ESG Risk team
- Group Impact and Responsible Investments team
- Sustainability Committee
- ESG Risk Committee

Drive strategy in focus areas

- Global Emerging Risk Forum
- Climate Change Steering Committee
- Group Underwriting Committee
- Global Privacy Council
- Premiums4Good Global Steering Committee
- Diversity & Inclusion Council
- Health & Safety Working Group
- QBE Global Foundation Committee

Furthering the United Nations Sustainable Development Goals

We strongly support the aims and objectives of the United Nations Sustainable Development Goals (SDGs) which seek to address the world's most urgent economic, environmental and social challenges. As a universal agreement to work towards a better and more sustainable future, the SDGs closely align with our purpose – to give people the confidence to achieve their ambitions. Our sustainability agenda continues to be aligned to, and supports, the advancement of these global goals.

In 2020, we refreshed our deep dive SDG prioritisation analysis to ensure continued relevance to our business and stakeholders. The analysis initially conducted in 2018 was updated for all 17 SDGs to reconfirm those most closely aligned to our purpose, strategic business priorities, Sustainability Framework, products and services and initiatives across our global business.

We used two lenses for this analysis:

- Direct and indirect impacts of the SDGs on our business and stakeholders, including our people, customers and community.
- Opportunities to contribute to the achievement of the SDGs through our products and services, advice, thought leadership and community initiatives.

Our analysis by division (Australia Pacific, North America and International) considered strategic priorities, business activities and product lines. We then engaged with senior members of our divisional teams to review and agree key insights. This process helped identify nuances enabling us to prioritise our efforts at both a division and Group level moving forward.

All of the SDGs are relevant to our business in some way. However, we can contribute to the achievement of some SDGs more directly than to others. Our five SDG priorities (outlined on the next page) reflect the areas that most closely align to our purpose and strategic business priorities. This is where we can have the greatest impact given our role as an international insurance company.

The events of 2020 have shone a spotlight on the topics of inequality and social exclusion. The devastating impacts of the COVID-19 pandemic have been, and continue to be, felt across the world. The Black Lives Matter protests have also sparked a global conversation about racial injustice and inequality. At QBE, we are committed to fostering an inclusive culture where all our people can expect to be valued and respected for who they are. As a result, we have shifted our priority from SDG 5: Gender equality to SDG 10: Reduced inequalities, enabling us to focus on the topic of inclusivity beyond gender. We have made significant progress on our focus on gender equality (further information can be found in the People and culture chapter) which also helps us to focus on the broader issue of inclusivity.

Alongside our five SDG priorities, Goal 17: Partnerships for the Goals continues to underpin everything that we do, assisting us to work towards achievement of the wider 2030 Agenda for Sustainable Development. In 2020, we joined the United Nations Global Compact, the global corporate sustainability initiative, committing to the Ten Principles on human rights, labour, environment and anti-corruption.

We will continue to leverage our partnerships to collaborate on key sustainability topics, and seek to work with industry, government, community partners and other stakeholders to help advance, and one day achieve, the SDGs.

Throughout this Report, we have included a range of case studies and examples to demonstrate how we continued to further the goals in 2020.

Our five priority SDGs

GOAL 1: No Poverty

End poverty in all its forms everywhere

Building the financial and risk resilience of our customers is core to our purpose. We protect people, businesses and communities against risks – contributing to their long-term financial wellbeing. An accident, illness or disaster can quickly plunge customers into financial distress. Providing insurance protection for customers and communities helps aid recovery, preventing them from falling into, or deeper into, poverty.

GOAL 8: Decent Work and Economic Growth

Promote inclusive and sustainable economic growth, employment and decent work for all

With operations in key markets internationally, we believe that inclusive and sustainable economic growth is fundamental to our business and our success. Our strategic focus on innovation and technology enables us to promote economic growth that is impactful. We provide insurance products supportive of decent work, such as our workers' compensation and accident and health solutions. A continued focus on protecting labour and human rights within our business, and across our supply chain, is essential to ensuring that we remain a responsible employer and business partner.

GOAL 10: Reduced Inequalities

Reduce inequality within and among countries

QBE is committed to an inclusive culture as part of our QBE DNA and aligned to our Global Diversity & Inclusion Policy. We seek to empower and promote equality and the inclusion of all, irrespective of age, gender, ability, ethnicity, origin, religion, economic or other status. Wherever we operate, we respect internationally recognised human rights principles. We retain a strong strategic focus on diversity and inclusion across our business as highlighted by our updated women in leadership target of 40% by 2025 and our focus on fair remuneration. In addition, our refreshed Reconciliation Action Plan (2020-2022) solidifies our vision for strong and enduring relationships with Aboriginal and Torres Strait Islander customers, partners, communities and charities.

GOAL 11: Sustainable Cities and Communities

Make cities inclusive, safe, resilient and sustainable

We understand that cities are rapidly changing and under pressure due to increasing urbanisation, changing transport and energy systems, building codes and exposure to climate and health risks. We are committed to building on our existing data, products, services, initiatives and advice, and collaborating with industry, government and other stakeholders to identify sustainable solutions to reduce risk and enhance inclusion, safety and resilience.

GOAL 13: Climate Action

Take urgent action to combat climate change and its impacts

As a general insurer, we are acutely aware of the risks and opportunities presented by climate change. We are well-positioned to use our industry expertise to help customers, partners and communities mitigate these risks, and support the uptake of new ideas, opportunities and technologies in the transition to a lower-carbon economy, in line with the 2015 Paris Agreement.

Materiality

Our approach to materiality considers how our business creates value for all stakeholders across the short, medium and longer-term horizons. Aligned to the Global Reporting Initiative (GRI) Standards, we assess our economic, environmental and social impacts across the value chain (including positive, negative, actual and potential) on stakeholders, society at large and on our business.

The results of our materiality assessment inform our sustainability approach, strategic priorities and reporting. This year, we leveraged the methodology implemented in 2019 with the assistance of a third-party consultant to ensure continued independence in our process.

Identification

Sustainability topics are identified using both internal and external inputs. This involves gathering perspectives from a wide range of sources including internal and external stakeholder engagement. We continue to align our materiality process to:

- the GRI Reporting Principles for defining report content and report quality including Stakeholder Inclusiveness, Sustainability Context, Materiality and Completeness; and
- AccountAbility's AA1000 *AccountAbility Principles (AA1000AP) 2018* of Inclusivity, Materiality, Responsiveness and Impact.

As part of the process, we engage a diverse range of stakeholders including investors, employees, government, community groups, industry associations, commercial partners and think tanks. Our stakeholders are selected to ensure balance and coverage between themes and topics.

Stakeholders participate in one-on-one interviews with an independent facilitator, enabling a discussion of the issues ranked as most significant by each stakeholder. During these interviews, stakeholders were also asked to identify the SDGs most relevant to QBE. The process enabled us to understand our stakeholders' unique needs, expectations, perceptions or concerns.

As part of our broader approach to sustainability, we also regularly consult with our stakeholders to help us identify risks and opportunities to gain the insights we need to ensure that our strategy, initiatives, products and services continue to meet our stakeholders' needs and requirements.

Refer to our website for further information about our major stakeholder groups and our stakeholder engagement process.

The following provides an overview of key aspects of the methodology:

Key aspects of the methodology

Desktop research

Including media reports, industry standards, principles and benchmarks focusing on megatrends and emerging risks and opportunities for the local and global insurance sector

Peer benchmarking

Considering the key topics being prioritised and reported on by our local and global peers

Employee workshops

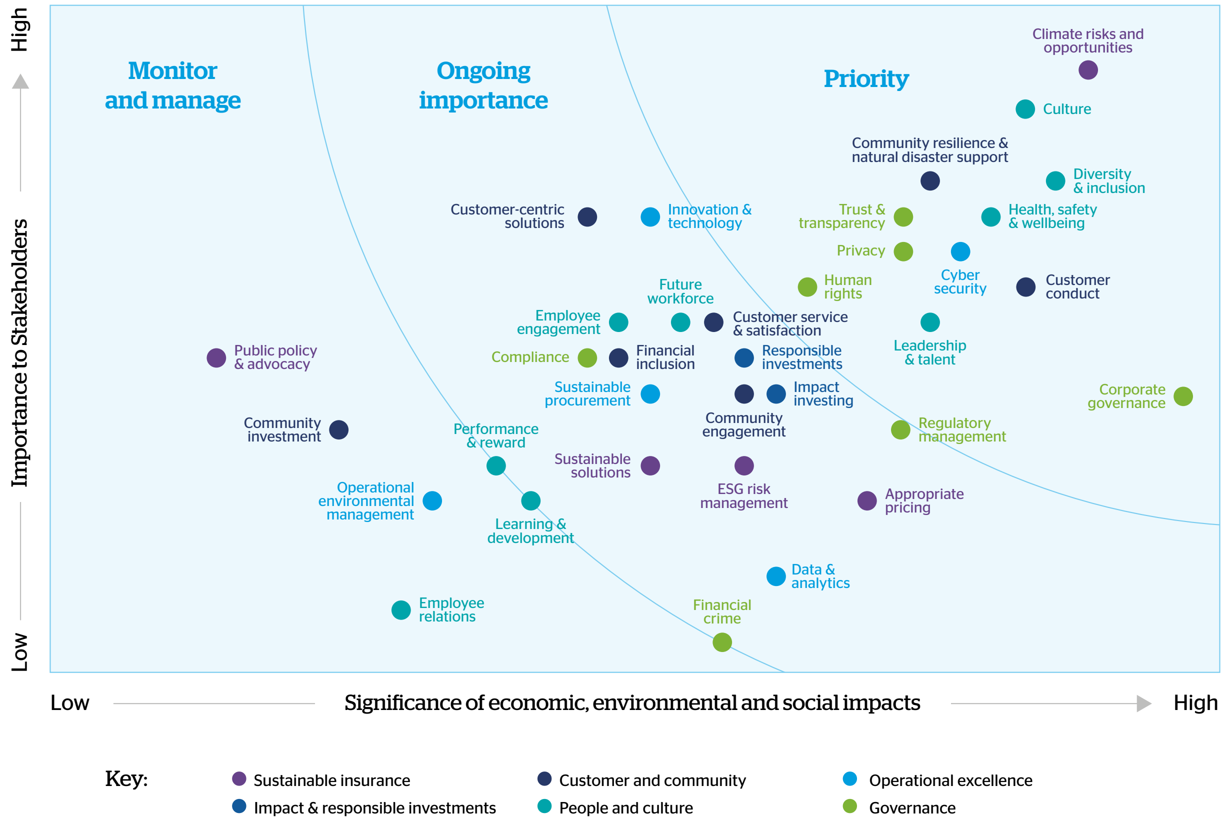
Participation by employees in focus group sessions to provide their perspectives on the most significant topics for QBE

Stakeholder engagement

In-depth interviews with internal and external stakeholders, including a wide range of investors, community groups and partners

Impact workshop

Stakeholders from across the business (including Sustainability Committee members) participated in a workshop to support decisions about the significance of impacts for QBE



The sustainability topics identified are mapped to our Sustainability Framework to ensure coverage of the risks and opportunities relevant to our role as an international insurance and reinsurance company.

Prioritisation

Topics identified are reviewed, consolidated and prioritised. The GRI Standards provided valuable guidance in assessing the significance of our impact on the economy, environment and society. The results of this review were used to update our materiality matrix.

Each topic was then positioned on our revised materiality matrix in light of three different stages of relevance and maturity:

- **Prioritise** – Topics of high importance to our stakeholders, with a significant impact on the environment, economy and society. These require significant management and strategic focus.
- **Maintain** – Topics of strategic significance for which we have well-established management processes. Stakeholder interest in these topics may vary.
- **Monitor and Manage** – Topics of increasing relevance to us or of significance to particular stakeholder groups warranting further analysis and management.

Validation

Once the revised materiality matrix was completed, an internal validation workshop was held with the Sustainability Committee, and other internal stakeholders, to test and validate the assumptions used, and the outcomes. This considered the short, medium, and long-term impacts of each topic.

The final outcomes were then presented to, and approved by, the BRCC and GEC.

Material topics for 2020

Based on the approach outlined earlier, our prioritised material topics for 2020 included:

Climate risks and opportunities

As a leading international insurer and reinsurer, we have a significant role to play in managing the potential risk exposures and opportunities related to climate change across our entire value chain. In addition to the physical impacts of climate change, we are acutely aware of potential transition (e.g. policy, technology, market) and liability risks. We are well-positioned to use our deep industry knowledge and expertise to help customers, partners and communities understand and navigate the changing risk landscape, build resilience and take steps to transition to a lower-carbon economy.

Aligned to SDGs: 1, 7, 11, 13, 14, 15, 17.

Refer to Climate change: transitioning to a low-carbon future, Sustainable insurance, Customer and community, Operational excellence, and our 2020 Annual Report for further information on how we are addressing this topic.

Community resilience and natural disaster support

As a global insurer, we witness first-hand the impacts natural disasters have on our customers and our communities. We are one of the first ports of call for people impacted by a natural disaster and aim to respond quickly, showing care and sensitivity in our dealings with others. In line with our focus on building resilience within our communities, we continue to partner with leading global not-for-profits involved in natural disaster preparedness and response – Red Cross and Save the Children.

Aligned to SDGs: 3, 8, 10, 11.

Refer to Responding to the events of 2020: Customer and Customer and community for further information on how we are addressing this topic.

Corporate governance

Across our business, we strive to have the highest standards of corporate governance. This includes guidance and oversight from our Board to support ethical behaviour, transparency and accountable decision making.

Aligned to SDGs: 8, 16.

Refer to Governance and the 2020 Corporate governance statement for further information on how we are addressing this topic.

Culture

We are committed to maintaining an organisational culture that supports and enables us to achieve our purpose and strategy in an ethical and responsible way. Our Group Code of Ethics and Conduct (the Code) helps guide employees to act ethically and with honesty and integrity, to promote QBE's reputation and create a positive organisational culture where employees feel safe and supported to speak up. Our QBE DNA and Code underpin our culture, helping us to deliver on our strategic plan and priorities.

Aligned to SDGs: 3, 4, 5, 10, 16.

Refer to People and culture and the 2020 Annual Report for further information on how we are addressing this topic.

Customer conduct

We are committed to maintaining high ethical standards in how we conduct our business and deal with others. The conduct of our employees, and those acting on our behalf, are key to maintaining these standards. This includes our relationships with customers and how we address the risk of unfair outcomes across the design of products and services, marketing and sales, distribution, claims and complaints.

Aligned to SDGs: 1, 8, 9, 16.

Refer to Customer and community and Governance for further information on how we are addressing this topic.

Cyber security

Cyber security is one of the greatest threats shaping today's risk landscape. As an escalating, ever-evolving business risk, cyber security has the potential to impact our operations, business, customers, communities and other key stakeholders. We employ a global approach to effectively manage internal and external threats to the confidentiality, integrity and availability of our customer and corporate data. We proactively monitor and respond to known and emerging threats across all our divisions and invest in innovation and digital transformation to benefit our customers and shareholders through secure solutions. We manage and mitigate emerging threats, including cyber threats, by seeking to adhere to all legislation relevant to our business and our Code.

Aligned to SDGs: 9, 16, 17.

Refer to Sustainable insurance and Operational excellence for further information on how we are addressing this topic.

Diversity and inclusion

Maintaining a diverse, innovative, supportive, inclusive and performance-driven workplace aligned to local and international standards is a core part of our culture agenda. Underpinned by a Global Diversity and Inclusion Policy, and strategy aligned to business priorities, this includes fostering diversity in gender, ethnicity, ability, thinking and ideas. We also continue to focus on initiatives that contribute to greater work-life balance for our employees and contractors, such as flexible working hours, carer's leave and domestic violence leave.

Aligned to SDGs: 4, 5, 8, 10.

Refer to People and culture and the 2020 Corporate governance statement for further information on how we are addressing this topic.

Health, safety, and wellbeing

We support a safe working environment free from physical or mental injury or harm, discrimination, harassment and bullying. We seek to maintain a healthy workplace for our employees and contractors with a focus on mental, physical and financial wellbeing, flexible working and support for the vulnerable. Even before COVID-19, we implemented hygiene and safety measures to protect our people, contractors and customers based on guidance from health experts.

Aligned to SDGs: 3, 5, 8, 10.

Refer to Responding to the events of 2020: People and People and culture for further information on how we are addressing this topic.

Human rights

Wherever we operate across the globe, we respect human rights and are committed to avoiding human rights harm through our actions and decisions. This includes our response to various laws and norms regarding human rights, including risks related to modern slavery. We take active measures to prevent our involvement in human rights harm through our supply chain relationships. We reject any form of slavery, including forced, bonded or child labour.

Aligned to SDGs: 1, 8, 10, 16.

Refer to People and culture and Governance for further information on how we are addressing this topic.

Leadership and talent

Developing and empowering our people to be strong and effective leaders and agents for change, and building a diverse talent pipeline, are critical to how we develop and maintain an effective organisational culture. This includes helping our people develop the appropriate skills to deliver our strategic priorities.

Aligned to SDGs: 4, 5, 8, 10, 16.

Refer to People and culture for further information on how we are addressing this topic.

Privacy

QBE is committed to respecting our customers' privacy, protecting their personal data from misuse or unauthorised disclosure and compliance with privacy laws. Our Global Privacy Framework defines the core principles of our privacy program which are the foundation for QBE's ongoing compliance with privacy laws globally.

Aligned to SDGs: 8, 9, 16.

Refer to Governance for further information on how we are addressing this topic.

Trust and transparency

The increased focus on trust in the financial services sector, with greater regulatory scrutiny and community expectation, has led to the need for enhanced transparency and disclosure around key customer issues, ESG risks and opportunities and tax transparency. We do this through disclosure of our management practices, business performance and plans for continuous improvement in relation to material sustainability topics.

Aligned to SDGs: 8, 10, 16, 17.

Refer to Sustainable insurance, Customer and community, People and culture, Operational excellence and Governance for further information on how we are addressing this topic.

Climate change: transitioning to a low-carbon future

As an international insurer and reinsurer, we regularly witness first-hand the impacts of a rapidly changing climate on our customers and communities. We view climate change as a material risk for our business, as well as a driver of innovation and new opportunities. We are well aware of the acute and chronic physical risks of climate change, as well as the transition, regulatory change, liability and other risks associated with changes in policy, laws, technology and markets.

Our role is to financially protect people and their assets, support recovery efforts when catastrophes occur and reduce the economic and social impacts of climate change on our customers and communities. We accept scientific evidence and assessments made by the Intergovernmental Panel on Climate Change, and strongly support the Paris Agreement, which aims to limit global warming this century to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C.

We have completed our 2018 Climate Action Plan and implemented the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which we will continue to update and refine. In 2020, we focused on expanding our scenario analysis and have adapted our catastrophe models to allow us to consider a range of potential impacts of climate change through to 2090. Our 2020 Annual Report describes our progress on climate change management in detail.

We are progressing well on our commitment to phase out all direct insurance services for thermal coal customers by 2030, at the latest. We continued to maintain zero direct investments in thermal coal and remain focused on our commitment to source 100% renewable electricity for our operations by 2025. Our Group Energy Policy has been integrated into our Environmental and Social Risk Framework as part of the broader suite of sector positions.

Further information can be found in Sustainable insurance.

Going forward, our focus for tackling climate change will be on the following areas:

- building resilience for our customers and communities;
- strategically investing towards a net-zero economy;
- strategic integration of climate change risks and opportunities across QBE;
- aligning our business operations and the actions of our people to reduce our footprint and support climate action; and
- continued transparency regarding our governance and performance.

