



Sustainable insurance

QBE provides a broad range of insurance products to personal, business, corporate, institutional and multinational customers.

As a proud signatory to the United Nations Environment Programme Finance Initiative's (UNEP FI) Principles for Sustainable Insurance (PSI), we take an active approach in our risk management, endeavouring to deliver solutions tailored to our customers' needs. We also consider ESG issues relevant to our business in our decision making. We continue to strive for accountability and transparency in disclosing our progress in implementing the PSI.

2020 Sustainability scorecard achievements

Address the risks and opportunities related to climate change

Rolled out our three-year Climate Change Action Plan **page 22** ✓

Implemented, monitored and maintained compliance with our Group Energy Policy **page 22** ↻

Continue to embed consideration of ESG risks into our Group-wide risk management framework

Developed Environmental and Social Risk Framework to support integration of ESG considerations into our Group Underwriting Standards **page 26** ⇨

Collaborate with industry, government, community partners and other stakeholders to support the achievement of our priority UN SDGs

Participated in the successful launch of the Australian Sustainable Finance Roadmap **page 31** ✓

Actively participated in external initiatives and partnerships to address climate change **page 30** ↻

i View our 2021 Sustainability scorecard on **page 68**.

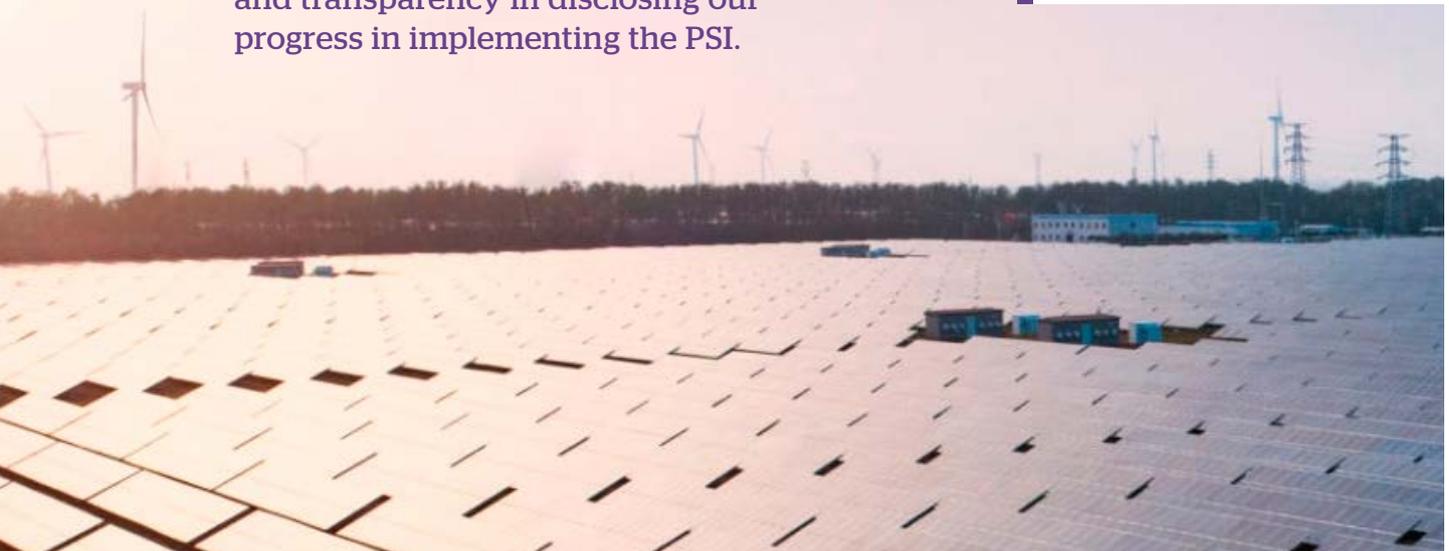
Key for progress symbols:

✓ Achieved

⇨ On track

⇨ Behind

↻ Refreshed





The COVID-19 pandemic has added complexity in terms of QBE's business operations and caused ongoing impacts to our investments and risk exposures. COVID-19 has been the ultimate stress test of our risk management processes. We responded rapidly to the changing environment with comprehensive Board and Executive oversight to help ensure that the Board was fully apprised across all aspects of COVID-19's impact and QBE's response. We have been able to substantially uplift our scenario and capital planning capabilities which have provided clarity regarding the range of potential financial and non-financial impacts of COVID-19.

While the full effects of this pandemic are still unknown, QBE has taken strategic actions to manage the immediate impacts and prepare the organisation for a post-pandemic future.

