



17 February, 2023

The Manager
Market 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 2022

QBE Insurance Group Limited announces to the market the financial results for the year ended 31 December 2022.

The following documents are attached:

1. Appendix 4E – Preliminary Final Report;
2. QBE's 2022 Annual Report including financial statements for the year ended 31 December 2022;
3. Appendix 4G for the year ended 31 December 2022; and
4. QBE's 2022 Sustainability Report. This report should be read in conjunction with QBE's Sustainability Data Book, which can be found at:
<https://www.qbe.com/sustainability/performance-reporting>

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

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Carolyn Scobie", with a small dot at the end.

Carolyn Scobie
Company Secretary

Encl.



QBE Insurance Group Limited

Appendix 4E - Preliminary final report for the year ended 31 December 2022

Results for announcement to the market

	UP / DOWN	% CHANGE	2022 US\$M	2021 US\$M
Revenue from ordinary activities	Up	15%	23,788	20,762
Profit from ordinary activities after income tax attributable to ordinary equity holders of the Company	Up	3%	770	750
Profit for the period attributable to ordinary equity holders of the Company	Up	3%	770	750

Net profit after tax was \$770 million for the year ended 31 December 2022, compared with \$750 million for the prior year. Risk-free rates increased across all currencies throughout the year as central banks undertook aggressive actions to combat inflation. This resulted in a \$1,214 million benefit to the underwriting result, which was more than offset by a \$1,343 million adverse mark-to-market impact to the fixed income portfolio.

The Group reported a statutory underwriting profit of \$2,042 million compared with \$1,138 million in the prior year, equating to a combined operating ratio of 85.7% compared with 91.5%. Excluding the impacts of changes in risk-free rates, the combined operating ratio was 94.2% compared with 93.7% in the prior year, reflecting the impacts of the E&S transaction and the Australian pricing promise review.

The net claims ratio was 58.1% compared with 62.4% in the prior year (or 66.6% compared with 64.6% excluding the impact of changes in risk-free rates). The beneficial impact of the E&S transaction and the release of the remaining \$160 million of COVID-19 risk margin was more than offset by an increase in ex-cat and catastrophe claims and prior accident year claims development. The combined commission and expense ratio decreased to 27.6% from 29.1% in the prior year mainly reflecting income from increased reinsurance quota share for the Crop business, disciplined cost management, favourable business mix and ongoing operating leverage driven by strong premium growth.

Total investment loss was \$776 million compared with investment income of \$122 million in the prior year. Excluding the impact of changes in risk-free rates, total investment income was \$567 million compared with \$382 million in the prior year. Wider credit spreads and unrealised losses on developed and emerging market equity and enhanced fixed income investments were more than offset by favourable returns from unlisted property and infrastructure assets.

The Group's effective tax rate was 15.3% compared with 17.1% in the prior year reflecting the mix of corporate tax rates in the jurisdictions in which the Group operates and the recognition of previously unrecognised tax losses in the North American tax group.

DIVIDENDS	AMOUNT PER SECURITY (AUSTRALIAN CENTS)	FRANKED AMOUNT PER SECURITY (AUSTRALIAN CENTS)
Interim dividend	9	0.9
Final dividend	30	3.0

The final dividend will be 10% franked. The Dividend Reinvestment Plan and Bonus Share Plan will be satisfied by the issue of shares with no discount applicable. The unfranked part of the dividend is declared to be conduit foreign income.

The share issue price for the Dividend Reinvestment Plan and the Bonus Share Plan will be based on a volume weighted average price of the shares in the 10 trading days between 13 March and 24 March 2023 (both dates inclusive).

The record date for determining shareholder entitlements to the dividend is 7 March 2023. The last date for receipt of election notices applicable to the Dividend Reinvestment Plan and Bonus Share Plan will be 8 March 2023.

The final dividend will be paid on 14 April 2023.

Additional disclosures

On 17 February 2023, the Group entered into a transaction to reinsure certain prior accident year claims liabilities in North America and International subject to regulatory approval.

Additional Appendix 4E disclosure requirements can be found in the QBE Insurance Group Limited Annual Report for the year ended 31 December 2022 (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 163 to 170 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%), Chrysalis Management Ltd (20%) and Catalyst Technologies Pty Limited (9%). The Group's aggregate share of profit or loss in these entities is not material.



Enabling a more resilient future



2022 Annual Report

QBE INSURANCE GROUP LIMITED

Important information

Basis of presentation (unless otherwise stated)

All amounts in this report are US dollars.

Premium growth rates are quoted on a constant currency basis.

Premium rate changes exclude North America Crop and/or Australian compulsory third party motor (CTP).

Adjusted net cash profit after tax adjusts statutory net profit for Additional Tier 1 capital coupon accruals, as well as any gain on disposal, amortisation or restructuring costs.

APRA PCA calculations at 31 December 2022 are indicative. Prior period calculation has been updated to be consistent with APRA returns finalised subsequent to year end.

Basis of presentation (Section 1)

Results presented on statutory basis.

Combined operating ratio, net claims ratio and underwriting result exclude the impact of changes in risk-free rates used to discount net outstanding claims.

Basis of presentation (Section 2)

Combined operating ratio and net claims ratio exclude the impact of changes in risk-free rates used to discount net outstanding claims.

2022 figures exclude the transaction to reinsure North America Excess & Surplus (E&S) lines liabilities, and the charge in relation to the Australian pricing promise review.

2021 figures exclude the impact of COVID-19 and the transaction to reinsure Australian CTP liabilities.

Prior accident year claims development excludes North America Crop development that is matched by premium cessions under the MPCI scheme, and any other divisional development that is matched by an underwriting adjustment in the current period.

Fixed income excludes enhanced fixed income risk assets which comprise emerging market debt, high yield debt and private credit.

2021 pro forma adjusts for GBP327 million pre-funded May 2022 debt repayment.

2020 figures exclude the impact of COVID-19.

2019 is presented on a continuing operations basis and adjusted basis as presented in prior year reports.

North America and International results (2019 and earlier) have been restated for the transfer of North America's inward reinsurance business to QBE Re, part of International.

Analysis of the Group by division excludes Corporate & Other segment.

Table of contents

SECTION 1

Performance overview

Chair's message	2
2022 snapshot	4

SECTION 2

Operating and financial review

Group Chief Executive Officer's report	6
Our strategic priorities	8
Group Chief Underwriting Officer's report	10
Sustainability review	12
Group Chief Financial Officer's report	16
North America business review	26
International business review	28
Australia Pacific business review	30

SECTION 3

Governance

Managing risk – our business	32
Climate change – our approach to risks and opportunities	34
Board of Directors	44
Group Executive Committee	46
Corporate governance statement	48

SECTION 4

Directors' Report

Directors' Report	58
Remuneration Report	62
Auditor's independence declaration	86

SECTION 5

Financial Report

Financial Report contents	87
Financial statements	88
Notes to the financial statements	92
Directors' declaration	162
Independent auditor's report	163

SECTION 6

Other information

Shareholder information	171
Financial calendar	174
10-year history	175
Glossary	176



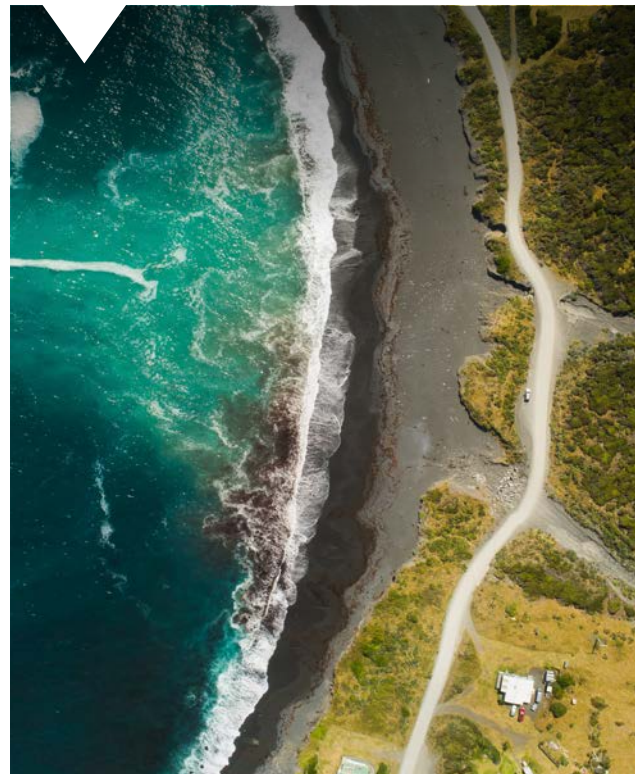
Our strategic priorities

Our purpose, vision and strategic priorities create a foundation to further strengthen and grow our business and to enable a more resilient future.

◀ [Page 8](#)

Our areas of sustainability focus

Our Sustainability Framework helps us drive performance, manage risks and identify opportunities across the areas of sustainability that are most important to our business, customers and stakeholders. ▼ [Page 14](#)



Group Chief Underwriting Officer's report

We are striving for greater consistency across everything we do.

▼ [Page 10](#)




Group Chief Financial Officer's report

We are focused on delivering improved and more consistent financial performance.

[Page 16](#)



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.

Chair's message

Commitment to consistent profitability and growth

The past year has seen unique challenges and uncertainties for people and businesses across the globe. We are acutely aware that these challenges are global, vast and complex, and we remain conscious of their ongoing impact.

Providing support in a challenging year

As a global insurer, we understand how devastating natural disasters are for our customers and the communities in which we operate

Our purpose of enabling a more resilient future remains acutely relevant and meaningful

2022 in review

Around the world, our changing climate has brought significant challenges for people and their way of life. As an insurer, we witness first-hand the impact of these events, working alongside our customers to help restore their lives following devastating catastrophes.

Flooding in the eastern states of Australia through early 2022 was one of the largest Australian catastrophes on record, while Hurricane Ian in North America was the second largest on record. Reflecting on the devastation faced by many communities, our purpose of enabling a more resilient future remains acutely relevant and meaningful.

We are living in extraordinary times. After the global pandemic, we are faced with heightened geopolitical tensions, global inflationary pressures, significant market volatility and supply chain challenges.

The situation in Ukraine remains deeply saddening and we hope for a speedy resolution to the crisis facing the Ukrainian people.

Against this backdrop, QBE has maintained its focus and its commitment to delivering improved profitability and growth. We are pleased with our statutory net profit after tax of \$770 million and the growth across our divisions. Our capital position and balance sheet remain prudently positioned. Reflecting our confidence in the outlook, the Board has declared a final dividend of 30 Australian cents per share, compared to the final dividend of 19 Australian cents per share in 2021.

Operating sustainably

QBE remains dedicated to sustainably meeting our commitments, today and for the future. We continue to evolve to meet the rapidly changing needs of our people, environment, customers and community. As Andrew Horton outlines in his Group Chief Executive Officer's report, QBE has refreshed its sustainability strategy and this provides clear direction for our ongoing sustainability commitments. We have made pleasing progress against our 2022 Sustainability Scorecard which can be found in the 2022 Sustainability data book on our [website](#).

In January 2022, QBE was proud to become the first Australian listed insurer to join the United Nations (UN)-convened Net-Zero Insurance Alliance (NZIA), a group of leading insurers and reinsurers that have pledged to contribute to limiting warming to 1.5 degrees by the end of 2100, through a NZ2050 underwriting portfolio.

QBE is committed to transitioning our insurance and reinsurance underwriting portfolios to net-zero greenhouse gas emissions (GHG) by 2050. This commitment complements our 2020 commitment to become the first Australian-based insurer to join the UN-convened Net-Zero Asset Owner Alliance (NZAOA), committing to transition our investment portfolio to net-zero GHG by 2050. We also set a new target to achieve net-zero emissions for our global operations by 2030 and remain focused to reduce our overall energy use and source 100% renewable electricity for our operations by 2025.

In the past year, we have made pleasing progress through our involvement with the NZIA working groups. QBE has participated in the collaborative working group between the Partnership for Carbon Accounting Financials (PCAF) and NZIA members to develop the first global GHG accounting and reporting standard to measure and disclose insurance-associated emissions for specific commercial classes and private motor. The first NZIA Target-Setting Protocol (Protocol) was published in January 2023 and QBE will publish one or more interim targets in accordance with the Protocol.

We remain proud of our impact investment initiative, Premiums4Good, which achieved another year of growth. There are now 108 securities invested to help make a positive environmental and social impact and now totals \$1.6 billion. We maintain our ambition to reach \$2 billion in impact investments by 2025.

Throughout 2022, we continued to use our 2021 Human Rights Policy to guide our approach and commitment to human rights. Our consideration of human rights in our employment, procurement, investment, and underwriting practices is part of how we enable a resilient future.

In January 2022, we launched our new Inclusion of Diversity Policy. One of the ways we are taking action is to drive diverse leadership representation, and across the Group we have a target of 40% women in leadership by 2025.

Over the last year, we have seen an increase from 35.9% to 38.6%, supported by our ongoing focus on inclusion at every stage of the employee life cycle. Across QBE, we are cognisant of gender diversity, as well as all the ways we differ, including diversity of thought, skills and experience.

The appointment of Yasmin Allen to our Board in July 2022 supports our commitment to diversity, with our Board now comprising 44% women, already meeting our target of 40% by 2025. Non-Executive Directors John Green and Stephen Fitzgerald made the decision to retire from the QBE Board in May and we are grateful for their many years of service and commitment to QBE.

Supporting our customers and communities

Around the world, we continue to experience increased catastrophe events. The impact of these events is often overwhelming for families, businesses and communities.

Our teams have continued to respond to these extreme weather events: expanding and scaling up to be there for our customers, paying claims efficiently and working with partners and suppliers to get people and businesses back on their feet as quickly as possible. As an insurer, this is fundamentally why we exist – to deliver for our customers when they need us most.

In October 2022, we were proud to announce a new three-year global Disaster Relief and Resilience Partnership between QBE, Red Cross and Save the Children. We increased our funding to A\$1.5 million for each partner over three years. We have a key emphasis on supporting strategic initiatives focused on climate adaptation and mitigation to support communities to be better prepared and build resilience. Since this unique partnership began in 2019, we have helped over 490,000 people in 19 countries respond to and recover from catastrophic events and supported our partners to deliver their programs and relief efforts through the deployment of US\$2.7 million. We look forward to our continued partnership efforts to help make a difference for people and communities in need.

Looking ahead

Over the past few years QBE has refined its purpose and operations, building a platform for future success. In establishing this platform, it is important to recognise the vital role that all our people play and to that end I extend my sincere thanks to the people of QBE who live our purpose of enabling a more resilient future and deliver each day for our customers.

Andrew and the Group Executive Committee have set a clear strategy for the organisation, underpinned by a purpose and vision that resonates well with our people. I also thank them for the focus and leadership they have displayed during the year.

Equally, I thank my Board colleagues for their expertise and perspectives which have guided our collective and considered decision making this year.

Finally, thank you to our shareholders for your continued support.

Mike Wilkins AO
Independent Chair

2022 snapshot¹

Shareholder highlights

Dividend per share (A¢)

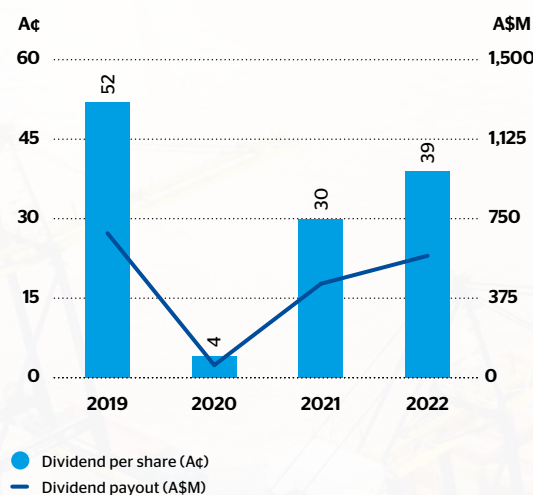
39

2021 **30**

Dividend payout (A\$M)

578

⬆ 30% from 2021



Return on average shareholders' equity - adjusted cash basis

10.5%

2021 **10.3%**

Basic earnings per share - adjusted cash basis (US¢)

57.2

2021 **54.6**

Sustainability highlights

Foster an orderly and inclusive transition to a net-zero economy

2025

Progressing our targets:
5% Investing in the transition² **4.8%**
25% energy reduction **now 20%**
RE100³ target **maintained**

2030

Committed to net-zero emissions across our global operations and one or more interim targets for underwriting

2050

Committed to net-zero emissions across our underwriting and investment activities⁴

Enable a sustainable and resilient workforce

Achieved our 2025 goal of

40%

women on Group Board (44%)

Advanced our 2025 goal of

40%

women in Leadership (38.6%)

Included in the Bloomberg Gender-Equality Index for the 6th year



Recognition of our Culture Transformation by AHRI



¹ Financial information above is extracted or derived from the Group's audited financial statements on pages 87 to 170 of this Annual Report. The Group Chief Financial Officer's report also provides further analysis of the results.

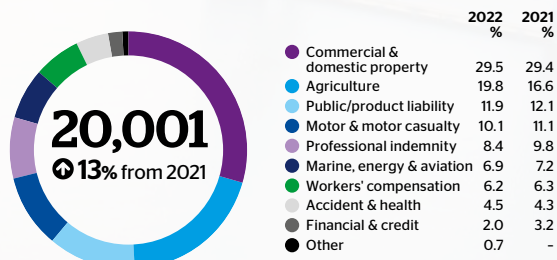
² For more information, please see Climate change – our approach to risks and opportunities.

³ RE100 is a global corporate leadership initiative bringing together influential businesses committed to 100% renewable electricity by 2050.

⁴ Commitments as per UN-Convened Net-Zero Asset Owners Alliance for our investment portfolio, and Net-Zero Insurance Alliance for our underwriting portfolio.

Financial highlights

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



Net earned premium (US\$M)

14,327

↑ 13% from 2021

Net earned premium by type

90% direct and facultative insurance

10% inward reinsurance

Combined operating ratio

94.2%

2021 **93.7%**

Underwriting result (US\$M)

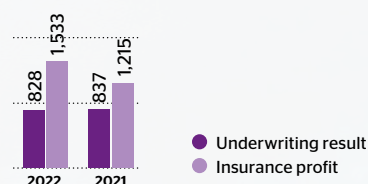
828

2021 **837**

Insurance profit (US\$M)

1,533

2021 **1,215**



Net profit after tax (US\$M)

770

2021 **750**

Ex-cat claims ratio Group

60.1%

2021 **59.4%**

North America

77.4%

International

51.6%

Australia Pacific

56.4%

Catastrophe claims (US\$M)

1,060

↑ 15% from 2021

Catastrophe claims ratio

7.4%

2021 **6.9%**

Operational highlights

Gross written premium growth

↑ 13%

2021 **22%**

Average renewal premium rate increase Group

7.9%

2021 **9.7%**

North America

9.2%

International

6.5%

Australia Pacific

9.5%

Premium retention

84%

2021 **84%**



Building resilience and strengthening returns

Our new purpose of enabling a more resilient future has been a great foundation for QBE in another particularly dynamic year for the insurance industry. Our vision to become the most consistent and innovative risk partner provides clear guardrails as we seek to build deep and lasting relationships with our customers.

Strong momentum against strategic priorities

Our new purpose, vision and strategic priorities launched at the start of 2022 have been embraced by our people

Bringing the enterprise together sits at the core of our strategy

As I reflect on my first year at QBE, I am incredibly impressed and proud of our people and how they show up for our customers and the communities we serve.

Our new purpose, vision and strategic priorities launched at the start of 2022 have been embraced by our people, helping to bring us together and become a more consistent organisation. As part of this strategy, we remain focused on our commitment to culture and living our QBE DNA, which is the heartbeat of our organisation and supports everything we do.

Earlier this year, QBE released a new sustainability strategy following extensive consultation and a thorough review of the external landscape. Our refined strategy has clear sustainability objectives that are embodied within our strategic priorities. These are to foster an orderly and inclusive transition to a net-zero economy, enable a sustainable and resilient workforce, and partner for growth through innovative, sustainable and impactful solutions.

The foundational work in 2022 will allow us to move faster over the coming 12 months. I see great opportunity to leverage the expertise across our markets and unlock the value of our global organisation. I look forward to updating you on our progress and achievements over the coming year.

Business performance

The operating backdrop has been marked by a number of challenges for the industry, including geopolitical tensions, elevated catastrophe experience and a surge in inflation.

Despite these headwinds, the business is demonstrating improved resilience, achieving a combined operating ratio of 93.7% compared to 95.0% in the prior period. Our return on equity of 10.5% has been impacted by adverse investment mark-to-market impacts, though this should improve meaningfully into 2023 on account of higher interest rates.

The rating environment remained supportive, and I am pleased with the growth we have achieved, which importantly has been calibrated to refreshed medium-term portfolio mix and growth targets. We expect recent momentum will continue into 2023.

Achieving an appropriate risk-adjusted return on capital in North America remains a key priority, and the turnaround in profitability this year is encouraging. We are making good progress on our strategy to further optimise and grow the portfolio, to achieve better balance and reduced volatility.

North America achieved a combined operating ratio of 98.9%, compared to 102.9% in the prior period. I am pleased with the return to profitability for the division in what was a tough year in many aspects, though we have further work to do to ensure the division trends towards our Group combined operating ratio target range.

We now have quite a narrow product focus in the division, great people and strong distribution relationships. I am confident in our strategy for the division, and see a clear pathway towards improved and more consistent returns.

Strategic priorities

Our new direction will define our priorities for the medium to long term and further integrate our sustainability strategy. It is my commitment to provide transparency on our progress and focus on each of our six strategic priorities, as we look to deliver on our vision of being the most consistent and innovative risk partner. In all this work we are fundamentally guided by our purpose of enabling a more resilient future.

We have made good progress against our strategic priorities this year. Work commenced on our portfolio optimisation targets and these have been incorporated into 2023 business planning. Going forward, QBE will adopt a five-year portfolio planning model and identify the capabilities required to successfully grow in selected classes.

To ensure sustainable growth, we completed a comprehensive reassessment of our geographical footprint and lines of business that will support QBE's medium to long-term growth aspirations. We will take a longer-term view, and these growth opportunities have been reflected in business planning across the Group.

Work continues on initiatives for cross-divisional opportunities and establishing stronger links between our growth initiatives, to be more aligned with our broader strategic priorities.

Bringing the enterprise together sits at the core of our strategy, and the key objective is to unlock the value of QBE through initiatives that help us better organise and leverage capabilities across our markets. The focus for 2023 is to build on our enterprise focus, improve and simplify how we operate to ensure that we can achieve greater consistency and innovation across our global organisation.

To support our ambition, we need to thoughtfully modernise our business, with many initiatives already underway. We made good progress with our digitisation efforts across divisions and functions. There is ongoing focus on core platforms and further IT estate simplification, all centred around making QBE an easier partner to deal with, and work for, ensuring we fully leverage our data and global scale.

Against our people priority, we have made good progress in key areas of reward and performance, leadership and capability; and workforce planning. We launched our 2022 Annual Performance Incentive plan to enable a clear link between culture and performance, which is driving improved outcomes. We established enterprise leadership capabilities through three new leader forums to evolve the way our leaders learn, connect and help embed our enterprise strategy. We have focused on workforce planning to better understand capabilities, and plan and ensure QBE has the right people in the right roles to deliver on its priorities.

I am pleased with the progress made in 2022 against our stated culture priorities. We have clear objectives through our Culture Blueprint initiatives, including an enterprise recognition program and programs aimed at improving meeting effectiveness. The Blueprint initiatives will continue to be informed by data, employees, and key stakeholders across QBE. We established a new Culture Governance approach to drive priority enterprise initiatives and both the Group Executive Committee and Board remain engaged with our culture work through regular updates on progress.

Outlook

We remain focused on delivering our strategic priorities and consistently supporting our customers, partners and communities. I am proud of what we have achieved together in 2022 and I am optimistic about the year ahead.

We expect the risks associated with inflation, ongoing economic uncertainty and climate change should serve to maintain pricing discipline across the insurance industry. Across property classes in particular, these themes will be compounded by the withdrawal of property reinsurance capacity, which should result in higher reinsurance costs for the industry. We expect gross written premium growth to be in the mid-to-high single digits in 2023, and our Plan combined operating ratio on a AASB 1023 basis is ~93.5%.

It has been a pleasure to work with my colleagues on the Group Executive Committee and the stability in our leadership team has reflected positively across the organisation. I thank our people for their dedication and support of our customers. I have been humbled this year as I met so many people across our divisions and witnessed their genuine care and pride in our company. I look forward to continuing to work with them to help enable a more resilient future and demonstrate the positive role insurance plays for economies and people. Finally, I wish to thank our shareholders for their support over the year.

Andrew Horton
Group Chief Executive Officer

Our strategic priorities

building momentum

Our purpose is to enable a more resilient future. As an organisation, we have been helping our customers grow, innovate, explore, prepare and recover from setbacks since 1886. Our strategy should ensure we build on this legacy.



Portfolio optimisation

Strive for both improved and more consistent risk-adjusted returns by actively managing portfolio mix and volatility



Sustainable growth

Achieve consistent growth through innovative risk solutions, leveraging improved digital capability and existing skill set across the enterprise



Bring the enterprise together

Simplify what we do and achieve greater consistency across the enterprise. Explore new ways to better leverage our global footprint and scale



Modernise our business

Strategically innovate and invest in differentiating capabilities that make things easier for our customers, partners and people



Our people

Empower a sustainable and diverse pipeline of leaders, while becoming an employer of choice in our markets



Our culture

Be a purpose-led organisation. Strengthen the alignment, trust and collaboration across the enterprise. Make sure our purpose is visible every day, in all our interactions

What we have achieved in 2022

- 2023 business planning more deliberately calibrated to multi-year enterprise portfolio mix and growth targets
- Refined property catastrophe appetite to reduce volatility and ensure more targeted deployment of in-demand capacity



- Further refine the Group's volatility framework, with a focus to more deeply integrate the framework into our cell review and planning process
- Conduct strategic review of QBE's market position and capability across select casualty classes to refine growth and mix targets

- Positive operating leverage to support expanded investment in people and capability surrounding growth focus areas
- With NZIA insured emissions measurement methodology now finalised, work is progressing to set targets in accordance with the NZIA Target-Setting Protocol



- Market conditions expected to remain supportive in 2023, with further opportunity for selective growth across our focus areas
- To support a successful transition, focus will continue on more deeply embedding environment and social factors into our planning and underwriting

- More structured collaboration across certain global lines of business driving more consistency, and improved distribution and capital allocation outcomes
- Simplification of internal delegated authorities to empower leaders and lift pace of decisions and workflow



- Accelerate and better define next wave of enterprise opportunities unlocked through better sharing of knowledge and relationships
- Build out capabilities to create a globally consistent underwriting platform that can leverage market opportunities and support the resilience of our clients in an increasingly complex risk environment

- Establishment of multi-year Australia Pacific modernisation program to support leading commercial market shares through an uplift in digital capability
- Continued to execute on the simplification of our IT estate with a significant shift of infrastructure and applications to the cloud



- Build and improve operational capability, effectiveness and resilience in a sustainable way as we grow
- Leverage the foundational investment over recent years to further digitise underwriting workflows across the business, and better embed the use of data in decision making

- New remuneration model launched for 2022 more directly linked to culture (how) and performance (what) driving organisational uplift across both areas
- QBE Voice people survey highlights improvement in employee wellbeing, sense of belonging and engagement



- Develop globally consistent approach in performance management, career and development, underpinned by investment in leadership capability
- Increase the diversity of our workforce in line with targets (such as HESTA's 40:40 Vision) including increasing representation of women in all leadership roles

- Established Culture Insights Panel to inform ongoing culture assessment and identification of new opportunities
- Developed bold new Inclusion of Diversity targets for launch in 2023



- Develop internal and external campaigns to help further embed, and bring our new purpose to life
- Embed our new Safety to Speak up framework into our DNA, encouraging more inclusive and respectful behaviours

Navigating uncertainty



In a period characterised by significant economic, geopolitical and climate-related challenges, QBE's underwriting performance demonstrated strong discipline and much improved resilience. Material effort to improve underwriting quality, consistency and capability is now translating into better financial outcomes and deeper relationships with our customers and partners.

Sam Harrison Group Chief Underwriting Officer

Average renewal
premium rate
increase (%)

7.9

↓ 1.8% from 2021

Underwriting result
(US\$M)

933

↑ 238 from 2021

Group COR (%)

93.7

2021 95.0

QBE has demonstrated adaptability, discipline and resilience in a dynamic and challenging year. The insurance industry navigated new geopolitical and inflation challenges, alongside a continuation of COVID-19 litigation and extreme weather. Despite challenges, we maintained our focus and pleasing progress was made around performance, portfolio optimisation, and our desire to be a successful sustainable insurer. We continue to modernise and improve data capability, which has supported improved financial performance and enhanced relationships with our customers and partners.

QBE achieved a combined operating ratio of 93.7% compared to 95.0% in the prior year, which supported a double digit ROE of 10.5%, QBE's strongest in over a decade following 10.3% achieved in the prior period. Looking ahead, we remain confident in our primary ambition for QBE to achieve a consistent combined operating ratio in the low-to-mid 90s.

Rate adequacy continued to improve in 2022, where markets remained disciplined in most lines of business. While inflation was a significant challenge for the business, I am pleased with our preparedness, collaboration and response. We expect higher inflation will remain persistent in the year ahead, which, combined with the impact of higher reinsurance costs and an uncertain economic outlook, suggests a pressing need for further rate increases and discipline across the industry.

Our reinvigorated focus on portfolio optimisation and volatility has driven meaningful cultural change over the year, resulting in continued refinement of our cell review and planning process. We enter 2023 with more deliberate and defined enterprise level portfolio growth and mix targets, with our first formal interim target for our underwriting portfolio to be published in line with the Protocol. Environmental and social considerations continue to play a larger role in our planning and underwriting process, where we see a great opportunity surrounding QBE's role in supporting an orderly and inclusive transition towards net zero.

2022 focus areas

Inflation: our experience and approach

Inflation has proven a major challenge for the industry in 2022, and question-marks around its persistency remain a key uncertainty in the year ahead

While inflation was a significant challenge for the business, we were well prepared with the early establishment of a co-ordinated global inflation working group, which helped to both detect and respond to inflation. Over the past two years, we have progressively embedded higher inflation assumptions across a number of classes of business to reflect a mix of experience, and uncertainty regarding the emergence of inflation.

Looking ahead

While there are increasing signals suggesting inflation may have peaked, the persistency of inflation remains a key risk. We remain focused on maintaining dynamic feedback loops between claims, pricing and underwriting teams, and ensuring exposure and rating remains commensurate with inflation.

Portfolio optimisation: more deliberate planning

The portfolio optimisation strategy has been pivotal in leveraging the foundational enhancement undertaken over recent years into a more deliberate and focused enterprise planning process

Our global underwriting teams are collaborating more effectively than ever before. This has supported the evolution and success of our portfolio optimisation strategy, where our planning process is now calibrated to more defined and deliberate portfolio mix targets, determined as an enterprise. This cohesion has been particularly important in navigating a more challenging reinsurance marketplace, in which we recalibrated our global property catastrophe strategy and appetite.

Looking ahead

Growth opportunities in 2023 remain attractive, and we expect to achieve further measured growth across our focus areas. Our approach to volatility has matured over the year, and we continue to improve our tools and data to better integrate volatility analysis into our cell review and planning process.

Sustainability: underwriting a successful transition

Our desire is for QBE to be a successful sustainable insurer, and we have made pleasing progress around integrating environmental and social considerations into our underwriting culture

We are proud to have played an active role in the NZIA, as the industry works towards a consistent approach to measuring insured emissions. With this methodology now finalised, QBE's focus for the year ahead will centre around underwriting emission measurement and target setting. This will be a significant and challenging body of work, though we see great opportunities ahead as we begin working more closely with our customers to ensure a successful transition.

Looking ahead

To support our transition plan, we remain focused on the ongoing development of the tools needed to improve our underwriting emission measurement depth and quality. We are optimistic and continue to explore transition opportunities that will arise, both relating to nascent industries and technology, and product innovation.

Future fit: an innovative underwriting culture

We want to foster an innovative and modern underwriting culture, and continually explore ways to modernise, expand our data capability and assess new product lines and opportunities

In 2022, we successfully launched our new global property pricing tool, which established an enterprise-consistent approach to risk selection, pricing and terms. We continue to explore opportunities in cyber insurance and have collaborated to take our existing capability and establish a new global product. We remain focused on product innovation, particularly where we can encourage and reward sustainable behaviours, and were proud to launch our new green Lenders' Mortgage Insurance (LMI) product in Australia.

Looking ahead

QBE has an underwriting platform that continues to attract top talent, and is known in our key markets for being innovative and dynamic. The benefit of material positive operating leverage in recent periods has allowed for the opportunity to invest in further data analytics capability and tools to ensure we can maintain and build on our leading reputation.

1
Performance
overview

2
Operating and
financial review

3
Governance

4
Directors'
Report

5
Financial
Report

6
Other
information



Sustainability review

QBE continues to focus on embedding sustainability into our business activities and culture. Our sustainability strategy focuses on the environmental and social challenges most relevant to our business, and delivering on our purpose of enabling a more resilient future.

Climate risks and opportunities and the associated economic, social and environmental implications, remain a priority for our stakeholders. Addressing the impacts of severe weather and supporting the transition to a net-zero economy will require considerable capital investment, innovation, and change. Additionally, we know that climate change can exacerbate socio-economic inequalities and that it will take focus for the transition to a net-zero economy to be inclusive.

QBE supports an orderly and inclusive transition to a net-zero economy. We have committed to supporting the objectives of the Paris Agreement by working towards being a net-zero emissions organisation across our operations by 2030 and through our investment and underwriting activities by 2050 with consideration of the latest science. We recognise the important role we can play as an insurer. Our success is reliant on many factors and is intrinsically linked to the progress we all can make collectively, particularly in developed countries with net-zero commitments.

Ensuring that sustainability is a fundamental part of our organisational culture, and partnering to develop innovative solutions to address climate and other sustainability challenges, form the other two focus areas of our sustainability strategy.

The story so far...

2016

- Developed Sustainability Framework
- Launched Premiums4Good
- Developed Group Diversity & Inclusion Policy
- First participated in annual PSI public disclosures

2017

- Premiums4Good grew to \$455 million in first year
- Signed up to the Women's Empowerment Principles (WEPs)

2018

- Adopted the Task Force on Climate-related Financial Disclosures (TCFD)
- Achieved carbon neutrality¹ for our business operations and have maintained this since
- Released our Supplier Sustainability Principles

2019

- Launched the Global Disaster Relief and Resilience partnerships with Save the Children and Red Cross
- Joined RE100, committing to 100% renewable electricity across global operations by end of 2025
- Released our Group Environment Policy
- Developed our Sustainability Scorecard to drive sustainability commitments
- Joined Business for Social Impact (B4SI) and implemented social impact measurement framework

2020

- Net zero 2050 investment commitment in line with UN-convened NZAOA
- Membership of the UN Global Compact (UNGC)

2021

- Committed to net-zero emissions across global operations by 2030
- Developed our Environmental and Social Risk Framework
- Released our Group Human Rights Policy
- Celebrated 10 years of the QBE Foundation with new strategy launch

2022

- Net zero 2050 underwriting commitment in line with UN-convened NZIA
- Extended our Global Disaster Recovery and Relief Partnerships with Red Cross and Save the Children for a further three years
- Incorporated sustainability-aligned metrics based on culture, women in leadership and risk in executive variable remuneration scorecard

¹ On defined emissions inventory related to our operations, see [Data Book](#).

2022 highlights

37 initiatives and targets completed or on track in 2022.
See our [data book](#) for progress on our 2022 scorecard.



Sustainable insurance

Laying the foundation to publish one or more interim targets in accordance with the

NZIA Target-Setting Protocol



Impact and responsible investments

\$1.6B

Market value of Premiums4Good investments

⬆️ \$200 million from 2021

108 securities

Number of Premiums4Good investments

⬆️ 25 securities in 2021



Operational excellence

RE100

Sourced 100% renewable electricity for our operations globally¹

20%
reduction

Energy usage reduction against baseline year of 2019



Customer and community

408,698

People supported through QBE Foundation

⬆️ 135,962 people in 2021



People and culture

Recognition of our Culture Transformation by AHRI

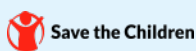


Governance

99.4%

Percentage of employees who completed mandatory training

⬆️ 97.4% in 2021



Relaunched our Global Disaster Relief and Resilience Partnership for another three years



Awarded Platinum Employer status in the Australian Workplace Equality Index



Winner of ANZIIF ESG Change Award

¹ Based on RE100 Materiality Threshold guidance which excludes countries with small electricity loads (<100MWh/year and up to a total of 5000MWh/year) and where it is not feasible to source renewable electricity.

Our areas of sustainability focus

QBE's purpose is enabling a more resilient future. We've been enabling resilience for 136 years through products and services that transfer risk and allow customers to recover after loss.

Focus area 1

Foster an orderly and inclusive transition to a net-zero economy

We support an orderly and inclusive transition to a net-zero emissions economy. We recognise the importance of addressing climate change and incorporating climate-related risks and opportunities into our decision making, facilitating a resilient future for our business, customers and people. QBE has made net-zero commitments in relation to our own operations, investments, and underwriting. In line with our NZAOA net zero 2050 investment portfolio commitments, we are progressing on our interim targets for 2025.

Since joining the NZIA in 2022, we are laying the foundations to set interim targets for our underwriting portfolio. QBE has contributed to the development of insurance-associated

emissions through the Partnership for Carbon Accounting Financials (PCAF) and NZIA. In January 2023, the NZIA issued the first Target-Setting Protocol for the global insurance sector. The Protocol will guide the form of QBE's interim targets for 2030.

Our supply chain can also be a significant source of emissions and we have committed to commencing formal engagement on net-zero progress with large suppliers in our global supply chain, with the goal of setting targets for those large suppliers by 2025. We have initiated contact with a sub-set of suppliers, with engagement scheduled to commence in early 2023.

Focus area 2

Enable a sustainable and resilient workforce

The culture and capability of our people are drivers of value for QBE. A sustainable and resilient workforce is underpinned by how we engage and connect our people to our purpose and vision. Investing in our people's career development, and supporting flexibility and wellbeing can allow us to continue to attract and retain the best talent.

Our people strategy is focused on driving culture through performance and reward, growing leadership capability and improved internal succession. We continue to prioritise investing in our people and strategic workforce planning for the future.

Our strategy enables us to support our workforce and our customers and communities to adapt in response to economic, environmental and social changes, such as climate adaptation and emissions reduction.

We recognise the value of developing our people. We will seek to integrate sustainability and drive engagement by harnessing the energy and enthusiasm of our people. Everyone will have a role to play.

Focus area 3

Partner for growth through innovative, sustainable and impactful solutions

Our landscape is changing, presenting opportunities to partner with our customers and others for growth through innovation. There are opportunities beyond insurance products to partner on impactful solutions through our investments, supplier and

broker relationships, the QBE Foundation and QBE Ventures. We can explore ways to co-create solutions to meet the changing needs of our customers, and support communities affected by climate impacts, the net-zero transition and rising inequality.

Our ambition

We are working to support an orderly and inclusive transition to a net-zero economy, aligned with UN objectives of limiting warming to 1.5 degrees by the end of 2100. We will take actions within our control, engage for impact and advocate to influence progress on the decarbonisation of the real economy. We are setting interim targets and engaging with our customers and other partners to foster an orderly transition.

Our ambition includes consideration of the social implications of climate risk and transition.

Through our QBE Foundation partners, we continue to support initiatives that increase the resilience to, and mitigation of, the impacts of a changing climate. We focus on helping communities experiencing vulnerability to adapt and expand their food and water security, especially those at risk of displacement. We will continue to strive to meet our existing sustainability commitments through our underwriting, investments, own operations, and how we engage with our supply chain. This includes turning our focus to sustainable claims management practices.

Our ambition

By 2025, we seek to increase our enterprise-wide understanding of sustainability to better deliver on our strategic priorities. We are strengthening a sustainability connection to our purpose, vision and DNA, and ensuring our people understand the role they play and have opportunities to engage and meaningfully contribute.

Sustainability metrics are embedded into our executives' variable remuneration and will evolve over time to reflect our sustainability ambitions. In addition, we will expand

our Inclusion of Diversity targets beyond gender to focus on ethnicity, disability, and LGBTIQ+ to continue to foster a culture of belonging.

Across the enterprise, we will continue to strengthen and build our workplace culture, and embed sustainability into strategic decision making, linked to our purpose of enabling a resilient future.

Our ambition

Our ambition by 2025 is to have explored new partnership opportunities across the many stakeholders with which we can work, to grow through innovative, sustainable and impactful solutions. We will seek to amplify any successful solutions in one division across our global enterprise to improve outcomes for customers, communities, society, the environment and the economy.

We continue to support programs that respond to catastrophes, often caused by severe weather events, and in October 2022, we renewed our three-year partnership with the Red Cross and Save the Children. We will also continue to collaborate with industry, government and civil society to support the achievement of our priority UN Sustainable Development Goals.



Group Chief Financial Officer's report

In a challenging backdrop characterised by heightened inflation and catastrophe activity, geopolitical tensions and significant investment market volatility, QBE achieved an improvement in profitability, further growth, and importantly demonstrated greater resilience in its financial performance.

Financial performance

QBE reported a statutory net profit after tax of \$770 million compared with \$750 million in the prior year.

Adjusted cash profit after tax increased to \$847 million from \$805 million in the prior year, and equates to an annualised return on equity of 10.5%.

Statutory gross written premium increased 13% as a result of continued favourable premium rate increases, stable retention and targeted new business growth. For a second year, growth in our Crop business was particularly strong, supported by commodity prices and organic momentum.

There was a remarkable recalibration of interest rates globally, resulting in higher risk-free rates across all currencies. This resulted in a \$1,214 million favourable impact to the statutory underwriting result, which was more than offset by unrealised losses of \$1,343 million in our fixed income portfolio.

The statutory combined operating ratio excluding the impact from risk-free rates deteriorated to 94.2% from 93.7% in the prior year. This largely reflected the adverse impact from the Australian pricing promise review, and the impact

of the transaction to reinsure North America Excess and Surplus (E&S) lines prior accident year liabilities. These items impacted the underwriting result by \$60 million and \$45 million respectively.

To support comparability of year-on-year results, we have adjusted for these items. On this basis, the combined operating ratio improved to 93.7% from 95.0% in the prior year, representing underwriting profit of \$933 million compared to \$695 million in the prior period.

The total investment loss for the year was \$(776) million or (2.7)%, compared with a return of \$122 million or 0.4% in the prior year. Excluding the impact of risk-free rates, the investment return was \$567 million or 2.0%, compared with \$382 million or 1.3% in the prior year.

In fixed income, the portfolio running yield increased materially over the year, to an exit yield of 4.1%, from 0.7% in the prior year. This supported higher core yield income which was partially offset by adverse credit spread marks. In risk assets, unrealised losses on equities and fixed income were more than offset by favourable returns from infrastructure and unlisted property.

In May, QBE sold the Westwood Insurance Agency in North America for \$374 million. The transaction had an \$8 million positive impact in the period, after accounting for \$328 million of goodwill which was allocated to Westwood, and \$30 million in restructuring expenses.

This transaction alongside improved profitability and lower insurance and asset risk charges primarily due to higher risk-free rates, supported a meaningful improvement in QBE's capital position. The indicative APRA PCA multiple increased to 1.79x from the pro forma view of 1.75x at 31 December 2021, and is now at the top of our 1.6–1.8x target range.

QBE's effective statutory tax rate was 15.3% compared with 17.1% in the prior year, and reflects the mix of corporate tax rates in the countries where we operate, alongside the recognition of \$95 million of previously unrecognised tax losses in the North American tax group.

Summary income statement and underwriting performance

FOR THE YEAR ENDED 31 DECEMBER	STATUTORY		ADJUSTMENTS				ADJUSTED BASIS	
	2022 US\$M	2021 US\$M	PRICING REVIEW 2022 US\$M	E&S 2022 US\$M	CTP 2021 US\$M	COVID 2021 US\$M	2022 US\$M	2021 US\$M
Gross written premium	20,001	18,457	(53)	–	–	4	20,054	18,453
Gross earned premium	19,067	17,035	(53)	–	–	4	19,120	17,031
Net earned premium	14,327	13,408	(53)	(390)	(365)	(6)	14,770	13,779
Net claims expense	(8,330)	(8,371)	–	327	349	141	(8,657)	(8,861)
Net commission	(2,119)	(2,070)	–	–	19	2	(2,119)	(2,091)
Underwriting and other expenses	(1,836)	(1,829)	(7)	(2)	–	2	(1,827)	(1,831)
Underwriting result	2,042	1,138	(60)	(65)	3	139	2,167	996
Net investment (loss) income on policyholders' funds	(509)	77	–	–	–	–	(509)	77
Insurance profit	1,533	1,215	(60)	(65)	3	139	1,658	1,073
Net investment (loss) income on shareholders' funds	(267)	45	–	–	–	–	(267)	45
Financing and other costs	(245)	(247)	(15)	–	–	–	(230)	(247)
Gain on sale of entities and businesses	38	–	–	–	–	–	38	–
Share of net loss of associates	(7)	(7)	–	–	–	–	(7)	(7)
Remediation	–	–	75	–	–	–	(75)	–
Restructuring and related expenses	(106)	(72)	–	–	–	–	(106)	(72)
Amortisation and impairment of intangibles	(27)	(21)	–	–	–	–	(27)	(21)
Profit before income tax	919	913	–	(65)	3	139	984	771
Income tax expense	(141)	(156)	–	–	–	–	–	–
Profit after income tax	778	757	–	–	–	–	–	–
Non-controlling interests	(8)	(7)	–	–	–	–	–	–
Net profit after income tax	770	750	–	–	–	–	–	–
KEY RATIOS	%	%					%	%
Net claims ratio (ex risk-free rate)	66.6	64.6					67.0	66.5
Ex-cat claims	60.1	59.4					58.2	57.4
Prior accident year claims development	(0.5)	(1.1)					1.0	1.4
Risk margin (release) charge	(0.4)	(0.6)					(0.2)	0.7
Net commission ratio	14.8	15.5					14.3	15.2
Expense ratio	12.8	13.6					12.4	13.3
Combined operating ratio (ex risk-free rate)	94.2	93.7					93.7	95.0
Combined operating ratio	85.7	91.5					85.3	92.8
Insurance profit margin	10.7	9.1					11.2	7.8

Significant items impacting the underwriting result

The summary income statement above shows the statutory result excluding the following items to provide better year-on-year comparability of performance.

Australian pricing promise review

As part of a broader industry review, focused around the delivery of pricing promises for retail products, QBE has investigated pricing practices dating back several years across a range of retail products.

Following the review, QBE has identified instances where the policy pricing promise was not fully delivered.

\$75 million (including \$15 million in financing and other costs) before tax was recorded in the first half to account for expected customer remediation, interest payable and the costs associated with administering the program.

North America E&S reinsurance transaction

As reported at the first half result, the Group entered into a transaction to reinsure E&S prior accident year liabilities. The transaction had a material impact on the comparison of net earned premium and key underwriting ratios.

The loss portfolio transfer reduced net earned premium and net claims expense by \$390 million and \$327 million respectively, while impacting underwriting expenses by \$2 million.

As a result, the transaction had a \$65 million upfront net adverse impact (including a risk-free rate impact of around \$20 million) on the underwriting result.

Unless otherwise stated, the Group and business commentary following excludes the impact of both items from the 2022 result, along with the previously disclosed CTP reinsurance transaction and COVID-19 impacts in the 2021 result.

Premium income and pricing

Gross written premium (US\$M)

20,054

↑ 13% from 2021



Net earned premium (US\$M)

14,770

↑ 13% from 2021



- North America
- International
- Australia Pacific

Average renewal premium rate increase

Group

+7.9%

North America	+9.2%
International	+6.5%
Australia Pacific	+9.5%

Group

Gross written premium increased 9% on a headline basis to \$20,054 million, from \$18,453 million in the prior year.

On a constant currency basis, gross written premium increased 13%, reflecting continued rate increases coupled with steady retention levels, organic growth, and another year of material growth in Crop.

Excluding Crop, gross written premium growth was 10% on the same basis.

The Group achieved an average renewal premium rate increase of 7.9% compared with 9.7% in the prior year. Rate increases moderated in lines that have seen the largest increases during the current cycle, particularly casualty classes.

Excluding premium rate increases and Crop, constant currency growth was 4% compared to 10% in the prior period.

North America

North America delivered 16% growth in gross written premium. Excluding Crop, premium increased by 4%, where premium rate increases of 9.2% were down marginally from 10.7% in prior year.

Crop premium increased by 31% as a result of significantly higher commodity prices coupled with strong organic growth.

Premium rate increases and growth in Crop more than offset a planned reduction in property catastrophe exposed programs business. Excluding premium rate increases and Crop, gross written premium declined 1%.

International

International reported a 14% increase in gross written premium.

Premium rate increases remained supportive at 6.5%, albeit moderated through the year from 10.2% achieved in the prior year. Excluding premium rate increases, constant currency growth was 9%.

Premium growth was broad-based. Within Insurance, premium increased by 12%, with particularly strong contributions from the International Markets and UK segments. Within QBE Re, premium growth of 25% reflected strong growth across all segments and offices.

Australia Pacific

Australia Pacific reported a 9% increase in gross written premium. Premium rate increases built over the year to 9.5%, compared with 8.3% in the prior year.

Growth across many segments, particularly in commercial lines, was partially offset by lower volumes in LMI.

Reinsurance expense

Reinsurance expense increased 34% to \$4,350 million from \$3,252 million in the prior year. The majority of the increase can be attributed to Crop, where much of the premium growth was ceded to a new external quota share reinsurance contract, and the government reinsurance program.

Average renewal premium rate increases

FOR THE YEAR ENDED 31 DECEMBER	2022 %	2021 %	2020 %	2019 %
North America	9.2	10.7	10.2	5.7
International	6.5	10.2	12.8	6.0
Australia Pacific	9.5	8.3	5.4	7.3
Group	7.9	9.7	9.8	6.3

Foreign exchange rates

FOR THE YEAR ENDED 31 DECEMBER		2022		2021	
		PROFIT OR LOSS	BALANCE SHEET	PROFIT OR LOSS	BALANCE SHEET
Australian dollar	A\$	0.693	0.678	0.751	0.727
Sterling	£	1.232	1.203	1.375	1.353
Euro	€	1.051	1.067	1.182	1.138

Segment underwriting performance

Combined operating ratio

93.7%



Underwriting result (US\$M)

933



- North America
- International
- Australia Pacific

North America

North America reported a combined operating ratio of 98.9%, an improvement from 102.9% in the prior year, and an encouraging return to underwriting profitability.

While elevated inflation and higher claims in Crop had an adverse impact on the ex-cat claims ratio, this was more than offset by further improvement in total acquisition costs, a reduced level of adverse prior year development and lower catastrophe claims.

Catastrophe claims decreased 1.9% to 5.8% of net earned premium, and were slightly below allowance. This included the impact of Hurricane Ian, and a higher frequency of smaller events.

Crop recorded a combined operating ratio of 95.5% which deteriorated from 92.7% in the prior year, and reflected higher claims primarily as a result of drier conditions across a number of states. This offset lower total acquisition costs on account of improved scale, and new external quota share reinsurance.

International

International reported a combined operating ratio of 92.5% compared with 90.6% in the prior year.

The result reflected a challenging operating environment underpinned by heightened inflation, costs relating to the Russia/Ukraine conflict and elevated catastrophe costs including Hurricane Ian and the French storms.

The ex-cat claims ratio improved by 1.5% to 51.6%, where the benefit of significant rate increases partly offset increased allowances for inflation, and higher claims frequency in certain classes.

Adverse prior year development of \$142 million or 2.4% compared with favourable development of \$66 million or 1.2% in the prior year. This reflected additional, largely proactive strengthening for inflation across a number of classes, and an adverse COVID-19 business interruption court ruling.

Australia Pacific

Australia Pacific reported a combined operating ratio of 90.1%, which improved from 91.4% in the prior year.

The impact of severe weather was exacerbated by short-tail inflationary challenges, which resulted in deterioration in the catastrophe and ex-cat claims ratios.

This was more than offset by improved operating leverage from premium growth and efficiency initiatives, alongside favourable prior accident year development.

The LMI current accident year combined operating ratio improved to 15.4% from 35.4% in the prior year, where delinquency and claim payment trends remain supportive.

