Remuneration Report

Remuneration Report contents

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

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

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

To our shareholders

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

Our response to COVID-19

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

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

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

Board and executive changes

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

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

For more information, refer to page 56.

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

People, culture, diversity and inclusion

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

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

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

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

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

Performance during 2020

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

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

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

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

For more information, refer to pages 57 to 62.

Looking ahead

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

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

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

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

For more information, refer to page 70.

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

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

As always, we look forward to shareholder feedback.

John M Green

Deputy Chair
Chair, People & Remuneration Committee

Our remuneration framework at a glance

Our purpose and remuneration principles

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

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

Simple and clear

Linked to strategy

Motivating

Aligned to shareholders

Globally consistent and locally competitive

How the remuneration framework supports the strategy

Simple and clear

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

Adaptable to changes in our strategy and external environment

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

Measures that are correlated with performance

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

Encourages our executives to think and act like business owners

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

Aligning remuneration to culture and managing risk

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

2020 incentive plan key features for the Group CEO

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

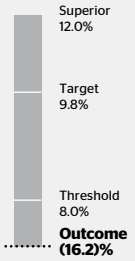
1 The 2020 STI performance measures and outcomes for the Interim Group CEO are provided as part of the executive KMP performance snapshots on page 60. The LTI provided is subject to specific interim deliverables refer to page 69.

How we performed: **Financial performance**

Group cash ROE[1]

Award

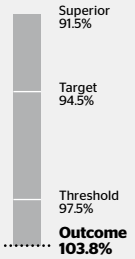
0.0%



Group COR[2]

Award

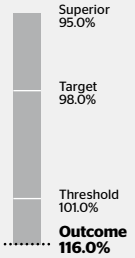
0.0%



North America COR[5]

Award

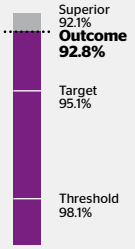
0.0%



International COR[2,5]

Award

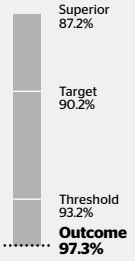
138.3%



Australia Pacific COR[2]

Award

0.0%



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

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

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

Financial performance – five-year summary

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

Return to shareholders – five-year summary

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

Group CEO outcomes – five-year summary[4]

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

Tracking of unvested LTI awards

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

1 For incentive purposes, the adjusted cash ROE of (10.9)% provided on page 14 is adjusted by (5.3)% for goodwill and impairment of intangibles. For 2018 and prior years, cash ROE was adjusted for 50% of the impact of unbudgeted movements in discount rates. This adjustment no longer applies.

2 For incentive purposes, the 2020 COR of 104.2%, excluding the impact of changes in risk-free rates, is adjusted by (0.4)% to exclude elevated risk and regulatory costs. The reconciliation of the statutory to adjusted COR is included on page 11.

3 From 2018, the results reflect continuing operations only. For 2017 and prior years, the results reflect consolidated Group performance including discontinued operations.

4 For 2020, the results reflect the pro-rated STI outcome for Mr Pryce for the period in both the Interim Group CEO and CEO, International roles. There were no LTI grants due to vest in 2020.

5 Excludes transfer of certain North American inward reinsurance business to International.

How we performed: **2020 priorities**

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

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

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

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

Our 2020 achievements

Performance

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

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

Brilliant Basics +

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

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

Innovation & Technology

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

Strengthened foundations

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

Ventures

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

Talent & Culture

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

Supported our people

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

Health and wellbeing

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

Leadership capability uplift

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

Diversity focus

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

Customer Focus

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

Customer@QBE launch

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

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

Global sales approach

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

Remuneration Report continued

1. EXECUTIVE KMP PERFORMANCE SNAPSHOTS

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

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

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

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

Interim Group CEO

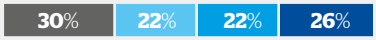
Richard Pryce
Interim Group CEO

Term as KMP in 2020
Full year

Country of residence
United Kingdom

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

Target remuneration mix



2020 STI outcome (US$000)

STI (cash) $**0**

STI (deferred) $**1,421**

90.4% of target

measured on...

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

2020 realised remuneration[1] (US$000)

$2,080 Total

$**1,089** $**814** $**177**

Divisional executive KMP

Jason Harris
Chief Executive Officer, International

Term as KMP in 2020
Commenced 4 December 2020

Country of residence
United Kingdom

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

Target remuneration mix

2020 STI outcome (US$000)

STI (cash) $**0**

STI (deferred) $**64**

83.4% of target

measured on...