Collaborating on climate change

QBE, along with 22 other global reinsurers and insurers, has been part of the UN Environment Programme Finance Initiative's Principles for Sustainable Insurance (PSI) Initiative to pilot the TCFD recommendations. The PSI's aim was to develop consistent and transparent analytical approaches that can be used to identify, assess and disclose climate change-related risks and opportunities in insurance portfolios in a forward-looking, scenario-based manner. The pilot covered climate-related physical, transition and litigation risks and opportunities. QBE has been a member of the Working Group focused on transition risk in the property sector in Australia, which developed a model to assess the risk. We will explore piloting this model in 2021. We have also been a member of the litigation Working Group, which has complemented our internal analysis on climate-related liability risk.

The detailed report from the Initiative is publicly available here.

Our renewable energy portfolio

We have a longstanding role in the energy sector, insuring customers that support global energy markets. Sustainability and transitioning to a lower carbon economy are of increasing importance to our customers, many of whom have committed to meeting a net-zero pledge by 2050 not only in their own business activities, but also for the end-users of their products.

Energy markets are one of the most complex systems in the world. Every country depends on ample, affordable and uninterrupted quantities of energy to meet the varying requirements of their grids, in addition to those from their industrial users, transportation needs and individual consumers. Energy systems must factor in a growing global population, while also aiming to significantly reduce greenhouse gas emissions.

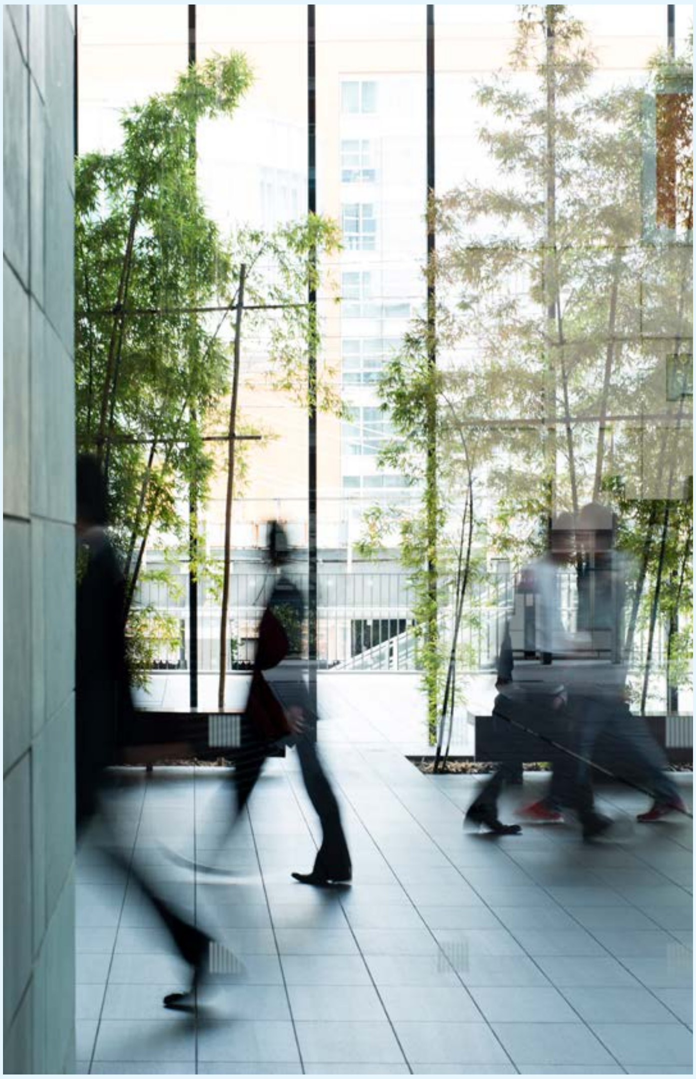
Energy producers are a pivotal part of the transition to a sustainable future, supporting the scaling up of existing technology and driving the development of new technologies and innovation. Whatever changes will come, our customers are a key part of delivering on these ambitions. At QBE, we work with our customers to help them realise their ambitions, many of which now relate to setting long-term plans to navigate these many changes. The events of 2020 have been a driver for a record year of commitments, initiatives and projects from our customer base. Sustainability is core to discussions with our customers as they take on these new initiatives and transform their operations to combat climate change in ways that would have been nearly unimaginable even just a decade ago.

In recognition of the challenges facing this dynamic industry, we are proud to support the insurance of the Dogger Bank wind farm project off the north east coast of England – a joint venture project undertaken by two of our customers. This has resulted in the world's largest offshore wind farm with capacity to power up to 4.5 million homes.

In Europe, we have increased our overall renewable energy book of business by around 50% to $33 million. This is in addition to the many other sustainable business initiatives and projects we undertake.

In Asia, we provide power generation insurance and, as our customers transition to alternative energy sources, we continue to support them with risk management expertise and solutions. This year, our Vietnam office co-hosted a webinar with DEHN on mitigating risks such as lightning and surge damage to solar and wind farms. The webinar allowed us to showcase our expertise in engineering insurance, and provided technical insights and advice to our customers, as well as demonstrating the benefit of working collaboratively with our partners to provide comprehensive solutions.

Further detail can be found in Climate change – our approach to risks and opportunities in our 2020 Annual Report.



Investing in a net-zero economy

In November 2020, we committed to achieving net-zero greenhouse gas emissions by 2050 in our investment portfolio by joining the UN-convened Net-Zero Asset Owner Alliance, an international group of institutional investors committed to transitioning to a low-carbon economy. Over the coming years, we will explore strategies and approaches to align our investment portfolio with the objective of the Paris Agreement to be net-zero GHG emissions by 2050. We recognise that this will be a challenge as, globally, there is no single recognised pathway to reaching net-zero yet. Mitigating climate and disaster risks requires strong collaboration between governments, industries and communities. We will seek to play an active role in advocating for our customers, encouraging the development of environmentally-friendly technologies and investing for the future.

Further information about our commitment can be found in the Impact and Responsible Investments chapter.

Sustainable insurance

QBE provides a broad range of insurance products to personal, business, corporate, institutional and multinational customers.

As a proud signatory to the United Nations Environment Programme Finance Initiative's (UNEP FI) Principles for Sustainable Insurance (PSI), we take an active approach in our risk management, endeavouring to deliver solutions tailored to our customers' needs. We also consider ESG issues relevant to our business in our decision making. We continue to strive for accountability and transparency in disclosing our progress in implementing the PSI.

2020 Sustainability scorecard achievements

Address the risks and opportunities related to climate change

Rolled out our three-year Climate Change Action Plan **page 22** (Achieved)

Implemented, monitored and maintained compliance with our Group Energy Policy **page 22** (Refreshed)

Continue to embed consideration of ESG risks into our Group-wide risk management framework

Developed Environmental and Social Risk Framework to support integration of ESG considerations into our Group Underwriting Standards **page 26** (On track)

Collaborate with industry, government, community partners and other stakeholders to support the achievement of our priority UN SDGs

Participated in the successful launch of the Australian Sustainable Finance Roadmap **page 31** (Achieved)

Actively participated in external initiatives and partnerships to address climate change **page 30** (Refreshed)

View our 2021 Sustainability scorecard on page 68.

Key for progress symbols:

Achieved   On track   Behind   Refreshed

The COVID-19 pandemic has added complexity in terms of QBE's business operations and caused ongoing impacts to our investments and risk exposures. COVID-19 has been the ultimate stress test of our risk management processes. We responded rapidly to the changing environment with comprehensive Board and Executive oversight to help ensure that the Board was fully appraised across all aspects of COVID-19's impact and QBE's response. We have been able to substantially uplift our scenario and capital planning capabilities which have provided clarity regarding the range of potential financial and non-financial impacts of COVID-19.

While the full effects of this pandemic are still unknown, QBE has taken strategic actions to manage the immediate impacts and prepare the organisation for a post-pandemic future.

QBE's risk management processes and systems are robust and aligned to global best practice, such as the PSI and the Organisation for Economic Co-operation and Development (OECD) guidelines for good practice in insurance claims management developed by the OECD Insurance Committee. Our Group Board seeks to ensure that we maintain an effective Risk Management Strategy (RMS) across our operations, and that the business manages risks effectively in line with our Enterprise Risk Management Framework. This framework incorporates our key risk management processes determining:

- risk appetite;
- stress and scenario-testing;
- governance, reporting and monitoring;
- risk identification, measurement and mitigation;
- risk management systems; and
- monitoring of our risk culture.

Consistent with its charter, the Group Board remains responsible for overseeing our social, ethical and environmental responsibilities across the business. Our Board Risk & Capital Committee (BRCC) supports the Group Board and oversees active and appropriate risk management in line with our risk appetite, strategy and business plans. The Group Board reviews the RMS annually, with results reported to the Group Board Audit Committee and BRCC. The Executive Non-Financial Risk Committee (ENFRC) supports the business in managing risks as well as understanding and meeting relevant legal and regulatory requirements relating to non-financial risks, reporting to the BRCC.

Refer to Risk – our business in the 2020 Annual Report for further information about our risk management processes.

Integrating sustainability into risk management

As a member of UNEP FI and a signatory to PSI, we continually work to integrate sustainability and current and emerging ESG risks and opportunities in our decision-making processes. As part of our RMS, we categorise risks into eight classes, with ESG risks across underwriting and investments classified as strategic risks, as well as being integrated into other risk classes.

Our Group ESG Risk Standard, which forms part of our Strategic Risk Policy, outlines the process we use to identify and manage ESG risks across the business. ESG risks are reported to the Group Chief Risk Officer (CRO) quarterly, with our ESG Risk Committee focusing on ESG risks that are deemed high risk. The Committee proposes actions to the ENFRC following those discussions. Our ESG Risk team analyses and manages ESG risks, engaging with teams across the business to raise awareness of them. In 2020, topics considered material included climate change, human rights, modern slavery, mining practices and biodiversity.

Committed to responsible underwriting

QBE's Group Underwriting Standards support our continued commitment to responsible underwriting. These Standards include:

- strict adherence to compliance and regulatory obligations underpinning global efforts to combat terrorism, corruption, corporate and organised crime and human rights violations;
- identifying and integrating ESG issues into risk management and underwriting decision-making processes;
- working with our customers and business partners to raise awareness of ESG and conduct issues, manage risk and develop solutions.

Environmental and Social Risk Framework

In 2020, QBE developed an Environmental and Social (E&S) Risk Framework, which identifies the sectors and issues that present an increased E&S risk to our business, including energy and biodiversity, and outlines our approach to managing those risks. The Framework, that will be fully implemented in 2022, has been developed to promote informed decision making that is consistent with our commitment to sustainable insurance and investment. The Framework considers the PSI ESG Guide for Non-life Insurance, supporting the integration of ESG considerations into our core business and increased transparency with our customers.

Refer to our website for further information about our E&S Risk Framework.

Our emerging risks

We understand that the risk landscape is rapidly changing and evolving, as demonstrated by the events of 2020. Emerging risks are considered as part of our strategic risk class. We define emerging risk as new or prospective risks which are difficult to assess but may have a significant impact on our business or the markets in which we operate. Emerging risks can significantly impact us achieving our strategic or business objectives and may not be adequately captured within other risk classes, or risk sub-classes, within our RMS unless appropriately identified.

Emerging risks are identified and analysed by our three Divisional Emerging Risk Forums (DERF), with overall coordination by the Global Emerging Risk Forum (GERF), which identifies and evaluates the emergence and maturity of each risk. Our emerging risk forums bring together experts across the business to identify, assess and develop management approaches to emerging risk.

The DERF and GERF periodically perform a horizon scanning exercise to identify, analyse and evaluate potential emerging risks to QBE. The DERF develops and manages treatment plans for emerging risks in conjunction with the business. The GERF provides regular recommendations and updates to the ENFRC.

During 2020, the GERF, ENFRC and BRCC reviewed a range of emerging risks material to the Group including nanotechnology, algorithmic bias, cyber security, big data, demographic change, resource scarcity and disruptive digital technologies. The following provides an overview of two risks with associated actions:

- Nanotechnology poses a significant health risk to our customers and may impact the way they operate their businesses as regulation catches up to technology. Nanoparticles have the potential to cause cellular level damage with long-term health impacts still unknown. There is a legal challenge as governing bodies scramble to stay up to date with technology and regulation. New European Union regulations relating to the manufacture and import of nanoforms was released in 2020, with legal ramifications for QBE's European customers. To mitigate the risk associated with nanoparticle use by our customer base, we use Arium's casualty analytics platform to host data and run scenarios to estimate sensitivity-test loss severities. QBE intends to use this tool to investigate further materiality of this risk to help identify potential treatment actions and recommendations.
- In an increasingly digital world, artificial intelligence and data analytics have the potential to generate business advantage and positive outcomes for customers. A major risk in reliance on algorithms and historical data is embedded human bias, which has the potential to affect both QBE and our customers. The use of human programmed models may magnify inherent bias in data including accidental racial, social or gender profiling. These models may give rise to ethical and legal risks for the company, and reputational risk for the industry. QBE is currently developing a tool to address this risk.

During 2020, we again actively collaborated with other multinational insurers in the CRO Forum, a forum for Chief Risk Officers of global insurers to advance global risk management practices. As part of this, we worked to update the Emerging Risk Radar and undertake a deep dive into the impacts of demographic change which create both significant challenges and opportunities for the insurance sector.

Further information about emerging risks can be found in the 2020 Annual Report.

Overview
Sustainable insurance
Impact and responsible investments
Customer and community
People and culture
Operational excellence
Governance
Performance

Promoting sustainability with customers, business partners and employees

We work closely with our customers, partners and employees to raise awareness of sustainability issues, manage risks and develop solutions. We offer workshops, tools and publications to help our customers, brokers and employees build and develop their ESG risk management knowledge and sustainability awareness. We also promote sustainability awareness in the following ways.

Educating to build resilience and risk expertise

We continue to support our customers by providing readily accessible thought leadership pieces and resources for small to medium enterprises on topics ranging from cyber safety for video conferencing, to productivity tips and improving mental resilience.

In Australia Pacific, our QBE Leadership Series of webinars helps leaders create a culture of safety in their workplace with a focus on mental health and business coaching. We have also extended several professional development offerings to brokers this year including our Learn@QBE Modules which cover topics such as product tutorials and general insurance credit practices.

Our Resilience Series, published in Europe, is a collection of articles, guides and insights to help businesses build resilience through safeguarding trade, managing people risks and leveraging technology. Topics include road safety in the new era of cycling and walking, planning and executing in periods of uncertainty and embedding a strong risk culture during crisis. As industry experts, we understand how vital it is that businesses are able to easily access useful resources of this kind as they develop plans to recover from this unprecedented year.

Globally, our Risk Solutions (RS) teams have been delivering webinars and guidance supporting QBE customers to manage risk and build resilience in their own businesses. In Europe, our Financial Lines RS team has developed an ESG Framework that customers can use to address climate change risks, stakeholder expectations and governance requirements, all of which are fundamental to long-term sustainability. Our aim is to build an ESG toolkit of templates providing support as our customers turn to incorporating sustainability into their businesses.

Our sustainable solutions and products

Through our products, services and publications, we continue to help our customers address sustainability issues and ESG risks. ESG considerations are embedded in our product design and decision-making processes, helping provide our customers with sustainable solutions and products.

Encouraging ESG through pricing

QBE's Global Credit and Surety team launched a new Global Underwriting Pricing Tool for our Trade Credit business. The new tool includes pricing benefits for businesses with strong ESG ratings, an idea that came out of our Global Challenge last year where employees across the business came together to present solutions to support customers' current and emerging risks and opportunities. By offering pricing benefits for businesses with strong ESG ratings, customers that make environmentally and socially conscious choices are rewarded, and other customers are encouraged to strengthen their ratings.

Helping customers spring back from injury

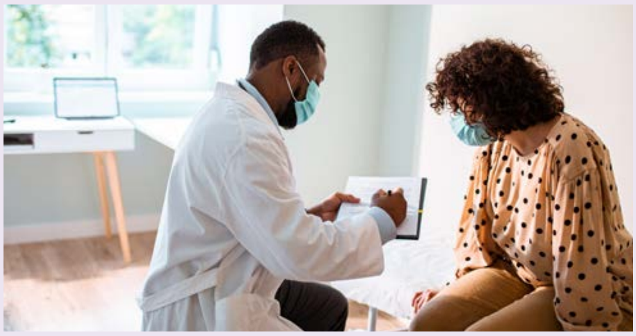
In Europe, our Rehabilitation Services team aims to help people recover from workplace injuries more quickly, with a specific focus on early intervention; continuing to serve as a key product differentiator. Our proactive rehabilitation approach has saved customers an estimated 1,619 lost days by expediting employee recovery and facilitating a faster return to work. This has saved £184,000 in absence related costs. By providing early intervention and rehabilitation, not only are we able to facilitate quicker claimant recoveries, we have also saved an estimated £4.8 million in claims costs in 2020.

The team has also worked closely with the Risk Solution team to develop an online customer mental health and wellbeing assessment tool and service improvement roadmap. We have done so in collaboration with a number of mental health and wellbeing providers including Mind, the United Kingdom's most renowned mental health charity.

In Australia Pacific, our MyRecovery program combines digital technology, artificial intelligence and behavioural insight capabilities to deliver a personalised, interactive approach to recovery. Once a claim is lodged, an interactive video is sent to the individual to guide them through the claims process. The program allows pre-approval of some services, supporting injured people on the road to recovery. There has also been increased uptake in telehealth services, health consultation services delivered via video conferencing, giving people access to a wide range of medical services from home.

With the onset of COVID-19 and the widespread uptake of video conferencing, we worked with a range of healthcare partners to facilitate telehealth services. We have partnered with experts to provide more than 10,000 telehealth-based services in 2020.

In Hong Kong, our Connect Ecosystem manages and facilitates efficient employee compensation claims. The new all-in-one approach creates a collaborative and holistic ecosystem, from analysis, strategic planning, partnership and collaboration through to evidence-based medicine, service delivery excellence, negotiated outcomes and dispute and conflict resolution. The ecosystem enables injured workers to return to work more quickly.



Smart home for the smart customer

QBE North America partnered with Roost, Inc. to offer customers industry-leading smart home products to monitor smoke detectors and water systems, mitigating risks in the home. QBE personal insurance customers are eligible for a 15% discount on the smart battery for smoke detectors, which sends out notifications to nominated individuals if the alarm is activated or the battery is low. Customers are also eligible for the same discount on the Smart Water Leak and Freeze Detector, designed to sense and alert you to water leaks and frozen pipes. This partnership exemplifies QBE's approach to bringing not just insurance, but also risk expertise, to our customers.

Predicting and preventing injury

QBE is investing in wearable technology to better predict, manage and reduce the likelihood and consequences of musculoskeletal injuries. We partnered with dorsaVi to offer on-body sensors which will be used in real time and real work environments to monitor and measure movement and muscle activity, quantify movement risk and guide decision making on appropriate risk mitigating strategies. The aim is to help reduce the physical, emotional and financial costs of worker injury and enable better injury risk management for our customers.

Rewarding green upgrades

In Australia Pacific, we encourage our customers who have had a relevant claim to opt for environmentally-friendly upgrades. When replacing damaged white goods, home insurance policyholders may receive up to an extra A$500 to upgrade that product to one with a better environmental rating. For customers who have experienced damage to their building rendering it a total loss, QBE's building insurance covers some additional costs to make the replacement building more environmentally friendly.

Cyber: the new risk frontier

Our European Risk Solutions team launched the Cyber Risk Profiler, designed to help our customers better understand their risk exposures and the security measures needed to create and maintain a cyber-resilient organisation. By understanding their cyber risk profile, businesses can be more proactive about improving it and mitigating potential risks and losses. Through an interactive questionnaire, this tool generates a report with recommendations and best practice guidance to help businesses create a top-to-bottom cyber-resilient culture and minimise vulnerability to potential cyber-attacks.