FOR THE YEAR ENDED 31 DECEMBER	GROSS WRITTEN PREMIUM		NET EARNED PREMIUM		COMBINED OPERATING RATIO		UNDERWRITING RESULT	
	2022 US\$M	2021 US\$M	2022 US\$M	2021 US\$M	2022 %	2021 %	2022 US\$M	2021 US\$M
North America	7,274	6,289	4,280	3,965	98.9	102.9	46	(118)
International	7,546	6,958	5,974	5,545	92.5	90.6	447	522
Australia Pacific	5,241	5,215	4,519	4,265	90.1	91.4	446	370
Corporate & Other	(7)	(9)	(3)	4	—	—	(6)	(79)
Group adjusted basis	20,054	18,453	14,770	13,779	93.7	95.0	933	695
Risk-free rate impact	—	—	—	—	(8.5)	(2.2)	1,214	301
Australian pricing promise review	(53)	—	(53)	—	0.4	—	(60)	—
E&S reinsurance transaction	—	—	(390)	—	0.1	—	(45)	—
NSW CTP reinsurance transaction	—	—	—	(365)	—	(0.2)	—	3
COVID-19 impact	—	4	—	(6)	—	(1.1)	—	139
Group statutory	20,001	18,457	14,327	13,408	85.7	91.5	2,042	1,138

Claims

Net claims ratio

67.0%



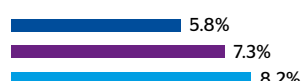
Ex-cat claims ratio

58.2%



Catastrophe claims ratio

7.2%



- North America
- International
- Australia Pacific

Prior accident year claims development (US\$M)

(141)



Incurred claims

Excluding the impact of changes in risk-free rates used to discount net outstanding claims, the net claims ratio increased to 67.0% from 66.5% in the prior year.

This increase was primarily driven by an increase in the ex-cat claims ratio alongside higher catastrophe claims.

Adverse prior year development of \$141 million primarily reflected additional strengthening of inflation allowances. Consistent with normal practice the calculation of prior year movements excludes positive development relating to Crop insurance that is matched by additional premium cessions under the MPC1 scheme (\$14 million, 2021 \$1 million), and adverse development which is more than offset by related adjustments in the current period underwriting result (\$137 million, 2021 \$55 million).

The net risk margin movement reflects the release of the COVID-19 risk margin, offset by new business strain.

Catastrophe claims

The net cost of catastrophe claims increased to \$1,060 million or 7.2% of net earned premium, from \$905 million or 6.6% in the prior period. This exceeded the Group's catastrophe allowance for the year of \$962 million.

Elevated catastrophe activity continued, with industry insured losses expected to settle around \$130 billion in 2022.

Catastrophe costs were underscored by Hurricane Ian, which is expected to be the second-costliest North American hurricane on record. On the east coast of Australia, the February-March floods have been declared the most costly natural disaster in Australian history.

French storms in June, South African flooding, plus storms Eunice and Elliot also proved significant events for the year.

Catastrophe costs include an allowance for the Russia/Ukraine conflict, which reflects exposure through political risk, political violence and aviation classes.

Ex-cat claims

The ex-cat claims ratio increased to 58.2% from 57.4% in the prior year.

The ex-cat claims ratio of our Crop business increased due to the impact of adverse weather. Excluding Crop, the Group ex-cat claims ratio increased by 0.2% to 54.6%.

Higher inflation was observed across all regions, though most concentrated in short-tail classes. While higher inflation assumptions were incorporated across the business, rate increases remained at or above inflation in most classes.

In North America, increased severity observed in certain property segments had an adverse impact.

In International, claims frequency increased in some portfolios as economic activity returned to more normal levels.

In Australia Pacific, an above normal frequency of non-catastrophe weather claims impacted many classes.

Prior accident year claims development

Prior accident year claims development was \$141 million adverse or (1.0)% of net earned premium, which reduced from \$192 million adverse or (1.4)% in the prior year.

North America reported \$43 million of adverse development, largely reflecting strengthening in discontinued books.

International reported \$142 million of adverse development, reflecting higher inflation allowances, and an adverse COVID-19 business interruption court ruling in the UK.

Australia Pacific reported positive development of \$44 million.

Weighted average risk-free rates

CURRENCY		31 DECEMBER 2022	30 JUNE 2022	31 DECEMBER 2021
Australian dollar	%	3.69	3.16	1.12
US dollar	%	4.21	3.09	1.44
Sterling	%	3.64	2.15	0.86
Euro	%	2.50	1.19	(0.33)
Group weighted	%	3.60	2.49	0.87
Estimated risk-free rate benefit	US\$M	1,234	804 ¹	301

1 Estimated risk-free rate benefit for the six months to 30 June.

Underwriting expenses, commission and tax

Expense ratio

12.4%

2021 13.3%

Net commission ratio

14.3%

2021 15.2%

Tax rate

15.3%

2021 17.1%

Underwriting and other expenses

The Group's expense ratio improved to 12.4% from 13.3% in the prior year, reflecting disciplined cost management and efficiencies, favourable business mix, and ongoing benefit from operating leverage as a result of strong premium growth.

International and Australia Pacific achieved further improvement in their expense ratios, as a result of cost control coupled with positive operating leverage.

North America reported a minor deterioration in its expense ratio to 11.8% from 11.6% in the prior year, where the benefit of positive operating leverage and mix was offset by targeted reinvestment and the loss of fee income following the Westwood sale.

Net commission

The net commission ratio reduced to 14.3% from 15.2% in the prior year, primarily due to higher income from the increased Crop quota share and favourable business mix.

North America's commission expense ratio reduced following further growth in Crop, where outwards commissions are reimbursed by the US Government, alongside higher commission income from new quota share reinsurance.

International and Australia Pacific's commission ratio also improved on the prior year due to favourable business mix shift, and a continued focus on trading and distribution negotiations.

Income tax expense

QBE's effective statutory tax rate was 15.3% compared with 17.1% in the prior year, and reflects the mix of corporate tax rates in the countries where we operate, alongside the recognition of \$95 million of previously unrecognised tax losses in the North American tax group.

This recognition of tax assets was supported by the improved outlook for North America profitability, primarily due to the higher running yield on investment assets.

During the year, QBE paid \$74 million in corporate income tax globally, with no payments in Australia due to our tax loss position.

The balance of the franking account stood at A\$54 million as at 31 December 2022. Having regard to QBE's franked AT1 distribution commitments and our tax loss position, the dividend franking percentage is expected to remain around 10% for the foreseeable future.

Operational efficiency

Underwriting and other expenses (US\$M)

1,827

↑ 6% on 2021¹

Expense ratio

12.4%



QBE has achieved considerable momentum against efficiency targets, calibrated to a Group expense ratio of 13% by 2023.

The expected \$150 million restructuring charge related to the three-year program has now been fully incurred, with a \$78 million expense recognised in the current period.

While our efficiency agenda has delivered material technology and operating cost savings, we have benefited from positive operating leverage supported by a stronger and longer premium rate cycle than was originally planned for.

This position now affords increased capacity to pursue additional initiatives to modernise the business and support growth.

Our modernisation agenda is primarily focused on improving connectivity and ease of doing business with our customers and partners, supporting the digitisation and efficiency of our core underwriting and claims processes, better leveraging data across our organisation and providing better tools for our employees to meet customer needs.

We have good alignment around the key target growth opportunities across the organisation. Our investment spend will be targeted towards this pipeline of opportunities across both our core franchises as well as related adjacencies.

To support the expanded investment slate, we continue to expect a Group expense ratio of around 13% in 2023.

¹ Constant currency basis.

Investment performance and strategy

Total investment (loss) income (US\$M)

(776)

898 from 2021

Total investment return

(2.7)%

2021 0.4%

Fixed income Vs Risk assets

(3.1)% 1.2%

2021 (0.4)% 2021 13.5%

The total investment loss for the year was \$(776) million or (2.7)%, compared with a return of \$122 million or 0.4% in the prior year. The result was heavily impacted by unrealised losses associated with the significant increase in bond yields over the year.

Adjusting for the impact of changes in risk-free rates on fixed income securities, the total investment return was \$567 million or 2.0% for the year, an increase from 1.3% in the prior year. In fixed income, higher core yield income was partially offset by adverse credit spread marks. In risk assets, unrealised losses on equities and enhanced fixed income were more than offset by favourable returns from infrastructure and unlisted property.

Fixed income

The significant recalibration in global interest rates supported meaningful improvement in the fixed income running yield, with the 31 December 2022 exit running yield of 4.1% many multiples higher than 0.7% at 31 December 2021.

Our corporate credit portfolio delivered strong relative performance. Credit quality remained sound with fewer rating downgrades compared to levels seen more broadly across fixed income markets.

Risk assets

The risk asset portfolio delivered a total return of 1.2%. This portfolio has meaningful exposure to asset classes with a positive correlation to inflation, partly in recognition of the corresponding sensitivity of our claims liabilities.

To this end, our unlisted property and infrastructure assets performed well, delivering a 7.7% return for the year. This helped to offset weaker performance across other risk asset classes including listed equities, high yield, and emerging market debt.

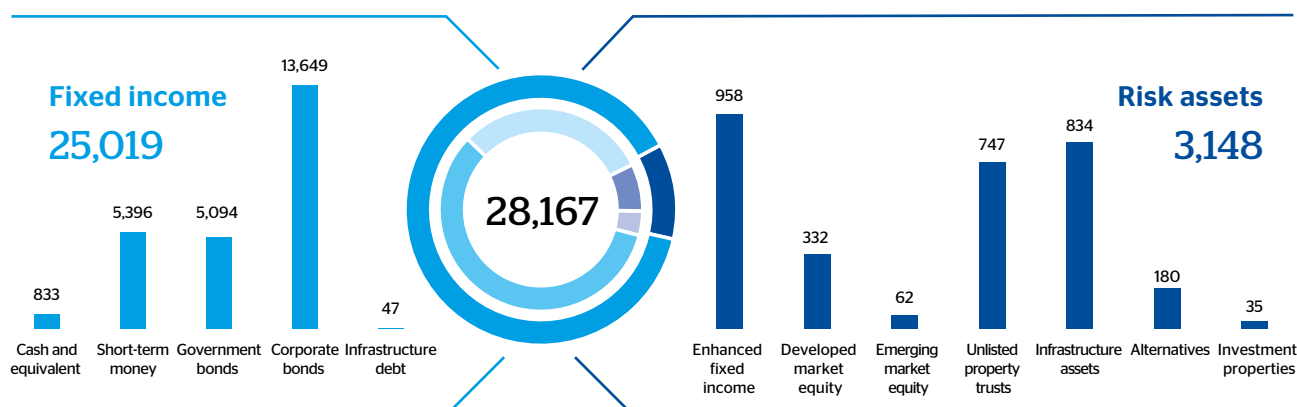
Funds under management

The overall investment book remains conservatively positioned, with around 89% invested in high quality fixed income securities and the remaining 11% invested in risk assets.

We continued to rebalance the portfolio toward our 15% target risk asset allocation, albeit we did slow the pace of re-risking in recent months to reassess opportunities and relative returns, given significant market volatility.

Funds under management declined by 3% compared to the prior period, however increased by 2% on a constant currency basis after accounting for a \$1,514 million foreign exchange headwind. The balance was also impacted by adverse mark-to-market losses, the pre-funded redemption of a Tier 2 note and the E&S transaction.

Total cash and investments (US\$M)



	POLICY-HOLDERS' FUNDS	SHARE-HOLDERS' FUNDS
Cash and cash equivalents	547	286
Short-term money	3,543	1,853
Government bonds	3,344	1,750
Corporate bonds	8,961	4,688
Infrastructure debt	31	16

Fixed income

- Policyholders' funds
- Shareholders' funds

Risk assets

- Policyholders' funds
- Shareholders' funds

	POLICY-HOLDERS' FUNDS	SHARE-HOLDERS' FUNDS
Enhanced fixed income	629	329
Developed market equity	218	114
Emerging market equity	41	21
Unlisted property trusts	490	257
Infrastructure assets	548	286
Alternatives	118	62
Investment properties	23	12

Balance sheet and capital management

Capital

QBE's indicative APRA PCA multiple improved to 1.79x from 1.75x¹ in the prior year. The sale of the Westwood Insurance Agency in North America added around 0.05x to the PCA multiple, which also benefited from improved profitability, plus lower insurance liabilities and asset risk charges reflecting the material increase in interest rates.

These factors more than offset capital absorbed through organic growth, investment portfolio rebalancing and an increase in the insurance concentration risk charge reflecting exposure growth and the 2023 reinsurance renewal.

In May 2022, QBE redeemed GBP327 million of subordinated Tier 2 notes. These notes were capital qualifying under APRA's capital adequacy framework. The redemption was pre-funded by the September 2021 issuance of GBP400 million of capital qualifying Tier 2.

QBE has \$900 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).

The after-tax distribution on QBE's AT1 capital was \$50 million.

Net outstanding claims

At 31 December 2022, the risk margin was \$1,287 million or 8.0% of the net discounted central estimate of outstanding claims, compared with \$1,418 million and 8.8% at 31 December 2021.

Excluding foreign exchange and the E&S reinsurance transaction, the risk margin decreased by \$34 million.

The result included significant strain associated with ongoing momentum in new business and exposure growth.

This was more than offset by the impact of higher risk-free rates, which reduced the net discounted central estimate, and the release of remaining COVID-19 related risk margin of \$160 million. This release reflects reduced COVID-19 related uncertainty, particularly regarding residual COVID-19 business interruption risk following favourable court rulings in Australia and the UK.

The probability of adequacy (PoA) of net outstanding claims reduced to 90.0%, at the midpoint of the Group's 87.5–92.5% target range.

Borrowings

At 31 December 2022, total borrowings were \$2,744 million, a reduction of \$524 million from \$3,268 million at 31 December 2021.

The decrease in borrowings primarily reflects the redemption of GBP327 million subordinated Tier 2 notes in May 2022.

Debt to total capital was 23.4% at 31 December 2022, a minor decrease from 24.1%¹ at 31 December 2021.

Gross interest expense on borrowings for the year was \$166 million, down from \$177 million in the prior year, due to the redemption of the 6.115% GBP327 million Tier 2 notes in May 2022, which were pre-funded with 2.50% GBP400 million Tier 2 notes in September 2021, representing an interest saving of approximately GBP10 million per annum.

The average annualised cash cost of borrowings at 31 December 2022 was 6.0%, an increase from 5.4% at 31 December 2021 due to the pre-funding of the Tier 2 notes redemption in May. Adjusting for the pre-funding, the average annualised cost of borrowings was 5.8%.

At 31 December 2022, all but \$6 million of the Group's borrowings continued to count towards regulatory capital.

Key balance sheet and capitalisation metrics

AS AT		BENCHMARK	31 DECEMBER 2022	31 DECEMBER 2021	
			STATUTORY	STATUTORY	PRO FORMA ¹
Net discounted central estimate	US\$M		16,141	16,107	16,107
Risk margin	US\$M		1,287	1,418	1,418
Net outstanding claims	US\$M		17,428	17,525	17,525
Net assets	US\$M		8,992	8,882	8,882
Less: intangible assets	US\$M		(2,018)	(2,449)	(2,449)
Net tangible assets	US\$M		6,974	6,433	6,433
Add: borrowings	US\$M		2,744	3,268	2,826
Total tangible capitalisation	US\$M		9,718	9,701	9,259
Probability of adequacy	%		90.0	91.7	91.7
Risk margin to central estimate	%		8.0	8.8	8.8
Debt to total capital	%	15–30	23.4	26.9	24.1
Debt to equity	%		30.5	36.8	31.8
Debt to tangible equity	%		39.3	50.8	43.9
Premium solvency ²	%		47.2	46.7	46.7
QBE's regulatory capital base	US\$M		10,373	10,389	9,947
APRA's PCA	US\$M		5,797	5,732	5,699
PCA multiple		1.6–1.8x	1.79x	1.81x	1.75x

¹ Pro forma adjusting for GBP327 million pre-funded debt repaid in May 2022.

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

Cash profit and dividends

Reconciliation of cash profit

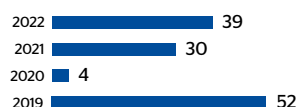
FOR THE YEAR ENDED 31 DECEMBER	2022 US\$M	2021 US\$M
Net profit after tax	770	750
Amortisation and impairment of intangibles after tax ¹	72	53
Write-off of deferred tax assets	—	—
Write-off of capitalised tax assets	—	—
Net cash profit after tax	842	803
Restructuring and related expenses after tax	93	52
Net gain on disposals after tax	(38)	—
Additional Tier 1 capital coupon	(50)	(50)
Adjusted net cash profit after tax	847	805
Return on average shareholders' equity – adjusted cash basis (%)	10.5	10.3
Basic earnings per share – adjusted cash basis (US cents)	57.2	54.6
Dividend payout ratio (percentage of adjusted cash profit) ²	48%	41%

1 \$63 million of pre-tax amortisation expense is included in underwriting expenses (2021 \$50 million).

2 Dividend payout ratio is calculated as the total A\$ dividend divided by adjusted cash profit converted to A\$ at the period average rate of exchange.

Dividends per share (A¢)

39



Dividend payout (A\$M)

578

Dividends

The Group's dividend policy is calibrated to pay out 40%–60% of adjusted cash profit annually. This approach provides a balance between supporting the Group's growth ambitions and providing flexibility to effectively navigate through phases of the global insurance cycle.

The final dividend for 2022 is 30 Australian cents per share, compared with the 2021 final dividend of 19 Australian cents per share.

The final dividend will be 10% franked and is payable on 14 April 2023. The Dividend Reinvestment Plan and Bonus Share Plan will be satisfied by the issue of shares at a nil discount.

The combined 2022 interim and final dividend of 39 Australian cents per share is up from 30 Australian cents per share in 2021, and equates to a total payout of A\$578 million or 48% of adjusted cash profit.

QBE enters the new year with conservative balance sheet settings and a strong solvency position. The payout for the current period reflects the strength of the Group's capital position, as well as what remains a positive outlook for premium growth.

Closing remarks

In an ultimately challenging year for the insurance industry, the strength and resilience of QBE's financial performance are a testament to the ongoing work to de-risk, simplify and modernise our business. We enter 2023 with a broader and more diversified earnings base and strong growth momentum across our key markets.

Outlook focus

Maximise market opportunity

Drive targeted growth and enhance returns

Reduce volatility

Mitigate volatility through evolving portfolio optimisation framework

Build greater consistency

In our operations and financial results

Sustainability

Make a positive contribution to the economies and communities in which we operate

Although the macroeconomic backdrop remains uncertain, we remain confident in our outlook for the year ahead, entering 2023 with strong business momentum, a broader and more diversified earnings base, significant support from earned rate, and a capital position at the top end of our target range.

Our portfolio optimisation strategy remains focused on reducing volatility and improving risk-adjusted returns across our business. The progress in reducing property catastrophe exposure proved critical in navigating a challenging reinsurance renewal. Initiatives focused on reassessing reserve risk helped inform the scope of the reserve transaction announced recently, which will significantly reduce reserve volatility, enhance returns and provide greater capital flexibility to support growth.

The benefit of expense discipline alongside positive operating leverage has been meaningful in recent periods, and now affords increased capacity to pursue further modernisation and growth of our business. In 2023, we will be executing against a targeted set of growth opportunities, as well as initiatives to develop deeper connectivity and improve the ease of doing business with our customers, digitise our underwriting and claims processes, and provide better tools for our people.

We are progressing with integrating environmental and social considerations into our business planning and financial reporting processes. Material work is underway to lift capability around underwriting emission measurement, as we work towards setting an emission reduction target. We see great opportunity as we work more closely with our customers to ensure a successful transition, and will continue actively exploring transition opportunities that will arise associated with new industries, products and technologies.

Insurance market conditions remain supportive and we expect rate increases and premium growth to continue through 2023 and support further improvement in the underwriting account. The reset in interest rates is translating into substantially higher investment returns supporting a better balance in our earnings profile, and we remain confident of achieving a stronger, more consistent level of financial performance over the medium term.

Inder Singh
Group Chief Financial Officer

North America

business review

Gross written premium (US\$M)

7,274

↑ 16% from 2021

Net earned premium (US\$M)

4,280

↑ 8% from 2021

Combined operating ratio

98.9%

2021 102.9%

Underwriting result¹ (US\$M)

46

↑ 164 from 2021

The favourable premium rate environment alongside expanding benefits associated with portfolio optimisation initiatives, exposure management, and the pursuit of targeted organic growth have supported a return to underwriting profit for North America.

Todd Jones Chief Executive Officer, North America

2022 overview

Challenges associated with higher inflation and elevated catastrophe activity resulted in the need for further rate increases and disciplined risk selection. North America delivered on its organic growth strategy while improving portfolio balance, exiting a cohort of unprofitable programs and successfully executing the divestiture of the Westwood Insurance Agency. Alongside further improvement in underwriting quality, North America delivered a combined operating ratio of 98.9%, which compares to 102.9% in 2021, and represents an encouraging return to underwriting profitability.

Gross written premium growth was strong at 16%, supported by ex-rate growth of 12.5%. Pricing remained supportive despite moderating in certain pockets such as management liability and workers' compensation, supporting an average renewal rate increase of 9.2%, compared to 10.7% in the prior year.

North America executed on a number of portfolio optimisation initiatives calibrated around a multi-year shift in portfolio risk profile and balance. Technical rate adequacy improved from another year of compound rate increases while property catastrophe risk was reduced, with coastal wind exposure down by over 30%. We deployed a number of reinsurance solutions to manage earnings-at-risk in classes such as property and crop.

There is good momentum across our modernisation and efficiency initiatives. Foundational investments in policy administration and data architecture are nearing completion, including the migration of a number of key systems. Models were improved by integrating additional third-party data for better pricing and improved risk selection tools, while investments are underway to modernise and digitise underwriter workflows.

North America executed a loss portfolio transaction during the first half to facilitate the transfer of \$327 million of outstanding claims reserves related to the runoff legacy E&S portfolio, resulting in an adverse pre-tax impact \$65 million. All discussion of performance within has been adjusted for the impact of this transaction.

Underwriting result

FOR THE YEAR ENDED 31 DECEMBER		2022	EX-E&S 2022	2021	2020	2019
Gross written premium	US\$M	7,274	7,274	6,289	4,775	4,361
Gross earned premium	US\$M	7,213	7,213	5,838	4,551	4,375
Net earned premium	US\$M	3,890	4,280	3,965	3,351	3,692
Net claims expense	US\$M	2,669	2,996	3,046	2,917	2,929
Net commission	US\$M	456	456	512	486	536
Underwriting expenses	US\$M	508	506	460	469	488
Underwriting result	US\$M	257	322	(53)	(521)	(261)
Net claims ratio	%	75.2	76.4	78.4	84.2	77.9
Net commission ratio	%	11.7	10.7	12.9	14.5	14.5
Expense ratio	%	13.1	11.8	11.6	14.0	13.2
Combined operating ratio	%	100.0	98.9	102.9	112.7	105.6
Statutory combined operating ratio	%	93.4	92.5	101.3	115.5	107.0
Insurance profit (loss) margin	%	4.1	5.2	(0.6)	(14.6)	(3.7)

1 Excludes impact of changes in risk-free rates used to discount net outstanding claims.

Underwriting performance

North America reported a combined operating ratio of 98.9%, which improved by 4.0% from 102.9% in the prior year.

The result reflected a lower level of catastrophe claims, which fell to \$251 million and accounted for 5.8% of net earned premium, slightly below allowance and down from 7.7% in the prior period.

The Crop combined operating ratio deteriorated by 2.8% to 95.5%, primarily relating to drier conditions across a number of states.

Heightened inflation, which alongside higher claims in Crop and elevated severity from terminated programs, saw a 3.3% deterioration in the ex-cat claims ratio to 70.0%.

Premium income

Gross written premium increased 16% to \$7,274 million. This reflected particularly strong growth in Crop, and broader property and casualty business growth of 8.1% driven by continued strong rate increases, new business growth, and improved retention. Overall, growth excluding rate was 12.5% compared to the prior period, or negative 1.1% excluding Crop.

Crop gross written premium rose 30.7% primarily due to heightened commodity prices and organic growth of 14%. QBE continued to grow market share with its leading technology-oriented customer proposition, deeply ingrained agent loyalty and investment in new talent.

Commercial gross written premium growth of 17% was supported by strong premium rate increases across most lines

and organic growth in targeted areas including middle market and workers compensation. We exited a number of programs representing around \$400 million of gross written premium which reduced exposure to convective storm and social inflation exposed classes.

Specialty gross written premium was broadly steady as strong new business growth and rate capture in both accident and health, and professional liability was offset by moderation in management and transaction liability, in response to less supportive market conditions.

Net earned premium increased 8% to \$4,280 million, a slower pace than on a gross basis due to growth in heavily reinsured portfolios such as Crop, which had a new quota share in place for 2022.

Claims expense

The ex-cat claims ratio deteriorated by 3.3% to 70.0%, or 1.5% excluding Crop to 58.6%.

This reflected increased severity observed in certain property segments, and higher social inflation across a discrete portion of the portfolio. These trends ultimately underscore the importance of our decision to terminate a number of program relationships.

The ex-cat claims ratio for Crop deteriorated by 7.6% compared to the prior period, primarily as a result of drier conditions across a number of states.

Catastrophe claims decreased 1.9% to 5.8% of net earned premium from 7.7% in the prior year. Catastrophe claims were driven by Hurricane Ian, and the high frequency of smaller events.

Adverse prior accident year claims development was \$43 million, or 1.0% of net earned premium, compared to adverse development of \$148 million, or 3.7% in the prior period. This reflected strengthening in older accident years for certain discontinued books of business. Further strengthening was also made to incorporate higher inflation assumptions across several lines.

Commission and expenses

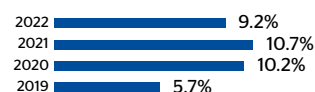
The total acquisition cost ratio improved by 2.0% to 22.5%, compared with 24.5% in the prior period. This partly reflected the benefit from efficiency initiatives and ongoing improvement in operating leverage, but also mix benefits associated with strong growth in Crop, which operates on a cost base below the North American average.

Excluding Crop, North America's combined commission and expense ratio improved by 1.0% to 32.4%, which has declined meaningfully from historical levels.

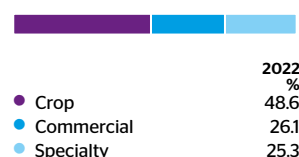
Average renewal premium rate increase

9.2%

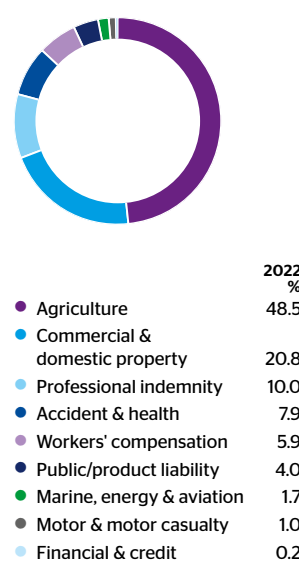
↓ 1.5% from 2021



Gross written premium by segment



Gross written premium by class of business



Combined commission and expense ratio

22.5%

↓ 2.0% from 2021



International *business review*

Gross written premium (US\$M)

7,546

↑ 14% from 2021

Net earned premium (US\$M)

5,974

↑ 16% from 2021

Combined operating ratio

92.5%

2021 90.6%

Underwriting result¹ (US\$M)

447

↓ 75 from 2021

In a year characterised by numerous external challenges, the benefits from International's ongoing focus on resiliency, portfolio optimisation and targeted growth were clear in a combined operating ratio of 92.5%.

Jason Harris Chief Executive Officer, International

2022 overview

International recorded further progress in its pursuit of targeted growth, with gross written premium increasing 14% compared to the prior year. New business volumes were particularly strong, with ex-rate growth of 8.8%, underpinned by successful growth initiatives across both insurance and reinsurance segments. Mid-single digit premium rate increases continue to compound on multi-year rating improvement across most classes.

Within the Insurance division, new business momentum was achieved in the International Markets tracker portfolio, and liability and property lines for our UK segment. In Continental Europe, new branches in both France and the Netherlands helped to build our profile in marine and liability products respectively.

In the Reinsurance division (QBE Re), organic growth has been achieved across all key markets and offices. Focus has centred around deepening relationships with core clients, improving portfolio quality, and reshaping property catastrophe exposure to better complement the Group's overall global portfolio. Rate increases trended higher through the year, with the Property market hardening meaningfully on the back of concerns around loss experience, inflation, and climate change.

Benefits from the ongoing focus on underwriting quality and portfolio optimisation were present in the resiliency of International's underwriting result. International delivered a combined operating ratio of 92.5% compared with 90.6% in the prior year. The result was adversely impacted by heightened inflationary pressures, an adverse COVID-19 business interruption judgement, costs associated with the Russia/Ukraine conflict and elevated catastrophe experience.

In an increasingly competitive marketplace for talent, we have been focused on establishing QBE as an employer of choice. Pleasingly, QBE Europe was awarded Employer of the Year from a major industry publication.

Underwriting result

FOR THE YEAR ENDED 31 DECEMBER		2022	2021	2020	2019
Gross written premium	US\$M	7,546	6,958	5,856	5,200
Gross earned premium	US\$M	6,908	6,476	5,542	5,010
Net earned premium	US\$M	5,974	5,545	4,812	4,339
Net claims expense	US\$M	3,017	3,134	3,106	2,918
Net commission	US\$M	1,045	980	877	752
Underwriting expenses	US\$M	678	726	655	652
Underwriting result	US\$M	1,234	704	174	17
Net claims ratio	%	63.7	59.8	59.4	64.5
Net commission ratio	%	17.4	17.7	18.3	17.3
Expense ratio	%	11.4	13.1	13.6	15.0
Combined operating ratio	%	92.5	90.6	91.3	96.8
Statutory combined operating ratio	%	79.3	87.3	96.4	99.6
Insurance profit margin	%	13.7	12.9	5.5	7.9

¹ Excludes impact of changes in risk-free rates used to discount net outstanding claims.

Underwriting performance

International reported a combined operating ratio of 92.5% compared with 90.6% in the prior period.

The result reflected a challenging operating environment underpinned by heightened inflation, costs relating to the Russia/Ukraine war and elevated catastrophe costs including Hurricane Ian and the June French storms.

These external headwinds were partly offset by the benefit of increased premium income driven by continued rate increases, targeted new business, and underlying exposure growth.

The result included adverse prior year development of \$142 million, which represented strengthening for higher inflation assumptions across multiple lines, and the impact of an adverse COVID-19 business interruption legal judgement.

Premium income

Gross written premium increased by 14% to \$7,546 million. International achieved an average renewal premium rate increase of 6.5% compared to 10.2% in the prior year.

The market became more bifurcated for rating, where moderation was observed in many casualty classes, while property lines remained firm.

Within Insurance, gross written premium increased by 12%, with most portfolios achieving mid-single digit rate increases. Ex-rate growth of 7% was robust, with particularly strong contributions from our portfolio tracker business, UK liability and property, alongside natural resources

where we have established a new Sustainable Energy unit.

Within QBE Re, gross written premium growth of 25% reflected strong growth across all segments and offices.

The recent January 2023 renewal has seen further momentum, which should support the outlook for both growth and underwriting profitability.

Asia's gross written premium remained stable at \$455 million, where COVID-19 has continued to impact travel.

Growth in gross written premium continues to translate into momentum in net earned premium, which increased 16% during the year.

Claims expense

The net claims ratio increased to 63.7% from 59.8% in the prior year.

The ex-cat claims ratio improved by 1.5% to 51.6%, where the benefit of significant rate increases offset increased allowances for inflation and an increase in frequency observed in certain classes as global economic activity returned to more normal levels.

The net cost of catastrophe claims was \$438 million or 7.3% of net earned premium, compared with 6.5% in the prior period. Heightened catastrophe activity continued, underscored by Hurricane Ian, Storms Eunice and Elliott, the June

French storms and flooding in Australia and South Africa.

Higher catastrophe costs also include an allowance for exposure to the ongoing Russia/Ukraine conflict.

Adverse prior accident year development of \$142 million or 2.4%, reflected additional allowances for inflation across a number of classes, where we have proactively looked to address risks associated with the persistency of inflation. The result also reflects an adverse COVID-19 business interruption legal judgement in the UK.

Commission and expenses

The combined commission and expense ratio improved by 2.0% to 28.8% compared to the prior year, supported by an ongoing focus on efficiency, positive operating leverage and lower commissions.

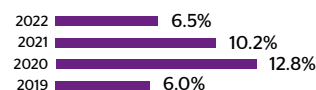
The net commission ratio improved by 0.3% to 17.4%, mainly representing favourable changes in portfolio mix.

The expense ratio improved by 1.7% to 11.4%, reflecting ongoing expense discipline combined with the benefit of positive operating leverage.

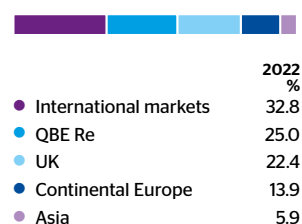
Average renewal premium rate increase

6.5%

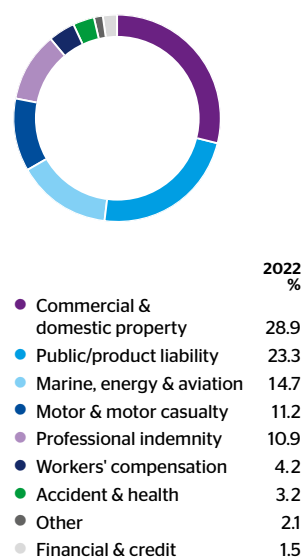
↓ 3.7% from 2021



Gross written premium by segment



Gross written premium by class of business



Combined commission and expense ratio

28.8%

↓ 2.0% from 2021



Australia Pacific

business review

Gross written premium (US\$M)

5,241

↑ 9% from 2021

Net earned premium (US\$M)

4,519

↑ 15% from 2021

Combined operating ratio

90.1%

2021 91.4%

Underwriting result¹ (US\$M)

446

↑ 76 from 2021

Australia Pacific recorded an improvement in combined operating ratio to 90.1%, sustaining positive rating momentum and targeted volume growth, alongside foundational investment to support medium-term modernisation initiatives.

Sue Houghton Chief Executive Officer, Australia Pacific

2022 overview

Australia Pacific continued to deliver targeted growth in 2022. Ex-rate growth was 2%, or 5% excluding the impact of lower LMI volumes. Growth was broad based across a wide range of classes, though it remains strongest in small and medium sized business customer segments.

The operating environment proved challenging, with elevated natural peril activity and heightened cost inflation. The La Nina climate pattern produced significant flood and storm events across Eastern and Southern Australia in the first and fourth quarters. The frequency and size of natural peril activity exacerbated economic inflationary trends, as the impact of disrupted supply chains was amplified by increased demand for materials and tradespeople.

Against this backdrop, Australia Pacific's result demonstrated encouraging resilience, with a combined operating ratio of 90.1%, which improved by 1.3% compared to the prior period.

In response to claims pressures, premium rates continued to firm, with an average renewal premium rate increase of 9.5% compared to 8.3% in 2021. Pricing momentum built over the course of the year, with fourth quarter average renewal rate increases of 10.4%. Rate increases were most pronounced in short-tail classes due to weather and inflation effects, with several portfolios recording double digit increases alongside favourable adjustment to terms and conditions.

During the year, modernisation initiatives focused on further uplifting capability across customer and partner connectivity, claims, underwriting and pricing. Australia Pacific commenced preparations for the introduction of the Northern Australia Reinsurance Pool, while foundational investment was made to support commencement of a medium-term digitisation project focused on commercial customer segments.

Australia Pacific conducted a review of pricing promises in conjunction with the broader Australian Securities and Investments Commission (ASIC) industry review. As announced in July 2022, this gave rise to a charge of \$75 million in relation to instances where policy pricing promises were not fully delivered. Work is progressing to remediate impacted customers.

Underwriting result

FOR THE YEAR ENDED 31 DECEMBER		2022	EX-PRICING 2022	2021	2020	2019
Gross written premium	US\$M	5,188	5,241	5,215	4,079	3,920
Gross earned premium	US\$M	4,944	4,997	4,731	3,985	3,885
Net earned premium	US\$M	4,466	4,519	4,265	3,626	3,568
Net incurred claims	US\$M	2,688	2,688	2,640	2,316	2,223
Net commission	US\$M	613	613	600	534	526
Underwriting expenses	US\$M	607	600	601	555	519
Underwriting result	US\$M	558	618	424	221	300
Net claims ratio	%	64.0	63.3	63.2	62.8	60.7
Net commission ratio	%	13.7	13.5	14.1	14.7	14.8
Expense ratio	%	13.6	13.3	14.1	15.3	14.5
Combined operating ratio	%	91.3	90.1	91.4	92.8	90.0
Statutory combined operating ratio	%	87.5	86.3	90.1	93.9	91.6
Insurance profit margin	%	12.2	13.3	10.4	6.9	13.6

¹ Excludes impact of changes in risk-free rates used to discount net outstanding claims.

Underwriting performance

Australia Pacific reported a combined operating ratio of 90.1% compared with 91.4% in the prior period.

Underwriting profit of \$446 million increased by 31% relative to the prior year in constant currency terms.

Strong results were delivered across LMI, New Zealand, Pacific, CTP and Australian commercial portfolios. Partly offsetting this were higher catastrophe and weather-related claims in Householders and Strata.

The combined commission and expense ratio improved to 26.8% from 28.2% in the prior period.

In the fourth quarter, the High Court declined leave to appeal test cases relating to COVID-19 business interruption claims. As a result, uncertainty relating to the range of outcomes has reduced, leading to a release of divisional claims provisions and centrally held risk margin.

Claims are now being processed and paid based on the Federal Court ruling.

Premium income

Gross written premium increased by 9% to \$5,241 million, reflecting premium rate increases, sustained strong retention levels and new business, partially offset by lower volumes in LMI.

Premium rate increases improved to 9.5% from 8.3% in the prior period. Increases were broad based, though more pronounced in short-tail portfolios exposed to heightened natural peril activity and increased inflation. Premium retention remained strong at 87%, broadly consistent with the prior period.

Commercial gross written premium grew 14% underpinned by farm, commercial motor, commercial packages and engineering.

New Zealand & Pacific achieved gross written premium growth of 6% despite exiting the Smartpak facility in April.

Excluding LMI, Consumer achieved gross written premium growth of 12%, primarily reflecting higher rate increases. LMI gross written premium declined 43% to \$167 million, driven by reduced housing market activity following strong transaction volumes in the prior year.

Claims expense

Australia Pacific's net claims ratio was stable over the year at 63.3%.

The ex-cat claims ratio of 55.8% increased 1.6% relative to the prior period. The benefit of higher earned premium rates and lower claims handling costs was offset by increased frequency of non-catastrophe weather claims, and heightened inflation in property and motor portfolios.

The net catastrophe claims ratio of 8.2% increased by 2.5% compared to the prior period. The result was underscored by the significant East Coast flood and storm event in the first quarter, and the multiple flood and storm events impacting South-Eastern Australia in the fourth quarter.

The size, breadth, frequency and mix of natural peril activity (both catastrophe and non-catastrophe) has compounded inflationary impacts by increasing demand for tradespeople and materials, and supply chain disruption.

Short-tail inflation assumptions were strengthened, to reflect observed trends in average claims cost. In long-tail reserves, assumptions have also been increased for average wage growth and inflation.

Notwithstanding, the result included favourable prior accident year claims development of \$44 million, compared with strengthening of \$111 million in the prior period. Favourable experience in LMI and CTP more than offset the aforementioned inflation related strengthening, and strain in workers' compensation excess of loss, which was closed during the year.

In LMI, asset quality continued to improve, with 90-day arrears at 0.52%, down from 0.68% at 31 December 2021 and approximately 40 basis points below pre-COVID-19 levels. As a result, claims experience has been favourable and prior accident year claims liabilities held in relation to COVID-19 were released.

Commission and expenses

The combined commission and expense ratio improved to 26.8% from 28.2% in the prior period.

The net commission ratio reduced to 13.5% from 14.1% in the prior period reflecting business mix, commission

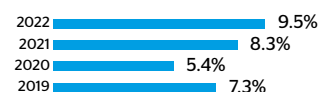
income associated with the LMI quota share reinsurance.

The expense ratio improved to 13.3% from 14.1% in the prior period, despite higher investment in modernisation and technology initiatives, and investment in staff to support business growth.

Average renewal premium rate increase

9.5%

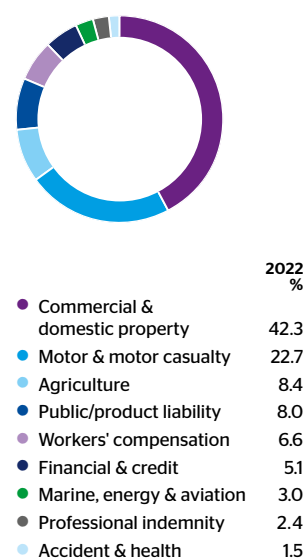
↑ 1.2% from 2021



Gross written premium by segment



Gross written premium by class of business



Combined commission and expense ratio

26.8%

↓ 1.4% from 2021





Group Chief Risk Officer's report

Managing risk – our business

Fiona Larnach Group Chief Risk Officer

As QBE emerges into a post-pandemic world, we continue to manage the residual risks from supply chain disruptions, business interruptions and hybrid working. However, given the volatility and rapid evolution of the geopolitical environment, new international challenges arise. The invasion of Ukraine by Russia resulted in a material deterioration in the global security environment and increased macroeconomic uncertainty. QBE is focused on managing the risks and impact to the Group while supporting our customers.

In addition, QBE continues to be exposed to natural disasters, with the 2022 eastern Australia floods recorded as some of the costliest in the nation's history. As the frequency and severity of these weather events continue to increase, QBE is focused on continuously improving understanding and management of climate-related risks. Catastrophe modelling continues to be updated in order to inform underwriting and reserving decisions.

Enterprise risk management framework

The enterprise risk management framework describes QBE's approach to managing risk and is embedded in our Risk Management Strategy which is annually reviewed to assess its effectiveness. To achieve the integration of risk in business planning and supporting our strategic objectives, material risks are identified and assessed, with QBE focused on ensuring there is a globally consistent process for individual risk assessments. Group-wide stress testing is performed to help develop mitigation strategies and actions to achieve our business plans.

Alongside strategic planning, our Capital Management Plan and risk appetite statements ensure a balance between risk and return as we allocate resources for sustainable growth. QBE's risk appetite statements define the

threshold for our risk appetite, and are subject to periodic updates. Monitoring this enables QBE management to be aware of potential earnings volatility risks within the business plan and take action accordingly.

QBE's Group Risk and Control Self-Assessment Standard sets minimum requirements for identifying, documenting, and assessing key risks that QBE faces in delivering our strategic and business objectives, and assessing the effectiveness of those controls in place to manage those risks. The Incident and Issue Management Standard sets the minimum requirements for managing incidents and issues across QBE. This allows QBE to better manage risk and drive continuous improvement by understanding our risk exposure, identifying the root causes and proactively improving the overall control environment.

Risk governance

QBE's approach to managing risk is set out in the Risk Management Strategy, which is implemented through a three lines of defence model with oversight from the Board. The first line is business, responsible for identifying and controlling risks within our risk appetite according to our enterprise risk management framework. The second line is the risk and compliance function which establishes relevant risk frameworks and has an independent

role to support and challenge the first line. The third line is the internal audit function which is the independent review and assurance function. QBE's approach to assurance seeks to integrate assurance-related activities across all three lines of defence to provide assurance that the key risks are being appropriately managed.

During 2022, QBE has sought to improve the effectiveness of risk management through a number of initiatives including strengthening the organisation's risk culture, developing an earnings volatility risk approach and simplifying the risk framework and internal governance documentation. Management expects to continue this program of risk management enhancements in 2023.

Risk culture

QBE recognises the importance of risk culture for supporting risk management and is committed to developing an appropriate level of skills to support a strong risk mindset. The QBE Group Risk Culture Standard outlines our framework through which we assess and manage risk culture.

Our risk culture is a key element of the QBE organisational culture and is strongly intertwined with the QBE DNA. We use a variety of processes and tools to understand and continually evolve our risk culture and risk maturity.

Our top risks

Geopolitical and economic uncertainty

Political instability or conflict resulting in disruption to international trade and economic downturn could result in financial loss to QBE. Heightened risk of conflicts, such as the ongoing geopolitical tensions between the US and China, and Russia's invasion of Ukraine has led to energy concerns and additional disruption to supply chains which were already strained from a global economy emerging from COVID-19. This has contributed to inflation, interest rate increases, heightened risk of recession and volatile foreign exchange rates and stock markets across major developed economies to which QBE's business is exposed, driving potential financial loss.

QBE is focused on understanding the potential impacts of geopolitical and economic uncertainty through scenario analysis and ensuring appropriate action is taken, such as through pricing to manage the impact of future claims costs, setting an appropriate business plan and determining appropriate reserves and capital requirements.

Inflation

Heightened inflation is a key driver of the current global macro-economic environment. Ongoing global political crises impacting energy and commodities pricing also threaten to exacerbate the fragility of the global supply chain. Central bank interest rates are the primary policy response to manage future inflation; however, the economic risk associated is economic slowdown and recession. There is the possibility that central banks choose not to increase interest rates substantially, leading to heightened inflation becoming embedded within Western economies.

As such, the rising cost of insurance claims, wage inflation and materials (both cost and availability), increasing litigation and litigation funding as well as broader definitions of covered liabilities, could impact profitability targets. Inflation assumptions, impact on reserves and pricing adequacy form a key part of the analysis within the inflation and recession stress tests and Group business planning process. Our inflation working group brings together cross-functional leaders to consider predicted inflationary trends and propose actions to be taken across all dimensions of QBE's business.

Climate change

As an international insurer, reinsurer and investor, there are a range of risks and opportunities associated with climate change that will present over the short, medium and long term. The increased frequency and severity of natural disasters due to climate change, as well as the transition to a net-zero economy, drive risks and opportunities. There is the potential for climate change to have significant impacts on certain perils and regions particularly floods in Europe and Australia, and hurricanes in North America, over the longer term. Regulatory pressures continue to grow, as policy action and stakeholder expectations around disclosure become more ambitious over the shorter term.

i Further details on our approach to manage climate risks and opportunities are on [pages 34–43](#).

Insurance accumulations

The influence of climate change, technological advances, increased globalisation and interdependency emphasise the importance of appropriate accumulations management towards large insurance loss events.

To manage this risk, QBE monitors and manages its insurance accumulations. Sophisticated modelling is used to understand both our current and forecast exposures and is viewed against the Board's risk appetite in relation to extreme loss events. We use multiple methodologies to evaluate the concentration risk from exposure to natural and man-made catastrophes, controlling this exposure with the appropriate purchase of reinsurance. QBE maintains an inventory of catastrophe models that cover global perils and regions to match our global portfolio. Scenario analysis focused on underwriting risk elements is employed to understand the potential impact of unexpected events across multiple classes of business. The breadth and depth of scenarios are reviewed and challenged regularly to reinforce new learnings, reflect best practice and to ensure the suite of catastrophes covered are in line with current events and new risks. Reinsurance and broader portfolio management strategies are integral to ensuring that our insurance accumulations remain at acceptable levels.

Reserving, large losses and prior year claims development

Inflation continues to drive uncertainty around the ability of QBE's current reserves to meet future claims with the risk of adverse prior year claims development. Both price and social inflation contribute to the rising claims costs and must be considered in reserving assumptions.

Cyber

QBE continues to adapt and optimise its operations and strategy in response to the ever-evolving threat landscape. To support QBE's innovative and fast-paced business, QBE aims to effectively manage cyber risk to ensure cyber resilience. QBE leverages the breadth of knowledge and expertise globally to deliver consistent and effective services that address our existing and emerging risks.

QBE's Cyber Security Strategy is informed by recommendations from internal and external reviews and takes a risk-based approach to the current and emerging threat environment. The strategic initiatives for 2022 to 2024 relate to ongoing improvements in our security posture, resilience, enhancing governance of partners and suppliers, investing in our people's security awareness and obligations, and further enabling security solutions in keeping pace with the threat landscape. In line with implementing these strategic initiatives, QBE is also focusing on assurance over our retention, management and disposal of data and datasets.

climate change

– our approach to risks and opportunities

QBE's approach to climate change is being embedded into our strategic priorities and risk management framework and supports our purpose of enabling a more resilient future. One of our three sustainability strategy focus areas is to foster an orderly and inclusive transition to a net-zero economy which directly supports our climate activities. We continue to develop our metrics, taking data availability and reliability into account, as well as set targets and make progress against our commitments.

Governance

The Board approves QBE's strategic priorities, which includes consideration of climate risks and opportunities. The Group Executive Committee (GEC) is accountable for developing and implementing the strategy.

The Board and the GEC receive regular reporting on sustainability issues and our progress towards our sustainability and climate-related goals and targets, as outlined in our 2022 Sustainability Scorecard. The GEC is supported by the Environmental and Social GEC Sub-Committee which focuses on environmental and social strategic issues including climate change. The Sub-Committee is chaired by our Group Executive, Corporate Affairs and Sustainability and meets at least every two months.

As part of the oversight of the Group's Risk Management Strategy, the Board Risk & Capital Committee (BRCC) and the Executive Risk Committee (ERC) receive regular reports

on environmental, social and governance (ESG) risks, including deep dives on climate change risk, QBE's approach to managing this risk, and our scenario analysis for 2022.

The ESG Risk Committee continues to play a key role in supporting the ERC in its identification and management of ESG risks, including climate change. The ESG Risk Committee is chaired by the Group Chief Risk Officer and has oversight of the Environmental and Social Risk Framework and its implementation, as well as climate scenario analysis and climate disclosures.

Our Board and Executives participate in regular training to enhance climate change capability. In 2022, the BRCC and ERC joined externally facilitated education sessions covering the evolving and accelerating liability landscape, board and management duties and exposures, reporting and disclosure, and regulatory expectations.

Strategy

QBE has committed to be a net-zero emissions organisation across our operations by 2030, and across our underwriting and investment portfolios by 2050. Addressing the risks and opportunities associated with climate change is a priority for QBE and our stakeholders.

In 2022, climate change was a key consideration in the evolution of our sustainability strategy and is highly relevant to our three areas of focus:

1. Foster an orderly and inclusive transition to a net-zero economy
2. Enable a sustainable and resilient workforce
3. Partner for growth through innovative, sustainable and impactful solutions

We recognise the importance of addressing climate change and incorporating climate-related risks and opportunities into our strategic priorities, business planning and decision-making to meet our environmental and social commitments and enable a resilient future for our business and our customers.

To underpin our understanding of climate risks and opportunities, we have continued to undertake physical and transition scenario analysis. Understanding the changing nature of weather-related risks is critical to considering how we can help our customers manage their physical risks and how we price for and manage the accumulation of this risk.

This year, we have undertaken a global, economy-wide transition scenario analysis which has highlighted the risks and opportunities associated with the pathways to achieving net-zero emissions. While there is more work to be done to deepen our understanding and response to the decarbonisation journey, current data indicates QBE is broadly resilient. There are environmental and social benefits to an orderly transition to 1.5°C through greater economic stability and lower physical risks of climate change. As a global insurer and reinsurer, we have the ability to support the transition across many industries and regions through the products and partners we work with across our insurance portfolio, investment portfolio and own operations.

i QBE's sustainability commitments in relation to these focus areas for 2023+ are detailed in our [2022 Sustainability Report](#).

QBE Foundation

This year, QBE announced a three-year extension to its global disaster relief and climate resilience partnership with two of the world's leading humanitarian agencies, Red Cross and Save the Children.

This partnership enables rapid mobilisation of funds for relief activities during disasters and supports preparedness and climate adaptation initiatives for communities around the world. We work together with communities to build resilience and save lives by improving their capacity to prepare, anticipate, respond and recover from disasters.

To date, the partnership has been activated in 19 of the 27 countries in which QBE operates and has reached over 490,000 people through the deployment of \$2.7 million in funding and a further \$2 million in investments through the Save the Children Impact Investment Fund. Our strategic framework outlines four key pillars: Disaster Preparedness and Risk Reduction, Anticipatory Action and Mitigation, Disaster Response and Disaster Recovery, underpinned by the Sendai Framework for Disaster Risk Reduction, UN Sustainable Development Goals and our organisational policies and frameworks.