QBE's risk management processes and systems are robust and aligned to global best practice, such as the PSI and the Organisation for Economic Co-operation and Development (OECD) guidelines for good practice in insurance claims management developed by the OECD Insurance Committee. Our Group Board seeks to ensure that we maintain an effective Risk Management Strategy (RMS) across our operations, and that the business manages risks effectively in line with our Enterprise Risk Management Framework. This framework incorporates our key risk management processes determining:

- risk appetite;
- stress and scenario-testing;
- governance, reporting and monitoring;
- risk identification, measurement and mitigation;
- risk management systems; and
- monitoring of our risk culture.

Consistent with its charter, the Group Board remains responsible for overseeing our social, ethical and environmental responsibilities across the business. Our Board Risk & Capital Committee (BRCC) supports the Group Board and oversees active and appropriate risk management in line with our risk appetite, strategy and business plans. The Group Board reviews the RMS annually, with results reported to the Group Board Audit Committee and BRCC. The Executive Non-Financial Risk Committee (ENFRC) supports the business in managing risks as well as understanding and meeting relevant legal and regulatory requirements relating to non-financial risks, reporting to the BRCC.

i Refer to Risk - our business in the 2020 Annual Report for further information about our risk management processes.

Integrating sustainability into risk management

As a member of UNEP FI and a signatory to PSI, we continually work to integrate sustainability and current and emerging ESG risks and opportunities in our decision-making processes. As part of our RMS, we categorise risks into eight classes, with ESG risks across underwriting and investments classified as strategic risks, as well as being integrated into other risk classes.

Our Group ESG Risk Standard, which forms part of our Strategic Risk Policy, outlines the process we use to identify and manage ESG risks across the business. ESG risks are reported to the Group Chief Risk Officer (CRO) quarterly, with our ESG Risk Committee focusing on ESG risks that are deemed high risk. The Committee proposes actions to the ENFRC following those discussions. Our ESG Risk team analyses and manages ESG risks, engaging with teams across the business to raise awareness of them. In 2020, topics considered material included climate change, human rights, modern slavery, mining practices and biodiversity.

Committed to responsible underwriting

QBE's Group Underwriting Standards support our continued commitment to responsible underwriting. These Standards include:

- strict adherence to compliance and regulatory obligations underpinning global efforts to combat terrorism, corruption, corporate and organised crime and human rights violations;
- identifying and integrating ESG issues into risk management and underwriting decision-making processes;
- working with our customers and business partners to raise awareness of ESG and conduct issues, manage risk and develop solutions.

Environmental and Social Risk Framework

In 2020, QBE developed an Environmental and Social (E&S) Risk Framework, which identifies the sectors and issues that present an increased E&S risk to our business, including energy and biodiversity, and outlines our approach to managing those risks. The Framework, that will be fully implemented in 2022, has been developed to promote informed decision making that is consistent with our commitment to sustainable insurance and investment. The Framework considers the [PSI ESG Guide for Non-life Insurance](#), supporting the integration of ESG considerations into our core business and increased transparency with our customers.

i Refer to our [website](#) for further information about our E&S Risk Framework.

Our emerging risks

We understand that the risk landscape is rapidly changing and evolving, as demonstrated by the events of 2020. Emerging risks are considered as part of our strategic risk class. We define emerging risk as new or prospective risks which are difficult to assess but may have a significant impact on our business or the markets in which we operate. Emerging risks can significantly impact us achieving our strategic or business objectives and may not be adequately captured within other risk classes, or risk sub-classes, within our RMS unless appropriately identified.

Emerging risks are identified and analysed by our three Divisional Emerging Risk Forums (DERF), with overall coordination by the Global Emerging Risk Forum (GERF), which identifies and evaluates the emergence and maturity of each risk. Our emerging risk forums bring together experts across the business to identify, assess and develop management approaches to emerging risk.

The DERF and GERF periodically perform a horizon scanning exercise to identify, analyse and evaluate potential emerging risks to QBE. The DERF develops and manages treatment plans for emerging risks in conjunction with the business. The GERF provides regular recommendations and updates to the ENFRC.