Stella Insurance: for women, designed by women

QBE is proud to support female-founded businesses, gender equality and social inclusion and Stella Insurance is a prime example of this. Underwritten by QBE, Stella Insurance represents a new opportunity for female drivers. Stella's research shows that women are statistically safer drivers and Stella Insurance seeks to reward this behaviour. Men are not excluded from being Stella Insurance customers, but the company's policies look to benefit women by covering items and situations typically excluded by traditional insurance. Stella Insurance provides discounted premiums for women, rewards for a good claims history, cover for baby gear and personal items, as well as cover for deliberate damage by a violent partner or ex. In addition, through the 'Stella Squad' program, Stella Insurance will also donate a share of its profits to female entrepreneurs, with a goal of backing, mentoring and promoting 10 new female-founded startups by 2025.

Engaging with governments, regulators and other key stakeholders to promote action on sustainability

We work together with governments, regulators, key stakeholders and customers to promote action on sustainable initiatives with ESG risks and issues in mind. We regularly consult with industry experts and participate in roundtables and seminars, both locally and globally, to promote sustainability; endeavouring to stay well-informed and influential on emerging trends and risks.

QBE Hong Kong is participating in the Green Finance Association Insurance Task Force arranged by the Federation of Insurers. This is an initiative made up of executives from various insurance companies in Hong Kong working to drive a coordinated response to green insurance offerings. QBE chairs the Green Product Development group, giving us the opportunity to influence and contribute to this important initiative. The key topics discussed by the task force include market and product development, investment in environmentally-friendly products, ESG-related disclosures and cultivation of a green-focused corporate culture.

Our CEO for Hong Kong participated in the Asia Insurance Summit in November, contributing to thought leadership on digitalisation, cyber risks and new opportunities in cyber insurance.

QBE North America is working with State Insurance Commissions to support policyholders impacted by natural disasters by extending premium payments and waiving late fees. We participated in the Fraud Advisory Panel and the International Association of Special Investigation Units to contribute to the industry knowledge base and stay on top of related fraud trends and developments. We also joined the CEO Action for Diversity & Inclusion, and contribute to the Professional Liability Underwriting Society, Risk Management Society, Women in Insurance Leadership, and have participated in the Insurance Industry Women to Watch program, Insurance Industry Charitable Foundation IDEA Council and monthly meeting of Diversity and Inclusion leaders.

Collaborating on climate change

We continue to collaborate with regulators, banks, insurers, reinsurers, asset owners and other stakeholders to develop open-source standards for reporting on physical climate risks for assets such as properties, buildings and infrastructure. The Climate Measurement Standards Initiative (CMSI) will help the industry better understand the financial risks on underwriting from increasingly extreme weather events. By developing a common approach, we can help support at-risk communities across Australia using the full power of the industry.

QBE is a funder and active leader in the CMSI, which published recommendations in two major reports, the first of which provides guidance to the financial services industry on disclosing scenario analyses under the recommendations of the Task Force on Climate-related Financial Disclosures. The second is the result of a unique collaboration with CSIRO, the Bureau of Meteorology and University of NSW, some of Australia's leading climate scientists, to develop scenario specifications for climate-related physical risk for buildings and infrastructure.

Australian Sustainable Finance Initiative

In Australia, QBE has funded and been an active participant at all levels of the Australian Sustainable Finance Initiative (ASFI). ASFI has developed a roadmap that recommends pathways, policies and frameworks to enable the financial services sector to contribute more systematically to transition to a more resilient and sustainable economy, consistent with global goals such as the SDGs, the Paris Agreement on climate change and the *Sendai Framework on Disaster Risk Reduction 2015–2030*. Through ASFI, we have engaged with Australian Government departments and financial regulators on how we can collaboratively help shape an Australian economy that prioritises human wellbeing, social equity, and environmental protection, while underpinning financial system resilience and stability.

Adding our voice to key sustainability events

The COVID-19 pandemic caused the cancellation of many events, while others shifted online. Virtual events have allowed our voices to stretch further and reach new audiences beyond just event halls in Sydney, London and New York.

The SDGs are a top priority for QBE, and we are proud to have been able to participate in panels during the five-day Summit 'Advancing the SDGs: The Australian Experience' hosted by the Business Council for Sustainable Development Australia and the Banksia Foundation. In addition, we participated in the 16th UNEP FI Global Roundtable hosted virtually over two days in October. The Roundtable explored emerging approaches for financing achievement of the SDGs and emerging guidance and good practice, as well as the finance sector's responses to science, policy and business developments relevant to the SDGs.

QBE also supported the three-day virtual Airmic Fest in September, presenting 'The road to recovery: the power of early mental and physical health rehabilitation intervention.'

The second Annual Innovation Summit was hosted by QBE North America in October, bringing together a number of InsurTech companies to spark innovation and creative conversations about process efficiency, automation and new approaches to supporting customers. Participants presented to QBE senior leadership.

In 2020, QBE was invited to speak at a number of webinars and roundtables. We had a panellist at the New Zealand Association of South East Asian Nation's Business Alliance Conference, Shared Value Summit Asia Pacific and the 2020 Forum of the Risk Management Association on building financial sustainability.

Our Gender Equality Bond

In support of

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office

EQUILEAP
MAKE A DIFFERENCE AND A RETURN

In 2017 we issued a $400 million Gender Equality Bond, a debt product incorporating gender equality considerations with strict investment criteria. Any issuer must be a signatory to the United Nation's Women's Empowerment Principles (WEPs) and be included in the Equileap Gender Equality Global Report and Ranking at the time we invest. As at 31 December 2020, the gender equality bond portfolio was over-collateralised at $547.1 million on a mark-to-market basis.[1] We publish a Gender Equality Bond Progress report showcasing the achievements of companies we have invested in and the progress towards gender equality in the workplace and communities we serve.

Our gender equality bond is an opportunity for debt investors to create positive change and promote gender equality and women's empowerment.

1 As at 31 December 2020, the mark-to-market value of the gender bond portfolio was $547.1 million. This differs to the balance sheet value of the instrument (classified as equity), being $393 million as at 31 December 2020.

Impact and responsible investments

2020 Sustainability scorecard achievements

Support impact investing as a means to direct capital to address global environmental and social issues while creating appropriate financial returns

68 securities valued at $1.1 billion in impact investments as part of Premiums4Good	page 36
Invest up to $100 million in social impact bonds	page 36

View our 2021 Sustainability scorecard on page 68.

As a global, multi-asset, multi-currency investor and signatory to the Principles for Responsible Investment (PRI), we believe that factoring ESG considerations into investment decision making will improve long-term, risk-adjusted financial returns and aligns to stakeholders' and community expectations. As a responsible global investor, we recognise that our decisions have an impact on the economy, environment and society at large.

Key for progress symbols:

Achieved On track Behind Refreshed

Investing in Australia's first climate, equity-linked green bond

QBE collaborated with BNP Paribas, the Clean Energy Finance Corporation and Aware Super to invest in Australia's first climate equity-linked bond. The eight-year BNP Equity-Linked Green Bond has a fixed coupon component and a variable component to the return. The variable portion is linked to a forward-looking climate index called the Australian Climate Transition Index (ACT Index), meaning that QBE is aligning capital and returns towards those companies expected to perform better in the transition to a low-carbon economy.

As an asset owner, we seek to responsibly invest our proprietary assets, including our premium income, across the globe. QBE maintains a multi-asset, multi-currency portfolio. Our fixed income portfolio represents 93% of our overall investment assets, with the portfolio largely managed directly using in-house portfolio managers and analysts. Our growth assets portfolio represents the remaining 7% of our investment assets, and we use external managers and funds to access the various asset classes. For a detailed breakdown of our portfolio, refer to the 2020 Annual Report.

Advancing our Impact and Responsible Investments (IRI) approach

In 2020, we updated our Investment Philosophy Framework (Framework) and principles which are designed to deliver an investment outcome that supports and facilitates the protection and growth of appropriate stakeholder value. The Framework provides an overview of our approach to RI, commitment to responsible investing and integrating ESG factors into our due diligence, managing climate-related risks and opportunities, and appropriate transparency and reporting. QBE aims to maintain leadership among its insurance peers in impact investment and industry development. The Framework is applicable to all of our assets under management.

During the year, we advanced our RI approach, updating the Impact & Responsible Investments (IRI) Guidelines to reflect our advances in past years, and the deepening of environmental and social factors in our investment decision-making processes and systems, including considerations outlined in our Environmental and Social Risk Framework.

QBE has formalised guidelines on ESG factors. ESG analysis is integral to QBE's approach to investment due diligence and monitoring. We apply screens through use of third-party data, and ESG Score thresholds and controversies assessments for credit issuers. ESG factors are prioritised based on materiality considerations for the issuer or sector.

Engagement policy

QBE prefers engagement to affect change in companies and external investment managers, rather than divestment. QBE adopts limited and targeted engagement with key issuers reflected in the fixed income portfolio, and in line with the Group ESG Risk Standard, Group Energy Policy and Global Sanctions Policy – and other policies as they are developed.

In 2020, we used passive, index Exchange Traded Funds (ETFs) to gain exposure to developed and emerging market equities and, as such, do not cast proxy votes directly.

Integrating ESG into our fixed income portfolio

Our fixed income portfolio represents 93% of our overall investment assets. Our guidelines apply to all assets under management, including our non-corporate and corporate fixed income investment process.

We apply an ESG assessment to each corporate entity, considering independent external ESG ratings and portfolio manager assessment. Selection and monitoring include materially negative ESG developments.

All issuers are subject to the Group ESG Risk Standard, Group Energy Policy and Global Sanctions Policy, while positive screening for leading ESG performance is applied to determine the investment universe for fixed income.

Our focus on managing climate risk

QBE is committed to managing climate risk in all investment decisions, where we deem it material. Climate change also provides investment opportunities. As an investor, QBE supports climate-positive investments in various asset classes and through our Premiums4Good program.

We commit to measuring and managing climate metrics and targets in the portfolio, such as Weighted Average Carbon Intensity (WACI). A baseline established in 2019 identified that the corporate credit portfolio's exposure to carbon risk is low[1] and is therefore well-positioned for the transition to a low-carbon economy relative to the broader corporate bond market. In 2020, we continued to monitor the WACI of the credit portfolio, with the intent to maintain a low WACI. This monitoring informs new investment selection and decisions.

In November 2020, we announced our membership of the UN-convened Net-Zero Asset Owner Alliance, an international group of institutional investors committed to transitioning investment portfolios to net-zero greenhouse gas emissions by 2050. Joining the Alliance means QBE will consider the best available scientific knowledge and collaborate with other global institutional investors on developing standard industry frameworks. We will also benefit from the technical support of the UN Environment Program Finance Initiative and PRI.

Since 2018, we have continued to engage with issuers that are identified as the highest emitters in our fixed income portfolio regarding their progress towards advancing to a low-carbon economy. We consider carbon risk in our assessment of corporate credit issuers to identify corporations with high carbon intensity and identify concerns such as reduction targets, reduction programs and initiatives to better understand a company's strategy. We also actively engaged our managers on their TCFD plans, strategy and disclosures and performed a more detailed review of carbon-related assets to understand the climate-related risks in our portfolio.

1 Using MSCI CarbonMetrics range based on the portfolio weighted average of issuer carbon intensity.

Our infrastructure, real estate and other investments

We use external fund managers to manage our infrastructure and real estate investments. We are pleased to note that over 80% of our external asset managers are signatories to the PRI, and we aim to maintain a threshold of 75% of all external managers being PRI signatories.

QBE joined the Global Real Estate Sustainability Benchmark (GRESB) as an investor member in 2018. The sustainability performance of our property portfolio has improved year-on-year and continues to be weighted average GRESB 4 Star and upper quartile sustainability performance. We incorporate ESG integration and analysis in our manager selection, appointment and monitoring process. We continue to strengthen our external fund manager reviews, and an annual ESG review applies for all existing managers in which we have an advanced ESG practice. In 2020, we increased attention to workplace health and safety (infrastructure assets), climate risk, TCFD, human rights, modern slavery and gender diversity and inclusion, as well as UN Sustainable Development Goals.

We engage with external managers in relation to carbon related assets and specific industry coverage – both risks and opportunities in a low-carbon economy. We have increased our focus on collaborative engagement opportunities through initiatives such as the UN-convened Net-Zero Asset Owner Alliance, and related asset manager initiatives.

Image by Claire Thomas

Save The Children Australia Impact Investment Fund

In 2020, QBE invested as the anchor investor in the Save the Children Australia Impact Investment Fund. The fund is aimed at supporting startups and enterprises that emphasise social innovation and address pressing social and humanitarian issues. The Fund will invest in enterprises working to improve the lives of vulnerable children, helping them to scale up and achieve meaningful social impact. It focuses on ed-tech, e-health and fin-tech innovations with the potential to change the lives of disadvantaged children and families in Australia and around the world.

Collaborating and engaging with industry

Through sector engagement and knowledge sharing initiatives, we have contributed to several industry events and forums including an Asia Pacific panel for The Global Steering Group on Impact Investing's recent Summit. We produced Premiums4Good case studies with the Australian Government, Big Society Capital (of the United Kingdom) and the Shared Value Project (Australia).

We provided input to the Australian Government's Department of Social Services and Social Impact Investing Taskforce and the UN draft SDG Impact Standards for Bonds which are advancing impact practice in the green, social and sustainability (GSS) bond market and in private equity. These efforts are important to support the alignment of financial flows towards achieving the SDGs by 2030.

QBE representatives contribute to the Impact Investment Forum, Human Rights Working Group and as co-chair of the Impact Management and Measurement Community of Practice for the Responsible Investment Association Australasia.

Premiums4Good – a unique collaboration

QBE's impact investing initiative, Premiums4Good, continues to grow. The initiative directs a portion of insurance premium to impact investments to deliver an environmental or social impact or return alongside a financial return. Premiums4Good investments are made in asset classes as diverse as fixed income, private equity, infrastructure and renewables. We also make catalytic investments in alternatives such as social impact bonds. We communicate with our customers and business partners about the impact of these investments. Further information can be found in our Premiums4Good Investment Impact Report.

In 2020, QBE extended the ambition to grow impact investments to $2 billion by 2025. We have achieved our initial ambition of $1 billion ahead of time. Premiums4Good has grown to 68 securities valued at $1.1 billion as at the end of 2020.

QBE reviewed and updated the GSS Bond eligibility in Premiums4Good classifications and reclassified investments in line with our updated impact framework to reflect the growth of the GSS bonds market and QBE's intention of investing across the impact spectrum.

Consistent with our commitment to positive opportunities in relation to climate risk, more than US$640 million is invested under environmental impact areas.

From March to June 2020, we made more than $40 million in new investments to support private and public sector businesses and programs in countries and communities exposed to the economic and health effects of the COVID-19 pandemic. We invested in World Bank and International Finance Corporation bonds, which target financing to health sectors, microfinance and financing opportunities for women and small business owners.

Social impact bonds

In 2014, QBE committed to invest up to $100 million in suitable social impact investments, specifically social impact bond (SIB) and pay for success (PFS) investments. As a leading investor in impact bonds across the globe, we are one of the few to invest across different impact areas, currencies and geographies – and are committed to these catalytic investments.

Of the 200 impact bonds which have now been issued globally since 2014, QBE has invested in nearly 10% of the impact bonds on issue (direct and fund investments), with more impact bond investments in our pipeline. We have invested in Australia, the United Kingdom, Canada and the United States.

These investments seek positive outcomes across diverse impact areas. If our current SIB direct and fund investments achieve the intended outcomes, we have the capacity to positively impact more than 26,000 people in areas such as:

- reducing youth homelessness;
- improving education and employment outcomes;
- improving parenting skills to reduce the number of children removed into state care;
- reducing reoffending; and
- reducing long term cardiovascular disease.

One of these SIBs we invested in and provided the up-front capital to develop and deliver is the Activate SIB, which matured in 2020.

QBE invested in Activate in 2016, the first Pan-Canadian SIB, a partnership between the Public Health Authority of Canada (PHAC), Heart & Stroke Foundation, MaRS Centre for Impact Investing, and other organisations and investors. In 2020, PHAC repaid investors due to the success of the program.

27% of all deaths in Canada are due to heart disease and stroke. The impact bond financed a lifestyle change and digital health program to reduce progression of high blood pressure for pre-hypertensive people over the age of 40. Activate launched in 2018, and screened thousands of people. It exceeded its target for participants maintaining or decreasing their blood pressure between their initial and six-month follow-up sessions, improving the lives of more than 4,600 people in Toronto, Greater Vancouver and Saskatoon.

Premiums4Good Investments

Securities and investment totals 2016-2020 (US$M)

Year	Total investment	Number of securities
2016	$360M	18 securities
2017	$455M	26 securities
2018	$440M	32 securities
2019	$663M	48 securities
2020	$1,113M	68 securities

● Total investment in qualifying securities
● Total number of securities that meet QBE's investment and impact criteria

Global recognition of Premiums4Good

Since its inception in 2014, Premiums4Good continues to engage customers, employees and stakeholders. In 2020, Premiums4Good secured industry and peer recognition with a range of prestigious awards including:

Business Intelligence Group *Sustainability Leadership Award (2020)*

Inaugural Environmental Finance IMPACT Awards *Re/Insurer of the Year (2020)*

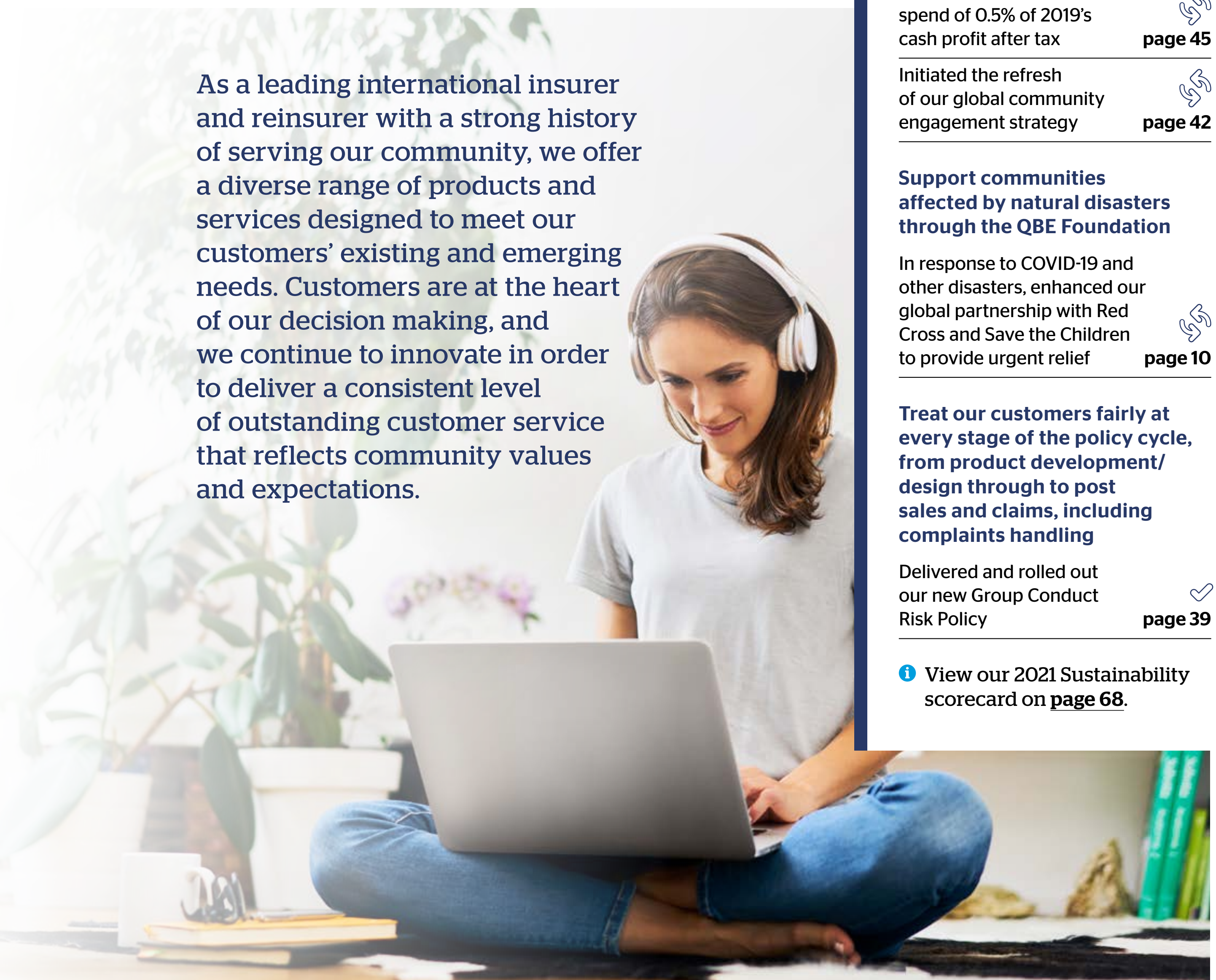
Current Premiums4Good investments: Impact area and location of impact as at 31 December 2020[1,2]

	GLOBAL	AUSTRALIA AND NEW ZEALAND	EUROPE AND UK	NORTH AMERICA	DEVELOPING MARKETS	TOTAL
Environment						
Food & Agriculture					1	**1**
Resource Efficiency, Recycling, Re-use & Conservation					1	**1**
Sustainable Energy	2	9	12	11		**34**
Water	1					**1**
Total	**3**	**9**	**12**	**11**	**2**	**37**
Social						
Education & Employment			1		2	**3**
Financial Inclusion	1		3		1	**5**
Health	2	1				**3**
Housing & Social Real Estate		6	1	2		**9**
Social Care & Provision of Community Services		1	1	3		**5**
Social Inclusion, Diversity & Gender				1	1	**2**
Urban & Community Development		1		3		**4**
Total	**3**	**9**	**6**	**9**	**4**	**31**
Grand total	**6**	**18**	**18**	**20**	**6**	**68**

1 Impact areas, geographies and SDGs are mapped and categorised by QBE in line with our impact investment definitions and classifications. Please note that individual investments or investees may classify these differently.
2 Our methodology to reconcile number of securities was updated from 2018 onward.