Our strategy seeks to address:

Building community resilience

Local communities facing increased risk of natural disasters and emergencies are supported to effectively implement systems and practice

Underinsurance

Supporting customers to prepare for disasters and avoid significant impacts

Disaster financing

By developing forecast-based funding models, we can minimise impact and reduce human suffering and losses from disasters

Responding to disasters

Communities across 27 countries are supported to respond to disasters effectively

Scenario analysis



Physical



Transition

Scope of portfolios

Underwriting (property)
Investment (unlisted property funds)

Underwriting (casualty, financial lines)
Investment (fixed income)

Scenarios

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

Network for Greening the Financial System

Orderly	Net zero 2050	1.5°C
	Below 2°C	1.7°C
Disorderly	Divergent net zero	1.5°C
	Delayed transition	1.8°C
Hot house world	Nationally Determined Contributions	2.4°C
	Current policies	3.0°C+

Timeframe

2030, 2050 and 2090

2025, 2030, 2040 and 2050

Scope of assessment

	Hurricane/ cyclone/ typhoon	Australia, North America, Japan
	Convective storm/hail	Australia, North America
	Windstorm	Europe
	Flood	Australia, Europe
	Bushfire	Australia
	Wildfire	North America

The impact of climate change on sectoral profit at a global level.

Climate scenario analysis

Catastrophe models

Business planning
Portfolio optimisation
NZIA target setting

Capital models and planning

Reinsurance programs



Physical risks and opportunities

QBE's property exposures most impacted by shorter-term physical risks of climate change are typically driven by exposure to North American hurricanes, and perils such as floods, bushfires and convective storms. The evaluation of the impact is supported by our accumulations management process, including regularly updated natural perils models, monitoring of property accumulations across the portfolio to simulate weather-related loss potential, budgeting, price setting, and the use of reinsurance to protect capital and reduce earnings volatility.

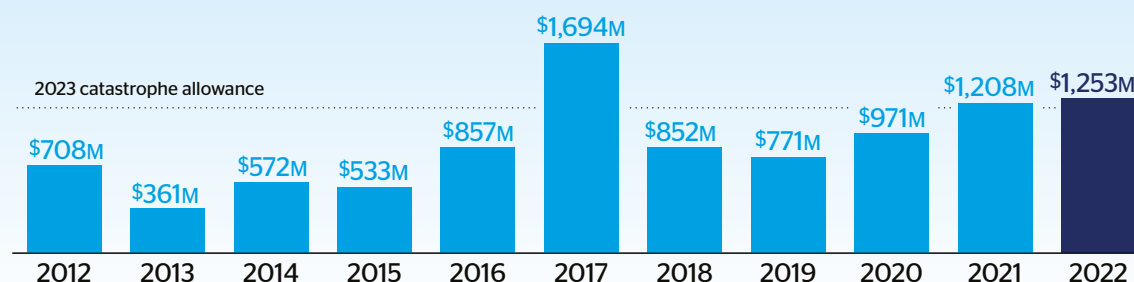
Our analysis concludes that the impact of climate change will differ significantly across both regions and the type of catastrophes. From the perils and regions studied so far, flood claims in Europe and Australia potentially could be the most impacted, while cyclones and convective storms in North America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

As part of our portfolio optimisation, we have reduced our exposure to North American hurricane given its significance in terms of its exposure to physical climate risk and driving potential losses for our business.

We expect climate change will increasingly impact the frequency and severity of weather-related natural catastrophes over the long term. In the short term, it is often difficult to distinguish the impact of climate change versus the normal short-term variability in weather and natural catastrophes. QBE looks to manage for natural catastrophe volatility by considering a wide range of event frequency and severity scenarios in our capital planning. We also purchase a comprehensive Group catastrophe reinsurance program. Our catastrophe allowance in 2023 has been established at well above the long-term average of our modelled catastrophe costs. We effectively planned for the elevated level of catastrophe activity experienced in recent years.

2023 catastrophe allowance 'as-if' analysis

Annual catastrophe claims restated using 2023 reinsurance program



Strategy continued

Transition risks and opportunities

In 2022, we refreshed our climate transition scenario analysis to align with six of the latest Network for Greening the Financial System scenarios¹.

We then overlayed QBE's exposure, where data allowed, to better understand which segments of our insurance and investment portfolios may be exposed to high growth or contraction sectors as a result of the transition to a net-zero economy.

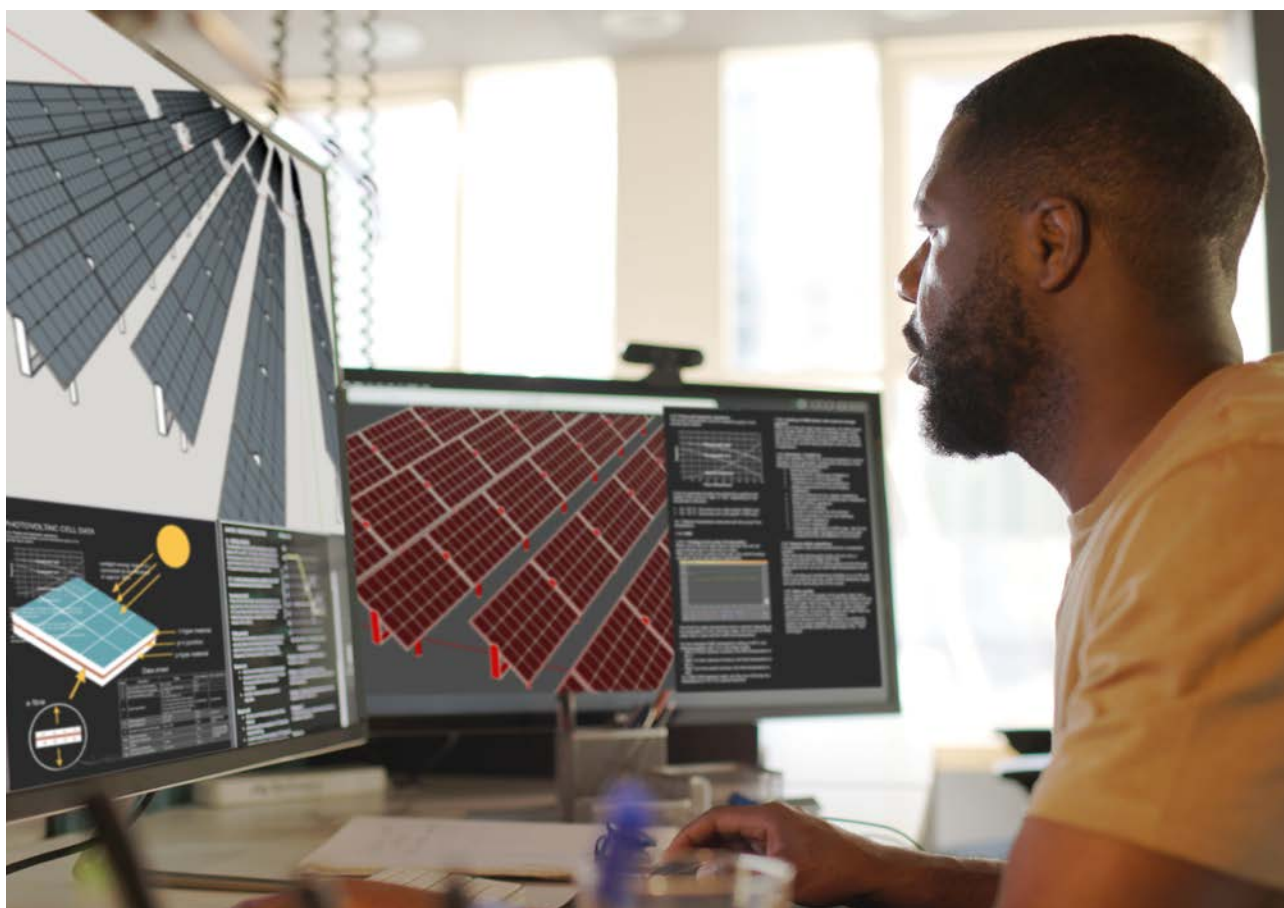
For investment, this was the fixed income (core fixed income (ex cash and cash equivalents), high yield, emerging market debt and private credit) portfolio and for underwriting it was the casualty and financial lines portfolios. The portfolios initially covered represent the material proportion of the underwriting portfolio that is likely to be affected by transition risk. Our property portfolio is more exposed to physical risk and we assess that separately, as outlined in this report.

In 2022, we have made a significant investment in data, people and systems to allow us to better understand our underwriting exposure at a sectoral level.

This work is ongoing as it supports our insurance-associated emissions baseline and target setting. We expect that data coverage and reliability will improve over time.

QBE has a diverse portfolio and operates in many industry sectors and geographies. In relation to the in-scope portfolios, QBE continues to be resilient with respect to climate transition risks as both our investment and underwriting portfolios broadly have limited exposure to highly impacted sectors.

There is an expectation that governments will follow through on their own commitments under the Paris Agreement and the transition will require insurance capacity to support activities essential to the global economy and society. We need to work with the most impacted industry sectors to transition in an orderly and inclusive manner to achieve a net-zero economy.



¹ Further details on the scenarios is available here: www.ngfs.net/ngfs-scenarios-portal/

Underwriting

In January 2022, we announced the commitment to transition our insurance and reinsurance underwriting portfolios to net-zero GHG emissions by 2050. We also became the first listed Australian insurer to join the NZIA, a group of leading insurers and reinsurers that have pledged to help accelerate the transition to net zero within insurance and reinsurance underwriting portfolios.

This cemented our ongoing commitment to help support the transition of our customers, encouraging businesses to decarbonise and adopt more sustainable business models. NZIA's key objective is to set a common global standard to assess, understand and disclose the emissions intensity for underwriting, and a protocol based on science-based targets. This establishes a foundation and enables the insurance industry to set interim decarbonisation-related targets every five years, with the first interim target being 2030, and begin the process of annual reporting.

Our involvement in the NZIA has enabled participation within the working groups centred around delivering the NZIA's key objectives. QBE has been part of the collaborative working group between PCAF and NZIA to develop the first GHG gas accounting and reporting standard to measure and disclose insurance-associated emissions for specific commercial lines classes of business and private motor, published in November 2022. QBE led the reporting and metrics sub-working group on the methodology work, is a member of the NZIA target-setting protocol working group that commenced in September 2022 and

was co-lead for the focus group on setting the overall emissions target for the NZIA Target-Setting Protocol. In January 2023, the NZIA published the Protocol and QBE is expecting to develop and disclose interim targets in line with this Protocol.

This is uncharted territory for the insurance industry, and we recognise that there is a material gap in emissions data reported, especially by private corporations and small to medium enterprises. Despite these challenges, we expect, with appropriate engagement and changes in government policy, this should improve over time.

We are also cognisant that the world needs a sustained shift in energy supply away from fossil fuels and towards low carbon. The situation in Ukraine and its impact on energy supply further underlines the need to find alternative, sustainable sources of energy. Our net-zero re/insurance strategies consider the social consequences, aligned to our sustainability focus area of fostering an orderly and inclusive transition to a net-zero economy. We recognise that not all countries or communities can be expected to transition at the same pace. Our internal target setting strategies will seek to look to minimise these disparities and achieve overall emissions reductions in line with our commitment.

i Refer to the [2022 Sustainability Report](#) for more information.

Insuring the transition

In 2022, QBE launched a Sustainable Energy unit to support customers as they transition to lower carbon energy. The unit aligns QBE underwriting capabilities with the growing range of companies and energy systems that form part of a rapidly changing energy mix throughout the world.

Helping our customers adapt

As a business, we continually explore new ways to support our customers on their mitigation and adaptation journeys.

To encourage green home ownership and increase affordability of green home ownership, this year we launched a new benefit for lenders' mortgage insurance (LMI) customers. Customers who purchase or refinance a home with a green mortgage (through our participating partners) receive a premium reduction for their LMI. 100% of the LMI premiums for green mortgages are contributed to our Premiums4Good initiative.

Operations

In 2022, we continued to deliver on our net-zero roadmap and broaden our focus, extending our 2030 commitment to net zero for our global operations to include material Scope 3 emissions (in addition to Scope 1 and 2 emissions). We have also committed to commencing engagement on net-zero progress with large suppliers in our global supply chain, with the goal of setting targets for those large suppliers by 2025 and developing our approach for 2023 to 2025.

i Further details on our approach to net zero within our operations is available in the [2022 Sustainability Report](#).

ICA climate change roadmap

To support broader action across the Australian general insurance sector, QBE has, through our role as co-chair of the Insurance Council of Australia's (ICA) Net-Zero Working Group, worked with our peers and the ICA to develop a climate change roadmap for the sector. The roadmap provides guidance for ICA members on the role they can play in the decarbonisation of the Australian economy and is aligned with our broader global commitments, including our commitments through the NZAOA and NZIA.

Investments

Net-Zero Asset Owner Alliance

Aligned with our broader climate strategy and our commitment to impact and responsible investments, QBE was the first Australian-headquartered insurance company to become a member of the NZAOA in 2020, joining a growing group of institutional investors committed to transitioning their investment portfolios to net-zero emissions by 2050. As asset owners, we have a unique role at the top of the investment value chain, and we acknowledge both the responsibilities and opportunities that come with this role. In 2022, we have continued to utilise guidance, tools and support of the NZAOA, as well as collaborated with other members, both one on one, and in the relevant NZAOA working groups with which QBE is involved. In 2021, to deliver on our commitment to transition our investment portfolio to net zero by 2050 and set our initial intermediate targets, we established cross functional working groups. In 2022, these working groups continued this work with a key focus on implementation.



Engagement

All external managers

across our investment portfolio

20 highest emitters

in our investment grade corporate credit portfolio

Engagement

We believe that having meaningful dialogue on climate change is a critical component of our responsibility as an asset owner and in ensuring sustainable financial outcomes. We have been engaging with our external managers on climate-related issues since 2019 and each year we evolve the conversation by improving, expanding and tailoring the questions we ask. In 2021, as part of our target setting work, we engaged all our external managers across our investment portfolio and our 20 highest emitters in investment grade corporate credit, providing a baseline for us to monitor progress. In 2022, we have

further enhanced our engagement approach by including asset class specific climate due diligence questions. Each year, we will engage with all of our external managers to continue to track progress across key climate-related issues, including net-zero commitments and emissions target setting. For our top 20 highest emitters in our investment grade corporate credit portfolio, we enhanced our engagement approach to be more tailored, identifying material areas of focus per issuer and directing targeted questions to each company allowing for more meaningful and relevant dialogue.



Financing the transition

5% by 2025

of assets under management in climate solutions investments

Financing the transition

We have set a target to increase our exposure to climate solution investments that will finance the transition. These investments will directly contribute to climate change mitigation and/or adaptation and follows guidance from the NZAOA Target Setting Protocol. In 2022, this has increased to 4.8% from 3% at the end of 2021. Notably, in 2022 we added

\$134 million in green bonds. Green bonds fund projects that have positive environmental benefits and support the transition to a net-zero economy. We will continue to actively invest in green bonds as well as search for additional opportunities that support the transition to a net-zero economy including negative emissions investments.



Carbon intensity reduction

25% by 2025

of our Scope 1 and 2 emissions in our equity portfolio

Carbon intensity reduction

QBE has set the target of 25% reduction in the carbon intensity of our developed market equity portfolio by 2025, relative to a 2019 baseline. Over the course of 2022, we worked towards developing a more resilient portfolio by changing the way we will primarily invest in developed market equity by moving from passive strategies via exchange traded funds to tailored mandates with external equity managers. As part of our due diligence, we considered prospective

managers' commitments to net zero and decarbonising the real economy as well as their ability to incorporate our emissions reduction targets into the investment management agreements. We expect to make this transition of our investment approach in 2023. Over the course of 2023 we will continue to progress and expect to set additional asset class emissions reduction targets in line with the NZAOA Target Setting Protocol.

Data, monitoring and reporting

As part of our learnings from the work we undertook in 2021, we also introduced a new working group, to deliver our data, monitoring and reporting requirements. The working group is focused on the sourcing and gathering of relevant data as well as implementing system solutions for monitoring and reporting to support decision making and progress tracking to achieve our goals. A key output for the working group this year has been the

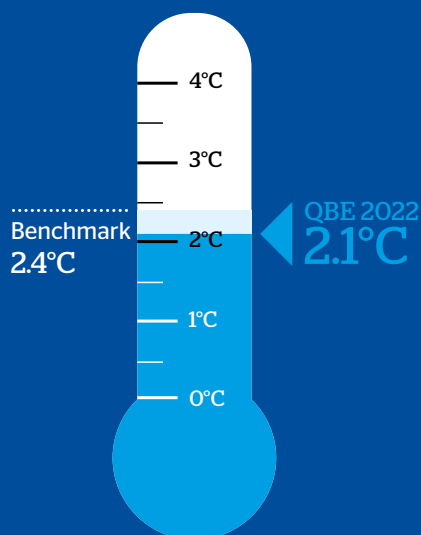
development of tools to provide attribution, monitoring and overall tracking of emissions across the developed market equity portfolio. We are also in the process of implementing a new investment system, which will provide enhanced data capabilities, consistency of reporting and ongoing accuracy to improve the way we incorporate climate-related considerations into our investment process to achieve our commitment to decarbonisation.

Climate scenario analysis

We have continued to undertake climate-related analysis of our investments portfolio, such as scenario analysis, temperature alignment and carbon footprinting to assess our overall exposure to climate risks and opportunities.

Temperature alignment

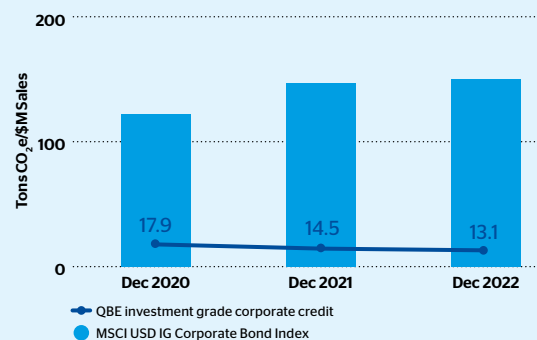
We have commenced implementation of a new investment system which has allowed us to undertake a new temperature alignment assessment of the investment grade corporate credit portfolio. This forward-looking analysis was undertaken utilising the temperature alignment metric¹ which shows how well aligned an issuer's, and also a portfolio's, emission projections are to the Paris Agreement. This level of analysis will allow us to target our engagement to those companies that are not aligned and work with them to decarbonise. Our investment grade corporate credit temperature alignment is 2.1°C, against a benchmark of 2.4°C. We will continue to engage with our highest emitters in pursuit of 1.5°C alignment.



Carbon footprinting

We assessed the carbon footprint of our investment grade corporate credit portfolio, which constitutes over 50% of assets under management, and remains in line with our commitment to maintaining a low carbon risk rating². We use weighted average carbon intensity³ (WACI) as a measure of our portfolio's exposure to carbon-related potential market and regulatory risks. The WACI is significantly below the MSCI USD Investment Grade Corporate Bond Index, given our low exposure to high emitting sectors.

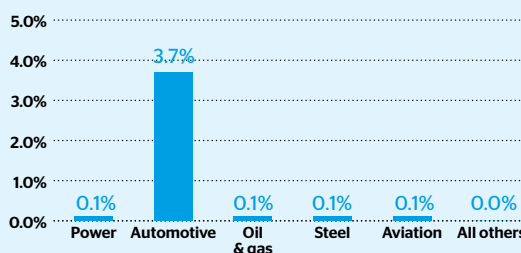
Weighted average carbon intensity



High emitting sectors

To assess our transition risk, we have looked at the exposure of our investment grade corporate credit, high yield debt and emerging market debt portfolios (approximately 53% of our total assets under management) to high emitting sectors using the Paris Agreement Capital Transition Assessment (PACTA) tool. Collectively, these sectors account for about 75% of global emissions and understanding our exposure to these industries will enable us to continue to target our engagement strategies. Our transition risk remains low, with less than 5% of our portfolio exposed to these high emitting sectors.

High emitting sector exposures (PACTA)⁴



¹ Temperature alignment is calculated as the weighted average of each portfolio company's individual contribution to rising temperatures.

² Carbon risk rating measures exposure to carbon intensive companies. MSCI Carbon Risk is categorised as Very Low (0 to <15), Low (15 to <70), Moderate (70 to <250), High (250 to <525) and Very High (>=525).

³ WACI is calculated as the sum product of the portfolio companies' carbon intensities and weights (tCO₂-e/\$M sales).

⁴ Data sourced as of 30 September 2022.

Risk management

The risk of inaction on climate change continues to be a significant global risk. QBE manages climate risk through integration into decision-making and our processes and frameworks.

Managing climate risk is integrated into our assessment of natural perils modelling, our management of exposure accumulations, the design of our reinsurance program and our portfolio optimisation and sustainable growth strategic priorities. Further, managing the risks and opportunities of climate is integrated into the three focus areas of our sustainability strategy.

The sustained increase in the frequency and severity of natural catastrophes 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 we have used this analysis to assess the resilience of our strategic responses, improve our underwriting, pricing and business planning, and to set our risk appetite.

QBE has a Risk Management Strategy to ensure we achieve our strategic priorities while also establishing

effective governance and fundamental principles for the management of risk across all levels of the organisation. Climate change is part of ESG risk, which is classified as a strategic risk sub-class in our Strategic Risk Policy and Risk Management Strategy. Climate-related risks are also considered across our other risk classes such as insurance, credit, market and operational risk.

Our approach to identifying and managing ESG risks, including climate-related risks, is outlined in our Group ESG Risk Standard. Climate change continued to be our top ESG risk in 2022, alongside modern slavery and human rights, biodiversity, and sustainable procurement.

One of the ways we can identify and assess ESG risks is through the Group Risk and Control Self-Assessment (RCSA) process. QBE's Group RCSA Standard sets minimum requirements for identifying, documenting, and assessing key risks that QBE faces in delivering our strategic and business objectives. The Standard is also used to assess the effectiveness of the controls in place to manage those risks.

Training

This year, training modules were developed and rolled out Group-wide on ESG risk and climate change. These are voluntary and available to all employees with the aim of improving the understanding of what are ESG and climate risks, and QBE's approach to identifying and managing these risks.

Environmental and Social Risk Framework

Our Environmental and Social Risk Framework came into effect on 1 January 2022. Through our positions in the Framework, we have committed to reduce our exposure to higher transition risks in the energy sector. QBE has no direct investments in coal, oil or gas and will no longer directly invest in these sectors. We no longer underwrite new coal and oil sands projects, and only support oil sands and Arctic drilling where the company is on a pathway consistent with achieving the Paris Agreement objectives.



Metrics and targets

We continue to set relevant targets and assess our progress and performance against them.

i More details on QBE's Sustainability Framework and our performance and progress are available in QBE's [2022 Sustainability Report](#).

MEASURE	TARGET	2022	2021	STATUS
Operations				
Energy use (GJ)	25% reduction by 2025 ¹ 2019 baseline	192,429 ⬇️ 20%	180,004	On track
Renewable electricity use (MWh)	100% by 2025 ²	18,513 100%	20,199	Achieved
Scope 1 and 2 emissions (1.5°C trajectory aligned science-based target) (tCO ₂ e)	30% reduction by 2025 ³ 2018 baseline	7,732 ⬇️ 75%	6,880	Achieved
Scope 1 and 2 emissions	Net-zero emissions (Scope 1 and 2) across operations by 2030 ⁴ 2019 baseline	7,732 ⬇️ 45%	6,880	On track
Operational Scope 3 emissions	Net-zero emissions on material Scope 3 by 2030 ⁵	15,896	2022 baseline	New target
Underwriting				
Underwriting portfolio emissions	Net-zero emissions (Scope 1 and 2) in underwriting portfolio by 2050	N/A	N/A	Interim targets to be set
Investments				
Engagement	<ul style="list-style-type: none"> All external managers across our investment portfolio 20 highest emitters in investment grade corporate credit portfolio 	Achieved	N/A	Ongoing
Financing the transition	Increase our climate solutions investments to 5% of assets under management by 2025	4.8%	N/A	On track
Carbon intensity reduction	25% reduction by 2025 of Scope 1 and 2 emissions in equity portfolio ⁶	In progress	N/A	Ongoing
Impact investing ambition	\$2 billion by 2025	\$1.6 billion	\$1.4 billion	On track

1 In 2022, we broadened our energy use indicator to include company vehicle fuel consumption, in addition to electricity and gas usage. As a result, the 2019 baseline has been restated to include 86,228 GJ of company vehicle fuel consumption.

2 Based on RE100 Materiality Threshold guidance and excludes electricity use from countries with small electricity loads (<100 MWh/year) up to a total of 500 MWh/year and where it is not feasible to source renewable electricity.

3 In 2022, we reclassified previously reported Scope 3 – indirect gas to Scope 2 – heat for disclosure purposes. The 2018 baseline has been restated to include 1,186 tCO₂e of Scope 2 – heat.

4 In 2022, we reclassified previously reported Scope 3 – indirect gas to Scope 2 – heat for disclosure purposes. The 2019 baseline has been restated to include 1,274 tCO₂e of Scope 2 – heat.

5 Net-zero emissions on material Scope 3 includes emissions related to business travel, fuel-and energy-related activities and capital goods. Refer to the 2022 Sustainability Data Book – Metrics Criteria for details.

6 We have worked with preferred managers to ensure these are considered in mandate design and implementation, and will continue to track and monitor.

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 Audit, People & Remuneration, Risk & Capital 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.



Andrew Horton BA Natural Sciences, ACA

Group Chief Executive Officer

Andrew joined QBE as Group Chief Executive Officer in September 2021. He was previously the CEO, and before that the Finance Director, of Beazley Group, a specialist insurer based in the United Kingdom with operations in Europe, the United States and Asia. Prior to this, he held various senior finance roles in ING, NatWest and Lloyds Bank. Andrew has more than 30 years' experience across insurance and banking, and has extensive experience across international markets.



Yasmin Allen BCom

Independent Director

Yasmin became a non-executive director of QBE in July 2022. She is a member of the Audit and People & Remuneration Committees. Yasmin has more than 20 years' experience as a company director and Chair serving companies across a wide range of sectors, including natural resources and financial services. She is currently a non-executive director of Cochlear Limited, Santos Limited and ASX Limited. She chairs Tic Toc Online, a digital home loan platform company, the Harrison Riedel Foundation, a charity supporting young mental health, and the Digital Skills Organisation. Yasmin is a member of the Federal Government Takeovers Panel and has been acting President since 2019 and is a member of Chief Executive Women. She has served as a non-executive director for a number of companies including Insurance Australia Group Limited and was the former Chair of Macquarie Group's Global Infrastructure Funds. She was previously a senior investment banking executive specialising in equity markets in Australia and the United Kingdom.



Tan Le BCom (Hons), LLB (Hons)

Independent Director

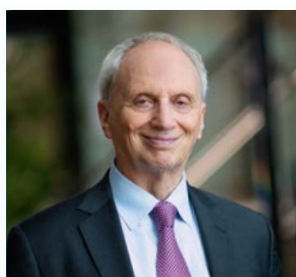
Tan became a non-executive director of QBE in September 2020. She is Chair of the People & Remuneration Committee and a member of the Governance & Nomination Committee. Tan is the founder and CEO of EMOTIV, a neuroinformatics company advancing understanding of the human brain. She was previously co-founder 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 Deputy Chair of the People & Remuneration Committee and a member of the Risk & Capital Committee. 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 several other 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 Risk & Capital Committee. 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 Governance & Nomination Committee. 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 Audit and Risk & Capital 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. Eric was a non-executive director of Deutsche Bank Americas. Eric is currently a member of Jefferies Global Advisory Board and on the Board of Pine Technology.

**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 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 on only a few individuals since its creation in 1917. Rolf is a director of Marco Insurance PCC Limited and British Reserve Insurance Company Limited and is also on the advisory board of Wrisk Ltd. Rolf was previously a director of Beazley plc and Beazley Furlonge Ltd.

Stephen Fitzgerald AO BEC

Retired Independent Director

Stephen served as an independent non-executive director of QBE from 2014 until his retirement on 5 May 2022. Stephen was 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.

John M Green BJuris/LLB, FAICD, SF FIN

Retired Independent Deputy Chair

John served as an independent non-executive director of QBE from 2010 until his retirement on 5 May 2022. He was Deputy Chair of the Board, Chair of the People & Remuneration Committee and Deputy Chair of the Investment, Operations & Technology and Governance & Nomination Committees. He was also a member of the Risk & Capital and Audit Committees.

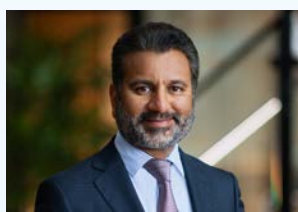
Group Executive Committee



Andrew Horton BA Natural Sciences, ACA

Group Chief Executive Officer

Andrew joined QBE as Group Chief Executive Officer in September 2021. He was previously the CEO, and before that the Finance Director, of Beazley Group, a specialist insurer based in the United Kingdom with operations in Europe, the United States and Asia. Prior to this, he held various senior finance roles in ING, NatWest and Lloyds Bank. Andrew has more than 30 years' experience across insurance and banking, and has extensive experience across international markets.



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 and 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 previously held 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 Harris BSc (Hons) Geology

Chief Executive Officer, International

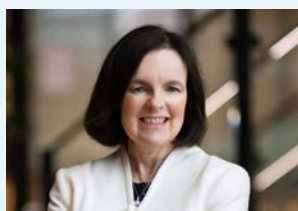
Jason joined QBE as Chief Executive Officer, International in October 2020. Prior to joining QBE, Jason held a number of global and international leadership roles at XL Group including most recently as Chief Executive, Global Property and Casualty and previously as Chief Executive, International Property 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.



Sam Harrison BA (Hons) Economics

Group Chief Underwriting Officer

Sam was appointed Group Chief Underwriting Officer in April 2021. Having worked at QBE for more than 24 years, Sam has held a number of senior roles including most recently as Managing Director, Insurance, for QBE's International division and prior to this as Managing Director of International Markets. Sam joined QBE in 1998 as an offshore energy underwriter and has over 30 years' experience in underwriting across the global market.



Sue Houghton BA History, ACA

Chief Executive Officer, Australia Pacific

Sue joined QBE as Chief Executive Officer, Australia Pacific in August 2021. She was previously Managing Director, Insurance for the Westpac Group. Sue has more than 20 years' experience in the financial services sector, having held senior leadership and management roles at Wesfarmers Insurance, Insurance Australia Group and Arthur J Gallagher. She is a member of the Champions of Change Coalition and is a director and immediate past President of the Insurance Council of Australia.



Amanda Hughes BCom, MBA, CA, GAICD

Group Chief People Officer

Amanda joined QBE in June 2020 as Group Head of Culture, Performance and Reward and was appointed Group Executive, People and Culture in December 2021. Prior to joining QBE, she was the Director of People and Culture at AMP and she previously held senior HR roles at Lendlease and Macquarie Group. Amanda began her career as a chartered accountant and has worked in Sydney, London and Auckland.



Todd Jones BSc, MBA

Chief Executive Officer, North America

Todd joined QBE in October 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 management liability insurance serving large, complex and middle market clients. Todd has over 25 years' experience in the insurance and financial services industry.



Fiona Larnach FCPA, MAICD

Group Chief Risk Officer

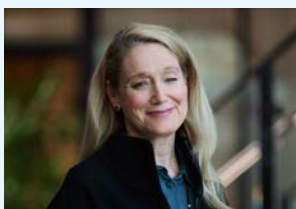
Fiona joined QBE in March 2021 as Group Chief Risk Officer. She has previously held senior executive roles at major financial services companies in Australia and the United Kingdom and was, most recently, the Chief Risk Officer for Barclays UK. Prior to this, she has held senior management roles including as Chief Risk Officer, Retail Banking for Commonwealth Bank of Australia and as a risk advisory partner at Ernst & Young consulting to insurance, banking and wealth management clients, and has worked at Westpac, AMP Limited, GE Mortgage Insurance and Citibank.



Matt Mansour MBA

Group Executive Technology and Operations

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 25 years' experience in technology, operations and digital business leadership roles.



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, she 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.

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 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. The Board also promotes QBE values that underpin the desired culture and monitors the performance of management in the delivery of strategy. 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 spends time in the United Kingdom and the United States each year.

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 2022 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;
- instil 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;
- establish and monitor the effectiveness of the risk and compliance management systems, 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 of any matters which a reasonable person would expect to have a material effect on the price or value of QBE's shares; 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 the 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 based on performance, market conditions and other factors. Management and the Group's internal audit teams review compliance with delegated authorities and a 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.

Committees

The Board is supported by several Committees which meet regularly to consider audit, risk management, remuneration, and other matters. The main Committees of the Board are the Audit, Governance & Nomination, 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 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). 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 2022 financial year and attendance by Committee members at Committee meetings is set out in the Directors' Report.

i 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). The Company Secretary oversees 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 of directors 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 2022, being an independent Chair, seven other independent directors and the Group Chief Executive Officer.

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.

The Board's skills matrix is summarised below:

SKILLS		INDUSTRY	
Financial literacy	Government relations	General insurance	Financial services
Legal	Executive leadership	Reinsurance	Accounting
Governance	Digital technology	Investment banking	
Strategy	Cyber security		
Commercial expertise	IT risks		
Risk management	Data analytics		

i Details of individual directors, including their qualifications and experience, independence status and period of Board tenure, 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 2022 year, the majority of the directors on the Board were independent directors, applying the 'independence' definition of the ASX Corporate Governance Council. 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 annual revenue. The roles of the Chair and Group Chief Executive Officer are generally also not exercised by the same individual.

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.



Corporate governance statement continued

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 a 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. 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 Annual General Meeting (AGM) following a director's appointment, whichever is the longer, without submission for individual re-election.

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 (GEC). The Governance & Nomination Committee is comprised of four 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 in, and informed about, 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. This is done 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.

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. Recommendations for either improvement or increased focus are agreed and promptly implemented.

A Board performance evaluation was conducted in 2022 for the 2021 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 four times each year 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 Tan Le.

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 2022, QBE introduced a new Annual Performance Incentive plan, utilising a business scorecard containing Group adjusted cash ROE and Group COR financial measures alongside risk, people and strategic non-financial measures. Individual performance objectives focus on both what has been achieved and how it is achieved during the year. Senior executives' risk performance is also evaluated which may result in upwards or downwards adjustment to their remuneration outcomes.

A senior executives' performance evaluation was conducted by the People & Remuneration Committee for the 2022 year, with reference to their performance against agreed 2022 objectives.

The Remuneration Report sets out the executive key management personnel (KMP) business scorecard on [page 67](#) which provides a summary of performance against the key measures and a weighted outcome relative to target.

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, and is 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 and oversight of the business. The framework also strengthens the relationship and information flows between the Group and divisional boards and committees, so that they can work together to achieve the best possible outcomes for QBE.

Corporate governance statement continued

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-focused;
- we are technical experts;
- we are inclusive;
- we are fast-paced;
- we are courageous;
- we are accountable; and
- we are a team.

The QBE DNA is set and approved by the Board, with the GEC 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 were 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 maintains a suite of Group policies commensurate with a mature and well-run organisation. QBE policies are governed by a global policy framework designed to establish consistent policy design and management requirements. Group policies serve as vital conduits 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 Conduct Reporting & Whistleblower Policy. The Board oversees, and receives reports on compliance with amongst other things, the Group Code of Ethics and Conduct. The Group Conflicts of Interest Policy operates in conjunction with the Group Gift and Entertainment Policy, to create a system to identify and report actual, perceived or potential conflicts of interest. In recognition of the importance of protecting employee and customer data across QBE, we have a global privacy framework that is periodically reviewed and updated 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 Conduct Reporting & Whistleblower Policy, are required to be recorded and reported to the Board.

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



In Australia, QBE complies with the General Insurance Code of Practice, an industry code relating to the provision of products and services to customers of the general insurance industry in Australia. The Code Governance Committee is the independent body that monitors and enforces insurers' compliance with the Code. The General Insurance Code of Practice will also have sections that are enforceable by the Australian Securities and Investments Commission (ASIC). Discussion as to identification of relevant sections is ongoing with ASIC and the Insurance Council of Australia. QBE's Australian business is also a member of the Australian Financial Complaints Authority, the external dispute resolution scheme that deals with complaints from consumers related to financial services.

Inclusion of Diversity

People are at the heart of our business, and it's essential to our success that we create a workplace culture and influence the external environment so that our people, customers, suppliers and stakeholders feel included. At QBE, Inclusion of Diversity (IoD) is a fundamental component of our QBE DNA – it is part of who we are and how we operate.

In early 2022, we launched our new approach IoD, with a broad view of diversity that includes the ways all people are visibly and invisibly different. We know that to realise the benefits of all the ways we are different, we must create an environment where everyone is, and feels they are, included. Our refreshed policy sets out our expectations for how we interact with each other, and our aspiration to be a positive influence for IoD beyond the boundaries of the organisation.

To achieve this, the GEC has set the following key global focus areas, which are overseen and progressed by the GEC and monitored by the People & Remuneration Committee of the Board:

AREA OF FOCUS	ACHIEVEMENTS IN 2022
<p>Diverse workforce including diverse leadership representation, diverse pipeline of talent and fair remuneration</p>  <p>Women on the Group Board goal</p> <p>40% by 2025</p> <p>achieved</p> <p>Pledge to HESTA's 40:40 Vision</p> <p>40:40 <small>VISION</small></p> <p> HESTA </p>	<ul style="list-style-type: none"> This year, we achieved our 2025 goal of 40% women on the Board early, and continued to make headway towards our target of 40% women in leadership across QBE. We were proud to be the first insurer to sign up to HESTA's 40:40 Vision (see below at Gender balance at Board and senior management levels). We continue to identify opportunities for further progression, and to develop targeted initiatives to address attraction, progression, and retention of women in leadership at QBE. We continue to assess pay equity in our workforce based on key drivers such as role, location, and performance, enabling us to identify areas for improvement. On average, our gender pay equity gap is sufficiently negligible that we are confident our people are paid equally in like-for-like roles. We recognise that some pay gaps remain at an individual level and will address any gaps through ongoing review processes. In Europe, our pay equity review now includes both gender and ethnicity. In 2022 we partnered with a diversity and behavioural science expert to carry out a deep dive into experiences by ethnicity. This highlighted that some aspects of our processes were creating barriers to success and negatively impacted ethnic minority colleagues. We have since created a comprehensive ethnicity action plan and ethnicity targets for our UK workforce, which supports the achievement and retention of our ethnic minority employees. We launched a School Partnership Programme in the UK that consists of a four-week paid work placement and eight weeks mentoring, targeted at students from ethnically diverse backgrounds between 16–19 years old who may not have previously considered insurance as a viable career option. In Australia, education and employment pathways remain central to our commitment to reconciliation and the CareerTrackers internship program plays a critical role. Through our long-standing partnership with CareerTrackers, we continue to host Aboriginal and Torres Strait Islander interns who bring a wealth of knowledge to our business in terms of skill, enthusiasm, and sharing their unique perspectives. We have now hosted 37 interns through CareerTrackers to date. QBE North America developed the QBE Early Career Programs which consists of summer internships and underwriting programs, providing opportunities for the next generation of leaders to gain awareness and professional experience within the insurance industry. This includes a 10-week summer internship program designed to build relationships with peers, senior leaders and business leads. QBE North America also runs a one-year underwriting program designed to teach, develop, and ultimately prepare early entrants to the insurance industry training as an underwriter in the middle market business.

Corporate governance statement continued

AREA OF FOCUS	ACHIEVEMENTS IN 2022
<p>Inclusive workplace including inclusive leader capabilities, QBE DNA, Voice of Employee, Flex@QBE and Workplace Wellbeing</p>  <p>Inclusion of Diversity roundtable discussion</p> <p>700 people attended globally</p>	<ul style="list-style-type: none"> • Our new approach to IoD recognises that to foster and realise the benefits of all the ways we are different, it is essential to create an environment where everyone is, and feels that they are, included. • To celebrate the launch of our refreshed policy and approach at QBE, we ran a series of IoD roundtable discussions through February and March, with over 700 people attending these globally. In these sessions, we heard from our GEC, senior leaders and world-renowned inclusion expert and thought leader Professor Juliet Bourke PhD, to explore our refreshed approach to IoD, the business case for inclusion, and practical advice on how to build inclusion through small actions. We used the insights shared by our people to create a tip sheet on how you can build inclusion through your everyday interactions. • Our Group Chief Executive Officer joined our Chief Executive Officer, Australia Pacific by becoming a member of the Champions of Change Coalition in 2022. This membership offers QBE an opportunity to look to peers across the industry and beyond to help us achieve gender equality, advance diverse and more women in leadership, and further our progress towards building an inclusive workplace. • Globally we launched 'Meetings the QBE Way' which aims to provide our people with a simple framework to create and deliver meetings that are more productive, valuable, and inclusive. • We challenged ourselves to develop bold new IoD targets for launch in 2023, going beyond gender to consider equality of belonging, based on ethnicity, disability, and lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ+) identification. • Our European operations were named as the Employer of the Year by leading insurance publication Insurance Insider. We were chosen for the breadth of initiatives covered which deliver a holistic view of issues affecting all employees.
<p>Connected marketplace including customer satisfaction and retention, vulnerable customers and diversity in supply chain</p>  <p>Impact investment - Premiums4Good</p> <p>a portion of a customer's premium is directed towards impact investments</p>	<ul style="list-style-type: none"> • In Australia, 'Thriving at our Best', a refreshed holistic wellbeing program that encapsulates three focus areas – Healthy People, Healthy Teams and a Healthy Workplace was launched. Similarly, Europe's new wellbeing strategy "At Our Best" aims to create meaningful change by understanding and tackling the systemic causes of stress and burnout. • QBE Circle network launched in Hong Kong, which is dedicated to breaking down gender bias, stereotypes and the promotion of gender equality and fairness as well as promote awareness, learn from each other and drive change. • QBE continues to offer Premiums4Good to customers as appropriate, which invites them to join with us to make a real difference. By choosing QBE, a portion of a customer's premium is directed towards investments and select customers can ask us to direct a further 25% of their insurance premium towards impact investments – investments in securities with an additional environmental or social objective. This social objective includes social inclusion, diversity and gender. • QBE maintains supplier sustainability principles to provide minimum expectations of suppliers to foster an inclusive workforce and culture; provide a workplace that is free from direct and indirect discrimination, harassment, and bullying; and develop, monitor and maintain workforce management systems and/or policies which include and seek to improve diversity in recruitment, equal opportunity, pay equity, anti-discrimination and anti-harassment standards.

Gender balance at Board and senior management levels

In 2020, we set ourselves the goal of achieving 40% women in leadership across QBE by 2025, and 40% women on our Board by 2025. During 2022, we saw an increase from 35.9% to 38.6% women in leadership, and achieved our goal of 40% women on the Group Board early, reaching 44.4% in July 2022. 39.8% of all leader hires and 51.5% of leader promotions were women, reflecting the continued focus on gender diversity in leadership.

To further QBE's commitment to gender diversity, in May 2022 QBE became the first insurer to sign up to HESTA's 40:40 Vision, pledging to have minimum of 40% women, 40% men and 20% any gender on the executive committee by 2030 – a principle we currently meet, with 45.5% women.

Additionally, interim goals were set of having above 37% women in leadership by 2023, in line with our year-on-year progression towards our 2025 target, and met early with 38.6%, and an improvement in pipeline for GEC (L1–L3) from a 2025 baseline in 2027*. Further details are set out in the table on the next page.

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

FEMALE REPRESENTATION	GENDER TARGETS	31 DECEMBER 2022	31 DECEMBER 2021	31 DECEMBER 2020	31 DECEMBER 2019
Board	By 2025: 40%	44.4%	33.3%	33.3%	22.2%
GEC	By 2030: 40:40:20	45.5%	45.5%	30.0%	27.3%
Level 1		27.7%	28.3%	25.5%	19.6%
Level 2		37.0%	32.0%	29.4%	28.8%
Level 3		39.3%	36.9%	36.3%	35.3%
Women in leadership (GEC and levels 1–3)	By 2023: 37% By 2025: 40%	38.6%	35.9%	34.8%	33.7%
Women in workforce		52.5%	52.2%	52.0%	52.2%

* An additional target for 2027 of "an improvement in pipeline for GEC (L1-L3) from 2025 baseline" will be added to the table post 2025.

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

- actively promoting inclusion for LGBTQ+ employees with a global QBE Pride employee network;
- ongoing commitment to supporting indigenous communities in Australia and driving our third Reconciliation Action Plan (RAP), which is now at the Innovate stage of the RAP framework;
- maintaining a learning channel that equips people to build inclusion and psychological safety, confront bias, support neurodiversity, and speak up against racism;
- looking to embed accessibility in the workplace and enhance our ability to employ people with a disability, with our recruitment team embedding questions around workplace adjustments into every stage of the recruitment process; and
- increasing the quality and consistency of our diversity data globally and across the employee lifecycle, so we can understand the diversity of our workforce, and how representative we are of the communities in which we operate.

i For further details on our approach and progress, refer to QBE's 2022 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 AGM. 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 reports, half yearly reports and sustainability reports](#);
- [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 executive officers 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 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 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 2022, QBE held a hybrid AGM. Shareholders were able to:

- participate by attending the meeting in person, watching online or dialling in to the teleconference;
- ask questions in person, online or 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 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 i.e. one vote for each fully paid ordinary share held.

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. QBE follows a robust process for satisfying itself that each 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. QBE uses an independent assurance engagement to confirm that certain data in the annual sustainability report has 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 overseeing the management of tax risks. The Audit Committee is comprised of independent directors, all of whom have financial expertise, and is chaired by Jann Skinner.

Group Chief Executive Officer and Group Chief Financial Officer declaration

Prior to the Audit Committee's review and the Board's approval of the 2022 Annual Report, the 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 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 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 2022, 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 administrative 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 managing risk, delivering leading practice and maintaining robust and independent risk management processes and systems.

QBE's Enterprise 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 Group Chief Risk Officer's report and the climate change sections of the Annual Report on pages 32 to 43. An overview of QBE's Enterprise Risk Management Framework, including QBE's material 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 Enterprise Risk Management Framework periodically to confirm it continues to be sound. This review was undertaken during 2022 as part of the annual refresh of the Risk Management Strategy. The Risk & Capital Committee is also responsible for overseeing QBE's 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 and governance risk

Information about how QBE approaches sustainability and the management of ESG issues can be found in the climate change disclosures section on pages 34 to 43 of the Annual Report and in the 2022 Sustainability Report.

1 Refer to QBE's 2022 Sustainability Report at www.qbe.com/sustainability.



Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2022

Your directors present their report on QBE Insurance Group Limited and the entities it controlled at, or during, the year ended 31 December 2022.

Directors

Michael Wilkins AO (Chair)
 Andrew Horton
 Yasmin Allen (from 1 July 2022)
 Stephen Fitzgerald AO (until 5 May 2022)
 John M Green (Deputy Chair) (until 5 May 2022)
 Tan Le
 Kathryn Lisson
 Sir Brian Pomeroy
 Jann Skinner
 Eric Smith
 Rolf Tolle

Consolidated results

	STATUTORY RESULT	
	2022 US\$M	2021 US\$M
Gross written premium	20,001	18,457
Gross earned premium revenue	19,067	17,035
Net earned premium	14,327	13,408
Net claims expense	(8,330)	(8,371)
Net commission	(2,119)	(2,070)
Underwriting and other expenses	(1,836)	(1,829)
Underwriting result	2,042	1,138
Net investment (loss) income on policyholders' funds	(509)	77
Insurance profit	1,533	1,215
Net investment (loss) income on shareholders' funds	(267)	45
Financing and other costs	(245)	(247)
Gain on sale of entities and businesses	38	—
Share of net loss of associates	(7)	(7)
Restructuring and related expenses	(106)	(72)
Amortisation and impairment of intangibles	(27)	(21)
Profit before income tax	919	913
Income tax expense	(141)	(156)
Profit after income tax	778	757
Net profit attributable to non-controlling interests	(8)	(7)
Net profit after income tax attributable to ordinary equity holders of the Company	770	750

Result

The Group reported a net profit after tax attributable to ordinary equity holders of the Company of \$770 million for the year ended 31 December 2022, compared with \$750 million for the prior year. Risk-free rates increased across all currencies throughout the year as central banks undertook aggressive actions to combat inflation. This resulted in a \$1,214 million benefit to the underwriting result, which was more than offset by a \$1,343 million adverse mark-to-market impact on our fixed income portfolio.

Gross written premium increased by \$1,544 million mainly as a result of continued premium rate increases, stable retention and targeted new business growth, with particularly strong growth in Crop. Reinsurance expense increased by \$1,113 million mainly reflecting the growth in Crop, where net retention was managed through the placement of an external quota share, combined with the cost of the transaction to reinsure prior accident year North American Excess and Surplus (E&S) liabilities.

The Group reported a statutory underwriting profit of \$2,042 million compared with \$1,138 million in the prior year, equating to a combined operating ratio of 85.7% compared with 91.5%. Excluding the impacts of changes in risk-free rates, the combined operating ratio was 94.2% compared with 93.7% in the prior year, reflecting the impacts of the E&S transaction and the Australian pricing promise review.

The net claims ratio was 58.1% compared with 62.4% in the prior year. Excluding the impact of changes in risk-free rates, the net claims ratio was 66.6% compared with 64.6% in the prior year. The beneficial impact of the E&S transaction and the release of the remaining \$160 million of COVID-19 risk margin was more than offset by an increase in ex-cat and catastrophe claims and prior accident year claims development.

The combined commission and expense ratio decreased to 27.6% from 29.1% in the prior year. The net commission ratio reduced to 14.8% from 15.5% in the prior year, primarily due to income from the increased quota share in Crop and favourable business mix, partly offset by the impacts of the E&S reinsurance transaction. The Group's expense ratio decreased to 12.8% from 13.6% in the prior year, mainly reflecting disciplined cost management, favourable business mix and ongoing operating leverage driven by strong premium growth.

Total investment loss was \$776 million compared with an investment income of \$122 million in the prior year. Excluding the impacts of changes in risk-free rates, total investment income was \$567 million compared with \$382 million in the prior year. Wider credit spreads and unrealised losses on developed and emerging market equity and enhanced fixed income investments were more than offset by favourable returns from unlisted property and infrastructure assets.

The Group's effective tax rate was 15.3% compared with 17.1% in the prior year reflecting the mix of corporate tax rates in the jurisdictions in which QBE operates and the recognition of previously unrecognised tax losses in the North American tax group.

Dividends

The directors are announcing a final dividend of 30 Australian cents per share (2021 19 Australian cents per share). The final dividend will be 10% franked (2021 10%). The 2022 full year dividend payout is A\$578 million compared with A\$443 million for 2021. 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

Information on the Group's results, operations, business strategy, prospects and financial position is set out in the operating and financial review on [pages 16 to 25](#) of this Annual Report.

Outstanding claims liability

The net central estimate of outstanding claims is determined by the Group Chief Actuary. 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 rates and inflation factors.

As in previous years, the directors consider that substantial risk margins are required to mitigate the inherent uncertainty in the net central estimate. The probability of adequacy of the outstanding claims liability at 31 December 2022 was 90.0% compared with 91.7% last year. The Australian Prudential Regulation Authority (APRA) prudential standards provide a capital credit for risk margins 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 2022

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 44 and 45 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 operating and financial review on pages 16 to 25 of this Annual Report.

Events after balance date

On 17 February 2023, the Group entered into a transaction to reinsure certain prior accident year claims liabilities in North America and International. The transaction remains subject to regulatory approval and is expected to result in an upfront net cost of around \$100 million before tax.

Other than the above and the declaration of the final dividend, no matter or circumstance has arisen since 31 December 2022 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 directors believe 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 Group Chief Risk Officer's Report on pages 32 to 33, the climate change section on pages 34 to 43 and the risk management section of the corporate governance statement on page 57 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. 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													
					GOVERNANCE & NOMINATION				INVESTMENT		OPERATIONS & TECHNOLOGY		PEOPLE & RE- MUNERATION		RISK & CAPITAL		SUB- COMMITTEES ²	
	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A	H	A
Yasmin Allen ³	5	5	3	3	3	3	—	—	—	—	—	—	3	3	—	—	3	3
Stephen Fitzgerald ³	4	4	2	2	—	—	2	2	1	1	—	—	1	1	2	2	—	—
John M Green ³	4	3	2	2	1	1	2	2	1	1	—	—	1	1	2	1	3	3
Andrew Horton	10	10	—	—	—	—	—	—	—	—	—	—	—	—	—	—	6	6
Tan Le	10	10	6	6	1	1	6	6	—	—	1	1	3	3	—	—	—	—
Kathryn Lisson	10	10	6	6	1	1	2	2	—	—	1	1	3	3	4	4	1	1
Sir Brian Pomeroy	10	9	6	6	5	5	2	2	1	1	—	—	—	—	6	6	—	—
Jann Skinner	10	10	6	6	5	5	6	6	—	—	—	—	1	1	6	6	8	8
Eric Smith	10	9	6	6	4	4	2	2	—	—	1	1	—	—	6	6	—	—
Rolf Tolle	10	10	6	6	1	1	6	6	—	—	—	—	4	4	6	6	—	—
Michael Wilkins	10	10	6	6	5	5	6	6	1	1	1	1	4	4	6	6	9	9

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 2022 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.