During 2020, the GERF, ENFRC and BRCC reviewed a range of emerging risks material to the Group including nanotechnology, algorithmic bias, cyber security, big data, demographic change, resource scarcity and disruptive digital technologies. The following provides an overview of two risks with associated actions:

- Nanotechnology poses a significant health risk to our customers and may impact the way they operate their businesses as regulation catches up to technology. Nanoparticles have the potential to cause cellular

level damage with long-term health impacts still unknown. There is a legal challenge as governing bodies scramble to stay up to date with technology and regulation. New European Union regulations relating to the manufacture and import of nanoforms was released in 2020, with legal ramifications for QBE's European customers. To mitigate the risk associated with nanoparticle use by our customer base, we use Arium's casualty analytics platform to host data and run scenarios to estimate sensitivity-test loss severities. QBE intends to use this tool to investigate further materiality of this risk to help identify potential treatment actions and recommendations.

- In an increasingly digital world, artificial intelligence and data analytics have the potential to generate business advantage and positive outcomes for customers. A major risk in reliance on algorithms and historical data is embedded human bias, which has the potential to affect both QBE and our customers. The use of human programmed models may magnify inherent bias in data including accidental racial, social or gender profiling. These models may give rise to ethical and legal risks for the company, and reputational risk for the industry. QBE is currently developing a tool to address this risk.

During 2020, we again actively collaborated with other multinational insurers in the [CRO Forum](#), a forum for Chief Risk Officers of global insurers to advance global risk management practices. As part of this, we worked to update the [Emerging Risk Radar](#) and undertake a deep dive into the impacts of demographic change which create both significant challenges and opportunities for the insurance sector.

i Further information about emerging risks can be found in the [2020 Annual Report](#).

Promoting sustainability with customers, business partners and employees

We work closely with our customers, partners and employees to raise awareness of sustainability issues, manage risks and develop solutions. We offer workshops, tools and publications to help our customers, brokers and employees build and develop their ESG risk management knowledge and sustainability awareness. We also promote sustainability awareness in the following ways.

Educating to build resilience and risk expertise

We continue to support our customers by providing readily accessible thought leadership pieces and resources for small to medium enterprises on topics ranging from cyber safety for video conferencing, to productivity tips and improving mental resilience.

In Australia Pacific, our QBE Leadership Series of webinars helps leaders create a culture of safety in their workplace with a focus on mental health and business coaching. We have also extended several professional development offerings to brokers this year including our Learn@QBE Modules which cover topics such as product tutorials and general insurance credit practices.

Our Resilience Series, published in Europe, is a collection of articles, guides and insights to help businesses build resilience through safeguarding trade, managing people risks and leveraging technology. Topics include road safety in the new era of cycling and walking, planning and executing in periods of uncertainty and embedding a strong risk culture during crisis. As industry experts, we understand how vital it is that businesses are able to easily access useful resources of this kind as they develop plans to recover from this unprecedented year.

Globally, our Risk Solutions (RS) teams have been delivering webinars and guidance supporting QBE customers to manage risk and build resilience in their own businesses. In Europe, our Financial Lines RS team has developed an ESG Framework that customers can use to address climate change risks, stakeholder expectations and governance requirements, all of which are fundamental to long-term sustainability. Our aim is to build an ESG toolkit of templates providing support as our customers turn to incorporating sustainability into their businesses.



Our sustainable solutions and products

Through our products, services and publications, we continue to help our customers address sustainability issues and ESG risks. ESG considerations are embedded in our product design and decision-making processes, helping provide our customers with sustainable solutions and products.



► Encouraging ESG through pricing

QBE's Global Credit and Surety team launched a new Global Underwriting Pricing Tool for our Trade Credit business. The new tool includes pricing benefits for businesses with strong ESG ratings, an idea that came out of our Global Challenge last year where employees across the business came together to present solutions to support customers' current and emerging risks and opportunities. By offering pricing benefits for businesses with strong ESG ratings, customers that make environmentally and socially conscious choices are rewarded, and other customers are encouraged to strengthen their ratings.



Helping customers spring back from injury

In Europe, our Rehabilitation Services team aims to help people recover from workplace injuries more quickly, with a specific focus on early intervention; continuing to serve as a key product differentiator. Our proactive rehabilitation approach has saved customers an estimated 1,619 lost days by expediting employee recovery and facilitating a faster return to work. This has saved £184,000 in absence related costs. By providing early intervention and rehabilitation, not only are we able to facilitate quicker claimant recoveries, we have also saved an estimated £4.8 million in claims costs in 2020.

The team has also worked closely with the Risk Solution team to develop an online customer mental health and wellbeing assessment tool and service improvement roadmap. We have done so in collaboration with a number of mental health and wellbeing providers including Mind, the United Kingdom's most renowned mental health charity.