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

2020 realised remuneration[2] (US$000)

$907 Total

$**60** $**847**

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

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

Todd Jones
Chief Executive Officer, North America

Term as KMP in 2020
Full year

Country of residence
United States

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

Target remuneration mix

27% | 22% | 11% | 40%

2020 STI outcome (US$000)

STI (cash) $0

STI (deferred) $430

35.0% of target

measured on...

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

2020 realised remuneration (US$000) **$2,584** Total

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

Group Head Office executive KMP

Jason Brown
Group Chief Underwriting Officer

Term as KMP in 2020
Full year

Country of residence
United Kingdom

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

Target remuneration mix

32% | 25% | 12% | 31%

2020 STI outcome (US$000)

STI (cash) $0

STI (deferred) $296

35.0% of target

measured on...

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

2020 realised remuneration (US$000) **$940** Total

$641 | $202 | $97

Peter Grewal
Group Chief Risk Officer

Term as KMP in 2020
Full year

Country of residence
United Kingdom

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

Target remuneration mix

34% | 22% | 11% | 33%

2020 STI outcome (US$000)

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

2020 realised remuneration (US$000) **$1,098** Total

$535 | $479 | $84

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

Remuneration Report continued

1. EXECUTIVE KMP PERFORMANCE SNAPSHOTS

Margaret Murphy
Group Executive, People & Change

Term as KMP in 2020
Full year

Country of residence
Australia

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

Target remuneration mix

34% | 23% | 11% | 32%

2020 STI outcome (US$000)

STI (cash) $0

STI (deferred) $260

42.0% of target

measured on...

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

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

$620 | $206 | $84

Inder Singh
Group Chief Financial Officer

Term as KMP in 2020
Full year

Country of residence
Australia

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

Target remuneration mix

32% | 25% | 12% | 31%

2020 STI outcome (US$000)

STI (cash) $0

STI (deferred) $382

42.0% of target

measured on...

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

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

$758 | $293 | $9

Former executive KMP

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

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

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

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

2. REMUNERATION GOVERNANCE

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

QBE Board

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

People & Remuneration Committee

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

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

Group CEO | Divisional people and remuneration committees | External advisors

Use of external advisors

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

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

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

Treatment of conditional rights on a change in control of QBE

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

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

Minimum shareholding requirement

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

Remuneration Report continued

2. REMUNERATION GOVERNANCE

Trading policy

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

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

Dilution limits for share plans

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

Managing risk

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

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

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

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

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

Specifically, the QBE incentive plans:

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

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

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

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

Malus provision

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

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

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

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

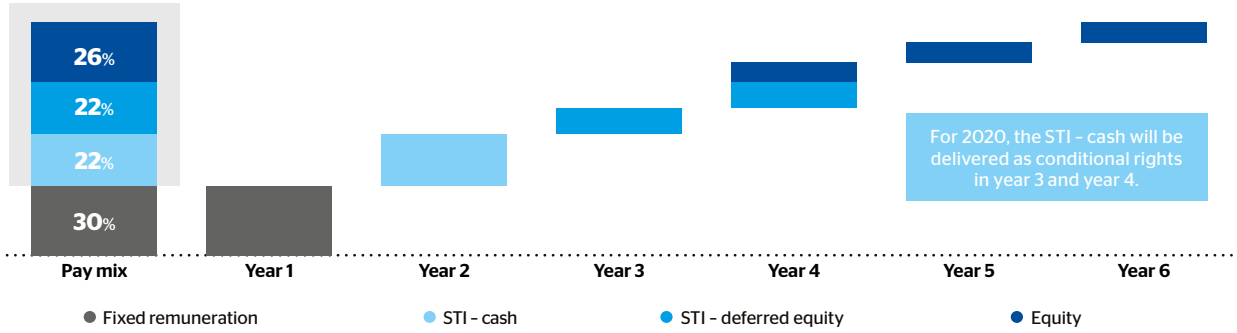
In response to the release of the revised draft of the APRA Prudential Standard CPS 511 *Remuneration* in late 2020, an update to the malus provision will be introduced for the 2021 performance year. This update will be in addition to the introduction of clawback provisions across the Group and will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

Remuneration Report continued

3. EXECUTIVE KMP REMUNERATION IN DETAIL

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

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



Executive remuneration structure

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

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

Fixed remuneration

The following outlines key details of executive KMP fixed remuneration.

Description

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

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

Determining fixed remuneration levels

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

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

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

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

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

STI

The following outlines the key details of the STI plan.

