Enabling a more resilient future

# 2023 Annual Report

QBE INSURANCE GROUP LIMITED

## About this report

This is the Annual Report for QBE Insurance Group Limited (and its controlled entities) for the year ended 31 December 2023.

This report is our primary report to shareholders and includes material information about our strategy and performance, in addition to our remuneration report and financial statements which have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards.

Definitions of key performance metrics in section 2 are provided in the glossary on pages 156 to 160. Key metrics disclosed on a statutory basis are derived from unadjusted components of financial statement line items. Financial information prepared on a management basis has not been audited or reviewed by QBE's external auditor. A reconciliation between the statutory and management result is provided on pages 14 to 15.

QBE adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has restated the comparative period. The impacts of adoption are detailed in note 8.1.1 of the consolidated financial statements on page 133.

Unless otherwise stated, references in this report to 'QBE', 'the Group', 'we', 'us' and 'our' refer to QBE Insurance Group Limited (and its controlled entities). References to 'the Company' refer to QBE Insurance Group Limited, the ultimate parent entity.

All dollar figures are expressed in US dollars unless otherwise stated.

**QBE Insurance Group Limited**
ABN 28 008 485 014

# Contents

# **2023** reporting suite

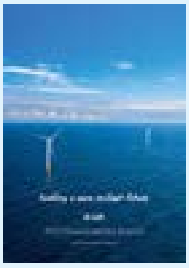
This report forms part of our annual reporting suite which brings together information on the Group's financial and sustainability performance for the year, and other disclosures.

## Annual Report

Our primary disclosure document containing the operating and financial review, remuneration report, financial statements and key governance disclosures.

## Investor Report

Provides performance highlights and supplementary management commentary on the Group's strategic and financial performance for the convenience of analysts and institutional investors.



## Sustainability Report

Contains discussion of QBE's sustainability performance and progress, and discloses sustainability topics that affect QBE and our impacts on society and the environment.

## Sustainability Data Book

Provides data for key sustainability metrics and trends.

## Modern Slavery and Human Trafficking Statement

Describes how we identify, assess and address modern slavery risks within our operations and supply chains.

## Corporate Governance Statement

Describes our corporate governance framework, including key policies and practices.

## Where to find

| Where to find | ANNUAL REPORT | INVESTOR REPORT | SUSTAINABILITY REPORT | SUSTAINABILITY DATA BOOK | MODERN SLAVERY AND HUMAN TRAFFICKING STATEMENT | CORPORATE GOVERNANCE STATEMENT |
|---|---|---|---|---|---|---|
| Business strategy and strategic priorities | ● | ● | | | | |
| Risk management | ● | ○ | | | | |
| Corporate governance framework, policies and practices | ○ | | | | | ● |
| Board membership, skills and experience | ● | | | | | ● |
| Financial performance | ● | ● | | | | |
| Climate-related risks and opportunities | ● | | | | | |
| Sustainability strategy | ○ | ○ | ● | | | |
| Sustainability governance | ○ | | ● | | ○ | |
| Sustainability performance | ○ | ○ | ● | ● | ● | |

**Key:** ○ Key messages ● Comprehensive

# About QBE

QBE Insurance Group Limited (QBE) was founded in Townsville, Queensland in 1886 and is now headquartered in Sydney and listed on the Australian Securities Exchange.

QBE is an international insurer and reinsurer offering a diverse portfolio of commercial, casualty and specialty products, personal line and risk management solutions. Our diverse product portfolio includes property, motor, crop, public and product liability, professional indemnity, workers' compensation, energy, marine and aviation. We operate across three divisions: North America, Australia Pacific, and International.

QBE utilises three major rating agencies and is committed to maintaining its ratings at their current levels, with an A+ S&P rating, and more than $30 billion of funds under management. QBE has the financial strength to realise our purpose, and help those around us build strength and embrace change to their advantage.

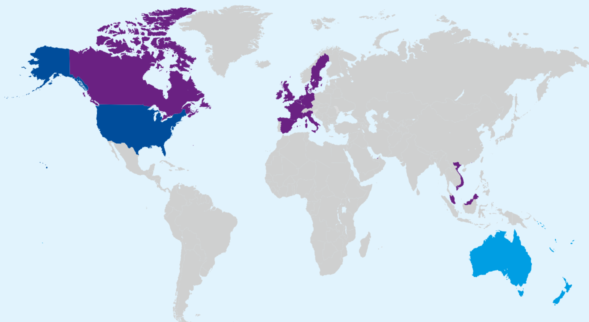
## Our purpose: Enabling a more resilient future

## How we organise ourselves

**3**
Divisions

**27**
Countries of operation

**13,479**
People



### North America

Operating across all 50 states in the United States we offer property, casualty, specialty and Crop insurance to commercial and farm customers through a limited and preferred distribution network and selected managing general agents. Product offerings include property, financial lines, accident and health, workers' compensation and crop insurance.

### International

With a market presence across the globe including the United Kingdom, Europe, Asia, Canada and through our Lloyd's syndicates, we work closely with appointed brokers to provide broad and competitive insurance programs, supplying the products, knowledge and expertise to address the needs of clients in highly specialised fields. Product offerings include property, motor, marine and cargo, financial lines and reinsurance through QBE Re.

### Australia Pacific

Operations in Australia, New Zealand and across the Pacific including Fiji, French Polynesia and the Solomon Islands. We work in partnership with broker and distribution partners to support and protect our customers through a broad range of commercial, personal and specialty insurance products, services and risk management solutions. Product offerings include property, motor, householders, farm, liability including workers' compensation, and LMI.

# Guided by our strong **purpose and vision**

QBE has continued to execute against our strategic priorities throughout 2023, and I am pleased with the improved stability and consistency demonstrated in this result.

We recognise geopolitical issues have escalated over the year and remain extremely complex; with challenging impacts on the global economy and more tragically, the heartbreaking human toll of such conflicts and tensions.

While global inflationary pressures remain elevated, and more persistent in select pockets of the economy, there have been areas of moderation which is encouraging.

QBE is guided by its purpose of enabling a more resilient future and we are proud to have delivered for our customers, communities and shareholders in such a dynamic operating environment. More than ever, we are reminded of the importance of resilience and how it is fundamental to our future success.

Against this backdrop, QBE delivered a statutory net profit after tax of $1,355 million in 2023 following a continuation of exceptional premium growth of 10%. Importantly, our capital position and balance sheet remain strong. Reflecting our confidence in the outlook, the Board has declared a final dividend of 48 Australian cents per share, bringing the total dividends paid in respect of the 2023 year to 62 Australian cents per share. This compares with dividends of 39 Australian cents per share for 2022.

As we face an increase in the frequency and severity of extreme weather events globally, we must collectively learn to mitigate their impacts and improve our preparedness and responses. Our focus remains on keeping people and communities as safe as possible and reducing the devastating impacts that these events can have on all of us.

QBE is committed to the sustainability agenda we set in 2022. We continue to find ways to partner with our customers and suppliers to foster an orderly and inclusive transition to a net-zero future.

Our people remain at the heart of QBE. To support a sustainable and resilient workforce, in March 2023 we created new ‘belonging’ targets and measurements across multiple dimensions of the diversity of our people. We were externally recognised for this market leading work, winning the Most Inclusive Workplace at the Australian HR Institute (AHRI) Awards.

As we plan for the future, building talent and succession is a key focus for QBE, at all levels of the enterprise. We have strengthened our pipeline of talent and succession and benefitted from this strong commitment with a number of internal executive appointments in 2023.

Board renewal remains critical to the stewardship of QBE and we were pleased to welcome Peter Wilson, Steve Ferguson and Penny James as Independent Non-Executive Directors during 2023.

## Looking ahead

Our Vision of being the most consistent and innovative partner demands that QBE is future ready. Cognisant of this, we continue to take advantage of emerging technologies, such as artificial intelligence (AI), to enhance our operations. We also continue to invest in protecting data privacy in an environment where cyber-related challenges are increasingly prevalent.

QBE has a strong history of supporting customers for over 137 years, and in 2023 we were proud to celebrate 50 years of continuous trading on the Australian Securities Exchange (ASX).

Under the leadership of Andrew Horton and the Group Executive Committee, QBE has executed strongly against our strategic priorities, with a global team of over 13,000 people who are united behind our Purpose and Vision. I thank all of our team for their focus and dedication delivering for our shareholders, customers and our communities.

On behalf of the Board, I also thank you, our shareholders, for your continued support of QBE.

**Mike Wilkins AO**
**Chair**

1 Overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Additional information

# Demonstrating resilience in a **complex environment**

The operating environment has remained dynamic in 2023, given the complex geopolitical landscape and challenges relating to inflation. Against this backdrop I am pleased with the improved resilience in the business, as we remain focused on building greater consistency.

Recent years have demanded the need for organisations to respond and steer through complex circumstances. Our QBE teams around the world continue to demonstrate their commitment to our customers, and I am incredibly proud of their enthusiasm in our purpose of enabling a more resilient future.

Our efforts over the near term will continue to concentrate around resilience and reducing volatility, which should drive more consistent outcomes for our people, customers and stakeholders. We remain focused on delivering better performance in North America; and despite an unsatisfactory result this period, we have made the business simpler, terminated poorer performing property relationships, and performance is expected to improve with the run-off of non-core lines.

I am pleased with our internal appointments to the Group Executive Committee during the year. In September 2023, Peter Burton, who has over 15 years with QBE in underwriting and management, was appointed as Group Chief Underwriting Officer; and Julie Wood was appointed Chief Executive Officer, North America.

## Business performance

Financial performance improved in the period, and QBE is demonstrating greater consistency and resilience. Our Group adjusted cash return on equity of 16.0% improved materially from the prior year.

Our combined operating ratio of 95.2% improved from 95.9% in the prior year; however this missed our original plan, largely due to short-tail prior year reserve deterioration, and inflationary pressure across a small group of portfolios.

Reducing volatility remains a primary focus, and we have made good progress this year. Our property catastrophe exposure has undergone a dramatic recalibration, and will benefit from recent portfolio terminations plus material improvement in rate and terms.

Markets remain attractive, and we achieved gross written premium growth of 10%, driven by premium rate increases of 9.7%, which continue to compound.

We take comfort from the general stability in long-tail reserves in the year, with the reserve transaction completed in 1H23, a significant milestone in reducing potential reserve volatility. With global insured losses of around $120 billion, it is encouraging to see our catastrophe costs land below allowance for the year.

Our North America division delivered a combined operating ratio of 103.7%. While performance will improve with the run-off of non-core lines, we remain focused on driving incremental performance improvement in our core segments.

Higher interest rates have supported a strong investment result for the period, and continue to suggest a positive outlook for returns in 2024.

For detailed discussion of Group and divisional performance, please refer to pages 8 to 15 of this report.

## Strategy in action

Our six strategic priorities remain consistent. We are focused on having the right capabilities, people and technology to deliver our strategy, drive competitive advantage and support our customers. Pages 6 and 7 of this report detail our progress and achievements against these priorities, along with future focus areas.

Our strategy to improve performance in North America remains a primary focus for the Board and management, and we are tasked to build a business which delivers performance that is consistent with our Group targets. We have renewed our focus on building and strengthening relationships with our major trading partners, and are confident we can successfully manage our priorities for the division. This includes the run-off of non-core lines, improvement in middle-market performance, driving growth in adjacent specialties and achieving better balance across our three core insurance segments of Crop, Speciality and Commercial.

Portfolio Optimisation and Sustainable Growth priorities play a critical role in our ambition to deliver a consistent Group combined operating ratio in the low to mid 90s. Our Portfolio Optimisation initiatives in 2023 focused on our property portfolio, where we have improved balance across the Group and reduced potential earnings volatility.

We want to accelerate QBE's data-centric capabilities and expand our ability to support customer resilience through new technologies, such as AI. We will continue to leverage technology to deliver better outcomes for customers through our Modernisation strategic priority and QBE Ventures initiatives.

Delivering against the strategic priorities outlined at the beginning of 2022 is uniting our enterprise and we have made good progress. We enter 2024 with a consistent set of strategic priorities and strong momentum across the enterprise.

## Supporting our customers, communities and people

People are at the heart of our business, and it is the actions we take to support our customers, communities and people that underline this commitment. As a global insurer, QBE's portfolio is broad and diverse, helping customers recover from a range of unexpected events. We are proud of our dedicated people, who are experts in their fields across our business, and are there for our customers and partners around the world.

QBE has been there for families, businesses and communities who have been impacted by extreme weather events. This year there were a number of natural catastrophe events globally, including the flooding and cyclone events in New Zealand, earthquakes in Turkey and Syria and a series of powerful convective storms across the United States and Europe.

I am encouraged by the progress we are making on our sustainability agenda and integrating sustainability into our business. Importantly, from 2024 our long-term incentive target will have an element directly tied to our sustainability performance. We continue to progress against our three sustainability focus areas and further details can be found in our Sustainability Report, Sustainability Data Book and pages 20 to 33 of this report. In October 2023, the QBE Foundation was recognised at the Australian Workplace Giving Awards and received three Runners Up Awards for Best Corporate and Charity Partnership for our Global Disaster Relief and Resilience Partnership, Best Grants Program and Best Innovation for QGiving (an employee fundraising and volunteering platform).

## Outlook

Over the last two years, QBE has been focused on delivering greater resilience and consistency. I see meaningful progress across the business, and I am confident that we can drive further progress against our strategic priorities in 2024.

The alignment and connectivity across the enterprise has improved considerably in my time at QBE and we are motivated to deliver on our plan, better leverage our unique global platform and ultimately realise our potential.

We expect trading conditions to remain favourable in the year ahead. Challenges associated with inflation, geopolitics and climate should encourage further discipline, and we expect premium rates should remain supportive.

Against this backdrop, we forecast constant currency gross written premium growth in the mid-single digits for 2024, and a Group combined operating ratio of around 93.5%. Elevated interest rates should continue to support strong investment returns.

