

## CHAIR'S MESSAGE



# Evolving and transforming our business

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

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

Amid the pandemic, we also saw social unrest and a year of significantly higher than normal catastrophe events around the world, including an extremely active

wildfire season as well as a record number of named storms in the US, extreme bushfires and storm activity including hail damage in Australia, and typhoons in Asia.

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

The strength and resilience of our business are evident in the Group's underlying financial performance for the year ended December 2020. While your Board recognises the disappointing headline

statutory loss reported for the 2020 financial year, both our capital position and our underlying business fundamentals remain strong. Actions taken early on as the pandemic crisis unfolded stood us in good stead, ensuring we retained a strong balance sheet while maintaining underlying earnings momentum. Further details of our full year results are explored in the reports of both the Interim Group Chief Executive Officer and Group Chief Financial Officer on subsequent pages.

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

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

## Leadership

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

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

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

Following the departure of Pat Regan, we announced that we would undertake a review of QBE's culture. This review will seek to build on the many strong elements of our culture while also identifying the target culture that we need for the future. We remain committed to providing a respectful and inclusive environment for all of our people and continue to build a stronger, better QBE. With this in mind, we have put in place a series of initiatives that will add to our existing QBE DNA framework. John Green, Deputy Chair and Tan Le, non-executive director, have been appointed by the Board as sponsors

to drive these initiatives. Supporting this is our global Culture Advisory Group, which will work with our external partners to help us build on our leadership capability and identify any gaps and levers to further enhance our culture.

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

## Operating sustainably

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

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

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

to sustainable insurance and investment. The framework further supports the integration of environmental, social and governance (ESG) considerations into our core business and increased transparency with our customers.

## Looking ahead

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

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

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

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

## Mike Wilkins AO Independent Chair