Customer and community

As a leading international insurer and reinsurer with a strong history of serving our community, we offer a diverse range of products and services designed to meet our customers' existing and emerging needs. Customers are at the heart of our decision making, and we continue to innovate in order to deliver a consistent level of outstanding customer service that reflects community values and expectations.



2020 Sustainability scorecard achievements

Develop a vulnerable customer strategy for the Australia Pacific Business

Published a Financial Inclusion Action Plan in 2020 ✓ **page 41**

Implemented Supporting Customers Experiencing Vulnerability Policy and training for our people in Australia Pacific ✓ **page 9**

Maintain a Group-wide community engagement strategy in line with our priority SDGs

Maintained QBE Foundation spend of 0.5% of 2019's cash profit after tax (Refreshed) **page 45**

Initiated the refresh of our global community engagement strategy (Refreshed) **page 42**

Support communities affected by natural disasters through the QBE Foundation

In response to COVID-19 and other disasters, enhanced our global partnership with Red Cross and Save the Children to provide urgent relief (Refreshed) **page 10**

Treat our customers fairly at every stage of the policy cycle, from product development/design through to post sales and claims, including complaints handling

Delivered and rolled out our new Group Conduct Risk Policy ✓ **page 39**

View our 2021 Sustainability scorecard on **page 68**.

Key for progress symbols:

✓ Achieved   On track   Behind   Refreshed

In 2020, we launched Customer@QBE, our globally consistent approach to delivering value to customers in a responsible, accountable manner to ensure long-term sustainable relationships. Our approach focuses on three key elements being mindset, insight and delivery. As an enabler of this, our global sales approach unifies our employees to drive more customer-centred behaviours across our policy cycle.

We aim to be at the forefront of technology to understand and address trends impacting our customers and the broader community. We also contribute to the communities in which we operate through our disaster relief partnership, the QBE Foundation, by engaging in thought leadership, advocacy and mentoring and providing online resources for customers and others.

The Sustainable insurance section of this report outlines how we provide innovative products and services for our customers.

Managing customer conduct risk

We define 'conduct risk', broadly, as the risk of unfair or detrimental outcomes resulting from a failure to treat customers and claimants in a fair manner when designing or building our products, designing and operating our sales and marketing practices, distributing our products, handling claims and managing complaints.

In 2019, we introduced a Group Conduct Risk Policy outlining our expectations in relation to managing conduct risk across our business. The Policy seeks to affirm our strong commitment to customer service and satisfaction.

Our Group Executive Non-Financial Risk Committee (ENFRC), has oversight of conduct risk at QBE. The ENFRC's objective is to support the Group Board and the BRCC with identifying, assessing and mitigating conduct risk. We have a dedicated Group Head of Conduct to oversee our efforts in managing this topic.

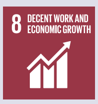
Highlighting our commitment as a customer-centric insurer, we maintain several initiatives, processes and controls to ensure fair treatment of our customers through every stage of the policy life cycle, including post-sale services. This includes customer service satisfaction surveys, analysing customer complaints to identify the relevant root cause(s) and a continuous focus on improving the customer experience.

Leveraging disruptive technology to support our customers

Artificial Intelligence (AI): the future of home inspections

QBE believes in empowering customers with the most advanced tools available to help them obtain the right coverage for their homes. In North America, AI-assisted home inspections help customers conduct these at their own convenience, without the need for a third-party inspector to enter the home. Using a smartphone camera to scan their own property, AI automatically documents critical property data including hazards, risks, features, materials and more.

In near real-time, the AI can 'react' to the data collected to adapt and customise conversational workflows based on the unique attributes that it 'sees'. The identification of risks and hazards through these self-guided inspections helps us more quickly and efficiently support customers at a critical time.



Partnering to disrupt the Small to Medium Enterprise (SME) insurance market

QBE and SafetyCulture, a workplace safety technology platform, have entered into a joint venture to launch Mitti to disrupt the traditional insurance model for SME businesses. A key focus is risk mitigation to reduce the likelihood of needing to make a claim.

Mitti combines QBE's technical expertise and deep experience with SafetyCulture's inspection software iAuditor, the world's largest safety checklist app, to help customers mitigate their business risks and stop incidents from happening before they occur. By leveraging big data, AI and machine learning, Mitti aims to deliver more tailored solutions that do not just assess risk, but help customers avoid risks altogether and the losses that might flow from them. Importantly, by supporting more businesses to manage their risks, Mitti will help create safer workplaces for their customers and employees. Mitti joins the portfolio of companies that are part of QBE Ventures, and is one of the many ways we are delivering more affordable and smarter insurance to customers.

Further information about QBE Ventures can be found in Operational excellence.

Digital innovation and customer experience

Our focus on a simplified, more usable customer journey is the driving force behind significantly enhancing our digital offerings. The COVID-19 pandemic has highlighted the importance of online platforms and digital tools in our day-to-day insurance business.

In Australia Pacific, we launched our new online portal for customers to get a quote and purchase car and home insurance with an easy-to-use interface and simpler products. New Product Disclosure Statements were designed with customers in mind, with clear and understandable language. The portal also contains helpful tips and intuitive navigation to help customers understand their cover. On the heels of the launch of the new online car portal, QBE was recognised by the 2020 Mozo Experts Choice Awards as an industry leader in Exceptional Value Car Insurance based on price, features, benefits and cover levels.

Recognition as a digital innovator

In Asia, we continue to be recognised for our ongoing focus on digital innovation to deliver exceptional value and operational excellence for our customers, business partners, people and the community in both Hong Kong and Singapore.

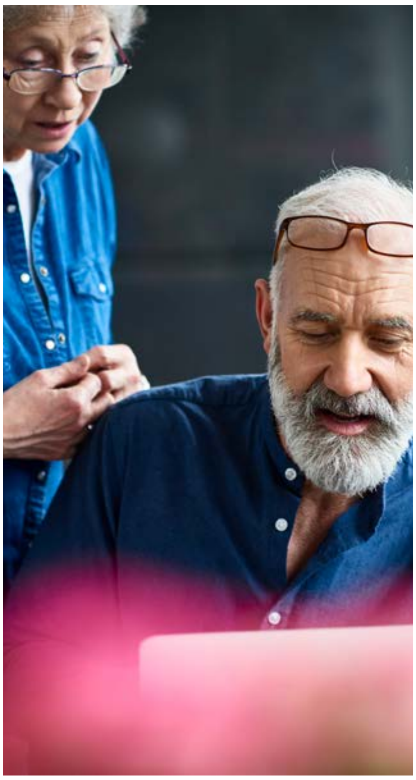
For the second year in a row, QBE has been recognised at the prestigious Insurance Asia Awards. In 2019, QBE Hong Kong's Digital Claims won **Claims Initiative of the Year**. In 2020, it won the **Digital Insurance Initiative of the Year** for the newly introduced motor claims initiative. The Digital Motor Claims platform is designed to enable customers to directly file a motor claim anywhere, at any time. Providing a superior claims experience for customers with direct connection to QBE's panel repairers' network, the platform also simplifies claims management through centralising registration, procedures, repairs, claims status tracking and adjuster appointing. This end-to-end claims service not only shortens the claims turnaround time but also reduces the need for physical documentation.

QBE Singapore was also awarded **Digital General Insurance Initiative of the Year** for the Green Dispatch Solution, launched amid the COVID-19 pandemic, in support of the Singapore government's push for sustainable practices. The solution offers electronic distribution of policy documentation to our business partners and customers using robotic process automation technology (bots). The Green Dispatch bot collates newly-generated policy documents each day, applies encryption to enhance security then distributes these to intermediaries via email on the next business day. Customers are able to receive their policies quickly and securely. Eliminating the high volume of paper associated with document printing and manual administration has saved a staggering one million sheets of A4 paper per year, warehouse space, transportation emissions and processing time, as well as eliminating the risk of lost mail.

insurance ASIA Awards 2020

QBE Singapore has also been recognised for its significant efforts to achieve better integration through common digital standards of business practices across various business functions in this year's Australian Chamber of Commerce Singapore Business awards, winning the inaugural **Digital Capability Award**.

AustCham SINGAPORE
Your Australian Business Connection



Promoting greater financial inclusion

In Australia, we are part of a number of organisations included in the Financial Inclusion Action Plan (FIAP) program, a partnership between Good Shepherd Australia and New Zealand, the Australian Government, EY and the Centre for Social Impact that promotes economic wellbeing and financial inclusion.

Our FIAP outlines 29 programs of work to strengthen financial inclusion and build resilience in underserved communities. This enables us to support our customers and stakeholders by increasing their understanding of QBE's products and services, creating alternate pathways, products and access to insurance and supporting vulnerable groups through partnerships and collaboration. We continue to strengthen our capability to support customers experiencing vulnerability, particularly in the area of financial acumen. This will help reinforce our capacity to recognise and respond to our customers who are most at risk of financial exclusion and refer them to critical support networks for assistance in times of need.

We continue to invest in social impact bonds and infrastructure supporting a range of programs that seek to create change in underserved communities, enhancing the resilience of communities and small businesses. Through our QBE Foundation and local and global disaster relief partnerships, we have developed action plans and methods to better support our customers and communities in times of crisis.

1 NO POVERTY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES
17 PARTNERSHIPS FOR THE GOALS

Investing in communities for greater resilience

The QBE Foundation continues to partner with impactful not-for-profits around the world to safeguard vulnerable communities, enable financial resilience, strengthen their health and wellbeing and promote inclusion and sustainability. We remain focused on our priority SDGs, providing opportunities for our people to support the communities in which they live and work. We tackled the challenges presented by COVID-19 through a globally co-ordinated response, pivoting where required to support existing partners as they experienced increased demand for their services and a reduction in funding and donations.

Refer to Responding to the events of 2020: Communities for further information.

In 2020, we joined the Business for Societal Impact network (formerly LBG), a global standard in measuring and managing corporate community investment (CCI), implementing their methodology for measurement and reporting.

We also assessed our community engagement approach and the QBE Foundation strategy and, in 2021, will launch a new global strategy. Here are some of the ways we have delivered against our priorities in 2020.

Further information about the QBE Foundation and partnerships we support around the globe can be found here.

1 NO POVERTY · 8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES

An opportune path to prosperity

At QBE, we understand that not all our customers and communities have access to traditional financial products. To assist these communities in North America, we supported Opportunity Fund, a microfinance non-profit company providing loans to underserved small business owners, helping them build credit and grow their business. Since 1994, they have lent to thousands of underserved entrepreneurs, mostly low-income women and People of Colour. Opportunity Fund ensures that vulnerable men and women have access to economic resources such as financial services, including microfinance. These loans also assisted in rebuilding small businesses impacted by the economic fallout caused by COVID-19.

Empowering survivors of modern slavery

There are an estimated 136,000 people in modern slavery in the United Kingdom. QBE Foundation supported Their Voice, which aims to empower survivors of human trafficking and modern slavery. Many women who have escaped these conditions find themselves pregnant, in an unfamiliar country and without access to support. Their Voice helps survivors rebuild their lives by supplying essentials for babies, children and adults and providing advocacy for individuals applying for residency. With QBE's funding, Their Voice helped 125 trafficked women receive hospital bags, providing both practical and psychological support. Their Voice also runs programs to raise awareness about human trafficking and modern slavery to help free existing victims and eradicate forced labour.

8 DECENT WORK AND ECONOMIC GROWTH · 10 REDUCED INEQUALITIES

Giving citizen scientists a platform to save the natural world

ClimateWatch, launched in Australia in 2009, is an Earthwatch program responding to the critical gap in climate science data by encouraging the public to document wildlife and plants in their surrounding environments. The ClimateWatch app uses photos submitted by users to record environmental data, to assist in our understanding of the impact of climate change on biodiversity.

With travel restricted during COVID-19 and more people exploring their local areas, interest rose until the demand outgrew the processing abilities of the app. To help, QBE diverted funding from our Earthwatch expeditions, that were unable to go ahead due to COVID-19 restrictions, to support the development of the new ClimateWatch app.

QBE's support for ClimateWatch and climate action will enable a growing community of citizen scientists to understand how climate change is impacting plants and animals.

13 CLIMATE ACTION
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Supporting vulnerable families in times of need

QBE Foundation, in partnership with Philippine Business for Social Progress (PBSP), has provided support for in-need communities greatly impacted by lockdowns during the pandemic. As movement restrictions were imposed in the country, a lot of families have struggled to put food on the table, and depend on relief assistance provided by the local government and the private sector. As a consequence of the pandemic, communities had limited opportunities for daily-wage-earners, contributing to hunger in households. With QBE's grant, PBSP provided relief packs for a total of 940 families in communities in Manila and Cebu. These packs contain rice, assorted vegetables and vitamins. The vegetables are sourced from local farmers who have struggled to market their produce during the pandemic. PBSP has also provided support to local health units and quarantine centres in identified COVID-19 hotspot areas by distributing hygiene kits, drinking water, and personal protective equipment (PPE).

1 NO POVERTY
4 QUALITY EDUCATION
10 REDUCED INEQUALITIES

Stars Foundation

In 2020, QBE Foundation and Stars Foundation (Stars) entered the second year of their multi-year partnership to support the empowerment of Aboriginal and Torres Strait Islander girls and young women. The Stars program aligns with the Australian Government's Closing the Gap targets addressing school attendance rates, year 12 completion and successful transition into employment or further study.

With QBE's support, Stars assisted over 1,000 First Nations girls and young women in 17 schools across the Northern Territory, Queensland and Victoria in areas such as education, health and wellbeing. COVID-19 has had a significant impact on all of Stars' programs due to the closure of communities. Despite this, Stars was able to deliver support remotely and has seen a consistently outstanding attendance rate of 84% of its students across its programs. As at June 2020, around 91% of Stars' graduates have remained in employment or further study.

Making a house a home

In Hong Kong, the QBE Foundation supported Habitat for Humanity's Project Home Works program. This program serves low income families, the elderly and people living with physical disabilities through providing critical home repair and renovation services, ensuring access to adequate and safe housing. Habitat for Humanity partners with several local non-profit and social services organisations to identify individuals and families in need of housing repairs in Hong Kong. Before the onset of COVID-19, volunteers worked alongside contractors to paint, clean and repair homes for vulnerable families and individuals. Volunteers brought warmth and human connection into these households and helped raise awareness about the need for access to adequate, safe and affordable housing for all. With the onset of COVID-19, QBE's support enabled Habitat to distribute 50 essential home hygiene kits to elderly and low-income vulnerable families living in Kwai Chung.

Our corporate community investment

BUSINESS FOR SOCIETAL IMPACT
CORPORATE CITIZENSHIP
VERIFIED
2021

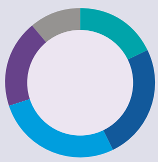
The total value of our social and community investment programs in 2020 was over $4.9 million. This includes financial contributions through our charity partnerships and local grants, employee volunteering, workplace giving, in-kind giving and management overheads arising out of volunteered time, services or office space.

TYPE OF CONTRIBUTION [1]	2020 US$000	2019 US$000	2018 US$000
Financial contributions [2]	**4,335**	4,544	4,185
Time: employee volunteering [3]	**61**	551	464
In-kind giving [4]	**2**	48	77
Management overheads or administrative costs [5]	**572**	518	431
Total community contribution	**4,970**	5,661	5,157

CCI Investment

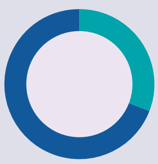
	%
Community Investment	72
Commercial Initiative	8
Charitable Donation	20

Total Community Contribution by SDG [6]



	%
SDG1: No Poverty	18
SDG3: Good Health & Wellbeing	25
SDG10: Reduced Inequalities	27
SDG11: Sustainable Cities and Communities	19
SDG13: Climate Action	11

Percentage directed to COVID-19 Support



	%
Funding redirected towards COVID-19 Support	31
Other Community Contributions	69

31%
of overall community contributions directed to COVID-19 support

COVID-19

Through the QBE Foundation, our support has reached

45,406
people through

288
community organisations

Our people got involved over

3,000
times in QBE Foundation activities e.g. volunteering, fundraising

Our employees have donated

$210,000
of their own money towards charities

1 Data has been verified by Corporate Citizenship using B4SI (formerly LBG) international standard for measuring and benchmarking corporate community investments.

2 **Financial contributions:** Total financial contributions for disaster relief, grants, charity partnerships commercial sponsorships with a community benefit and employee matching for employee fundraising efforts and/or payroll deductions from pre-tax salary.

3 **Time: employee volunteering:** The equivalent financial cost of time volunteered by employees as logged in our HR system to various community initiatives across our divisions. A decrease in employee volunteering is attributed to all face to face opportunities ceasing due to COVID-19 in our countries of operation.

4 **In-kind giving:** In 2020, we have maintained our process to capture in-kind giving across our divisions by using financial proxy values as estimates. A decrease in in-kind giving a direct result of COVID-19 restrictions limiting our opportunity to host events and provide other forms of in-kind support for our partners across the year.

5 **Management overheads or administrative costs:** This includes costs associated with communications and marketing, overheads and administration of our divisional QBE Foundation Committees.

6 Total contribution split by SDG does not include management costs. SDG 8, Decent work and economic growth, was not a primary focus for the Foundation in 2020 and therefore, has not been captured in this data set.