3 Stephen Fitzgerald and John M Green retired from the Board effective 5 May 2022. Yasmin Allen was appointed to the board effective 1 July 2022. The composition of the Board Committees was changed effective 6 May 2022.

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

Directorships of listed companies held by the members of the Board

From 1 January 2020 to 17 February 2023, 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	–
Yasmin Allen Cochlear Limited	Director	2 August 2010	–
Santos Limited	Director	22 October 2014	–
ASX Limited	Director	9 February 2015	–

Qualifications and experience of directors

The qualifications and experience of each director are set out on [pages 44 and 45](#) 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 over 30 years of insurance experience, which includes 25 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
Yasmin Allen	18,333
Andrew Horton	235,959
Tan Le	8,753
Kathryn Lisson	49,010
Sir Brian Pomeroy	42,425
Jann Skinner	70,000
Eric Smith	8,767
Rolf Tolle	73,806
Michael Wilkins	83,783

Options and conditional rights

At the date of this report, Andrew Horton has 611,437 conditional rights to ordinary shares of the Company. 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 change disclosures are provided on [pages 34 to 43](#) of this Annual Report and operational GHG emissions and other environmental data are disclosed in the [2022 Sustainability Report](#).

Remuneration Report



Remuneration Report contents

Our remuneration at a glance	64
Remuneration framework	64
Remuneration key features	65
Remuneration pay mix	65
Five-year performance	66
How we performed - executive KMP business scorecard	67
Executive KMP performance snapshots	68
1. Remuneration governance	70
2. Executive KMP remuneration in detail	73
3. Executive KMP remuneration tables	78
4. Non-executive director remuneration	82

To our shareholders

On behalf of the Board, I am pleased to present QBE's Remuneration Report for 2022.

I am incredibly proud to be leading the People & Remuneration Committee as we continue our journey to enabling a more resilient future. Insurance plays a positive role in our society, adding certainty and supporting communities to protect what matters to them. Since joining the Board, I have had the opportunity to meet many of our employees who are supporting our customers every day. Our people are energised and excited about the new purpose and vision as well as the varied and purposeful careers that QBE offers.

We operate in a competitive global market for talent and are committed to continually improving our employee experience and workplace culture to attract and retain people. Throughout 2022 we delivered on a range of people-focused initiatives and continued to evolve our robust remuneration practices to enable our strategic priorities.

An example of this evolution, as highlighted in last year's Remuneration Report, is the launch of our new 2022 short-term incentive plan (the Annual Performance Incentive or API). Through the API, there is increased emphasis on the impact of both what our people deliver and how they demonstrate the QBE DNA whilst achieving their goals. Overall performance is measured through both financial and non-financial measures, aligned to our key results and priorities, including combined operating ratio (COR), Group cash return on equity (ROE), Risk, People and the various initiatives which form part of our six strategic priorities. Pleasingly, the introduction of the API has strengthened our ability to deliver our strategy and drive towards our target culture.

In addition to the new API, we introduced a DNA Champions award and reinforced our focus on creating a flexible workplace. Investment in our people included the establishment of three new enterprise leadership groups to help strengthen our internal succession pipeline and build collaboration across the enterprise. Progress also continued to be made on the implementation of our Culture Blueprint. We strive for a culture that embraces diversity, seeks feedback, and encourages people to speak up.

Listed on the opposite page are a sample of the people-related recognition and awards received during 2022. We are proud to be publicly acknowledged in so many of our locations across the globe for our people programs.

Performance during 2022

For 2022, QBE recorded an adjusted cash ROE for incentive purposes of 10.5%, an encouraging result given numerous external challenges and investment market volatility over the year. While our financial performance has been impacted by the increased costs associated with the devastating catastrophes during 2022, our business has demonstrated continued resilience.

The Group COR for incentive purposes was 94.2%. This performance was despite significant catastrophe activity in all regions, the adverse impact from the Russia/Ukraine conflict, and increasing inflationary pressure.

Both of these financial measures were between the threshold and maximum ranges set for incentive payouts.

i For more information on 2022 financial highlights, refer to [page 5](#).

The API business scorecard considers financial measures alongside non-financial measures for incentive purposes. The inclusion of non-financial measures in 2022 supported our growing maturity as it relates to managing risk and measures our progress against diversity and inclusion metrics and our 2022 strategic priorities. Maintaining this focus will be essential to support the successful embedment of our refreshed sustainability strategy across the business.

Our broader view of performance through the API also considers the individual performance of the executive key management personnel (KMP) when determining incentive outcomes. The assessments against agreed individual performance objectives completed by the Board for the executive KMP results in overall API outcomes which range from 54.2% to 69.4% of their maximum opportunity.

For the Group Chief Executive Officer (CEO), the 2022 API outcome results in him receiving 98.1% of his target opportunity (65.4% of his maximum opportunity). Of this outcome, 50% is deferred as conditional rights and vests in equal tranches over the first, second, third and fourth anniversaries of the award.

i For more information on the 2022 API business scorecard and outcomes, refer to pages 67 to 69.

The 2019 long-term incentive (LTI) which was due to vest in 2022 to executive KMP did not vest and all awards related to that grant lapsed.

Looking ahead

Our people are essential to our business' long-term success and in 2023 we continue to have Our people and Our culture as two of our six strategic priorities, as highlighted on pages 8 to 9. Our overarching aim is to enable a sustainable and resilient workforce to ensure we can continue to deliver to our customers and shareholders in 2023 and beyond.

The global market for attracting and retaining talent remains competitive, and we continue to invest to ensure QBE stands out as an employer of choice. As such, we are closely monitoring the ongoing impacts of inflation, cost of living pressures and international market competitiveness. We have made limited changes to executive KMP fixed pay and no changes to non-executive director fees in recent years, but we will review these in light of the above factors in 2023.

The Board is committed to retaining a strong focus on the longer term and alongside fixed pay, will consider the potential for adjustments to levels of LTI opportunity. We will also look at non-executive director fees during 2023 to address any potential market pressures. Any changes that are enacted will be shared in further detail in next year's Remuneration Report.

We remain focused on building a deeper connection amongst our people to our new purpose and vision, enhancing culture through performance and reward, improving leadership capability and internal succession, and supporting flexibility and wellbeing to ensure we continue to attract and retain the best talent.

With 2022 being the first year of the new API plan, no major changes are proposed for 2023. We will continue to review how we can incorporate non-financial metrics into our LTI plans in response to regulatory requirements and in support of our sustainability strategy and commitments.

In closing, I would like to acknowledge my appointment to the Chair of the People & Remuneration Committee and Yasmin Allen as a new non-executive director and member of the Committee following the retirement of John M Green and Stephen Fitzgerald. We thank both John and Stephen for their contribution to the People & Remuneration Committee during their time with QBE. Thank you for your support in 2022. As always, we look forward to shareholder feedback.



Tan Le | Chair, People & Remuneration Committee

This Remuneration Report sets out QBE's remuneration framework and provides detail of remuneration outcomes for KMP for 2022 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 2022 Remuneration Report has been prepared and audited in accordance with the disclosure requirements of the *Corporations Act 2001*.

Recognition and awards



Included in the Bloomberg Gender-Equality Index



Winner of the Australian HR Institute (AHRI) Awards 2022 Organisation Development category for Culture Transformation



Winner of the Employer of the Year Award at The Insurance Insider Awards 2022 in the UK



Insurance Business Asia Top Insurance Employer of 2022



Insurance Business America 2022: 5-star carrier for Diversity, Equity and Inclusion



Awarded Platinum status for excellence in LGBTIQ+ by Australian Workplace Equality Index for inclusion initiatives in the workplace

Our remuneration at a glance

Remuneration framework

Our 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.

Our purpose

QBE - enabling a more resilient future

Our remuneration principles

The guiding principles which promote robust risk management practices are applied effectively to manage remuneration and reward across the Group.



Simple and clear



Linked to strategy



Motivating



Aligned to shareholders



Globally consistent and locally competitive

The remuneration framework supports the strategy

Simple and clear	Adaptable to changes in our strategy and external environment	Measures that are correlated with performance	Encourages our executives to think and act like business owners
A simple and clear view of how delivery of our strategy impacts incentive outcomes for our executives.	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 focus on profitability, management of the balance sheet and our longer-term strategic priorities enable remuneration outcomes to reflect a holistic view of performance.	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.

In 2022, we focused on measuring not only what was achieved but how it was achieved to further strengthen our culture. Executive KMP performance assessments 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 Board Risk & Capital Committee and chairs of divisional boards where relevant.

Remuneration key features

A high level summary of the terms of the Group CEO's remuneration arrangements in 2022 are presented below:

Annual Performance Incentive (API)

Delivered through

A mix of API cash (50%) and API deferred equity (50%)

Incentive opportunity

150% (target), 225% (maximum)

Performance period

One year

Equity deferral period

One to four years from end of performance period

Performance measures

Performance measured through a business scorecard containing Group cash ROE and Group COR financial measures alongside non-financial measures. These incorporate sustainability-aligned metrics based on risk, people and culture and strategic priorities. In addition, individual performance objectives focus both on what has been achieved and how they were achieved during the year.

Long-term Incentive (LTI)

Delivered through

Equity (100%)

Incentive opportunity

200% (maximum face-value)

Performance period

Three years

Equity deferral period

Three to five years from start of performance period

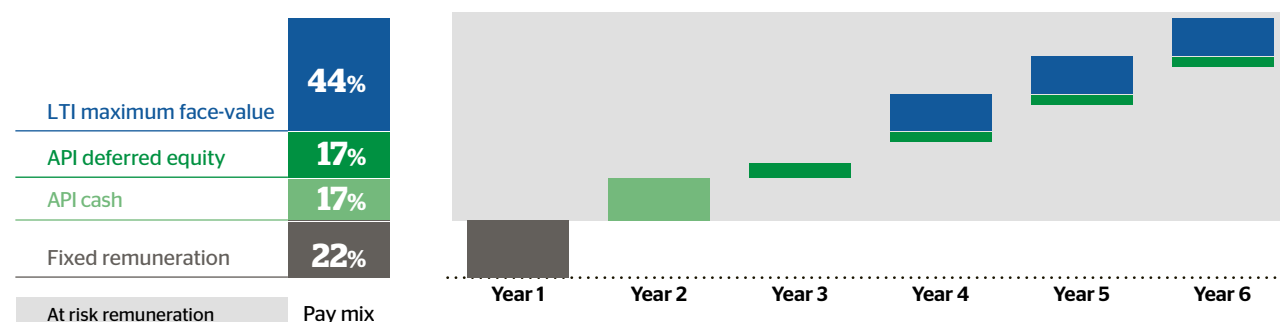
Performance measures

Two measures: Average Group cash ROE (70%) and relative Total Shareholder Return (TSR) (30%) with a global insurance peer group

Malus and clawback provisions and executive minimum shareholding requirements (MSR) continue to apply.

Remuneration pay mix

The pay mix of the Group CEO provides a blend of fixed and variable pay, cash and equity, and is measured against short- and long-term performance. The graph below sets out the typical remuneration structure and delivery for on-target performance and how the remuneration vests over time.

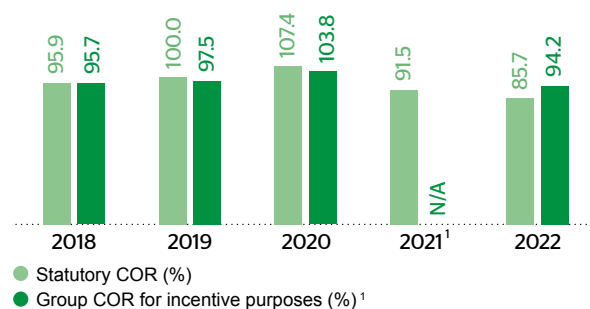


Five-year performance

The Group's financial performance demonstrated improved resilience in a tough operating environment that included macro challenges such as geopolitical tensions, elevated catastrophe experience and a surge in inflation.

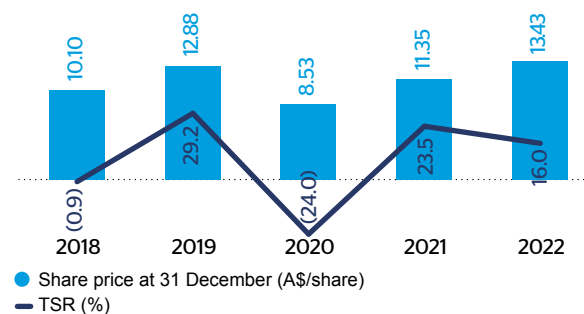
Financial performance

COR

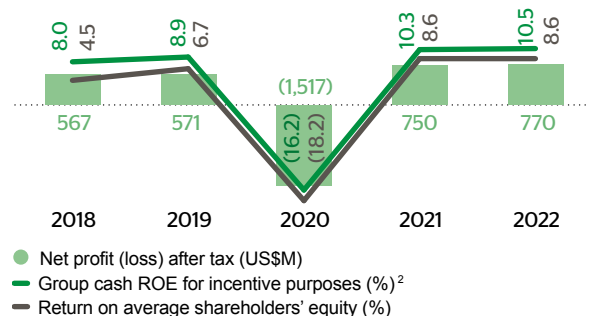


Return to shareholders

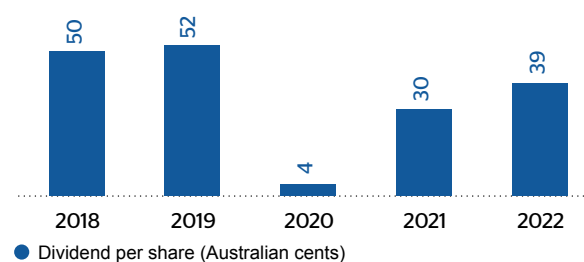
Return to shareholders



Profit measures



Dividend per share



Group CEO outcomes³

	2018	2019	2020	2021	2022
Short term incentive achievements as % of target ⁴	98.6	68.5	90.4	115.2	98.1
LTI vested (% of grant) ⁵	0	0	—	—	—

i The impact of the financial performance on the incentive payouts for executive KMP is provided on [pages 68 to 69](#).

Tracking of unvested LTI awards

2019 LTI award – vesting Q1 2022/23/24 – Average Group cash ROE and relative TSR performance – Did not vest

2020 LTI award – vesting Q1 2023/24/25 – Average Group cash ROE and relative TSR performance – Partial vesting

2021 LTI award – vesting Q1 2024/25/26 – Average Group cash ROE and relative TSR performance – On track

2022 LTI award – vesting Q1 2025/26/27 – Average Group cash ROE and relative TSR performance – On track

1 For incentive purposes, the 2021 Group COR was replaced by a blended Group COR. For details please see the 2021 Remuneration Report.

2 For incentive purposes, adjusted Group cash ROE of 10.5% is as provided on [page 24](#). Details of prior years' adjusted Group cash ROE is provided in the Remuneration Report for each relevant year.

3 Full details for 2022 are provided on [page 68](#). Previous Group CEO outcomes are detailed in the Remuneration Report for each relevant year.

4 Legacy plans are detailed on [pages 76 to 77](#) and comprise Executive Incentive Plan (EIP) in 2018, Short Term Incentive (STI) in 2019, 2020 and 2021. The API was introduced in 2022.

5 The '—' indicates no LTI award was eligible for vesting in the relevant year, where '0' indicates zero LTI vested. The 2019 LTI did not vest in 2022. The current Group CEO was not eligible to receive the 2019 LTI.

How we performed - executive KMP business scorecard

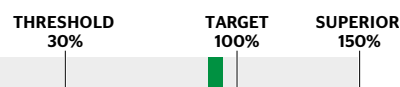
Our focus on a blend of financial and non-financial measures in 2022 resulted in QBE making good progress against our six strategic priorities.

1
Performance
overview2
Operating and
financial review3
Governance4
Directors'
Report5
Financial
Report6
Other
information

FINANCIAL

WEIGHTING: 70%

OUTCOME



Group COR

Group COR for incentive purposes in 2022 was 94.2% which resulted in an outcome between threshold and target. This was despite elevated catastrophe activity throughout the year, our allowance for the Russia/Ukraine conflict and the adverse impact from higher inflation across all regions. From a divisional performance perspective, North America's catastrophe costs were slightly below allowance despite the impact from Hurricane Ian, while adverse prior accident year claims development (PYD) declined significantly, details on [pages 26 to 27](#). International was impacted by the aforementioned conflict, adverse PYD associated with inflation and an unfavourable COVID business interruption court judgement, details on [pages 28 to 29](#). Australia Pacific delivered a strong result, although catastrophe costs were elevated, marked by significant flooding and wet weather associated with the La Nina weather pattern. This was broadly offset by favourable PYD associated with strong credit quality in LMI, and releases across a number of commercial lines classes, details on [pages 30 to 31](#).

Group cash ROE

The Group delivered an adjusted cash ROE of 10.5% for incentive purposes in 2022 which resulted in an outcome between target and superior. Our business has demonstrated continued resilience throughout the year. However, our financial performance has been impacted by the increased costs associated with the devastating catastrophes, the Russia/Ukraine conflict and ongoing inflationary pressures. Pleasingly, the result is the second consecutive double-digit ROE for QBE, the strongest in over a decade, and highlights our building resilience in a year impacted by various external factors.

NON-FINANCIAL

WEIGHTING: 30%

OUTCOME



Risk

The annual risk maturity assessment completed for 2022 received an outcome of 'embedded' across key elements of the Risk Management Framework. This year, higher levels of maturity were identified across risk governance, three lines of defence roles and responsibilities and risk skills and culture. The outcomes reflect improvements made from the risk transformation initiatives completed to date.

People and culture

There was strong performance across the people agenda in 2022. We remained focused on becoming an employer of choice in our chosen markets and building and empowering a sustainable and diverse pipeline of leaders. Significant progress towards our 2025 diversity targets was delivered through the achievement of our women in leadership targets. An enterprise-wide new incentive plan was introduced with a focus on both what was achieved and how it was achieved. In addition, advancements in a more collaborative and aligned culture, centred around our new purpose, were reflected in improvements in employee engagement levels.

Strategic priorities

Good progress was made across the enterprise against the strategic priorities in 2022. Work commenced on our **portfolio optimisation** targets and these were incorporated into 2023 business planning. A detailed reassessment of our geographical footprint and lines of business supporting our medium to long term growth aspirations was completed as part of the **sustainable growth** priority. **Bring the enterprise together** delivered greater consistency through more structured collaboration and alignment. We continued to **modernise our business** through digitisation efforts across QBE, along with the simplification of core IT platforms and progress on leveraging our data and global scale.

i For more information on strategic priorities, refer to [pages 8 to 9](#).

API BUSINESS SCORECARD WEIGHTED OUTCOME: Slightly below target

The Board considered both quantitative and qualitative factors in determining the executive KMP API business scorecard outcome.



Executive KMP performance snapshots

The realised remuneration outlined below provides an overview of actual remuneration outcomes for executive KMP.

QBE discloses actual remuneration outcomes in the financial period under review. The realised 2022 remuneration figures below include the accrued API cash award for the 2022 financial year, the value of any conditional rights granted in prior years that vested during 2022 and executive shareholdings against the MSR.



Andrew Horton

Group CEO

Term as KMP in 2022 Full year

Country of residence Australia

Total value of shareholdings against the MSR
(times fixed remuneration) **4.0**

2022 API outcome (US\$000)

98.1% of target



2022 realised remuneration¹ (US\$000)

\$3,021 Total



Jason Harris

Chief Executive Officer,
International

Term as KMP in 2022 Full year

Country of residence United Kingdom

Total value of shareholdings against the MSR
(times fixed remuneration) **1.3**

2022 API outcome (US\$000)

97.4% of target



2022 realised remuneration¹ (US\$000)

\$1,996 Total



Sam Harrison

Group Chief
Underwriting Officer

Term as KMP in 2022 Full year

Country of residence United Kingdom

Total value of shareholdings against the MSR
(times fixed remuneration) **1.5**

2022 API outcome (US\$000)

99.2% of target



2022 realised remuneration¹ (US\$000)

\$1,760 Total



Sue Houghton

Chief Executive Officer,
Australia Pacific

Term as KMP in 2022 Full year

Country of residence Australia

Total value of shareholdings against the MSR
(times fixed remuneration) **1.9**

2022 API outcome (US\$000)

104.2% of target



2022 realised remuneration¹ (US\$000)

\$1,456 Total



¹ 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 78. 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.



Amanda Hughes

Group Chief People Officer²

Term as KMP in 2022 Full year

Country of residence Australia

Total value of shareholdings against the MSR
(times fixed remuneration) **0.9**

2022 API outcome (US\$000)



2022 realised remuneration¹ (US\$000)



Todd Jones

Chief Executive Officer,
North America

Term as KMP in 2022 Full year

Country of residence United States

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

2022 API outcome (US\$000)



2022 realised remuneration¹ (US\$000)



Fiona Larnach

Group Chief Risk Officer

Term as KMP in 2022 Full year

Country of residence Australia

Total value of shareholdings against the MSR
(times fixed remuneration) **0.3**

2022 API outcome (US\$000)



2022 realised remuneration¹ (US\$000)



Inder Singh

Group Chief Financial Officer

Term as KMP in 2022 Full year

Country of residence Australia

Total value of shareholdings against the MSR
(times fixed remuneration) **3.1**

2022 API outcome (US\$000)



2022 realised remuneration¹ (US\$000)



² A title change for Amanda Hughes from Group Executive, People and Culture to Group Chief People Officer occurred on 3 March 2022.

Remuneration Report continued

1. REMUNERATION GOVERNANCE

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

i 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 & Remuneration Committees

External advisers

Managing risk

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

The People & Remuneration Committee works closely with the Board Risk & Capital Committee, Group CRO and Group Chief People Officer to ensure that any risk associated with remuneration arrangements is managed within the Group's risk management framework. The attendance of other members of the Board at the People & Remuneration Committee meetings strengthens remuneration governance across 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 Board approves a comprehensive delegated authority for the Group CEO, which is an integral part of QBE's risk management process. The remuneration governance framework incorporates risk oversight principles so that executives cannot unduly influence a decision that could materially impact their own incentive outcome.

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:

- deliver a target remuneration mix balanced between fixed/variable remuneration, short- and long-term and cash and equity;
- incorporate individual performance objectives through the API that measure demonstrable proactive sound risk management, including an assessment of risk maturity and the setting of a clear and consistent tone about the importance of managing risk;
- incorporate robust corporate standards for all employees supporting the QBE risk culture;
- balance performance outcomes based on delivery against a range of financial and non-financial strategic measures which are set in the context of business plans that have been appropriately stress-tested by the Group CRO;
- enable the build-up of meaningful shareholding with API deferred equity and LTI underpinned by the MSR (refer to [page 72](#));
- provide the Board with discretion to take other factors into account when determining the appropriate outcome; and
- allow for multiple risk adjustments: in year, malus for unvested awards and clawback of cash and vested equity (refer to [page 71](#)).

As part of the 2022 year-end process, an assessment of each senior executive's approach to risk management has been completed using input from the Group CRO. This process recognises positive and negative risk culture and risk management through upward or downward adjustment of performance ratings, incentive payouts and consequences (that can include executives leaving the organisation).

Across the Group in 2022, over 100 assessments were carried out including for executive KMP and divisional executive teams. Based on the assessments in 2022, there were performance rating and/or incentive adjustments applied both upwards and downwards.

Malus provision

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

- misconduct leading to significant adverse outcomes;
- a significant failure of financial or non-financial risk management;
- a significant failure or breach of accountability, fitness and propriety, or compliance obligations;
- a significant error or a significant misstatement of criteria on which the variable remuneration determination was based; and/or
- significant adverse outcomes for customers, beneficiaries or counterparties.

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 2022.

Clawback provision

The clawback provision allows, to the extent permissible by applicable law, all variable remuneration (cash and deferred remuneration) to remain subject to clawback for a period of two years from the date of payment or vesting (as the case may be) of the relevant component of variable remuneration.

The Board can determine whether to apply clawback to paid or vested variable remuneration and, if so, the appropriate value over which clawback will be applied.

The circumstances in which the Board may apply clawback include those where it concludes in good faith that there is or has been:

- misconduct leading to material adverse outcomes;
- a material failure of financial or non-financial risk management;
- a material failure or breach of accountability, fitness and propriety, or compliance obligations;
- a material error or a material misstatement of criteria on which the variable remuneration determination was based; and/or
- material adverse outcomes for customers, beneficiaries or counterparties.

Clawback may be applied to any variable remuneration regardless of whether or not the employment or engagement of the relevant person is ongoing.

A review against the clawback provision was completed as part of the year end process. There was no requirement to apply the provision in 2022.

Consequence Management Policy

The QBE Consequence Management Policy was adopted in 2022 for implementation in 2023. The policy introduces principles and guidance to ensure consequences for misconduct or poor risk outcomes are fair, consistent and aligned with regulatory requirements.

Securities Trading Policy

Trading in QBE ordinary shares is generally permitted outside of designated closed periods. QBE's 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 non-executive directors, executives and shareholders.

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

Remuneration Report continued

1. REMUNERATION GOVERNANCE

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) is to be maintained as long as the executive KMP remains at QBE. New executive KMP are required to build their shareholdings over a five-year period after becoming executive KMP.

The value of shareholdings as a multiple of fixed remuneration at 31 December 2022 for each executive KMP is shown on [pages 68 to 69](#). All executive KMP have either met or are on track to meet the MSR requirements at 31 December 2022.

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.

Use of external advisers

Remuneration advisers provide guidance on remuneration for executives, facilitate discussion, review remuneration and at-risk reward benchmarking within industry peer groups. They also provide guidance on current trends in executive remuneration practices. Any advice provided by remuneration advisers 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.

Ernst & Young (EY) currently acts as the independent remuneration adviser to the People & Remuneration Committee. The People & Remuneration Committee and the Board are satisfied that the advice provided by EY during 2022 was free from undue influence.

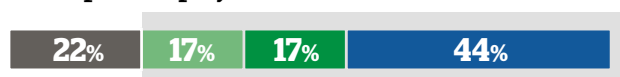
During 2022, management requested and utilised reports on market practice from various reputable sources. No recommendations in relation to the remuneration of KMP were provided as part of these engagements.

2. EXECUTIVE KMP REMUNERATION IN DETAIL

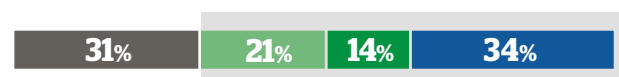
At QBE, having the right talent across the Group enables us to create shareholder value, while prudently managing risk and maintaining strong corporate governance. To deliver our strategic ambitions, we must ensure that our executive remuneration framework reflects QBE's desire to attract and retain the best people.

This section sets out our approach for 2022. The graphs below set out the typical remuneration structure and delivery for the Group CEO and other executive KMP for on-target performance.

Group CEO pay mix



Other executive KMP pay mix



● Fixed remuneration ● API cash ● API deferred equity ● LTI maximum face-value At risk remuneration

Executive remuneration structure

QBE's executive remuneration structure for 2022 comprised a mix of fixed and at-risk remuneration through API and LTI plan arrangements. Each of these components is discussed in further detail on the following pages.

FIXED REMUNERATION - KEY DETAILS

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, expatriate benefits, occasional spouse travel to accompany the executive on business and applicable taxes.

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.

Australian-based executive roles 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 sub-peer group is determined based on the industry classification 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.

Remuneration Report continued

2. EXECUTIVE KMP REMUNERATION IN DETAIL

ANNUAL PERFORMANCE INCENTIVE PLAN - KEY DETAILS

Description

The API is an annual, performance-based incentive, delivered as a mix 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. The conditional rights vest in equal tranches over a further four years.

Performance measures and rationale

The API plan provides an incentive outcome with a clear link between business performance, risk management and individual behaviours, and allows further discretion by the Board to be applied where warranted. API outcomes are based on a combination of the Group's financial performance, non-financial metrics incorporating sustainability-aligned metrics based on risk, people and culture and strategic priorities, and individual performance assessed both on what has been achieved and how it was achieved during the year. A summary of achievements and positioning against targets is set out in the business scorecard on [page 67](#) and an explanation of the measures and their rationale for use is provided below:

Financial measures (70% weighting)

COR

COR is the most relevant measure of the underwriting performance of our insurance operations.

COR comprises net claims incurred, net commission expense and underwriting and administration expenses as a percentage of net earned premium. The measure excludes the impact of risk-free rates because it is consistent with the way we report and the basis on which the market assesses the underwriting performance of QBE.

GROUP CASH ROE

Cash ROE is a measure of how effectively we are managing shareholders' investment in QBE.

For the API, 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.

Non-financial measures (30% weighting)

RISK

Risk outcomes are assessed using the Risk Maturity Assessment, a framework QBE uses to understand how our risk management practices are maturing, how we determine areas of strength and identify areas that may require further investment. This multi-dimensional measure supports how we assess our effectiveness in managing risk, both from a qualitative and quantitative perspective.

PEOPLE AND CULTURE

Investment in our people and the strengthening of alignment and collaboration across the enterprise are priorities that enable culture in order to drive performance. Assessing a blend of quantitative measures and qualitative outputs provides a strong lens on people and culture across the enterprise as we look to enable a more sustainable and resilient workforce.

STRATEGIC PRIORITIES

How we are actively managing the business to deliver achievements in each of our strategic priority areas is key to delivering our vision. Our focus in 2022 was: portfolio optimisation, sustainable growth, bring the enterprise together and modernise our business. The Board considers how the business performed against each element.

Individual performance objectives

The objectives align with strategic priorities. At the end of the year, individual performance of the executive KMP is assessed both on what was achieved and how it was achieved. This embeds QBE DNA behaviours in remuneration outcomes.

ADJUSTMENTS

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

Vesting schedule

The API vesting schedule is outlined below:

	BELOW THRESHOLD	THRESHOLD	TARGET	SUPERIOR
% of API opportunity achieved	0%	30%	100%	150%

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

API PLAN – key details (continued)

Instrument and deferral mechanics

The API award is delivered as 60% in cash (50% in the case of the Group CEO) and 40% is deferred as conditional rights to QBE shares (50% in the case of the Group CEO).

Deferred API vests in four equal tranches on the first, second, third and fourth anniversaries of the award. Vesting is subject to service conditions during the deferral period. Malus and clawback also apply.

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. Notional dividends accrue during the deferral period.

i Executive KMP API awards for the 2022 performance year are detailed on pages 68 to 69.

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, or mutually agreed separation (in some cases)) will apply such that:

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

Malus and clawback provisions

API is subject to malus and clawback, as applicable, enabling awards to be forfeited, reduced or have clawback applied at the discretion of the People & Remuneration Committee and Board.

i Malus and clawback provisions are detailed on page 71.

LONG TERM INCENTIVE PLAN – KEY DETAILS

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 performance conditions measured over a three-year performance period:

Average Group cash ROE (70% weighting)

DEFINITION

The three-year arithmetic average of the annual cash ROE over the performance period assessed against targets set in the context of the three-year business plan. The Group cash ROE target is set with reference to the prevailing risk-free rate plus a set margin.

RATIONALE

Cash ROE is the primary financial measure of success for QBE and is most tangible for long-term decision making.

Relative total shareholder return (30% weighting)

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 a global insurance peer group as shown below.

RATIONALE

The use of a relative TSR measure enables stronger pay for performance, aligning with shareholders.

TSR peer group – global insurance peer group

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

ADJUSTMENTS

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

LTI allocation

To calculate the number of conditional rights 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.

Remuneration Report continued

2. EXECUTIVE KMP REMUNERATION IN DETAIL

LTI PLAN - key details (continued)

Vesting schedules

For the 2022 LTI, the Group cash ROE and TSR vesting schedules are outlined below:

QBE'S GROUP CASH ROE PERFORMANCE	% OF LTI CONDITIONAL RIGHTS SUBJECT TO THE GROUP CASH ROE COMPONENT WHICH MAY VEST
Below risk-free rate + 5.75%	0%
At risk-free rate + 5.75%	30%
Between risk-free rate + 5.75% and risk-free rate + 10.75%	Straight line vesting between 30% and 100%
At or above risk-free rate + 10.75%	100%

QBE'S TSR PERFORMANCE RELATIVE TO THE PEER GROUP	% 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 (on or about the vesting date) set out in the table below, subject to service conditions and malus provisions:

TRANCHE	VESTING DATE	PERFORMANCE PERIOD	PROPORTION OF ELIGIBLE 2022 LTI CONDITIONAL RIGHTS TO VEST
1	26 February 2025	End of the three-year performance period	33%
2	26 February 2026	First anniversary of the end of the performance period	33%
3	26 February 2027	Second anniversary of the end of the performance period	34%

Notional dividends accrue during the vesting period.

Leaver provisions

In cases of 'good leaver' (e.g. retirement, redundancy, ill health, injury, or mutually agreed separation (in some cases)) the unvested LTI conditional rights may be reduced to a pro-rata amount to reflect the proportion of the performance period in service and may continue to be held subject to the same vesting conditions. On voluntary termination, dismissal or termination due to poor performance, all awards are forfeited.

Malus and clawback provisions

LTI is subject to malus and clawback provisions, as applicable, enabling awards to be either forfeited or reduced or have clawback applied at the discretion of the People & Remuneration Committee and Board.

i Malus and clawback provisions are detailed on [page 71](#).

Legacy equity schemes

The information below summarises QBE's legacy incentive plans mentioned in the Remuneration Report.

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% to 50% of the award was delivered in cash and 50% to 60% of the award was deferred as conditional rights to fully paid ordinary QBE shares.

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. The EIP awards made to Sam Harrison prior to his appointment as executive KMP include cash-settled share-based payment awards which are subject to the same vesting conditions as the equivalent conditional rights described above. The benefit received at vesting is indexed to the movement in the A\$ value of QBE's shares including dividends declared in the period between grant and vest dates.

Short Term Incentive (STI) - until 31 December 2021

The STI was 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 was measured over a 12-month period. The conditional rights were deferred in two equal tranches such that 50% vested on the first anniversary of the award and 50% on the second anniversary of the award.

STI outcomes were subject to the achievement of a blend of divisional CORs for 2021, Group COR for 2017–2020, Group cash ROE targets, divisional COR targets in the case of divisional employees, and individual performance objectives reflecting QBE's strategic priorities. The STI was replaced by the API from 2022.

LTI levelling mechanism - until 31 December 2021

The LTI levelling mechanism, introduced in 2019, and removed after 2021, effectively puts a ceiling and a floor on aggregate catastrophe claims when determining LTI outcomes, because extreme or benign catastrophe periods can have a material effect across multiple LTI awards as the LTI performance period is measured over three years. The cap and collar 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. There was no need to adjust the cash ROE for catastrophe claims in 2022. Historically, the cost of catastrophe claims in 2021 was \$924 million (2020: \$898 million), and being in excess of the range resulted in adjusted cash ROE of 11% in 2021 (2020: (14.2)%).

For the 2021 LTI, target ranges for each of the three performance years are set at the start of each relevant year and are disclosed in the following year. The target range for 2022 was between 7.9% and 11.9% (2021: between 6.3% and 10.3%) with straight line vesting commencing at 30% from the lower range up to 100% at the upper range. The individual annual ranges will be used to create the target range for the three-year performance period.

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. In addition, the typical treatment of incentives is also provided below.

CONTRACTUAL TERM	GROUP CEO	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
Post-employment restraints	12 months non-compete and non-solicitation	Six to 12 months non-compete and non-solicitation

Treatment of incentives

Voluntary termination

All unvested incentives are forfeited.

Involuntary termination

On termination with cause or for poor performance: All unvested incentives are forfeited.

On termination without cause: For API 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 EIP, STI and API conditional rights remain in the plan subject to the original vesting dates and malus, with clawback provisions included from 2021. Unvested LTI conditional rights may be reduced to a pro-rata amount to reflect the proportion of the performance period in service and may continue to be held subject to the same performance and vesting conditions. Legacy equity 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 in accordance with the original terms and plan rules.

Remuneration Report continued**3. EXECUTIVE KMP REMUNERATION TABLES****3.1 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 for the year ended 31 December 2022. Remuneration has been converted to US dollars using the average rate of exchange for the relevant year.

	YEAR	SHORT-TERM EMPLOYMENT BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYEE BENEFITS	SHARE-BASED PAYMENTS ⁴	TERMINATION BENEFITS	TOTAL
		BASE SALARY US\$000	OTHER ¹ US\$000	API CASH ² US\$000					
Andrew Horton ⁵	2022	1,246	186	919	3	32	2,125	–	4,511
	2021	431	465	390	–	33	913	–	2,232
Jason Harris	2022	801	7	562	–	–	716	–	2,086
	2021	894	7	922	–	–	810	–	2,633
Sam Harrison ⁵	2022	776	13	554	–	–	883	–	2,226
	2021	650	14	578	–	–	620	–	1,862
Sue Houghton ⁵	2022	676	16	520	17	(3)	810	–	2,036
	2021	295	151	289	5	6	396	–	1,142
Amanda Hughes ⁵	2022	536	5	324	17	45	250	–	1,177
	2021	42	–	38	–	(10)	2	–	72
Todd Jones	2022	1,000	33	600	24	–	1,081	–	2,738
	2021	1,000	27	659	23	–	818	–	2,527
Fiona Larnach ⁵	2022	607	18	270	17	9	356	–	1,277
	2021	540	1	306	16	32	168	–	1,063
Inder Singh	2022	884	11	628	17	18	867	–	2,425
	2021	962	10	905	18	21	733	–	2,649
Total	2022	6,526	289	4,377	95	101	7,088	–	18,476
	2021 ⁶	4,814	675	4,087	62	82	4,460	–	14,180

1 Other includes, where relevant, provision of health insurance, spouse travel, accommodation costs, staff insurance discount benefits received during the year, life assurance and personal accident insurance and applicable taxes. It also includes tax accruals in respect of employment benefits and other one-off expenses.

2 API cash is payable in March 2023 for the 2022 performance year.

3 Includes the movement in annual leave and long service leave provisions during the relevant year 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. See note 8.6 to the financial statements on page 158 for more detail.

4 Includes conditional rights and legacy cash-settled awards. 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. This may include conditional rights granted as compensation for incentives forfeited on ceasing previous employment to join QBE. Details of conditional rights are provided on page 80. For Sam Harrison, this includes legacy cash-settled share-based awards (\$197,000) relating to grants made prior to his appointment as executive KMP on 1 April 2021 under the 2019, 2020 and 2021 EIP. A description of the EIP is provided on pages 76 to 77.

5 The 2021 disclosures reflect pro-rated remuneration for certain executive KMP who were in role for part of 2021.

6 The total disclosed in the 2021 Remuneration Report (\$24,662,000) includes remuneration of former executive KMP, which are excluded from the above, comprising: Jason Brown (\$1,061,000), Margaret Murphy (\$1,708,000) and Richard Pryce (\$7,713,000).

3.2 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 on pages 74 to 77, and contractual arrangements. LTI conditional rights are subject to future performance hurdles as detailed on pages 75 to 76. Conditional rights under the API for the 2022 performance year will typically be granted in the first quarter of 2023.

2022	BALANCE AT 1 JANUARY 2022 NUMBER	GRANTED NUMBER	VALUE AT GRANT DATE US\$000 ¹	VESTED AND EXERCISED NUMBER	VALUE AT VESTING DATE US\$000	FORFEITED/ LAPSED NUMBER ²	NOTIONAL DIVIDENDS ATTACHING IN THE YEAR NUMBER	BALANCE AT 31 DECEMBER 2022 NUMBER
Andrew Horton	335,570	345,059	2,646	(83,892)	667	—	14,700	611,437
Jason Harris	320,683	152,220	1,160	(78,240)	626	—	9,722	404,385
Sam Harrison	248,761	141,712	1,076	(53,168)	417	—	8,314	345,619
Sue Houghton	195,370	99,632	741	(28,546)	227	—	6,571	273,027
Amanda Hughes	6,916	94,478	715	(1,729)	14	—	2,458	102,123
Todd Jones	591,236	215,735	1,608	(33,385)	274	(157,013)	15,189	631,762
Fiona Larnach	97,626	92,172	688	—	—	—	4,678	194,476
Inder Singh	445,936	158,627	1,205	(76,079)	604	(98,522)	10,600	440,562

1 The value at grant date is calculated in accordance with AASB 2 *Share-based Payment*.

2 The 2019 LTI award and related notional dividends lapsed in full as the performance conditions were not met.

Remuneration Report *continued***3. EXECUTIVE KMP REMUNERATION TABLES****3.3 Valuation of conditional rights outstanding at 31 December 2022**

The table below details the conditional rights issued affecting remuneration of executives in the previous, current or future reporting periods:

2022	GRANT	GRANT DATE	PERFORMANCE PERIOD START DATE	VESTING/ EXERCISE DATE	CONDITIONAL RIGHTS AT 31 DECEMBER 2022 NUMBER ^{1,2}	MAXIMUM VALUE OF AWARD TO VEST A\$000 ³	FAIR VALUE PER CONDITIONAL RIGHT A\$ ⁴		
							GROUP ROE	TSR	TIME
Andrew Horton	Special	1 Sep 2021	1 Sep 2021	2023-2025	257,879	3,074	–	–	11.92
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	44,623	533	–	–	11.94
	2022 LTI	5 May 2022	1 Jan 2022	2025-2027	308,935	3,378	12.13	8.14	–
Jason Harris	2020 LTI	1 Oct 2020	1 Jan 2020	2023-2025	104,050	647	8.70	3.75	–
	2020 STI	26 Feb 2021	1 Jan 2020	25 Feb 2023	16,136	150	–	–	9.30
	2021 LTI	26 Feb 2021	1 Jan 2021	2024-2026	128,229	930	9.30	5.21	–
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	52,522	627	–	–	11.94
	2022 LTI	28 Feb 2022	1 Jan 2022	2025-2027	103,448	1,087	11.94	7.15	–
Sam Harrison	2018 EIP	4 Mar 2019	1 Jan 2018	3 Mar 2023	18,255	222	–	–	12.17
	2019 EIP	24 Feb 2020	1 Jan 2019	2023-2024	18,596	277	–	–	14.91
	2020 EIP	26 Feb 2021	1 Jan 2020	2023-2025	39,279	365	–	–	9.30
	2021 LTI	26 Feb 2021	1 Jan 2021	2024-2026	124,285	902	9.30	5.21	–
	2021 EIP	28 Feb 2022	1 Jan 2021	2023-2026	12,011	143	–	–	11.94
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	32,925	393	–	–	11.94
	2022 LTI	28 Feb 2022	1 Jan 2022	2025-2027	100,268	1,053	11.94	7.15	–
Sue Houghton	2021 LTI	3 Aug 2021	1 Jan 2021	2024-2026	94,966	831	10.89	6.61	–
	Special	3 Aug 2021	3 Aug 2021	2023-2024	75,970	827	–	–	10.89
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	16,272	194	–	–	11.94
	2022 LTI	28 Feb 2022	1 Jan 2022	2025-2027	85,819	901	11.94	7.15	–
Amanda Hughes	2020 EIP	26 Feb 2021	1 Jan 2020	2023-2025	5,316	49	–	–	9.30
	2021 EIP	28 Feb 2022	1 Jan 2021	2023-2026	26,037	311	–	–	11.94
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	2,119	25	–	–	11.94
	2022 LTI	28 Feb 2022	1 Jan 2022	2025-2027	68,651	721	11.94	7.15	–
Todd Jones	2020 LTI	24 Feb 2020	1 Jan 2020	2023-2025	166,152	2,124	14.91	10.66	–
	2020 STI	26 Feb 2021	1 Jan 2020	25 Feb 2023	30,030	279	–	–	9.30
	2021 LTI	26 Feb 2021	1 Jan 2021	2024-2026	214,530	1,556	9.30	5.21	–
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	38,565	460	–	–	11.94
	2022 LTI	28 Feb 2022	1 Jan 2022	2025-2027	182,485	1,917	11.94	7.15	–
Fiona Larnach	2021 LTI	26 Feb 2021	1 Jan 2021	2024-2026	100,035	726	9.30	5.21	–
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	17,207	205	–	–	11.94
	2022 LTI	28 Feb 2022	1 Jan 2022	2025-2027	77,234	811	11.94	7.15	–
Inder Singh	2018 EIP	4 Mar 2019	1 Jan 2018	3 Mar 2023	23,711	289	–	–	12.17
	2020 LTI	24 Feb 2020	1 Jan 2020	2023-2025	79,009	1,010	14.91	10.66	–
	2020 STI	26 Feb 2021	1 Jan 2020	25 Feb 2023	30,811	287	–	–	9.30
	2021 LTI	26 Feb 2021	1 Jan 2021	2024-2026	144,495	1,048	9.30	5.21	–
	2021 STI	28 Feb 2022	1 Jan 2021	2023-2024	50,975	609	–	–	11.94
	2022 LTI	28 Feb 2022	1 Jan 2022	2025-2027	111,561	1,172	11.94	7.15	–

- 1 Includes original grant of conditional rights and notional dividends. Shareholders approved the grant of 2022 LTI for Andrew Horton at the Annual General Meeting on 5 May 2022.
- 2 For the 2020 and 2021 LTI allocations, the number of conditional rights reflects an equal proportion of Group cash ROE and TSR performance conditions. The number of 2022 LTI conditional rights reflects a proportion of 70% Group cash ROE and 30% TSR performance conditions.
- 3 The maximum value to vest represents the fair value at grant date for all unvested conditional rights. The minimum amount executive KMP may receive will be zero if awards do not vest for any reason.
- 4 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 2020 and 2021 LTI allocations, the TSR fair value shown above was averaged over the two peer groups.

3.4 Executive KMP shareholdings

The table below provides details of movements during the year in the number of ordinary shares in QBE held by executive KMP, including their personally-related parties. In prior years, where non-recourse loans were provided by the Group to executive KMP for the purchase of shares in QBE, details are shown in the Remuneration Report of each relevant year. There were no loans provided to executive KMP during the year ended 31 December 2022.

2022	INTEREST IN SHARES AT 1 JANUARY 2022 NUMBER	DIVIDENDS REINVESTED NUMBER	CONDITIONAL RIGHTS VESTED NUMBER	SHARES PURCHASED (SOLD) NUMBER ¹	INTEREST IN SHARES AT 31 DECEMBER 2022 NUMBER
Andrew Horton	150,000	2,067	83,892	–	235,959
Jason Harris	–	1,019	78,240	(36,888)	42,371
Sam Harrison	201	5	53,168	(53,168)	206
Sue Houghton	17,000	704	28,546	–	46,250
Amanda Hughes	16,460	43	1,729	–	18,232
Todd Jones	205,156	372	33,385	(11,805)	227,108
Fiona Larnach	–	–	–	–	–
Inder Singh	113,041	1,310	76,079	–	190,430

1 The shares listed as sold may either partially or fully relate to sales to meet withholding tax obligations upon the vesting of conditional rights.

Remuneration Report continued

4. NON-EXECUTIVE DIRECTOR REMUNERATION

The following section contains information on the approach to non-executive director remuneration, their 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 Annual General Meeting on 5 May 2022 was A\$4,750,000 per annum.

The total amount paid to non-executive directors in 2022 was A\$3,387,953 (2021 A\$3,398,414).

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 2022. Fees for independent non-executive directors will be reviewed later in 2023.

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 are eligible to 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.

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 July 2022, the SG contribution increased by 0.5% to 10.5%. This change is reflected in table 4.1.

Since 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 is paid in lieu of actual contributions.

4.1 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.

NON-EXECUTIVE DIRECTOR	YEAR	SHORT-TERM EMPLOYMENT BENEFITS		POST-EMPLOYMENT BENEFITS		TOTAL US\$000
		FEES ¹ US\$000	OTHER US\$000	SUPERANNUATION - SG ² US\$000	SUPERANNUATION - OTHER ² US\$000	
Michael Wilkins	2022	504	—	17	35	556
	2021	498	—	17	32	547
Yasmin Allen ³	2022	106	—	4	7	117
Stephen Fitzgerald ⁴	2022	95	—	—	—	95
	2021	257	—	—	—	257
John M Green ⁴	2022	104	—	—	10	114
	2021	290	—	—	28	318
Tan Le	2022	231	2	—	—	233
	2021	216	1	—	—	217
Kathryn Lisson	2022	239	2	—	—	241
	2021	235	3	—	—	238
Sir Brian Pomeroy	2022	240	2	—	—	242
	2021	238	3	—	—	241
Jann Skinner	2022	234	—	4	20	258
	2021	234	—	4	18	256
Eric Smith	2022	233	—	—	—	233
	2021	216	1	—	—	217
Rolf Tolle	2022	258	4	—	—	262
	2021	257	3	—	—	260
Total	2022	2,244	10	25	72	2,351
	2021	2,441	11	21	78	2,551

1 Fees include amounts sacrificed in relation to the Director Share Acquisition Plan (DSAP). During 2022, Michael Wilkins, Stephen Fitzgerald, Tan Le, Kathryn Lisson, Sir Brian Pomeroy, Eric Smith and Rolf Tolle elected to sacrifice a portion of their director pre-tax base fees to acquire QBE shares to meet their minimum shareholding requirement over the required period. The amounts are included in the fees approved by shareholders and form part of the A\$3,387,953 on page 82. The increase in their shareholdings in 2022 reflected in table 4.2 was mainly as a result of their participation in the DSAP. Travel allowances and additional fees in lieu of superannuation in Australia are also included in fees. Stephen Fitzgerald, Tan Le, Kathryn Lisson, Sir Brian Pomeroy, Eric Smith and Rolf Tolle received additional fees of 10.0% in lieu of superannuation in Australia from 1 January 2022 to 30 June 2022, and 10.5% from 1 July 2022 to 31 December 2022.

2 Michael Wilkins, Yasmin Allen, John M Green and Jann Skinner are Australian residents. Superannuation is calculated as 10.0% of fees, up to 30 June 2022 and increased by 0.5% to 10.5% through to 31 December 2022. 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. For part of 2022, Yasmin Allen, 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 Yasmin Allen commenced in role on 1 July 2022.

4 Stephen Fitzgerald and John M Green retired on 5 May 2022.

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, the DSAP was established with effect from 1 June 2014. The DSAP allows non-executive directors to sacrifice a portion of their director pre-tax base fees to acquire QBE shares. Shares acquired in this way are not subject to performance targets, as they are acquired in place of cash payments. Non-executive directors' shareholdings are shown overleaf.

All non-executive directors have met the MSR as at 31 December 2022, or are within the five-year period to achieve the MSR.

Remuneration Report continued**4. NON-EXECUTIVE DIRECTOR REMUNERATION****4.2 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:

2022	POSITION	TERM AS KMP	INTEREST IN SHARES AT 1 JANUARY 2022 NUMBER¹	CHANGES DURING THE YEAR NUMBER	INTEREST IN SHARES AT 31 DECEMBER 2022 NUMBER
Michael Wilkins	Chair	Full year	72,258	11,525	83,783
Yasmin Allen	Director	Part year from 1 July 2022	–	18,333	18,333
Stephen Fitzgerald ²	Director	Part year to 5 May 2022	69,268	3,077	72,345
John M Green ³	Director	Part year to 5 May 2022	41,253	–	41,253
Tan Le	Director	Full year	4,127	4,626	8,753
Kathryn Lisson	Director	Full year	44,079	4,931	49,010
Sir Brian Pomeroy	Director	Full year	37,445	4,980	42,425
Jann Skinner	Director	Full year	70,000	–	70,000
Eric Smith	Director	Full year	4,127	4,640	8,767
Rolf Tolle	Director	Full year	67,618	6,188	73,806

1 The interest in shares for Yasmin Allen represents the balance at the commencement date of 1 July 2022.

2 The interest in shares for Stephen Fitzgerald represents the balance at the date he retired as non-executive director on 5 May 2022 at the conclusion of the Annual General Meeting, which updates the Appendix 3Z lodged on 6 May 2022.

3 The interest in shares for John M Green represents the balance at the date he retired as non-executive director on 5 May 2022 at the conclusion of the Annual General Meeting.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2022

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*.

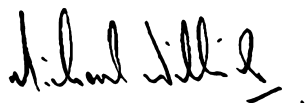
A copy of the auditor's independence declaration required under section 307C of the *Corporations Act 2001* is set out on [page 86](#).

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 17th day of February 2023 in accordance with a resolution of the directors.



Michael Wilkins AO
Director



Andrew Horton
Director

Directors' Report continued

FOR THE YEAR ENDED 31 DECEMBER 2022



Auditor's independence declaration

As lead auditor for the audit of QBE Insurance Group Limited for the year ended 31 December 2022, 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.