**Andrew Horton**
**Group Chief Executive Officer**

# Strategy

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

## Our strategic priorities

| | WHAT WE ACHIEVED IN 2023 | FUTURE FOCUS |
|---|---|---|
| **Portfolio optimisation**<br>**Strive for both improved and more consistent risk-adjusted returns by actively managing portfolio mix and volatility** | • Considerable improvement in property portfolio quality driven by portfolio exits, improved terms and targeted rate increases in excess of 20% across standalone property<br>• Completion of transformational reserve transaction which de-risked the Group's exposure to long-tail reserves totalling ~$1.9 billion | • Continue to execute against medium-term portfolio mix targets, and drive incremental reduction in potential volatility<br>• Incorporate evolving view of insurance-associated emissions into medium-term portfolio mix targets |
| **Sustainable growth**<br>**Achieve consistent growth through innovative risk solutions, leveraging improved digital capability and existing skill-set across the enterprise** | • Strong momentum across a number of growth focus areas including reinsurance, global specialty and QBE's UK commercial business<br>• Progressed a number of growth opportunities including cyber, and added capability in adjacent specialties in North America | • Become an easier partner to do business with and build deeper distribution relationships around our growth focus areas<br>• Focus investment in target growth segments to build and enhance capability |
| **Bring the enterprise together**<br>**Simplify what we do and achieve greater consistency across the enterprise. Explore new ways to better leverage our global footprint and scale** | • Improved enterprise alignment has supported the pace of property initiatives, the aforementioned reserve transaction, and a global approach to new growth opportunities<br>• Commenced a new corporate branding project to build on the deep relationships and strong presence cultivated in our markets over the past 130+ years | • Continue to identify enterprise opportunities unlocked through better sharing of knowledge and relationships<br>• Further expand our underwriting capabilities to create a globally consistent approach that supports the resilience of our customers in an increasingly complex risk environment |
| **Modernise our business**<br>**Strategically innovate and invest in differentiating capabilities that make things easier for our customers, partners and people** | • Commenced a review to assess opportunities for simplification and operational efficiency to ensure QBE is future fit, and investment spend is optimised<br>• Deepened application of AI across underwriting and operations, with numerous additional future use cases identified | • Further progress against data strategy including acceleration of AI integration will be a key focus for 2024<br>• Support sustainable growth agenda through continued enhancement of underwriting tools, process and data capability |
| **Our people**<br>**Empower a sustainable and diverse pipeline of leaders, while becoming an employer of choice in our markets** | • QShare, QBE's new employee share plan, successfully launched, with 27% of eligible employees enrolling<br>• Launched innovative new targets focused on equal sense of belonging across the dimensions of gender, ethnicity, disability status and LGBTIQ+ identification | • Modernise approach to workforce planning through improved global workforce processes and integrated tools<br>• Increase the diversity of our workforce in line with targets including increasing representation of women in all leadership roles |
| **Our culture**<br>**Be a purpose-led organisation, and ensure our purpose is visible every day, in all our interactions. Strengthen the alignment and collaboration across the enterprise** | • Successful launch of QGiving, QBE's employee fundraising and volunteering platform that brings our people together with our community partners<br>• Launched QBE's Safety to Speak Up Playbook, equipping all employees to build psychological safety in support of participation and innovation | • Continue to embed our purpose through decision-making and team exploration activities<br>• Strengthen and further embed Safety to Speak Up practices in how work gets done at QBE |

1 Overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Additional information

# Sustainability

As an insurer, we explore the actions we can take to control, impact and influence outcomes relating to the most material sustainability topics as identified in our materiality assessment which considers impacts on QBE and our impacts on society and the environment. To address the stakeholder expectations on material topics, we set initiatives and targets for each of the three focus areas (Focus Areas) of our sustainability strategy in our Sustainability Scorecard.

| OUR AREAS OF SUSTAINABILITY FOCUS | WHAT WE HAVE ACHIEVED IN 2023 |
|---|---|
| **Focus Area 1** Foster an orderly and inclusive transition to a net-zero economy<br><br>We support an orderly and inclusive transition to a net-zero emissions economy, aligned with limiting warming to 1.5 degrees celsius by the end of 2100. We recognise the importance of addressing climate change and incorporating climate-related risks and opportunities into our decision-making, facilitating a resilient future for our business and our customers.<br><br>This Focus Area recognises that the transition to a net-zero economy and the reduction in emissions will help to reduce the risks associated with climate change that impact us and our customers, communities and economies. However, we understand that a successful transition will take the collective effort of multiple stakeholders, including governments, regulators, the finance sector and other industries, businesses, individuals and communities.<br><br>We continue to work toward our ambitions of a net-zero underwriting portfolio by 2050, a net-zero investment portfolio by 2050 and net zero in our own operations by 2030. | **100%** electricity use across QBE's offices certified as renewable [1]<br><br>**75%** reduction of Scope 1 and 2 carbon emissions since 2018<br>Target of 30% by 2025<br><br>**24%** energy reduction<br>Target to reduce energy use by 25% by 2025 (from 2019 levels)<br><br>**4.6%** Climate Solutions investments<br>Target 5% of the total investment portfolio by 2025<br><br>ENGAGEMENTS IN 2023:<br>**100%** external fund managers across our investment portfolio, and 20 highest emitters in our investment grade corporate credit portfolio |
| **Focus Area 2** Enable a sustainable and resilient workforce<br><br>The culture and capability of our people are drivers of value for QBE. A sustainable and resilient workforce is underpinned by how we engage and connect our people to our purpose and vision. Investing in our people's career development, and supporting flexibility and wellbeing, can allow us to continue to attract and retain the best talent.<br><br>This second Focus Area recognises the important role our people and culture plays in attracting and retaining talent over the long term. It also recognises the importance of our people's technical knowledge, skills and capabilities in supporting our business and customers, and addressing the risks and opportunities that arise across our globally diverse business. | **40%** Women on Group Board<br>Target of 40% by 2025 (achieved)<br><br>**55%** Women on Group Executive Committee (GEC)<br>Target of 40:40:20 (40% women, 40% men, 20% any gender) by 2023 (achieved)<br><br>**40%** Women in Leadership [2]<br>Target of 40% by 2025 (achieved)<br><br>Achieved target of equal sense of belonging in dimensions of LGBTIQ+ identification and ethnicity |
| **Focus Area 3** Partner for growth through innovative, sustainable and impactful solutions<br><br>Our landscape is changing, presenting opportunities to innovate and partner on impactful solutions through our investments, supplier and broker relationships, the QBE Foundation and QBE Ventures. We can explore ways to co-create solutions to meet the changing needs of our customers, and support communities affected by climate impacts and the net-zero transition.<br><br>At QBE, we want to grow our business into the future and seek opportunities to work with other organisations to address challenges together. We believe that most solutions will come from working with our customers, communities and other stakeholders to understand their risks and challenges and collaborate on innovative solutions. Across many parts of our business, from underwriting and investments to procurement, from our QBE Foundation to QBE Ventures, we work with others who may be seeking to solve similar problems or reduce or better manage risk. | **$1.6BN** market value of Premiums4Good investments<br>Target of $2 billion by 2025<br><br>**108** number of securities of Premiums4Good investments<br><br>**47%** increased Corporate Community investment by QBE Foundation since 2022 |

1 Based on the RE100 Climate Group's materiality threshold guidance which excludes countries with small electricity loads (<100MWh/year and up to a total of 500MWh/year) and where it is not feasible to source renewable electricity via any credible sourcing options. We meet our RE100 commitment through a combination of contracts with electricity suppliers and purchasing unbundled energy attribute certificates.

2 Defined as the next three tiers below the GEC.

# **Financial** performance

QBE reported a statutory profit after tax attributable to ordinary equity holders of the Company of $1,355 million for the year ended 31 December 2023 compared with $587 million for the prior year.

## Summary financial performance

| FOR THE YEAR ENDED 31 DECEMBER | | MANAGEMENT 2023 | MANAGEMENT RESTATED 2022 | STATUTORY 2023 | STATUTORY RESTATED 2022 |
|---|---|---|---|---|---|
| Insurance revenue | US$M | **20,825** | 18,834 | **20,826** | 18,904 |
| Reinsurance expenses | US$M | **(4,226)** | (3,746) | **(4,848)** | (3,850) |
| Insurance service result | US$M | **984** | 766 | **1,503** | 971 |
| Insurance operating result | US$M | **796** | 614 | **1,315** | 759 |
| Net investment income (loss) | US$M | **1,374** | 570 | **1,369** | (773) |
| Income tax expense | US$M | **(473)** | (81) | **(473)** | (81) |
| Profit after income tax attributable to ordinary equity holders | US$M | **1,355** | 587 | **1,355** | 587 |
| **Key metrics** | | | | | |
| Gross written premium | US$M | **21,748** | 19,993 | **21,748** | 19,993 |
| Net claims ratio | % | **65.1** | 66.0 | **60.2** | 64.1 |
| Net commission ratio | % | **18.3** | 18.2 | **19.4** | 18.8 |
| Expense ratio | % | **11.8** | 11.7 | **12.2** | 12.1 |
| Combined operating ratio | % | **95.2** | 95.9 | **91.8** | 95.0 |

Unless otherwise stated, discussion of performance in this section of the report is on a management basis which is consistent with how performance is assessed internally. The management basis reflects adjustments to the statutory result to provide greater transparency over the underlying drivers of the Group's performance. A reconciliation between the management basis and the statutory result is provided on pages 14 and 15.

The Group reported a combined operating ratio of 95.2% which improved from 95.9% in the prior year, and includes a 0.6% impact from the upfront cost of the $1.9 billion reserve transaction announced in February 2023. The result was supported by attractive premium rate increases, which accelerated notably in property and reinsurance lines. As a result, aggregate rate increases trended at or above inflation across most lines, resulting in further ex-cat claims ratio improvement.

The year was characterised by a significant reinsurance supply-demand imbalance, particularly for lower attaching catastrophe coverage. Associated challenges were compounded by record significant secondary peril activity with 2023 industry insured losses of around $120 billion. Against this backdrop, it was pleasing to see current year catastrophe costs contained well within allowance. The result was however impacted by meaningful catastrophe related short-tail reserve strengthening, reflecting late-2022 events including winter storm Elliott and floods in Australia.

Total investment income, excluding fixed income losses from changes in risk-free rates, improved to $1,374 million or a return of 4.7%, compared with $570 million or 2.0% in the prior year, supported by higher interest rates across the core fixed income portfolio.

The broader result also included a $25 million impairment of QBE's North American owner occupied office premises.

QBE's balance sheet remains strong. The indicative APRA PCA multiple increased to 1.82x from 1.79x at 31 December 2022, and is at the upper end of our 1.6–1.8x target range. Allowing for the payment of the 2023 final dividend of 48 Australian cents, the pro-forma PCA multiple would decline to 1.74x. Capital released from the $1.9 billion reserve transaction added around 6 points to the PCA multiple, and supported growth in the period.

QBE adopted AASB 17 *Insurance Contracts* from 1 January 2023. The new standard is applied retrospectively, resulting in a restatement of the comparative period. The impacts of adoption are detailed in note 8.1.1 of the consolidated financial statements on page 133. Definitions of key metrics, including how they are calculated, are provided in the glossary from pages 156 to 160. As a result of changes to the presentation of insurance line items introduced by AASB 17, the key metrics used by QBE to manage and assess underwriting performance are derived from components that are no longer separately presented in the financial statements. An analysis of the insurance operating result by these components is provided on page 15.

# Underwriting performance

Unless otherwise stated, discussion of performance is on a management basis. A reconciliation to the equivalent statutory result is provided on page 14.

## Net insurance revenue

### Gross written premium

Gross written premium increased 9% on a headline basis to $21,748 million from $19,993 million in the prior year. On a constant currency basis, gross written premium increased 10% as a result of strong premium rate increases and targeted new business growth, partially offset by deliberate property portfolio exits in North America and Australia, and reduced exposure across other property lines. Excluding Crop, gross written premium growth was 9% on the same basis. The Group achieved an average renewal premium rate increase of 9.7% compared with 7.9% in the prior year, driven by strong rate increases in property classes and favourable markets for QBE Re, alongside softening rates in financial lines. Premium rate changes exclude North America Crop and Australian compulsory third party motor (CTP).

### Reinsurance expenses

Headline reinsurance expenses increased 13% to $4,226 million from $3,746 million in the prior year. Much of the increase relates to Crop, where the majority of growth in the portfolio was ceded to the Federal reinsurance scheme, in an effort to manage net retention and earnings volatility. Reinsurance expenses also included a charge of $101 million, representing the upfront cost of the $1.9 billion reserve transaction completed in the first half of 2023.

### Net insurance revenue

Group net insurance revenue increased 11% on a constant currency basis, slightly higher than the growth in gross written premium. This largely reflects the earn-through of strong premium rate increases in recent periods. The upfront cost associated with the aforementioned reserve transaction was incurred in our North America and International business segments.

## Net claims

The net claims ratio decreased to 65.1% from 66.0% in 2022. The result was driven by improvement in the ex-cat claims ratio, partially offset by largely catastrophe related adverse prior year development. Current year catastrophe costs trended favourably relative to allowance, following more benign experience through the second half.

The ex-cat claims ratio decreased to 59.1% from 60.5% in the prior year. The result included the current year risk adjustment of $518 million, compared to $591 million in the prior year. Excluding risk adjustment, the ex-cat claims ratio reduced to 56.0% from 56.6% in the prior year. The industry continues to exhibit good discipline in response to elevated inflation, where rate increases remained at or above observed inflation across most lines. While inflation is easing in some lines, it remains more persistent across a small number of portfolios including Australia Pacific personal lines, and North America non-core lines and Accident & Health. While evidence of higher claims inflation across many longer tail classes is limited, QBE remains attuned to the potential for lags and persistency of inflation in these lines, alongside the risks posed by social inflation.

The net cost of catastrophe claims increased marginally to $1,092 million or 6.6% of net insurance revenue, from $1,060 million or 7.0% in the prior year. The result was below the Group's catastrophe allowance of $1,175 million. Natural catastrophe costs were driven by significant secondary peril activity, including the New Zealand floods, a series of North American convective storm events through the first half, and meaningful storm and flood activity in Europe and Australia in the second half.

QBE strengthened the central estimate of outstanding claims by $225 million, which largely reflected adverse development on short-tail lines. This compares to $141 million adverse in the prior year. The outcome was driven by late development on end-2022 catastrophe events including winter storm Elliott in North America and floods in Australia. In addition, the North America result was impacted by adverse development of $30 million in Crop. These impacts were partially offset by favourable development in LMI and CTP in Australia Pacific, and QBE Re. The aforementioned reserve strengthening was more than offset by favourable development of $320 million related to the unwind of risk adjustment from prior accident years, a decrease from $369 million in the prior year. This resulted in favourable prior accident year claims development of $95 million or 0.6% of net insurance revenue, decreasing from $228 million or 1.5% in the prior year.

## Commission and expenses

The net commission ratio increased to 18.3% from 18.2% in the prior year, primarily due to business mix changes, where the impact from quota share reinsurance ceding commissions is now recorded within reinsurance income under AASB 17.