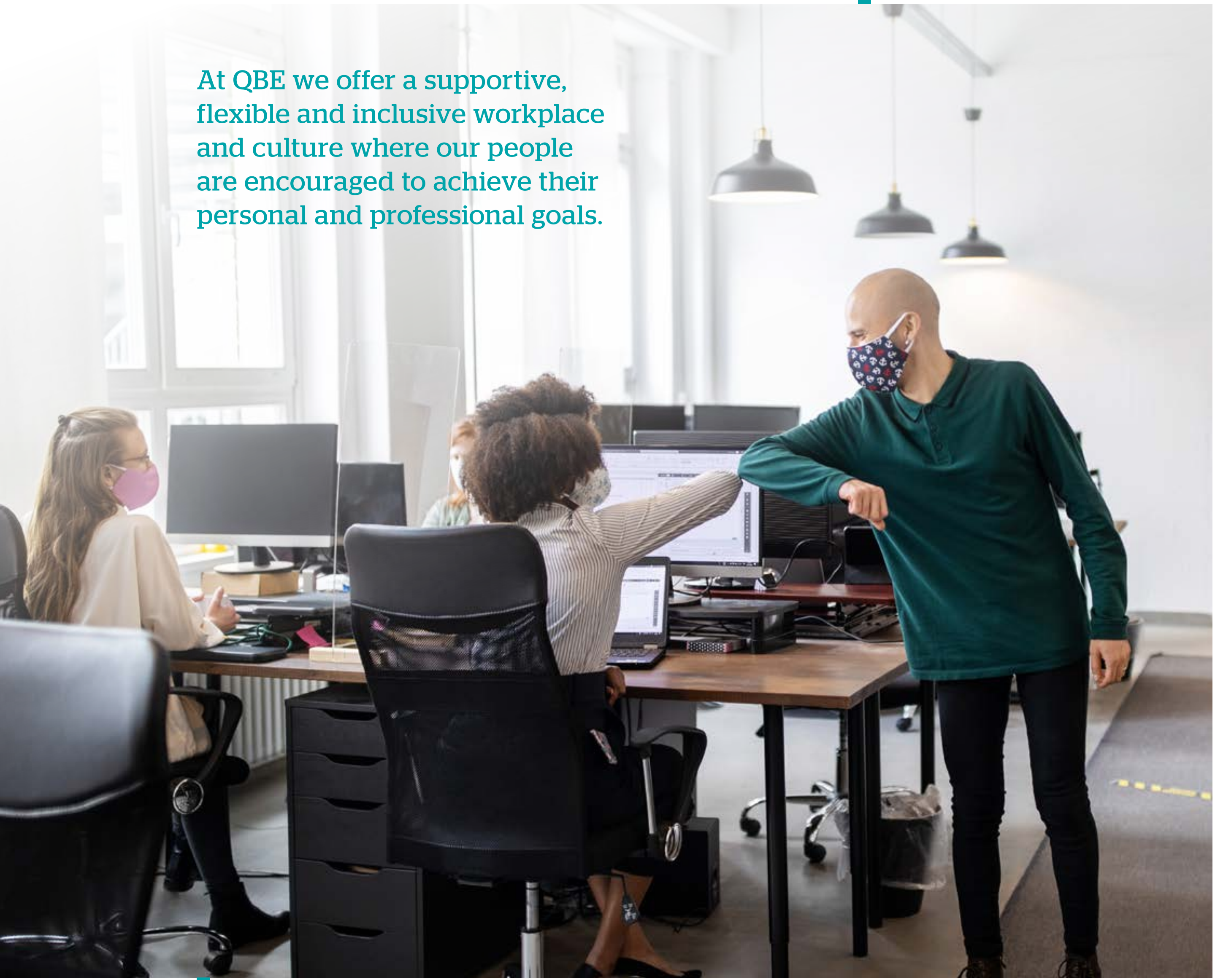
People and culture

2020 Sustainability scorecard achievements

Continue to focus on diversity and inclusion in the workplace

34.8 % of women in leadership	page 49
Maintained fair remuneration on a like-for-like role basis	page 51

View our 2021 Sustainability scorecard on **page 68**.



Key for progress symbols:

Achieved   On track   Behind   Renewed

The key to the long-term sustainability of our business is our people, and we invest in their physical, emotional and financial wellbeing. Our organisational culture is distilled into seven behavioural elements, the QBE DNA. It is not just what we do, but how we do it, that can make a difference in the lives of our customers, communities and our people, helping us achieve our purpose and drive our success. Our QBE DNA outlines the expected behaviours across our Group and is central to the Group's Code of Ethics and Conduct. The QBE DNA is foundational – it helps us respond to current and emerging risks, opportunities and stakeholder needs. We continue to bring our QBE DNA to life across the organisation and in our actions.

Our unique culture

Culture is a key priority at QBE. We already have strong foundations in place and have made good progress in recent years to articulate how our QBE DNA sets us apart. But we know that this work never stops. We have commenced our Board-sponsored organisational culture review following the departure of our Group Chief Executive Officer (CEO) in September. Called the 'Culture Accelerator', this review builds on the work already undertaken to develop a vibrant, supportive and inclusive culture at QBE. We are proposing an evolution of our culture, building on our existing foundations to deliver high performance today as well as constant renewal and modernisation of our business into the future. We believe that the right culture, when aligned with our business strategy, helps drive business performance and positive customer, employee and partner outcomes. We want to continue building an environment where everyone feels safe and encouraged to speak up, raise ideas and call out issues without fear.

There are already a number of initiatives underway to support our cultural agenda. Globally, we will be increasing our focus on development and succession planning to enable us to have a stronger internal pipeline to senior roles. Work is underway to put targeted development plans in place for our senior leaders in 2021. In Australia Pacific, we have rolled out the Appropriate Workplace Behaviour online compliance module which canvasses what constitutes appropriate workplace behaviour at QBE. It provides tools to help manage the risks of bullying and harassment and generates options to contribute to a positive working environment at QBE. In Asia, we have conducted a risk culture deep dive, focusing on speak up amongst our people.

We have advanced our measurements of culture and have developed our first 'culture dashboard' for the Group. Some of these metrics now form part of the regular management Quarterly Business Reviews. This will be further enhanced as we refine our thinking through insights gained via our Culture Accelerator.

Monitoring the pulse of our employees

During 2020, we measured and monitored employee wellbeing through five global Q.Pulse surveys in addition to our regular annual QBE Voice employee survey. Q.Pulse was designed to take the temperature of our organisation and help address workforce needs around wellbeing, safety, resources and enablement, regardless of whether employees are working remotely or on-site. Q.Pulse results overall showed that more than 60% of our employees consistently reported that they were feeling 'Great' or 'Good'. However, we did report declining trends in employees feeling they can manage demands and pressures of work as the year progressed.

Our QBE DNA

We are customer-centred	We are diverse	We are technical experts	We are fast-paced	We are courageous	We are accountable	We are a team

Our annual QBE Voice employee survey focuses on issues such as engagement, satisfaction, enablement, organisational culture, leadership and management effectiveness, diversity and inclusion (D&I) and risk culture metrics. The survey gives our people the opportunity to tell us what it feels like to work at QBE and where we need to improve our employee experience and culture. We also use the survey process to get a point-in-time view of the demographics and diversity of our workforce. Refer to pages 53 to 55 for further information. In 2020, we achieved a strong response rate of 86%, with an overall engagement score of 76%, up six percentage points from 2019, and an enablement score of 76%, up five percentage points from 2019.

Key insights from this year's survey include that QBE continues to respond effectively to changes in the business environment (up 16 percentage points), indicating that our efforts over the year have had a positive impact. Communication has been a strategic focus and during COVID-19, our people have seen an improvement in open and honest communication with a 12 percentage point increase. One of the key highlights for the year is that our employees feel they can speak freely without fear of negative consequences as part our speak up culture (up five percentage points). There is continued growing trust and confidence in both the Group Executive Committee (up four percentage points) and Divisional/Functional Leadership teams (up eight percentage points).

In light of recent events, our people have asked us to continue to be more innovative and flexible as a company. Feedback has indicated that the work we are doing to achieve our strategic priorities is having an impact, and QBE is continually transforming for the better. Following the 2020 survey, we will continue to take a disciplined, strategic approach to addressing the key QBE Voice themes, communicating actions and progress, and sharing learnings across the divisions.

QBE Voice survey result

Engagement

76%

(Up 6 percentage points from 2019)

Enablement

76%

(Up 5 percentage points from 2019)

Keeping our people connected

People are at the heart of our business. Creating an environment where our employees feel engaged, supported and equipped to do their best is essential to our success.

In response to the pandemic, we ramped up our communications and listening to stay connected through interactive forums, regular blog posts, virtual meetings and townhalls that encourage two-way conversations. Our Group and divisional CEOs continue to provide regular updates, giving employees across the Group the chance to directly comment and ask questions about the business and our strategic priorities.

In North America, we rolled out a QBE Connect calendar including various channels to educate and engage employees as they continued to work remotely. We implemented a campaign called 'Café ExCo' to enable our employees to stay connected to their Executive teams. In Asia, our program 'Asia Connects' consisted of monthly leadership calls, quarterly all-employee townhalls and a Monthly Wrap newsletter.

We celebrate our employees' diversity and our various employee network groups support and empower our people to work together on issues they care about. Globally, we champion internal advocacy networks to bring our QBE DNA to life with groups such as QBE Pride focused on LGBTIQ+ inclusion. In Australia Pacific, we launched Bunjis@QBE, formed by the Reconciliation Action Committee to further drive our First Nations reconciliation efforts. In North America, we run Valor for veterans, WIN (Women's Initiative Network) MIX (multicultural), Pride (LGBTIQ+) and Q4S (sustainability). In Europe, Workability focuses on employees living with physical and mental disability, Circle is a supportive gender-related network, Open Mind supports mental health and wellbeing and MIX is our ethnic diversity network.

Diversity and inclusion

In support of

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office

We continue to embrace and encourage the diversity of all our people, irrespective of difference, and believe this spirit of openness and adaptability is essential to attracting, retaining and developing the best people for the best organisational and personal outcomes. We understand that a diverse and inclusive workforce brings a deep and valuable range of talents, skills, insight and experience, to better rise to challenges and opportunities and support our customers and stakeholders.

These icons denote integration of WEPs

Our global policy

Our Global Diversity and Inclusion (D&I) Policy highlights our commitment to promoting equality and embedding inclusion in our culture. The Board People & Remuneration Committee (PARC) oversees our strategy and progress. The Global D&I Council, comprising our Group Executive Committee (GEC) drives our agenda collectively and across our divisions. We report our progress publicly through QBE's Corporate governance statement.

Promoting equality through advocacy

Our GEC has placed a higher level of visible sponsorship and accountability on issues relating to the progression of women in leadership and the fair treatment of all. This included our senior-level leadership advocating for, or being signatories to, external pledges or charters such as the Male Champions of Change group in Australia, the HM Treasury Women in Finance Charter, Tech Talent Charter (to achieve greater gender diversity in technology services) in the United Kingdom and the charter created by the French LGBT+ association, L'Autre Cercle, for the inclusion of LGBTIQ+ people in the workplace.

Equality in recruitment

We continue to focus on strengthening our hiring practices to promote D&I across our workforce including tracking of gender-diverse hires, interview panels and short-listed candidates. We further embedded our recruitment guide to help support and upskill people leaders in promoting diverse hiring practices, and swiftly pivoted our recruitment practices and programs to enable virtual hiring and onboarding during the sustained work from home period.

Refer to Customer and community for further information about our contribution to gender equality and women's empowerment through community initiatives.

Women in leadership

Across the Group, we came close to achieving our goal of having 35% women in leadership by 2020, with an increase over the last year from 33.7% to 34.8%. This was due to our ongoing focus on recruiting, selecting, promoting and developing all our people. In Australia, for example, we continued to run our flagship career acceleration program 'Lead In' with great success. We continue to identify pain points and develop targeted initiatives to address hiring, promotion and retention challenges related to gender. We developed a new target of having 40% of women in leadership by 2025.

We also achieved our target of having 30% women on the Group Board, which we achieved in 2020. Our new target is to have 40% women on the Group Board by 2025.

5 GENDER EQUALITY

10 REDUCED INEQUALITIES

Diversity in our supply chain

We are committed to encouraging D&I in our global supply chain. Our Supplier Sustainability Principles outline our desire to work with businesses reflecting the diverse nature of the people and communities we serve, including minority and First Nations businesses, disability and social enterprises, female-owned and/or led businesses, our community and global aid partners and other not-for-profit businesses.

Refer to Operational excellence for further information.

Supporting our employees who are carers

We understand that time, flexibility and choice are key to supporting our employees who are parents or carers as they look after their dependants or look to return to work after carer's leave.

In Asia, we launched Family Care Leave consisting of three additional leave days for all permanent employees to cover time out for taking care of a child, elderly and/or ill family members. Across some of our European offices, we have enhanced family-friendly policies in excess of the statutory minimum. We partner with CityParents to give working parents resources to balance home life and their careers with informative events and webinars covering a wide range of subjects such as family, careers and wellbeing.

In North America, we offer in excess of the minimum parental leave requirements, providing 18 weeks' leave instead of 12 weeks. As part of these 18 weeks, which are job-protected, parents giving birth can take two weeks pre-partum paid leave and 6-8 weeks' post-partum paid leave, while non-birth parents can take eight weeks' paid leave.

Flexible working at QBE

Our Flex@QBE Principles outline our approach to workplace flexibility, supporting our Global D&I Policy. We believe the office will continue to be critical to connection, innovation and collaboration, however, we also recognise the benefits of a more flexible workforce. Our aim is to drive a common culture through shared principles. Our forward looking business strategy speaks to greater trust and empowerment with purpose-led, agile teams. We have continued to see benefits made by our teams in flexible working – a valuable building block to enable us to move toward a more agile business.

1 NO POVERTY | 3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 10 REDUCED INEQUALITIES

Sharing the care

In 2019, we introduced our gender-equal, flexible parental leave policy 'Share the Care' in Australia and New Zealand. The program is inclusive of all parents and family situations and extends to those involving permanent foster care, surrogacy or stillbirth. This policy has resulted in a 300+% uplift in male employees taking paid parental leave, with men now representing over a quarter (27%) of parents in the organisation accessing paid parental leave. QBE has been voted #10 in the 2020 Top 20 Australian Workplaces for New Dads (by HBF Direct Advice for Dads, a website for dads, by dads).

QBE Australia was named the *JobAccess Best Workplace Diversity & Inclusion Program* at the Australian HR Awards 2020, recognising our work in gender-equal paid parental leave.

1 NO POVERTY | 5 GENDER EQUALITY | 10 REDUCED INEQUALITIES

Upholding human rights

Across our divisions, we respect human rights and commit to avoiding human rights harm. We are dedicated, and promote adherence, to internationally-recognised human rights principles to secure the dignity and equality of our employees, customers, communities and suppliers.

Refer to Governance for further information on how we manage human rights across our business.

Fair remuneration and gender pay equity

At QBE, we believe that an inclusive and supportive culture is central to the success of our business, where all our people are valued, and treated fairly. For us, this means equal pay for equal work. As part of the annual salary review process, we perform an analysis of our workforce to assess pay equity. We use multivariate regression analysis to assess the gender pay equity gap based on the key drivers of pay in our organisation including the role, location and the employee's performance. This methodology is applied across all our major markets covering approximately 90% of QBE's workforce, with results shared at Board level. This approach enables QBE to identify areas for improvement within our annual salary review process.

As an average across these markets, our gender pay equity gap is sufficiently small enough to be confident that we pay men and women equally in like-for-like roles. However, we recognise that at an individual level, some pay gaps still exist and we are working to address any identified gaps through our ongoing salary review processes and other initiatives.

Our analysis has also indicated that in our three largest commercial markets (the United Kingdom, the United States and Australia), we pay our employees in excess of publicly-acknowledged levels of what is understood in those jurisdictions as the 'living wage' (broadly, the minimum income necessary to meet basic needs).

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH
10 REDUCED INEQUALITIES

Focus on: accessibility

For the fifth consecutive year, QBE has participated in the Positive Action towards Career Engagement (PACE) program, a 16-week program supported by the Australian Network on Disability, connecting jobseekers with a disability to mentors. PACE plays a key role in providing access to the workplace for mentors, building awareness and disability confidence in our employees.

After undertaking the Australian Network on Disability's Disability Confidence Training, our recruitment team has integrated questions around workplace adjustments into every stage of the recruitment process.

3 GOOD HEALTH AND WELL-BEING
10 REDUCED INEQUALITIES

Focus on: inclusion

At QBE, we celebrate our people's differences and diversity and are committed to a workplace where all are valued and respected and can feel safe to speak up and seek support. In Australia Pacific, we launched a 'Racism, It Stops with Me' resource page to equip employees and leaders to address racism in the workplace or support those that may have experienced it in the community.

In Europe, we developed a 'Race Matters' guide and glossary, providing our employees with advice on how to engage in conversations around race relations, inequality and injustice and what vocabulary to use in those conversations. We also launched the 'seven asks of action and accountability' to challenge employees and leaders to address the issue of racism and affect meaningful and sustained change within our business. We also raised awareness of support available for mental health as part of Black, Indigenous and People of Colour Mental Health Awareness Month.

Reconciliation Action Plan

In September 2020, we launched our third Reconciliation Action Plan (RAP) for 2020–2022, which sees our continued commitment to creating meaningful relationships and promoting sustainable opportunities to empower Aboriginal and Torres Strait Islander communities, organisations and businesses. We have identified people, supply chain, community and customer focus areas and opportunities we will need to work on as part of our Innovate RAP.

Developing our people and leaders

To enable our leaders to help their teams navigate a year unlike any other, we deployed a range of resources and programs. We expanded the leadership curriculum to include a Leader Toolkit, which articulated practical tips and key attributes needed to lead through uncertain times including adaptability, curiosity and empathy. We also delivered a targeted and contemporary global leadership development initiative focused on building the core mindsets and skills needed for future leadership at QBE. In Australia Pacific, we organised a leadership and executive learning series on how to build high performing teams to lead the QBE way. In Europe, we ran virtual sessions and an eLearning module to support leaders in overcoming distance and on virtual management, as well as how to process and communicate ongoing changes, manage fatigue and keep teams motivated through prolonged uncertainty.

We launched Customer@QBE to help our people generate a consistent customer mindset, develop valuable customer insights and deliver excellence to our customers. In addition, our global sales approach works alongside this to drive more customer-centred behaviours. Across Asia, Europe and North America we have delivered training to support customer-facing employees, including underwriters, portfolio managers, business development and distribution. These sessions have helped provide our people with a practical framework and new skills.

During the year, we re-launched the 'Development@QBE' portal with the aim of providing employees across Australia Pacific with development programs and resources to support their continuous development. This site houses all 'Learning for All' offerings, leadership development, development for new starters, mentoring, on-demand learning and technical and professional development resources. The site has been visited over 17,900 times during 2020. Similarly, North America launched the 'Development@QBE' portal to house their learning offerings and will build on this in 2021 to add additional development programs and resources.

Our learning and development site, Learn@QBE, has launched many new learning modules in 2020. In Australia Pacific, we saw over 1,200 employees attend over 86 'Learning for All' courses. The platform pivoted focus during the pandemic by providing continuous learning to our employees while they worked remotely. It had offerings on digital literacy, having real conversations and owning your own development.

In 2019, we began delivering 'Know the Line: Sexual Harassment in the Workplace' training. In 2020, it was compulsory for employees in Australia Pacific to complete this training session; which involves breaking down what sexual harassment means, where and to whom it applies and giving employees a clear framework to identify and address sexual harassment.

