



Operational excellence

At QBE, we are focused on enhancing the customer experience and building products and services that meet our customers' needs. We continue to transform the way we operate as a business by increasing the use of digital technologies, innovation and analytics. The large-scale shift to remote working during 2020 has brought new cyber challenges to overcome, while significantly contributing to a reduction in the environmental impact of our business operations.

2020 Sustainability scorecard achievements

Minimise the impact of our operations on the environment

Sourced renewable electricity for 97% of our electricity requirements, up from 63% in 2019  **page 59**

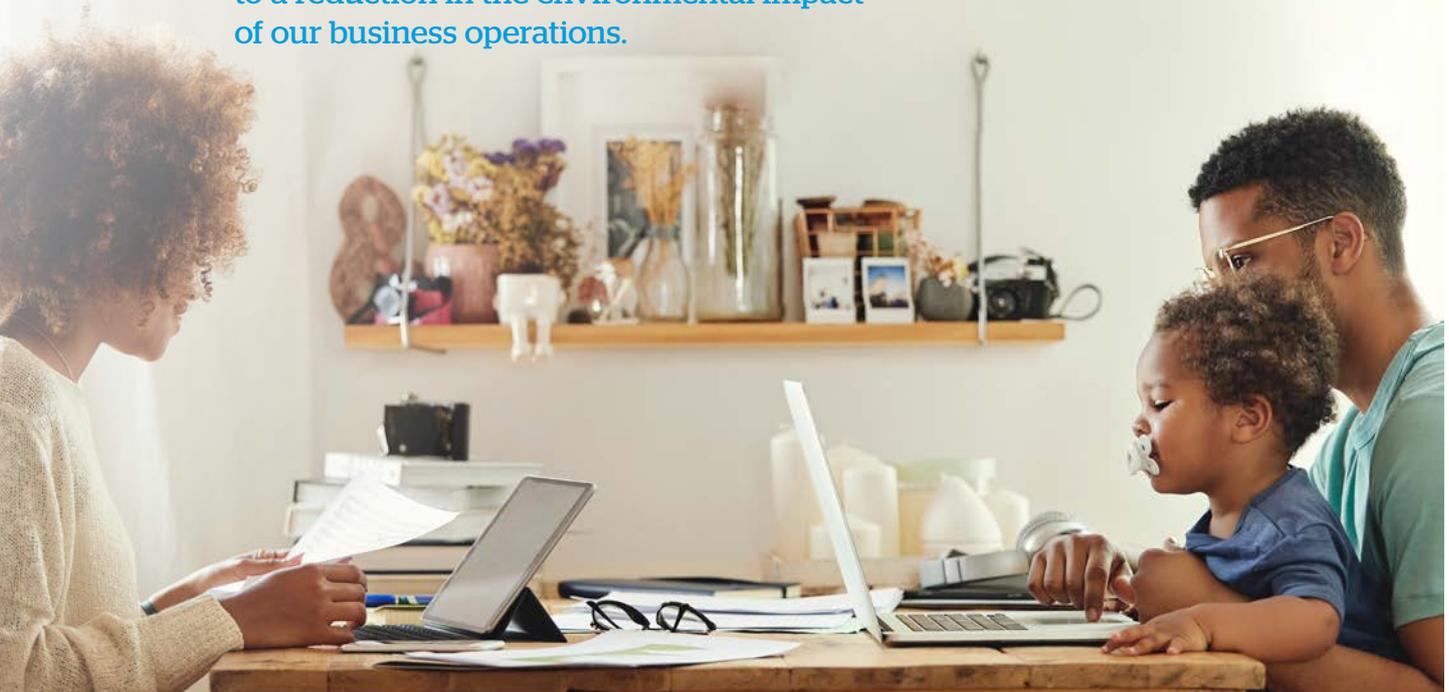
Reduced our scope 1 and 2 carbon emissions by 80%, up from a 57% reduction in 2019  **page 59**

Reduced our air travel by 85%, up from a 31% reduction in 2019  **page 59**

Reduced our energy use by 32%, up from a 14% reduction in 2019  **page 59**

Maintained carbon neutrality  **page 59**

i View our 2021 Sustainability scorecard on [page 68](#).