In Australia Pacific, our MyRecovery program combines digital technology, artificial intelligence and behavioural insight capabilities to deliver a personalised, interactive approach to recovery. Once a claim is lodged, an interactive video is sent to the individual to guide them through the claims process. The program allows pre-approval of some services, supporting injured people on the road to recovery. There has also been increased uptake in telehealth services, health consultation services delivered via video conferencing, giving people access to a wide range of medical services from home.

With the onset of COVID-19 and the widespread uptake of video conferencing, we worked with a range of healthcare partners to facilitate telehealth services. We have partnered with experts to provide more than 10,000 telehealth-based services in 2020.

In Hong Kong, our Connect Ecosystem manages and facilitates efficient employee compensation claims. The new all-in-one approach creates a collaborative and holistic ecosystem, from analysis, strategic planning, partnership and collaboration through to evidence-based medicine, service delivery excellence, negotiated outcomes and dispute and conflict resolution. The ecosystem enables injured workers to return to work more quickly.



Smart home for the smart customer

QBE North America partnered with Roost, Inc. to offer customers industry-leading smart home products to monitor smoke detectors and water systems, mitigating risks in the home. QBE personal insurance customers are eligible for a 15% discount on the smart battery for smoke detectors, which sends out notifications to nominated individuals if the alarm is activated or the battery is low. Customers are also eligible for the same discount on the Smart Water Leak and Freeze Detector, designed to sense and alert you to water leaks and frozen pipes. This partnership exemplifies QBE's approach to bringing not just insurance, but also risk expertise, to our customers.



Rewarding green upgrades

In Australia Pacific, we encourage our customers who have had a relevant claim to opt for environmentally-friendly upgrades. When replacing damaged white goods, home insurance policyholders may receive up to an extra A\$500 to upgrade that product to one with a better environmental rating. For customers who have experienced damage to their building rendering it a total loss, QBE's building insurance covers some additional costs to make the replacement building more environmentally friendly.



Stella Insurance: for women, designed by women

QBE is proud to support female-founded businesses, gender equality and social inclusion and Stella Insurance is a prime example of this. Underwritten by QBE, Stella Insurance represents a new opportunity for female drivers. Stella's research shows that women are statistically safer drivers and Stella Insurance seeks to reward this behaviour. Men are not excluded from being Stella Insurance customers, but the company's policies look to benefit women by covering items and situations typically excluded by traditional insurance. Stella Insurance provides discounted premiums for women, rewards for a good claims history, cover for baby gear and personal items, as well as cover for deliberate damage by a violent partner or ex. In addition, through the 'Stella Squad' program, Stella Insurance will also donate a share of its profits to female entrepreneurs, with a goal of backing, mentoring and promoting 10 new female-founded startups by 2025.



Predicting and preventing injury

QBE is investing in wearable technology to better predict, manage and reduce the likelihood and consequences of musculoskeletal injuries. We partnered with dorsaVi to offer on-body sensors which will be used in real time and real work environments to monitor and measure movement and muscle activity, quantify movement risk and guide decision making on appropriate risk mitigating strategies. The aim is to help reduce the physical, emotional and financial costs of worker injury and enable better injury risk management for our customers.



Cyber: the new risk frontier

Our European Risk Solutions team launched the Cyber Risk Profiler, designed to help our customers better understand their risk exposures and the security measures needed to create and maintain a cyber-resilient organisation. By understanding their cyber risk profile, businesses can be more proactive about improving it and mitigating potential risks and losses. Through an interactive questionnaire, this tool generates a report with recommendations and best practice guidance to help businesses create a top-to-bottom cyber-resilient culture and minimise vulnerability to potential cyber-attacks.



Engaging with governments, regulators and other key stakeholders to promote action on sustainability

We work together with governments, regulators, key stakeholders and customers to promote action on sustainable initiatives with ESG risks and issues in mind. We regularly consult with industry experts and participate in roundtables and seminars, both locally and globally, to promote sustainability; endeavouring to stay well-informed and influential on emerging trends and risks.

QBE Hong Kong is participating in the Green Finance Association Insurance Task Force arranged by the Federation of Insurers. This is an initiative made up of executives from various insurance companies in Hong Kong working to drive a coordinated response to green insurance offerings. QBE chairs the Green Product Development group, giving us the opportunity to influence and contribute to this important initiative. The key topics discussed by the task force include market and product development, investment in environmentally-friendly products,

ESG-related disclosures and cultivation of a green-focused corporate culture.

Our CEO for Hong Kong participated in the Asia Insurance Summit in November, contributing to thought leadership on digitalisation, cyber risks and new opportunities in cyber insurance.