A handwritten signature in black ink, appearing to read 'V. Papageorgiou'.

Voula Papageorgiou
Partner, PricewaterhouseCoopers
Sydney
17 February 2023

Financial Report contents

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income	88
Consolidated balance sheet	89
Consolidated statement of changes in equity	90
Consolidated statement of cash flows	91

NOTES TO THE FINANCIAL STATEMENTS

1. OVERVIEW	92
1.1 About QBE	92
1.2 About this report	93
1.3 Segment information	96
2. UNDERWRITING ACTIVITIES	98
2.1 Revenue	98
2.2 Net claims expense	99
2.3 Net outstanding claims liability	99
2.4 Claims development - net undiscounted central estimate	106
2.5 Unearned premium and deferred insurance costs	108
2.6 Trade and other receivables	111
2.7 Trade and other payables	112
3. INVESTMENT ACTIVITIES	113
3.1 Investment income	113
3.2 Investment assets	114
4. RISK MANAGEMENT	117
4.1 Strategic risk	118
4.2 Insurance risk	119
4.3 Credit risk	121
4.4 Market risk	123
4.5 Liquidity risk	127
4.6 Operational risk	128
4.7 Compliance risk	129
4.8 Group risk	129
5. CAPITAL STRUCTURE	130
5.1 Borrowings	130
5.2 Cash and cash equivalents	132
5.3 Contributed equity and reserves	133
5.4 Dividends	135
5.5 Earnings per share	136
5.6 Derivatives	137
6. TAX	140
6.1 Reconciliation of prima facie tax to income tax expense or credit	140
6.2 Deferred income tax	141
7. GROUP STRUCTURE	143
7.1 Disposals	143
7.2 Intangible assets	144
7.3 Controlled entities	147
8. OTHER	150
8.1 Other accounting policies	150
8.2 Contingent liabilities	153
8.3 Offsetting financial assets and liabilities	153
8.4 Reconciliation of profit after income tax to net cash flows from operating activities	154
8.5 Share-based payments	155
8.6 Key management personnel	158
8.7 Defined benefit plans	159
8.8 Remuneration of auditors	160
8.9 Ultimate parent entity information	161

DIRECTORS' DECLARATION	162
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INDEPENDENT AUDITOR'S REPORT	163
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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 18, 388 George Street
Sydney NSW 2000
Australia.

A description of the nature of the Group's operations and its principal activities is included on pages 4 to 31, none of which is part of this Financial Report.

The Financial Report was authorised for issue by the directors on 17 February 2023. 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 2022

	NOTE	2022 US\$M	2021 US\$M
Gross written premium		20,001	18,457
Unearned premium movement		(934)	(1,422)
Gross earned premium revenue	2.1	19,067	17,035
Outward reinsurance premium		(4,920)	(3,983)
Deferred reinsurance premium movement		180	356
Outward reinsurance premium expense		(4,740)	(3,627)
Net earned premium (a)		14,327	13,408
Gross claims expense	2.2	(12,220)	(11,464)
Reinsurance and other recoveries revenue	2.2	3,890	3,093
Net claims expense (b)	2.2	(8,330)	(8,371)
Gross commission expense		(2,950)	(2,704)
Reinsurance commission revenue	2.1	831	634
Net commission (c)		(2,119)	(2,070)
Underwriting and other expenses (d)		(1,836)	(1,829)
Underwriting result (a)+(b)+(c)+(d)		2,042	1,138
Investment (loss) income – policyholders' funds	3.1	(490)	94
Investment expenses – policyholders' funds	3.1	(19)	(17)
Insurance profit		1,533	1,215
Investment (loss) income – shareholders' funds	3.1	(257)	53
Investment expenses – shareholders' funds	3.1	(10)	(8)
Financing and other costs	5.1.2	(245)	(247)
Gain on sale of entities and businesses	7.1	38	–
Share of net loss of associates		(7)	(7)
Restructuring and related expenses		(106)	(72)
Amortisation and impairment of intangibles	7.2	(27)	(21)
Profit before income tax		919	913
Income tax expense	6.1	(141)	(156)
Profit after income tax		778	757
Other comprehensive (loss) income			
<i>Items that may be reclassified to profit or loss</i>			
Net movement in foreign currency translation reserve	5.3.2	(379)	(272)
Net movement in cash flow hedge and cost of hedging reserves	5.3.2	33	41
Income tax relating to these components of other comprehensive income	5.3.2	(10)	(13)
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of defined benefit plans		(36)	21
Income tax relating to this component of other comprehensive income		10	(7)
Other comprehensive loss after income tax		(382)	(230)
Total comprehensive income after income tax		396	527
Profit after income tax attributable to:			
Ordinary equity holders of the Company		770	750
Non-controlling interests		8	7
		778	757
Total comprehensive income after income tax attributable to:			
Ordinary equity holders of the Company		388	520
Non-controlling interests		8	7
		396	527
EARNINGS PER SHARE FOR PROFIT AFTER INCOME TAX ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
	NOTE	2022 US CENTS	2021 US CENTS
For profit after income tax			
Basic earnings per share	5.5	48.6	47.5
Diluted earnings per share	5.5	48.2	47.2

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

AS AT 31 DECEMBER 2022

	NOTE	2022 US\$M	2021 US\$M
Assets			
Cash and cash equivalents	5.2	833	819
Investments	3.2	27,299	28,111
Derivative financial instruments	5.6	284	142
Trade and other receivables	2.6	8,341	7,109
Current tax assets		45	6
Deferred insurance costs	2.5	2,936	2,697
Reinsurance and other recoveries on outstanding claims	2.3	6,617	6,757
Other assets		2	2
Assets held for sale	3.2.1	–	50
Defined benefit plan surpluses	8.7	46	92
Right-of-use lease assets		276	328
Property, plant and equipment		151	155
Deferred tax assets	6.2	587	521
Investment properties		35	37
Investments in associates		32	28
Intangible assets	7.2	2,018	2,449
Total assets		49,502	49,303
Liabilities			
Derivative financial instruments	5.6	387	452
Trade and other payables	2.7	3,543	3,215
Current tax liabilities		39	24
Unearned premium	2.5	9,075	8,637
Gross outstanding claims	2.3	24,045	24,282
Lease liabilities		301	354
Provisions		203	129
Defined benefit plan deficits	8.7	26	29
Deferred tax liabilities	6.2	147	31
Borrowings	5.1	2,744	3,268
Total liabilities		40,510	40,421
Net assets		8,992	8,882
Equity			
Contributed equity	5.3.1	9,242	9,777
Treasury shares held in trust		(1)	(2)
Reserves	5.3.2	(1,365)	(1,608)
Retained profits		1,114	714
Shareholders' equity		8,990	8,881
Non-controlling interests		2	1
Total equity		8,992	8,882

The consolidated balance sheet should be read in conjunction with the accompanying notes.

1
Performance
overview

2
Operating and
financial review

3
Governance

4
Directors'
Report

5
Financial
Report

6
Other
information


Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2022

	SHAREHOLDERS' EQUITY					NON-CONTROLLING INTERESTS US\$M	TOTAL EQUITY US\$M
	CONTRIBUTED EQUITY US\$M	TREASURY SHARES HELD IN TRUST US\$M	RESERVES US\$M	RETAINED PROFITS US\$M	TOTAL US\$M		
At 1 January 2022	9,777	(2)	(1,608)	714	8,881	1	8,882
Profit after income tax	–	–	–	770	770	8	778
Other comprehensive loss	–	–	(356)	(26)	(382)	–	(382)
Total comprehensive (loss) income	–	–	(356)	744	388	8	396
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	29	(30)	–	–	(1)	–	(1)
Share-based payment expense	–	–	39	–	39	–	39
Shares vested and/or released	–	31	(31)	–	–	–	–
Dividends paid on ordinary shares	–	–	–	(297)	(297)	(7)	(304)
Dividend Reinvestment Plan and Bonus Share Plan	36	–	–	3	39	–	39
Distributions on capital notes	–	–	–	(50)	(50)	–	(50)
Foreign exchange	(600)	–	591	–	(9)	–	(9)
At 31 December 2022	9,242	(1)	(1,365)	1,114	8,990	2	8,992

	SHAREHOLDERS' EQUITY					NON-CONTROLLING INTERESTS US\$M	TOTAL EQUITY US\$M
	CONTRIBUTED EQUITY US\$M	TREASURY SHARES HELD IN TRUST US\$M	RESERVES US\$M	RETAINED PROFITS US\$M	TOTAL US\$M		
At 1 January 2021	10,273	(1)	(1,898)	117	8,491	1	8,492
Profit after income tax	–	–	–	750	750	7	757
Other comprehensive (loss) income	–	–	(244)	14	(230)	–	(230)
Total comprehensive (loss) income	–	–	(244)	764	520	7	527
Transactions with owners in their capacity as owners							
Shares issued under Employee Share and Option Plan and held in trust	31	(31)	–	–	–	–	–
Share-based payment expense	–	–	32	–	32	–	32
Shares vested and/or released	–	30	(30)	–	–	–	–
Dividends paid on ordinary shares	–	–	–	(118)	(118)	(7)	(125)
Dividend Reinvestment Plan and Bonus Share Plan	11	–	–	1	12	–	12
Distributions on capital notes	–	–	–	(50)	(50)	–	(50)
Foreign exchange	(538)	–	532	–	(6)	–	(6)
At 31 December 2021	9,777	(2)	(1,608)	714	8,881	1	8,882

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 2022

	NOTE	2022 US\$M	2021 US\$M
Operating activities			
Premium received		18,405	17,020
Reinsurance and other recoveries received		3,176	2,538
Outward reinsurance premium paid		(4,167)	(2,616)
Claims paid		(10,384)	(10,056)
Acquisition and other underwriting costs paid		(4,268)	(4,116)
Interest received		421	406
Dividends and distributions received		126	124
Other operating payments		(197)	(220)
Interest paid		(246)	(238)
Income taxes paid		(74)	(88)
Net cash flows from operating activities	8.4	2,792	2,754
Investing activities			
Net (payments for purchase) proceeds on sale of growth assets		(512)	156
Net payments for purchase of interest-bearing financial assets		(1,494)	(2,782)
Net payments for foreign exchange transactions		(186)	(20)
Payments for purchase of intangible assets		(132)	(91)
Payments for purchase of property, plant and equipment		(33)	(29)
Payments for investment in associates		(11)	(9)
Proceeds on disposal of entities and businesses (net of cash disposed)		361	—
Proceeds on sale of investment property		—	4
Net cash flows from investing activities		(2,007)	(2,771)
Financing activities			
Purchase of treasury shares		(1)	—
Payments relating to principal element of lease liabilities		(62)	(85)
Proceeds from borrowings		—	550
Repayments of borrowings		(412)	(202)
Dividends and distributions paid		(315)	(162)
Net cash flows from financing activities		(790)	101
Net movement in cash and cash equivalents		(5)	84
Cash and cash equivalents at the beginning of the year		819	766
Effect of exchange rate changes		19	(31)
Cash and cash equivalents at the end of the year	5.2	833	819

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1
Performance
overview2
Operating and
financial review3
Governance4
Directors'
Report5
Financial
Report6
Other
information

Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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 12,000 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

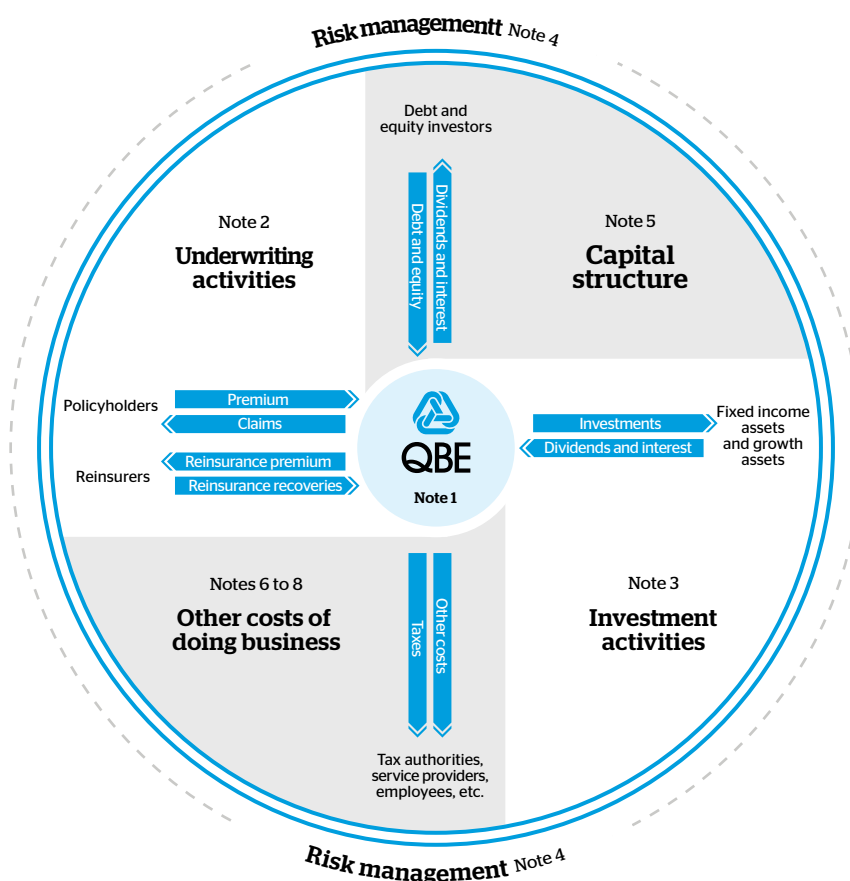
In simple terms, insurance and reinsurance companies help their customers (consumers, businesses and other insurance companies) to manage risk. More broadly put, an insurance company creates value by pooling and redistributing risk. This is done by collecting premium from those that it insures (i.e. 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 claim 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 Australian Accounting Standards Board (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 2022 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 the balance date 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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

In view of the geographic and product diversity of its international operations, 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, 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 Group continues to monitor the potential impacts of COVID-19 on key areas of judgement. While the areas of critical accounting judgements and estimates did not change, the impact of COVID-19 resulted in the application of judgement in the determination of the net discounted central estimate and risk margin, and is discussed in the relevant notes where appropriate. Given the continued uncertainty in relation to potential legislative outcomes, the impact of any changes will be accounted for in future reporting periods as they arise.

The Group has also considered the impact of climate change on the amounts reported and disclosed in the financial statements, particularly in the context of the risks and opportunities identified in our climate change disclosures on pages 34 to 43 of this Annual Report. Details of how these considerations have been reflected in the critical accounting judgements and estimates are discussed in the relevant notes where appropriate.

1.2.3 Australian pricing promise review

Following a review of Australian pricing practices dating back several years across a number of policy administration systems and products, the Group has identified instances where policy pricing promises were not fully delivered. As a result, the Group has recognised a provision on the balance sheet and a \$75 million net cost (before tax) in the consolidated statement of comprehensive income during the year based on current estimates, of which \$53 million relates to customer remediation for premium earned, \$15 million relates to interest payable, and \$7 million relates to other costs associated with administering the program.

In estimating the amounts recognised, assumptions have been made based on the findings of the review, including in relation to the number of affected customers, and the premiums and interest refundable.

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 net investments 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 entity's functional currency of Australian dollars. QBE may elect to use derivatives to manage currency translation risk in order 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 net investments in foreign operations. 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:

	2022		2021	
	PROFIT OR LOSS	BALANCE SHEET	PROFIT OR LOSS	BALANCE SHEET
A\$/US\$	0.693	0.678	0.751	0.727
£/US\$	1.232	1.203	1.375	1.353
€/US\$	1.051	1.067	1.182	1.138

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

1. OVERVIEW

1.3 Segment information



Overview

Information is provided by operating segment to assist an 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.

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, the United States, Ireland, Bermuda, Dubai 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.

Corporate & Other includes non-operating holding companies that do not form part of the Group's insurance operations; gains or losses on disposals; 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.

2022	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	7,274	7,546	5,188	20,008	(7)	20,001
Gross earned premium revenue – external	7,213	6,901	4,944	19,058	9	19,067
Gross earned premium revenue – internal	–	7	–	7	(7)	–
Outward reinsurance premium expense	(3,323)	(934)	(478)	(4,735)	(5)	(4,740)
Net earned premium	3,890	5,974	4,466	14,330	(3)	14,327
Net claims expense	(2,669)	(3,017)	(2,688)	(8,374)	44	(8,330)
Net commission	(456)	(1,045)	(613)	(2,114)	(5)	(2,119)
Underwriting and other expenses	(508)	(678)	(607)	(1,793)	(43)	(1,836)
Underwriting result	257	1,234	558	2,049	(7)	2,042
Investment (loss) income – policyholders' funds	(97)	(417)	(15)	(529)	20	(509)
Insurance profit	160	817	543	1,520	13	1,533
Investment loss – shareholders' funds	(68)	(176)	(3)	(247)	(20)	(267)
Financing and other costs	(1)	(2)	(19)	(22)	(223)	(245)
Gain on sale of entities and businesses	–	–	–	–	38	38
Share of net loss of associates	–	–	–	–	(7)	(7)
Restructuring and related expenses	(51)	(21)	(14)	(86)	(20)	(106)
Amortisation and impairment of intangibles	–	–	(13)	(13)	(14)	(27)
Profit (loss) before income tax	40	618	494	1,152	(233)	919
Income tax (expense) credit	(8)	(123)	(170)	(301)	160	(141)
Profit (loss) after income tax	32	495	324	851	(73)	778
Net profit attributable to non-controlling interests	–	–	–	–	(8)	(8)
Net profit (loss) after income tax attributable to ordinary equity holders of the Company	32	495	324	851	(81)	770

2021	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	6,289	6,962	5,215	18,466	(9)	18,457
Gross earned premium revenue – external	5,838	6,480	4,730	17,048	(13)	17,035
Gross earned premium revenue – internal	–	6	1	7	(7)	–
Outward reinsurance premium expense	(1,873)	(947)	(831)	(3,651)	24	(3,627)
Net earned premium	3,965	5,539	3,900	13,404	4	13,408
Net claims expense	(3,136)	(3,118)	(2,217)	(8,471)	100	(8,371)
Net commission	(512)	(978)	(581)	(2,071)	1	(2,070)
Underwriting and other expenses	(460)	(724)	(601)	(1,785)	(44)	(1,829)
Underwriting result	(143)	719	501	1,077	61	1,138
Investment income – policyholders' funds	30	12	22	64	13	77
Insurance (loss) profit	(113)	731	523	1,141	74	1,215
Investment income – shareholders' funds	30	5	10	45	–	45
Financing and other costs	(1)	(2)	(6)	(9)	(238)	(247)
Share of net loss of associates	–	–	–	–	(7)	(7)
Restructuring and related expenses	(18)	(8)	(13)	(39)	(33)	(72)
Amortisation and impairment of intangibles	–	–	(5)	(5)	(16)	(21)
(Loss) profit before income tax	(102)	726	509	1,133	(220)	913
Income tax credit (expense)	21	(139)	(149)	(267)	111	(156)
(Loss) profit after income tax	(81)	587	360	866	(109)	757
Net profit attributable to non-controlling interests	–	–	–	–	(7)	(7)
Net (loss) profit after income tax attributable to ordinary equity holders of the Company	(81)	587	360	866	(116)	750

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 was \$4,518 million (2021 \$4,254 million) for Australia, the ultimate parent entity's country of domicile, and was \$2,860 million (2021 \$2,439 million) for risks located in the United Kingdom. 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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

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	2022 US\$M	2021 US\$M
Gross earned premium revenue			
Direct and facultative		17,429	15,493
Inward reinsurance		1,638	1,542
		19,067	17,035
Other revenue			
Reinsurance and other recoveries revenue	2.2	3,890	3,093
Reinsurance commission revenue		831	634
		23,788	20,762



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.

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	2022 US\$M	2021 US\$M
Gross claims expense			
Direct and facultative		11,335	10,321
Inward reinsurance		885	1,143
		12,220	11,464
Reinsurance and other recoveries revenue			
Direct and facultative		3,769	2,851
Inward reinsurance		121	242
	2.1	3,890	3,093
Net claims expense		8,330	8,371
Analysed as follows:			
Movement in net discounted central estimate	2.4.2	8,391	8,453
Movement in risk margin	2.3.3	(61)	(82)
Net claims expense		8,330	8,371

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 payments for claims incurred 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	2022 US\$M	2021 US\$M
Gross discounted central estimate	2.3.1	22,758	22,864
Risk margin	2.3.3	1,287	1,418
Gross outstanding claims		24,045	24,282
Reinsurance and other recoveries on outstanding claims	2.3.2	(6,617)	(6,757)
Net outstanding claims		17,428	17,525

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

2. UNDERWRITING ACTIVITIES

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:

	NOTE	2022			2021		
		GROSS US\$M	REINSURANCE US\$M	NET US\$M	GROSS US\$M	REINSURANCE US\$M	NET US\$M
At 1 January		24,282	(6,757)	17,525	23,861	(6,527)	17,334
Claims expense – current accident year	2.4.2	14,092	(4,572)	9,520	12,172	(3,359)	8,813
Claims expense – prior accident years	2.4.2	(1,811)	682	(1,129)	(626)	266	(360)
Movement in risk margin	2.3.3	(61)	–	(61)	(82)	–	(82)
Incurred claims recognised in profit or loss	2.2	12,220	(3,890)	8,330	11,464	(3,093)	8,371
Claims payments		(11,292)	3,861	(7,431)	(10,361)	2,742	(7,619)
Foreign exchange		(1,165)	169	(996)	(682)	121	(561)
At 31 December		24,045	(6,617)	17,428	24,282	(6,757)	17,525

2.3.1 Gross discounted central estimate

	NOTE	2022 US\$M	2021 US\$M
Gross undiscounted central estimate excluding claims settlement costs		25,184	23,129
Claims settlement costs		488	500
Gross undiscounted central estimate		25,672	23,629
Discount to present value		(2,914)	(765)
Gross discounted central estimate	2.3	22,758	22,864
Payable within 12 months		10,006	8,339
Payable in greater than 12 months		12,752	14,525
Gross discounted central estimate	2.3	22,758	22,864



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 claims reported but not yet paid, IBNR, IBNER and estimated 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.



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, environmental, political and economic trends, for example price and wage inflation; and
- impacts of COVID-19.

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).

COVID-19

The projected net ultimate cost of COVID-19 related claims is based on detailed reviews of the Group's emerging claims experience and exposure, and allows for the Group's reinsurance protections. Litigation outcomes relating to the Group's property business interruption exposure, as well as the potential for the appeal of these outcomes, continue to be considered in the determination of the net discounted central estimate and risk margin (refer to note 2.3.3). Key recent legislative outcomes include the Australian High Court decision to decline applications for special leave to appeal aspects of the second industry test case judgement, and the UK High Court judgements in respect of the Corbin & King, Stonegate, Greggs and Various Eateries cases.

There has been no material change to the projected net ultimate cost of COVID-19 related claims during the period, with a modest increase during the period in respect of UK business interruption exposure being partly offset by a release in respect of Australian business interruption exposure, and offsetting movements in other classes.

The Group has released all of the remaining \$160 million of COVID-19 related risk margin (refer to note 2.3.3) during the current period, reflecting the materially reduced uncertainty related to COVID-19 following the outcomes of the court decisions in the UK and Australia.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

2. UNDERWRITING ACTIVITIES

2.3.2 Reinsurance and other recoveries on outstanding claims

	NOTE	2022 US\$M	2021 US\$M
Reinsurance and other recoveries on outstanding claims – undiscounted ¹		7,547	7,014
Discount to present value		(930)	(257)
Reinsurance and other recoveries on outstanding claims	2.3	6,617	6,757
Receivable within 12 months		3,927	2,758
Receivable in greater than 12 months		2,690	3,999
Reinsurance and other recoveries on outstanding claims	2.3	6,617	6,757

1 Net of a provision for impairment of \$25 million (2021 \$32 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.

		2022	2021
Risk margin	US\$M	1,287	1,418
Risk margin as a percentage of the net discounted central estimate	%	8.0	8.8
Probability of adequacy	%	90.0	91.7

Excluding the impact of foreign exchange which reduced the risk margin by \$70 million (2021 \$37 million), the net movement in profit or loss was a release of \$61 million (2021 \$82 million). This mainly reflects a \$160 million release of COVID-19 related risk margin due to materially reduced uncertainty (refer to note 2.3.1) partly offset by an increase relating to underlying growth in the net discounted central estimate.

The probability of adequacy was 90.0% (2021 91.7%). Net profit after tax would have reduced by \$79 million, at the Group's prima facie income tax rate of 30%, if the probability of adequacy was maintained at 91.7%.



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, impacts of COVID-19 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.

2.3.4 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.

	2022 %	2021 %
North America	4.21	1.44
International	3.29	0.55
Australia Pacific	3.73	1.12
Group	3.60	0.87



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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

2. UNDERWRITING ACTIVITIES

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 material increase in risk-free rates used to discount the outstanding claims liability has driven the reductions in weighted average term to settlement in the current period. The table below summarises the weighted average term to settlement for each operating segment and for the consolidated Group.

	2022 YEARS						2021 YEARS					
	US\$	£	A\$	€	OTHER	TOTAL	US\$	£	A\$	€	OTHER	TOTAL
North America	2.7	–	–	–	–	2.7	3.2	–	–	–	–	3.2
International	3.0	3.7	3.2	3.5	2.1	3.3	4.0	5.0	3.5	4.0	2.5	4.1
Australia Pacific	–	–	2.2	–	2.1	2.2	–	–	2.2	–	1.7	2.2
Group	2.8	3.7	2.3	3.5	2.1	2.9	3.4	5.0	2.4	4.0	2.4	3.5

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.

	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
2022							
North America	1,540	558	393	265	177	469	3,402
International	2,832	1,679	1,137	835	624	1,745	8,852
Australia Pacific	1,707	750	491	331	174	434	3,887
	6,079	2,987	2,021	1,431	975	2,648	16,141
2021							
North America	1,578	608	413	274	193	647	3,713
International	2,404	1,631	1,143	842	632	2,120	8,772
Australia Pacific	1,599	713	465	300	190	355	3,622
	5,581	2,952	2,021	1,416	1,015	3,122	16,107

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 profit or loss after income tax.

	SENSITIVITY %	PROFIT (LOSS) ¹	
		2022 US\$M	2021 US\$M
Net discounted central estimate	+5	(565)	(564)
	-5	565	564
Risk margin	+5	(45)	(50)
	-5	45	50
Inflation rate	+1	(333)	(427)
	-1	304	375
Discount rate	+1	304	375
	-1	(333)	(427)
Coefficient of variation	+1	(148)	(163)
	-1	148	162
Probability of adequacy	+1	(44)	(53)
	-1	41	48
Weighted average term to settlement	+10	149	38
	-10	(151)	(38)

1 Net of tax at the Group's prima facie income tax rate of 30%.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

2. UNDERWRITING ACTIVITIES

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.

	2012 & PRIOR 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	2021 US\$M	2022 US\$M	TOTAL US\$M
Net ultimate claims payments¹												
(a) Original estimate of net ultimate claims payments		7,045	6,874	6,153	6,559	7,866	6,969	7,417	7,344	7,945	9,536	
(b) One year later		6,964	6,880	6,171	6,351	7,913	7,124	7,685	7,080	8,040		
Two years later		6,916	6,741	5,953	6,219	7,861	7,137	7,860	7,140			
Three years later		6,897	6,650	5,925	6,230	8,059	7,222	7,791				
Four years later		6,816	6,626	5,835	6,286	8,074	7,119					
Five years later		6,914	6,633	5,801	6,239	8,077						
Six years later		6,866	6,587	5,747	6,259							
Seven years later		6,846	6,571	5,734								
Eight years later		6,839	6,521									
Nine years later		6,817										
(c) Current estimate of net ultimate claims payments		6,817	6,521	5,734	6,259	8,077	7,119	7,791	7,140	8,040	9,536	73,034
(d) Cumulative net payments to date		(6,610)	(6,319)	(5,609)	(5,755)	(7,240)	(6,203)	(6,175)	(4,875)	(4,755)	(2,996)	(56,537)
(e) Net undiscounted central estimate at fixed rate of exchange	1,307	207	202	125	504	837	916	1,616	2,265	3,285	6,540	17,804
(f) Foreign exchange impact												(192)
Provision for impairment												25
(g) Net undiscounted central estimate at 31 December 2022												17,637
Discount to present value												(1,984)
Claims settlement costs												488
Risk margin												1,287
(h) Net outstanding claims liability at 31 December 2022 (note 2.3)												17,428
(i) Movement in estimated net ultimate claims payments (note 2.4.1)	9	(22)	(50)	(13)	20	3	(103)	(69)	60	95	9,536	9,466

¹ Excludes claims settlement costs.



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 2022 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).

	2022			2021		
	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}	9,536	(70)	9,466	8,463	(142)	8,321
Movement in claims settlement costs	441	1	442	433	1	434
Movement in discount	(460)	(1,053)	(1,513)	(85)	(232)	(317)
Other movements	3	(7)	(4)	2	13	15
Movement in net discounted central estimate (note 2.4.2)	9,520	(1,129)	8,391	8,813	(360)	8,453

1 Excludes claims settlement costs.

2 2022 prior accident year claims includes a benefit of \$334 million as a result of the reinsurance of legacy North American Excess and Surplus (E&S) liabilities. Excluding this recovery, the movement in prior accident year claims in 2022 reflects adverse development in North America and International, partly offset by positive development in Australia Pacific.

3 2021 prior accident year claims includes a benefit of \$324 million from the reinsurance of Australian CTP liabilities. Excluding this recovery, the movement in prior accident year claims in 2021 reflects adverse development in North America and Australia Pacific, partly offset by positive development in International.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

2. UNDERWRITING ACTIVITIES

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.

	2022			2021		
	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	14,692	(227)	14,465	12,280	(253)	12,027
Discount	(600)	(1,584)	(2,184)	(108)	(373)	(481)
	14,092	(1,811)	12,281	12,172	(626)	11,546
Reinsurance and other recoveries						
Undiscounted	(4,712)	151	(4,561)	(3,382)	125	(3,257)
Discount	140	531	671	23	141	164
	(4,572)	682	(3,890)	(3,359)	266	(3,093)
Net central estimate development						
Undiscounted	9,980	(76)	9,904	8,898	(128)	8,770
Discount	(460)	(1,053)	(1,513)	(85)	(232)	(317)
Net discounted central estimate development (note 2.4.1)	9,520	(1,129)	8,391	8,813	(360)	8,453

2.4.3 Reinsurance of prior accident year claims liabilities after the balance date

On 17 February 2023, the Group entered into a transaction to reinsure certain prior accident year claims liabilities in North America and International. The transaction remains subject to regulatory approval and is expected to result in an upfront net cost of around \$100 million before tax.

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 risk of the business written. 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.

Summary of unearned premium and deferred insurance costs

	2022 US\$M	2021 US\$M
Unearned premium (a)	9,075	8,637
To be earned within 12 months	7,933	7,847
To be earned in greater than 12 months	1,142	790
Unearned premium	9,075	8,637
Deferred reinsurance premium ¹	1,183	1,052
Deferred net commission	1,328	1,230
Deferred acquisition costs	425	415
Deferred insurance costs (b)	2,936	2,697
To be expensed within 12 months	2,464	2,260
To be expensed in greater than 12 months	472	437
Deferred insurance costs	2,936	2,697
Net unearned premium (a)–(b)	6,139	5,940

1 Deferred reinsurance premium relating to future business not yet written was \$89 million (2021 \$114 million).

Unearned premium movements

	2022 US\$M	2021 US\$M
At 1 January	8,637	7,466
Deferral of unearned premium on contracts written in the financial year	9,645	7,516
Earning of premium written in previous financial years	(8,711)	(6,094)
Net profit or loss movement	934	1,422
Foreign exchange	(496)	(251)
At 31 December	9,075	8,637

Deferred insurance costs movements

	DEFERRED REINSURANCE PREMIUM		DEFERRED NET COMMISSION		DEFERRED ACQUISITION COSTS	
	2022 US\$M	2021 US\$M	2022 US\$M	2021 US\$M	2022 US\$M	2021 US\$M
At 1 January	1,052	724	1,230	1,141	415	417
Costs deferred in financial year	1,021	951	1,163	1,038	321	354
Amortisation of costs deferred in previous financial years	(841)	(595)	(994)	(922)	(281)	(342)
Net profit or loss movement	180	356	169	116	40	12
Foreign exchange	(49)	(28)	(71)	(27)	(30)	(14)
At 31 December	1,183	1,052	1,328	1,230	425	415



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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

2. UNDERWRITING ACTIVITIES

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

	2022 US\$M	2021 US\$M
Undiscounted net central estimate	5,543	5,282
Discount to present value	(402)	(98)
	5,141	5,184
Risk margin at the 75th percentile of insurance liabilities	189	197
Expected present value of future cash flows for future claims including risk margin	5,330	5,381

The risk margin at the 75th percentile of insurance liabilities as a percentage of the net discounted central estimate is 3.7% (2021 3.8%).

The application of the liability adequacy test at 31 December 2022 did not identify a deficiency (2021 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 for 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.



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 applied in the liability adequacy test is determined on a consistent basis with the methodology described in note 2.3.3 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 which have not yet been processed into financial systems.

	2022 US\$M	2021 US\$M
Trade debtors		
Premium receivable ¹	3,985	3,462
Reinsurance and other recoveries ²	2,869	2,118
Unclosed premium	837	774
Other trade debtors	232	195
	7,923	6,549
Other receivables	418	560
Trade and other receivables	8,341	7,109
Receivable within 12 months	7,868	6,628
Receivable in greater than 12 months	473	481
Trade and other receivables	8,341	7,109

1 Net of a provision for impairment of \$86 million (2021 \$81 million).

2 Net of a provision for impairment of \$19 million (2021 \$17 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 initially 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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

2. UNDERWRITING ACTIVITIES

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.

	2022 US\$M	2021 US\$M
Trade payables	2,818	2,322
Other payables and accrued expenses	705	823
Treasury payables	17	19
Investment payables	3	51
Trade and other payables	3,543	3,215
Payable within 12 months	3,335	3,029
Payable in greater than 12 months	208	186
Trade and other payables	3,543	3,215

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.

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

	2022 US\$M	2021 US\$M
Loss on fixed interest securities, short-term money and cash	(812)	(96)
Income on growth assets	60	258
Gross investment (loss) income ¹	(752)	162
Investment expenses	(29)	(25)
Net investment (loss) income	(781)	137
Foreign exchange	10	(4)
Other expenses	(5)	(11)
Total investment (loss) income	(776)	122
Investment (loss) income – policyholders' funds	(490)	94
Investment expenses – policyholders' funds	(19)	(17)
Investment (loss) income – shareholders' funds	(257)	53
Investment expenses – shareholders' funds	(10)	(8)
Total investment (loss) income	(776)	122

1 Includes net fair value losses of \$1,295 million (2021 \$409 million), interest income of \$466 million (2021 \$396 million) and dividend and distribution income of \$77 million (2021 \$175 million).



How we account for the numbers

Interest income is recognised in the period in which it is earned. Dividends and distribution income 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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

3. INVESTMENT ACTIVITIES

3.2 Investment assets

	2022 US\$M	2021 US\$M
Fixed income assets		
Short-term money	5,396	4,537
Government bonds	5,094	6,953
Corporate bonds	13,649	14,777
Infrastructure debt	47	99
Emerging market debt	429	–
High yield debt	416	–
Private credit	113	–
	25,144	26,366
Growth assets		
Developed market equity	332	85
Emerging market equity	62	–
Unlisted property trusts	747	758
Infrastructure assets	834	788
Alternatives	180	114
	2,155	1,745
Total investments	27,299	28,111
Amounts maturing within 12 months	11,032	10,051
Amounts maturing in greater than 12 months	16,267	18,060
Total investments	27,299	28,111

At 31 December 2022, QBE had undrawn commitments to externally managed investment vehicles of \$237 million (2021 \$209 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 optimise returns within risk appetites and investment strategy parameters and limits. 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. 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 along with substantially all the risks and rewards of ownership.

3.2.1 Fair value hierarchy



Overview

The Group Revaluation 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.

	2022				2021			
	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	326	5,070	–	5,396	141	4,396	–	4,537
Government bonds	3,547	1,547	–	5,094	5,236	1,717	–	6,953
Corporate bonds	–	13,649	–	13,649	–	14,777	–	14,777
Infrastructure debt	–	–	47	47	–	–	99	99
Emerging market debt	–	429	–	429	–	–	–	–
High yield debt	–	416	–	416	–	–	–	–
Private credit	–	–	113	113	–	–	–	–
	3,873	21,111	160	25,144	5,377	20,890	99	26,366
Growth assets								
Developed market equity	332	–	–	332	83	–	2	85
Emerging market equity	62	–	–	62	–	–	–	–
Unlisted property trusts	–	–	747	747	–	–	758	758
Infrastructure assets	–	–	834	834	–	–	788	788
Alternatives	112	–	68	180	64	–	50	114
	506	–	1,649	2,155	147	–	1,598	1,745
Total investments	4,379	21,111	1,809	27,299	5,524	20,890	1,697	28,111

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 level 1 in the fair value hierarchy. 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, corporate bonds, emerging market debt and high yield debt

These assets are valued based on quoted prices sourced from external data providers. The fair value categorisation of these assets is based on the observability of the inputs.

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 categorised as level 3.

Private credit

These assets comprise investments in fund vehicles that are valued using current unit prices as advised by the investment fund manager. As the valuation techniques require the use of significant unobservable inputs, these assets have been categorised as level 3.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

3. INVESTMENT ACTIVITIES

Developed market equity and emerging market equity

These assets mainly comprise listed equities traded in active markets valued by reference to quoted prices.

Unlisted property trusts and infrastructure assets

These assets are valued using current unit prices as advised by the responsible entity, trustee or equivalent of the investment management scheme. As the valuation techniques require the use of significant unobservable inputs, these assets have been categorised as level 3.

Alternatives

These assets mainly comprise investments in exchange-traded commodity products that are listed, traded in active markets and valued by reference to quoted prices. Alternatives also includes strategic unlisted investments which are valued based on other valuation techniques utilising significant unobservable inputs.

Movements in level 3 investments

The following table provides an analysis of investments valued with reference to level 3 inputs:

LEVEL 3	2022 US\$M	2021 US\$M
At 1 January	1,697	2,285
Purchases	200	61
Disposals/transfers to assets held for sale ¹	(98)	(675)
Fair value movement recognised in profit or loss	70	86
Foreign exchange	(60)	(60)
At 31 December	1,809	1,697

1 At 31 December 2021, \$50 million of private equity assets were reclassified to assets held for sale. These assets were disposed of during 2022.

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 \$3,538 million (2021 \$3,417 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 byelaws, 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 \$790 million (2021 \$287 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. Risk management policies over the use of derivatives are set out in note 4.

The Group's notional exposure to investment derivatives at the balance date is set out in the table below:

NOTIONAL EXPOSURE	2022 US\$M	2021 US\$M
Bond futures and options		
Short government bond futures	(1,347)	(1,751)
Long government bond futures	12	36
Short government bond options	—	(23)
Interest rate futures		
Short interest rates futures	—	(1,214)
Equity index futures		
Short equity index futures	(80)	—

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 above.



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 futures and options traded in an active market, the fair value 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. The fair value of options was not material 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 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.

The 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).

Risk culture

A sound risk culture underpins QBE's risk management strategy and is a key component of the ERM framework. 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 32](#) of this Annual Report.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

4. RISK MANAGEMENT

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 five subcategories, as follows:

- Performance risk: QBE is not able to achieve its performance objectives.
- Capital risk: QBE's structure and availability of capital do 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: this is the negative impact on QBE's strategic priorities or objectives from ESG issues.
- Emerging risk: these are new or future risks which are difficult to assess but may have a significant impact to QBE or the markets in which it operates.

QBE's approach to managing strategic risk is underpinned by the Group strategic risk appetite statement as set by the Board and is summarised below.

Performance risk

Failure to deliver acceptable performance can result in shareholders losing confidence, impacting our reputation in the market and ultimately impacting our ability to deliver our strategic objectives.

QBE evaluates performance risk by assessing potential earnings volatility against its risk appetite and considering the changing levels of risk in its business plan. The plan is supported by an established regime of attestations by chief underwriting officers, chief actuaries, chief financial officers and chief risk officers, enabling action prior to signing off the business plan and making market commitments. Performance risk is monitored throughout the year against committed business plans (supported by performance monitoring, cell reviews, and mid-year risk reviews).

Capital risk

The Internal Capital Adequacy Assessment Process (ICAAP) outlines QBE's approach to:

- assessing the risks arising from its activities and ensuring that capital held is commensurate with the level of risk; and
- maintaining adequate capital over time, including the setting of capital targets consistent with risk profile, risk appetite and regulatory capital requirements.

QBE maintains a level of eligible regulatory capital that exceeds requirements, with the capital target set at a multiple of 1.6–1.8 times the 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.

QBE aims to maintain the ratio of borrowings to total capital at 15%–30%. At the balance date, this ratio was 23.4% (2021 26.9%, or 24.1% when excluding the subordinated debt redeemed in May 2022).

The ICAAP also sets out QBE's approach to:

- accessing potential sources of additional capital if required;
- setting and monitoring risk indicators and triggers for capital levels, to alert management to periods of potential heightened risk;
- outlining the management actions that can be used to mitigate the potential implications of heightened risk;
- undertaking stress testing and scenario analysis to anticipate, and be better prepared for, certain adverse events;
- assessing the quality and composition of capital to meet regulatory requirements and rating agency guidelines and rules; and
- determining and monitoring capital allocation and ensuring that QBE earns an effective rate of return on its capital deployed.

The governance over the ICAAP includes the Board and Board Committees, the Executive Investment & Capital Committee, the Executive Risk Committee, senior management, and supporting functions.

Reputational risk

QBE assesses reputational risk through the quality of the relationships with key stakeholders, including shareholders, regulators, customers, governments, 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. Horizon scans are performed to identify and assess the key ESG and emerging risks. Our approach to managing these risks includes development of underwriting and investment policies, monitoring frameworks and stress and scenario analysis. ESG and emerging risks are regularly reported to the Executive 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 short-term scenarios that could affect our insurance business written to date and current investments. Climate change is expected to increasingly impact the frequency and severity of weather-related natural catastrophes over the long term. In the short term, it is often difficult to distinguish the impact of climate change from the normal variability in weather and natural catastrophes. Claims in respect of classes most impacted by these events (e.g. property classes) are typically reported and settled soon after the claim event, and climate change is therefore not expected to materially impact the level of uncertainty in estimating the ultimate cost of those claims. QBE looks to manage for natural catastrophe 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.

QBE's investments continue to be resilient with respect to climate transition risks as they have limited exposure to highly impacted sectors. Given the medium to long-term nature of the estimated impacts of climate transition, this factor is not expected to be significant to the fair value measurement of the Group's investment assets at the balance date.

Further detail on QBE's approach to climate change is included in our climate change disclosures on [pages 34 to 43](#) 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. Underwriting/pricing risk is monitored throughout the year against committed business plans underpinned by cell reviews.

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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

4. RISK MANAGEMENT

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	2022 US\$M	2021 US\$M
Commercial and domestic property	5,520	5,031
Agriculture	3,921	2,825
Public/product liability	2,248	1,983
Motor & motor casualty	1,922	1,937
Professional indemnity	1,624	1,644
Marine, energy and aviation	1,303	1,271
Workers' compensation	1,172	1,040
Accident and health	876	772
Financial and credit	453	511
Other	28	21
	19,067	17,035

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 aggregate exposures and manage catastrophe risk. These include the use of catastrophe models from third-party vendors, 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), a capital measure under APRA prudential standards. QBE's maximum risk tolerance for an individual natural catastrophe is determined annually and is linked to a maximum net aggregate allowance of catastrophe claims.

Reserving risk

Reserving risk is managed through the actuarial valuation of insurance liabilities, which is conducted at least half-yearly. The valuation of the net discounted central estimate of outstanding claims 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.

4.3 Credit risk



Overview

Credit risk is the risk of financial loss from a counterparty's failure to meet their financial obligations, including both inability or unwillingness to pay, as well as loss due to credit quality deterioration from rating downgrades. 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 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 \$1,809 million (2021 \$1,960 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 does not change the total amount recoverable. 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					TOTAL US\$M
	AAA US\$M	AA US\$M	A US\$M	BBB US\$M	NOT RATED US\$M	
At 31 December 2022						
Reinsurance recoveries on outstanding claims ^{1,2}	67	4,298	1,838	30	75	6,308
Reinsurance recoveries on paid claims ¹	2	2,106	744	4	13	2,869
At 31 December 2021						
Reinsurance recoveries on outstanding claims ^{1,2}	2	4,713	1,662	55	64	6,496
Reinsurance recoveries on paid claims ¹	—	1,701	388	4	25	2,118

1 Net of a provision for impairment.

2 Excludes other recoveries of \$309 million (2021 \$261 million).

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

4. RISK MANAGEMENT

The following table provides further information regarding the ageing of reinsurance recoveries on paid claims 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	
YEAR							
Reinsurance recoveries on paid claims ¹	2022	1,528	1,043	54	147	97	2,869
	2021	1,333	642	58	36	49	2,118

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						TOTAL US\$M
	AAA US\$M	AA US\$M	A US\$M	BBB US\$M	SPECULATIVE GRADE US\$M	NOT RATED US\$M	
At 31 December 2022							
Cash and cash equivalents	–	231	437	17	1	147	833
Interest-bearing investments	3,796	10,217	7,629	2,869	482	153	25,146
Derivative financial instruments	–	121	154	8	–	1	284
At 31 December 2021							
Cash and cash equivalents	–	232	499	35	–	53	819
Interest-bearing investments	4,435	9,706	9,474	2,715	–	38	26,368
Derivative financial instruments	–	53	81	6	–	2	142

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 risk exposure at the balance date 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:

	NEITHER PAST DUE NOR IMPAIRED US\$M	PAST DUE BUT NOT IMPAIRED				TOTAL 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	
At 31 December 2022						
Premium receivable ¹	3,567	256	102	44	16	3,985
Other trade debtors	223	1	1	2	5	232
Other receivables	412	3	1	1	1	418
At 31 December 2021						
Premium receivable ¹	2,789	421	152	65	35	3,462
Other trade debtors	126	60	2	1	6	195
Other receivables	508	41	1	1	9	560

1 Net of a provision for impairment.

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 prices, 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 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 risk and exposure limits. These limits are based on the market risk appetite as determined by the 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; and
- sensitivities to changes in risk factors which have a significant impact on the investment portfolio such as interest rate risk.

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 relating to this sensitivity is provided in note 2.3.7. At the balance date, the average modified duration of cash and fixed interest securities was 1.6 years (2021 2.1 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 income tax. The impact of a 1.0% 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:

	SENSITIVITY %	PROFIT (LOSS) ¹	
		2022 US\$M	2021 US\$M
Interest rate movement – interest-bearing financial assets	+1	(294)	(398)
	-1	309	328

1 Net of tax at the Group's prima facie income tax rate of 30%.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

4. RISK MANAGEMENT

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 or loss after income tax is shown in the table below:

	SENSITIVITY %	PROFIT (LOSS) ¹	
		2022 US\$M	2021 US\$M
ASX 200	+20	8	7
	-20	(8)	(7)
S&P 500	+20	8	3
	-20	(8)	(3)
FTSE 100	+20	8	–
	-20	(8)	–
EURO STOXX	+20	11	–
	-20	(11)	–
Emerging market equity	+20	9	–
	-20	(9)	–
Unlisted property trusts	+20	105	106
	-20	(105)	(106)
Infrastructure assets	+20	117	110
	-20	(117)	(110)
Alternatives	+20	25	16
	-20	(25)	(16)

1 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, emerging market and high yield debt and private credit, and therefore impact reported profit or loss after tax. This risk is managed by investing in mostly high quality, liquid interest-bearing securities and by managing the credit spread duration of the interest-bearing 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 income tax is shown in the table below:

	SENSITIVITY %	PROFIT (LOSS) ¹	
		2022 US\$M	2021 US\$M
Credit spread movement – interest-bearing financial assets ²	+0.5	(125)	(114)
	-0.5	120	96

1 Net of tax at the Group's prima facie income tax rate of 30%.

2 Includes infrastructure debt and other investments.

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 investments 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).

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 and 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. The table below includes derivatives entered into on 31 December 2022 to mitigate exposures not currently reflected in the Group's balance sheet relating to unearned premium and deferred insurance costs balances as their equivalents will be monetary items under AASB 17 *Insurance Contracts* (refer to note 8.1.2).

EXPOSURE CURRENCY	2022			2021		
	RESIDUAL EXPOSURE US\$M	SENSITIVITY %	PROFIT (LOSS) ¹ US\$M	RESIDUAL EXPOSURE US\$M	SENSITIVITY %	PROFIT (LOSS) ¹ US\$M
US dollar	1,066	+10 -10	75 (75)	198	+10 -10	14 (14)
Australian dollar	214	+10 -10	15 (15)	95	+10 -10	7 (7)
Canadian dollar	196	+10 -10	14 (14)	15	+10 -10	1 (1)
Sterling	39	+10 -10	3 (3)	14	+10 -10	1 (1)
Euro	(103)	+10 -10	(7) 7	9	+10 -10	1 (1)

1 Net of tax at the Group's prima facie income tax rate of 30%.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

4. RISK MANAGEMENT

Currency translation risk

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 borrowing that qualifies as a hedging instrument may be designated as a hedge of the Australian dollar ultimate parent entity's net investments 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.

QBE may, however, elect to use derivatives to manage currency translation risk in order to preserve capital.

Currency management processes are actively monitored by Group Treasury 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 *Financial Instruments*.

Further information on derivatives and borrowings designated as hedges of net investments in foreign operations 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 investments in foreign operations. The basis for the sensitivity calculation is the Group's actual residual exposure at the balance date.

EXPOSURE CURRENCY	2022			2021		
	RESIDUAL EXPOSURE US\$M	SENSITIVITY %	EQUITY INCREASE (DECREASE) US\$M	RESIDUAL EXPOSURE US\$M	SENSITIVITY %	EQUITY INCREASE (DECREASE) US\$M
Australian dollar	3,323	+10 -10	332 (332)	2,702	+10 -10	270 (270)
Euro	1,504	+10 -10	150 (150)	1,538	+10 -10	154 (154)
Sterling	690	+10 -10	69 (69)	782	+10 -10	78 (78)
New Zealand dollar	299	+10 -10	30 (30)	278	+10 -10	28 (28)
Singapore dollar	127	+10 -10	13 (13)	121	+10 -10	12 (12)
Hong Kong dollar	149	+10 -10	15 (15)	116	+10 -10	12 (12)

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, including redemption terms, 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
At 31 December 2022						
Derivative financial instruments	256	131	–	–	–	387
Trade payables	2,620	197	–	–	1	2,818
Other payables and accrued expenses	692	11	–	2	–	705
Treasury payables	17	–	–	–	–	17
Investment payables	3	–	–	–	–	3
Lease liabilities	49	88	70	94	–	301
Borrowings ¹	406	1,000	863	481	–	2,750
Contractual undiscounted interest payments	155	195	49	9	–	408
At 31 December 2021						
Derivative financial instruments	130	322	–	–	–	452
Trade payables	2,123	191	2	1	5	2,322
Other payables and accrued expenses	767	46	5	–	5	823
Treasury payables	19	–	–	–	–	19
Investment payables	51	–	–	–	–	51
Lease liabilities	56	90	60	148	–	354
Borrowings ¹	442	1,106	1,188	541	–	3,277
Contractual undiscounted interest payments	162	268	108	17	–	555

¹ Excludes capitalised finance costs of \$6 million (2021 \$9 million).

The maturity profile of the Group's net discounted central estimate is analysed in note 2.3.6.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

4. RISK MANAGEMENT

The maturity of the Group's 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
At 31 December 2022								
Fixed rate	US\$M	9,911	2,905	2,007	1,220	887	3,398	20,328
Weighted average interest rate	% p.a.	4.0	4.5	4.7	5.0	5.1	4.7	4.4
Floating rate	US\$M	1,954	1,051	1,110	396	436	704	5,651
Weighted average interest rate	% p.a.	2.4	4.0	4.3	4.8	4.2	5.2	3.7
At 31 December 2021								
Fixed rate	US\$M	9,353	4,105	2,636	2,038	1,348	3,369	22,849
Weighted average interest rate	% p.a.	0.3	0.7	1.0	1.2	1.2	1.3	0.7
Floating rate	US\$M	1,517	705	762	337	294	723	4,338
Weighted average interest rate	% p.a.	0.1	0.3	0.6	0.7	0.8	1.1	0.5

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 acts inconsistent with laws or agreements governing employment, employee health or safety, or from diversity or discrimination events involving internal employees), 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;
- 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; 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 Risk Committee.