Key for progress symbols:

 Achieved

 On track

 Behind

 Refreshed

Our global operations and transformation teams provide critical support services to our customers and employees including policy processing, claims management, information technology, data and analytics, projects and procurement services.

Digital transformation, innovation and analytics

Our focus on digitisation, innovation and analytics is integral to us delivering better customer value and experiences and remaining at the forefront of our industry. In 2020, we continued to strengthen our capabilities in this area. Some of our efforts included:

- In North America, our Claims Form Automation process has become part of our foundational effort to improve and standardise the way our Claims teams communicate with customers. Using 340+ templates, interactive document editing capabilities and automated and semi-automated letters, this process has brought savings and efficiency, and improved our claims management and regulatory compliance.
- In Europe, our pricing and data science teams are developing a new generation of pricing and risk selection models blending machine learning, generalised linear models and other traditional actuarial techniques to enhance underwriting performance and decision making. We actively seek external data sources to augment our internal data and increase the quality of our algorithms. During 2020, we enhanced many of our pricing models including commercial motor, financial lines, marine, property and packages. We also deployed enhanced technology to support our SME portfolio and the business more generally.
- Defending liability claims that go to litigation can come at a significant expense to QBE. The impact of these costs underscores the importance of choosing the best firms to represent us.

Our North American team utilises Artificial Intelligence (AI) to select defence counsel for litigation with an algorithm based on the law firm's performance from a total loss perspective. AI has helped us to direct claim assignments to high performing defence counsel to optimise our legal expense relative to realised settlement outcomes. By better managing legal fees and outcomes, we can better serve customers by keeping costs, and ultimately premiums, as low as possible. In 2020, we spent \$11 million in fees to external law firms, and spent \$77 million on settlements and awards.

- In Europe, we use data mining processes to build predictive models and create a database that can be used across multiple projects and to validate data. Analytics-enabled text mining involves scanning a document through an Optical Character Recognition (OCR) reader, which converts it to a format that can be analysed by our Data Science team and used to build predictive models. More than 10 million claims documents have already been scanned, and going forward, every document received will be scanned through the OCR, allowing our teams to find what they need more quickly.
- Our Natural Language Processing experts utilise AI models to analyse text data in order to predict fraudulent claims and identify and respond to customers. Text mining strengthens our fraud detection through identifying patterns and signs of potential fraud, which are then referred to the Special Investigation Unit team for follow-up.
- In Australia, we launched our National Towing Network, a group of accredited partners that provide 24/7 emergency accident towing services to our customers. The Network ensures customers are supported at the scene of accidents and their vehicles are transported to the best placed repairer (including our Accredited



QBE Ventures

QBE Ventures invests in and builds alongside early stage technology companies that have the potential to enhance our business model and reshape the insurance industry. Leveraging QBE's market strength, resources and expertise, these emerging technologies are augmented to create new value for our customers, partners and the communities in which we operate. We partner with leading InsurTech startups that provide intelligence, insights and potentially industry-changing ideas. We actively seek to invest in companies whose products or ideas can be deployed into our operations to help us solve business problems or to grasp an opportunity - accelerating both the startup's growth and our continued transformation.

i Information on how these partnerships help our customers can be found in [Customer and community](#) and on our [website](#).

Smash Repairer Network), providing a streamlined claims experience that will have customers back on the road faster and help QBE manage costs. Our new Property Claims Lodgement Tool also enables integrated digital lodgement, claims triaging and supplier allocation in the one application. We continue to work towards offering a unique, efficient claims process for each customer, depending on their individual circumstances.

Operational excellence (continued)



Business resilience

The need to shift our organisation to remote working as a result of the pandemic highlighted the importance of investments we have made in increasing our operational resilience. Within a 72-hour period in March, around 15,000 QBE employees were rapidly transitioned to a fully working-from-home scenario with minimal disruption to customer service or business operations.