QBE North America is working with State Insurance Commissions to support policyholders impacted by natural disasters by extending premium payments and waiving late fees. We participated in the Fraud Advisory Panel and the

International Association of Special Investigation Units to contribute to the industry knowledge base and stay on top of related fraud trends and developments. We also joined the CEO Action for Diversity & Inclusion, and contribute to the Professional Liability Underwriting Society, Risk Management Society, Women in Insurance Leadership, and have participated in the Insurance Industry Women to Watch program, Insurance Industry Charitable Foundation IDEA Council and monthly meeting of Diversity and Inclusion leaders.

Collaborating on climate change

We continue to collaborate with regulators, banks, insurers, reinsurers, asset owners and other stakeholders to develop open-source standards for reporting on physical climate risks for assets such as properties, buildings and infrastructure. The Climate Measurement Standards Initiative (CMSI) will help the industry better understand the financial risks on underwriting from increasingly extreme weather events. By developing a common approach, we can help support at-risk communities across Australia using the full power of the industry.

QBE is a funder and active leader in the CMSI, which published recommendations in two major reports, the first of which provides guidance to the financial services industry on disclosing scenario analyses under the recommendations

of the Task Force on Climate-related Financial Disclosures. The second is the result of a unique collaboration with CSIRO, the Bureau of Meteorology and University of NSW,

some of Australia's leading climate scientists, to develop scenario specifications for climate-related physical risk for buildings and infrastructure.



Our Gender Equality Bond

In support of

WOMEN'S EMPOWERMENT PRINCIPLES

Established by UN Women and the UN Global Compact Office



In 2017 we issued a \$400 million Gender Equality Bond, a debt product incorporating gender equality considerations with strict investment criteria. Any issuer must be a signatory to the United Nation's Women's Empowerment Principles (WEPs) and be included in the Equileap Gender Equality Global Report and Ranking at the time we invest. As at 31 December 2020, the gender equality bond portfolio was over-collateralised at \$547.1 million on a mark-to-market basis.¹ We publish a [Gender Equality Bond Progress report](#) showcasing the achievements of companies we have invested in and the progress towards gender equality in the workplace and communities we serve.

Our gender equality bond is an opportunity for debt investors to create positive change and promote gender equality and women's empowerment.

¹ As at 31 December 2020, the mark-to-market value of the gender bond portfolio was \$547.1 million. This differs to the balance sheet value of the instrument (classified as equity), being \$393 million as at 31 December 2020.

Australian Sustainable Finance Initiative

In Australia, QBE has funded and been an active participant at all levels of the Australian Sustainable Finance Initiative (ASFI). ASFI has developed a [roadmap](#) that recommends pathways, policies and frameworks to enable the financial services sector to contribute more systematically to transition to a more resilient and sustainable economy, consistent with global goals such as the SDGs, the Paris Agreement on climate change and the *Sendai Framework on Disaster Risk Reduction 2015-2030*. Through ASFI, we have engaged with Australian Government departments and financial regulators on how we can collaboratively help shape an Australian economy that prioritises human wellbeing, social equity, and environmental protection, while underpinning financial system resilience and stability.

Adding our voice to key sustainability events

The COVID-19 pandemic caused the cancellation of many events, while others shifted online. Virtual events have allowed our voices to stretch further and reach new audiences beyond just event halls in Sydney, London and New York.

The SDGs are a top priority for QBE, and we are proud to have been able to participate in panels during the five-day Summit 'Advancing the SDGs: The Australian Experience' hosted by the Business Council for Sustainable Development Australia and the Banksia Foundation. In addition, we participated in the 16th UNEP FI Global Roundtable hosted virtually over two days in October. The Roundtable explored emerging approaches for financing achievement of the SDGs and emerging guidance and good practice, as well as the finance sector's responses to science, policy and business developments relevant to the SDGs.

QBE also supported the three-day virtual Airmic Fest in September, presenting 'The road to recovery: the power of early mental and physical health rehabilitation intervention.'

The second Annual Innovation Summit was hosted by QBE North America in October, bringing together a number of InsurTech companies to spark innovation and creative conversations about process efficiency, automation and new approaches to supporting customers. Participants presented to QBE senior leadership.

In 2020, QBE was invited to speak at a number of webinars and roundtables. We had a panellist at the New Zealand Association of South East Asian Nation's Business Alliance Conference, Shared Value Summit Asia Pacific and the 2020 Forum of the Risk Management Association on building financial sustainability.