In North America, we launched Women in Agri Leadership Development, a program for women in the Crop business focusing on the unique experiences faced by females in Crop Insurance, to challenge conventional thinking, develop mindsets and advance leadership skills.

As outlined in the QBE Voice, 84% of our employees advised that their manager was supporting their development, up three percentage points.

Performance management and reward

Our performance management approach, ME@QBE, is centred around regular conversations and setting relevant time-bound performance goals that align with our QBE DNA. ME@QBE enables our people to own their performance and take control of their career by setting goals, encouraging check-ins with leaders and requesting regular feedback from managers and peers.

Our annual 'My Year in Review' provides each employee with the opportunity to have in-depth discussions with their leader, reflect on key achievements, feedback received and demonstration of the QBE DNA in the last 12 months and look forward to the following year. Employees are encouraged to collect feedback throughout the year on key strengths and areas to develop. The QBE Voice survey indicated our employees are receiving clear and regular feedback on how they are performing in their roles, up five percentage points from 2019.

This process was enhanced in 2020 allowing snapshot feedback to be gathered in real time. Individual goals and objectives are aligned to QBE's strategic priorities, and these are updated as part of impact reporting periods.

Our workforce

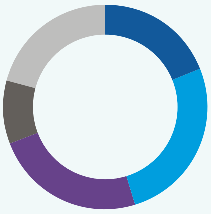
Overall workforce[1]

11,697
Total number of employees

52.0% Female
48.0% Male

11,343
Total number of full-time equivalent (FTE) employees

Geographic footprint by division (headcount)



Division	Headcount
North America	2,218
Australia Pacific	3,092
International	2,812
Group Head Office[2]	1,163
Group Shared Services Centre[3]	2,412

Workforce (%) by employment level and gender[4]

	2020		2019		2018	
	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE
Group Executive Committee (GEC)	**30.0**	**70.0**	27.3	72.7	27.3	72.7
Level 1	**25.5**	**74.5**	19.6	80.4	23.1	76.9
Level 2	**29.4**	**70.6**	28.8	71.2	25.7	74.3
Level 3	**36.3**	**63.7**	35.3	64.7	33.8	66.2
Level 4	**48.3**	**51.7**	48.2	51.8	48.3	51.7
Level 5	**56.2**	**43.8**	55.5	44.5	56.1	43.9
Level 6	**61.9**	**38.1**	64.4	35.6	64.1	35.9
Female Workforce Total	**52.0**	**48.0**	52.2	47.8	52.7	47.3
Total % of women in leadership (GEC-Level 3)[5]	**34.8**	**65.2**	33.7	66.3	32.0	68.0

Average tenure by level and gender[6]

	2020		2019		2018	
AVERAGE TENURE (YEARS)	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE
Group Executive Committee	**4.4**	**5.7**	3.4	5.1	2.4	4.6
Level 1	**3.7**	**9.8**	4.3	10.2	3.7	9.7
Level 2	**6.1**	**8.9**	5.9	8.6	6.0	8.6
Level 3	**7.3**	**8.4**	6.8	8.3	7.0	8.1
Level 4	**7.4**	**7.2**	7.0	7.0	7.1	7.1
Level 5	**6.6**	**5.2**	6.3	4.8	6.3	4.7
Level 6	**6.2**	**3.8**	6.0	3.6	5.9	4.2
Total	**6.8**	**6.2**	6.4	6.0	6.4	6.0

1 This includes permanent and fixed term, excludes casual/temporary employees and contingent workers not directly employed by QBE.
2 Group Head Office employees are based across all divisions of operation.
3 Group Shared Services Centre employees are based in the Philippines.
4 This includes permanent and fixed term, excludes casual/temporary employees and contingent workers not directly employed by QBE.
5 Women in leadership (i.e. women in senior management) is defined as Group Executive Committee, levels 1, 2 and 3.
6 This includes permanent and fixed term, excludes casual/temporary employees and contingent workers not directly employed by QBE. 2018 data has been updated to reflect changes in our HR system.

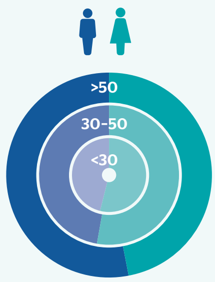
Workforce by age and gender

Overall workforce by age and gender (headcount)[1]

	2020			2019			2018		
AGE	FEMALE	MALE	TOTAL[1]	FEMALE	MALE	TOTAL[1]	FEMALE	MALE	TOTAL[1]
<30	**1,127**	**959**	**2,090**	1,225	1,026	2,252	1,386	1,096	2,483
30-50	**3,731**	**3,298**	**7,032**	3,705	3,231	6,938	3,945	3,377	7,322
>50	**1,222**	**1,353**	**2,575**	1,176	1,338	2,514	1,232	1,416	2,648
Total	**6,080**	**5,610**	**11,697**	6,106	5,595	11,704	6,563	5,889	12,453

Overall workforce by average age

DIVISION	2020	2019	2018
North America	**47.2**	47.1	46.9
Australia Pacific	**41.4**	41.6	42.1
International	**40.9**	40.9	40.9
Latin America[2]	**-**	–	39.9
Group Head Office[3]	**42.5**	42.2	41.6
Group Shared Services Centre[4]	**33.2**	32.4	31.9
Overall average age	**40.8**	**40.5**	**40.3**



	HEADCOUNT %
<30	
Female	**54.0**
Male	**46.0**
30-50	
Female	**53.1**
Male	**46.9**
>50	
Female	**47.5**
Male	**52.5**

Attrition[5]

	OVERALL LEAVERS[6]		VOLUNTARY ATTRITION[7] %		INVOLUNTARY ATTRITION[8] %		OVERALL ATTRITION %	
	2020	2019	2020	2019	2020	2019	2020	2019
By gender								
Female	**681**	1,334	**8.1**	12.4	**3.3**	9.2	**11.4**	21.5
Male	**664**	1,145	**8.4**	12.4	**3.6**	8.0	**12.0**	20.4
Total[9]	**1,346**	2,479	**8.3**	12.4	**3.4**	8.6	**11.7**	21.0
By age								
<30	**276**	520	**11.6**	18.9	**2.8**	6.2	**14.4**	25.2
30-50	**767**	1,435	**8.0**	12.0	**3.0**	8.2	**11.0**	20.2
>50	**303**	524	**6.6**	8.4	**5.0**	11.4	**11.6**	19.8
Total	**1,346**	2,479	**8.3**	12.4	**3.4**	8.6	**11.7**	21.0
By division								
North America	**212**	349	**6.4**	9.0	**3.2**	6.4	**9.6**	15.4
Australia Pacific	**386**	565	**7.8**	11.3	**5.1**	8.2	**13.0**	19.6
International	**267**	425	**8.9**	11.8	**1.0**	4.3	**9.9**	16.1
Group Head Office	**111**	208	**8.2**	10.7	**1.7**	8.0	**9.9**	18.6
Group Shared Services Centre	**370**	607	**9.7**	18.1	**5.0**	4.1	**14.7**	22.2
Total	**1,346**	2,479[10]	**8.3**	12.4	**3.4**	8.6	**11.7**	**21.0**

1 This includes permanent and fixed term, excludes casual/temporary employees and contingent workers not directly employed by QBE. The total numbers from 2018 to 2020 include employees with gender noted as 'Unspecified'. Total 'unspecified' in 2018 = 1; total 'unspecified' in 2019 = 3; total 'unspecified' in 2020 = 7.
2018 data has been updated to reflect changes in our HR system.

2 Latin America disposed of in 2018 and therefore discontinued operations.

3 Group Head Office employees are based across all regions.

4 Group Shared Services Centre employees are based in the Philippines.

5 This includes permanent employees, excludes fixed term and casual/temporary employees as well as contingent workers not directly employed by QBE. Leavers are counted on the first day that they are not working at QBE.

6 Overall leavers include both voluntary and involuntary figures.

7 Voluntary leavers typically comprise resignations, contract terminations or voluntary retirement.

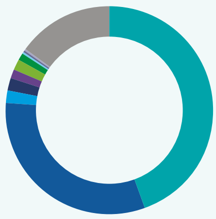
8 Involuntary leavers principally include those terminated through dismissal or redundancy.

9 The total for 2020 includes one employee with gender noted as 'Unspecified'.

10 Latin America disposed of in 2018 and therefore discontinued operations. Total leavers in 2019 includes 325 in Latin America.

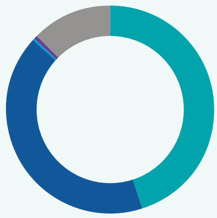
Workforce diversity indicators[1]

Ethnicity[2]



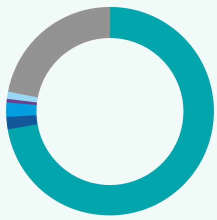
	%
Caucasian/White	45.1
Asian/Asian British/ Asian American	30.6
Indian Sub-continent	2.2
Other	1.9
Mixed/Multiple ethnic groups	1.4
Latino/Hispanic	1.3
African/African American Caribbean/Black/Black British	1.3
Middle Eastern	0.8
Oceanic and Pacific Islander (including Maori and Tongan)	0.8
Indigenous including Australian Aboriginal and Torres Strait Islander, Native American, First Nations people and other indigenous people)	0.2
Prefer not to answer	14.4

Gender identity[3]



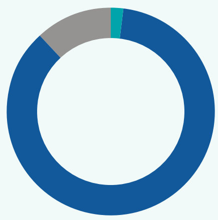
	%
Female	45.1
Male	41.7
Transgender	0.2
Another gender identity	0.5
Prefer not to answer	12.5

Sexual orientation[4]



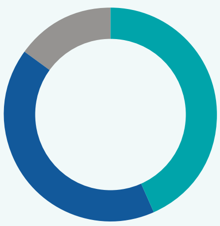
	%
Heterosexual	72.4
Bisexual	1.8
Gay	2.3
Lesbian	0.5
Another sexual orientation not listed	1.2
Prefer not to answer	21.8

Disability[5]



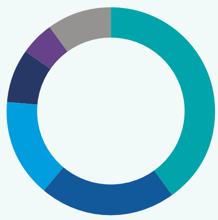
	%
Yes	2.0
No	86.3
Prefer not to answer	11.7

Carer responsibility[6]



	%
Yes	43.4
No	41.6
Prefer not to answer	15.0

Carer responsibility: care provided to[7]



	%
School aged children	53.0
Pre-school aged children	28.0
Family member with health problems	20.0
Family member who is frail	11.0
Family member with a disability	7.0
Other	13.0

Employees working part-time

4.3%

Down from 4.5% in 2019

Diversity breakdown of workforce

PART-TIMERS	2020	2019	2018[8]
Female	**455**	472	484
Male	**52**	57	51
Total	**507**	529	535
Total Workforce	**11,697**	11,704	12,452
Part time %	**4.3**	4.5	4.3

1 The following information is at a point in time, collected anonymously and voluntarily as part of the annual QBE Voice employee survey completed in November 2020.
2 Based on % of survey respondents. Total survey respondents = 9,641. Papua New Guinea, Solomon Islands, Vanuatu, Fiji, French Polynesia and New Caledonia were excluded from this survey question.
3 Based on % of survey respondents. Total survey respondents = 9,415. Papua New Guinea, Solomon Islands, Vanuatu, Malaysia and UAE were excluded from this survey question.
4 Based on % of survey respondents. Total survey respondents = 9,339. Papua New Guinea, Solomon Islands, Vanuatu, Fiji, French Polynesia, New Caledonia, UAE and Malaysia were excluded from this survey question.
5 Based on % of survey respondents. Total survey respondents = 9,641.
6 Based on % of survey respondents. Total survey respondents = 9,772.
7 Based on % of survey respondents. Total survey respondents = 5,589. Respondents were able to select multiple options, therefore the % does not add up to 100%.
8 Figures have been restated.

Operational excellence

At QBE, we are focused on enhancing the customer experience and building products and services that meet our customers' needs. We continue to transform the way we operate as a business by increasing the use of digital technologies, innovation and analytics. The large-scale shift to remote working during 2020 has brought new cyber challenges to overcome, while significantly contributing to a reduction in the environmental impact of our business operations.

2020 Sustainability scorecard achievements

Minimise the impact of our operations on the environment

Sourced renewable electricity for 97% of our electricity requirements, up from 63% in 2019	**page 59**
Reduced our scope 1 and 2 carbon emissions by 80%, up from a 57% reduction in 2019	**page 59**
Reduced our air travel by 85%, up from a 31% reduction in 2019	**page 59**
Reduced our energy use by 32%, up from a 14% reduction in 2019	**page 59**
Maintained carbon neutrality	**page 59**

View our 2021 Sustainability scorecard on page 68.

Key for progress symbols:

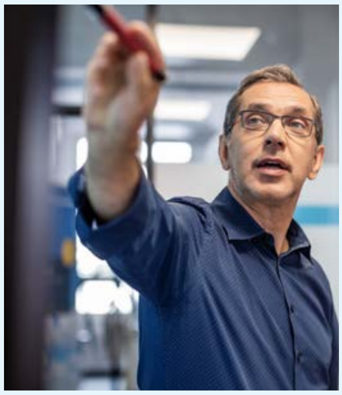
Achieved On track Behind Refreshed

Our global operations and transformation teams provide critical support services to our customers and employees including policy processing, claims management, information technology, data and analytics, projects and procurement services.

Digital transformation, innovation and analytics

Our focus on digitisation, innovation and analytics is integral to us delivering better customer value and experiences and remaining at the forefront of our industry. In 2020, we continued to strengthen our capabilities in this area. Some of our efforts included:

- In North America, our Claims Form Automation process has became part of our foundational effort to improve and standardise the way our Claims teams communicate with customers. Using 340+ templates, interactive document editing capabilities and automated and semi-automated letters, this process has brought savings and efficiency, and improved our claims management and regulatory compliance.
- In Europe, our pricing and data science teams are developing a new generation of pricing and risk selection models blending machine learning, generalised linear models and other traditional actuarial techniques to enhance underwriting performance and decision making. We actively seek external data sources to augment our internal data and increase the quality of our algorithms. During 2020, we enhanced many of our pricing models including commercial motor, financial lines, marine, property and packages. We also deployed enhanced technology to support our SME portfolio and the business more generally.
- Defending liability claims that go to litigation can come at a significant expense to QBE. The impact of these costs underscores the importance of choosing the best firms to represent us. Our North American team utilises Artificial Intelligence (AI) to select defence counsel for litigation with an algorithm based on the law firm's performance from a total loss perspective. AI has helped us to direct claim assignments to high performing defence counsel to optimise our legal expense relative to realised settlement outcomes. By better managing legal fees and outcomes, we can better serve customers by keeping costs, and ultimately premiums, as low as possible. In 2020, we spent $11 million in fees to external law firms, and spent $77 million on settlements and awards.
- In Europe, we use data mining processes to build predictive models and create a database that can be used across multiple projects and to validate data. Analytics-enabled text mining involves scanning a document through an Optical Character Recognition (OCR) reader, which converts it to a format that can be analysed by our Data Science team and used to build predictive models. More than 10 million claims documents have already been scanned, and going forward, every document received will be scanned through the OCR, allowing our teams to find what they need more quickly.
- Our Natural Language Processing experts utilise AI models to analyse text data in order to predict fraudulent claims and identify and respond to customers. Text mining strengthens our fraud detection through identifying patterns and signs of potential fraud, which are then referred to the Special Investigation Unit team for follow-up.
- In Australia, we launched our National Towing Network, a group of accredited partners that provide 24/7 emergency accident towing services to our customers. The Network ensures customers are supported at the scene of accidents and their vehicles are transported to the best placed repairer (including our Accredited Smash Repairer Network), providing a streamlined claims experience that will have customers back on the road faster and help QBE manage costs. Our new Property Claims Lodgement Tool also enables integrated digital lodgement, claims triaging and supplier allocation in the one application. We continue to work towards offering a unique, efficient claims process for each customer, depending on their individual circumstances.



QBE Ventures

QBE Ventures invests in and builds alongside early stage technology companies that have the potential to enhance our business model and reshape the insurance industry. Leveraging QBE's market strength, resources and expertise, these emerging technologies are augmented to create new value for our customers, partners and the communities in which we operate. We partner with leading InsurTech startups that provide intelligence, insights and potentially industry-changing ideas. We actively seek to invest in companies whose products or ideas can be deployed into our operations to help us solve business problems or to grasp an opportunity – accelerating both the startup's growth and our continued transformation.

Information on how these partnerships help our customers can be found in Customer and community and on our website.

Business resilience

The need to shift our organisation to remote working as a result of the pandemic highlighted the importance of investments we have made in increasing our operational resilience. Within a 72-hour period in March, around 15,000 QBE employees were rapidly transitioned to a fully working-from-home scenario with minimal disruption to customer service or business operations.

The investments we have made in technology and collaboration tools over the last two years included an organisational upgrade to Windows 10, Microsoft Teams and cloud-based virtual desktop infrastructure, along with increased network capacity and resilience. These allowed our people to move to remote working quickly and easily, without compromising on security.

Within a week of making the shift, calls to the IT Service Desk for help had returned to near-normal levels, and operational stability has been maintained since then. It took hard work and dedication to make sure we could continue connecting with our customers, employees and service providers just as we did before COVID-19 emerged.

Our investment in uplifting security controls across identity and access management, multi-factor authentication, endpoint security and data loss prevention were also critical in supporting QBE's secure remote working arrangements. Our Global Security Operations Centre has been operating on heightened awareness since the onset of COVID-19 to detect and respond to the increased threat posed by cyber criminals exploiting the global shift to remote working. We also increased our cyber security education and awareness activities to provide our employees and customers with a range of advice designed to reinforce secure practices.

Throughout 2020, QBE continued to uplift and mature our cyber capabilities, including the industrialisation of our third-party suppliers' cyber governance processes, patching and vulnerability management, network security, system assurance testing and management of data security risks. We also continued to focused on rationalising the number of legacy applications and increasing the stability of our platforms to improve the user experience.

This year has challenged our approach to business resilience as never before. With the pace of upheaval this year, it is easy to forget that COVID-19 emerged at a time when the organisation was already responding to the Australian bushfire crisis and the Philippines Taal Volcanic eruption. In December 2019, our new Group Business Continuity Management policy was approved by the Group Board, which set out the agreed standards for business continuity management across the globe. This meant that we were well-positioned Group-wide in relation to crisis coordination across onshore, offshore and third-party sites, making our operational response very effective.

Procurement

Our Procurement teams aim to deliver business value in responsible and sustainable ways, focusing on the minimisation of operational and supply chain risk and disruption when interacting with suppliers.

The Supplier Sustainability Principles set minimum expectations of our suppliers doing business with QBE. In line with our principles, we continue the process of integrating sustainability considerations as part of procurement. We seek to engage suppliers and business partners who share our understanding of, and commitment to, developing sustainable supply chains for our regional and global communities, and who will work with us to achieve these objectives.

The Supplier Sustainability Principles are referenced as part of our supplier agreement templates (including our Global Services Agreement template). In North America, our 'Request for Proposal' process includes questions for the supplier on environmental initiatives and metrics that they track.

In Australia Pacific, a sustainable procurement strategy is being developed. We are leveraging our partnership with Supply Nation, Australia's leading database of verified Indigenous businesses, to include these businesses as part of the supplier selection process and strategic supply solutions where possible. We are integrating sustainability in our discussions with suppliers as part of our Supplier Relationship Management Framework and practices.

Further information about our focus on indigenous engagement can be found in our Reconciliation Action Plan.

Operational environmental performance

We continue to drive improvements in our environmental performance by integrating resource efficiency considerations into our strategic and operational business decision making, transitioning to renewable energy sources and inspiring our employees to take action.