4.7 Compliance risk



Overview

Compliance risk is the risk of legal or regulatory penalties, financial loss or impacts and customer detriment resulting from non-compliance with laws, regulations or conduct standards.

QBE's approach to managing compliance risk is underpinned by the Group Compliance Risk Policy which is aligned to the Group RMS and risk appetite set by the Board and is summarised below.

QBE manages compliance risk through the following approach:

- governance arrangements that establish accountability, responsibility and authority in relation to the management of compliance risk;
- a culture based on honesty, integrity and respect that is embedded as part of QBE DNA and the Code of Ethics and Conduct;
- stakeholder management to maintain pro-active and co-operative relationships with lawmakers, regulators and other relevant external parties;
- strategic priorities and objectives that are aligned to risk appetites set by the Board; and
- people, systems and processes to support effective compliance risk management.

QBE's approach to compliance management is subject to continuous review and improvement to recognise 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 supported by divisional Group risk appetite statements where divisions define the Board-approved plan to address identified Group risk exposures. Sources of Group risk are summarised below.

Sources of Group risk may include:

- shared global reinsurance program, including counterparty risk of Equator Re;
- intercompany loans;
- 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 divisions; 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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

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. Borrowings are 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	2022 US\$M	2021 US\$M
Senior debt				
25 May 2023	25 September 2017	\$6 million	6	6
			6	6
Subordinated debt				
25 August 2036	25 August 2020	A\$500 million ¹	338	362
13 September 2038	13 September 2021	£400 million	478	538
24 May 2042	24 May 2016	Nil (2021 £327 million)	—	442
24 November 2043	21 November 2016	\$400 million/A\$689 million ¹	400	400
2 December 2044	2 December 2014	\$700 million/A\$1,169 million ¹	699	698
12 November 2045	12 November 2015	\$300 million	300	300
17 June 2046	17 June 2016	\$524 million	523	522
			2,738	3,262
Total borrowings ²			2,744	3,268
Amounts expected to be settled within 12 months ³			406	442
Amounts expected to be settled in greater than 12 months ³			2,338	2,826
Total borrowings			2,744	3,268

1 Details of related hedging activity are included in note 5.6.1.

2 No finance costs (2021 \$3 million) were capitalised during the year.

3 Redemption of the securities are subject to the prior written approval of APRA.

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 2038

Interest is payable semi-annually in arrears at a fixed rate of 2.5% per annum until 13 September 2028. The rate will reset in 2028 and 2033 to a rate calculated by reference to the then five-year gilt rate plus a margin of 2.061% per annum.

Subordinated debt due 2042

The securities were redeemed on 24 May 2022. Interest was payable semi-annually in arrears at a fixed rate of 6.115% 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.

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.

Deferral of interest

QBE has an option to defer payment of interest in certain circumstances and such deferral will not constitute an event of default for securities due 2036, 2038, 2043, 2044, 2045 and 2046.

Redemption terms

The securities are redeemable at the option of QBE, with the prior written approval of APRA, at any time in the event of certain tax and regulatory events and on:

- 25 August 2026 and each interest payment date thereafter for securities due 2036;
- any business day within the six-month period up to and including the first reset date of 13 September 2028 and on each reset date thereafter for securities due 2038; and
- each reset date for securities due 2043, 2044, 2045 and 2046.

Conversion terms

The securities due 2036, 2038, 2043, 2044, 2045 and 2046 must be converted into a variable number of the Company's 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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

5. CAPITAL STRUCTURE

5.1.1 Fair value of borrowings

	2022 US\$M	2021 US\$M
Senior debt	6	6
Subordinated debt	2,561	3,475
Total fair value of borrowings	2,567	3,481

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 in the fair value hierarchy. 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 at par plus accrued interest.

5.1.2 Financing and other costs

	2022 US\$M	2021 US\$M
Interest expense on borrowings	166	177
Other costs	79	70
Total financing and other costs	245	247

5.1.3 Movement in borrowings

	2022 US\$M	2021 US\$M
At 1 January	3,268	2,955
Net changes from financing cash flows	(412)	348
Other non-cash changes	2	2
Foreign exchange	(114)	(37)
At 31 December	2,744	3,268

5.2 Cash and cash equivalents

	2022 US\$M	2021 US\$M
Fixed interest rate	1	14
Floating interest rate	832	805
	833	819

Restrictions on use

Included in cash and cash equivalents are amounts totalling \$71 million (2021 \$74 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 byelaws, 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 \$126 million (2021 \$125 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 consolidated 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.

5.3 Contributed equity and reserves



Overview

Contributed equity comprises share capital and capital notes.

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.

Capital notes are Additional Tier 1 instruments with discretionary and non-cumulative distributions, and no fixed redemption date.

5.3.1 Contributed equity

	2022 US\$M	2021 US\$M
Issued ordinary shares, fully paid	8,356	8,891
Capital notes	886	886
Contributed equity	9,242	9,777

Share capital

	2022		2021	
	NUMBER OF SHARES MILLIONS	US\$M	NUMBER OF SHARES MILLIONS	US\$M
Issued ordinary shares, fully paid at 1 January	1,477	8,891	1,471	9,387
Shares issued under the Employee Share and Option Plan	4	29	4	31
Shares issued under Dividend Reinvestment Plan	4	36	1	11
Shares issued under Bonus Share Plan	—	—	1	—
Foreign exchange	—	(600)	—	(538)
Issued ordinary shares, fully paid at 31 December	1,485	8,356	1,477	8,891
Shares notified to the Australian Securities Exchange	1,485	8,358	1,477	8,894
Less: plan shares subject to non-recourse loans, de-recognised under accounting standards	—	(2)	—	(3)
Issued ordinary shares, fully paid at 31 December	1,485	8,356	1,477	8,891

Capital notes

ISSUE DATE	PRINCIPAL AMOUNT	2022 US\$M	2021 US\$M
12 May 2020	\$500 million	493	493
16 July 2020 ¹	\$400 million	393	393
		886	886

1 In July 2020, the terms of these instruments (originally issued in November 2017) 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 the Company. This resulted in the classification of these instruments as equity.

Key terms

Capital note issued 12 May 2020

Distributions of 5.875% per annum are paid semi-annually in arrears until 12 May 2025. The rate will reset in 2025 and on every fifth anniversary thereafter to a rate calculated by reference to the then five-year US Treasury rate plus a margin of 5.513% per annum.

Capital note issued 16 July 2020

Distributions of 5.250% per annum are paid semi-annually in arrears until 16 May 2025. The rate will reset in 2025 and on every fifth anniversary thereafter to a rate calculated by reference to the then five-year US Treasury rate plus a margin of 3.047% per annum.

Redemption terms

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.



Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

5. CAPITAL STRUCTURE

5.3.2 Reserves

	2022 US\$M	2021 US\$M
Owner occupied property revaluation reserve¹		
At 1 January	1	1
At 31 December	1	1
Cash flow hedge reserve²		
At 1 January	–	(25)
Hedging amounts recognised in other comprehensive income	104	92
Hedging amounts reclassified to profit or loss	(72)	(56)
Taxation	(10)	(11)
At 31 December	22	–
Cost of hedging reserve³		
At 1 January	5	2
Amounts recognised in other comprehensive income	3	7
Amounts reclassified to profit or loss	(2)	(2)
Taxation	–	(2)
At 31 December	6	5
Foreign currency translation reserve⁴		
At 1 January	(1,765)	(2,031)
Net movement on translation	222	218
Net movement on hedging transactions	(1)	48
At 31 December	(1,544)	(1,765)
Share-based payment reserve⁵		
At 1 January	164	168
Options and conditional rights expense	39	32
Transfers from reserve on vesting of options and conditional rights	(31)	(30)
Foreign exchange	(10)	(6)
At 31 December	162	164
Premium on purchase of non-controlling interests⁶		
At 1 January	(13)	(13)
Foreign exchange	1	–
At 31 December	(12)	(13)
Total reserves at 31 December	(1,365)	(1,608)

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 and interest rate 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 controlled entities 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.

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.

	2022	2021	
	INTERIM	FINAL	INTERIM
Dividend per share (Australian cents)	9	19	11
Franking percentage	10%	10%	10%
Franked amount per share (Australian cents)	0.9	1.9	1.1
Dividend payout (A\$M)	133	281	162
Payment date	23 September 2022	12 April 2022	24 September 2021

On 17 February 2023, the directors declared a 10% franked final dividend of 30 Australian cents per share payable on 14 April 2023. The final dividend payout is A\$445 million (2021 A\$281 million).

	2022 US\$M	2021 US\$M
Previous year final dividend on ordinary shares – 10% franked (2020 nil)	210	–
Interim dividend on ordinary shares – 10% franked (2021 10% franked)	87	118
Bonus Share Plan dividend forgone	(3)	(1)
Total dividend paid	294	117

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 ordinary shares of the Company.

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, 349,232 (2021 116,016) ordinary shares were issued under the BSP.

Franking credits

The franking account balance on a tax paid basis at 31 December 2022 was a surplus of A\$54 million (2021 A\$54 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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

5. CAPITAL STRUCTURE

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.

	2022 US CENTS	2021 US CENTS
For profit after income tax		
Basic earnings per share	48.6	47.5
Diluted earnings per share	48.2	47.2

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:

	2022 US\$M	2021 US\$M
Profit after income tax attributable to ordinary equity holders of the Company	770	750
Less: distributions paid on capital notes classified as equity (note 5.3.1)	(50)	(50)
Profit used in calculating basic and diluted earnings per share	720	700

5.5.2 Reconciliation of weighted average number of ordinary shares used for earnings per share measures

	2022 NUMBER OF SHARES MILLIONS	2021 NUMBER OF SHARES MILLIONS
Weighted average number of ordinary shares on issue and used as the denominator in calculating basic earnings per share	1,482	1,474
Weighted average number of dilutive potential ordinary shares issued under the Employee Share and Option Plan	11	8
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	1,493	1,482



How we account for the numbers

Basic 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 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 earnings per share utilises the same earnings figure used in the determination of basic earnings per share.

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 manage 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 hedging exposure to net investments in foreign operations (NIFO).

Interest rate 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 foreign exchange 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:

	2022			2021		
	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 not in designated hedges	990	251	172	2,143	118	161
Forward foreign exchange contracts used in cash flow hedges	(1,404)	—	186	(1,599)	—	291
Forward foreign exchange contracts used in NIFO hedges	1,081	2	29	489	11	—
Interest rate swaptions	339	31	—	363	13	—
		284	387		142	452

The fair value of forward foreign exchange contracts 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 with reference to 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 debt maturing in 2043 and \$700 million of subordinated debt maturing in 2044. Foreign currency risk on future coupons and principal amounts is hedged up to and including the first call dates of the subordinated debt, 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 debt 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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

5. CAPITAL STRUCTURE

Only the spot components of the forward foreign exchange contracts and the intrinsic value of the interest rate swaption 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 (refer to 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 (refer to note 5.1.2) where they relate to hedged coupons, or in foreign exchange (refer to note 3.1) where they relate to principal amounts.

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:

		2022			2021		
		LESS THAN 1 YEAR	MATURING IN: 1 TO 5 YEARS	OVER 5 YEARS	LESS THAN 1 YEAR	MATURING IN: 1 TO 5 YEARS	OVER 5 YEARS
Nominal amounts	Buy US\$/ Sell A\$/M	477/819	747/1,251	–	77/130	1,225/2,071	–
Average forward rate	US\$/A\$	0.58	0.60	–	0.60	0.59	–

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 NIFO hedges. Only the spot components of the forward foreign exchange contracts are designated as being in hedge relationships. The forward and currency basis components are included in foreign exchange (refer to note 3.1), with a 'cost of hedging' election made in respect of US dollar NIFO hedges, as described below. 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 where available (refer to note 5.1):

		2022			2021		
		LESS THAN 1 YEAR	MATURING IN: 1 TO 5 YEARS	OVER 5 YEARS	LESS THAN 1 YEAR	MATURING IN: 1 TO 5 YEARS	OVER 5 YEARS
Debt instruments used in US dollar NIFO hedges							
Subordinated debt	US\$/M	–	528	–	–	528	–
Senior debt	US\$/M	6	–	–	–	6	–
Debt instruments used in sterling NIFO hedges							
Subordinated debt	£/M	–	–	327	327	–	–
Forward foreign exchange contracts used in Hong Kong dollar NIFO hedges							
Nominal amounts	Buy A\$/M/ Sell HK\$/M	185/970	–	–	175/970	–	–
Average forward rate	A\$/HK\$	5.24	–	–	5.55	–	–
Forward foreign exchange contracts used in US dollar NIFO hedges							
Nominal amounts	Buy A\$/M/ Sell US\$/M	418/300	991/700	–	–	497/350	–
Average forward rate	A\$/US\$	0.72	0.71	–	–	0.70	–



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 NIFO hedges, 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 NIFO hedges, 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.



Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

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 credit 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	2022 US\$M	2021 US\$M
Profit before income tax		919	913
Prima facie tax expense at 30%		276	274
Tax effect of non-temporary differences:			
Untaxed dividends		(3)	(2)
Differences in tax rates		(18)	(93)
Other, including non-taxable income and non-allowable expenses		55	(2)
Prima facie tax adjusted for non-temporary differences		310	177
Deferred tax assets recognised		(181)	(18)
Underprovision (overprovision) in prior years		12	(3)
Income tax expense		141	156
Analysed as follows:			
Current tax		91	169
Deferred tax		50	(13)
		141	156
Deferred tax expense (credit) comprises:			
Deferred tax assets recognised in profit or loss	6.2.1	(193)	(57)
Deferred tax liabilities recognised in profit or loss	6.2.2	243	44
		50	(13)



How we account for the numbers

The current income tax expense or credit 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.

6.2 Deferred income tax

	NOTE	2022 US\$M	2021 US\$M
Deferred tax assets	6.2.1	587	521
Deferred tax liabilities	6.2.2	147	31

6.2.1 Deferred tax assets

	NOTE	2022 US\$M	2021 US\$M
Amounts recognised in profit or loss			
Financial assets – fair value movements		22	6
Provision for impairment		13	13
Employee benefits		66	70
Intangible assets		158	159
Insurance provisions		712	706
Tax losses recognised		309	197
Other		195	159
		1,475	1,310
Amounts recognised in other comprehensive income and equity			
Defined benefit plans		29	30
Other		5	4
		34	34
Deferred tax assets before set-off		1,509	1,344
Set-off of deferred tax liabilities	6.2.2	(922)	(823)
	6.2	587	521

Movements

	NOTE	2022 US\$M	2021 US\$M
At 1 January		1,344	1,306
Amounts recognised in profit or loss	6.1	193	57
Amounts recognised in other comprehensive income		1	1
Foreign exchange		(29)	(20)
At 31 December		1,509	1,344



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 recognised deferred tax asset relating to the North American tax group of \$390 million (2021 \$295 million) comprises \$239 million (2021 \$105 million) of carry forward tax losses and \$151 million (2021 \$190 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 American 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 18 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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

6. TAX

6.2.2 Deferred tax liabilities

	NOTE	2022 US\$M	2021 US\$M
Amounts recognised in profit or loss			
Intangible assets		154	155
Insurance provisions		769	556
Financial assets – fair value movements		37	2
Other provisions		23	38
Other		77	83
		1,060	834
Amounts recognised in other comprehensive income and equity			
Defined benefit plans		9	20
		9	20
Deferred tax liabilities before set-off		1,069	854
Set-off of deferred tax assets	6.2.1	(922)	(823)
	6.2	147	31

Movements

	NOTE	2022 US\$M	2021 US\$M
At 1 January		854	811
Amounts recognised in profit or loss	6.1	243	44
Amounts recognised in other comprehensive income		(9)	8
Foreign exchange		(19)	(9)
At 31 December		1,069	854



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 \$217 million (2021 \$402 million) of tax losses, which includes the benefit arising from tax losses in overseas countries. \$69 million (2021 \$78 million) of tax losses not brought to account have an indefinite life and the remaining \$148 million (2021 \$324 million) expire in eight to 18 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.

7. GROUP STRUCTURE



Overview

This section provides information to help users understand the 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

During the period, the Group disposed of Westwood Insurance Agency in North America, details of which are set out in the table below:

	2022 US\$M
Intangible assets ¹	329
Other assets	7
Total assets	336
Total liabilities	3
Net assets at the date of disposal	333
Proceeds on disposal (net of transaction costs) ²	371
Net gain on disposal	38

1 Includes \$328 million of goodwill relating to the North American cash-generating unit which has been allocated to Westwood Insurance Agency, reflecting the intangible value of the business relative to the remainder of the cash-generating unit.

2 Includes \$10 million of contingent consideration which has been measured at fair value.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

7. GROUP STRUCTURE

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 eight 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 15 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.

	IDENTIFIABLE INTANGIBLES							TOTAL US\$M
	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	GOODWILL US\$M	
2022								
Cost								
At 1 January	86	454	26	139	492	19	2,016	3,232
Additions	–	–	–	–	132	–	–	132
Impairment	–	–	–	–	(11)	–	–	(11)
Disposals	–	(57)	–	–	(119)	(9)	(328)	(513)
Foreign exchange	(10)	(7)	(1)	(7)	(31)	–	(110)	(166)
At 31 December	76	390	25	132	463	10	1,578	2,674
Amortisation								
At 1 January	–	(426)	(22)	(77)	(239)	(19)	–	(783)
Amortisation ¹	–	(13)	–	(2)	(64)	–	–	(79)
Disposals	–	56	–	–	119	9	–	184
Foreign exchange	–	6	1	5	10	–	–	22
At 31 December	–	(377)	(21)	(74)	(174)	(10)	–	(656)
Carrying amount								
At 31 December	76	13	4	58	289	–	1,578	2,018

¹ Amortisation of \$63 million is included in underwriting expenses as it relates to intangible assets integral to the Group's underwriting activities.

IDENTIFIABLE INTANGIBLES								
2021	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	GOODWILL US\$M	TOTAL US\$M
Cost								
At 1 January	87	455	27	148	442	19	2,107	3,285
Additions	–	–	–	–	91	–	–	91
Impairment	–	–	–	(2)	–	–	–	(2)
Disposals	–	–	–	–	(1)	–	–	(1)
Foreign exchange	(1)	(1)	(1)	(7)	(40)	–	(91)	(141)
At 31 December	86	454	26	139	492	19	2,016	3,232
Amortisation								
At 1 January	–	(412)	(22)	(79)	(219)	(19)	–	(751)
Amortisation ¹	–	(16)	–	(2)	(51)	–	–	(69)
Foreign exchange	–	2	–	4	31	–	–	37
At 31 December	–	(426)	(22)	(77)	(239)	(19)	–	(783)
Carrying amount								
At 31 December	86	28	4	62	253	–	2,016	2,449

1 Amortisation of \$50 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 cash-generating 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 QBE. 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 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:

	2022 US\$M	2021 US\$M
North America	30	358
International	490	524
Australia Pacific	1,058	1,134
	1,578	2,016

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

7. GROUP STRUCTURE

Impairment losses

During 2022, software assets of \$11 million were impaired following management's review of their recoverable amounts. During 2021, insurance licences of \$2 million were impaired.



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). Cash flow forecasts are based on a combination of actual performance to date and expectations of future performance based on prevailing and anticipated market factors.
- Discount rates 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 reflect 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 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 impairment testing are: North America 2.3% (2021 2.3%), Australia Pacific 2.5% (2021 2.5%) and International 2.0% (2021 2.0%).
- Discount rates 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 12.7% (2021 9.7%), Australia Pacific 14.0% (2021 12.8%) and International 10.8% (2021 8.9%). The post-tax discount rates used were: North America 9.9% (2021 7.6%), Australia Pacific 9.9% (2021 9.1%) and International 8.6% (2021 7.2%).



Critical accounting judgements and estimates

The Group's business plan, which is the basis for cash flow forecasts used to determine the recoverable amount of goodwill, considers the potential impact of climate change through the catastrophe allowance which reflects the anticipated rise in trends in the frequency and cost of weather-related events, as well as other assumptions, including relating to premium rate, which reflect QBE's underwriting strategy and planned management actions in response to these risks.

The disposal of Westwood Insurance Agency included an allocation of \$328 million of goodwill relating to the North American cash-generating unit (refer to note 7.1). Following the disposal, the remaining North America goodwill is \$30 million.

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 2022 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	
		2022 %	2021 %
Ultimate parent entity			
QBE Insurance Group Limited	Australia		
Controlled entities			
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
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 Asia Services Sdn. Bhd	Malaysia	100.00	100.00
QBE Blue Ocean Re Limited	Bermuda	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 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
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

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

7. GROUP STRUCTURE

	COUNTRY OF INCORPORATION/FORMATION	EQUITY HOLDING	
		2022 %	2021 %
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 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	United Kingdom	100.00	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 (in liquidation)	Ireland	100.00	100.00
QBE Underwriting Services (UK) Limited	United Kingdom	100.00	100.00
QBE Ventures Pty Limited	Australia	100.00	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 (in liquidation)	Fiji	100.00	100.00
Regent Insurance Company	United States	100.00	100.00
Sinkaonamahasarn Company Limited (in liquidation) ²	Thailand	49.00	49.00
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	New Zealand	100.00	100.00
Trade Credit Underwriting Agency Pty Limited	Australia	100.00	100.00
Westwood Insurance Agency (sold effective 29 April 2022) ³	United States	—	100.00

1 QBE Employee Share Trust, QBE Irish Share Incentive Plan and QBE UK 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.

3 Disclosures relating to the disposal of Westwood Insurance Agency are included in note 7.1.

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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022:

TITLE

AASB 2020-3	<i>Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments</i>
AASB 2021-3	<i>Amendments to Australian Accounting Standards – COVID-19-Related Rent Concessions beyond 30 June 2021</i>

The adoption of these revised 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 2020-1	<i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i>	1 January 2023
AASB 2021-2	<i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 January 2023
AASB 2021-5	<i>Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
AASB 2022-6	<i>Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants</i>	1 January 2023
AASB 17	<i>Insurance Contracts</i>	1 January 2023
AASB 2014-10	<i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2025

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.

Measurement of insurance contracts

Measurement models

The standard introduces a new 'general model' for the recognition and measurement of insurance contracts. The liability for remaining coverage (which represents insurance coverage to be provided after the balance date) under the general model is measured as the sum of:

- the present value of expected future cash flows and a risk adjustment (collectively referred to as the 'fulfilment cash flows'); and
- a contractual service margin (CSM), being the unearned profit, which is recognised as insurance revenue in profit or loss over the coverage period of the contracts. The CSM is earned based on a pattern of coverage units which may not be the same as the pattern of incidence of risk used to earn gross written premium under AASB 1023.

AASB 17 permits the use of a simplified approach referred to as the 'premium allocation 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 premium allocation approach is not expected to materially differ from that under the general model, or if the coverage period of the contracts is not greater than one year. QBE has developed a model and methodology for assessing eligibility of contracts with coverage periods of greater than one year to apply the premium allocation approach. Our assessment, which involved detailed modelling under a range of scenarios as well as a qualitative assessment of contract features, has determined that the premium allocation approach is expected to apply to the vast majority of the Group's business.

For groups of contracts that apply the premium allocation 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, consistent with current accounting under AASB 1023.

Onerous contracts

AASB 17 requires the identification of 'groups' of onerous contracts which will be determined at a more granular level of aggregation than the level at which the liability adequacy test is performed under AASB 1023. Contracts that are measured using the premium allocation approach are assumed not to be onerous unless facts and circumstances indicate otherwise. QBE has developed a framework for identifying relevant facts and circumstances that may be indicators of possible onerous contracts which includes consideration of management information for Group planning and performance management.

If facts and circumstances that may be indicators of possible onerous contracts exist, the onerous contract losses are measured based on an estimation of fulfilment cash flows and are recognised in profit or loss. Onerous contract losses must be measured on a gross basis (excluding the effect of reinsurance), with the impact on equity and profit or loss mitigated by related income on reinsurance recoveries to the extent that the onerous contracts are covered by reinsurance. In isolation, the application of the onerous contracts requirements is expected to result in a decrease in opening equity on adoption of AASB 17.

Risk adjustment

The measurement of insurance contract liabilities will include a risk adjustment which replaces the risk margin under AASB 1023. The risk margin under AASB 1023 reflects the inherent uncertainty in the net discounted central estimate, whereas the risk adjustment under AASB 17 is defined as the compensation required for bearing the uncertainty that arises from non-financial risk. The Group intends to apply a cost of capital approach as a key input to determining the risk adjustment for both the liability for incurred claims and the liability for remaining coverage. When applying the premium allocation approach, no explicit risk adjustment is determined for the liability for remaining coverage, except when measuring onerous contracts.

The Group expects to adopt an AASB 17 risk adjustment from a target range (expressed as a percentage of expected future cash flows which are equivalent to the AASB 1023 central estimate), a range that is expected to be slightly lower than the equivalent AASB 1023 risk margin range. Similar to the risk margin, the risk adjustment includes the benefit of diversification. AASB 17 requires the disclosure of the confidence level that corresponds to the risk adjustment used in the measurement of insurance contract liabilities.

Discount rates

AASB 1023 requires the net central estimate of outstanding claims to be discounted using risk-free rates as described in note 2.3.4. AASB 17 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows but does not prescribe a methodology for determining the discount rates used. QBE will apply a 'bottom-up approach' which requires the use of risk-free rates adjusted to reflect the illiquidity characteristics of the insurance contracts, which will result in higher discount rates relative to current requirements and an increase in opening equity on adoption of AASB 17. The illiquidity premium within discount rates will be derived based on the long-term weighted average credit spread of a reference portfolio of assets with a similar currency mix and weighted average duration as the related insurance liabilities over the longer term. The effect of credit risk and other factors that are not relevant to the illiquidity characteristics of insurance contracts will be eliminated to estimate the portion of the spread that reflects the illiquidity premium.

Foreign exchange

Insurance contract assets and liabilities that are denominated in foreign currency are treated as monetary items under AASB 17. This differs from current industry practice in respect of unearned premium and deferred insurance costs which are treated as non-monetary items. Based on the exchange rates at the transition date, the impact of this change on opening equity is not expected to be material. The resulting exposures from the change in treatment will be mitigated going forward as part of the Group's operational currency risk management strategy, with new forward foreign exchange contracts entered into at 31 December 2022 to mitigate these exposures from 2023.

Interim reporting

QBE expects to apply the option to measure accounting estimates based on assumptions relevant at each reporting date. This means that estimates made in interim financial statements will be updated in the subsequent annual financial statements where required.

Presentation and disclosure

The standard introduces changes to the presentation and disclosure of insurance line items in the financial statements, introducing new line items on the statement of comprehensive income and balance sheet and increased disclosures compared with existing reporting requirements.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

8. OTHER

Existing insurance and reinsurance contract line items on the balance sheet (including trade debtors arising from general insurance contracts, unearned premium, deferred insurance costs, gross outstanding claims and reinsurance and other recoveries on outstanding claims) will be replaced by insurance contract assets and liabilities, and reinsurance contract assets and liabilities. Insurance contract liabilities under AASB 17 will include all cash flows that directly relate to the fulfilment of insurance contracts (direct business and inward reinsurance), including acquisition, claims settlement, policy administration and maintenance costs. It also includes other costs such as direct overheads which are currently recognised in trade and other payables on the balance sheet.

Transition

AASB 17 will be applied retrospectively to all of QBE's insurance contracts on transition except to the extent that it is impracticable to do so, in which case either a modified retrospective or fair value approach may be applied. QBE will apply a modified retrospective approach for the following:

- 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, the related liabilities are expected to be classified as liabilities for incurred claims, on the basis that it would be impracticable to treat these liabilities as related to unexpired coverage; and
- determination of the CSM for contracts measured under the general model, for which sufficient data on historical assumptions is not available for the estimation of future cash flows and risk adjustment at initial recognition as well as the amount of CSM earned to profit or loss up to the transition date, which are key inputs. To the extent that this information is not available without the use of hindsight, permitted modifications in AASB 17 will be applied to estimate these amounts based on transition date expectations about changes that occurred between initial recognition and the transition date.
- identification of groups of onerous contracts relating to past underwriting years. These have been assessed based on information available at the transition date to the extent that reasonable and supportable information about past facts and circumstances is not available without the use of hindsight.

Financial impact

Based on the above and work performed to date, the impact of AASB 17 adoption on the Group's reported net assets of \$8,882 million as at 1 January 2022 is currently expected to be modest and within a range of a \$50 million decrease to a \$150 million increase, or less than 2% of net assets, before associated tax effects. The opening net asset impact is mainly driven by increases to net assets from the application of the AASB 17 risk adjustment and higher discount rates reflecting the inclusion of the illiquidity premium, offset by decreases to net assets driven by onerous contracts and the impact of changes in the pattern of revenue recognition for certain classes of business (largely resulting from the application of the general model). The requirements of AASB 17 are complex and the actual impact is subject to the finalisation of key assumptions in relation to each of these components.

The Group's implementation of AASB 17 is well progressed and work is ongoing to finalise the impacts and to restate comparative information for reporting on this basis in 2023.

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 \$2,330 million (2021 \$2,177 million) were in place in respect of the Group's participation in Lloyd's, along with cash and investments of \$89 million (2021 \$106 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. QBE is currently defending a representative class action in Australia relating to policyholders with business interruption policies.

Entities in the Group may also provide guarantees to support representations in commercial transactions.

8.3 Offsetting financial assets and liabilities

The Group has \$228 million (2021 \$243 million) receivable from and payable to 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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

8. OTHER

8.4 Reconciliation of profit 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.

	2022 US\$M	2021 US\$M
Profit after income tax	778	757
Adjustments for:		
Depreciation and impairment of property, plant and equipment	31	37
Amortisation of right-of-use lease assets	61	60
Amortisation/impairment of intangibles	90	71
Gain on sale of entities and businesses	(38)	—
Share of net loss of associates	7	7
Net foreign exchange (gains) losses	(14)	4
Fair value losses on financial assets	1,295	409
Equity-settled share-based payments expense	39	32
Balance sheet movements:		
Increase in trade debtors	(2,612)	(1,920)
Increase in net operating assets	(164)	(229)
Increase in trade payables	1,796	1,755
Increase in gross outstanding claims liability	900	753
Increase in unearned premium	934	1,422
Increase in deferred insurance costs	(378)	(474)
Increase in net defined benefit obligation	—	2
Decrease in net tax assets	67	68
Net cash flows from operating activities	2,792	2,754

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:

Current deferred equity plans

PLAN	AVAILABLE TO:	NATURE OF AWARD	VESTING CONDITIONS
Annual Performance Incentive (API) (2022)	Executives and other key senior employees	<ul style="list-style-type: none"> 60%-67% delivered in cash (50% in the case of the Group CEO). 33%-40% deferred as conditional rights to fully paid ordinary shares of the Company (50% in the case of the Group CEO). 	<p>The conditional rights are deferred in equal tranches over two, three or four years, dependent on the vesting period of the award.</p> <p>API outcomes are subject to the achievement of:</p> <ul style="list-style-type: none"> performance outcomes measured through a business scorecard containing key financial measures alongside strategically important non-financial measures; and individual performance objectives measured both on what has been achieved and how it was achieved during the year.
Long-term Incentive (LTI) (2019–2022)	Executives and other key senior employees	<ul style="list-style-type: none"> Conditional rights to fully paid ordinary shares of the Company. 	<p>The conditional rights vest in three tranches on achievement of the performance measures at the end of a three-year period as follows:</p> <ul style="list-style-type: none"> 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. <p>Vesting is subject to performance conditions as follows:</p> <ul style="list-style-type: none"> For 2022 awards, 70% of conditional rights are subject to the achievement against the Group cash ROE performance target based on a three-year arithmetic average; and 30% of conditional rights are based on the Group's relative total shareholder return, compared against a global insurance peer group, over a three-year performance period. For 2019–2021 awards, 50% of conditional rights are subject to the achievement against the Group cash ROE performance target based on the average of three individual annual performance ranges set over three individual years (for 2021 awards), or a three-year arithmetic average (for 2019 and 2020 awards); and 50% of conditional rights are based on the Group's relative total shareholder return, compared against two independent peer groups, over a three-year performance period.

Legacy deferred equity plans

PLAN	AVAILABLE TO:	NATURE OF AWARD	VESTING CONDITIONS
Executive Incentive Plan (EIP) (2017–2021)	Executives (before 1 Jan 2019) and other key senior employees	<ul style="list-style-type: none"> 40%-50% delivered in cash. 50%-60% deferred as conditional rights¹ to fully paid ordinary shares of the Company. 	<p>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.</p> <p>EIP outcomes were subject to the achievement of:</p> <ul style="list-style-type: none"> a blend of divisional combined operating ratios (COR) for 2021, or Group COR for 2017–2020, and Group cash ROE targets; divisional COR targets in the case of divisional employees; and individual performance objectives reflecting QBE's strategic priorities.

Notes to the financial statements *continued*

FOR THE YEAR ENDED 31 DECEMBER 2022

8. OTHER

Short-term Incentive (STI) (2014–2021)	Executives and other key senior employees	<ul style="list-style-type: none"> • 67% delivered in cash (50% in the case of the Group CEO). • 33% deferred as conditional rights to fully paid ordinary shares of the Company (50% in the case of the Group CEO). 	<p>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.</p> <p>STI outcomes were subject to the achievement of:</p> <ul style="list-style-type: none"> • a blend of divisional CORs for 2021, or Group COR for 2017-2020, and Group cash ROE targets; • divisional COR targets² in the case of divisional employees; and • individual performance objectives reflecting QBE's strategic priorities.
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1 For participants outside Australia, the deferred component was generally delivered in equal shares of conditional rights and cash.

2 Divisional return on allocated capital targets until 31 December 2016.

Additionally, for both current and legacy deferred equity plans:

- plan rules provide suitable discretion for the People & Remuneration Committee to adjust any formulaic outcome to ensure that awards made under the API, LTI, EIP and STI appropriately reflect performance;
- during the period from the grant date to the vesting date, further conditional rights are issued under the BSP 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, with clawback provisions applicable to allocations since 2021 under the plans;
- under good leaver provisions (e.g. retirement, redundancy, ill health, injury or mutually agreed separation), conditional rights remain 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:

	2022 NUMBER OF RIGHTS	2021 NUMBER OF RIGHTS
At 1 January	10,983,929	13,247,240
Granted	6,938,596	4,061,715
Dividends attaching	306,532	83,887
Vested and transferred to employees	(3,741,501)	(4,196,217)
Forfeited	(1,826,998)	(2,212,696)
At 31 December	12,660,558	10,983,929
Weighted average share price at date of vesting of conditional rights during the year	A\$11.43	A\$9.41
Weighted average fair value of conditional rights granted during the year	A\$11.20	A\$9.23

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:

		2022	2021
Five-day volume weighted average price of instrument at grant date	A\$	11.42–12.61	9.30–12.01
Expected volatility	%	28–29	25–27
Risk-free rate	%	1.49–3.12	0.09–0.81
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 was A\$0.2 million (2021 A\$0.2 million). During 2022, no options (2021 nil) were cancelled or forfeited. At 31 December 2022, 17,000 remained, excluding notional dividends (2021 17,000). 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

This expense, which includes amounts in relation to cash-settled share-based payment awards, was \$44 million (2021 \$36 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 0.1 million (2021 0.1 million) such shares during the period at an average price of A\$11.78 (2021 A\$11.07).



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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

	2022 US\$000	2021 US\$000
Short-term employee benefits	13,446	15,711
Post-employment benefits	192	166
Other long-term employment benefits	101	82
Share-based payments	7,088	11,254
	20,827	27,213



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.

Share-based payments

Further information in relation to remuneration under equity-based compensation schemes is provided in note 8.5.

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. When applicable, 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.

	DATE OF LAST ACTUARIAL ASSESSMENT	FAIR VALUE OF PLAN ASSETS		PRESENT VALUE OF PLAN OBLIGATIONS		NET RECOGNISED SURPLUSES (DEFICITS)	
		2022 US\$M	2021 US\$M	2022 US\$M	2021 US\$M	2022 US\$M	2021 US\$M
Defined benefit plan surpluses							
Iron Trades Insurance staff trust	31 Dec 2022	205	365	(164)	(285)	41	80
Janson Green final salary superannuation scheme ¹	31 Dec 2022	117	197	(112)	(185)	5	12
		322	562	(276)	(470)	46	92
Defined benefit plan deficits							
QBE the Americas plan ¹	31 Dec 2022	154	214	(167)	(224)	(13)	(10)
Other plans ²	31 Dec 2022	23	34	(36)	(53)	(13)	(19)
		177	248	(203)	(277)	(26)	(29)

1 Defined benefit plan obligations are funded.

2 Other plans include \$9 million (2021 \$11 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 \$2 million (2021 \$2 million) is included in underwriting expenses. Total employer contributions expected to be paid to the various plans in 2023 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.

Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

	2022 US\$000	2021 US\$000
PricewaterhouseCoopers (PwC) Australian firm		
Audit or review of financial reports of the ultimate parent entity	2,051	2,022
Audit of financial reports of controlled entities	2,223	2,258
Audit of statutory returns	553	591
Other assurance services	725	515
Taxation services	14	14
Advisory services	–	524
	5,566	5,924
Related practices of PwC Australian firm (including overseas PwC firms)		
Audit of financial reports of controlled entities	8,247	9,157
Audit of statutory returns	2,691	2,640
Other assurance services	135	53
Taxation services	11	34
Advisory services	1,058	72
	12,142	11,956
	17,708	17,880
Audit and assurance services	16,625	17,236
Other services	1,083	644
	17,708	17,880
Other auditors		
Audit of financial reports of controlled entities	1,231	1,101

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)

	2022 US\$M	2021 US\$M
Profit (loss) after income tax	225	(73)
Other comprehensive loss	(795)	(727)
Total comprehensive loss	(570)	(800)
Assets due within 12 months ¹	1,192	1,737
Shares in controlled entities	13,072	14,012
Total assets	14,264	15,749
Liabilities payable within 12 months ²	334	451
Borrowings	2,972	3,511
Total liabilities	3,306	3,962
Net assets	10,958	11,787
Contributed equity	9,242	9,777
Treasury shares held in trust	(1)	(2)
Foreign currency translation reserve	(39)	137
Other reserves	112	112
Retained profits	1,644	1,763
Total equity	10,958	11,787

1 Includes amounts due from QBE companies of \$360 million (2021 \$667 million).

2 Includes amounts due to QBE companies of \$241 million (2021 \$379 million).

8.9.2 Guarantees and contingent liabilities

	2022 US\$M	2021 US\$M
Support of the Group's participation in Lloyd's	2,330	2,177
Support of other insurance operations of controlled entities	2,383	2,512

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 2022

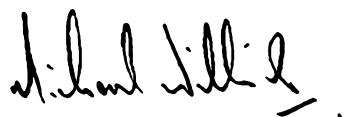
In the directors' opinion:

- (a) the financial statements and notes set out on pages 88 to 161 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 2022 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 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 17th day of February 2023 in accordance with a resolution of the directors.



Michael Wilkins AO
Director



Andrew Horton
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:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended
- (b) 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 2022
- 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

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, Sydney NSW 2001

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T: +61 2 9659 2476, F: +61 2 8266 9999

Liability limited by a scheme approved under Professional Standards Legislation.



Independent auditor's report

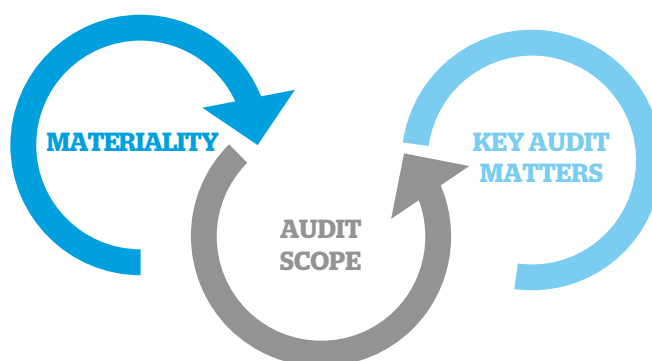
TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED



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\$70 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.
- In conjunction with component auditors, 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 direction and supervision we needed to have over 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. Further, we visited and met with management and component auditors in London and Sydney.
- We also ensured that our team, including the component auditors across the Group, possessed the appropriate competence and capabilities 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
<p>Valuation of net outstanding claims liability (Refer to note 2.3) US\$17,428 million</p> <p>The liability for outstanding claims relates to claims incurred during the year or prior periods, net of any reinsurance and other recoveries.</p> <p>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 the liability to pay future claims.</p> <p>We considered the valuation of the net outstanding claims liability a key audit matter due to:</p> <ul style="list-style-type: none"> • 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 as a result of ongoing legal test cases 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 judgement and effort in performing procedures and evaluating audit evidence related to significant assumptions, particularly loss ratios, claim frequencies and average claim sizes, and allowance for future claims inflation. • The audit effort required the use of experts with specialised skills and knowledge. 	<p>Together with PwC actuarial experts, our procedures included:</p> <p>Gross discounted central estimate</p> <ul style="list-style-type: none"> • 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 appropriateness of significant actuarial assumptions such as loss ratios, claim frequencies and average claim sizes, and claims inflation expectations, focusing on those classes of business which have been impacted by the COVID-19 pandemic and more recently the higher inflationary environment. 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. <p>Reinsurance and other recoveries</p> <ul style="list-style-type: none"> • 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. • Assessing the recoverability of 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 calculation of the probability of adequacy for reasonableness and consistency with previous valuations by developing an understanding of and testing the actuarial techniques applied by the Group.

We also considered the appropriateness of the Group's disclosures against the requirements of Australian Accounting Standards.

Carrying value of goodwill

(Refer to note 7.2.1) US\$1,578 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.

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 judgement and effort in performing procedures and evaluating audit evidence in relation 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 adopted against 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 appropriateness of significant assumptions used to derive the cash flow projections 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 rates, market premiums and unlevered betas) to industry and 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 appropriateness 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 American tax group

(Refer to note 6.2.1) US\$390 million

The Group holds deferred tax assets comprised of carry forward tax losses and deductible temporary differences related to the North American 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 American CGU, as well as the period over which tax losses will be available for recovery, and the execution of any future tax planning strategies.

We considered the recoverability of the deferred tax assets in the North American 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 judgement and effort in performing procedures and evaluating audit evidence related to significant assumptions, particularly cash flow projections.

Our procedures included:

- Evaluating the appropriateness of the recoverability assessment against the requirements of Australian Accounting Standards, and in particular the "convincing other evidence" test under AASB 112 *Income Taxes*.
- Evaluating the appropriateness of significant assumptions used to derive the cash flow projections, by comparing with external market and industry data where available, and current and past performance of the North American tax group.
- Testing the mathematical accuracy of the model which was used to determine the recoverability of the deferred tax assets.

We also considered the appropriateness of the Group's disclosures against the requirements of Australian Accounting Standards.

Valuation of level 3 investments

(Refer to note 3.2.1) US\$1,809 million

The Group held US\$27,299 million of investments at 31 December 2022, of which US\$1,809 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 and/or instrument complexity.

The level 3 investments held at fair value largely consist of infrastructure assets and unlisted property trusts.

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 a sample of 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 2022 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.

We also considered the appropriateness 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
<p>Operation of IT systems and controls</p> <p>The Group's operations and financial reporting are heavily dependent on IT systems, including automated accounting procedures and IT dependent manual controls.</p> <p>The Group's IT controls over IT systems include:</p> <ul style="list-style-type: none">• 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. <p>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 the audit.</p>	<p>Together with IT specialists, our procedures included:</p> <ul style="list-style-type: none">• Evaluating the design and testing the operating effectiveness of key controls over the continued integrity of the IT systems that are relevant to financial reporting. Where we identified design and operating effectiveness weaknesses relating to IT systems or application controls relevant to the 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 and management's monitoring controls over third parties.



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 2022, 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 62 to 84 of the Directors' Report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of QBE Insurance Group Limited for the year ended 31 December 2022 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.

A stylized, handwritten-style signature of the PricewaterhouseCoopers firm.

PricewaterhouseCoopers

A handwritten signature, likely of Voula Papageorgiou.

Voula Papageorgiou
Partner

Sydney
17 February 2023

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 18, 388 George Street
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 dividends 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 tax file number (TFN)/Australian Business Number (ABN) details.

You may also register to receive shareholder documentation electronically including your dividend statements, notices of meetings and proxy and annual reports.

Privacy legislation

Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (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 securityholder. 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 DRP and 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.



Shareholder information continued

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.

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 1950*, unclaimed dividends six or more years old must be given to the Australian Capital Territory. 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
24 September 2021	Interim	20 August 2021	11	10
12 April 2022	Final	8 March 2022	19	10
23 September 2022	Interim	19 August 2022	9	10

Annual General Meeting

The Annual General Meeting of QBE Insurance Group Limited will be held at 10am on Friday, 12 May 2023. 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.



Top 20 shareholders as at 31 January 2023

NAME	NUMBER OF SHARES	% OF TOTAL
HSBC Custody Nominees (Australia) Limited	503,774,141	33.93
J P Morgan Nominees Australia Pty Limited	350,927,399	23.64
Citicorp Nominees Pty Limited	181,216,948	12.21
National Nominees Limited	83,012,852	5.59
BNP Paribas Noms Pty Ltd (DRP)	59,301,799	3.99
Buttonwood Nominees Pty Ltd	38,332,106	2.58
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	30,301,515	2.04
BNP Paribas Nominees Pty Ltd (Agency Lending DRP A/C)	20,203,333	1.36
Argo Investments Limited	9,540,088	0.64
HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	8,363,538	0.56
HSBC Custody Nominees (Australia) Limited – A/C 2	4,938,802	0.33
HSBC Custody Nominees (Australia) Limited – GSCO ECA	4,148,730	0.28
Netwealth Investments Limited (Wrap Services A/C)	4,093,036	0.28
BNP Paribas Nominees Pty Ltd HUB24 Custodial Serv Ltd (DRP A/C)	3,669,264	0.25
BNP Paribas Noms (NZ) Ltd (DRP)	3,230,182	0.22
ECapital Nominees Pty Limited (Accumulation A/C)	2,346,289	0.16
Mutual Trust Pty Ltd	1,969,946	0.13
HSBC Custody Nominees (Australia) Limited -GSI EDA	1,812,215	0.12
HSBC Custody Nominees (Australia) Limited	1,335,575	0.09
UBS Nominees Pty Ltd	1,239,960	0.09
	1,313,757,718	88.49

QBE substantial shareholders as at 31 January 2023

NAME	NUMBER OF SHARES	% OF TOTAL ¹	DATE OF NOTICE
AustralianSuper Pty Ltd	124,439,018	8.39	1 August 2022
State Street Corporation	90,387,067	6.09	4 October 2022
Vanguard Group (The Vanguard Group, Inc and its controlled entities)	80,289,148	6.06	17 May 2019
BlackRock Group (and its associated entities)	79,689,478	6.03	6 June 2019
Macquarie Group Limited	77,605,494	5.23	14 September 2022

¹ Percentage of total at date of notice.

Distribution of shareholders and shareholdings as at 31 January 2023

SIZE OF HOLDING	NUMBER OF SHAREHOLDERS	%	NUMBER OF SHARES	%
1 to 1,000	43,209	58.26	16,520,112	1.11
1,001 to 5,000	24,777	33.40	56,026,919	3.77
5,001 to 10,000	3,889	5.24	27,282,596	1.84
10,001 to 100,000	2,204	2.97	47,033,248	3.17
100,001 and over	95	0.13	1,337,844,455	90.11
Total	74,174	100.00	1,484,707,330	100.00

Shareholdings of less than a marketable parcel as at 31 January 2023

	SHAREHOLDERS		SHARES	
	NUMBER	% OF TOTAL	NUMBER	% OF TOTAL
Holdings of 37 or fewer shares ¹	3,723	5.02	48,419	0.0033

¹ Determined based on less than marketable parcel of \$500 based on a closing price of \$13.74 on 31 January 2023.

Financial calendar

YEAR	MONTH	DAY	ANNOUNCEMENT
2023	February	17	Results and dividend announcement for the full year ended 31 December 2022
	March	6	Shares begin trading ex dividend
		7	Record date for determining shareholders' entitlement to the 2022 final dividend
		8	DRP/BSP election close date – last day to nominate participation in the DRP or BSP
	April	14	Payment date for the 2022 final dividend
	May	12	2023 Annual General Meeting
	June	30	Half year end
	August	10 ¹	Results and dividend announcement for the half year ended 30 June 2023
		17 ¹	Shares begin trading ex dividend
		18 ¹	Record date for determining shareholders' entitlement to the 2023 interim dividend
		21 ¹	DRP/BSP election close date – last day to nominate participation in the DRP or BSP
	September	22 ¹	Payment date for the 2023 interim dividend
	December	31	Full year end

¹ Dates shown may be subject to change.

10-year history

FOR THE YEAR ENDED 31 DECEMBER

		2022	2021	2020	2019 ¹	2018 ¹	2017 ¹	2016	2015	2014	2013
Profit or loss information											
Gross written premium	US\$M	20,001	18,457	14,643	13,442	13,657	13,328	14,395	15,092	16,332	17,975
Gross earned premium	US\$M	19,067	17,035	14,008	13,257	13,601	13,611	14,276	14,922	16,521	17,889
Net earned premium	US\$M	14,327	13,408	11,708	11,609	11,640	11,351	11,066	12,314	14,084	15,396
Claims ratio	%	58.1	62.4	76.3	69.8	63.6	71.5	58.2	60.4	63.2	64.5
Commission ratio	%	14.8	15.5	16.1	15.6	16.9	17.1	18.4	17.2	16.8	16.8
Expense ratio	%	12.8	13.6	15.0	14.6	15.4	15.9	17.4	17.3	16.1	16.5
Combined operating ratio	%	85.7	91.5	107.4	100.0	95.9	104.5	94.0	94.9	96.1	97.8
Investment income (loss)											
before net fair value gains/losses	US\$M	519	531	432	555	690	576	641	541	676	691
after net fair value gains/losses	US\$M	(776)	122	226	1,036	547	758	746	665	814	772
Insurance profit (loss)	US\$M	1,533	1,215	(727)	647	826	(60)	1,075	1,031	1,074	841
Insurance profit (loss) to net earned premium	%	10.7	9.1	(6.2)	5.6	7.1	(0.5)	9.7	8.4	7.6	5.5
Financing and other costs	US\$M	245	247	252	257	305	302	294	244	297	345
Operating profit (loss)											
before income tax	US\$M	919	913	(1,472)	672	627	(793)	1,072	953	931	(448)
after income tax and non-controlling interests	US\$M	770	750	(1,517)	571	567	(1,212)	844	687	742	(254)
Balance sheet and share information											
Number of ordinary shares on issue ²	millions	1,485	1,477	1,471	1,305	1,327	1,358	1,370	1,370	1,363	1,247
Shareholders' equity	US\$M	8,990	8,881	8,491	8,153	8,381	8,859	10,284	10,505	11,030	10,356
Total assets	US\$M	49,502	49,303	46,625	40,035	39,582	43,862	41,583	42,176	45,000	47,271
Net tangible assets per share ²	US\$	4.70	4.36	4.05	4.11	4.22	4.29	4.90	5.07	5.32	4.75
Borrowings to total capital	%	23.4	26.9	25.8	24.0	24.5	27.1	24.1	24.0	24.1	32.8
Basic earnings (loss) per share ²	US cents	48.6	47.5	(108.5)	41.8	29.0	(91.5)	61.6	50.3	57.4	(22.8)
Basic earnings (loss) per share – adjusted cash basis ³	US cents	57.2	54.6	(60.7)	55.7	51.4	(19.2)	65.5	65.3	63.5	62.9
Diluted earnings (loss) per share	US cents	48.2	47.2	(108.5)	41.5	28.6	(91.5)	60.8	49.8	55.8	(22.8)
Return on average shareholders' equity	%	8.6	8.6	(18.2)	6.7	4.5	(13.0)	8.1	6.4	6.9	(2.3)
Dividend per share	Australian cents	39	30	4	52	50	26	54	50	37	32
Dividend payout	A\$M	578	443	59	681	669	356	741	685	492	394
Total investments and cash ⁴	US\$M	28,167	28,967	27,735	24,374	22,887	26,141	25,235	26,708	28,583	30,619

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 adjusted cash profit or loss, being profit or loss after tax adjusted for impairment of intangibles and other non-cash items net of tax as well as coupons on Additional Tier 1 instruments.