Description

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

Performance measures and rationale

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

GROUP CASH ROE	COR
Definition: A measure of how effectively we are managing shareholders' investment in QBE. For the STI, this measure will generally be measured on the same basis as that used to determine shareholder dividends. As a principle, losses due to unbudgeted amortisation/impairment of intangibles will, other than in exceptional circumstances, be included in cash ROE so that executives remain accountable for the management of intangible assets.	**Definition:** Net claims, commissions and expenses as a percentage of net earned premium. Consistent with how we report COR to the market, this is measured excluding the impact of changes in risk-free rates used to discount net outstanding claims.
Rationale: Cash ROE is a measure of how effectively we manage shareholder funds.	**Rationale:** COR is the most relevant measure of the profitability of our insurance operations. The measure excludes risk-free rates because it is the basis on which we report and the market assesses the performance of QBE.
Adjustments: Any other items (such as material acquisitions or divestments) not included in the business plan and deemed appropriate by the People & Remuneration Committee.	

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

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

Vesting schedule

The indicative STI vesting schedule is outlined below:

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

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

Instrument and deferral mechanics

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

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

Leaver provisions

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

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

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

Malus provisions

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

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

3. EXECUTIVE KMP REMUNERATION IN DETAIL

LTI

The following outlines the key details of the LTI plan.

Description

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

Performance measures

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

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

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

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

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

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

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

TSR peer group 2 – Global insurance peer group

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

LTI allocation

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

Vesting schedules

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

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

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

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

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

Vesting periods

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

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

Notional dividends accrue during the vesting period.

Leaver provisions

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

Malus provisions

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

Special LTI awards

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

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

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

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

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

3. EXECUTIVE KMP REMUNERATION IN DETAIL

Changes to incentives for 2021

2020 was an unprecedented year and that uncertainty has factored into how we plan to adapt incentives for 2021. In response to the imminent regulatory changes through the Financial Accountability Regime and the APRA Prudential Standard CPS 511 *Remuneration*, the introduction of revised malus and new clawback rules will apply for the 2021 STI performance period and LTI awards granted in 2021.

In addition, in order to improve line of sight and enhance the impact of the divisional COR outcomes across the Group, the use of Group COR in the STI will be replaced with a blend of divisional COR outcomes. For example, where Group COR was utilised as a performance measure with a weighting of 40%, an equal blend of the COR outcomes for Australia Pacific (1/3), International (1/3) and North America (1/3) will be used.

For the 2021 LTI, the Group cash ROE component will use the average of the three individual annual performance ranges set over the three individual years, being 2021, 2022 and 2023 to determine vesting outcomes. This is versus setting a three-year average cash ROE target and recognises the difficulty with long range forecasting at this time due to the economic volatility. All other components of the existing LTI remain consistent with the current arrangements, that is, the use of relative TSR, the three-year performance period and vesting of any awards can occur from years three through five.

For both STI and LTI plans, the People & Remuneration Committee will continue to have the ability to apply adjustments to ensure the formulaic outcomes appropriately reflect performance.

Employment agreements

The table below summarises the material terms for the current executive KMP which are subject to applicable laws. The terms and conditions of employment of each executive KMP reflect market conditions at the time of their contract negotiation on appointment and thereafter.

CONTRACTUAL TERM	GROUP CEO[1]	OTHER EXECUTIVE KMP
Duration	Permanent full-time employment contract until notice given by either party.	
Notice period (by executive KMP or QBE)	12 months: QBE may elect to make a payment in lieu of notice.	Six months: QBE may elect to make a payment in lieu of notice. For Todd Jones, notice required by QBE is 12 months, reducing to six months after 18 months of service.
Treatment of incentives – involuntary termination	**On termination with cause or for poor performance:** All unvested incentives are forfeited. **On termination without cause:** For STI in the year of termination, the executive remains eligible to be considered for an award on a pro-rata basis, with any award to be determined following the end of the performance year and subject to the standard deferral arrangements. Unvested deferred Executive Incentive Plan and STI conditional rights remain in the plan subject to the original vesting dates and malus provisions. A pro-rata number of LTI conditional rights, reflecting the portion of the three-year performance period the executive KMP was in service, remain in the plan subject to the original performance and vesting conditions. Legacy LTI awards generally remain in the plan subject to the original performance and vesting conditions; however, the People & Remuneration Committee has discretion to vest these awards.	
Treatment of incentives – voluntary termination	All unvested incentives are forfeited.	
Post-employment restraints	12 months non-compete and non-solicitation.	Six months non-compete and non-solicitation.

1 The terms for the Interim Group CEO have not been aligned with the former Group CEO due to the interim nature of the role.

4. EXECUTIVE KMP REMUNERATION TABLES

4.1 Statutory remuneration disclosures

The following table provides details of the remuneration of QBE's executive KMP as determined by reference to applicable Australian Accounting Standards (AASB) for the financial year ended 31 December 2020. Remuneration has been converted to US dollars using the average rate of exchange for the relevant year.