The investments we have made in technology and collaboration tools over the last two years included an organisational upgrade to Windows 10, Microsoft Teams and cloud-based virtual desktop infrastructure, along with increased network capacity and resilience. These allowed our people to move to remote working quickly and easily, without compromising on security.

Within a week of making the shift, calls to the IT Service Desk for help had returned to near-normal levels, and operational stability has been maintained since then. It took hard work and dedication to make sure we could continue connecting with our customers, employees and service providers just as we did before COVID-19 emerged.

Our investment in uplifting security controls across identity and access management, multi-factor authentication, endpoint security and data loss prevention were also critical in supporting QBE's secure remote working arrangements. Our Global Security Operations Centre has been operating on heightened awareness since the onset of COVID-19 to detect and respond to the increased threat posed by cyber criminals exploiting the global shift to remote working. We also increased our cyber security education and awareness activities to provide our employees and customers with a range of advice designed to reinforce secure practices.

Throughout 2020, QBE continued to uplift and mature our cyber capabilities, including the industrialisation of our third-party suppliers' cyber governance processes, patching and vulnerability management, network security, system assurance testing and management of data security risks. We also continued to focus on rationalising the number of legacy applications and increasing the stability of our platforms to improve the user experience.

This year has challenged our approach to business resilience as never before. With the pace of upheaval this year, it is easy to forget that COVID-19 emerged at a time when the organisation was already responding to the Australian bushfire crisis and the Philippines Taal Volcanic eruption. In December 2019, our new Group Business Continuity Management policy was approved by the Group Board, which set out the agreed standards for business continuity management across the globe. This meant that we were well-positioned Group-wide in relation to crisis coordination across onshore, offshore and third-party sites, making our operational response very effective.

Procurement

Our Procurement teams aim to deliver business value in responsible and sustainable ways, focusing on the minimisation of operational and supply chain risk and disruption when interacting with suppliers.

The Supplier Sustainability Principles set minimum expectations of our suppliers doing business with QBE. In line with our principles, we continue the process of integrating sustainability considerations as part of procurement. We seek to engage suppliers and business partners who share our understanding of, and commitment to, developing sustainable supply chains for our regional and global communities, and who will work with us to achieve these objectives.

The Supplier Sustainability Principles are referenced as part of our supplier agreement templates (including our Global Services Agreement template). In North America, our 'Request for Proposal' process includes questions for the supplier on environmental initiatives and metrics that they track.

In Australia Pacific, a sustainable procurement strategy is being developed. We are leveraging our partnership with Supply Nation, Australia's leading database of verified Indigenous businesses, to include these businesses as part of the supplier selection process and strategic supply solutions where possible. We are integrating sustainability in our discussions with suppliers as part of our Supplier Relationship Management Framework and practices.

i Further information about our focus on indigenous engagement can be found in our [Reconciliation Action Plan](#).

Operational environmental performance

We continue to drive improvements in our environmental performance by integrating resource efficiency considerations into our strategic and operational business decision making, transitioning to renewable energy sources and inspiring our employees to take action.

In support of the transition to a low-carbon economy, we joined the RE100 in 2019. In 2020, we made strong progress towards 100% renewable electricity for our operations, with 97% of our global electricity use coming from renewable sources. We also maintained carbon neutrality and achieved our energy use, air travel and science-based emission reduction targets ahead of time. While COVID-19 had impacted our operations and performance, we are confident that we will achieve our 2021 targets.

Sustainable workplaces

Like many businesses, our response to COVID-19 has prompted us to reflect how best to enable our people to achieve the right balance of remote and office-based working, and how we can continue to create workplaces that inspire our people to be at their best. As we embrace remote working globally, we recognise the importance of accounting for the associated carbon emissions and have therefore included a calculation as part of our carbon footprint.