The Group's expense ratio of 11.8% was a slight increase from 11.7% last year. This reflected constant currency expense growth of 12%, which was balanced by strong net revenue growth. Elevated expense growth reflected investment in our modernisation program, the cost of targeted growth initiatives and the impact of elevated inflation across the broader expense base.

# Divisional underwriting performance

Key metrics are defined in the glossary from pages 156 to 160. Key metrics disclosed on a statutory basis are derived from unadjusted components of financial statement line items.

## North America

Gross written premium increased by 4% to $7,555 million, with strong premium rate increases and targeted organic growth partially offset by the run-off of non-core lines. Excluding premium rate increases and Crop, premium declined by 12% mainly reflecting the run-off of non-core lines. On the same basis and excluding this drag, premium growth was 4%.

North America reported a combined operating ratio of 103.7%, which compares to 99.5% in the prior year. The ex-cat claims ratio improved by 0.2% to 65.7%, or increased by 0.2% when excluding risk adjustment. This reflected inflationary pressures observed in Accident & Health, alongside challenges in non-core lines, partially offset by improvement in middle-market and property classes. Net catastrophe claims of $234 million or 4.9% of net insurance revenue were mainly driven by convective storm and flood events in the first half of 2023, and compared favourably to 5.4% in the prior year. Catastrophe experience was more benign through the second half. Adverse prior year central estimate development of $200 million or 4.2% compared with 0.9% in the prior year, and was driven predominantly by short-tail lines, including adverse development on winter storm Elliott from late-2022, and $30 million in Crop.

The current accident year Crop combined operating ratio was 96.6%, slightly higher than expectations primarily due to lower commodity prices and drought across several States.

| | | MANAGEMENT[1] | | STATUTORY | |
|---|---|---|---|---|---|
| FOR THE YEAR ENDED 31 DECEMBER | | 2023 | RESTATED 2022 | 2023 | RESTATED 2022 |
| **Key underwriting metrics** | | | | | |
| Gross written premium | US$M | **7,555** | 7,280 | **7,555** | 7,280 |
| Net insurance revenue | US$M | **4,790** | 4,641 | **4,432** | 4,435 |
| Net claims ratio | % | **73.0** | 68.9 | **70.3** | 67.8 |
| Net commission ratio | % | **21.6** | 21.4 | **22.6** | 22.3 |
| Expense ratio | % | **9.1** | 9.2 | **9.8** | 9.7 |
| **Combined operating ratio** | % | **103.7** | 99.5 | **102.7** | 99.8 |

1 Adjusted for subsequent impacts of in-force reinsurance loss portfolio transfer transactions (LPT), underlying prior accident year development (PYD) adjustments relating to Crop and the inclusion of unwind of discount on claims.

## International

Gross written premium increased by 17% in constant currency to $8,802 million, reflecting an acceleration in rate increases for property and reinsurance lines, and continued execution against a number of multi-year growth opportunities. Growth was achieved across most segments, led by QBE Re and International Markets.

International reported a combined operating ratio of 89.5%, which compares with 94.8% in the prior year. The ex-cat claims ratio improved by 3.0% to 54.3%, or 1.6% excluding the risk adjustment. This strong result reflects the benefit from aggregate rate increases which continue to track at or above inflation, and benign large claims experience. Adverse prior year central estimate development of $57 million or 0.8%, improved from 2.4% in the prior year. Adverse experience in marine and International liability was partially offset by releases in QBE Re.

| | | MANAGEMENT[1] | | STATUTORY | |
|---|---|---|---|---|---|
| FOR THE YEAR ENDED 31 DECEMBER | | 2023 | RESTATED 2022 | 2023 | RESTATED 2022 |
| Key underwriting metrics | | | | | |
| Gross written premium | US$M | **8,802** | 7,502 | **8,802** | 7,502 |
| Net insurance revenue | US$M | **6,921** | 5,871 | **6,643** | 5,939 |
| Net claims ratio | % | **60.0** | 65.1 | **54.2** | 63.2 |
| Net commission ratio | % | **17.9** | 17.9 | **18.7** | 17.7 |
| Expense ratio | % | **11.6** | 11.8 | **12.1** | 11.6 |
| **Combined operating ratio** | % | **89.5** | 94.8 | **85.0** | 92.5 |

1 Adjusted for subsequent impacts of in-force reinsurance LPT, underlying PYD adjustments relating to premium and periodic payment order (PPO) liabilities and the inclusion of unwind of discount on claims.

# Australia Pacific

Continued premium rate increases and targeted growth supported constant currency growth in gross written premium of 8% to $5,392 million. Excluding premium rate increases, gross written premium reduced by 1% compared to the prior year. The exit of two consumer portfolios, in line with our focus on reducing property catastrophe volatility was largely offset by organic growth in Australian commercial lines, CTP and in New Zealand.

Australia Pacific reported a combined operating ratio of 93.6%, which declined slightly from 92.8% in the prior year. The ex-cat claims ratio reduced by 1.1% to 58.2%, or 0.4% excluding the risk adjustment. Persistent short-tail claims inflation, particularly in personal lines, has been an ongoing challenge; however, the momentum in short-tail premium rate increases which generally built through 2023, is expected to support underwriting margins in the year ahead. Net catastrophe claims of $409 million or 8.4% of net insurance revenue, increased slightly from 8.1% in the prior year driven by storm and flood events in New Zealand, and Australian east coast storms in the final weeks of the year. Favourable prior year central estimate development of $20 million or 0.4% reduced from $44 million or 0.9% in the prior year. Favourable experience in LMI and CTP more than offset catastrophe and inflation-related strengthening in short-tail classes, and higher wage growth assumptions in liability lines.

| | | MANAGEMENT[1] | | STATUTORY | |
|---|---|---|---|---|---|
| FOR THE YEAR ENDED 31 DECEMBER | | 2023 | RESTATED 2022 | 2023 | RESTATED 2022 |
| **Key underwriting metrics** | | | | | |
| Gross written premium | US$M | **5,392** | 5,219 | **5,392** | 5,219 |
| Net insurance revenue | US$M | **4,881** | 4,585 | **4,901** | 4,689 |
| Net claims ratio | % | **64.0** | 64.2 | **60.2** | 61.0 |
| Net commission ratio | % | **15.7** | 15.5 | **16.8** | 17.1 |
| Expense ratio | % | **13.9** | 13.1 | **14.0** | 14.1 |
| **Combined operating ratio** | % | **93.6** | 92.8 | **91.0** | 92.2 |

1 Adjusted for the subsequent impacts of CTP LPT, underlying PYD adjustment related to CTP, Australian pricing promise review (APPR) and the inclusion of unwind of discount on claims.

# Investment performance

Total investment income for the year was $1,374 million, equating to a return of 4.7%. The result improved substantially from $570 million or 2.0% in the prior year, with higher interest rates supporting fixed income returns, which also included a favourable mark to market impact from tighter credit spreads. Risk asset returns were broadly in line with our long-term return expectations, a pleasing outcome given valuation pressure in the unlisted property portfolio.

Core fixed income includes cash and cash equivalents, and excludes enhanced fixed income risk assets which comprise emerging market debt, high yield debt and private credit. Enhanced fixed income assets are analysed as part of risk assets. The core fixed income portfolio delivered a return of 4.8% or $1,247 million, a significant increase on $544 million in the prior year. The result included a $116 million benefit from tighter credit spreads, compared to an adverse impact of $128 million in the prior year. The running yield on the core fixed income portfolio remained strong through the year, with the 31 December 2023 exit running yield of 4.6% around 50 basis points higher than at 31 December 2022.

Risk asset performance improved significantly compared to the prior year. Enhanced fixed income and infrastructure assets delivered strong returns, helping to offset weaker performance in the unlisted property portfolio, due to lower property valuations. Despite negative unlisted property returns, the risk asset portfolio delivered a return of 5.7% or $190 million compared with 1.2% in the prior year.

# Funds under management

Funds under management comprise cash and cash equivalents, investments and investment properties. Funds under management of $30,064 million increased by 7% compared to $28,167 million at 31 December 2022, or 5% on a constant currency basis. Strong investment returns and continued premium growth were offset by the material reduction in investment assets associated with the $1.9 billion reserve transaction, which was announced in February 2023.

Portfolio mix continued to trend toward our target strategic asset allocation in 2023. The allocation to risk assets increased to 12% (and 14% on a committed basis) from 11% at 31 December 2022. The core fixed income portfolio now represents 88% of total investments, and QBE continues to target a strategic asset allocation of ~85% core fixed income and ~15% risk assets.

# Tax

QBE's effective statutory tax rate was 25.7% compared with 12.0% in the prior year. The effective tax rate reflects the mix of corporate tax rates across QBE's key regions. The 2022 effective tax rate was impacted by the recognition of previously unrecognised tax losses in the North American tax group.

During the year, QBE paid $138 million in corporate income tax globally. No tax payments were made by the Australian tax group for the year due to the utilisation of tax losses, which are now fully utilised. The Australian tax group is expected to pay taxes from 2024. The balance of the franking account stood at A$46 million as at 31 December 2023. Having regard to QBE's franked AT1 distribution commitments and carry over tax losses, the dividend franking percentage is expected to remain around 10%.

# Balance sheet and capital management

## Balance sheet and share information

| | | STATUTORY | |
|---|---|---|---|
| AS AT | | 31 DECEMBER 2023 | RESTATED 31 DECEMBER 2022 |
| Net assets | US$M | **9,953** | 8,857 |
| Less: intangible assets | US$M | **2,112** | 2,018 |
| Net tangible assets | US$M | **7,841** | 6,839 |
| Number of shares on issue | millions | **1,494** | 1,485 |
| Net tangible assets per share | US$ | **5.25** | 4.61 |

## Net outstanding claims

Net outstanding claims comprise claims reserves within the net liability for incurred claims including recoveries on reinsurance loss portfolio transfers. At 31 December 2023, the net discounted central estimate was $17,198 million, which increased from $16,101 million at 31 December 2022 due to organic growth and reserve strengthening, partially offset by the impact of the $1.9 billion reserve transaction and higher discount rates.

Excluding foreign exchange and the reserve transaction, the net discounted central estimate increased by $2,485 million. This underlying growth primarily reflected new business growth, inflation and reserve strengthening in the period.

At 31 December 2023, the risk adjustment was $1,379 million or 8.0% of the net discounted central estimate, consistent with 31 December 2022, and at the top end of our 6–8% target range.

## Borrowings

At 31 December 2023, total borrowings were $2,798 million, an increase of $54 million from $2,744 million at 31 December 2022. The broadly stable outcome reflects Tier 2 funding activity in the period, including the issuance of A$300 million and A$330 million in June 2023 and October 2023 respectively, largely offsetting a $400 million redemption in November 2023.

Debt to total capital reduced to 21.9% at 31 December 2023, from 23.7% at 31 December 2022, reflecting continued growth across the business along with improved investment performance. At 31 December 2023, all the Group's borrowings count towards regulatory capital. Gross interest expense on borrowings for the year was $169 million, an increase from $166 million in the prior year, reflecting the sequencing of funding activity in the year. The average annualised cash cost of borrowings at 31 December 2023 was 5.9%, consistent with the prior year.

## Capital

QBE's indicative PCA multiple improved to 1.82x at 31 December 2023 from 1.79x at 31 December 2022. Allowing for the payment of the 2023 final dividend of 48 Australian cents, the pro-forma PCA multiple would decline to 1.74x. Capital generation over the period was supported by strong profitability, alongside a 6 point benefit associated with the $1.9 billion reserve transaction. This more than offset capital consumed through ongoing premium growth and the payment of dividends during the year.

# Cash profit and dividends

## Reconciliation of cash profit

| FOR THE YEAR ENDED 31 DECEMBER | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|
| **Net profit after income tax** | **1,355** | 587 |
| Amortisation and impairment of intangibles after tax[1] | **59** | 71 |
| Write-off deferred tax assets | **–** | – |
| Write-off capitalised tax assets | **–** | – |
| **Net cash profit after income tax** | **1,414** | 658 |
| Restructuring and related expenses | **–** | 94 |
| Net gain on disposals after tax | **(2)** | (38) |
| Additional Tier 1 capital coupon | **(50)** | (50) |
| **Adjusted net cash profit after income tax** | **1,362** | 664 |
| Basic earnings per share – statutory (US cents) | **87.6** | 36.2 |
| Diluted earnings per share – statutory (US cents) | **87.0** | 36.0 |
| Basic earnings per share – adjusted cash basis (US cents) | **91.4** | 44.8 |
| Diluted earnings per share – adjusted cash basis (US cents) | **90.8** | 44.5 |
| Return on average shareholders' equity – adjusted cash basis (%) | **16.0** | 8.3 |
| Dividend payout ratio (percentage of adjusted cash profit)[2] | **45** | 60 |

1 $65 million of pre-tax amortisation expense is included in expenses and other income (2022 $63 million).
2 Dividend payout ratio is calculated as the total A$ dividend divided by adjusted cash profit converted to A$ at the period average rate of exchange.

## Dividends

The Board declared a final dividend for 2023 of 48 Australian cents per share, which results in a full year dividend of 62 Australian cents per share, an increase from the 2022 full year dividend of 39 Australian cents per share. This represents a full year dividend payout ratio of 45% of adjusted cash profit. QBE's dividend policy is calibrated to a 40–60% payout of annual adjusted cash profit, which has been set at a level which can support the Group's growth ambitions and provide flexibility to manage the dynamics associated with the global insurance cycle. The payout for the current period reflects the Board's confidence in the strength of the balance sheet and favourable outlook for returns, while retaining flexibility given the positive outlook for premium growth. The full year dividend payout of A$926 million compares with A$580 million in 2022. The final dividend will be 10% franked and is payable on 12 April 2024. The Dividend Reinvestment Plan and Bonus Share Plan will be satisfied by the issue of shares at a nil discount.

### Outlook

We exit 2023 having executed multiple initiatives to reduce potential reserve volatility and build a more resilient property portfolio. Our portfolio optimisation focus will continue to centre around reducing volatility, with meaningful scope for further improvement. Elevated investment will continue in 2024 as we progress our modernisation agenda. This will ultimately position QBE to grow our core franchises and become a more accessible and efficient partner.

The outlook for premium rate increases remains favourable. While we expect some moderation from 2023 levels, the degree of uncertainty surrounding the path of inflation, geopolitical tensions and elevated catastrophe activity should serve to maintain market discipline. We enter the year with a broad growth agenda and see good opportunity for further ex-rate growth. This will be tempered by the ongoing run-off of exited property portfolios in North America and Australia, which are collectively expected to represent a ~$300 million gross written premium headwind in 2024. Executing on our strategy in North America remains a primary focus. The underwriting loss associated with non-core lines should reduce meaningfully into 2024, and then reduce further and broadly conclude in 2025.