		SHORT-TERM EMPLOYMENT BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYEE BENEFITS	SHARE-BASED PAYMENTS		
	YEAR	BASE SALARY US$000	OTHER[1] US$000	STI CASH[2] US$000	SUPERANNUATION US$000	LEAVE ACCRUALS[3] US$000	CONDITIONAL RIGHTS[4] US$000	TERMINATION BENEFITS[5] US$000	TOTAL US$000
Richard Pryce[6]	**2020**	**1,089**	**177**	**–**	**–**	**–**	**2,003**	**–**	**3,269**
	2019	1,008	173	1,051	–	–	1,344	–	3,576
Jason Brown	**2020**	**641**	**97**	**–**	**–**	**–**	**472**	**–**	**1,210**
	2019	685	199	406	6	–	449	–	1,745
Peter Grewal[7]	**2020**	**523**	**84**	**–**	**12**	**–**	**(223)**	**–**	**396**
	2019	507	173	395	14	9	511	–	1,609
Jason Harris[8]	**2020**	**60**	**847**	**–**	**–**	**–**	**39**	**–**	**946**
	2019	–	–	–	–	–	–	–	–
Todd Jones[9]	**2020**	**1,000**	**106**	**–**	**23**	**–**	**2,160**	**–**	**3,289**
	2019	246	731	156	13	–	1,165	–	2,311
Margaret Murphy	**2020**	**605**	**84**	**–**	**15**	**15**	**582**	**–**	**1,301**
	2019	553	44	327	14	6	557	–	1,501
Inder Singh	**2020**	**743**	**9**	**–**	**15**	**23**	**568**	**–**	**1,358**
	2019	750	3	496	14	3	554	–	1,820
Former executive KMP									
Vivek Bhatia[10]	**2020**	**513**	**19**	**–**	**11**	**–**	**(586)**	**143**	**100**
	2019	820	14	614	14	56	777	–	2,295
Patrick Regan[11]	**2020**	**1,025**	**295**	**–**	**–**	**–**	**(2,222)**	**479**	**(423)**
	2019	1,459	137	665	–	48	2,119	–	4,428
Total	**2020**	**6,199**	**1,718**	**–**	**76**	**38**	**2,793**	**622**	**11,446**
	2019[12]	6,028	1,474	4,110	75	122	7,476	–	19,285

1 Other includes provision of motor vehicles, health insurance, spouse travel, accommodation costs, staff insurance discount benefits received during the year, life assurance and personal accident insurance and the applicable taxes thereon. It also includes the deemed value of interest-free share loans, tax accruals in respect of employment benefits and other one-off expenses. For Jason Harris, this includes a cash payment of GBP660,000 on commencement to compensate for incentives forfeited in ceasing his previous employment to join QBE, payable in March 2021.

2 No STI cash is payable for performance in 2020. The Board exercised its discretion to deliver STI for the performance year as conditional rights with vesting to occur in 2022 and 2023.

3 Includes the movement in annual leave and long service leave provisions during the year.

4 The fair value at grant date of conditional rights is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. The fair value of each conditional right is recognised evenly over the service period ending at vesting date. Where an award will no longer vest, the related accounting charge for any non-market component is reversed in full and the reversal is included in the table above. For Jason Harris, this includes GBP300,000 of conditional rights granted as compensation for incentives forfeited on ceasing his previous employment to join QBE in addition to a pro-rata grant of conditional rights for the 2020 LTI. Details of grants of conditional rights are provided on pages 72 to 73.

5 Termination benefits includes apportioned fixed remuneration, and related benefits if applicable, paid for the balance of the notice period to the termination date, STI cash awards from the date of ceasing to be executive KMP to the date of termination, the accelerated accounting charge or reversal of equity vesting or cancellation and other termination payments.

6 Richard Pryce changed roles during the year, commencing as Interim Group CEO from 26 October 2020.

7 Peter Grewal was an executive KMP through to 31 December 2020 having ceased employment with QBE. He is ineligible for 2020 STI.

8 Jason Harris was an executive KMP from 4 December 2020.

9 Todd Jones was an executive KMP for part of the year during 2019.

10 Vivek Bhatia was an executive KMP through to 14 August 2020 having ceased employment with QBE. In accordance with contractual terms, termination benefits include statutory leave entitlements ($143,000).

11 Patrick Regan was an executive KMP through to 1 September 2020 having ceased employment with QBE. In accordance with contractual terms, termination benefits include a payment in lieu of a reduced notice period ($213,500) and statutory leave entitlements ($265,500).

12 The 2019 totals above are not the same as those disclosed in the 2019 Remuneration Report because of changes in executive KMP.