Our targets

Reduce energy use by
15% by 2021

Reduce Scope 1 and 2 carbon emissions by
30% by 2025

Transition to
100%
renewable electricity by 2025

Reduce air travel by
20% by 2021

In support of the transition to a low-carbon economy, we joined the RE100 in 2019. In 2020, we made strong progress towards 100% renewable electricity for our operations, with 97% of our global electricity use coming from renewable sources. We also maintained carbon neutrality and achieved our energy use, air travel and science-based emission reduction targets ahead of time. While COVID-19 had impacted our operations and performance, we are confident that we will achieve our 2021 targets.

Sustainable workplaces

Like many businesses, our response to COVID-19 has prompted us to reflect how best to enable our people to achieve the right balance of remote and office-based working, and how we can continue to create workplaces that inspire our people to be at their best. As we embrace remote working globally, we recognise the importance of accounting for the associated carbon emissions and have therefore included a calculation as part of our carbon footprint.

Engaging our employees to create behavioural change

A big focus for us in 2020 was finding new and engaging ways to keep our people connected in our sustainability agenda and informed about actions they can take in their personal lives to live more sustainably. Engagement activities included:

- Launching a global intranet site that guides our people to becoming sustainability champions and helps identify ways to manage sustainability-related risks and opportunities.
- Hosting Plastic Free July 'lunch and learn' sessions leveraging our partnerships with Taronga Zoo in Australia and the World Wildlife Fund in the Philippines to educate employees on the effects of plastic on the environment and wildlife, and to share tips on reducing single-use plastics.
- Running employee competitions, campaigns and idea-sharing in celebration of World Environment Day to encourage our people to reconnect with nature during the pandemic.

Embracing digital transformation

COVID-19 has also accelerated our shift towards a more digital workplace. Digitisation enables us to deliver an improved customer experience and reduce operating costs and environmental impacts through reducing paper, one of our main material inputs. In Hong Kong, we implemented a 'Go Green' initiative to digitise many of our internal processes and leverage the use of automated forms instead of paper.

We rolled out the Green Dispatch initiative across our operations in Singapore and Hong Kong, which helped enable a 50% reduction in internal paper usage and saved over $160,000 in the printing and distribution of market-facing documents.

You can read more about this in Customer and community.

Our 2020 performance against targets is outlined in the table below.

INDICATOR	BASELINE[2]	TARGET	TARGET YEAR	2020 ACTUAL PERFORMANCE	2020 TARGET PERFORMANCE	STATUS
Air travel (tCO_2-e)	17,739	-20%	2021	**2,717**	**-85%**	Achieved
Energy use (GJ)	178,976	-15%	2021	**122,115**	**-32%**	Achieved
Scope 1+2 emissions (tCO_2-e) (1.5°C trajectory aligned science-based target)[1]	29,696	-30%	2025	**5,881**	**-80%**	Achieved
Renewable electricity use (MWh)	–	100%	2025	**22,529**	**97%**[3]	On track

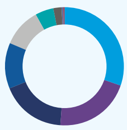
1 This is science-based emissions reduction target calculated in line with the most ambitious decarbonisation scenario, which is the 1.5°C scenario.
2 Air travel baseline is 2017. Baseline for all other indicators is 2018.
3 Actual 2020 percentage of renewable electricity. This is not a year-on-year percentage change.

Operational excellence (continued)

Greenhouse gas emissions by activity

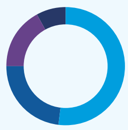
tCO_2-e GHG EMISSIONS[1]	% CHANGE FROM PRIOR YEAR	2020	2019	2018	2017	2016
Direct emissions (Scope 1)[2]						
Business travel – fleet vehicles	-18%	**4,628**	5,615	6,988	6,631	7,529
Stationary energy – gas	-7%	**920**	985	1,326	1,273	1,157
Total Scope 1	-16%	**5,548**	6,600	8,314	7,904	8,686
Indirect emissions (Scope 2)[2]						
Scope 2 (market-based)[3]	-95%	**333**	6,172	21,382	23,899	25,155
Scope 2 (location-based)[4]	-18%	**13,770**	16,729	21,382	23,899	25,155
Other indirect emissions (Scope 3)[2,5]						
Stationary energy – gas indirect	-20%	**1,022**	1,274	1,186	1,570	2,081
Business travel – air[6]	-78%	**2,717**	12,160	14,973	17,739	19,524
Business travel – car hire and taxi	-25%	**1,612**	2,146	2,161	2,158	1,669
Business travel – rail and bus travel	-83%	**23**	133	139	133	168
Working From Home – electricity and gas[7]		**3,174**	DNR	DNR	DNR	DNR
Office paper purchased	-56%	**93**	211[8]	324[8]	574[8]	474[8]
Waste – recycled and landfill	-26%	**739**	1,002[9]	1,022[9]	1,079[9]	1,147[9]
Water	-44%	**108**	192	188	229	193
Total Scope 3	-45%	**9,488**	17,118	19,993	23,482	25,256
Total GHG emissions (Scope 1, 2 and 3)	-49%	**15,369**	29,890	49,689	55,285	59,097
Carbon offsets		**(15,369)**	(29,890)[10]	(49,689)[10]	–	–
Net GHG emissions (carbon neutral from 2018)		**–**	–	–	55,285	59,097

Emissions profile by source (tCO_2-e)



	%
Fleet vehicles	30.1
Working from home energy	20.7
Air travel	17.7
Natural gas	12.6
Car hire and taxi	10.5
General waste	4.8
Electricity	2.2
Water	0.7
Office paper	0.6
Bus and rail travel	0.1

Emissions profile by region (tCO_2-e)

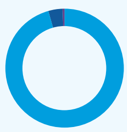


	%
North America	52.1
Australia Pacific	23.1
International	17.0
Corporate and Other	7.8

Key performance indicators – GHG emissions intensity

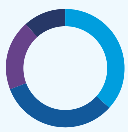
tCO_2-e GHG EMISSIONS	% CHANGE FROM PRIOR YEAR	2020	2019	2018	2017	2016
Scope 1+2 GHG emissions per GEP US$M	-56%	**0.42**	0.96	2.11	2.20	2.30
Scope 1+2 GHG emissions per FTE[11]	-54%	**0.52**	1.13	2.45	2.25	2.38
GHG emissions per GEP US$M	-51%	**1.10**	2.25	3.54	3.83	4.01
GHG emissions per FTE[11]	-49%	**1.35**	2.64	4.09	3.91	4.15

Carbon offset by project type (%)



	%
Wind	95.6
Land fire abatement	4.0
Solar	0.4

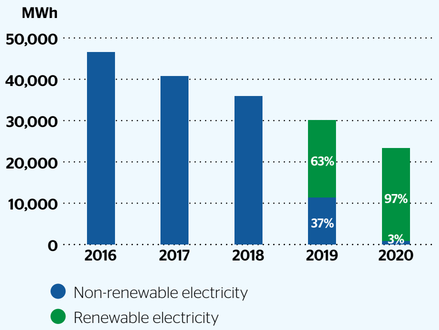
Electricity use by region (%)



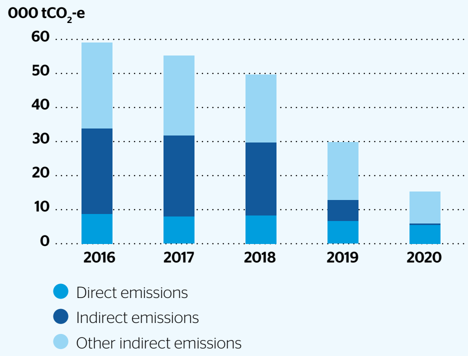
	%
North America	36.9
Australia Pacific	32.3
International	19.4
Corporate and Other	11.4

1 GHG emissions data is calculated based on QBE business activities and includes emissions from CO_2, N_2O and CH_4. Emissions from HFCs, PFCs, SF_6 and biogenic activities are not applicable to QBE's operations and therefore have not been reported.
2 Estimates have been made for certain office locations and activity data streams where actual activity was not available, and were based on comparable offices/activities in the same region.
3 Our market-based emissions derive emissions factors from our contractual instruments, including green electricity purchased through our electricity retailers and renewable energy attribute certificates sourced via brokers.
4 Our location-based emissions reflect the average emissions intensity of grids on which our electricity consumption occurs (our location-based emissions do not take into account the contractual instruments we have used to reduce our emissions footprint).
5 This year, we have disclosed the carbon intensity of our corporate credit investment portfolio in the "Climate Change – our approach to risks and opportunities" section of our 2020 Annual Report. Employee commuting is not included in our Scope 3 inventory due to unavailability of data.
6 Scope 3 emissions from business air travel include DEFRA's required distance uplift and exclude radiative forcing due to the significant scientific uncertainty surrounding the quantification of the effect of radiative forcing.
7 Due to COVID-19, the majority of our global workforce has been working from home for most of 2020. We have estimated the emissions relating to energy use by our employees while working from home.
8 In 2020, as part of our ongoing focus on improved data quality, we moved from using DEFRA's waste emission factor to calculate office paper purchased emissions to using DEFRA's 'cradle-to-gate' emission factor. This has resulted in higher reported emissions and we have restated prior years' emissions for comparative purposes. Our underlying reported paper purchased volume remained unchanged.
9 In 2020, as part of our ongoing focus on improved data quality, we moved from using DEFRA's waste emission factor for Australian waste emissions to using NGA's lifetime waste emission factor. This has resulted in higher reported emissions and we have restated prior years' emissions for comparative purposes. Our underlying reported waste volume remained unchanged.
10 The carbon offsets purchased in 2018 and 2019 were sufficient to cover the increase in emissions due to the restatements of office paper purchased and waste emissions mentioned in Footnote 8 and 9 above and we remained carbon neutral.
11 The emissions intensity indicators for 2018-2020 are per FTE. Indicators for 2016-2017 are per number of employees.

Electricity use by source



Direct and indirect emissions



Other environmental indicators

	UNITS	% CHANGE FROM PRIOR YEAR	2020	2019	2018	2017	2016
Stationary energy use[1]							
Non-renewable electricity	MWh	-93%	**771**	11,304	35,916	40,691	46,500
Renewable electricity[2]	MWh	19%	**22,529**	18,876	–	–	–
Electricity use per FTE[3]	MWh/FTE	-23%	**2.05**	2.67	2.96	2.88	3.27
Gas – direct	GJ	-7%	**18,234**	19,513	26,231	25,362	20,772
Gas – indirect	GJ	-20%	**20,000**	25,133	23,446	31,218	37,460
Gas use per FTE[3]	GJ/FTE	-15%	**3.37**	3.95	4.09	4.00	4.09
Working From Home - electricity and gas[4]	GJ		**26,287**	DNR	DNR	DNR	DNR
Business travel	'000 km	-72%	**26,070**	93,074	110,499	132,851	124,195
Air travel	'000 km	-80%	**15,787**	77,958	95,775	118,192	114,928
Road travel[5]	'000 km	-21%	**9,406**	11,876	11,623	11,831	5,882
Rail and bus travel	'000 km	-73%	**877**	3,240	3,101	2,828	3,385
Business travel per FTE[3]	'000 km/FTE	-72%	**2.30**	8.23	9.10	9.40	8.73
Office paper purchased[1]	tonnes	-56%	**109**	248	339	618	505
Office paper purchased per FTE[3]	kg/FTE	-55%	**10**	22	28	44	35
Water use[1]	kL	-44%	**102,325**	182,502	178,731	218,156	183,906
Water use per FTE[3]	kL/FTE	-44%	**9**	16	15	15	13
Waste and recycling[1]	tonnes	-37%	**1,411**	2,235	2,522	3,266	2,734
Waste to landfill	tonnes	-42%	**877**	1,512	1,536	1,770	1,764
Waste per FTE[3]	kg/FTE	-37%	**124**	198	208	231	192
Paper recycled	tonnes	-26%	**438**	589	844	1,340	833
Other recycled waste[6]	tonnes	-28%	**96**	134	142	156	137
Recycling rate	%	19%	**38**	32	39	46	35

How we account for the numbers

Our reporting on environmental data follows the guidelines outlined in:

- the Global Reporting Initiative (GRI) Standards' requirements for Emissions Disclosures 305-1, 305-2 and 305-3;
- the Greenhouse Gas Protocol's *Corporate Accounting and Reporting and Corporate Value Chain (Scope 3) Accounting and Reporting Standards*; and
- QBE's Greenhouse Gas Reporting Framework which governs our data collection process.

The Group's GHG emissions reporting is driven by our global insurance operations across the world. We calculate emissions using the energy content and emission factors considered most relevant to each region, based on information sourced from:

- Australian Government's Department of Industry, Science, Energy and Resources: *National Greenhouse Accounts Factors* 2020 (NGA);
- United Kingdom Government's Department for Environment Food & Rural Affairs (DEFRA): *GHG Conversion Factors for Company Reporting* 2020;
- United State's Environmental Protection Agency (EPA): *Emission Factors for Greenhouse Gas Inventories: Direct Emissions from Stationary Combustion* 2020;
- United State's EPA: *Emissions & Generation Resource Integrated Database (eGRID)* 2018 (released in 2020); and
- International Energy Agency: *CO_2 Emissions from Fuel Combustion*, 2019 edition.

1 Estimates have been made for certain office locations and activity data streams where actual activity was not available, and were based on comparable offices/activities in the same region.
2 2019 was the first year QBE started sourcing renewable electricity. The renewable electricity includes both renewable energy contracts with energy retailers and renewable electricity certificates purchased.
3 Indicators for 2018-2020 are per FTE. Indicators for 2016-2017 are per number of employees.
4 Due to COVID-19, the majority of our global workforce has been working from home for most of 2020. We have estimated the energy usage by our employees while working from home.
5 Road travel includes business travel by car hire, taxi and private car.
6 Includes recycled IT asset waste and mixed plastics and glass.

Governance

Our strong corporate governance is integral to our role as an international insurer and reinsurer and our ongoing relationships with our shareholders, customers and other stakeholders.

2020 Sustainability scorecard achievements

Cultivate and continue to drive compliance awareness across the business

Delivered annual Group Code of Ethics and Conduct training	**page 63**
Achieved 97% completion of Group Code of Ethics and Conduct training	**page 63**
Achieved 97% completion of Whistleblowing Policy training	**page 63**

Take measures to prevent involvement in human rights harm, including modern slavery

Published an annual Modern Slavery and Human Trafficking Statement	**page 65**
Delivered human rights-focused training as part of our 2020 Group Code of Ethics and Conduct training	**page 65**

Continue to be transparent about our tax contributions across the Group

Published an annual Group Tax Transparency Report	**page 67**

View our 2021 Sustainability scorecard on **page 68**.

Key for progress symbols:

Achieved   On track   Behind   Refreshed

Our Group Code of Ethics and Conduct

QBE is subject to extensive legal and regulatory requirements, industry codes of practice and standards of behaviour. We understand that compliance, accountability and transparency are critical to enabling us to deliver our strategy and create long-term value and better stakeholder outcomes.

Refer to our 2020 Corporate governance statement for further information.

Our Group Governance framework, guidelines, policies and risk management processes are overseen by the Group Board and management. Our compliance function is overseen by our Group Compliance team, which is responsible for providing independent assurance and oversight to the Board Risk & Capital Committee (BRCC) that compliance is being appropriately managed across our business. Our Group General Counsel and Group Company Secretary, a member of the Group Executive Committee (GEC), has ultimate accountability over all corporate governance-related matters. They are supported by a Group Chief Compliance Officer, who confirms our compliance programs are effective in identifying, preventing, detecting and correcting instances of non-compliance with applicable laws, regulations, standards, guidelines or policies.

We are committed to maintaining high ethical standards in our behaviour and in our dealings with customers, suppliers, communities, shareholders and other stakeholders.

Our Group Code of Ethics and Conduct (the Code) sets the standards we expect of our directors, employees, contractors, agents and anyone who represents us in any capacity (collectively referred to in the Code and in this section as 'employees') to make good judgement calls and demonstrate high standards of ethical behaviour in all our actions and relationships, including with customers, suppliers, communities, investors and governments. Our Group Board oversees the Code.

In 2020, we had a breach of our Code with our Group CEO departing following the outcome of an external investigation in relation to workplace communications. The Board acted quickly to take decisive action in relation to the outcomes, signifying the Board's zero tolerance stand for breaches of the Code. Following this, we commenced our Board-sponsored organisational culture review called the 'Culture Accelerator'.

Further information on this can be found in the People and culture.

Our Code responds to regulatory changes and changing community standards and expectations. The Code incorporates QBE's DNA and demonstrates who we are and what we value – collectively and individually. Acting in accordance with our Code is a condition of employment with QBE, as is annual Code training. In 2020, our annual Code training program covered topics including working from home, fair and equitable working environment, behaviours, human rights, financial crime, privacy, information security, communication with regulators and securities trading.

Encouraging a 'speak-up' culture

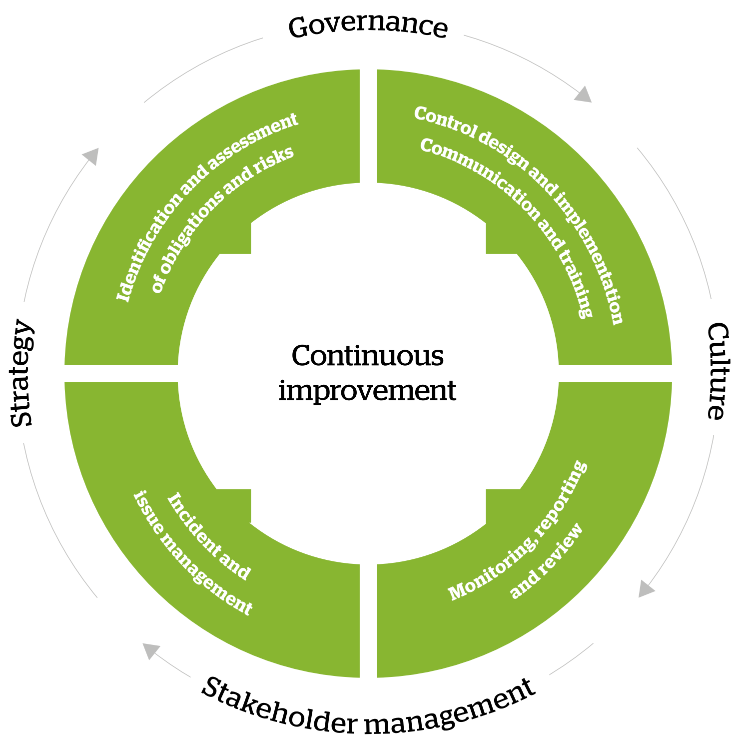
We are committed to providing an open, safe, supportive, respectful and transparent work environment. All employees are actively encouraged to speak up and we empower them to call out concerns they have about any conduct, behaviour or activity they believe to be dishonest, corrupt, inappropriate or illegal.

Employees can report concerns internally to their manager, a senior manager or their Human Resources or Compliance teams. Depending on the issue, employees have the freedom to report to those working in other teams including, but not limited to, Legal, Fraud, Financial Crime, Risk or Procurement. Alternatively, concerns can be reported confidentially and anonymously via phone or web submission to our QBE Ethics Hotline, an independent and externally hosted platform. These channels are supported by our Code and Group Whistleblowing Policy and Guidelines (Whistleblowing Policy).

Where a concern is raised, it will be investigated in accordance with the requirements of the Whistleblowing Policy. We acknowledge, investigate appropriately and fairly and document all reported concerns where we have sufficient information to do so. Reports made are kept confidential as far as possible. Where reports are substantiated, we take appropriate remedial action, advise the reporter promptly and document the outcomes. Retaliation against anyone who raises a concern or participates in an investigation is not tolerated.

In 2021, we will roll out a mobile app channel through which submissions can be made to our Ethics Hotline.