Engaging our employees to create behavioural change

A big focus for us in 2020 was finding new and engaging ways to keep our people connected in our sustainability agenda and informed about actions they can take in their personal lives to live more sustainably. Engagement activities included:

- Launching a global intranet site that guides our people to becoming sustainability champions and helps identify ways to manage sustainability-related risks and opportunities.
- Hosting Plastic Free July 'lunch and learn' sessions leveraging our partnerships with Taronga Zoo in Australia and the World Wildlife Fund in the Philippines to educate employees on the effects of plastic on the environment and wildlife, and to share tips on reducing single-use plastics.
- Running employee competitions, campaigns and idea-sharing in celebration of World Environment Day to encourage our people to reconnect with nature during the pandemic.

Our targets

Reduce energy use by
15% by 2021

Reduce Scope 1 and 2
 carbon emissions by
30% by 2025

Transition to
100%
 renewable electricity by 2025

Reduce air travel by
20% by 2021

Embracing digital transformation

COVID-19 has also accelerated our shift towards a more digital workplace. Digitisation enables us to deliver an improved customer experience and reduce operating costs and environmental impacts through reducing paper, one of our main material inputs. In Hong Kong, we implemented a 'Go Green' initiative to digitise many of our internal processes and leverage the use of automated forms instead of paper.

We rolled out the Green Dispatch initiative across our operations in Singapore and Hong Kong, which helped enable a 50% reduction in internal paper usage and saved over \$160,000 in the printing and distribution of market-facing documents.

i You can read more about this in [Customer and community](#).

Our 2020 performance against targets is outlined in the table below.

INDICATOR	BASELINE ²	TARGET	TARGET YEAR	2020 ACTUAL PERFORMANCE	2020 TARGET PERFORMANCE	STATUS
Air travel (tCO ₂ -e)	17,739	-20%	2021	2,717	-85%	Achieved
Energy use (GJ)	178,976	-15%	2021	122,115	-32%	Achieved
Scope 1+2 emissions (tCO ₂ -e) (1.5°C trajectory aligned science-based target) ¹	29,696	-30%	2025	5,881	-80%	Achieved
Renewable electricity use (MWh)	-	100%	2025	22,529	97% ³	On track

1 This is science-based emissions reduction target calculated in line with the most ambitious decarbonisation scenario, which is the 1.5°C scenario.

2 Air travel baseline is 2017. Baseline for all other indicators is 2018.

3 Actual 2020 percentage of renewable electricity. This is not a year-on-year percentage change.

Operational excellence (continued)

Greenhouse gas emissions by activity

tCO ₂ -e GHG EMISSIONS ¹		% CHANGE FROM PRIOR YEAR	2020	2019	2018	2017	2016
Direct emissions (Scope 1)²							
Business travel - fleet vehicles	○	-18%	4,628	5,615	6,988	6,631	7,529
Stationary energy - gas	○	-7%	920	985	1,326	1,273	1,157
Total Scope 1	○	-16%	5,548	6,600	8,314	7,904	8,686
Indirect emissions (Scope 2)²							
Scope 2 (market-based) ³	○	-95%	333	6,172	21,382	23,899	25,155
Scope 2 (location-based) ⁴	○	-18%	13,770	16,729	21,382	23,899	25,155
Other indirect emissions (Scope 3)^{2,5}							
Stationary energy - gas indirect	○	-20%	1,022	1,274	1,186	1,570	2,081
Business travel - air ⁶	○	-78%	2,717	12,160	14,973	17,739	19,524
Business travel - car hire and taxi	○	-25%	1,612	2,146	2,161	2,158	1,669
Business travel - rail and bus travel	○	-83%	23	133	139	133	168
Working From Home - electricity and gas ⁷			3,174	DNR	DNR	DNR	DNR
Office paper purchased	○	-56%	93	211 ⁸	324 ⁸	574 ⁸	474 ⁸
Waste - recycled and landfill	○	-26%	739	1,002 ⁹	1,022 ⁹	1,079 ⁹	1,147 ⁹
Water	○	-44%	108	192	188	229	193
Total Scope 3	○	-45%	9,488	17,118	19,993	23,482	25,256
Total GHG emissions (Scope 1, 2 and 3)	○	-49%	15,369	29,890	49,689	55,285	59,097
Carbon offsets	○		(15,369)	(29,890) ¹⁰	(49,689) ¹⁰	-	-
Net GHG emissions (carbon neutral from 2018)			-	-	-	55,285	59,097