Remuneration Report continued

4. EXECUTIVE KMP REMUNERATION TABLES

4.2 Conditional rights movements

Equity awards at QBE are granted in the form of conditional rights. A conditional right is a promise by QBE to acquire or issue one fully paid ordinary QBE Insurance Group Limited share where certain conditions are met.

The table below details conditional rights provided under the terms of both current and legacy plans, details of which can be found at pages 67 to 69 and 74, and contractual arrangements. LTI conditional rights are subject to future performance hurdles as detailed on pages 68 to 69.

Conditional rights under the STI for the 2020 performance year will be granted in the first quarter of 2021.

2020	BALANCE AT 1 JANUARY 2020 NUMBER	GRANTED NUMBER[1]	VALUE AT GRANT DATE US$000[2]	VESTED AND EXERCISED NUMBER	VALUE AT VESTING DATE US$000	FORFEITED / LAPSED NUMBER[3]	NOTIONAL DIVIDENDS ATTACHING IN THE YEAR NUMBER	BALANCE AT 31 DECEMBER 2020 NUMBER
Richard Pryce	481,298	412,259	3,279	(89,791)	814	–	20,406	824,172
Jason Brown	167,493	92,705	846	(22,265)	202	–	8,439	246,372
Peter Grewal	138,061	77,780	712	(51,458)	479	(170,203)	5,820	–
Jason Harris	–	162,533	802	–	–	–	–	162,533
Todd Jones	467,668	162,968	1,446	(158,711)	1,455	–	16,721	488,646
Margaret Murphy	230,093	75,923	691	(22,597)	206	–	10,051	293,470
Inder Singh	213,100	97,380	892	(32,229)	293	–	9,860	288,111
Former executive KMP								
Vivek Bhatia	262,815	109,692	1,008	(73,018)	677	(308,853)	9,364	–
Patrick Regan	773,138	359,310	1,725	(111,485)	1,014	(1,052,869)	31,906	–

1 On commencement of employment, Jason Harris was granted conditional rights as compensation for incentives forfeited on ceasing his previous employment to join QBE. The awards comprise a grant of conditional rights, with vesting on 1 March 2022 subject to service conditions, and a pro-rata LTI grant subject to the performance conditions detailed on pages 68 to 69. The special LTI grants of conditional rights to Richard Pryce in 2020 have performance conditions as detailed on page 69.

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

3 For Peter Grewal, Vivek Bhatia and Patrick Regan, this represents the conditional rights which lapsed on ceasing to be an executive KMP from 31 December 2020, 14 August 2020 and 1 September 2020 respectively. Peter Grewal was executive KMP for the full year.

4.3 Valuation of conditional rights outstanding at 31 December 2020

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

2020	GRANT	GRANT DATE	PERFORMANCE PERIOD START DATE	EXERCISE DATE	CONDITIONAL RIGHTS AT 31 DECEMBER 2020 NUMBER[1]	MAXIMUM VALUE OF AWARD TO VEST	FAIR VALUE PER CONDITIONAL RIGHT A$[2]		
							GROUP ROE	TSR	TIME
Richard Pryce[3]	2017 EIP	5-Mar-18	1-Jan-17	2021-2022	78,275	807,015			10.31
	2018 EIP	4-Mar-19	1-Jan-18	2021-2023	161,512	1,965,601			12.17
	2019 Special LTI	4-Mar-19	1-Jan-19	2022-2024	165,594	2,015,279			12.17
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	55,142	822,167			14.91
	2020 Special LTI	24-Feb-20	1-Jan-20	2023-2025	135,772	2,024,361			14.91
	2021 Special LTI	26-Oct-20	26-Oct-20	2024-2026	227,877	2,014,433			8.84
Jason Brown	2017 EIP	5-Mar-18	1-Jan-17	2021-2022	14,722	151,784			10.31
	2018 EIP	4-Mar-19	1-Jan-18	2021-2023	47,084	573,012			12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	88,573	918,947	12.17	8.58	
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	21,316	317,822			14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	74,677	954,552	14.91	10.66	
Peter Grewal[4]	2018 EIP	4-Mar-19	1-Jan-18	2021-2023	23,123	281,407			12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	66,546	690,433	12.17	8.58	
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	19,437	289,806			14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	61,097	780,975	14.91	10.66	
Jason Harris	Special	1-Oct-20	1-Oct-20	1-Mar-22	61,917	538,678			8.70
	2020 LTI	1-Oct-20	1-Jan-20	2023-2025	100,616	626,083	8.70	3.75	
Todd Jones	Special	1-Oct-19	1-Oct-19	3-Mar-21	164,335	2,070,621			12.60
	2019 LTI	1-Oct-19	1-Jan-19	2022-2024	155,569	1,587,983	12.60	7.82	
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	8,079	120,458			14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	160,663	2,053,673	14.91	10.66	
Margaret Murphy	2017 EIP	5-Mar-18	1-Jan-17	2021-2022	13,620	140,422			10.31
	Special	5-Mar-18	5-Mar-18	4-Mar-21	80,478	829,728			10.31
	2018 EIP	4-Mar-19	1-Jan-18	2021-2023	49,767	605,664			12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	70,990	736,518	12.17	8.58	
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	16,104	240,111			14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	62,511	799,045	14.91	10.66	
Inder Singh	2017 EIP	5-Mar-18	1-Jan-17	2021-2022	20,888	215,355			10.31
	2018 EIP	4-Mar-19	1-Jan-18	2021-2023	68,784	837,101			12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	97,613	1,012,722	12.17	8.58	
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	24,429	364,236			14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	76,397	976,547	14.91	10.66	
Former executive KMP									
Vivek Bhatia[4]	2018 EIP	4-Mar-19	1-Jan-18	2021-2023	89,680	1,091,406			12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	106,051	1,100,285	12.17	8.58	
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	30,109	448,925			14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	83,013	1,061,107	14.91	10.66	
Patrick Regan[4]	2017 EIP	5-Mar-18	1-Jan-17	2021-2022	67,509	696,018			10.31
	2018 EIP	4-Mar-19	1-Jan-18	2021-2023	243,647	3,140,610			12.89
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	371,173	4,093,120	12.89	9.17	
	2019 STI	24-Feb-20	1-Jan-19	2021-2022	66,169	986,580			14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	304,371	1,597,945	7.93	2.57	