Inflation challenges are expected to remain a feature for the foreseeable future. While we expect aggregate claims inflation to normalise slightly into 2024, recent experience highlights this is unlikely to occur uniformly across all regions and classes, and the operating backdrop remains dynamic.

1 Overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Additional information

# Statutory to management result reconciliation

| FOR THE YEAR ENDED 31 DECEMBER 2023 | STATUTORY | ADJUSTMENTS | | | | MANAGEMENT |
|---|---|---|---|---|---|---|
| | | DISCOUNT UNWIND | UNDERLYING PYD | LPT | INVESTMENT RFR | |
| | US$M | US$M | US$M | US$M | US$M | US$M |
| Insurance revenue | 20,826 | – | (1) | – | – | 20,825 |
| Insurance service expenses[1] | (18,421) | (942) | 1 | – | – | (19,362) |
| Reinsurance expenses | (4,848) | – | (1) | 623 | – | (4,226) |
| Reinsurance income[1] | 3,946 | 423 | 1 | (623) | – | 3,747 |
| Insurance service result | 1,503 | (519) | – | – | – | 984 |
| Other expenses[1] | (250) | – | – | – | – | (250) |
| Other income[1] | 62 | – | – | – | – | 62 |
| **Insurance operating result** | 1,315 | (519) | – | – | – | 796 |
| Net insurance finance (expense) income | (579) | 519 | – | – | – | (60) |
| Fixed income losses from changes in risk-free rates | – | – | – | – | (5) | (5) |
| Net investment income on policyholders' funds | 883 | – | – | – | 3 | 886 |
| **Insurance profit** | 1,619 | – | – | – | (2) | 1,617 |
| Net investment income on shareholders' funds | 486 | – | – | – | 2 | 488 |
| Financing and other costs | (232) | – | – | – | – | (232) |
| Gain on sale of entities and businesses | 2 | – | – | – | – | 2 |
| Share of net loss of associates | (2) | – | – | – | – | (2) |
| Impairment of owner occupied property | (25) | – | – | – | – | (25) |
| Amortisation of intangibles | (11) | – | – | – | – | (11) |
| **Profit before income tax** | 1,837 | – | – | – | – | 1,837 |
| Income tax expense | (473) | | | | | (473) |
| Profit after income tax | 1,364 | | | | | 1,364 |
| Non-controlling interests | (9) | | | | | (9) |
| **Net profit after income tax** | 1,355 | | | | | 1,355 |

| FOR THE YEAR ENDED 31 DECEMBER 2022 [2] | STATUTORY | ADJUSTMENTS | | | | | MANAGEMENT |
|---|---|---|---|---|---|---|---|
| | | DISCOUNT UNWIND | UNDERLYING PYD | LPT | INVESTMENT RFR | APPR | |
| | US$M | US$M | US$M | US$M | US$M | US$M | US$M |
| Insurance revenue | 18,904 | – | (70) | – | – | – | 18,834 |
| Insurance service expenses[1] | (17,579) | (608) | 53 | – | – | – | (18,134) |
| Reinsurance expenses | (3,850) | – | 17 | 87 | – | – | (3,746) |
| Reinsurance income[1] | 3,496 | 403 | – | (87) | – | – | 3,812 |
| Insurance service result | 971 | (205) | – | – | – | – | 766 |
| Other expenses[1] | (286) | – | – | – | – | 60 | (226) |
| Other income[1] | 74 | – | – | – | – | – | 74 |
| **Insurance operating result** | 759 | (205) | – | – | – | 60 | 614 |
| Net insurance finance income | 1,037 | 205 | – | – | – | – | 1,242 |
| Fixed income losses from changes in risk-free rates | – | – | – | – | (1,343) | – | (1,343) |
| Net investment (loss) income on policyholders' funds | (501) | – | – | – | 891 | – | 390 |
| **Insurance profit** | 1,295 | – | – | – | (452) | 60 | 903 |
| Net investment (loss) income on shareholders' funds | (272) | – | – | – | 452 | – | 180 |
| Financing and other costs | (245) | – | – | – | – | 15 | (230) |
| Gain on sale of entities and businesses | 38 | – | – | – | – | – | 38 |
| Share of net loss of associates | (7) | – | – | – | – | – | (7) |
| Remediation | – | – | – | – | – | (75) | (75) |
| Restructuring and related expenses | (106) | – | – | – | – | – | (106) |
| Amortisation and impairment of intangibles | (27) | – | – | – | – | – | (27) |
| **Profit before income tax** | 676 | – | – | – | – | – | 676 |
| Income tax expense | (81) | | | | | | (81) |
| Profit after income tax | 595 | | | | | | 595 |
| Non-controlling interests | (8) | | | | | | (8) |
| **Net profit after income tax** | 587 | | | | | | 587 |

1 Further analysed as net claims expense, net commission and expenses and other income in the management discussion as shown in the table on the next page.

2 2022 has been restated to reflect the application of AASB 17 *Insurance Contracts*.

## Analysis of the insurance operating result

The insurance operating result is further analysed as net insurance revenue, net claims, net commission and expenses and other income for the purposes of explaining the key drivers of the Group's operating result and calculating key metrics. Analysis of the nature of income and expenses within the insurance operating result provides useful additional information about underlying trends in relation to the different components of underwriting profitability.

| | NET INSURANCE REVENUE | | NET CLAIMS EXPENSE | | NET COMMISSION | | EXPENSES AND OTHER INCOME | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| FOR THE YEAR ENDED 31 DECEMBER | 2023 US$M | RESTATED 2022 US$M | 2023 US$M | RESTATED 2022 US$M | 2023 US$M | RESTATED 2022 US$M | 2023 US$M | RESTATED 2022 US$M | 2023 US$M | RESTATED 2022 US$M |
| **Statutory** | | | | | | | | | | |
| Insurance revenue | **20,826** | 18,904 | **–** | – | **–** | – | **–** | – | **20,826** | 18,904 |
| Insurance service expenses | **–** | – | **(13,740)** | (13,367) | **(2,916)** | (2,595) | **(1,765)** | (1,617) | **(18,421)** | (17,579) |
| Reinsurance expenses | **(4,848)** | (3,850) | **–** | – | **–** | – | **–** | – | **(4,848)** | (3,850) |
| Reinsurance income | **–** | – | **4,122** | 3,724 | **(176)** | (228) | **–** | – | **3,946** | 3,496 |
| **Insurance service result** | **15,978** | 15,054 | **(9,618)** | (9,643) | **(3,092)** | (2,823) | **(1,765)** | (1,617) | **1,503** | 971 |
| Other expenses | **–** | – | **–** | – | **–** | – | **(250)** | (286) | **(250)** | (286) |
| Other income | **–** | – | **–** | – | **–** | – | **62** | 74 | **62** | 74 |
| Insurance operating result | **15,978** | 15,054 | **(9,618)** | (9,643) | **(3,092)** | (2,823) | **(1,953)** | (1,829) | **1,315** | 759 |
| **Adjustments** | | | | | | | | | | |
| Discount unwind | **–** | – | **(519)** | (205) | **–** | – | **–** | – | **(519)** | (205) |
| Underlying PYD | **(2)** | (53) | **20** | 75 | **(17)** | (22) | **(1)** | – | **–** | – |
| LPT | **623** | 87 | **(688)** | (191) | **65** | 104 | **–** | – | **–** | – |
| Other | **–** | – | **–** | – | **–** | – | **–** | 60 | **–** | 60 |
| **Management** | **16,599** | 15,088 | **(10,805)** | (9,964) | **(3,044)** | (2,741) | **(1,954)** | (1,769) | **796** | 614 |

## Adjustments

The statutory result has been adjusted for the following items when discussing the result to provide greater transparency over the underlying drivers of performance.

### Discount unwind

The subsequent unwind of claims discount within net insurance finance income is analysed as part of the net claims expense component of the insurance operating result as these are associated with claims and directly relate to the impact of initial discounting of claims reported within insurance service expenses.

### Underlying prior year development (PYD)

Underlying prior accident year claims development within net claims expense amounting to $20 million (2022 $75 million) has been reclassified to net insurance revenue and net commission. In the current year, this principally related to Crop (North America) for additional premium cessions to the US government on prior year claims under the MPCI scheme and CTP (Australia Pacific) for profit commission income arising from favourable development under the 2021 reinsurance loss portfolio transfer. Underlying PYD also includes an adjustment for periodic payment order (PPO) liabilities within International to reflect their annuity characteristics.

### Reinsurance loss portfolio transfer transactions (LPT)

The subsequent impacts of in-force reinsurance loss portfolio transfer contracts within reinsurance expenses and reinsurance income are analysed on a net basis within net claims expense to provide a view of the underlying development on these contracts against the corresponding development of the subject gross reserves, consistent with the focus on net underwriting performance. Adjustments relate to the current year reserve transaction to reinsure claims liabilities in North America and International, and other reinsurance loss portfolio transfer contracts entered into in prior years.

### Australian pricing promise review (APPR)

In 2022, the Group recognised a $75 million net cost (before tax) following a review of pricing promises across a range of retail products which identified instances where the policy pricing promise was not fully delivered. The net cost comprised amounts for customer remediation, interest payable and other costs associated with administering the program. There has been no material change to the costs recognised in profit or loss since the prior year.

### Investment risk-free rate (RFR) impacts

Net investment income (loss) is analysed separately between risk-free rate movement impacts on fixed income assets, and remaining income (loss). This enables analysis of these risk-free rate movement impacts alongside the corresponding offsetting impacts on net insurance liabilities within insurance finance income.

# Risk management

QBE's Risk Management Strategy (RMS) outlines our approach to managing risk by articulating the fundamental principles which apply to all levels of the organisation. The RMS is reviewed annually to assess compliance and effectiveness. QBE's approach to managing risk effectively is supported by our Enterprise Risk Management Framework.

## Strategic planning, risk appetite and capital management

QBE embeds risk management in the strategic and business planning process to allow risks to be managed in an integrated manner and to support QBE's overall strategic objectives. Material risks are identified and assessed as part of this and stress testing is performed to enable QBE to design actions to help achieve our business plan objectives while staying within risk appetite.

Risk Appetite Statements (RAS) define thresholds for our risk appetite with associated actions for clear reporting to management and the Board. Key risk indicators and other financial and non-financial metrics are continually being developed to support our RAS and quantify our risk tolerance, informing timely and appropriate responses.

To maintain balance between our risk appetite and strategic planning, our Internal Capital Adequacy Assessment Process enables us to allocate resources for sustainable growth and optimise risk and return. There has been significant effort in aligning the capital management approach across all divisions and uplifting use of capital models in decision making.

## Risk processes and standards

QBE's Group Risk and Control Self-Assessment (RCSA) Standard sets out minimum requirements for how we identify and assess risks and controls in a way that embeds risk management across the business. The standard enables improvement of risk and control effectiveness, where strong embedment of RCSAs has increased the understanding and capability of first line and led to strong ownership of risks, controls and responsibilities.

QBE's Incident and Issue Management Standard sets out minimum requirements for managing incidents and issues which allows us to understand our risk exposure and identify root causes to improve the overall control environment. The standard outlines the identification, escalation, resolution and reporting process for incidents and issues.

The Risk Maturity Self-Assessment (RMSA) is used to annually assess risk maturity across the Group, understand how well risk is being managed and benchmark against our target maturity levels. QBE is on an ongoing journey to uplift risk maturity, and identifying areas for continual improvement of risk management through RMSA enables us to achieve our strategic goals and business objectives.

QBE's risk management processes and standards are underpinned by our internal governance, risk and compliance system Insight which captures data relating to our risks, obligations, controls, incidents and issues. We regularly make improvements to Insight to build this data analysis capability, with report and dashboard functionalities supporting oversight and monitoring activity.

## Risk governance

Risk management is governed primarily by the Board Risk & Capital Committee, and by the Executive Risk Committee at a management level.

QBE manages risk through the three lines model which outlines where accountabilities for risk management activities sit across the business. Primary responsibility for risk management lies with the business (first line). The Risk and Compliance team provides review and challenge, oversight, monitoring and reporting on QBE's material risks (second line). Internal Audit provides independent assurance on the compliance with, and effectiveness of, QBE's risk management framework (third line).

## Risk culture

QBE recognises the importance of a sound risk culture, and that risk culture is strongly intertwined with our QBE DNA. Our Board, assisted by the Board Risk & Capital Committee, is responsible for overseeing our risk culture, including forming a view on whether it supports QBE to operate consistently within its risk appetite.

QBE regularly monitors and measures the maturity of our risk culture against Board-approved Target Statements, applying a range of tools and indicators. Important components which facilitate our risk culture include developing a strong risk mindset and risk skills in our business, a commitment to safety in speaking up, and recognising risk performance through balanced rewards and incentives.

# Our top risks

## QBE continues to navigate the uncertain geopolitical and economic environment including unrest from the recent Israel-Palestine conflict, the ongoing Russia-Ukraine conflict and the growing tensions surrounding Taiwan.