4 Includes financial assets at fair value through profit or loss, cash and cash equivalents and investment properties; excludes balances held for sale.

1
Performance
Overview

2
Operating and
financial review

3
Governance

4
Directors'
Report

5
Financial
Report

6
Other
information



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 costs	The total of net commission and underwriting and other 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.
Aggregate reinsurance	Reinsurance cover that provides protection for an accumulation of claims arising from multiple events over a specified period of time.
APRA	Australian Prudential Regulation Authority, being the Group's primary insurance regulator.
Attachment point	The amount of claims retained by the cedant in a reinsurance arrangement, after which reinsurance protection will apply.
Borrowings to total capital	The Group's gearing ratio (also referred to as debt to total capital), calculated as borrowings expressed as a percentage of total capital. Total capital is shareholders' equity plus Tier 1 instruments classified as liabilities (which are excluded from borrowings for the purposes of this calculation), and subordinated debt.
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, it is the aggregate of each member's capacity allocated to that syndicate.
Captive	A licensed entity within the Group that provides reinsurance protection to other controlled entities.
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.
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 claims ratio	Total of all net claims resulting from catastrophe events as a percentage of net earned premium.
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. 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.
Ex-cat claims ratio	Net claims excluding catastrophe claims, prior accident year claims development and movements in risk margin, as a percentage of net earned premium.
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 enough reported (IBNER)	The upward adjustment to claims incurred as a result of the initial under-estimation of the ultimate cost of claims.
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.
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.



Glossary continued

Inward reinsurance	See Reinsurance.
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 underwriter 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.
Limit	The maximum amount that a reinsurer will pay in respect of claims covered by a reinsurance contract.
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 insurance (MPCI)	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 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.
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)	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.

Glossary continued

Syndicate	A member or group of members underwriting insurance business at Lloyd's through the agency of a managing agent.
Total investment income or loss	Gross investment income or loss including foreign exchange gains and losses and net of investment expenses.
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 or loss 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 measure of the average trading price during a period, adjusted for the volume of transactions. This is often used for determining the share price applicable to dividend and other share-related transactions.



QBE Insurance Group Limited

Level 18, 388 George Street, Sydney NSW 2000 Australia

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www.qbe.com

Appendix 4G

Key to Disclosures

Corporate Governance Council Principles and Recommendations

Name of entity

QBE Insurance Group Limited

ABN/ARBN

28 008 485 014

Financial year ended:

31 December 2022

Our corporate governance statement¹ for the period above can be found at:²

- ☒ These pages of our annual report: 48-57
- ☒ 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 17 February 2023 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.³

Date: 17 February 2023

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 <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 <u>NOT</u> 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.	<input checked="" type="checkbox"/> and we have disclosed a copy of our board charter at: www.qbe.com/investor-relations/corporate-governance/qbe-charters-and-constitution	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> 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.

Appendix 4G Key to Disclosures Corporate Governance Council Principles and Recommendations

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
1.5	<p>A listed entity should:</p> <p>(a) have and disclose a diversity policy;</p> <p>(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</p> <p>(c) disclose in relation to each reporting period:</p> <p>(1) the measurable objectives set for that period to achieve gender diversity;</p> <p>(2) the entity's progress towards achieving those objectives; and</p> <p>(3) either:</p> <p>(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</p> <p>(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.</p> <p>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.</p>	<p><input checked="" type="checkbox"/> and we have disclosed a copy of our diversity policy at: www.qbe.com/investor-relations/corporate-governance/global-policies</p> <p>and we have disclosed the information referred to in paragraph (c) at:</p> <p>In the Corporate Governance Statement on page 55 of the Annual Report and https://www.qbe.com/investor-relations/corporate-governance/global-policies</p> <p>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 40% of its directors of each gender within a specified period.</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Appendix 4G
Key to Disclosures Corporate Governance Council Principles and Recommendations

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	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(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.</p>	<p><input checked="" type="checkbox"/> and we have disclosed the evaluation process referred to in paragraph (a) at: In the Corporate Governance Statement on page 51 in the Annual Report</p> <p>and whether a performance evaluation was undertaken for the reporting period in accordance with that process at: In the Corporate Governance Statement on page 51 in the Annual Report</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and</p> <p>(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.</p>	<p><input checked="" type="checkbox"/> and we have disclosed the evaluation process referred to in paragraph (a) at: In the Corporate Governance Statement on pages 51 in the Annual Report</p> <p>and whether a performance evaluation was undertaken for the reporting period in accordance with that process at: In the Corporate Governance Statement on pages 51 in the Annual Report</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Appendix 4G Key to Disclosures Corporate Governance Council Principles and Recommendations

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 2 - STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p><input checked="" type="checkbox"/> <i>[If the entity complies with paragraph (a):]</i> and we have disclosed a copy of the charter of the committee at: www.qbce.com/investor-relations/corporate-governance/qbce-charters-and-constitution <i>[insert location]</i> and the information referred to in paragraphs (4) and (5) at: In the Board of Directors section on pages 44-45 of the Annual Report, and in the Directors' Report on page 60 of the Annual Report</p> <p><input type="checkbox"/> set out in our Corporate Governance Statement on page 50 of the Annual Report OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>	
2.2	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.	<p><input checked="" type="checkbox"/> <i>[If the entity complies with paragraph (b):]</i> 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: <i>[insert location]</i></p> <p><input type="checkbox"/> and we have disclosed our board skills matrix at: In the Corporate Governance Statement on page 49 of the Annual Report</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Appendix 4G
Key to Disclosures Corporate Governance Council Principles and Recommendations

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	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(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</p> <p>(c) the length of service of each director.</p>	<p><input checked="" type="checkbox"/> and we have disclosed the names of the directors considered by the board to be independent directors at:</p> <p>In the Board of Directors section on pages 44-45 of the Annual Report and www.qbe.com/about-qbe/group-board-of-directors</p> <p>and, where applicable, the information referred to in paragraph (b) at:</p> <p>N/A</p> <p>and the length of service of each director at:</p> <p>In the Board of Directors section on pages 44-45 of the Annual Report and www.qbe.com/about-qbe/group-board-of-directors</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement</p>
2.4	A majority of the board of a listed entity should be independent directors.	<input checked="" type="checkbox"/>	<p><input type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
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.	<input checked="" type="checkbox"/>	<p><input type="checkbox"/> set out in our Corporate Governance Statement on page 49 of the Annual Report</p> <p>OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
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.	<input checked="" type="checkbox"/>	<p><input type="checkbox"/> set out in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Appendix 4G
Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in <u>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.	<input checked="" type="checkbox"/> and we have disclosed our values at: In the Corporate Governance Statement on page 52 of the Annual Report and www.qbe.com/about-qbe/purpose-and-vision	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/> and we have disclosed our code of conduct at: www.qbe.com/investor-relations/corporate-governance/global-policies	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/> and we have disclosed our whistleblower policy at: www.qbe.com/investor-relations/corporate-governance/global-policies	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/> and we have disclosed our anti-bribery and corruption policy at: www.qbe.com/investor-relations/corporate-governance/global-policies	<input type="checkbox"/> set out in our Corporate Governance Statement

Appendix 4G Key to Disclosures Corporate Governance Council Principles and Recommendations

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 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ol style="list-style-type: none"> has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and is chaired by an independent director, who is not the chair of the board, and disclose: the charter of the committee; the relevant qualifications and experience of the members of the committee; and 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 <p>(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.</p>	<input checked="" type="checkbox"/> <i>[If the entity complies with paragraph (a).]</i> 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 44-45 of the Annual Report, and in the Directors Report on page 60 of the Annual Report	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement

Appendix 4G Key to Disclosures Corporate Governance Council Principles and Recommendations

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 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.	<input checked="" type="checkbox"/> and we have disclosed our continuous disclosure compliance policy at: www.qbe.com/investor-relations/corporate-governance/global-policies	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/> 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	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/> and we have disclosed how we facilitate and encourage participation at meetings of security holders at: In our Corporate Governance Statement on page 55 and 56 of the Annual Report	<input type="checkbox"/> 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement

Appendix 4G
Key to Disclosures Corporate Governance Council Principles and Recommendations

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
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.	<input checked="" type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<input checked="" type="checkbox"/> <i>[If the entity complies with paragraph (a).]</i> 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 44-45 of the Annual Report, and in the Directors Report on page 60 of the Annual Report	<input type="checkbox"/> set out in our Corporate Governance Statement
7.2	<p>The board or a committee of the board should:</p> <p>(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</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<input checked="" type="checkbox"/> 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 57 of the Annual Report	<input type="checkbox"/> set out in our Corporate Governance Statement

Appendix 4G
Key to Disclosures Corporate Governance Council Principles and Recommendations

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
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(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.</p>	<p><input checked="" type="checkbox"/> <i>[If the entity complies with paragraph (a):]</i> and we have disclosed how our internal audit function is structured and what role it performs at:</p> <p>In the Corporate Governance Statement on page 57 of the Annual Report</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement</p>
7.4	<p>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.</p>	<p><input checked="" type="checkbox"/> and we have disclosed whether we have any material exposure to environmental and social risks at:</p> <p>in the climate change disclosures on pages 34-43 of the Annual Report and in the Sustainability Report at www.qbe.com/sustainability</p> <p>and, if we do, how we manage or intend to manage those risks at:</p> <p>in the climate change disclosures on pages 34-43 of the Annual Report and in the Sustainability Report at www.qbe.com/sustainability</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement</p>

Appendix 4G Key to Disclosures Corporate Governance Council Principles and Recommendations

Corporate Governance Council recommendation		Where a box below is ticked, ⁴ we have followed the recommendation in <u>full</u> for the <u>whole</u> of the period above. We have disclosed <u>this</u> in our Corporate Governance Statement:	Where a box below is ticked, we have <u>NOT</u> followed the recommendation in <u>full</u> for the <u>whole</u> of the period above. Our reasons for not doing so are: ⁵
PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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</p> <p>(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.</p>	<p><input checked="" type="checkbox"/> [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 44-45 of the Annual Report, and in the Directors Report on page 60 of the Annual Report</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
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.	<p><input checked="" type="checkbox"/> 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 62-84 of the Annual Report</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(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</p> <p>(b) disclose that policy or a summary of it.</p>	<p><input checked="" type="checkbox"/> and we have disclosed our policy on this issue or a summary of it at: www.qbe.com/investor-relations/corporate-governance/global-policies</p>	<p><input type="checkbox"/> set out in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Appendix 4G
Key to Disclosures Corporate Governance Council Principles and Recommendations

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.	<input type="checkbox"/> and we have disclosed information about the processes in place at: [insert location]	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> we do not have a director in this position and this recommendation is therefore not applicable OR <input type="checkbox"/> 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.	<input type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> we are established in Australia and this recommendation is therefore not applicable OR <input type="checkbox"/> 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.	<input type="checkbox"/>	<input type="checkbox"/> set out in our Corporate Governance Statement OR <input type="checkbox"/> we are established in Australia and not an externally managed listed entity and this recommendation is therefore not applicable <input type="checkbox"/> 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			
-	<i>Alternative to Recommendation 1.1 for externally managed listed entities:</i> 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.	<input type="checkbox"/> and we have disclosed the information referred to in paragraphs (a) and (b) at: [insert location]	<input type="checkbox"/> 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
-	<i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i> An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	<input type="checkbox"/> and we have disclosed the terms governing our remuneration as manager of the entity at: [insert location]	<input type="checkbox"/> set out in our Corporate Governance Statement



Enabling a more resilient future



2022 Sustainability Report

QBE INSURANCE GROUP LIMITED

QBE at a glance

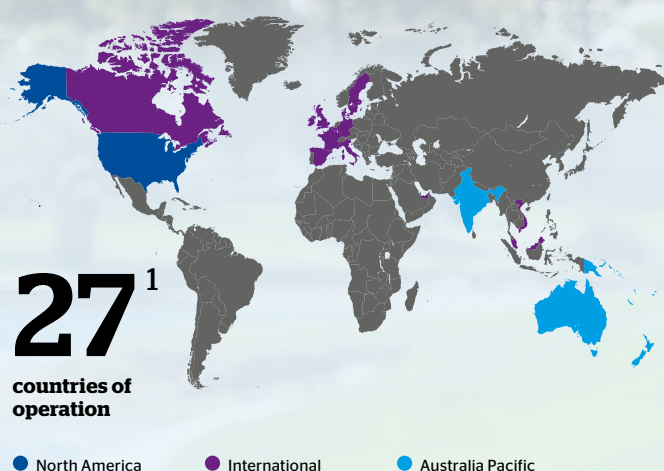
Who we are

QBE Insurance Group Limited (QBE) is listed on the Australian Securities Exchange and headquartered in Sydney. We employ 12,479 people with operations in 27 countries.

QBE is an international insurer and reinsurer offering a diverse portfolio of commercial, personal and specialty products, and risk management solutions. Our diverse product portfolio includes property, motor, crop, public/product liability, professional indemnity, workers' compensation, energy, marine and aviation. We operate across three divisions: North America, Australia Pacific, and International (the United Kingdom, Europe, Asia, Canada and through our Lloyd's syndicates).

During 2022, we refined our sustainability focus areas through extensive internal consultation and analysis of the external landscape. We identified three areas of focus that will allow us to build on the foundational elements of the Sustainability Framework and clarify our sustainability objectives. We continue to evolve our action plans to deliver on our focus areas and further information can be found in our [2022 Annual Report](#) and on [page 8](#) of this report.

Where we are



¹ See a full list of countries of operation in the Governance section of the data book.

Contents

Message from the Group Chief Executive Officer	2	Impact and responsible investments	16
2022 highlights	3	Customer and community	20
Our approach to sustainability	4	People and culture	24
Material topics for 2022	5	Operational excellence	28
Our areas of sustainability focus	8	Governance	32
Climate risks and opportunities	9	2023-25 sustainability scorecard	36
Sustainable insurance	12	Independent assurance report	38

About the cover

The cover shows the application of technology to farm management practices. In North America, we have developed technology to help farmers manage their crops through our Field Insights® crop management tool. Managing weather events, and gaining insights into the condition of their crops, are important ways farmers are using technology to maximise yield and reduce unpredictability. Technology can analyse historical and future weather data and monitor soil conditions to help determine optimal water usage, harvest times and other crop management requirements.



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.

Integrating sustainability into our business can help us deliver on our purpose of enabling a more resilient future. We believe that addressing current and emerging sustainability risks and opportunities allows us to be a consistent and innovative risk partner, responding to the needs of our customers, people, and the communities in which they live.

About this report

This Sustainability Report (Report) has been prepared with reference to the Global Reporting Initiative (GRI) Standards. It discloses the sustainability topics affecting QBE (financial materiality) and our impacts on society and the environment (outward impact materiality). The results of our materiality assessment inform our sustainability focus areas, targets and initiatives, particularly our climate risks and opportunities. Our progress on the 2022 sustainability scorecard is described in each of the Sustainability Framework chapters. This Report is for the period 1 January–31 December 2022 and should be read in conjunction with the Sustainability Data Book (data book), Annual Report and website. Financial figures in this Report are in US dollars unless otherwise stated.

The information in this Report has been collated and validated by subject matter experts across the business and is supported by evidence, where applicable, including by a verification process that records the information sources and consultation undertaken within QBE, or with external parties. The Report has been reviewed by senior management with the knowledge to validate the

accuracy and completeness of the information provided. The Report has been 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.

In 2022, PwC conducted independent limited assurance over all metrics considered material to investors and other key stakeholders. Our engagement has been conducted in accordance with the Australian Standard on Assurance Engagements (ASAE 3000) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and the Australian Standard on Assurance Engagements (ASAE 3410) *Assurance Engagements on Greenhouse Gas Statements*.

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 and in the [data book](#).

i For questions, comments or suggestions about this Report, please [Contact us](#).



Message from the Group Chief Executive Officer

Sustainability focus across the business

In 2022, we have evolved our sustainability strategy to better support our ambition and purpose of enabling a more resilient future.

Refreshing our sustainability strategy

It has never been more important for people, communities and businesses to build resilience in order to address the challenges we face now, and into the future. We hope to build resilience through integrating sustainability considerations into our business practices as we evolve and elevate our sustainability ambition. Our sustainability strategy refresh has enabled us to better focus our sustainability commitments and clarify the role that QBE can play in having a positive impact on our environment and society. Our three focus areas are resonating well with our people and provide opportunities to bring our enterprise together as we collaborate globally.

We continue to progress our sustainability commitments and announced new targets and initiatives in our Half Year Report. These targets include expanding our operational net-zero 2030 target to include material Scope 3 emissions, engaging with large suppliers to set targets by 2025 and laying the foundation to publish one or more interim targets in accordance with the United Nations-convened Net-Zero Insurance Alliance (NZIA) Target-Setting Protocol.

Measuring our progress

In 2022, we published our sustainability scorecard, which was aligned to the topics we understand to be material to our stakeholders. I am pleased to say that we have met almost all our targets. In addition, we are proud to have won sustainability awards this year such as the Australian and New Zealand Institute of Insurance and Finance Environmental, Social and Governance (ESG) Change Award in our home market.

In 2023, we will reset our sustainability scorecard to align to our three focus areas and to consider the short to medium-term time horizon on our material targets. Our five priority sustainable development goals of *No Poverty*, *Decent Work and Economic Growth*, *Reduced Inequalities*, *Sustainable Cities and Communities* and *Climate Action* are aligned to our business activities, our Sustainability Framework and focus areas.

Our priorities

Managing the risks and opportunities presented by a changing climate continues to be a key focus for us. QBE has been active in working with the NZIA and Partnership for Carbon Accounting Financials to develop

standards to measure insurance-associated emissions that will allow us to individually set meaningful targets. Additionally, we are signatories to the Net-Zero Asset Owner Alliance and a supporter of the *Climate Change Roadmap Towards a Net-Zero and Resilient Future* issued by the Insurance Council of Australia in our home market.

Inclusion of Diversity remains a core part of our culture. In 2022, we exceeded our target of 40% women on our Group Board. We furthered our commitment to women in leadership, pledging to HESTA's 40:40 Vision and are on track to reach our target of 40% women in leadership by 2025. In 2023, we will implement new inclusion targets of belonging, based on ethnicity, disability, and LGBTIQ+ identification. We recognise that we operate in a competitive global market for talent and continue to focus on creating a positive and flexible workplace culture that attracts and retains people. As part of this, we continue to respond to feedback through Voice, our employee listening program, to build a workplace where people feel they belong.

Andrew Horton
Group Chief Executive Officer

2022 highlights

37 initiatives and targets completed or on track in 2022.
See our data book for progress on our 2022 scorecard.



Sustainable insurance

Laying the foundation to publish one or more interim targets in accordance with the

NZIA Target-Setting Protocol



Impact and responsible investments

\$1.6B

Market value of Premiums4Good investments

⬆️ \$200 million from 2021

108 securities

Number of Premiums4Good investments

⬆️ 25 securities in 2021



Operational excellence

RE100

Sourced 100% renewable electricity for our operations globally¹

20% reduction

Energy usage reduction against baseline year of 2019



Customer and community

408,698

People supported through QBE Foundation

⬆️ 135,962 people in 2021



People and culture

Recognition of our Culture Transformation by AHRI



Governance

99.4%

Percentage of employees who completed mandatory training

⬆️ 97.4% in 2021



Relaunched our Global Disaster Relief and Resilience Partnership for another three years



Awarded Platinum Employer status in the Australian Workplace Equality Index



Winner of ANZIIF ESG Change Award

¹ Based on RE100 Materiality Threshold guidance which excludes countries with small electricity loads (<100MWh/year and up to a total of 5000MWh/year) and where it is not feasible to source renewable electricity.



Our approach to sustainability

Sustainability Framework



In 2016, we created our Sustainability Framework to help guide the key areas of our business activities with the potential to impact the economy, the environment and society. In 2019, we developed the sustainability scorecard that sits within the Sustainability Framework. This scorecard measures progress on commitments and initiatives in a consistent way. The framework commitments we make seek to build resilience in our business and, by extension, in our customers, by addressing the challenges of a changing world.

i Please refer to the [data book](#) for how we performed in 2022.

Each year, we test our scorecard commitments through a materiality assessment. We do this with a view to aligning our priorities with stakeholder expectations and the industry landscape, to help us identify emerging issues for future consideration. As a result, our sustainability scorecard is regularly reviewed and updated, and we report publicly on our progress in our annual Sustainability Report.

In 2022, we refreshed our sustainability strategy to focus on three key areas, these are outlined on [page 8](#) of this Report. Our 2023-25 scorecard is aligned to these new focus areas. These are described, along with our ambition, in the Annual Report. We are also a supporter of the Sustainable Development Goals (SDGs).



Governance

[Click to learn more](#)



Materiality

[Click to learn more](#)



Stakeholder engagement

[Click to learn more](#)



Sustainable Development Goals

[Click to learn more](#)

Material topics for 2022

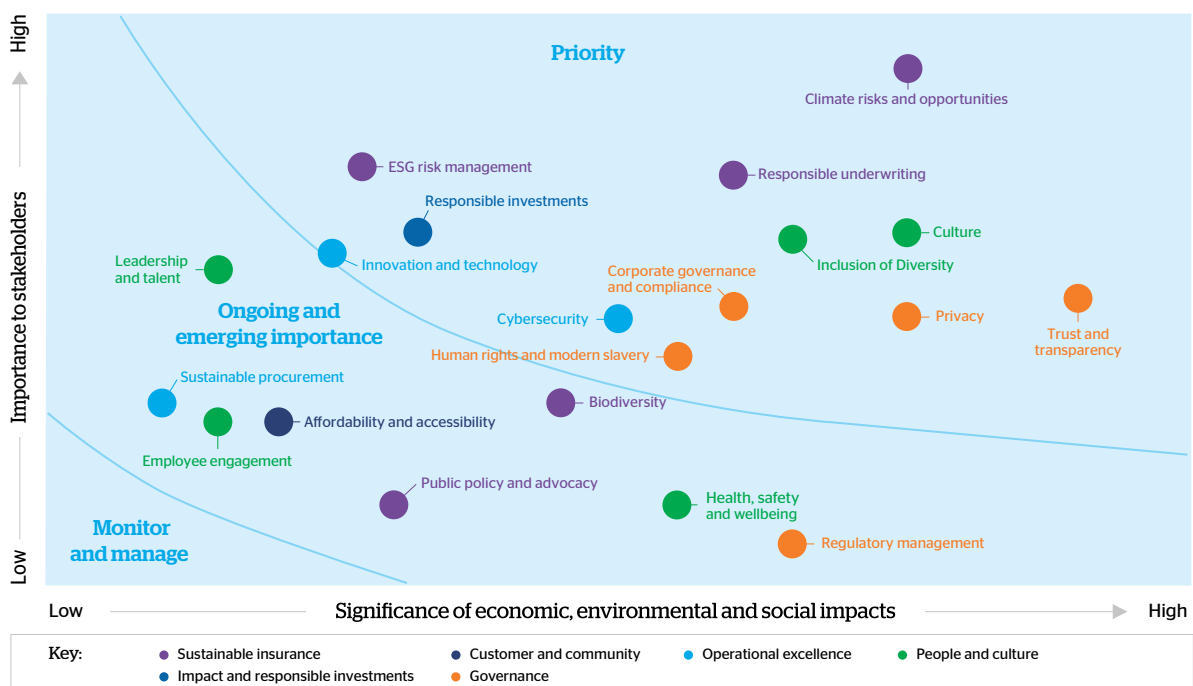
Our approach to materiality focuses on how our business creates value for all stakeholders across the short, medium and longer-term.

In line with the GRI Standards, each year, we are required to review our material topics from the previous year to assess any changes in the impacts of those topics on the economy, the environment and society. QBE undertakes a full materiality assessment every two years, with a desktop review in interim years. In 2022, the desktop review included feedback from investors, risk assessments, peer benchmarking, and thought leadership from external sources. It also mapped to QBE's strategic priorities and top risks.

i More information on our approach to our materiality and the full list of material topics assessment can be found on [our website](#).

The priority material topics remain climate-focused, with an emphasis on how we manage our risks and opportunities related to climate change, especially in responsible underwriting and investments. We recognise that other important topics include the global competition for talent, protecting our customer and corporate data, and using technology to innovate, and improve our products and solutions. This year, the top 12 priority material topics globally have seen 'ESG risk management' and 'Responsible investments' overtake 'Affordability and accessibility' and 'Leadership and talent', as the spotlight falls on how businesses are responding to the challenges and opportunities presented by climate change.

Stakeholder materiality assessment



Climate risks and opportunities

As a leading global insurer and reinsurer, we have a significant role to play in managing the potential risk exposures and opportunities related to climate change across our value chain. We recognise that climate risk is multi-faceted, and includes physical risks, transition risks (e.g. policy, technology, market) and liability risks. We have the ability to help customers, partners and communities build resilience, and understand, and navigate, the changing risk landscape and the transition to a net-zero economy.

Aligned to SDGs
1, 7, 11, 13, 14, 15, 17

i Refer to Climate change section of the Annual Report and Climate risks and opportunities

Culture

Building an organisational culture that supports and enables us to achieve our purpose, vision and strategy is a strategic priority for our business. Our Group Code of Ethics and Conduct supports our culture and helps guide employees to act ethically, promoting QBE's reputation and supporting our people to feel safe to speak up. Leadership is key to ensuring that 'how' people go about their work is seen as just as important as 'what' gets achieved.

Aligned to SDGs
3, 4, 5, 8, 10, 16

i Refer to People and culture and our 2022 Annual Report

Responsible investment

QBE is committed to taking a responsible approach to its investments, including ESG risk integration and considerations of equity and diversity. We recognise that our investment decisions have an impact on the economy, environment and society. As a signatory to the Principles for Responsible Investment we believe that factoring ESG considerations into investment decision-making improves long-term, risk-adjusted financial returns and aligns to stakeholders' expectations.

Aligned to SDGs
1, 8, 9, 13

i Refer to Impact and responsible investments

Responsible underwriting

Our Group Underwriting Standards outline our commitment to responsible underwriting and integrate current, and emerging, ESG considerations into our underwriting and pricing (including our models, decision-making processes and systems). This includes the implementation of QBE's Environmental and Social Risk Framework in our underwriting and investment portfolio decision-making. There is an increased focus on responsible underwriting as the insurance sector collaborates to develop standards and protocols to effectively measure insurance-associated emissions and set targets.

Aligned to SDGs:
1, 8, 9, 13, 17

i Refer to Sustainable insurance

ESG risk management

We continually work to integrate current and emerging ESG risks into our risk management framework and decision-making processes. Our Group ESG Risk Standard outlines the process we use to identify and manage ESG risks across the business. We also maintain an Environmental and Social (E&S) Risk Framework that underpins our underwriting and investment approach to several sensitive sectors including defence, energy, forestry, fishing and mining.

Aligned to SDGs:
1, 8, 9, 13

i Refer to Sustainable insurance

Inclusion of Diversity

A core part of our culture is focused on creating an environment where everyone is, and feels they are, included. Being inclusive is part of our DNA, and our global Inclusion of Diversity approach enables us to live our purpose. At QBE, we have a broad view of diversity that includes all the ways people are visibly and invisibly different. We continue to focus on initiatives that drive respect and fair treatment, value and belonging, and help our people feel safe to speak up.

Aligned to SDGs
4, 5, 8, 10

i Refer to People and culture and the 2022 Corporate governance statement.

Innovation and technology

We embrace technology and innovation, including automation and digitisation, to improve customer service, experience and efficiency. We seek to embrace new technologies and the opportunities for new product development, including those spurred by COVID-19, which has seen rising consumer expectations for seamless digital transactions and greater personalisation. We also look for opportunities to improve existing services through iterative technical enhancements that seek to simplify and enhance the customer and supplier experience.

Aligned to SDGs:
9, 10, 11, 12

1 Refer to Customer and community and Operational excellence

Privacy

We are 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 that are the foundation for our ongoing compliance with privacy laws globally. QBE group entities also maintain privacy policies appropriate to local legislation.

Aligned to SDGs
8, 9, 16

1 Refer to Governance

Trust and transparency

Trust in the financial services sector continues to be a key regulatory, consumer and community focus, continuing to drive 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, 12, 16, 17

1 Refer to Governance

Corporate governance and compliance

We are committed to the highest standards of corporate governance across our global operations. This includes the Group Board providing guidance and oversight to support ethical behaviour, transparency and accountable decision-making. We seek to take all reasonable steps to minimise compliance risk – not only because it is required, but to continue to do the right thing by our stakeholders. This topic also incorporates the integration of robust, impartial and independent whistleblowing and grievance procedures into all operations.

Aligned to SDGs:
8, 16, 17

1 Refer to Governance and the 2022 Corporate governance statement

Cybersecurity

Cybersecurity continues to be one of the greatest threats shaping today's risk landscape. As an escalating, rapidly evolving business risk, cybersecurity risk has the potential to impact our operations, and all our key stakeholders. We employ a global approach to managing internal and external threats to the confidentiality, integrity and availability of customer and corporate data. We proactively monitor and respond to known and emerging threats, and invest in innovation and digital transformation to benefit our customers and shareholders.

Aligned to SDGs
9, 16, 17

1 Refer to Customer and community

Human rights and modern slavery

Wherever we operate, we seek to respect and protect human rights. We take measures to integrate human rights across our business as an employer, insurer, investor and business partner through our Group Human Rights Policy, and in our interactions with customers and communities. QBE seeks to comply with applicable modern slavery, labour and human rights laws and regulations globally. We provide annual reporting on the risks of modern slavery in our operations and supply chain.

Aligned to SDGs:
1, 2, 3, 8, 10, 16, 17

1 Refer to Governance

Our areas of sustainability focus

In 2022, we refreshed our sustainability strategy to focus on three key areas outlined below, and these have been incorporated into our scorecard. While the Sustainability Framework remains foundational to our efforts, the refreshed strategy refines our focus.

Focus area 1

Foster an orderly and inclusive transition to a net-zero economy

We support an orderly and inclusive transition to a net-zero emissions economy, aligned with limiting warming to 1.5 degrees Celsius by the end of 2100. We recognise the importance of addressing climate change and incorporating climate-related risk and opportunities into our decision-making, facilitating a resilient future for our business and our customers.

Priority material topics

- Climate risks and opportunities
- ESG risk management
- Responsible underwriting
- Responsible investments
- Corporate governance and compliance
- Trust and transparency

Focus area 2

Enable a sustainable and resilient workforce

The culture and capability of our people are drivers of value for QBE. A sustainable and resilient workforce is underpinned by how we engage and connect our people to our purpose and vision. Investing in our people's career development, and supporting flexibility and wellbeing, can allow us to continue to attract and retain the best talent.

- Culture
- Inclusion of Diversity
- Corporate governance and compliance
- Trust and transparency
- Human rights and modern slavery

Focus area 3

Partner for growth through innovative, sustainable and impactful solutions

Our landscape is changing, presenting opportunities to innovate and partner on impactful solutions through our investments, supplier and broker relationships, the QBE Foundation and QBE Ventures. We can explore ways to co-create solutions to meet the changing needs of our customers, and support communities affected by climate impacts and the net-zero transition.

- Responsible underwriting
- Responsible investments
- Innovation and technology
- Cybersecurity
- Privacy
- Human rights and modern slavery

Climate risks and opportunities

As an international insurer and reinsurer, we see first-hand the impacts of a changing climate on our customers, communities and partners. This is why we support an orderly and inclusive transition to a net-zero emissions economy.

QBE's ability to meet our net-zero commitments is related to the actions we take in relation to our own operations, our investments and our underwriting portfolios. Our success is reliant on many factors, including the development of new technology associated with carbon removal and emissions reduction. It also depends on the progress individuals, businesses and economies can make to transition to net zero collectively, particularly in developed countries with net-zero commitments. We seek to understand the climate science and the economic and social factors at play and QBE considers three spheres of influence in delivering on our commitments and driving change in the real economy:



Influence

Advocacy with a broad range of stakeholders to support resilient adaptation and emissions reduction



Impact

Engaging and partnering with our customers, investees, suppliers and communities (including through QBE Foundation and QBE Ventures)



Control

Being responsible for our own operations

Climate risks and opportunities continued

Driving change where we have control

We continue to reduce the direct impact of our operations on the climate. This year, we extended our commitment to net-zero emissions across our operations to include material Scope 3 (as well as Scope 1 and 2) emissions by 2030. In line with our commitment to the Climate Group's RE100, 100% of our electricity came from renewable sources.

i Further information can be found in our [data book](#) and the [Operational excellence](#) chapter.

Opportunities to impact our stakeholders

Our approach to responsible investing and underwriting is consistent with our signatory status to the United Nations Environment Programme – Finance Initiative's Principles for Sustainable Insurance and the UN Principles for Responsible Investment. We are also signatories to the [Net-Zero Asset Owner Alliance](#) (NZAOA), [Net-Zero Insurance Alliance](#) (NZIA), and a supporter of the [Climate Change Roadmap Towards a Net-Zero and Resilient Future](#) (Roadmap) of the Insurance Council of Australia (ICA) in our home market.

In 2020, QBE became the first Australian-headquartered insurance company to become a member of the NZAOA, joining an international group of institutional investors committed to transitioning their investment portfolios to net-zero greenhouse gas emissions (GHG) by 2050. In 2021, we established interim targets for 2025, in line with the Target Setting Protocol of the NZAOA and our commitment to transition our investment portfolios to net-zero emissions by 2050. In 2022, we invested in the data, systems and people required for, and made the expected progress against, these interim targets.

In 2022, QBE became the first Australian-headquartered insurance company to become a member of the NZIA, committing to net-zero emissions across our underwriting portfolio by 2050. In 2022, QBE was a member of the working group developing the first *Global GHG Accounting and Reporting Standard for Insurance-Associated Emissions* with the Partnership for Carbon Accounting Financials. In 2022, and in 2023, we have invested or are investing in the data, systems and people required to estimate and automate the measurement of insurance-associated emissions across our portfolio. This is key to informing the development of interim targets in line with the NZIA Target-Setting Protocol. We will then commence formal engagement with priority commercial customers.

QBE creates value primarily through providing a wide range of insurance products, across many industry sectors and countries. When set, our NZIA targets will complement our initiatives to develop products and solutions to insure the transition.

Our customers vary considerably, from large publicly listed entities, other insurance companies, non-listed entities, small-to-medium enterprises and individual consumers. To have an impact on the transition of the real economy to net zero, we recognise we have a role to play in engaging with our customers and insuring the transition. There are many approaches to achieving climate action and our positions, which include exclusions, are codified in the [Environmental and Social Risk Framework](#) in relation to sensitive sectors.

In 2022, we also began considering how we can foster an orderly and inclusive transition through our supply chain. We extended our operational targets to include a commitment to formal engagement on net-zero progress with large suppliers, with the goal of setting targets for those large suppliers by 2025.

100%

renewable electricity used for our operations globally¹

QBE became the first Australian-headquartered insurance company to become a member of the NZIA, committing to net-zero emissions across our underwriting portfolio by 2050



Refreshed QBE Foundation strategy

In 2022, we further embedded a strategy that is aligned to climate resilience and inclusion. Through the review of existing local partnerships, and the renewal of the Global Disaster Relief and Resilience Partnership with Red Cross and Save the Children, QBE seeks to support the communities in which we operate in alignment with our purpose.

i Further information can be found in our [Customer and community](#) chapter.

¹ Based on RE100 Materiality Threshold guidance which excludes countries with small electricity loads (<100MWh/year and up to a total of 5000MWh/year) and where it is not feasible to source renewable electricity.

We are committed to complying with the legislative requirements relevant across our operations and our internal policies such as our [Group Environmental Policy](#), that sets out the global minimum standards for our management of environmental issues. We recognise there are important social implications associated with climate risk and the transition. Our [Group Human Rights Policy](#) outlines our commitment to respecting human rights and avoiding human rights harm wherever we operate. We are committed to adhering to internationally recognised human rights norms and principles to elevate the importance of dignity and equality for all our employees, customers, communities and suppliers. Our policies are regularly reviewed as part of our governance processes.

In 2022, we further embedded the refreshed QBE Foundation strategy that is aligned to climate resilience and inclusion. Through the review of existing local partnerships, and the renewal of our Global Disaster Relief and Resilience Partnership with Red Cross and Save the Children, QBE seeks to support the communities in which we operate in alignment with our purpose. Further information can be found in our Customer and community chapter.

Influencing through industry advocacy

QBE also seeks to influence through advocacy, either directly or through industry alliances. Our actions have a focus on influencing the reduction of real-economy emissions and other material topics identified through our materiality assessment.

QBE has played key roles on the ICA's Climate Change Action Committee (CCAC) that is focused on greater advocacy for more resilience to extreme weather, and for emissions reduction by the insurance industry, to help address insurance affordability and accessibility. The climate resilience series of technical reports developed by CCAC have underpinned successful advocacy for resilient investment from the Australian government in 2022. In advance of COP27, the release of the industry net-zero Roadmap was the culmination of broad engagement across ICA membership to increase literacy on the net-zero transition and implications for the Australian insurance sector. The development of this Roadmap informed the development of policy recommendations for the Australian Government to accelerate climate action alongside the Roadmap.

Nature and biodiversity

Biodiversity loss has been identified as a key ESG risk theme for QBE and we are developing our understanding of nature-related risks and opportunities relevant to our business through our involvement in various industry forums.

Our [Environmental and Social Risk Framework](#) outlines QBE's approach to addressing key environmental and social risks across our underwriting and investment activities, including those relating to biodiversity and protected areas.

i For further information, see the [Climate change section in the Annual Report](#).





Sustainable insurance



Responsible underwriting

QBE's purpose is to enable a more resilient future. Integrating sustainability into our business is vital to achieving our purpose.

In 2022, we successfully progressed our key sustainable insurance commitments associated with further embedding ESG risk management practices, collaborated with our stakeholders towards achieving our priority SDGs, and further addressed the risks and opportunities related to climate change.

i See the [Climate change section in the Annual Report](#).

Since 2018, our Group Underwriting Standards (GUS) have incorporated our responsible underwriting principles, reflecting our position on environmental and social risks. The Group Underwriting Committee (GUC), chaired by our Group Chief Underwriting Officer (GCUO), with membership from across the enterprise, oversees adherence to the GUS and corporate strategy. This role has oversight of our material sustainability topics through a position on the Environmental and Social Group Executive Committee sub-committee, Executive Risk Committee and ESG Risk Committee. The [E&S Risk Framework](#) outlines our approach to addressing key environmental and social risks across our underwriting and investment activities. Underwriting training was delivered throughout 2022 to further embed ESG risk management, and drive consistent application of the E&S Risk Framework's sensitive sector positions. This training supports operational adherence to our commitments and policies, including the GUS, [Group Environmental Policy](#), [Group Human Rights Policy](#), and E&S Risk Framework. Our GCUO and Group Chief Risk Officer monitor our referral process, and preventative and detective controls. To date, there have been no known cases of non-adherence to the E&S Risk Framework. If a case is detected, QBE has effective processes to rectify this by working with impacted parties.

Throughout 2022, we continued to build our capability to progress our own sustainable insurance strategies alongside our contribution to the development of the UN-convened NZIA's industry guidance on measuring insurance-associated emissions, and its Target-Setting Protocol. We continue to evolve our internal sustainable insurance procedures, tools, data and metrics. We also actively contributed to industry consultation on developing sustainability-related standards including the International Sustainability Standards Board's Exposure Draft IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.



Principles for Sustainable Insurance

We continuously strive to integrate ESG issues relevant to our business in our decision-making across our underwriting, investments, operations and enabling functions. Since 2015, QBE has been a signatory to the United Nations Environment Programme – Finance Initiative's [Principles for Sustainable Insurance \(PSI\)](#), a global framework to address ESG risks and opportunities.

We continue to integrate and embed the PSI's four principles into how we deliver on our three sustainability focus areas. We do this through the lens of priority topics most material to our stakeholders, working with our customers and partners for innovative, sustainable and impactful solutions, working together with governments, regulators and other key stakeholders to promote widespread ESG action, and demonstrating accountability and transparency in our disclosures.

Fostering an orderly and inclusive transition to a net-zero economy

This focus area recognises that the transition is key to reducing the extreme weather risks that impact our customers, business, communities and economies. It also recognises that a successful transition takes the collective effort of governments, regulators, the finance sector, businesses, individuals and communities.

Our transition analysis highlights the importance of an orderly transition. One that:

- considers the broader risks to the economy and society;
- attracts investment into renewable energy; and
- promotes resilience and adaptability

to provide greater economic stability, business confidence, and lower risk of business failure. We believe that a thriving economy through the transition is a better outcome for all.

We recognise the significance of an inclusive transition. One that considers the importance of the social implications and potential impacts, and that brings people and communities with us on the journey. The energy transition is likely to materially affect communities and businesses linked to non-renewable energy production, and it is important that they are not left behind. It is also critical to recognise that the physical risks of climate change will disproportionately impact developing and island nations and/or those individuals or communities within less secure socioeconomic groups. This is likely to have global economic, physical and food security, and migratory implications over time. Reducing

inequality, ending poverty, and enabling decent work and economic growth and more sustainable cities and communities, are all SDGs aligned with our actions within this sustainability focus area.

Our net-zero focus provides a purpose-led reason to bring our enterprise together. Several projects this year have required cross-functional and enterprise-wide collaboration, involving the building of connection and the sharing of stories and ideas to foster greater innovation, consistency, and efficiency.

These projects included:

- the net-zero insurance-associated emissions project to estimate our baseline emissions profile where a methodology was developed; and
- the net-zero sprints held to consult on our sustainability strategy and define the net-zero opportunities.

In October, we again brought together cross-functional and enterprise-wide team members to share knowledge and expertise from existing investment and procurement engagement practices. This wider group will continue to participate in our Australia Pacific Large Supplier engagement pilot. This pilot is planned to continue into 2023, and seeks to establish a consistent approach across the enterprise. We have had success in the past with piloting divisional projects before implementing enterprise-wide, and plan to continue with this approach in relation to sustainability-related opportunities.



Enabling a resilient future

At QBE, we're driven by our purpose of enabling a more resilient future. Integrating sustainability in our business will help us to achieve that future.

Major sustainability challenges, including climate change, human rights abuses, and biodiversity loss, can weaken resilience because they create new risks, or magnify existing ones, with potentially devastating consequences.

Integrating sustainability into how we do business means we are shifting the concept of "business as usual" to include consideration of material non-financial issues that reduce risk, and support our people, customers, society, and the environment.

We believe that progressing our sustainability commitments can enable QBE to attract and retain talent, customers, and capital, into the future. These factors are essential to maintaining QBE's financial stability and, by extension, the stability of the insurance sector and the economies in which we live and work.

Partnering for growth through innovative, sustainable, and impactful solutions

Our vision is to be the most consistent, and innovative, risk partner. This sustainability strategy focus area enables our business to explore the opportunities arising from a range of sustainability challenges that we face today.

Our ESG materiality assessment points to material issues that are of the highest priority to our business, and to our customers. In many cases, these issues deliver challenges that cannot be addressed by any individual organisation alone. We constantly seek ways to collaborate and partner with others, where our interests are aligned, to:

- create value for our customers, and our business;
- reduce and/or better manage risk; and
- contribute to sustainable development for greater resilience.

The nature of our partners across the insurance ecosystem is broad. This focus area encompasses a wide range of partnerships that extends beyond our brokers and intermediaries, to [QBE Ventures](#), to partnerships across our supply chain, our capital and reinsurance providers, and our investors. Finding solutions to our priority material issues may extend beyond our insurance value chain to include our strategic partnerships through the [QBE Foundation](#), and engagement with governments, regulators and other stakeholders.

While innovation is often linked to how we offer insurance to customers, it also plays a role in improving efficiencies across our business, and of those with which we work, to reduce our reliance on increasingly scarce resources. In 2023, our divisions will continue to explore, and identify, opportunities to grow our sustainable solutions, in relation to our products and services as well as our operations.

100%

of our green-benefit LMI premium is allocated to QBE's Premiums4Good initiative

Green LMI

QBE seeks to enable a more resilient future through our partnerships, innovative offerings, and by investing in opportunities that make a positive community contribution. One way we are delivering on this commitment is through the launch of our first-to-market green benefit for Lenders Mortgage Insurance (LMI). This allows consumers who purchase, or refinance, a home with a green mortgage offered by one of our exclusive partners, to receive a 5% premium reduction on the LMI provided by QBE; enabling consumers to access better terms when buying, building or renovating, a sustainable home. Further, 100% of our green-benefit LMI premium is allocated to QBE's [Premiums4Good](#) initiative, supporting social and environmental impact investments to make a real difference to the environments, and communities, in which we live and work.



Collaborating with partners

We believe that our strong culture, and our focus on sustainability enables stronger collaboration and more consistent knowledge sharing across the enterprise. We consider that uplifting our people's knowledge of sustainability, and what it means to their role, supports resilience, and enables the development of innovative, sustainable and impactful solutions.

Industry collaboration

QBE contributes to, or is a member of, multiple industry collaborative bodies. We are growing the sustainability capabilities of our people while contributing to progressive

action, and advocacy, for a more sustainable insurance industry. We operate with strong awareness of antitrust principles, and the need to preserve competition.

In addition to our memberships within the United Nations initiatives discussed in this Report, we contribute to collaborative initiatives including the Partnership for Carbon Accounting Financials (via NZIA), International Underwriting Association's Climate Risk Committee and its new ESG Committee, Lloyd's Market Association's Sustainability Committee, ClimateWise Nature and Insurance Task Group, Insurance Council of Australia's Climate Change Action Committee and Australian Sustainable Finance Institute.

Partnering on psychological first aid

QBE has partnered with Australian Red Cross to support its psychological first aid work in communities affected by disasters such as the 2019-2020 summer bushfires and the widespread 2022 floods. Recently, Red Cross ran special training sessions for QBE's Short Tail Claims leaders to help our people learn how to deal sensitively with customers facing catastrophic events

and identify their challenges. The sessions equipped our people with the basic tools and knowledge to recognise and respond to people suffering from the impacts of disasters. They also received tips and support for their own well-being and resilience.

ESG risk management

Given the importance of ESG issues, we continue to embed ESG into our broader risk management approach. To help mitigate ESG-related risks across the enterprise, we set out a number of minimum standards that we adhere to in our [Group Environmental Policy](#), [Group Human Rights Policy](#), and [E&S Risk Framework](#).

Our approach

ESG risk sits within strategic risk in our Risk Management Strategy, and is governed by our ESG Risk Standard, which outlines our process for identifying and managing ESG risks across our business. The ESG Risk Committee, chaired by the Group Chief Risk Officer, oversees our approach to our priority ESG risks. For 2022, these included climate risks and opportunities, human rights and modern slavery, biodiversity and sustainable procurement.

Our Board Risk & Capital Committee supports the Group Board, overseeing active risk management in line with our risk appetite, strategy and business plans. Further detail on our approach to climate risk management is available in the [Annual Report](#).

ESG risk training

This year, training modules were developed and rolled out Group-wide on ESG risk, human rights and climate change risk. These are voluntary, and available to all employees, with the aim of raising awareness of ESG risks, and QBE's approach to identifying and managing them.

Our Group Board and senior executives participate in regular training, including education sessions and deep dives, to enhance their awareness of, and capability surrounding, ESG issues, including climate-change risk.



Impact and *responsible* investments

QBE seeks to responsibly invest our proprietary assets, including our premium income, across the globe. As an international, multi-asset, multi-currency investor, and a signatory to the UN Principles for Responsible Investment (PRI), we factor ESG considerations into our investment decision-making processes to seek to manage risk, improve long-term, risk-adjusted financial returns, and align our approach with stakeholder expectations.

Our approach

We believe that by investing responsibly, we can achieve better risk-adjusted returns with the aim of benefitting the planet and the communities in which we operate. As a responsible global investor, we recognise that our decisions can have a positive or negative impact on the economy, the environment, and our communities.

QBE maintains a multi-asset, multi-currency portfolio, with most of the portfolio invested in fixed income. Our assets are managed by a mix of in-house portfolio managers, analysts, and external fund managers.

Our Investment Philosophy Framework is designed to deliver an investment outcome that facilitates the protection and growth of appropriate stakeholder value. The framework applies to all of our assets under management (AUM). It provides an overview of our commitment, and approach, to responsible investing including:

- our approach to positive and negative screening;
- how we integrate ESG factors into our due diligence;
- how we conduct ongoing engagement with investees and external fund managers;
- our management of climate-related risks and opportunities; and
- how we provide appropriate transparency and reporting.

Market value of
Premiums4Good
investments

\$1.6 billion

⬆️ \$1.4 billion 2021

Number of
Premiums4Good
investments

108 securities

⬆️ 83 securities in 2021

Engagements
throughout 2022

**18 external
fund managers**

across our
investment portfolio

**20 highest
emitters**

in our investment grade
corporate credit portfolio

Our Responsible Investments approach



Screening



ESG integration



Engagement



Impact investing

Our Responsible Investments approach is captured across the four pillars outlined above and is underpinned by our Investment Philosophy Framework, the Impact and Responsible Investments guidelines, QBE's Environmental and Social (E&S) Risk Framework, and our newly implemented Group Human Rights Policy, which all combine to inform the ESG factors in our investment decision-making processes and systems. Each pillar builds upon the previous one and our 2022 progress in these areas is outlined below.

Screening

As an organisation that helps people and businesses protect themselves from risk, maintaining an understanding of ESG issues enables QBE to manage risks and identify opportunities. Our E&S Risk Framework outlines our approach to screening, and exclusions, to address key E&S risks across our investment activities. All direct investments are subject to the E&S Risk Framework, which specifies detailed commitments and criteria for a range of sectors we have identified as higher risk, including:

- **defence:** controversial weapons and firearms; and
- **energy:** coal, oil sands and Arctic drilling, oil, and gas.

At the beginning of 2022, we fully implemented the E&S Risk Framework, which promotes informed decision-making consistent with QBE's commitment to responsible investment.

Our [E&S Risk Framework](#) is available on our website.

ESG integration

We consider ESG integration approaches across all asset classes through the inclusion of material ESG factors into investment analysis and decision-making. This is a collaborative process across our entire Group Investments team.

In-house fixed income

Our fixed income portfolio represents 89% of our total investment assets, with investment grade corporate credit representing 50%. All issuers must be consistent with relevant

criteria set out in our E&S Risk Framework, [Group Sanctions Policy](#) and [Group Human Rights Policy](#). We integrate ESG into the credit analysis process through our internal, proprietary credit assessment framework that identifies suitability and eligibility for our portfolio. Screening for ESG performance includes a quantitative assessment using independent ESG ratings. Portfolio managers additionally undertake qualitative ESG analysis on each issuer. ESG factors are prioritised based on materiality considerations for the issuer and/or sector. This process was enhanced in 2022 to further incorporate material human rights considerations. Updated focus areas included policies, controversies, labour standards, and diversity, equity and inclusion, informed by data sourced from our third-party data provider. In 2023, we will continue to enhance our ESG integration capabilities across material topics for our portfolio, and the ongoing monitoring of issuers to identify material ESG developments.

Externally managed funds

We also invest across multiple asset classes utilising external fund managers, and are committed to ensuring they are aligned with QBE's Responsible Investments approach. We are committed to a minimum of 90% of our external managers being PRI signatories. ESG considerations form an integral part of our manager selection, appointment, and monitoring processes. Building on the work completed in 2021, which saw us set a performance baseline for each manager, in 2022, we further enhanced our process by introducing additional asset class-specific due diligence questions. We conduct an annual ESG review of all existing managers, with additional engagement activities if material issues arise. As part of the implementation of our Group Human Rights Policy, we also incorporated additional human rights-focused questions for all external managers. We have been an investor member of the Global Real Estate Sustainability Benchmark since 2018. Our real estate portfolio's year-on-year sustainability performance has continued to improve, and we are pleased that it has again received a 5-star rating, and top quintile performance recognition.

Impact and responsible investments *continued*

Engagement

Engagement is our preferred method of effecting impactful change, and has continued to be a key focus area in 2022. We believe that having meaningful dialogue on key ESG considerations is a critical component of our responsibility as an asset owner, to seek to ensure sustainable financial outcomes.

We engage with all our external fund managers and adopt targeted engagement with the top 20 highest emitters in our investment grade corporate credit portfolio. Our objective is to gain insight into these investees' integration of material ESG issues. This allows us to understand our exposure to ESG risks and opportunities, and gives us the ability to influence real world outcomes.

In 2022, these key focus areas were:

- climate risks and opportunities;
- net-zero commitments and target setting;
- diversity, equity, and inclusion; and
- human rights: policies, controversies, modern slavery, and labour standard.

This approach allowed us to produce a quantitative indicator score of how our external fund managers are implementing responsible investment practices and approaching these key ESG areas.