Emissions profile by source (tCO₂-e)Emissions profile by region (tCO₂-e)

Key performance indicators - GHG emissions intensity

tCO ₂ -e GHG EMISSIONS		% CHANGE FROM PRIOR YEAR	2020	2019	2018	2017	2016
Scope 1+2 GHG emissions per GEP US\$M	○	-56%	0.42	0.96	2.11	2.20	2.30
Scope 1+2 GHG emissions per FTE ¹¹	○	-54%	0.52	1.13	2.45	2.25	2.38
GHG emissions per GEP US\$M	○	-51%	1.10	2.25	3.54	3.83	4.01
GHG emissions per FTE ¹¹	○	-49%	1.35	2.64	4.09	3.91	4.15

Carbon offset by project type (%)



Electricity use by region (%)



1 GHG emissions data is calculated based on QBE business activities and includes emissions from CO₂, N₂O and CH₄. Emissions from HFCs, PFCs, SF₆ and biogenic activities are not applicable to QBE's operations and therefore have not been reported.

2 Estimates have been made for certain office locations and activity data streams where actual activity was not available, and were based on comparable offices/activities in the same region.

3 Our market-based emissions derive emissions factors from our contractual instruments, including green electricity purchased through our electricity retailers and renewable energy attribute certificates sourced via brokers.

4 Our location-based emissions reflect the average emissions intensity of grids on which our electricity consumption occurs (our location-based emissions do not take into account the contractual instruments we have used to reduce our emissions footprint).

5 This year, we have disclosed the carbon intensity of our corporate credit investment portfolio in the "Climate Change - our approach to risks and opportunities" section of our 2020 Annual Report. Employee commuting is not included in our Scope 3 inventory due to unavailability of data.

6 Scope 3 emissions from business air travel include DEFRA's required distance uplift and exclude radiative forcing due to the significant scientific uncertainty surrounding the quantification of the effect of radiative forcing.

7 Due to COVID-19, the majority of our global workforce has been working from home for most of 2020. We have estimated the emissions relating to energy use by our employees while working from home.

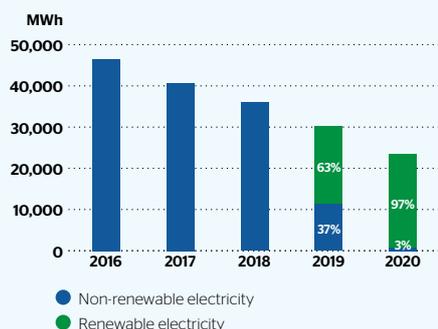
8 In 2020, as part of our ongoing focus on improved data quality, we moved from using DEFRA's waste emission factor to calculate office paper purchased emissions to using DEFRA's 'cradle-to-gate' emission factor. This has resulted in higher reported emissions and we have restated prior years' emissions for comparative purposes. Our underlying reported paper purchased volume remained unchanged.

9 In 2020, as part of our ongoing focus on improved data quality, we moved from using DEFRA's waste emission factor for Australian waste emissions to using NGA's lifetime waste emission factor. This has resulted in higher reported emissions and we have restated prior years' emissions for comparative purposes. Our underlying reported waste volume remained unchanged.

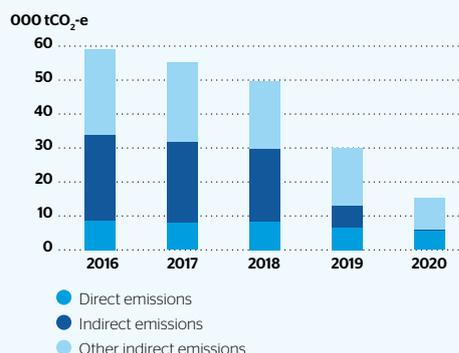
10 The carbon offsets purchased in 2018 and 2019 were sufficient to cover the increase in emissions due to the restatements of office paper purchased and waste emissions mentioned in Footnote 8 and 9 above and we remained carbon neutral.