Rising inflation and interest rates have dampened economic activity and heightened the risk of recession. Natural catastrophe activity continues globally with multiple storm, flood and wildfire events. QBE is focused on analysing and managing the potential impacts from these external factors. Each year, the top risks inform planning of activities such as stress and scenario analysis, realistic disaster scenarios and Internal Capital Adequacy Assessment Process scenarios. Our analysis of top risks includes impact to QBE, management actions and the risk trend. The management actions taken to address the top risks are closely linked with the work we are doing as part of our strategic priority areas.

| Top risks | Management actions |
|---|---|
| **Geopolitical:** Potential consequences associated with political shifts, international conflicts, trade disruptions, and regulatory changes, which can influence the insurance landscape. Increased levels of sanctions, including increased differences across major trading economies (US, UK, EU and Australia), pose a risk of operational complexity and an uncompetitive position in international markets. | Our proactive approach to geopolitical risk management involves monitoring rapid changes in the international sanctions' environment, undertaking of appropriate screening and due diligence and continuously assessing the geopolitical environment when making risk selection decisions. |
| **Economic uncertainty:** This year we have seen persistent high levels of inflation across the global economy following Russia's invasion of Ukraine, worsening supply chain issues which emerged from COVID-19 and restricting the supply of oil and gas. In response to inflation, central banks from major economies have regularly increased interest rates. A heightened risk of recession arose from weaker growth in nominal economic activity and associated cost of living. | We continue to monitor these economic variables by engaging in comprehensive analysis to understand the potential impact on our business. The risk of inflation and recession have been key considerations for underwriting in 2023. Scenario testing was performed in 2023 to consider the potential impact of a deep recession on gross written premium, reserves and investment income and how it would affect the business plan. |
| **Cyber:** The proliferation of technology has brought about unprecedented opportunities and convenience, but it has also exposed businesses to a new realm of threats. Cyberattack, data breaches and privacy violations can disrupt business operations and erode customer trust. | QBE continues to monitor the cyber threat landscape. A program of work to deliver our cyber strategy is in place. Scenario-based risk assessments are ongoing and being utilised to support the determination of the residual ransomware risk and any impacts on our risk appetite position. |
| **Insurance accumulation:** This risk arises from the potential concentration of policies or exposure within our portfolio, particularly in regions susceptible to common perils like natural disasters. | Our risk modelling tools and diversification efforts enable us to mitigate the adverse effects of accumulation risk thereby ensuring the continued protection of our policyholders. |
| **Reserves:** Inflation continues to drive uncertainty around the adequacy of QBE's current reserves to meet future claims with the risk of adverse prior year claims development. Both price and social inflation contribute to the rising claims costs and must be considered in reserving assumptions. | We undertake planning and reviews of risk appetite, pricing, risk selection, reserve risk, and our reinsurance strategy (both prospective and retrospective) to effectively manage this risk. |
| **Technology:** This is the risk of material unplanned, negative business outcome involving the failure, misuse or end of life of IT systems. For instance, obsolescence of IT assets may increase the likelihood of system down time leading to process inefficiencies. | We are progressively transitioning applications to the cloud, with interim steps being taken to address end-of-life systems. A pilot to assess the benefits of more frequent control testing took place throughout 2023 with the aim to provide a regular view of the control environment thereby allowing a more accurate assessment of the residual risk positions. |

| Top risks | Management actions |
|---|---|
| **Data risk:** The risk that business strategic objectives are impeded by a lack of complete, accurate, timely and meaningful data. Data issues may result in poor employee experience, errors in reports to external stakeholders or lead to suboptimal business decisions. | Our Data Governance Framework supports the implementation of our Data Strategy and Roadmap. We also continue to monitor manual processing and data quality largely making sure controls are fully understood, assessed, and recorded. |
| **Attracting and retaining talent:** The risk that inadequate management of talent pipeline and focused succession planning results in gaps in skills and capabilities and heightened key person dependencies. | We are proactively building career development opportunities and deeper succession pools. Our Retention Toolkit helps managers understand retention and identify potential issues early. We conduct regular reviews of exit interview data to spot trends and deep dive into known attrition hotspots. Our bi-annual wellbeing dashboard includes key metrics to inform benefit and wellbeing strategic direction. |
| **Growth in regulatory obligations and intervention:** The risk that regulators increase their supervision and tighten regulatory obligations, including imposing divergent obligations between the different regulators. A compliance breach would require reporting to regulator and result in regulatory enforcement action. | We conduct proactive and open engagement with regulators in relation to business and regulatory changes. We continuously monitor regulatory changes. We have developed an obligation register for all key compliance obligations with review and oversight applied via RCSAs. |
| **Operational disruption from transformation agenda:** The delivery risks present in QBE's transformation portfolio can impact cost, regulatory compliance and benefits realisation. | We continue to focus on underwriting and program operations simplification efforts. This is accompanied by regular reviews and monitoring on the effectiveness of project delivery and its alignment to, and impact on, our strategic pillars. |
| **Failure to meet expectations on ESG:** The potential failure to meet evolving government, market, investor, and conduct expectations on sustainability, ESG and climate change (physical and transition). | We aim to understand and manage our exposure to ESG-related risks through a variety of activities, including risk assessments and scenario analysis which considers the potential impact of changes in variables and risks. |
| **Reinsurance risk:** The risk that QBE is unable to obtain insurance from a reinsurer at the right time and at an appropriate cost. The inability may emanate from a variety of reasons such as unfavourable market conditions. | By integrating risk management into business planning, QBE aims to monitor and respond to macro changes in the competitive environment. We conduct quarterly governance oversight of performance, quarterly rate and income monitoring, and monthly price adequacy monitoring. |
| **Artificial intelligence:** The insurance industry is increasingly adopting AI technologies to streamline operations, improve underwriting processes, and enhance customer experiences. However, there are several risks associated with the use of generative AI in the insurance industry. | As a new top risk for QBE, we are exploring pathways to manage AI related risks via a multi-faceted approach, including robust data governance, rigorous testing and validation of AI models, ongoing monitoring for biases and fairness, transparency in algorithmic decision-making, and adherence to legal and ethical standards. |

# Emerging risks

## Autonomous vehicles

As a result of new developments in mechatronics, speed learning and AI there has been rapid progress in the field of autonomous machines, which is likely to change the risk landscape for various lines of insurance and will have an impact on the sharing economy.

## Sustainable procurement

Risk of reputational damage, legal liability or financial loss resulting from suppliers engaging in unethical practices, environmental violations, labour abuses or other non-compliance with growing regulatory and disclosure requirements on sustainable procurement.

## Harmful man-made substances

Many chemicals can be harmful to the environment or health if inhaled, ingested or absorbed through the skin, including forever chemicals (e.g. per-and polyfluoroalkyl substances (PFAS), endocrine disruptors) and small particles (fine dust, microplastics or man-made nanoparticles) which may pose risks that are not yet fully revealed. Better awareness and understanding around the effects of these substances may result in potential claims due to environmental pollution, health-related liabilities and be reflected in the evolving regulatory landscape.

## Labour force

Risks pertaining to the potential challenges and issues relate to the workforce (e.g. employee-related legal liabilities, labour disputes, diversity and inclusion issues, talent recruitment and retention).

## Biodiversity loss

Insurers may face claims related to property damage, business interruption, or liability arising from loss of biodiversity, including species extinction, habitat degradation, and ecosystem disruption.

## Health system and pandemics

Insurers face risk during and in the post-effect of pandemics, including managing increased claims volume, challenges in underwriting and pricing policies, operational disruptions, regulatory changes, reputation risk and long-term shifts in health trends. Economic downturns and market volatility associated with pandemics can also impact investment portfolios.

## Human rights

Risks related to human rights abuses, labour practices, and social issues within our operations and supply chains.

## Data ethics

The risk of violation, discrimination, unfair pricing, data bias or other issues relating to collecting, generating, analysing and disseminating data, both structured and unstructured. Similar to data quality or information reliability, data ethics is a critical consideration in feeding AI algorithms.

1 Overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Additional information

# Climate-related risks and opportunities

Our approach to climate change is central to our sustainability strategy and we continue to mitigate climate risk through our risk management framework. This year, we have continued to progress our net-zero commitments, with a focus on engagement across underwriting, investment and our suppliers. We continue to develop our metrics, taking data availability and reliability into account, as we make progress against our commitments.

## Governance

The Group Board approves QBE's strategic priorities, which includes consideration of climate risks and opportunities. It also oversees the environmental impact of the Group's activities and operations and sets standards on the Group's environmental responsibilities and practices.

The Group Board is assisted in its oversight by committees composed of a majority of independent directors. In particular, the Board committees outlined on page 21 have oversight relating to climate-related matters.

The Group Executive Committee (GEC) has the highest level of management oversight of climate-related matters and is supported by the committees outlined on page 21. Its responsibilities include overseeing the execution of QBE's sustainability strategy and commitments and managing climate-related risks and opportunities.

The Group Board and GEC participate in education sessions to enhance their awareness of, and capability surrounding, ESG issues, including climate-related risks and opportunities.

QBE is committed to integrating sustainability, including climate-related considerations, into the business. Functional representatives with accountability for sustainability across the Group collaborate through key management working groups and committees to support the GEC in the delivery of our strategy, initiatives and reporting.

QBE and its employees participate in industry and other forums to contribute to the dialogue on issues that are important to the business, including climate-related risks, the transition to a net-zero economy, and the development of consistent industry standards and approaches around climate-related disclosures.

### In 2023

- The Group Board continued to oversee progress against our 2023-25 Sustainability Scorecard. Periodic updates on progress were provided during the year.
- The Group Board Charter was updated in June 2023 and reflects the Board's overall responsibility for environmental, social and governance (ESG) issues, including matters which were previously delegated to the Board Risk & Capital Committee.
- In November and December 2023, the Group Board Audit Committee and Divisional Board Audit Committee Chairs were updated on key reporting developments, including on the recently issued International Sustainability Standard Board (ISSB) standards.
- Climate change continues to be one of the top ESG risks identified by the ESG Risk Committee as part of its annual ESG risk horizon scan.
- Membership of the Environmental and Social (E&S) GEC Sub-Committee was expanded to include selected divisional CEOs to ensure consistent information flows between Group and Divisions.
- Sustainability-related non-financial measures are to be included in the executive long-term incentive plan from 2024, as detailed in the Remuneration Report on pages 42 to 64.

# Climate governance framework

## Group Board

### Oversight of climate-related risks and opportunities

#### Risk & Capital Committee

Oversees the effectiveness of the Group's risk management framework and strategies including the consideration of adequacy of awareness, understanding and management of its risks, including ESG risk.

#### Audit Committee

Oversees the integrity of the Group's financial reporting, including climate-related financial disclosures.

#### People & Remuneration Committee

Oversees the remuneration policy, including the consideration of sustainability-related non-financial measures within incentive plans.

▼ OVERSIGHT

## Group Executive Committee

REPORT ▲

### Develop and implement the strategic approach to climate change

#### Environmental and Social (E&S) Sub-Committee

Supports executive decision making related to progressing the sustainability strategy and initiatives and targets in the Sustainability Scorecard, including climate-related commitments. Comprises members of the GEC and management.

**Chair:** Group Executive, Corporate Affairs and Sustainability
**Meetings in 2023:** 7

#### Executive Risk Committee (ERC)

Oversees the integration of ESG risk into the risk management framework. Comprises members of the GEC. Responsibilities include risk identification, measurement and mitigation.

**Chair:** Group Chief Risk Officer
**Meetings in 2023:** 5

#### Group Underwriting Committee (GUC)

Supports the GEC in meeting its responsibilities to develop, implement and review the Group's underwriting and reinsurance strategy, business plan and underwriting governance, including ESG issues and opportunities.

**Chair:** Group Chief Underwriting Officer
**Meetings in 2023:** 4

▼ OVERSIGHT

## Management Committees

REPORT ▲

### Integration across QBE's business

#### Sustainability Committee

Comprises senior representatives from across the Group who support the operational execution of QBE's sustainability strategy and commitments.

#### Net-Zero in Underwriting Steering Committee

Oversees the net-zero in underwriting program of work reporting to the GUC and E&S Sub-Committee and comprises cross-functional representatives.

#### Divisional Committees

Support the E&S Sub-Committee on alignment and integration of the Group's sustainability and climate strategy across the regions, and support the Divisional Management on all related matters.

#### ESG Risk Committee

Assists the ERC in managing ESG risks across the Group, which includes overseeing the Environmental and Social Risk Framework and its implementation, considering and recommending policy positions on ESG risks that impact underwriting, investment and operations across the Group to the ERC, and overseeing climate scenario analysis.

1 Overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Additional information

# Strategy

## QBE has a strong focus on climate-related risks and opportunities through our sustainability strategy focus areas.

As an international insurer and reinsurer, we see first-hand the impacts of a changing climate on our customers, communities and partners. This is why two of our three sustainability strategy focus areas relate to the role we play in addressing climate risks and opportunities:

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

Our first focus area outlines our support for an orderly and inclusive transition to a net-zero emissions economy, aligned with limiting warming to 1.5°C by the end of 2100. We recognise the importance of addressing climate change and incorporating climate-related risks and opportunities into our decision-making, facilitating a resilient future for our business and our customers. Further, our third focus area looks at how we can explore ways to co-create solutions to meet the changing needs of our customers, and support communities affected by climate impacts and the net-zero transition. Our landscape is changing, presenting opportunities to innovate and partner on impactful solutions through our investments, supplier and broker relationships, the QBE Foundation and QBE Ventures.

Two of the top three sustainability topics identified through our sustainability materiality assessment this year were climate-related, specifically, natural disaster resilience and, climate change transition and emissions reduction.

We aim to influence through advocacy, either directly or through industry bodies and have a focus on resilience to extreme weather and emissions reduction by the insurance industry.

Through industry partnerships, we can share our experience and knowledge to stimulate investment into the area of climate finance to improve natural disaster resilience in the face of a changing climate. For example, QBE is a member of the Hazards Insurance Partnership (HIP), a partnership between the Australian Government and the insurance industry, managed by the National Emergency Management Agency. Through the HIP, the Australian Government and insurers are working together with the aim of addressing insurance affordability and availability issues as driven by natural hazard risk, to reduce risk for communities and improve Australia's resilience to natural hazards. In 2023, QBE continued to play an important role in the Insurance Council of Australia (ICA) committees and working groups, contributing to the national debate on improved land use planning, building codes, relocation of communities with repeated flood impacts, investment in community resilience to reduce risk and insurance premiums, the net-zero transition, and the value of nature for a more resilient future.

We seek to influence our stakeholders through engagement, including our supply chain, and external investment managers. We are also engaging with customers, initially focused on our Australasia, Canadian and European businesses with which we have a material commercial relationship, based on gross written premium; and who operate in higher-emitting sectors. In our own operations, we continue to progress our net-zero roadmap and this year maintained our carbon neutrality[1] for a defined inventory of greenhouse gas emissions related to our global operations[2].

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

We have undertaken a global, economy-wide transition scenario analysis which has highlighted the risks and opportunities associated with the pathways to achieving net-zero emissions. While there is more work to be done to deepen our understanding and response to the decarbonisation journey, current data indicates QBE is broadly resilient. As a global insurer and reinsurer, we have the ability to support the transition across many industries and regions through the products and partners we work with across our insurance portfolio, investment portfolio and own operations.

## Our net-zero commitments

QBE has made net-zero commitments for our own operations by 2030, and our investment and underwriting portfolios by 2050. Through these commitments we seek to contribute to the reduction of real-world emissions to mitigate the level of warming this century, and the most severe risks to our customers, society, economy and environment.

QBE's ability to meet our net-zero commitments is reliant on many factors, including the progress individuals, businesses and economies can make to transition to net-zero collectively, particularly in developed countries with net-zero commitments. It also depends on the development of new technology associated with carbon removal and emissions reduction.

1 Based on the RE100 Climate Group's materiality threshold guidance which excludes countries with small electricity loads (<100MWh/year and up to a total of 500MWh/year) and where it is not feasible to source renewable electricity via any credible sourcing options. We meet our RE100 commitment through a combination of contracts with electricity suppliers and purchasing unbundled energy attribute certificates.