1 Includes original grant of conditional rights and notional dividends.
2 The fair value of conditional rights at grant date is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. The fair value of each conditional right is recognised evenly over the service period ending at vesting date. For the LTI allocations, the TSR fair value shown above was averaged over the two peer groups.
3 The Special LTI awards for Richard Pryce include specific performance measures as detailed on page 69.
4 For Peter Grewal, Vivek Bhatia and Patrick Regan, this represents the number of conditional rights at 31 December 2020, 14 August 2020 and 1 September 2020 respectively, immediately prior to ceasing to be an executive KMP. All rights were subsequently lapsed.

4. EXECUTIVE KMP REMUNERATION TABLES

4.4 Executive KMP shareholdings

The table below details movements during the year in the number of ordinary shares in QBE held by executives, including their personally-related parties:

2020	INTEREST IN SHARES AT 1 JANUARY 2020 NUMBER	DIVIDENDS REINVESTED NUMBER	CONDITIONAL RIGHTS VESTED NUMBER	SHARES PURCHASED (SOLD) NUMBER[1]	INTEREST IN SHARES AT 31 DECEMBER 2020[2] NUMBER	INTEREST IN SHARES AT 31 DECEMBER 2020 SUBJECT TO NON-RECOURSE LOANS NUMBER
Richard Pryce	202,984	5,447	89,791	(42,334)	255,888	–
Jason Brown	165,572	5,205	22,265	(3,403)	189,639	–
Peter Grewal	–	1,063	51,458	(52,521)	–	–
Jason Harris	–	–	–	–	–	–
Todd Jones	–	3,467	158,711	(60,844)	101,334	–
Margaret Murphy	12,029	1,227	22,597	–	35,853	–
Inder Singh	31,631	2,263	32,229	1,332	67,455	–
Former executive KMP						
Vivek Bhatia	44,030	3,658	73,018	3,995	124,701	–
Patrick Regan	915,538	25,252	111,485	3,995	1,056,270	–

1 The shares listed as sold either partially or fully relate to sales to meet withholding tax obligations upon the vesting of conditional rights.
2 For Vivek Bhatia and Patrick Regan, this represents the interest in shares at 14 August 2020 and 1 September 2020 respectively, the dates they ceased to be executive KMP.

4.5 Loans

Prior to 20 June 2005, non-recourse loans were provided by the Group to executive KMP for the purchase of shares in QBE. All non-recourse loans are due to be paid within 10 days of ceasing employment. Under AASB 2 *Share-based Payment*, non-recourse loans and the related shares are derecognised and are instead treated as options.

2020	BALANCE AT 1 JANUARY 2020 A$000	LOANS MADE IN THE YEAR A$000	REPAYMENTS A$000	BALANCE AT 31 DECEMBER 2020 A$000	INTEREST NOT CHARGED A$000[1]	HIGHEST BALANCE IN THE PERIOD A$000
Jason Brown	3	–	3	–	–	3

1 Deemed value of interest not charged for the period as executive KMP.

4.6 Legacy equity schemes

The information below summarises QBE's legacy incentive plan.