A key focus of our external fund manager reviews and discussions continues to be climate change. Positively, we saw increased ambition to transition their investment portfolios to net-zero emissions through bringing forward net-zero targets to an earlier date, increased resourcing, and further integration of emissions reduction considerations into key investment decisions.

For our top 20 highest emitters in our investment grade corporate credit portfolio, we tailored and enhanced our engagement approach in 2022 by identifying material areas of focus per issuer and directing targeted questions to each one to allow for more meaningful and relevant dialogue.

This allows us to monitor and review our fixed income investments in relation to ESG considerations and better ensure the companies we invest in are working towards net zero 2050 alignment and targets, climate reporting in line with the Task Force on Climate-related Financial Disclosures and business viability plans for a net zero-aligned economy.

Our aim is for consistency in our engagement approach across our external managers and top 20 targeted investees. We first began engagement with the latter cohort in 2021. As dialogue progresses, we will look to mature our approach to tracking engagement progress across all our corporate credit issuers.

Impact investing

Impact investments seek to generate appropriate risk-adjusted returns along with a positive, measurable, social and/or environmental benefit. Over the last seven years, QBE has sought to maintain leadership in impact investing, and to support its growth and development among our industry peers and other asset owners. An integral part of our approach to impact investments is our Premiums4Good initiative, outlined on the following page.



Impact investing in practice

In 2022, Premiums4Good invested in the Asian Development Bank (ADB) Health Thematic Bond, which supports ADB member countries in their COVID-19 pandemic response and efforts to achieve universal health coverage throughout Asia and the Pacific. Through this investment, working capital was directed to Bangladesh, which was severely impacted by the pandemic. To mitigate the risk of spread, it was important to implement and scale up Bangladesh's national vaccination program. The ADB, through its Asia Pacific Vaccine Access Facility program, supported the Government of Bangladesh in its vaccination efforts.

The project will support the procurement of approximately 113 million vaccine doses, which will be administered to more than 40 million Bangladeshis by 2024. The ADB is not only providing vaccine financing, but will also support administration and implementation of the project by working closely with the Bangladesh Government.

The ADB has a vision for a prosperous, inclusive, resilient, and sustainable Asia and Pacific region, and QBE is proud to support its efforts.

Premiums4Good

Premiums4Good is our innovative impact investing initiative that sees us invest everyday premiums to make a difference to communities across the globe.

As a responsible institutional investor, we invest for impact while seeking an attractive risk-adjusted return. Premiums4Good supports our belief that we can deliver attractive risk-adjusted returns and business value, while delivering a positive social and/or environmental impact.

Through Premiums4Good, we invest a portion of our customers' premiums into impact investments with the intention of creating positive social and/or environmental outcomes, along with a financial return, at no extra cost to the customer. Investments are made across many asset classes including fixed income, equity, infrastructure, social bonds and real estate. From renewable energy initiatives to social services, and programs to support vulnerable people and communities – Premiums4Good helps us, together with our customers, to work toward a more resilient, equitable future.

Our aim is to scale our impact investments with integrity through good impact governance, investment selection, systems, and reporting. We classify all our impact investments as having 'moderate', 'high', or 'deep' impact, informed by our involvement in the Impact Management Project and the Global Impact Investing Network. These classifications are made through an internal framework and confirmed by our external Classification of Social and Environmental Investments Committee, which is comprised of two QBE representatives and four independent impact experts.

Premiums4Good
ambition

\$2B

by 2025

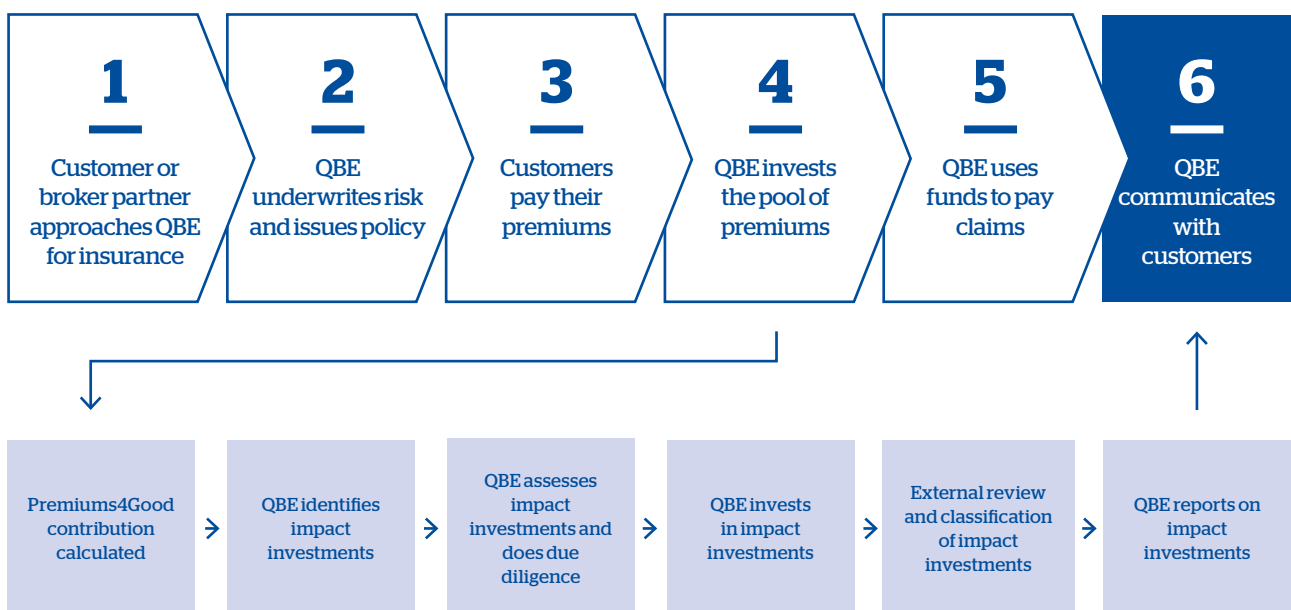
i Please see Responsible Investments in our [data book](#).



Premiums4Good

Click to learn more

Our Premiums4Good Process





Customer and *Community*

Supporting and serving our customers, and the communities in which we operate, have always been priorities for QBE. We continue to seek ways to improve our products and services through innovation, and making them more accessible, while meeting customer needs and expectations. We have a strong history of supporting community resilience through our QBE Foundation partnerships.

Our customers

While QBE is primarily an intermediated business, serving our customers through our partners, we do hold a direct relationship with many consumer and small-to-medium enterprise customers. We gather feedback from our partners and customers through mechanisms that differ across divisions. This provides us with important insights to explore how we can partner for innovative, sustainable and impactful solutions.

Supporting vulnerable customers

To support our personal lines product insurance offering in Australia, we are focused on continuing to identify and support vulnerable customers. QBE completed its first foundational [Financial Inclusion Action Plan \(FIAP\)](#), which outlined 29 initiatives aimed at improving financial inclusion, resilience and wellbeing for our customers, community partners, suppliers and employees, in 2021. In line with the FIAP program terms, our progress towards these initiatives has been independently reviewed and validated by EY, with a [progress report](#) published on the QBE website in the first quarter of 2022.

Throughout 2022, we remained part of the FIAP community with a focus on training our customer interfacing teams. We also provided refresher training to most customer-facing teams on supporting customers experiencing vulnerability. To do this, we partnered with Uniting, consultants that help businesses develop strategies to support vulnerable customers, to develop training to increase awareness of emerging trends in financial vulnerability, and appropriate responses. We continue to explore ways in which we can support our customers experiencing financial hardship and vulnerability. We remain committed to contributing to financial inclusion and resilience across Australian communities.

711

community
organisations
supported

408,698

people reached
in the community

\$308,831

donated by our
employees

Awarded a High
Commendation for
our Disaster Relief and
Resilience Partnership
**Best Strategic
Partnership
at FIA Awards**



QBE Foundation

The QBE Foundation seeks to create strong, resilient and inclusive communities. We work in partnership with community organisations, with a focus on **climate resilience** and **inclusion** – two areas where we believe we can have the greatest impact.

The QBE Foundation invests in the community through funding, pro bono and in-kind support, including workplace volunteering and giving, community grants, and partnerships with charities and community organisations.

We invest in communities globally, and our QBE Foundation operates locally in our Australia Pacific, International (including Europe and Asia) and North America divisions, as well as in Bermuda and in our Group Shared Services Centre in the Philippines. Each division works to bring our vision to life, through local partnerships, grants and employee engagement opportunities.

As well as local partnerships, the QBE Foundation works to support our global Disaster Relief and Resilience Partnership with Red Cross and Save the Children.

This partnership is critical to our ability to support communities to prepare for, anticipate, respond to, and recover from, disasters. We also work with our partners to create strategic local initiatives that support climate resilience and/or inclusion priorities.

In the first three years of our partnership, we:

- activated the partnership in 19 of our 27 countries of operation;
- reached over 490,000 people through the distribution of 46,955 relief items, cash support, and preparedness initiatives;

- supported our partners to deliver their programs and relief efforts through the deployment of \$2.7 million in aid;
- invested \$2 million in the Save the Children Impact Investment Fund; and
- were recognised as Highly Commended in the 2022 Fundraising Institute Australia Awards 'Best Strategic Partnership' category and as a Finalist in the 2020 Shared Value Awards 'Shared Value Collaboration of the Year' category.

On the United Nations' International Day for Disaster Risk Reduction in October 2022, we relaunched the partnership, committing to a further three years of working together and increased funding. Over the next three years, we will grow our focus on climate risk adaptation and mitigation.

QBE AcceliCITY Resilience Challenge

Each year, QBE Foundation partners with Leading Cities to run the QBE AcceliCITY Resilience Challenge, a global competition seeking entrepreneurs whose ventures drive resiliency in cities. Employees have the opportunity to evaluate the entrants' innovation and impact and vote in the People's Choice Award. In 2022, Automedi won the challenge's grand prize of \$100,000 to help bring its technology and services to the international market with the aim of building more sustainable societies. A UK-based manufacturing platform, Automedi is the world's first decentralised circular microeconomy, converting plastic waste into community products at the point of use.

- i** To find out more about the QBE Foundation, please go to our [website](#).



Photo by Scott Dalton/American Red Cross

Cybersecurity

QBE is committed to the ongoing management of internal and external cyber threats to the confidentiality, integrity and availability of our customer and corporate data. Our Cybersecurity Strategy seeks to ensure effective controls are in place across people, process, and technology, including proactive monitoring and response to known and emerging threats.

Our approach

QBE's approach to cybersecurity is guided by our Cybersecurity Framework, which is aligned to the U.S. Department of Commerce's National Institute of Standards and Technology (NIST) Cybersecurity Framework. Our framework seeks to help us continually improve our cyber risk identification, prevention, detection, response, and recovery capabilities. It sets out our operating model, security policies and standards, cyber risk culture, metrics and reporting, and risk identification and management processes.

QBE employs a defence-in-depth approach to security coupled with proactive and reactive security controls to protect our environment. This includes threat intelligence, monitoring, vulnerability management and incident response. Our Global Security Operations Centre performs containment activities when malicious activity is detected. We have robust business recovery plans in place that are tested annually.

QBE has a rolling, three-year Cybersecurity Strategy designed to improve the security and resilience of QBE technology and business services against cyber threats or disruption. Importantly, the strategy is adaptive, to enable QBE to pivot activity in response to emerging threats. The strategy's key drivers are technology modernisation, the evolving threat landscape

(including criminal activity and techniques), internal and external risk assessments, and changes in the regulatory environment.

QBE's Cybersecurity Strategy is overseen by QBE's Group Board. Division-specific activities are also reported to divisional Executive Management teams and Boards. QBE also conducts internal and external assessments on security control effectiveness to assist us to prioritise investment and areas of focus.

QBE has a comprehensive cybersecurity capability, including security architecture and design, data security, cyber engineering, governance and assurance, identity and access management, and cyber safety awareness. These capabilities are delivered via a central, global function that enables strategic direction for, and common security goals with, our people, partners and regulators. Activity is delivered via divisionally based subject matter experts, who tailor solutions to meet local business requirements and regulations.

QBE's cybersecurity risk and compliance activities are aligned with the QBE Group Risk and Compliance Frameworks, which seek to ensure that cyber risks are consistently assessed, monitored and managed in line with wider enterprise risks and compliance obligations.

Ransomware

Ransomware is a prevalent threat to organisations worldwide. While ransomware attacks are pervasive, there was a significant increase in their volume and sophistication globally as organisations moved to mass working-from-home arrangements in 2020 due to COVID-19. Research¹ indicates a 1,070% increase in ransomware attacks between July 2020 and June 2021. This trend continued throughout 2022.

In response, QBE has dedicated programs focused on ransomware business resiliency. We prioritise application recoverability for core business processes across all technology dependencies. Internal and external assessments are regularly conducted to test controls.

Culture and awareness

We invest in a comprehensive, multi-channel global awareness program to empower our people to understand cyber risks at work and at home. The program includes regular phishing simulations, which aim to mimic real-world, sophisticated phishing attacks, to train our people to recognise and report malicious emails (often the entry point of cyberattacks).

The program also encompasses online compliance training, face-to-face presentations, and cyber safety communications to assist our people to stay safe online and in their everyday business interactions. We also conduct tailored training for specific roles that have a heightened risk of being targeted by cybercriminals, given the nature of the information/access connected to the role. Key metrics used to measure secure behaviour, including phishing simulation results and compliance training completion rates, are reported to senior leaders and Group and divisional Boards.

¹ www.fortinet.com/content/dam/maindam/PUBLIC/02_MARKETING/08_Report/report-ransomware-survey.pdf

Innovation and technology

Our customers and employees rely on technology to access, or deliver, our products and services. Our focus remains on delivering an environment that is stable, secure and sustainable as part of our overall approach to organisational resilience.

Throughout 2022, we have continued modernising our information technology (IT) systems, with ongoing upgrades to foundational capabilities and further investments in digitisation. Our technology priorities are aligned with divisional business strategies and form part of the overarching technology strategy overseen by QBE's Group Board. A clear emphasis within this strategy is on keeping our IT current to mitigate against security and stability risks arising out of exposure to older technologies. We are also focused on automating operational processes – such as testing, deployment and security scanning – to improve our delivery speed, consistency and quality.

To do this, QBE maintains divisionally aligned technology teams responsible for the technology assets of the local business, supported by shared services functions providing enterprise-wide capabilities such as service management, security services, networks, infrastructure support and workplace technologies. We use trusted third parties to provide a range of application development and management services. We leverage our Third-Party Risk Management Framework and related policies, such as our Group Material Outsourcing Policy, to govern these arrangements. We have increasingly invested in our own internal technology capability, for example, by establishing an automation 'centre of excellence' in our Group Shared Services Centre, to provide a range of sourcing options to increase flexibility and resilience.

QBE's technology teams operate in accordance with the IT Risk Management Framework (part of QBE's overall Risk Management Strategy), with Minimum Control standards in place across the IT delivery life cycle, including expectations for ongoing disaster recovery and security testing. Adherence to control standards is tested annually through the Risk and Control Self-Assessment process to identify areas requiring improvement. Key Risk Indicators and Service Level Agreements are monitored monthly across both external partners and internal teams to ensure effective delivery of activities within our risk appetite and against stakeholder expectations.

Innovation and technology will continue to be central to QBE's overall purpose and strategy. Increasing digitisation and automation of processes are fundamental to meeting customer and partner expectations, as well as supporting our overall organisational effectiveness. Digitisation relies on data, and we are investing in strengthening our approach to the acquisition, management and governance of data at both a divisional and Group level with the:

- establishment of a Group Data Office; and
- development of an overarching enterprise-wide data strategy to promote our effective use and control of data assets.

This data team will play an important role in the insurance-associated emissions projects to meet our net-zero underwriting commitments.

QBE Ventures

QBE Ventures is our venture development and investment arm, which invests in technology start-ups and venture funds that are aligned to QBE's purpose of enabling a more resilient future. In October 2022, QBE Ventures invested in an early-stage Australian-based tech firm, iluminr, whose award-winning SaaS (Software-as-a-Service) platform helps organisations identify and manage crises and threats through a set of cloud-based simulation, compliance, and response tools. Using gamification, automation and data insights, the platform provides microsimulations that enable companies to uplift their resilience against crises such as cyberattacks, supply chain disruptions, natural disasters, and COVID-related challenges. Since COVID-19, organisations have changed significantly, and iluminr helps them to prepare and respond to disruptions in a way that accommodates the new hybrid work environment.

i Find out more [here](#).





People and culture

Our people are essential to our business' long-term success. Everything we do is informed by our QBE DNA: seven cultural attributes that describe who we are, what we stand for, and how we conduct ourselves. The framework sets out expected behaviours for the whole Group, working in conjunction with the Group's Code of Ethics and Conduct. Our people are the centre of our sustainability focus area 2 ambition: to enable a sustainable and resilient workforce.

Our DNA

We are
**customer-
focused**

We are
**technical
experts**

We are
inclusive

We are
courageous

We are
fast-paced

We are
a team

We are
accountable

No matter the role or country, or whether a QBE employee works in one of our offices or in a hybrid environment, our **QBE DNA** is what connects us all.

Women on Group Board:

44%

Target of 40% by
2025 (achieved)

Women in leadership (Levels 0-3):

38.6%

Target of greater than
37% by 2023 (achieved)
Target of 40% by 2025

Gender diversity on Group Executive Committee:

45%

Target of 40:40:20 (40%
women, 40% men, 20% any
gender) by 2023 (achieved)

i Please see People and
culture in our [data book](#).

Driving cultural change

In 2022, we progressed the implementation of our Culture Blueprint to drive QBE towards our target culture and tracked our progress through our Culture Dashboard.

In January, we launched our new organisational purpose: *QBE - enabling a more resilient future*. Throughout this year, we have focused on making the purpose tangible for our people, partners, and customers, and aligning what we do to our purpose.

We continued to embed our QBE DNA behaviours through a refreshed employee incentive program and celebrated role models through our DNA Champions Award.

In recognition of our Culture Transformation, we were awarded the Organisational Development Award at the 2022 Australian HR Institute (AHRI) Awards.

Employee engagement

At QBE, we are committed to continually improving our employee experience, wellbeing, safety, and workplace environment. We strive for a culture that embraces diversity, seeks feedback, and encourages people to speak up.

Voice, our employee listening program, provides an opportunity for our people to give feedback on their experience working at QBE through short, sharp, and frequent tailored Pulse surveys, putting meaningful data directly in the hands of our people leaders. Our listening approach gives us a deeper understanding of what is driving engagement, enabling us to focus on opportunities to take action, and giving us the ability to measure impact over time.

Our Engaged Employee Index was introduced in 2021, measuring how proud our people feel to work for QBE, their commitment, enthusiasm, feelings of being valued, and sense of accomplishment with their work, and whether they would recommend QBE as a great workplace. Please refer to the [data book](#) for our results.

Leadership and development

To support progress against our strategic agenda and embed our target state culture, we launched three new enterprise leadership groups: Growth Leaders Forum (GLF), Enterprise Talent Group (ETG) and Enterprise Leaders' Network (ELN), investing in the development of our future leaders and mobilising them around our strategic priorities.

The GLF and ETG are made up of leaders who demonstrate potential to take on broader and more complex roles. These groups have participated in cutting edge development interventions, opportunities for cross-divisional peer networking, as well as on-the-job experiences. The ELN brings together our GLF, ETG and all Level 1 and 2 leaders, equipping them to communicate and embed our strategy across the business, and bring our shared purpose and vision to life.

The creation of these groups has seen us strengthen our succession pipeline and bring the enterprise together through global peer learning groups.



Inclusion of Diversity

People are at the heart of our business and bring their own diverse perspectives and lived experiences to work. Because we see the benefits that this rich diversity brings, Inclusion of Diversity (IoD) is a fundamental component of our QBE DNA – it is part of who we are and how we operate.

We believe that creating a workplace culture and influencing the external environment so that our people, customers, suppliers, and stakeholders feel included is essential to our success, now and into the future. This ambition aligns to our focus area 2 goals, helping to enable a sustainable and resilient workforce.

A refreshed approach to Inclusion of Diversity

In early 2022, we launched our new approach to IoD. At QBE, we have a broad view of diversity that includes all the ways that people are visibly, and invisibly, different. We know that to realise the benefits of this, we must create an environment where everyone is, and feels that they are, included.

Our refreshed IoD policy sets out our expectations for how we interact with each other, and our aspiration to be a positive influence for inclusion of diversity beyond the boundaries of our organisation. To support our ambitions, we have continued to improve our approach to people data collection, consistency and quality, and we have developed new inclusion targets for 2023, going beyond gender to consider equality of belonging, based on ethnicity, disability, and LGBTIQ+ identification. Additionally, to maintain progress with women in leadership targets, and in line with our 40:40 Vision pledge, a new target for 2027 will be introduced in 2025 for an improvement from the 2025 baseline.

Talking to our people about inclusion

To celebrate the launch of our refreshed policy and approach at QBE, we ran a series of IoD roundtable discussions through February and March, which over 700 people attended globally.

In these sessions, we heard from our Group Executive Committee (GEC), senior leaders, and a world-renowned inclusion expert and thought leader, Professor Juliet Bourke, PhD. We explored our refreshed approach to IoD, the business case for inclusion, and heard practical advice on how to build inclusion.

We used the powerful insights, shared by our people, to create a tip sheet on ways to build inclusion through everyday interactions.

Continued progress on gender equality

In 2022, we continued to make headway towards our target of 40% women in leadership¹ across QBE, with an increase over last year from 35.9% to 38.6%. This year, QBE achieved our 2025 goal of 40% women on the Group Board early, reaching 44% with the appointment of Yasmin Allen in July 2022.

To further QBE's commitment to gender diversity, in May 2022, QBE became the first insurer to sign up to HESTA's 40:40 Vision, an initiative supporting diversity in executive leadership in ASX300 companies. We pledged to have 40% women, 40% men and 20% any gender on the GEC by 2030 – something we already currently meet, with 45% women.

To further our commitment to gender equality, our Group Chief Executive Officer joined our Australia Pacific Chief Executive Officer in becoming a member of the Champions of Change Coalition (CCC). The CCC is a globally recognised coalition – with members from major sectors of the economy including business, government, community, academic and not-for-profit organisations – for advancing diverse and more women in leadership, and furthering our progress toward building an inclusive and respectful workplace.

Beyond these commitments and actions, we continue to identify opportunities for further progress, and to develop targeted initiatives to address attraction, progression, and retention of women in leadership at QBE.

Pay equity

At QBE, we strongly believe in equal pay for equal work. We regularly assess pay equity in our workforce based on key drivers such as role, location, and performance, enabling us to identify areas for improvement, and giving us confidence that we have gender pay equity on a like-for-like basis. We recognise that some pay gaps remain at an individual level, and will continue to work to address any gaps through our ongoing annual salary review processes.

In Europe, the scope of our pay equity review now also includes both gender and ethnicity. We will continue our external ethnicity pay gap reporting beyond 2022, and have introduced ethnicity targets to support progress in this area.

Diversity in our supply chain

QBE's Supplier Sustainability Principles outline our desire to work with businesses reflecting the diverse nature of the communities we serve. This includes minority and First Nations businesses, disability and social enterprises and female-owned and/or led businesses.

¹ Level 0 (GEC) and the next 3 tiers of employees below.



Wellbeing

In 2022, the world began to emerge from the COVID-19 pandemic. As our employees embraced the 'new normal', geo-political, social and environmental challenges contributed to further uncertainty and change. Wellbeing remains a priority at QBE, and we continue to seek to create a safe, supportive and engaging environment to enable a more positive and resilient future for our people.

Supporting our people's resilience

One swift action we took in response to the increasing inflationary pressures was to make an out-of-cycle pay increase of 3% for employees across the Group, excluding the most senior leaders.

Local offerings provided further wellbeing support to our people. In Australia, we launched Thriving at our Best, a refreshed holistic wellbeing program that encapsulates three focus areas - Healthy People, Healthy Teams and a Healthy Workplace. Europe's new wellbeing strategy, At our Best, aims to create meaningful change in people's lives by helping them to understand and tackle the systemic causes of stress and burnout.

Work, health and safety

We maintain robust work, health and safety (WHS) controls across the business, with detailed risk assessment and control plans in place to mitigate WHS hazards. A Group policy governs our standards. Our WHS processes and resources are extensive, including ergonomic assessment, support, and equipment, as appropriate; workers' compensation personnel; psychological health initiatives; online mandatory training; regular site safety inspections; workplace incident, 'near miss' and claims registers; first aid, mental health and domestic violence support training; and online counselling. WHS committees and working groups convene to share initiatives, trends and best practice, and update the Group Board on global WHS developments and risks.

In support of

WOMEN'S EMPOWERMENT PRINCIPLES

These icons denote integration of the WEPs



 Refer to the [WEPs website](#) for icon descriptors.



Operational excellence

In 2022, we continued our objective to minimise the potential harmful impacts of our operations on the environment, and communities in which we operate, through our new supplier onboarding process and through progressing operational policies to reduce emissions.

Third-Party Risk Management

QBE aims to mitigate any potential adverse impacts arising from our operations by taking appropriate action, including the leveraging of our business relationships. Our [Supplier Sustainability Principles](#) (SSPs) set minimum expectations of our suppliers. We seek to engage suppliers and partners who share our commitment to sustainability, and who will work with us to achieve our objectives. In 2022, we continued our human rights due diligence approach to supplier modern slavery risk. As part of our process, suppliers flagged for medium and high modern slavery risk exposure are subject to additional questions and internal reviews of their responses, risk profile, and of their policies and practices.

As part of embedding our strategy, commitments and philosophy, we developed the Third-Party Risk Management (TPRM) Policy, which outlines the approach for effectively managing risks related to the third parties with whom we work. The policy is fully aligned with our Third-Party Minimum Standard, which provides a consistent framework, or set of controls and metrics, to help manage our third-party relationships. The policy also provides clarity for relationship owners on their requirements for managing an external provider. The framework includes risk domains such as Information Security, Privacy, Modern Slavery, Financial Crime, Conduct Risk and Business Continuity. It provides clarity regarding relevant legislative and regulatory requirements applicable to QBE, and is expected to be applied to third parties we engage, at each stage of the TPRM life cycle. In 2022, we formed the TPRM Steering Committee, with responsibility for TPRM governance and oversight. The committee is also responsible for monitoring and horizon scanning for emerging legislation, reviewing the effectiveness of our TPRM framework regularly and recommending amendments.

91%

of new Australia Pacific suppliers comply with our Supplier Sustainability Principles

against our target of 90%

New target set of

Net zero

for QBE's operational emissions by 2030

expanding our commitment on operational Scope 1 and 2 to include material Scope 3

Sustainable procurement

QBE is committed to a fair sourcing process that seeks to offer equal opportunities to third-party suppliers globally. We work with our suppliers to promote and uphold high sustainability standards in our supply chain by clearly communicating our environmental and social expectations. We encourage Inclusion of Diversity in our global supply chain. Our SSPs 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 organisations.

QBE Australia Pacific

In Australia Pacific, our Indirect and Claims Procurement teams' approach to sustainable procurement is underpinned by our Sustainable Procurement Strategy, launched in mid-2021 with alignment to the global TPRM framework and the Group Sustainability Strategy. In 2022, we continued our relationship with Supply Nation and focused on alignment with the SSPs for all new suppliers, achieving adherence of 91% against our goal of 90%. The scope of the SSPs is currently being increased to include New Zealand and Pacific operations. We are driving a greater focus on supplier diversity across the business by highlighting the benefit and positive social impact of spend, and looking at the best ways to track and measure this. Where possible and appropriate, we are introducing an ESG sourcing component to sourcing initiatives to drive focus and business engagement.

In 2023, we will be progressing sustainability conversations with the larger suppliers in our global supply chain. We will focus on their net-zero commitments and initiatives they have in place. Our approach will be one of collaboration to share our learnings from supplier discussions across categories and global divisions.

QBE North America

North America (NA) Procurement is in the process of rolling out a more consistent approach to TPRM, taking into consideration risk domains in support of sustainability including modern slavery and conduct risk. The NA Procurement team established a licence with a supplier data provider that includes a module on ESG for use by our people. This information module will be evaluated in 2023 to determine its relevance to QBE's sustainability objectives.

QBE International

In Europe (EO), our Claims teams have launched initiatives such as the introduction of loss adjuster panel contracts that include commitments to reduce CO₂ emissions. They are also trialling with Sedgwick, a UK-based provider of technology-enabled risk, benefits and integrated business solutions, to identify viability and cost implications of 'building back better', improving resilience using post-disaster reconstruction and recovery methods. EO Indirect Procurement has been focused on implementing the SSPs into their sourcing process. We are currently making them a standard contractual requirement. This was launched in January 2023.



Driving operational performance improvements

We continue to drive improvements in operational performance with the goal of modernising our business to enhance customer experience and reduce complexity in our products and services.

QBE International

In 2022, QBE Asia won a total of three awards – two Digital Insurance Initiative of the Year awards and an Insurtech Initiative of the Year award at the Insurance Asia Awards. These awards are a recognition of our outstanding achievement in delivering exceptional value and operational excellence for our customers, business partners, employees and the community.

Our progress in two digital initiatives has elevated operational efficiency and sales productivity, while delivering a more seamless and personalised customer experience. Firstly, in Hong Kong and Singapore, QBE introduced a new end-to-end digital Interior Renovation Prestige product in August 2021. This product streamlines the administrative process to provide immediate issuance of online certificates of insurance to minimise delays in customer renovation works. The entire process is fast and effective, with built-in, easy-to-use features, allowing customers to access around-the-clock, one-stop-shop services. Secondly, as part of improving our operational efficiency, we launched a Renewal Pricing Strategies Solution, an optimisation and automation engine where technologies are uniquely configured in a way to enhance our pre-renewal process with data-driven and risk-adjusted insights.

QBE North America

In North America, our new pricing platform has helped progress our sustainability agenda by driving impactful improvements for our teams, customers, and the community.

It reduces the amount of key entry by underwriters, enables information lookups by linking to internal and external data sources, and reduces the amount of work our actuaries must do to monitor usage, performance and adherence to technical premium. This integration provides greater governance, offering a valuable, long-term solution that aims to increase monitoring of model performance and usage. It also allows for better tracking of sold premium to technical premium. The platform allows QBE to quickly and easily deploy new models to support our business in response to market changes, and for our program partners to connect to these models. The updated pricing platform has proven to be a valuable tool to support the success and sustainability of our business.

QBE Australia Pacific

In Australia Pacific, we have delivered the first iteration of our Claims Payments Automation initiative under our Claims Value Stream. This first iteration has automated the payment of certain supplier invoices for property claims, replacing manual processes. It reduces claim duration and saves our Claims teams significant effort, improving our responsiveness, our supplier relationships, and making QBE easier to do business with. Our Claims teams are close to deploying the second iteration of this initiative, which will expand the scope of automation for property claims. A third iteration will soon commence, with activities aimed at automating motor supplier invoice payments. We plan to further evolve and expand across multiple business lines and supplier types over the next two to three years.

Industry recognition

Digital Insurance Initiative
QBE Hong Kong



Digital Insurance Initiative QBE
Insurance (Singapore) Pte Ltd



Insurtech Initiative
QBE Hong Kong



Operational environmental performance

Wherever we operate, we are committed to understanding and managing the direct, and indirect, environmental impacts of our operations to try to minimise them.

Reducing our emissions

In 2022, we continued to deliver on our internal net-zero roadmap. We extended our 2030 commitment to net zero, for our global operations, to include material Scope 3 emissions (in addition to Scope 1 and Scope 2 emissions).

This year our Scope 1 and 2 emissions were 75% lower than in 2018 (our Scope 1 and 2 emissions target base year). Our Scope 3 emissions have increased just 4% since 2018 despite the inclusion of additional emissions sources such as those attributable to employee commuting, fuel and energy-related services (which includes upstream energy), capital goods and downstream leased assets. In 2022, relative to 2021, Scope 1, 2 and 3 emissions have increased as we've reverted to a business-as-usual operating environment that included increased office occupancy, business travel and commuting. Our emissions data and measurement approach are described in our data book, and we will continue to improve the way we measure and capture our Scope 3 emissions as guided by appropriate practices, frameworks and standards.

Emissions from fuel use in fleet vehicles make up most of our Scope 1 emissions and, for United Kingdom-based employees, we have implemented an updated policy for our fleet vehicles, stipulating that we will only use hybrid and electric vehicles. Our Australian fleet is now made up of 49% hybrid vehicles and in North America, 87% of our fleet have RAM eTorque engines (a 'mild hybrid', fuel-efficient technology).

Our Scope 2 emissions are a result of purchased electricity and heat across our operations. This year, 100% of our electricity use across QBE offices (excluding the Pacific Islands and Bermuda) was certified as renewable, supporting our RE100 commitment to 100% renewable electricity by 2025. In our smaller operations in the Pacific Islands and Bermuda, where we are unable to source certified renewable electricity, we continued to implement energy efficiency opportunities during 2022 including LED lighting, appliance upgrades, and introducing sensors and timers for lights and air conditioning. We achieved our first 6 Star Green Star Interiors v1.3 rating for our new Parramatta office and have further optimised the office space we occupy in line with our new ways of working, releasing surplus floorspace in Australia, the United States, the United Kingdom, Canada and Hong Kong.

We have maintained carbon neutrality³ for our defined inventory of emissions related to our global operations, as defined in our sustainability data book. This is achieved by offsetting our residual emissions with certified carbon credits generated from renewable energy and land fire abatement projects.

Industry excellence

We continue to be recognised for our focus on environmental sustainability. In 2022, we were recognised as the inaugural winner of the Excellence in Environmental, Social and Governance Change at the 2022 Australian Insurance Industry Awards, hosted by the Australian and New Zealand Institute of Insurance and Finance. Additionally, we were awarded Green Insurer of the Year for the third year running by comparison site Finder.

Our targets

25%

reduction in energy use by 2025¹

30%

reduction in Scope 1 and 2 emissions by 2025²

100%

renewable electricity by 2025

Maintain
carbon neutrality³



1 From 2019 levels.

2 1.5°C trajectory aligned science-based target from a 2018 base year.

3 On defined emissions inventory related to our operations, see data book.



Governance



QBE seeks to maintain a culture that rewards transparency, integrity, and performance. We believe this promotes the long-term sustainability and ongoing success of our business, and is critical to better stakeholder outcomes. We are committed to the highest standards of corporate governance, conduct and compliance.

Governance and compliance

Our Group Board and management oversee our Group governance framework. Our Group Executive Committee (GEC) has executive accountability for corporate governance-related matters. Our Group Chief Compliance Officer leads our Group compliance function, providing independent assurance and oversight that compliance is managed appropriately across QBE.

Our Group Code of Ethics and Conduct (Code) sets the professional standards we expect of everyone at QBE. We review our Code annually, seeking to ensure it remains current and effective in an ever-changing risk environment. It outlines expected standards of professionalism across the Group, emphasising our commitment to governance and accountability, and to our purpose and vision. QBE employees are required to complete mandatory training annually, including Code training, and 99.4% of employees completed their mandatory training by the due date in 2022.

Breaches of our Code are taken seriously and are reviewed to determine if, and what, consequences should apply. Potential consequences can range from informal coaching and development to a formal warning, impacted remuneration, or termination of employment.

We define 'conduct risk' as the risk that actions by QBE (including inaction) result in unfair outcomes for our customers, communities or stakeholders or detriment to market integrity. Our Group Conduct Risk Policy sets our expectations for managing conduct risk across our business. Our Executive Risk Committee has oversight of conduct risk.

We believe that managing obligations and non-financial risks is critical to achieving better stakeholder outcomes. As part of our performance rating system, ME@QBE, employees now receive two performance ratings for what goals they achieve, and how they achieve them during their annual review.

99.4%

of employees
completed
mandatory
training by
due date

Trust and transparency

Building trust with our stakeholders, and transparency in all our dealings, are important to us. We do this through public reporting, including via our:

- [Annual and half-yearly reports](#);
- [Financial Inclusion Action Plan progress updates](#);
- [Modern Slavery and Human Trafficking Statement](#);
- Our [climate-related financial disclosures](#) prepared in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures, which track our exposure to climate risk;
- [Annual CDP reporting](#); and
- [Annual Sustainability Report](#).

Responsibility for these disclosures is shared by functions across QBE but, ultimately, the Group Board is accountable for, and approves, all public reports. There are benchmarking disclosures associated with submissions such as S&P's Corporate Sustainability Assessment and the CDP that are approved by the Group Chief Executive Officer.

We have developed a Global Consequence Management Policy that provides a set of consistent principles for the treatment of conduct that falls below QBE standards. This will be rolled out during 2023 and into 2024.

Tax transparency strategy

QBE supports the voluntary Australian Tax Transparency Code, a set of principles and minimum standards on public disclosure of tax information by medium and large businesses. 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. We also seek to pay the amount that is legally required to be paid in all jurisdictions in which we operate. QBE supports the principle behind multilateral moves towards greater transparency within the corporate sector to increase community understanding of the corporate sector's compliance with tax laws, and build public trust.

The Group Board has oversight of tax governance through the Group's tax risk framework, with local boards having oversight of divisional tax governance. Operationally, the Group Chief Financial Officer is responsible for the Group's tax risk management and for ensuring the implementation of the framework. The Group Chief Financial Officer is assisted by the Group Head of Tax and divisional Chief Financial Officers to ensure that:

- policies and procedures that support the framework are in place and are maintained and applied consistently across the Group; and
- our tax teams have the skills and experience to appropriately implement the framework.



Tax transparency
Click to learn more

Privacy

We are committed to respecting the privacy of our customers, employees, and other stakeholders, the protection of their personal data from misuse or unauthorised disclosure, and compliance with privacy laws.

QBE maintains a Global Privacy Framework that defines the core principles of our privacy program, and provides the foundation for how QBE seeks to comply with applicable privacy laws globally. This framework was reviewed and updated in 2022, and is summarised at [Global Privacy Framework and Privacy Approach Summary](#).

Our Global Privacy Framework is governed centrally through our Group Compliance team: the Group Privacy Officer reports to the Group Chief Compliance Officer who, in turn, reports to the Group Chief Risk Officer. Additional, divisional privacy programs are managed locally.

We also have a Global Privacy Council that is chaired by the Group Privacy Officer. Its membership includes local divisional privacy officers or privacy compliance leads (or equivalent), Legal, IT-security and compliance personnel. The Global Privacy Council is an advisory, information-sharing and evaluation group that considers global (or multi-divisional) matters with high potential for, or actual, privacy implications. We consider and assess privacy risk locally and globally, including undertaking global privacy impact assessments

via the Global Privacy Council for activities that involve multiple divisions with high, or potentially high, privacy risk.

All QBE staff receive compliance training. This includes Information Security and Privacy training that is relevant to the employee's role. The online training course content includes topics such as data protection; collection, storage and security of personal data; sensitive personal data; and dealing with data breaches.

We maintain a Group Personal Data Breach Standard that was reviewed and renewed in 2022. This outlines our procedures, including steps for responding to actual, or potential, QBE Group personal data breaches.

As part of continuous improvement, the QBE Group Privacy function was subject to an external review in 2022, resulting in improvements being implemented in relation to governance and privacy operations.

Our Group Privacy Policy is available on our [website](#).

Reconciliation Action Plan

Consistent with our focus on greater First Nations inclusion, in 2022, we continued to progress our 'Innovate' level [Reconciliation Action Plan \(2020-2022\)](#) (RAP). We remain committed to creating meaningful and respectful relationships with, and promoting sustainable opportunities for, Aboriginal and Torres Strait Islander peoples, communities, organisations and businesses.

As a global organisation that was established in Australia, we seek to use our platform and sphere of influence to drive ongoing change, be active allies, and continue to show our respect through listening to, and learning from and about, the oldest living culture on earth.

Our RAP Committee plays an active role in driving greater inclusion within QBE for Aboriginal and Torres Strait Islander employees, customers, suppliers and community. We will launch our fourth RAP in 2023.



Reconciliation Action Plan

[Click to learn more](#)

Human rights and modern slavery

As a global insurer and reinsurer with diverse and complex operations and supply chains, we recognise that we have the potential to negatively impact human rights, causing harm to individuals and communities. Any actual, or potential, violation of human rights is likely to have multifaceted risk consequences, such as reputation, brand, financial, legal, regulatory and operational risk. QBE rejects any form of slavery and takes active measures to prevent modern slavery risk throughout our supply chain.

In 2021, we released our [Group Human Rights Policy](#), which outlines our guiding principles and helps to integrate human rights considerations into existing policies, procedures, frameworks and decision-making tools across our business.

The Group Board oversees human rights and modern slavery-related issues at QBE in line with our broader approach to sustainability. The Board received five updates in 2022 in relation to our action plan. Our Human Rights and Modern Slavery Action Plan will be delivered through enterprise-wide cross-functional collaboration with subject-matter experts across the business.



Human rights

[Click to learn more](#)

Group Conduct Reporting & Whistleblower Policy

Depending on the issue or their location, our people can report concerns to their manager, a senior manager or a relevant team, including People, Compliance, Legal, Risk or Procurement. The criteria for legal whistleblowing protections are jurisdiction dependent. Concerns can also be reported confidentially, including anonymously (where permitted), 24/7/365 via phone or web to our QBE Ethics Hotline, a specialist third-party reporting service, supporting numerous languages, and available in most QBE locations. These channels are further supported by our Code, [Group Conduct Reporting & Whistleblower Policy](#), and supporting documents. Concerns will be investigated in accordance with the requirements of the relevant whistleblowing protections and policy, where applicable. To the extent possible, reports will be kept confidential, and those who report will be kept updated. Where reports are substantiated, we will take appropriate action and document outcomes. QBE will not tolerate actual or threatened detrimental treatment, including retaliation, against anyone who has, or intends to, raise a concern.

Human rights assessment as an employer

In 2021, QBE assessed that 11 of 31 countries where we have people located are considered to be medium-risk to high-risk in relation to potential human rights issues. Five of these countries are deemed to be high-risk, and we used reputable sources to understand the potential human rights risks. The Group Sustainability and ESG Risk teams engaged with local teams to understand contexts and cultural sensitivities around a wide range of human rights topics. We designed a checklist of risk indicators to further assess human rights risk controls within our workforce management practices.




Our assessment indicated that we have adequate and relevant controls in the form of local procedures, and processes in place to protect our employees' rights wherever we operate. The process also highlighted areas of opportunities for reconsidering certain human rights at a country level, such as the relevance of the right of assembly or explicit acceptance of LGBTIQ+ rights. We will continue to engage with our local teams to strengthen existing controls and processes to protect our people.



2023-25



sustainability scorecard

Focus area / Foster an orderly and inclusive transition to a net-zero economy





SUSTAINABILITY FRAMEWORK	ASSOCIATED INITIATIVE/TARGET
 <p>Sustainable insurance</p>	<p>Set interim targets for our underwriting portfolio as per Net-Zero Insurance Alliance Target-Setting Protocol. Formal engagement with priority commercial customers.</p>
 <p>Impact and responsible investments</p>	<p>Target an increase in our Climate Solutions investments to 5% of the total investment portfolio by 2025.</p> <p>Target a 25% reduction in the Scope 1 and 2 carbon intensity of our developed market equity portfolio by 2025 (relative to a 2019 baseline).</p> <p>Maintain a low carbon risk¹ rating in the Scope 1 and 2 weighted average carbon intensity of our investment grade corporate credit portfolio.</p> <p>Engage at least annually with the top 20 highest emitters in our investment grade corporate credit portfolio and with all of our external investment managers.</p>
 <p>Operational excellence</p>	<p>Use 100% renewable electricity for our operations by 2025.</p> <p>Reduce Scope 1 and 2 carbon emissions by 30% by 2025 (1.5 trajectory aligned science-based target).</p> <p>Reduce energy use by 25% by 2025 (from 2019 levels).</p> <p>Maintain carbon neutrality on defined inventory related to our global operations.</p> <p>Reach net zero for QBE's operational emissions by 2030, expanding our commitment on operational Scope 1 and 2 to include material Scope 3.</p> <p>Commence formal engagement on net-zero progress with large suppliers in our global supply chain in 2023, with the goal of setting targets for those large suppliers by 2025.</p>

¹ Carbon Risk measures exposure to carbon-intensive companies. It is based on MSCI CarbonMetrics, and is calculated as the portfolio weighted average of issuer carbon intensity. Carbon intensity is the ratio of annual Scope 1 and 2 carbon emissions to annual revenue. Carbon Risk is categorised as Very Low (0 to <15), Low (15 to <70), Moderate (70 to <250), High (250 to <525), and Very High (>=525).

Focus area 2 Enable a sustainable and resilient workforce

SUSTAINABILITY FRAMEWORK	ASSOCIATED INITIATIVE/TARGET
 People and culture	Progress the initiatives and priorities in our Culture Blueprint for Change to drive QBE towards the target culture.
	Achieve 40% of women in leadership and maintain 40% women on Group Board by 2025.
	Continue to focus on equality and inclusion of diversity, including maintaining targets for equal belonging for gender, ethnicity, disability and LGBTIQ+.
	Measure the integration of sustainability into our business through growth in the sustainability capability of our business, engaging employees and through relevant sustainability-related metrics in executive variable remuneration by 2025.
 Governance	Increase trust and transparency through disclosing our Group Code of Ethics and Conduct Standards applicable to all employees, performance in relation to Material Topics and policies, including mandatory training completion and consequence management.

Focus area 3 Partner for growth through innovative, sustainable and impactful solutions

SUSTAINABILITY FRAMEWORK	ASSOCIATED INITIATIVE/TARGET
 Sustainable insurance	Explore and target partnership opportunities to enhance re/insuring the transition and sustainable growth.
	Ensure QBE's collaboration with external stakeholders is driving consistent advocacy and progress towards our sustainability commitments.
 Impact and responsible investments	Achieve our ambition to grow our total impact investments to US\$2 billion by 2025.
 Operational excellence	By 2025, obtain acknowledgement from 90% or more of all newly contracted or re-contracted strategic suppliers that they will adhere to QBE's Global Supplier Sustainability Principles or their equivalent.
 Customer and community	Grow QBE Foundation strategic partnerships and initiatives globally, aligned to the Foundation's vision of creating strong, resilient, and inclusive communities and social impact objectives.

Independent assurance report

to the Board of Directors of QBE Insurance Group Limited



Independent assurance report on selected Sustainability Metrics presented in QBE's 2022 Sustainability Data Book

Scope

In accordance with the terms of engagement letter dated 16 November 2022, we were engaged by QBE Insurance Group Limited ("QBE") to perform an independent limited assurance engagement in respect of the following Sustainability Metrics presented in its 2022 Sustainability Data Book (the "Subject Matter") for the 12 months ended 31 December 2022 (the "Period"):

Subject Matter

Impact and responsible investment metrics

- Number of securities invested as part of Premiums4Good at 31 December
- Financial value invested in Premiums4Good as at 31 December (US\$M)

Customer and community metrics

- Financial contributions (US\$)

People and Culture metrics

- Overall workforce by gender (%)
- Geographic footprint by division (headcount)
- Workforce by employment level and gender (%)
- Average tenure by level and gender (years)
- Diversity breakdown of workforce – Part-time employees by gender (headcount)
- Workforce by age and gender (headcount)
- Headcount breakdown by age and gender (%)
- Attrition (headcount)
- Workforce diversity indicators: Ethnicity; Gender; Disability; Carer responsibility; Carer responsibility – care provided to (%)
- Parental leave (%); Return from parental leave (by year due of return) (number); Retained one year after returning from parental leave (by year of return) (number)
- QBE Voice Survey results: % sense of wellbeing; % feeling respected; % engaged employees
- New employee hires by gender, age and division (number)
- Diversity of governance bodies (number)



Subject Matter

Operational Excellence metrics

- 2022 performance against targets (excluding baseline) for
 - Energy use (GJ)
 - Scope 1 and 2 emissions (tCO₂-e)
 - Renewable electricity use (MWh)
- Greenhouse gas emissions (tCO₂-e) by activity
 - Total Scope 1
 - Scope 2 - electricity (location-based)
 - Total Net Scope 2 (heat and market based electricity)
 - Total of selected Scope 3
 - Total GHG emissions (Scope 1, Scope 2 and selected Scope 3 emissions)
- Key performance indicators - GHG emissions intensity
 - Scope 1 and 2 GHG emissions per Gross Earned Premium (GEP) US\$M
 - Scope 1 and 2 GHG emissions per FTE
 - GHG emissions per GEP US\$M
 - GHG emissions per FTE

Governance metrics

- % of employees who completed annual mandatory trainings by due dates

This Subject Matter included in the scope of our engagement has been identified in the 2022 Sustainability Data Book with the following symbol .

The criteria (the "Criteria") against which we assessed the Subject Matter is the 'Metrics Reporting Criteria' prepared by QBE and included in the 2022 Sustainability Data Book.

QBE Management's responsibilities

QBE Management are responsible for the Subject Matter and for the preparation of the Subject Matter in accordance with the Criteria.

Our Independence and Quality control

We have complied with the ethical requirements of the Accounting Professional and Ethical Standard Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* relevant to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* and Related Services Engagements the firm maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



Our responsibilities

Our responsibility is to express a limited assurance conclusion based on the procedures we have performed and the evidence we have obtained.

Our engagement has been conducted in accordance with the Australian Standard on Assurance Engagements (ASAE 3000) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and Australian Standard on Assurance Engagements (ASAE 3410) *Assurance Engagements on Greenhouse Gas Statements*. These standards require that we plan and perform this engagement to obtain limited assurance about whether anything has come to our attention to indicate that the Subject Matter has not been prepared, in all material respects, in accordance with the Criteria, for the Period. The procedures we performed were based on our professional judgement and included:

- Performing enquiry procedures with management to understand processes, systems and controls involved in the collection, measurement and presentation of the Subject Matter;
- Reconciling the Subject Matter with the QBE's underlying records;
- Agreeing data sources back to source or third-party documentation on a sample basis;
- Undertaking analytical review procedures over data and obtaining explanations from management regarding unusual or unexpected amounts;
- Assessing the reasonableness of measurement methods, any material estimates, and assumptions described in the Reporting Criteria and used in preparing the Subject Matter;
- Reperforming a sample of calculations performed by management in the measurement of the Reporting Criteria; and
- Reviewing the Group's Reporting Criteria and testing its application in preparation of the Subject Matter.

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 and 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.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Use of report

This report was prepared for the Directors of QBE. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the Directors of QBE, or for any purpose other than that for which it was prepared.

Inherent limitations

The Subject Matter reported by the Group needs to be read and understood together with the Criteria, which the Group is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure the Subject Matter allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the underlying subject matter and the methods used for determining such information. The precision of different measurement techniques may also vary.

Because of the inherent limitations of any assurance engagement due to the selective testing of information examined, it is possible that fraud, error or non-compliance may occur and not be detected. A limited assurance engagement is not designed to detect all instances of non-compliance of the Subject Matter with the Criteria, as it is limited primarily to making enquiries of management and applying analytical procedures. The limited assurance conclusion expressed in this report has been formed on the above basis.



Emphasis of matter – Estimation of ‘Total of selected Scope 3 emissions’ metric

The estimation of ‘Total of selected Scope 3 emissions’ reported by QBE relies on assumptions and available sources of primary, secondary and proxy data across different sources of Scope 3 emissions. We draw attention to the Reporting Criteria that describes these assumptions and data sources for different Scope 3 emissions sources along with the exclusion of *Category 1: Supplier Emissions* and *Category 15: Investments* from calculation of ‘Total of selected Scope 3 emissions’ metric.

Our opinion is not modified in respect of this matter.

Basis for qualified conclusion

During the course of our engagement, QBE made changes to the processes used to extract and aggregate data used in the preparation of the ‘Parental leave – return and retention’ metrics. These changes were made to improve management’s confidence that underlying data had been prepared on a consistent basis across geographies and in accordance with the Reporting Criteria.

The timing of the changes to QBE’s processes meant that we were unable to undertake procedures that would provide us with sufficient and appropriate evidence to conclude on the ‘Parental leave – return and retention’ metrics as at the date of this limited assurance report.

Qualified conclusion

Based on the procedures performed and evidence obtained, except for the matter disclosed in the Basis for Qualification paragraph above, nothing has come to our attention that causes us to believe that the Subject Matter have not been prepared, in all material respects, in accordance with the Criteria for the period 1 January 2022 to 31 December 2022.

PricewaterhouseCoopers

PricewaterhouseCoopers

John Tomac

John Tomac

Partner

Sydney

10 February 2023¹

¹ The maintenance and integrity of the QBE website is the responsibility of the directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Subject Matter Information or Reporting Criteria when presented on QBE’s website at <https://www.qbe.com/sustainability/performance-reporting>.



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