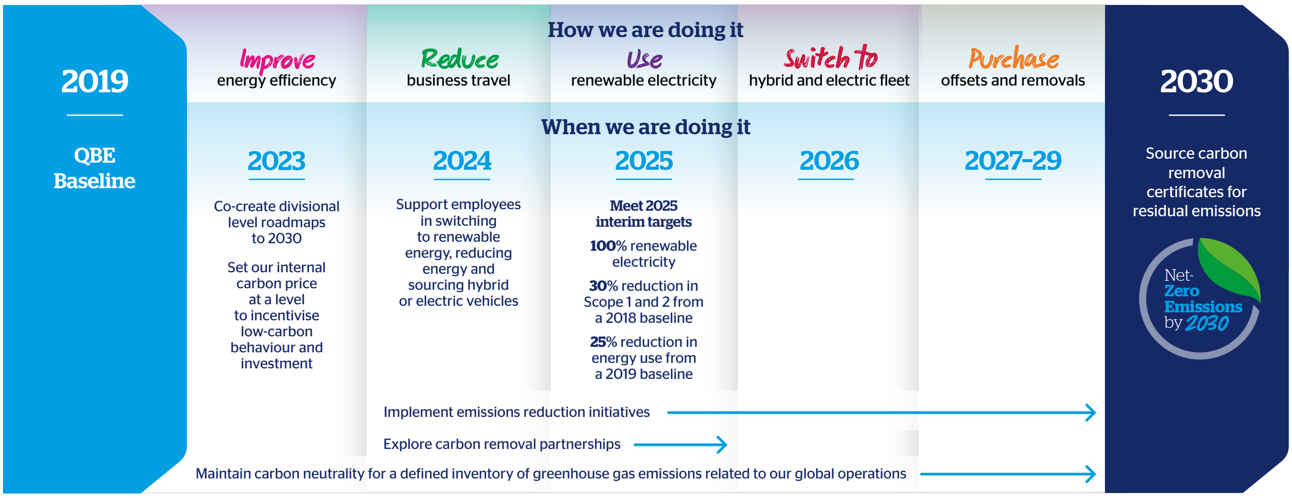
2 Defined inventory includes some purchased goods and services, capital goods, fuel- and energy-related activities, waste generated in operations, business travel, employee commuting and downstream leased assets. Please refer to our Sustainability Data Book (data book) for further information.

# Operations

As a business, we've committed to net-zero operations by 2030 for our Scope 1, 2 and material Scope 3 operational emissions, as outlined in our data book[1]. In 2023, we continued to progress our commitment to net-zero by 2030 for our global operations. Across each of our divisions, we formed working groups to identify further initiatives to reduce our operational emissions. These are summarised in our net-zero operational roadmap, which will continue to evolve over time. Fuel use for our fleet vehicles contributes the most of our Scope 1 emissions, and this year we continued transitioning our fleet to low emissions vehicles. We also continued to optimise the office space we occupy in line with our new ways of working, releasing surplus floorspace and implementing energy efficiency measures across our operations.

As we provide a hybrid working environment, our commuting and working from home emissions form part of our operational emissions footprint, and we are working with our people to identify ways to reduce these emissions. This includes offering discounts on public transport in certain countries and raising awareness of government lease schemes for electric and hybrid vehicles, where available. To further embed climate considerations into operational decision making, we have set our internal carbon price at $65 per metric tonne of carbon dioxide equivalent for 2024. We will use this to support internal investment in emission reduction initiatives as well as any expenditure required to maintain our environmental commitments. In 2023, we met our RE100 target for the third year, with 100% of our electricity use across QBE offices (excluding Bermuda and Pacific Islands) certified as renewable, supporting our commitment to 100% renewable electricity by 2025[2]. In 2023, we also maintained carbon neutrality[1] by purchasing renewable energy and fire abatement carbon offset certificates to cover residual emissions for a defined inventory[3] of greenhouse gas emissions related to our global operations, as described in our data book.

### Our net zero roadmap




## Supply chain

In 2023, we began climate-related discussions with strategic suppliers across our global supply chain, centred around climate risks, opportunities and measuring and reducing emissions. Initially, a pilot supplier engagement project for 55 suppliers was launched in the Australia Pacific division for the Claims and Indirect Procurement teams, and the Global IT Procurement team. Strategic suppliers were selected, based on QBE's annual spend and importance to QBE's operations. Engagement involved sending a survey out to the selected suppliers with an invitation to join an engagement session to discuss QBE's public targets and obtain details of the supplier's approach to transitioning to a low-carbon economy. Details of emissions calculations, target setting and ongoing sustainability initiatives were collected from the suppliers. This program was then extended to 74 more strategic suppliers from our global supply chain across the Procurement teams in other divisions.

Through this engagement we have identified several emission reduction opportunities that are being explored within the business. Going forward, we are focusing on addressing these opportunities and working to set targets for these suppliers by the end of 2025.

1 Please refer to our data book (Focus Area 1 and Metrics Criteria) for all definitions, calculations, assumptions and methodologies.
2 Based on the RE100 Climate Group's materiality threshold guidance which excludes countries with small electricity loads (<100MWh/year and up to a total of 500MWh/year) and where it is not feasible to source renewable electricity via any credible sourcing options. We meet our RE100 commitment through a combination of contracts with electricity suppliers and purchasing unbundled energy attribute certificates.
3 Defined inventory includes some purchased goods and services, capital goods, fuel- and energy-related activities, waste generated in operations, business travel, employee commuting and downstream leased assets.

# Investments

At QBE we are driven by our purpose of enabling a more resilient future. QBE seeks to responsibly invest our proprietary assets, including our premium income, across the globe. Climate change continues to be the most material ESG risk for QBE, and addressing the risks and opportunities associated with climate change will be essential towards aligning our investments portfolio to a net-zero economy. This aligns with our first sustainability focus area, to foster an orderly and inclusive transition to a net-zero economy, and QBE aims to do this through our target setting and tracking, scaling investments in climate solutions, assessing our portfolios' exposures to climate risks and opportunities and engaging with investees to decarbonise their operations.

## Net-zero in investments

Aligned with our broader climate strategy and our commitment to impact and responsible investments, QBE became a member of the Net Zero Asset Owners Alliance (NZAOA) in 2020, joining a growing group of institutional investors committed to transitioning their investment portfolios to net-zero emissions by 2050. To deliver on our commitment to transition our investment portfolio to net-zero by 2050, we set our initial 2025 intermediate targets in 2021 on sub-portfolio, engagement and financing the transition metrics, aligned with the NZAOA Target Setting Protocol.

In 2023, we have progressed towards our 2025 intermediate targets. We continued to invest in climate solutions through an addition of $117 million in green bonds in our portfolio and in 2024 we will explore strategies to set our 2030 target. For sub-portfolio[1], we have continued to reduce our equities carbon emissions by moving from passive strategies via exchange traded funds to tailored mandates with external developed market equity managers. Engagement continues to be a critical component of our net-zero approach, and we prioritise engagement with our highest emitters in our investment grade corporate credit portfolio, and all external managers, with a key focus on our net-zero 2050 commitment and transition planning. A further update on our progress can be found in the metrics and targets section on page 33, with further information on our engagement strategy and outcomes below.

## Engagement

As asset owners, we have a unique role at the top of the investment value chain, and we acknowledge both the responsibilities and opportunities that come with this role. Because of this, engagement is our preferred method of eliciting impactful change as we believe that engaging in conversation with our investees to implement sustainable practices in the transition to net-zero will ultimately be more impactful than divestment.

In 2023, we continued to engage with all our external managers across key climate-related issues and have seen increased ambition in net-zero commitments, enhancement to scenario analysis capabilities and Scope 3 measurement. For our top 20 highest emitters in our investment grade corporate credit portfolio, we focused on challenging them to set short-, medium-, and long-term science-based emissions reduction goals. We are also in discussion with them on a reduction in Scope 1, 2 and material Scope 3 emissions and the formulation of a decarbonisation strategy with clear demonstration that capital expenditure is consistent with achieving net-zero emissions by 2050.

### Engagement

**All external managers**

across our investment portfolio

**20 highest emitters**

in our investment grade corporate credit portfolio

### Financing the transition

**5%** by 2025

of assets under management in climate solutions investments

### Carbon intensity reduction

**25%** by 2025

of our Scope 1 and 2 emissions in our equity portfolio

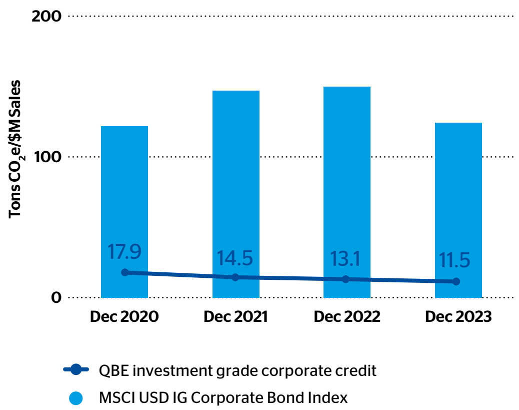
1 Sub-portfolio is one of the four categories of the Net Zero Asset Owners Alliance target setting approach.

## Climate analysis

We have continued to undertake climate-related analysis of our investments portfolio, such as carbon footprinting and high emitting sector exposure, to assess our overall exposure to climate risks and opportunities. In 2023, as a result of the implementation of our new investments system, we have been able to undertake analysis on additional asset classes due to an increase in data coverage. As data coverage continues to increase and mature, we too will look to undertake additional analysis.

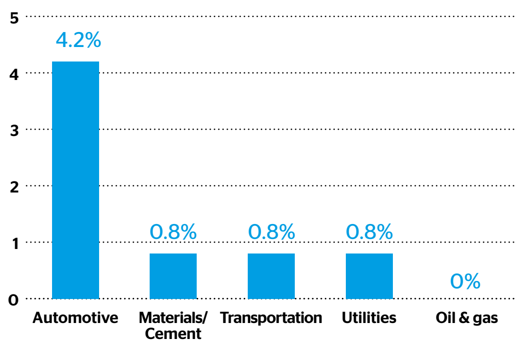
### Carbon footprinting

We have assessed the carbon footprint[1] which remains in line with our commitment to maintaining a low carbon risk rating[2]. We use weighted average carbon intensity (WACI), which calculates the weighted average emissions of a portfolio normalised by revenue and measures our portfolio's exposure to carbon-related potential market and regulatory risks. Our WACI of 11.45 $tCO_2e$/$m sales is significantly below the MSCI USD Investment Grade Corporate Bond Index of 124.4 $tCO_2e$/$m sales due to our low exposure to high-emitting sectors.




### High-emitting sector exposure

To assess our transition risk, we have also looked at the exposure to high-emitting sectors[3]. We expanded our analysis in 2023 to include our high yield debt, emerging market debt and developed market equities portfolios, in addition to investment grade corporate credit. Understanding our exposure to these industries will enable us to continue to target our engagement strategies. Our transition risk remains low, with 6.6% of our portfolio exposed to these high-emitting sectors, as a result of our fossil fuel exclusions screening criteria.




1 Our carbon footprinting analysis has been completed on the Scope 1 and 2 weighted average carbon intensity of our investment grade corporate credit portion of our AUM.

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

3 We use Global Industry Classification Standard (GICS) for our high-emitting sector classification, a decision which is informed by the NZAOA Target Setting Protocol and its annex.

# Underwriting

Although QBE withdrew from the Net Zero Insurance Alliance (NZIA) in May 2023, QBE's focus on our sustainability agenda remains unchanged and continues to be driven by our purpose of enabling a more resilient future. Our commitment of a net-zero underwriting portfolio by 2050 aligns with our commitment to a net-zero investment portfolio by 2050 and net-zero in our own operations by 2030. This is subject to the availability of relevant methodologies, data quality and external factors such as development of technologies.

Our net-zero in underwriting strategy focuses on three important areas:

1. **Customer engagement and insights**: understanding our priority customers' net-zero ambitions and plans.
2. **Innovative products and services**: exploring opportunities to further expand our offerings in support of the transition.
3. **Emissions modelling and tracking**: understanding and tracking the emissions of our underwriting portfolio and how we can identify and address material data gaps.

## Customer engagement and insights

Engagement is key because our ability to reach a net-zero underwriting portfolio is dependent on our customers' ability to reduce their own emissions and ultimately become net zero. Initially, we are focused on customers in our Australasia, Canadian and European businesses which:

- we have a material commercial relationship with, based on gross written premium; and
- operate in higher-emitting sectors (e.g. fossil fuel extraction and use; transportation; agriculture), defined as priority customers.

Engagement with customers allows us to better understand how we can help support them to reduce their emissions. We look to engage at least 50 priority customers at the time of renewal to gather data that we have not previously captured to understand their net-zero ambitions and how they plan to achieve these through decarbonisation efforts.

Customer insights are invaluable in refining our net-zero underwriting approach, helping us to identify areas for improvement, guiding product and service innovation, and aligning our efforts with customers' expectations by co-creating solutions.

## Innovative products and services

In July 2023, we took another step towards aligning our underwriting capabilities with the transition by launching insurance for Australian renewable energy projects. We were the first insurer in the Australian market to offer 'cradle to grave' coverage across a project's lifecycle: from construction of renewable energy infrastructure, through to operation, upgrading and decommissioning.

## Emissions modelling and tracking

We support emissions reporting to provide transparency and to enable progress on transition planning across our value chain, but recognise that poor data capture and quality may result in inaccurate estimations of emissions and of progress on reductions. Insurers, such as QBE, have a material data challenge in measuring and disclosing attributable emissions in relation to their underwriting portfolios as policyholders can range from small and medium enterprises (SMEs), with limited publicly available emissions data, through to large corporates, where emissions disclosures are yet to be standardised. The initiative focuses on commercial lines and private motor, subject to available methodologies, data and regulations.

Our work is ongoing, as emissions data coverage and quality is expected to continue to improve globally, driven predominantly by growth in sustainability reporting regulations. QBE remains focused on supporting an orderly and inclusive transition to a net-zero economy through better data and reporting to inform decision-making.

## Catastrophe modelling

QBE has a global Catastrophe Accumulation Management team. This year we established a Catastrophe Modelling Research team, which will advance our in-house ability to validate and customise our models, including considerations for potentially unaccounted impacts of climate change. We also continue to collaborate with the external partners (model vendors, reinsurance brokers, science community) to stay across advancements in science and technology. The Catastrophe Accumulation Management team regularly refreshes the catastrophe models to keep them aligned with the evolving extreme weather risk we are facing. The new research team has increased rigour and scientific knowledge to the model maintenance process.