Executive Incentive Plan (EIP) – until 31 December 2018

The EIP was an at-risk reward structure comprised of cash and deferred equity that vested progressively over a five-year period.

40% of the award was delivered in cash (20% in the case of the Group CEO) and 60% of the award was deferred as conditional rights to fully paid ordinary QBE shares (80% in the case of Group CEO).

The conditional rights were deferred over four equal tranches: 25% over each of the four anniversaries of the award. EIP outcomes were subject to the achievement of multiple performance measures over the one-year performance period including the Group's cash ROE and COR targets, individual performance ratings and for divisional staff, divisional COR targets.

The EIP was replaced by the STI and LTI plans for executive KMP from 2019 but remains in use for senior employees below the executive KMP level.

5. NON-EXECUTIVE DIRECTOR REMUNERATION

The following section contains information on the approach to non-executive director remuneration, the fees, other benefits and shareholdings.

Remuneration philosophy

Non-executive director remuneration reflects QBE's desire to attract, motivate and retain experienced independent directors and to ensure their active participation in the Group's affairs for the purpose of corporate governance, regulatory compliance and other matters. QBE aims to provide a level of remuneration for non-executive directors comparable with that of its peers, which include multi-national financial institutions. The Board reviews surveys published by independent remuneration consultants and other public information to ensure that fee levels are appropriate. The remuneration arrangements of non-executive directors are distinct and separate from those of the executive KMP.

Fee structure and components

The aggregate amount approved by shareholders at the 2017 AGM was A$4,000,000 per annum.

The total amount paid to non-executive directors in 2020 was A$3,237,700 (2019 A$3,851,000).

Under the current fee framework, non-executive directors receive a base fee expressed in Australian dollars. In addition, a non-executive director (other than the Chair) may receive further fees for chairing or membership of a board committee.

No changes were made to non-executive director remuneration during 2020 and none are proposed for 2021.

The non-executive director fee structure in place since 2017 is shown in the table below:

ROLE	CHAIR FEE	DEPUTY CHAIR FEE	MEMBER FEE
Board	A$663,000	A$229,000	A$208,000
Committee	A$50,000	–	A$27,000

Other benefits

Non-executive directors do not receive any performance-based remuneration such as cash incentives or equity awards. Under QBE's Constitution, non-executive directors are entitled to be reimbursed for all travel and related expenses properly incurred in connection with the business of QBE. All non-executive directors receive an annual cash travel allowance of A$42,750 (A$64,000 for the Chair), in addition to fees for the time involved in travelling to Board meetings and other Board commitments.

Due to the impacts of COVID-19, the travel allowance was temporarily ceased for the non-executive directors from 1 April 2020 to 31 December 2020.

Superannuation

QBE pays superannuation to Australian-based non-executive directors in accordance with Australian superannuation guarantee (SG) legislation. Overseas-based non-executive directors receive the cash equivalent amount in addition to their fees. From 1 January 2020, Australian-based directors may elect to opt out of superannuation contributions as long as they are still receiving contributions from at least one employer. In such cases, a superannuation allowance will be paid in lieu of actual contributions.

Minimum shareholding requirement

With effect from 1 April 2014, a non-executive director MSR was introduced for the Board. Under this requirement, non-executive directors have five years to build a minimum shareholding equal to 100% of annual base fees.

To assist current and new non-executive directors in meeting the requirement, a Director Share Acquisition Plan (DSAP) was established with effect from 1 June 2014. The DSAP allows non-executive directors to sacrifice a portion of their director pre-tax fees to acquire QBE shares.

Where the MSR has not been met, non-executive directors are required to sacrifice a mandatory minimum amount of 20% of pre-tax fees into the DSAP until the MSR is achieved. Shares acquired in this way are not subject to performance targets, as they are acquired in place of cash payments. Directors' shareholdings are shown overleaf. All non-executive directors have met the MSR as at 31 December 2020, or are within the five-year period to achieve the MSR.

Remuneration Report continued

5. NON-EXECUTIVE DIRECTOR REMUNERATION

Non-executive director shareholdings

The table below details movements during the year in the number of ordinary shares in QBE held by the non-executive directors, including their personally-related parties:

2020	INTEREST IN SHARES AT 1 JANUARY 2020 NUMBER	CHANGES DURING THE YEAR NUMBER	INTEREST IN SHARES AT 31 DECEMBER 2020 NUMBER
Michael Wilkins	28,514	34,658	63,172
Marty Becker[1]	148,067	5,520	153,587
Stephen Fitzgerald	54,237	11,049	65,286
John M Green	37,258	3,995	41,253
Tan Le[2]	–	783	783
Kathryn Lisson	28,293	12,149	40,442
Sir Brian Pomeroy	27,527	6,230	33,757
Jann Skinner	50,000	13,995	63,995
Eric Smith[2]	–	783	783
Rolf Tolle	45,885	17,451	63,336

1 Marty Becker retired 30 April 2020. The interest in shares represents the number as of 30 April 2020.
2 Tan Le and Eric Smith commenced 1 September 2020.