11 The emissions intensity indicators for 2018-2020 are per FTE. Indicators for 2016-2017 are per number of employees.

Electricity use by source



Direct and indirect emissions



Other environmental indicators

	UNITS	% CHANGE FROM PRIOR YEAR	2020	2019	2018	2017	2016
Stationary energy use¹							
Non-renewable electricity	MWh	○ -93%	771	11,304	35,916	40,691	46,500
Renewable electricity ²	MWh	○ 19%	22,529	18,876	-	-	-
Electricity use per FTE ³	MWh/FTE	○ -23%	2.05	2.67	2.96	2.88	3.27
Gas - direct	GJ	○ -7%	18,234	19,513	26,231	25,362	20,772
Gas - indirect	GJ	○ -20%	20,000	25,133	23,446	31,218	37,460
Gas use per FTE ³	GJ/FTE	○ -15%	3.37	3.95	4.09	4.00	4.09
Working From Home - electricity and gas ⁴	GJ		26,287	DNR	DNR	DNR	DNR
Business travel							
Air travel	'000 km	○ -80%	15,787	77,958	95,775	118,192	114,928
Road travel ⁵	'000 km	○ -21%	9,406	11,876	11,623	11,831	5,882
Rail and bus travel	'000 km	○ -73%	877	3,240	3,101	2,828	3,385
Business travel per FTE ³	'000 km/FTE	○ -72%	2.30	8.23	9.10	9.40	8.73
Office paper purchased¹							
Office paper purchased per FTE ³	kg/FTE	○ -55%	10	22	28	44	35
Water use¹							
Water use per FTE ³	kL/FTE	○ -44%	9	16	15	15	13
Waste and recycling¹							
Waste to landfill	tonnes	○ -42%	877	1,512	1,536	1,770	1,764
Waste per FTE ³	kg/FTE	○ -37%	124	198	208	231	192
Paper recycled	tonnes	○ -26%	438	589	844	1,340	833
Other recycled waste ⁶	tonnes	○ -28%	96	134	142	156	137
Recycling rate	%	○ 19%	38	32	39	46	35

How we account for the numbers

Our reporting on environmental data follows the guidelines outlined in:

- the Global Reporting Initiative (GRI) Standards' requirements for Emissions Disclosures 305-1, 305-2 and 305-3;
- the Greenhouse Gas Protocol's *Corporate Accounting and Reporting and Corporate Value Chain (Scope 3) Accounting and Reporting Standards*; and
- QBE's Greenhouse Gas Reporting Framework which governs our data collection process.

The Group's GHG emissions reporting is driven by our global insurance operations across the world. We calculate emissions using the energy content and emission factors considered most relevant to each region, based on information sourced from:

- Australian Government's Department of Industry, Science, Energy and Resources: *National Greenhouse Accounts Factors 2020* (NGA);
- United Kingdom Government's Department for Environment Food & Rural Affairs (DEFRA): *GHG Conversion Factors for Company Reporting 2020*;
- United State's Environmental Protection Agency (EPA): *Emission Factors for Greenhouse Gas Inventories: Direct Emissions from Stationary Combustion 2020*;
- United State's EPA: *Emissions & Generation Resource Integrated Database (eGRID) 2018* (released in 2020); and
- International Energy Agency: *CO₂ Emissions from Fuel Combustion, 2019* edition.

1 Estimates have been made for certain office locations and activity data streams where actual activity was not available, and were based on comparable offices/activities in the same region.

2 2019 was the first year QBE started sourcing renewable electricity. The renewable electricity includes both renewable energy contracts with energy retailers and renewable electricity certificates purchased.

3 Indicators for 2018-2020 are per FTE. Indicators for 2016-2017 are per number of employees.

4 Due to COVID-19, the majority of our global workforce has been working from home for most of 2020. We have estimated the energy usage by our employees while working from home.

5 Road travel includes business travel by car hire, taxi and private car.

6 Includes recycled IT asset waste and mixed plastics and glass.