# Our approach to managing climate risk in underwriting

We expect climate change will increasingly impact the frequency and severity of weather-related natural catastrophes over the long term. In the short term, it is often difficult to distinguish the impact of climate change versus the normal variability in weather and natural catastrophes. Our underwriting approach, implemented through the business planning process, aims to diversify and manage insurance risks accepted and reduce volatility of returns. Climate change is changing our approach to plan for catastrophe risk as outlined below.

## Portfolio management

### Annual renewability

As our insurance policies typically renew annually, we can continuously adjust our pricing or underwriting appetite.

### Pricing

The Catastrophe Accumulation Management team provides technical catastrophe pricing for a large number of commercial property policies. Pricing factors are refreshed annually to reflect current catastrophe accumulations, reinsurance costs, required return on capital, and use the best updated catastrophe models available. Policies are modelled individually based on detailed location level information. With the continued elevated catastrophe activity, there is an opportunity to better align our technical pricing on more recent activity rather than longer-term average annual losses.

### Underwriting appetite

We reduced our property exposure to hurricane risks in North America given its significance in terms of its exposure to physical climate risk and driving potential losses for our business, and we are leveraging our in-demand QBE Re catastrophe capacity to gain access to ancillary lines to better manage volatility. As part of our underwriting and investment process, QBE applies exclusions to activities that are outside of our risk appetite, depending on the specific conditions and circumstances of the risk being evaluated. For example, through our positions in the Environmental and Social Risk Framework we have committed to reduce our exposure to higher transition risks in the energy sector including no new coal and oil sands projects.

### Reinsurance

In the short term, we manage the volatility of natural catastrophe claims by deploying a comprehensive Group catastrophe reinsurance program and considering a wide range of event frequency scenarios in our capital planning. In the reinsurance market, we continue to see a reduced appetite to provide coverage for a frequency of catastrophe events which is reflected in recent changes to our reinsurance structure. These dynamics are factored into our pricing strategy.

## Catastrophe allowance

To reflect the elevated level of catastrophe activity experienced in recent years, we aim to establish our annual catastrophe allowance above the long-term average of our modelled catastrophe costs, helping to improve the reliability and consistency of our results. In 2023, despite a year of heightened catastrophe costs and extensive secondary peril activity for the industry, our catastrophe costs of $1,092 million were below the Group's allowance of $1,175 million. In 2024, our catastrophe allowance is $1,280 million.

# Climate-related risks and opportunities

As one of the world's largest insurance and reinsurance companies, with operations in all major insurance markets, there are a range of risks and opportunities associated with climate change that will present over the short (0–3 years), medium (3–8 years) and long (8+ years) term. These timeframes align with the shorter time horizons for business planning and the longer time horizons considered in scenario analysis.

The table below provides a summary of the key risks and opportunities presented by climate change, and these are supported by our climate scenario analysis which is outlined on page 29, as well as our risk processes which are outlined on page 32. These risks and opportunities are used to guide our strategy and risk management as well as the development of products and services, and investment decision-making. A summary of our strategic responses are identified for each risk and opportunity below.

| RISKS AND OPPORTUNITIES | RISK CATEGORY | POTENTIAL IMPACT | STRATEGIC RESPONSE AND RESILIENCE |
|---|---|---|---|
| **Risk:** Significantly increased frequency and severity of events related to certain perils and regions, particularly flood in Europe and Australia, and cyclones in North America. | | **Timeframe:**<br>**Impact:** Increased claims and reinsurance costs. | • Reduced exposure to North America hurricane risk as part of portfolio optimisation initiatives.<br>• Manage natural catastrophe volatility by considering a wide range of event frequency and severity scenarios in capital planning, and through the purchase of reinsurance.<br>• Establish catastrophe allowance as part of the business plan with input from modelled natural catastrophe scenarios. |
| **Risk:** Potential increase in climate-related litigation for our customers. | | **Timeframe:**<br>**Impact:** Increased claims, reputation risk. | • Monitor policy wordings and climate-related claims. |
| **Opportunity:** Better support our customers through enhancing existing, and offering new products and services as market demand shifts and technology evolves as part of the transition to a net-zero economy. | | **Timeframe:**<br>**Impact:** Better support our customers in transition towards a net-zero economy. | • Established the Sustainable Energies Unit within our International Division in 2022, and in 2023 launched the renewable energy solutions in our Australia Pacific Division. |
| **Opportunity:** Support the financing of the transition through our investment decisions and opportunities. | | **Timeframe:**<br>**Impact:** Support the transition to a net-zero economy. | • Increase our exposure to climate solution investments to 5% of assets under management to support financing the transition.<br>• Evaluate potential opportunities including investing in industries that contribute to reducing emissions, for instance forestry, as well as energy efficiency and exploration of carbon markets. |
| **Opportunity:** Reduce our operational emissions, and potential cost savings, through optimising building energy efficiency, changes to energy sources, and transition to a hybrid and electric fleet. | | **Timeframe:**<br>**Impact:** Support the delivery of a net-zero economy, reduced operating expenses. | • Continue to deliver on our net-zero operational commitments to 2025 and refresh our roadmap to net-zero operations by 2030 across Scope 1, 2 and a defined inventory of Scope 3 emissions.<br>• Introduced an internal carbon price. |
| **Risk:** Regulatory pressures continue to grow, as policy action and stakeholder expectations around disclosures evolve. | | **Timeframe:**<br>**Impact:** Increased operating expenses; reputational damage from failure to apply appropriate standards. | • Develop a gap assessment and roadmap for adopting Australian Sustainability Reporting Standards and other jurisdiction specific requirements.<br>• Closely monitor climate-related regulations which impact QBE's investments, underwriting and operations.<br>• Continue to enhance our assessment on climate-related impacts and improve the quality and availability of data. |

**Risk category:** Physical Transition **Timeframe:** Short to medium term Medium to long term

# Scenario analysis

| Physical | Transition |
|---|---|

## Scope of portfolios

| Physical | Transition |
|---|---|
| Underwriting (property)<br>Investment (unlisted property funds) | Underwriting (casualty, financial lines)<br>Investment (fixed income, high yield debt, emerging market debt) |

## Scenarios

**Physical**

**less than 2°C**, low emissions consistent with Representative Concentration Pathway (RCP) 2.6

**greater than 2°C** (3.2°C to 5.4°C), high emissions consistent with RCP 8.5

**Transition**

**Network for Greening the Financial System**

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

## Timeframe

| Physical | Transition |
|---|---|
| 2030, 2050 and 2090 | 2025, 2030, 2040 and 2050 |

## Scope of assessment

**Physical**

**Hurricane/cyclone/typhoon**
Australia, Japan, North America

**Convective storm/hail**
Australia, North America

**Windstorm**
Europe

**Flood**
Australia, Europe

**Bushfire**
Australia

**Wildfire**
North America

**Transition**

**The analysis considers the impact of climate change on the profit of each sector globally.**

## Climate scenario analysis

**Catastrophe models**
Business planning
Portfolio management

**Capital models and planning**

**Reinsurance programs**

1 Overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Additional information

# Physical risks and opportunities

Climate change is one of several drivers of the increasing costs of natural disasters globally. This can create volatility in QBE's profitability and is addressed through modelling and understanding the risk to grow a portfolio with diversity of location and risk, through our pricing and risk selection and through our reinsurance and capital management. The global insurance market pricing for natural disaster risk has been increasing for a range of reasons including concentration of properties in areas prone to risk, increasing building costs and increasing scarcity of labour and materials, especially where the same region is impacted over the short term. Increasingly, regulators of financial services industries are seeking to understand how climate risk can contribute to an insurance protection gap impacting a greater proportion of the population. As insurance often enables investment and credit flows, a growing protection gap can contribute to financial challenges through compounding factors such as a series of natural disasters, with sea level rise in the future.

QBE is investing in models and talent to better manage our risk and sharing our knowledge and expertise to attract investment towards adaptation and emissions reduction for a more resilient future.

To better understand the potential impact of climate change on specific perils and regions, over the past few years, we have partnered with catastrophe modelling vendors Risk Management Solutions, Inc. and AIR Worldwide, and with Aon to analyse the scientific literature related to the potential impact of climate change on specific perils and regions. We have then enhanced our catastrophe models to better understand how extreme weather risk may evolve as the climate continues to change over the next 30+ years. The scope, scenarios and timeframes analysed are summarised on page 29.

These scenarios do not represent forecasts of the impact of climate change, and instead are indicative of the potential outcomes assuming the scenario occurs.

Following the conclusion of our analysis, our catastrophe models were recalibrated to reflect the potential change indicated by scientific literature in order to determine the potential impact to net claims costs under each scenario. We have concentrated our analysis on the perils and regions relating to QBE's extreme weather exposure.

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

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

We have experienced a series of low probability events, including Cyclone Gabrielle and the North Island flooding events in New Zealand, alongside a series of convective storms in North America. However, we remained within our planned catastrophe allowance for 2023 and continue to plan for elevated catastrophe activity.

# Transition risks and opportunities

In 2022, we refreshed our climate transition scenario analysis to align with six of the latest Network for Greening the Financial System scenarios, supported by an external consultant. The results show an estimated sectoral impact, measured based on percentage change in profit over 2025, 2030 and 2050. This was used to better understand which segments of our insurance and investment portfolios may be exposed to high growth or contraction sectors as a result of the transition to a net-zero economy.

## Investments

We assessed QBE's core fixed income (excluding cash and cash equivalents), high yield debt and emerging market debt (collectively referred to as 'in-scope assets'), which represents 88% of Group Investments assets under management (AUM).

The sector impacts shown against the investment portfolio are based on the ‘divergent net zero’ scenario, which aligns with our commitment to net-zero, and assumes a disorderly transition which is more aligned with the current state of global markets and regulation around climate transition.

In relation to the in-scope assets, QBE continues to be resilient with respect to climate transition risks as our investment portfolio has limited exposure to highly impacted sectors. 83% of QBE’s in-scope assets are exposed to the Finance and Insurance and Central Banks/Sovereign sectors, which are not expected to be significantly impacted by the climate transition.

Climate change transition and emissions reductions are included in our broader sustainability considerations within our investment decision-making process.

Our overall exposure to climate-related risks and opportunities is assessed through further analysis of our investments portfolio, including carbon footprinting and reviewing residual exposures to high-emitting sectors. Further details are outlined on pages 24 and 25.

## Underwriting

The ability to classify the Group’s underwriting data at a sectoral level remains a challenge and we continue to make investment in data, people and systems to allow us to better understand our underwriting exposure at a sectoral level.

We are developing our capability for baselining and measuring insurance-associated emissions based on industry methodologies, and approaches to address data gaps, as this will be a key input for developing our transition plan.

Transition risks result from the relative uncertainty created by the global shift towards a more sustainable, net-zero economy. Transition risks are very broad in nature and can be difficult to quantify or model. For instance, regulatory, geopolitical, and social pressures can create material impacts on the operations of a business, its reputation, and the value of its assets.

QBE covers risks across the globe and across many sectors. Our analysis continues to focus on where we have a heightened transition risk as well as how we can support the transition. This includes our evolving product offering, for example, the 2023 launch of the renewable energy offering in Australia. Transition risk analysis may also support us in reviewing our underwriting strategy and portfolio mix.

Further details are outlined on pages 26 and 27.

# Risk management

## QBE manages climate risk through integration into decision-making and our risk management processes and frameworks.

QBE has a Risk Management Strategy to ensure we achieve our strategic priorities while also establishing effective governance and fundamental principles for the management of risk across all levels of the organisation. Climate change is a component of ESG risk, which is classified as a strategic risk sub-class in our Risk Management Strategy.

Climate risk management is overseen by the ESG Risk Committee, the Executive Risk Committee at a management level and the Board Risk & Capital Committee at a Board level.

## Identifying and assessing climate risks

We have a range of tools and processes to assist with identifying and assessing climate risks.

| | UNDERWRITING | INVESTMENT | SUPPLY CHAIN | OPERATIONS |
|---|---|---|---|---|
| Environmental and Social (E&S) Risk Framework (application, referrals, monitoring) | ✓ | ✓ | – | – |
| Climate scenario analysis | ✓ | ✓ | – | – |
| Risk and Control Self-Assessments | ✓ | ✓ | ✓ | ✓ |
| ESG risk horizon scan | ✓ | ✓ | ✓ | ✓ |

Each year we undertake an ESG risk horizon scan to identify and assess risks and understand how we are mitigating our top ESG risks. Climate change continues to be our top ESG risk. Climate change has also been identified again this year as one of the top risks facing the organisation, as set out in the risk management section on pages 16 to 19.

QBE's Group Risk and Control Self-Assessment (RCSA) Standard sets minimum requirements for identifying, documenting, and assessing key risks that QBE faces in delivering our strategic and business objectives. The RCSA process also requires an assessment of the effectiveness of the controls in place to manage those risks. This year we have documented the climate-related risks and controls which will be drawn upon in RCSAs going forward.

Scenario analysis is a key tool we use to better understand the future potential impacts of climate change from a physical and transition perspective. We have undertaken extensive climate scenario analysis and the results have been an input into a range of strategic and risk processes including catastrophe models, executive briefings, business planning, net-zero planning and portfolio optimisation.