Our approach to compliance



QBE's Group Compliance Risk Policy

QBE's Group Compliance Risk (CR) Policy outlines our approach to managing compliance risk across our global operations. It is overseen by the BRCC and outlines our governance arrangements, key roles and responsibilities relating to compliance management and describes the core components of our approach. The CR Policy was reviewed and updated in 2020 in line with the Australian/International Standard *AS ISO 19600:2015 Compliance Management Systems – Guidelines*.

The CR Policy complements our Group Risk Management Strategy and is supported by the Group Compliance Monitoring Program, our annual Group Compliance Monitoring Plan and a range of Group and local compliance policies, guidelines, programs and processes.

Our policy framework incorporates sanctions, outsourcing, Modern Slavery, anti-bribery and anti-corruption, health, safety and wellbeing, continuous disclosure, diversity and inclusion, securities trading, flexible working, supplier sustainability, environment, energy and other business policies. Policy summaries are available here.

Within QBE, specifically our European offices, compliance information is translated into many local languages to help with raising awareness and understanding of country-specific requirements, such as those in the United Kingdom and European Union.

Combatting financial crime

We are committed to ensuring compliance with financial crime-related laws in the countries in which we operate. Our employees must not commit, or become involved in, any form of financial crime, including (but not limited to):

- tax evasion;
- bribery and corruption, including making any facilitation payments or offering, or receiving, gifts and benefits in order to retain or obtain business;
- internal and external fraud and cybercrime;
- money laundering or terrorist financing; and
- breaching any sanction, including trade, economic, targeted (focused on individuals, organisations or industries) and comprehensive sanctions (restrictions against a whole country's regime).

The appropriate giving and receipt of gifts and entertainment is an essential element of our approach to managing bribery and corruption risk within the Group. In 2020, we updated our Group Gifts and Entertainment Policy with revised reporting thresholds agreed across our international entities.

This assisted us in identifying potential risk exposures and ultimately supports us in meeting international legislative requirements for the filing of transparent, proportionate, reasonable and true reports. We have deployed additional training and communications to increase employee awareness of these updates. Our Group Conflicts of Interest Policy was also updated in 2020, and operates together with our Group Gifts and Entertainment Policy to create a system to identify and report actual or potential conflicts of interest.

Fair competition

We believe in free and fair competition and seek to operate our business, and undertake competitive activities, ethically and lawfully. When we interact with actual or potential competitors, our aim is not to share confidential information that may impact how we all compete. We make decisions independently of our competitors. Agreements among competitors to fix or reduce prices, or exclude other competitors from the market, are serious antitrust or anti-competitive offences and is behaviour we do not condone or engage in.

Protecting our stakeholders' privacy

We respect our customers' and employees' privacy and are committed to protecting their personal information from misuse or unauthorised handling or disclosure and to complying with privacy laws across our business. We only collect, hold and share personal information where it is needed for legitimate business or employment/engagement purposes, or where there is a legal need to do so. We ensure all our employees understand the importance of keeping personal information private and secure. When we work with third parties, we make clear to them the importance we place on privacy, data security and the standards we expect.

Privacy at QBE is governed centrally through our Group Compliance team and our Chief Privacy Officer (CPO), who reports to the Chief Compliance Officer, who reports to the Group General Counsel and Company Secretary. The CPO is responsible for the Group Privacy Framework which seeks to ensure that there are robust and effective privacy practices, procedures and systems in place across the global business. The CPO chairs QBE's Group Privacy Council (GPC) which provides advice, evaluation and approval in relation to our framework. The GPC's role is to ensure that there is adequate consideration and review of the privacy risks and implications related to international activities that cross all segments of our business.

The GPC is also responsible for our Group-wide privacy governance and work program and for ensuring that the program meets the requirements of the Group CR Policy. We operate in compliance with applicable privacy laws in the countries in which we operate, including the General Data Protection Regulation and the Australian *Privacy Act 1988* (Cth).

Respecting human rights and addressing modern slavery risks

Wherever we operate, we respect human rights and commit to avoid human rights harm. We are committed to adhering to internationally recognised human rights norms and principles to promote the dignity and equality of, and respect for, all our employees, customers, communities and suppliers.

We are guided by internationally recognised human rights standards and guiding principles, such as the:

- International Bill of Human Rights, comprising the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights;
- International Labour Organisation's eight fundamental Conventions; and
- United Nations Guiding Principles on Business and Human Rights.

In 2020, we announced our support for the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption. We strongly reject any form of slavery, including forced or child labour, and take active measures to prevent our involvement in human rights harm through our supply chain relationships. This commitment is detailed in our Group Modern Slavery and Human Trafficking Statement and in our Code. During the year, we included human rights content as part of our annual Code training to raise awareness across the Group.

In 2020, we reviewed our third-party risk management processes and the internal tools we use to identify, assess, mitigate, monitor and address potential risk areas which could expose us to modern slavery and human trafficking. We will continue to develop and enhance our Third-Party Risk Management Framework to provide updated governance. This enhancement will include modern slavery considerations for our Group.

To strengthen our approach to managing modern slavery risk, we developed a Modern Slavery Risk & Compliance Standard that operationalises legislative requirements set out in the *Modern Slavery Act 2018* (NSW), *Modern Slavery Act 2018* (Cth) and the *Modern Slavery Act 2015* (UK), and commitments we have made under our Code.

We continue to maintain privacy policies that provide data protection for both our customers and employees. Our Group Third-Party Risk Management Framework sets baseline data protection requirements for any third party we deal with.

The Group Privacy Framework outlines QBE's approach to privacy governance and privacy program expectations across the Group. We require significant personal data issues and incidents to be tracked and reported to the CPO along with a root cause analysis, which is then reported to the BRCC. Our Code sets out disciplinary actions for deliberate, wilful or negligent mishandling of employee or customer personal data, which may include termination of employment. Our Group Privacy Program is assessed by our Group Internal Audit team.

In 2020, our Group Privacy framework was reviewed and updated, reflecting the importance of protecting employee and customer data across the Group and recent developments in privacy laws across our global footprint.

We also refined our Global Privacy Impact Assessment process and updated our Global Priority Personal Data Breach Policy to further clarify how we will respond to personal data breaches. The policy clearly sets out employee and stakeholder responsibilities with regard to personal data protection.

Mandatory compliance training

QBE provides mandatory compliance training to ensure our employees and management understand all relevant laws, regulations and internal policies and how to apply and adhere to them in their daily work. Group compliance topics, such as our Code, whistleblowing, sanctions, privacy, anti-bribery and anti-corruption, conflicts of interest, gifts and entertainment, and outsourcing are supported by local mandatory compliance training.

All our training is available to contractors and some may be assigned to contingent workers by the divisions and business units as they see fit. Additional training topics for our contractors include responsible sales practices, diversity and inclusion and cyber security.

Tax strategy and transparency

QBE supports the Australian voluntary Tax Transparency Code, a set of principles and minimum standards on public disclosure of tax information. We publish an annual Tax Transparency Report outlining our tax strategy and governance. We seek to comply with all applicable tax laws, regulations and disclosure requirements, and to pay the amount that is legally required to be paid, in all of the jurisdictions in which we operate. QBE supports the principle behind multilateral moves towards greater transparency within the corporate sector that increase community understanding of the corporate sector's compliance with tax laws and build public trust.

The Group Board has oversight of tax governance across our divisions through the Group's Tax Risk Framework, with local boards having oversight of divisional tax governance. Operationally, the Group Chief Financial Officer (CFO) is responsible for the Group's tax risk management and for ensuring the implementation of the Group's Tax Risk Framework. The Group CFO is assisted by the Group Head of Tax and divisional CFOs to ensure that policies and procedures that support the framework are in place, and are maintained and applied consistently around the world. They also ensure that the divisional tax teams have the skills and experience to implement the approach appropriately.

2021 Sustainability scorecard

We have outlined several commitments, initiatives and targets that enable QBE to stay focused on our sustainability priorities, address our material topics and drive improved environmental, social and business outcomes.

SUSTAINABILITY FRAMEWORK	COMMITMENT	ASSOCIATED INITIATIVE/TARGET	PROGRESS	SDG ALIGNMENT
Sustainable insurance	Address the risks and opportunities related to climate change	Continue to embed our climate risk analyses into our risk management and strategy		7, 11, 13
	Embed consideration of ESG risks into our Group-wide risk management framework	Continue to integrate ESG considerations into our Group Underwriting Standards with reference to our new Environmental and Social Risk Framework		All SDGs
	Collaborate with industry, government and civil society to support the achievement of our priority United Nations Sustainable Development Goals	Maintain ongoing collaboration in a range of partnerships and initiatives aligned to the achievement of the Paris Agreement and the SDGs		1, 8, 10, 11, 13
Impact and responsible investments	Support impact investing as a means to direct capital to address global environmental and social issues while creating financial returns	Achieve our ambition to grow our total impact investments to $2 billion by 2025[1]		All SDGs
		Invest in suitable social impact bond opportunities across our global investment portfolio up to $100 million[2]		1, 8, 10, 11, 13
	Take action to address the risks and opportunities related to climate change and a transition to a low-carbon economy	Engage with peers and develop a pathway to transition our investment portfolio to net-zero greenhouse gas emissions by 2050 in line with our membership of the UN-convened Net-Zero Asset Owner Alliance		7, 11, 13, 17
Customer and community	Treat our customers fairly throughout every stage of the policy cycle, from product development/design through post sales and claims, including complaint handling	Review Group Conduct Risk Policy in 2021 and work across divisions to fully integrate it by 2022		16
	Implement our Vulnerable Customer approach for Australia Pacific	Deliver our initiatives in the Financial Inclusion Action Plan, with a focus on improving financial inclusion across our customers, community, partners, suppliers and employees		1, 8, 10, 17
		Implement, embed and further enable our approach to supporting customers experiencing vulnerability for Australia Pacific, and continue to enhance our capability in respect of Australian customers experiencing hardship		1, 10
	Support customers and communities to prepare, anticipate and respond to and recover from disasters through the QBE Foundation	Embed our global disaster relief and resilience partnership framework across our operations with Red Cross and Save the Children to deliver on strategic priorities		1, 11, 13
	Elevate our Group-wide community engagement strategy to create outcomes and impact	Maintain QBE Foundation budget of minimum $4.25 million per year or 0.5% of prior year's cash profit after tax		1, 5, 8, 11, 13
		Launch new Group-wide QBE Foundation strategy with clearly defined issues to achieve impact by 2021		1, 5, 8, 10, 11, 13, 17

1 This is an extension of our previous ambition set in 2019 of $1 billion by 2021, which was achieved ahead of plan.

2 We have committed a minimum of $100 million, £100 million and A$100 million of premium income to the program from the United States, Europe and Australia Pacific respectively. These contributions will be made in addition to those from our select customers who elect to allocate 25% of their premiums to the initiative.

Key for progress symbols:

Achieved | On track | Behind | Refreshed | New

SUSTAINABILITY FRAMEWORK	COMMITMENT	ASSOCIATED INITIATIVE/TARGET	PROGRESS	SDG ALIGNMENT
People and culture	Continue to strengthen and build our workplace culture	Launch our Culture Accelerator in 2021, a forward-looking program of work designed to refine and embed our QBE DNA and support our strategic priorities into the future	New	8, 10
		Launch our new employee listening approach in 2021, focusing on capturing better data more often and driving continuous action to improve employee experience	New	
		Define our future ways of working through the review of our flexible work principles, Flex@QBE	New	
		Enhance our focus on learning and development for our employees with a specific focus on our top 100 leaders	New	4, 8, 10
	Elevate our focus on diversity and inclusion in the workplace	Complete maturity assessment and refresh our Global Diversity & Inclusion Policy and strategy in 2021	New	5, 10
		Achieve 40% of women in leadership by 2025	New	
		Achieve 40% of women on Group Board by 2025	New	
		Maintain fair remuneration on a like-for-like role basis	Refreshed	
Operational excellence	Minimise the impact of our operations on the environment[3]	Use 100% renewable electricity for our operations by 2025	On track	7, 13, 17
		Reduce scope 1 and 2 carbon emissions by 30% by 2025 (1.5°C trajectory aligned science-based target)	Achieved	
		Reduce air travel by 20% by 2021 (from 2017 levels)	Achieved	
		Reduce energy use by 15% by 2021 (from 2018 levels)	Achieved	
		Maintain carbon neutrality	Refreshed	
	Ensure effective engagement and management of our supply chain through the roll-out of our Supplier Sustainability Principles	Incorporate the Supplier Sustainability Principles[4] into 75% of new tier one[5] supplier contracts, engaged under QBE's divisional Procurement Policy	New	1, 5, 8, 10, 16
Governance	Build trust by being open, transparent and accountable in our dealings with stakeholders	Develop Group Conduct Management Framework in 2021 and develop a program of activity to embed across the Group	New	3, 8, 16
		Deliver refreshed Group Code of Ethics and Conduct training on an annual basis for all employees	Refreshed	
		Complete 100%[6] of annual compliance training requirements (including divisional equivalent) for the Group Code of Ethics and Conduct, Whistleblowing, Anti-bribery and Anti-Corruption and other Policies	Refreshed	
	Take measures to prevent involvement in human rights harm, including modern slavery	Publish annual Modern Slavery and Human Trafficking Statement describing our actions to assess and address modern slavery risks during the financial year	On track	3, 8, 10, 16
		Publish a Group Human Rights Policy and continue to integrate human rights considerations across the business	New	
	Continue to be transparent about our tax contributions across our Group	Publish annual Group Tax Transparency Report	On track	16

3 In 2020, we maintained our carbon neutrality and achieved our energy use, air travel and science-based emission reduction targets ahead of time. We will establish new targets over the course of 2021.

4 This includes suppliers with whom we have a direct contract. The Supplier Sustainability Principles are evaluated as part of the supplier selection process.

5 Tier one is defined as material high-value, high-risk suppliers.

6 Completion of compliance training is mandatory for all employees. QBE acknowledges that there may be a valid reason why some employees may not have completed this training. Our target completion rate accounts for these reasons. For example, ad hoc variances to HR/learning system outlining worker absences during training rollout.

Independent limited assurance

to the management of QBE Insurance Group Limited

Deloitte.

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Independent Limited Assurance Report to the Directors and Management of QBE Insurance Group Limited

Conclusion

We have undertaken a limited assurance engagement on QBE Insurance Group Limited's 'Subject Matter Information' disclosed in the 2020 QBE Sustainability Report detailed below for the year ended 31 December 2020.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that, the 'Subject Matter Information' is not prepared in all material respects, in accordance with the 'Reporting Criteria' detailed below for the year ended 31 December 2020.

Subject Matter Information and Reporting Criteria

The 'Subject Matter Information' and 'Reporting Criteria' for our limited assurance engagement for the year ended 31 December 2020 is as follows:

SUSTAINABILITY PERFORMANCE INDICATORS ('SUBJECT MATTER INFORMATION')	REPORTING CRITERIA
Current Premiums4Good investments; Security and investment total (count of securities and US$), page 37	QBE 2020 Sustainability Reporting Framework
QBE Voice survey results – employee engagement and enablement score including response rate (%), page 48	QBE 2020 Sustainability Reporting Framework
Overall workforce; Geographic footprint by division (headcount); Workforce (%) by employment level and gender; Average tenure by gender across levels of workforce; Overall workforce by age and gender (headcount), pages 53 to 54	GRI standard 405-1(b) (2016) QBE 2020 Sustainability Reporting Framework
Overall workforce by average age by division, page 54	QBE 2020 Sustainability Reporting Framework
Attrition by gender, age group and division – Overall leavers (headcount), voluntary attrition (%), involuntary attrition (%), overall attrition (%), page 54	GRI 401-1(b) (2016) QBE 2020 Sustainability Reporting Framework
Workforce diversity indicators by ethnicity, gender identity, sexual orientation, disability and carer responsibility (including care provided to) (%), page 55	GRI standard 405-1(b) (2016) QBE 2020 Sustainability Reporting Framework

SUSTAINABILITY PERFORMANCE INDICATORS ('SUBJECT MATTER INFORMATION')	REPORTING CRITERIA
Diversity breakdown of workforce – part-timers by gender (headcount) and % of total workforce, page 55	QBE 2020 Sustainability Reporting Framework
2020 performance against targets (excluding baseline); Greenhouse gas (GHG) emissions (tCO_2-e) by activity (excluding carbon offsets); Key performance indicators – GHG emissions intensity (tCO_2-e); Other environmental indicators, pages 59 to 61	GRI standard 305-1, 305-2, 305-3, 305-4 (2016) QBE 2020 Sustainability Reporting Framework
10 selected material claims or assertions from the 2020 QBE Sustainability Report ('Selected Assertion Assurance')	GRI's Reporting Principles for defining report content and report quality.

Basis for Conclusion

We conducted our limited assurance engagement in accordance with the Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ("ASAE 3000"), issued by the Australian Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's Responsibilities

Management of QBE is responsible for:

a. Ensuring that the 'Subject Matter Information' is prepared in accordance with the 'Reporting Criteria';

b. Confirming the measurement or evaluation of the underlying subject matter against the 'Reporting Criteria', including that all relevant matters are reflected in the 'Subject Matter Information';

c. Designing, establishing and maintaining an effective system of internal control over its operations and financial reporting, including, without limitation, systems designed to assure achievement of its control objectives and its compliance with applicable laws and regulations; and

d. The electronic presentation of the 'Subject Matter Information' and our limited assurance report on their website.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and applied Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* in undertaking this assurance engagement.

Assurance Practitioner's Responsibilities

Our responsibility is to express a limited assurance conclusion on the QBE Insurance Group Limited's 'Subject Matter Information' as evaluated against the 'Reporting Criteria' based on the procedures we have performed and the evidence we have obtained. ASAE 3000 requires that we plan and perform our procedures to obtain limited assurance about whether, anything has come to our attention that causes us to believe that the 'Subject Matter Information' is not properly prepared, in all material respects, in accordance with the 'Reporting Criteria'.

A limited assurance engagement in accordance with ASAE 3000 involves identifying areas where a material misstatement of the 'Subject Matter Information' is likely to arise, addressing the areas identified and considering the process used to prepare the 'Subject Matter Information'. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion about whether the 'Subject Matter Information' has been properly prepared, in all material respects, in accordance with the 'Reporting Criteria'.

Our procedures included:

- Inquiries with Subject Matter data owners and sustainability report responsible management to understand and assess the approach for collating, calculating and reporting the respective 'Subject Matter Information' across the reporting period ended 31 December 2020
- Inspection of documents as part of the walk throughs of key systems and processes for collating, calculating and reporting the respective 'Subject Matter Information' for the 2020 QBE Sustainability Report.
- Selection on a sample basis items to test from the selected sustainability performance indicators and agree to relevant supporting documentation.
- Analytical reviews over material data streams to identify any material anomalies for the 'Subject Matter Information' and investigate further where required
- Agreeing overall data sets for the 'Subject Matter Information' to the final data contained in the 2020 QBE Sustainability Report.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of internal control there is an unavoidable risk that it is possible that fraud, error, or non-compliance with laws and regulations, where there has been concealment through collusion, forgery and other illegal acts may occur and not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements.

Restricted use

The applicable criteria used for this engagement was designed for a specific purpose of assisting the directors and management report on the 'Subject Matter Information' presented in the 2020 QBE Sustainability Report, as a result, the 'Subject Matter Information' may not be suitable for another purpose.

This report has been prepared for use by the directors and management for the purpose of reporting on the 'Subject Matter Information' presented in the 2020 QBE Sustainability Report.

We disclaim any assumption of responsibility for any reliance on this report to any person other than the directors and management or for any purpose other than that for which it was prepared.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Paul Dobson
Partner

Sydney, 19 February 2021

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