Remuneration details for non-executive directors

The table below details the nature and amount of each component of the remuneration of QBE's current non-executive directors. Remuneration has been converted to US dollars using the average rate of exchange for the relevant year.

		SHORT-TERM EMPLOYMENT BENEFITS		POST-EMPLOYMENT BENEFITS		
NON-EXECUTIVE DIRECTOR	YEAR	FEES[1] US$000	OTHER US$000	SUPERANNUATION – SG[2] US$000	SUPERANNUATION – OTHER[2] US$000	TOTAL US$000
Michael Wilkins	**2020**	**422**	**–**	**15**	**25**	**462**
	2019	231	–	14	7	252
Marty Becker[3]	**2020**	**137**	**7**	**–**	**–**	**144**
	2019	553	4	–	–	557
Stephen Fitzgerald	**2020**	**253**	**–**	**–**	**–**	**253**
	2019	288	–	–	–	288
John M Green	**2020**	**263**	**–**	**–**	**25**	**288**
	2019	283	–	14	12	309
Tan Le[4]	**2020**	**66**	**2**	**–**	**–**	**68**
	2019	–	–	–	–	–
Kathryn Lisson	**2020**	**223**	**4**	**–**	**–**	**227**
	2019	250	4	–	–	254
Sir Brian Pomeroy	**2020**	**226**	**4**	**–**	**–**	**230**
	2019	255	2	–	–	257
Jann Skinner	**2020**	**222**	**–**	**4**	**17**	**243**
	2019	244	–	14	9	267
Eric Smith[4]	**2020**	**66**	**1**	**–**	**–**	**67**
	2019	–	–	–	–	–
Rolf Tolle	**2020**	**243**	**4**	**–**	**–**	**247**
	2019	270	2	–	–	272
Total	**2020**	**2,121**	**22**	**19**	**67**	**2,229**
	2019	2,374	12	42	28	2,456

1 Travel allowances, additional fees in lieu of superannuation in Australia and amounts sacrificed in relation to the DSAP are included in directors' fees. Travel allowances ceased temporarily from 1 April 2020 to 31 December 2020 due to the travel impacts of COVID-19.
- Michael Wilkins acted as Executive Chair from 1 September through to 25 October 2020; no additional remuneration was provided for that period in the role.
- Marty Becker, Stephen Fitzgerald, Tan Le, Kathryn Lisson, Sir Brian Pomeroy, Eric Smith and Rolf Tolle received additional fees of 9.5% in lieu of superannuation in Australia.
- Michael Wilkins, Marty Becker, Stephen Fitzgerald, Tan Le, Kathryn Lisson, Sir Brian Pomeroy, Eric Smith and Rolf Tolle all participated in the DSAP.

2 Michael Wilkins, John M Green and Jann Skinner are Australian residents. Superannuation is calculated as 9.5% of fees. Superannuation in excess of the statutory minimum may be taken as additional cash fees or in the form of superannuation contributions at the option of the director. During all or part year during 2020, John M Green and Jann Skinner elected to opt out of superannuation contributions and a superannuation allowance was paid in lieu of superannuation contributions.
3 Marty Becker retired 30 April 2020.
4 Tan Le and Eric Smith commenced 1 September 2020.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2020

Auditor

PricewaterhouseCoopers, Chartered Accountants, continues in office in accordance with section 327B of the *Corporations Act 2001*.

Non-audit services

During the year, PricewaterhouseCoopers performed certain other services in addition to statutory duties.

The Board, on the advice of the Audit Committee, has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are also satisfied that the provision of non-audit services by the auditor, as set out in note 8.8 to the financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001*.

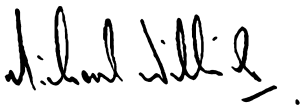
A copy of the auditor's independence declaration required under section 307C of the *Corporations Act 2001* is set out on page 78.

Details of amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services are provided in note 8.8 to the financial statements.

Rounding of amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Amounts have been rounded off in the Directors' Report to the nearest million dollars or, in certain cases, to the nearest thousand dollars in accordance with that instrument.

Signed in SYDNEY this 19th day of February 2021 in accordance with a resolution of the directors.



Michael Wilkins AO
Director

John M Green
Director