## Managing climate risks

We use a range of tools and processes to manage and monitor our climate risks, across our underwriting, investment, supply chain and our own operations. This year we have introduced an ESG risk dashboard to support management reporting with quantitative indicators, where data allows; and we will continue to evolve the dashboard as our data coverage and quality improves.

| | UNDERWRITING | INVESTMENT | SUPPLY CHAIN | OPERATIONS |
|---|---|---|---|---|
| Risk appetite as per E&S Risk Framework | ✓ | ✓ | – | – |
| Management reporting | ✓ | ✓ | ✓ | ✓ |
| Engagement on climate transition and net-zero | ✓ | ✓ | ✓ | – |
| Business continuity plans | – | – | – | ✓ |
| Portfolio management including annual renewability, pricing, underwriting appetite | ✓ | – | – | – |
| Catastrophe allowance and reinsurance | ✓ | – | – | – |
| Greenwashing risk principles | ✓ | ✓ | ✓ | ✓ |

# Metrics and targets

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

| MEASURE | TARGET | 2023 | 2022 | STATUS |
|---|---|---|---|---|
| **Operations** | | | | |
| **Energy use (GJ)** | 25% reduction by 2025<br>*2019 baseline* | **182,978**<br>**▼ 24%** | 192,429 | **On track** |
| **Renewable electricity use (MWh)** | 100% by 2025 [1] | **17,154**<br>**100%** | 18,513 | **Achieved** |
| **Scope 1 and 2 emissions (1.5°C trajectory aligned science-based target) ($tCO_2e$)** | 30% reduction by 2025<br>*2018 baseline* | **7,715**<br>**▼ 75%** | 7,732 | **Achieved** |
| **Scope 1, 2 and material Scope 3 emissions ($tCO_2e$)** [2] | Net-zero operational emissions (Scope 1, 2 and material Scope 3) by 2030<br>*Restated baseline* [3] | **27,070**<br>**▼ 10%** | 23,627 | **In progress** |
| **Underwriting** | | | | |
| **Customer engagement** | Engage at least 50 priority customers at time of renewal in our Australasia, Canadian and European businesses with which we have a material commercial relationship, based on gross written premium; and who operate in higher emitting sectors | **Ongoing** | N/A | **New target** |
| **Investments** | | | | |
| **Engagement** | • All external managers across our investment portfolio<br>• 20 highest emitters in investment grade corporate credit portfolio | **Achieved** | Achieved | **Achieved** |
| **Financing the transition** | Increase our climate solutions investments to 5% of assets under management by 2025 | **4.6%** [4] | 4.8% | **On track** |
| **Carbon intensity reduction** | 25% reduction by 2025 of Scope 1 and 2 emissions in equity portfolio [5] | **In progress** | In progress | **On track** |
| **Low carbon risk rating** | Maintain a low carbon risk rating in the Scope 1 and 2 weighted average carbon intensity of our investment grade corporate credit portfolio [6] | **11.45** $tCO_2e$/\$m sales | 13.1 $tCO_2e$/\$m sales | **Achieved** |

1 2023 percentage of renewable electricity is based on the RE100 Climate Group's Materiality Threshold guidance which excludes countries with small electricity loads (<100 MWh/year and up to a total of 500 MWh/year) and where it is not feasible to source renewable electricity via any credible sourcing options. We meet our RE100 commitment through a combination of contracts with electricity suppliers and purchasing unbundled energy attribute certificates. This is the total percentage of renewable electricity sourced, not a year-on-year percentage change.

2 Net-zero emissions on material Scope 3 includes emissions related to business travel, fuel and energy-related activities and capital goods. Refer to the 2023 Sustainability Data Book – Metrics Criteria for details.

3 In 2021, QBE committed to net-zero 2030 for Scope 1 and 2 emissions for our global operations, from a 2019 baseline year. This target was extended to include material Scope 3 emissions in 2022. Due to the inclusion of additional Scope 3 emissions sources such as those from fuel and energy-related services and capital goods in 2022, we have used 2022 as a baseline for QBE's material Scope 3 2030 commitment.

4 Our infrastructure assets contribution to Climate Solutions is calculated as at 30 September 2023.

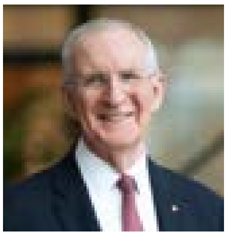
5 We have worked with preferred managers to ensure these are considered in mandate design and implementation, and will continue to track and monitor.

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

**More details on QBE's Sustainability Framework and our performance and progress are available in QBE's 2023 Sustainability Data Book.**

1 Overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Additional information

# Board of Directors



## Michael (Mike) Wilkins AO BCom, MBA, FCA, FAICD — Independent Chair

Mike became a non-executive director of QBE in November 2016 and was appointed Chair in March 2020. He is Chair of the Governance & Nomination Committee and a member of the Audit, People & Remuneration and Risk & Capital Committees. Mike has more than 30 years' experience in financial services. He was the Managing Director and CEO of Insurance Australia Group Limited until November 2015 and previously served as Managing Director and CEO of Promina Group Limited and Managing Director of Tyndall Australia Limited. He is currently Chair of Medibank Private Limited and a non-executive director of Scentre Group Limited. He previously served as a non-executive director of AMP Limited, Alinta Limited, Maple-Brown Abbott Limited, The Geneva Association and the Australian Business and Community Network. Mike was the founding member of the Australian Business Roundtable for Disaster Resilience & Safer Communities from 2013 until his retirement in 2015.

## Andrew Horton BA Natural Sciences, ACA — Group Chief Executive Officer

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

## Yasmin Allen AM BCom, FAICD — Independent Director

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

## Stephen (Steve) Ferguson BCom, CA, AICD — Independent Director

Steve became a non-executive director of QBE in November 2023. He is a member of the Audit and Risk & Capital Committees. Steve is an accomplished financial services executive and business leader with over 30 years' experience including serving as a Financial Services Leadership partner at Ernst & Young (EY) for more than 15 years, where he was also the signing Audit Partner for numerous top 50 ASX Listed companies. More recently, Steve has held Board level positions across the commercial, government and not-for-profit sectors for the past six years. Steve is currently serving as the Chair and Non Executive Director for Bank Australia Limited and Non-Executive Director for GenRe Australia Limited, GenRe Life Australia Limited, BackTrack Youth Works Limited and for Parkinson's Australia Limited. He is also an external member of the UNSW Sydney Audit Committee and Risk Committee.

## Penny James BSC (Hons), ACA — Independent Director

Penny became a non-executive director of QBE in January 2024. She is a member of the Risk & Capital and People & Remuneration Committees. Penny has over 30 years' experience in the financial services industry having held leadership roles in general insurance, life assurance, wealth management and asset management businesses. Her previous positions included Chief Executive Officer of Direct Line Insurance Group plc (having previously held the role of Chief Financial Officer), the Group Chief Risk Officer of Prudential plc and the Group Chief Financial Officer of Omega Insurance Holdings plc. Penny has been a Board Member of the Association of British Insurers and the Chair of the Financial Conduct Authority Practitioner Panel. She is currently Senior Independent Director of Hargreaves Lansdown plc and co-chair of the FTSE Women Leaders Review. Penny is also a non-executive director of Mitie Group plc.

## Tan Le BCom (Hons), LLB (Hons)

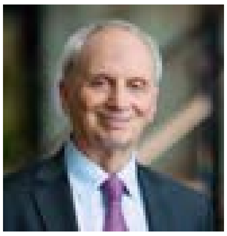
Independent Director

Tan became a non-executive director of QBE in September 2020. She is Chair of the People & Remuneration Committee and a member of the Governance & Nomination Committee. Tan is the founder and CEO of EMOTIV, a neuroinformatics company advancing understanding of the human brain. She was previously co-founder and President of SASme, a wireless technology company. Tan has been a contributor at the World Economic Forum (WEF) and previously served on the WEF Global Future Council and on the WEF Board of Stewards on Shaping the Future of Information & Entertainment.

## Kathryn (Kathy) Lisson BSc (Hons)

Independent Director

Kathy became a non-executive director of QBE in September 2016. She is Deputy Chair of the People & Remuneration Committee and a member of the Risk & Capital Committee. Kathy has over 30 years' experience across insurance and banking in technology, operations and management. She was previously Chief Operating Officer for two insurance companies (QBE Europe (a QBE regulated entity) and Brit Insurance) and Operational Transformation Director at Barclays Bank, which included delivering global solutions in digital technology, cyber security and IT risk. Kathy also held executive positions at Bank of Montreal, including as President of its Mortgage Corporation and EVP Technology Strategy and Delivery. Kathy was a senior partner at Ernst & Young and Price Waterhouse in Canada, leading their insurance and banking advisory practices. Kathy has also held several other non-executive director roles in the United Kingdom and in Canada.



## Sir Brian Pomeroy MA, FCA

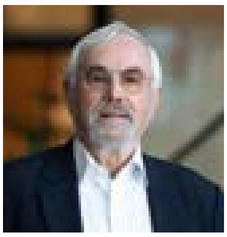
Independent Director

Sir Brian became a non-executive director of QBE in June 2014. He is Deputy Chair of the Audit Committee and a member of the Risk & Capital Committee. He has extensive insurance industry experience, including in his previous role as a Nominated Member of the Council of Lloyd's and as Chair of the Independent Commission on Equitable Life Payments. He was formerly a non-executive member of the board of the Financial Conduct Authority in the United Kingdom and a non-executive director on QBE's European regulated boards. Sir Brian also chaired the United Kingdom Treasury's Financial Inclusion Taskforce, the Payments Council and the Gambling Commission. He was the Senior Partner of Deloitte Consulting in the United Kingdom until 1999.

## Jann Skinner BCom, FCA, FAICD

Independent Director

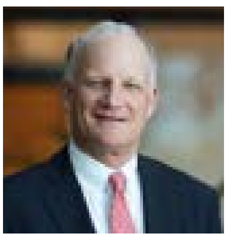
Jann became a non-executive director of QBE in October 2014. She is Chair of the Audit Committee, Deputy Chair of the Risk & Capital Committee and a member of the Governance & Nomination Committee. Jann has over 30 years' professional experience in audit and accounting with a focus on financial services, particularly the insurance industry. She was an audit partner for 17 years with PricewaterhouseCoopers before retiring in 2004. Jann is a non-executive director of Telix Pharmaceuticals Limited and Create Foundation Limited. Previously, Jann was a non-executive director of HSBC Bank Australia Limited, Enstar Australia Group and the Tasmanian Public Finance Corporation. Jann was also a non-executive director on QBE's Australian regulated boards.



## Rolf Tolle Dipl. Pol

Independent Director

Rolf became a non-executive director of QBE in March 2016. He is Chair of the Risk & Capital Committee and a member of the People & Remuneration and Governance & Nomination Committees. He has significant experience in specialist insurance and reinsurance businesses, having held senior positions in a number of global companies. He was the first ever Franchise Performance Director at Lloyd's, for which he was awarded the Silver Medal for Services at Lloyd's, an honour bestowed on only a few individuals since its creation in 1917. Rolf is a director of Marco International Insurance Company Limited and British Reserve Insurance Company Limited. Rolf was previously a director of Beazley plc and Beazley Furlonge Ltd.



## Peter Wilson BEco

Independent Director

Peter became a non-executive director of QBE in September 2023. He is a member of the Audit and Risk & Capital Committees. Peter is an accomplished insurance executive and business leader with over 40 years' experience. He served as Chief Executive Officer of Axis Insurance from 2013 to 2022 and prior to that was President of United States Insurance. He was with CNA Insurance for more than 20 years, including as President and Chief Operating Officer for CNA Specialty. He also served as Executive Vice President at AIG, where he managed the commercial public D&O business in the United States.

## Eric Smith MBA, BSc

Retired Independent Director

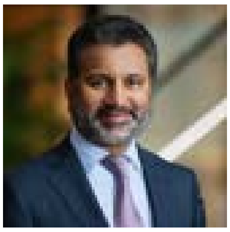
Eric served as an independent non-executive director of QBE from September 2020 until his retirement on 10 March 2023. Eric was a member of the Audit and Risk & Capital Committees.

# Group Executive **Committee**

## Andrew Horton BA Natural Sciences, ACA

Group Chief Executive Officer

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



## Inder Singh BCom

Group Chief Financial Officer

Inder joined QBE in 2015 and was appointed Group Chief Financial Officer in 2018. His previous roles at QBE include Chief Financial Officer for Australian & New Zealand Operations and Group Head of Corporate Development and Financial Planning & Analysis. Inder has more than 20 years' experience in financial services spanning property and casualty, life insurance and banking. He started his career at Arthur Andersen before working in investment banking in Sydney and London with Deutsche Bank and UBS. Prior to joining QBE, he was Group M&A Director at Aviva plc in London where he led a number of transformational transactions.

## Vivienne (Viv) Bower BA Organisational Communication, GAICD

Group Executive, Corporate Affairs and Sustainability

Viv joined QBE in 2017 and was appointed Group Executive, Corporate Affairs and Sustainability in January 2019 and since 2017 has been the Chair for the QBE Global Foundation. She previously held senior investor relations and corporate affairs roles, including Group Head of Corporate Affairs and Investor Relations at Lendlease, Head of Group Internal Communications at Westpac and Group General Manager of Communications at Multiplex Group.

## Peter Burton BSc (Hons) Physics, C Eng

Group Chief Underwriting Officer

Peter joined QBE in 2008 and was appointed Group Chief Underwriting Officer in September 2023. His previous roles in QBE include Executive Director of International Markets for our European Operations (with a portfolio covering London, Singapore, Dubai, Canada and the US) and prior to that Director Natural Resources. Early in his time at QBE, Peter established the QBE Lloyd's Asian operations. Peter has more than 24 years' experience in the insurance industry. Prior to joining QBE, he worked for Marsh in their engineering and energy broking functions. Prior to joining the insurance industry, Peter worked in technical and engineering consultancy roles in the UK and internationally.

## Jason Harris BSc (Hons) Geology

Chief Executive Officer, International

Jason joined QBE as Chief Executive Officer, International in October 2020. Prior to joining QBE, Jason held a number of global and international leadership roles at XL Group including as Chief Executive, Global Property and Casualty and as Chief Executive, International Property and Casualty. He previously worked at AIG/Chartis in several senior roles including Executive Director, Commercial Lines. He is an underwriter by background and started his career in offshore energy. He has worked in insurance for over 25 years.

## Sue Houghton BA History, ACA

Chief Executive Officer, Australia Pacific

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

## Amanda Hughes BCom, MBA, CA, GAICD

Group Chief People Officer

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

## Fiona Larnach BScDipEd, MFin, FCPA, MAICD

Group Chief Risk Officer

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

## Matt Mansour MBA

Group Executive Technology and Operations

Matt joined QBE in 2018 as Group Chief Information Officer and was appointed to the Group Executive Committee in 2019. Prior to joining QBE, he held senior global roles in Barclays Bank and GE Capital. Matt has over 30 years' experience in technology, operations and digital business leadership roles.

## Carolyn Scobie BA, LLB, MA, AGIA, GAICD

Group General Counsel and Company Secretary

Carolyn joined QBE in 2016 as Group General Counsel and Company Secretary. Prior to joining QBE, she was Group General Counsel at Goodman Group for 17 years, where she ran a multi-disciplinary legal team. Carolyn has extensive experience in corporate law, compliance, regulatory matters, litigation and managing the complexity of multiple jurisdictions.

## Julie Wood B Science, Economics, Sociology

Chief Executive Officer, North America

Julie joined QBE as Group Head of Distribution in January 2023 and was then appointed to the role Chief Executive Officer, North America in September 2023. She was previously at Marsh as their Southeast Partnership & Zonal Leader and a member of their US Executive Committee. Previously, she held the position of Zonal Casualty Leader at Marsh in Atlanta. Julie also held several senior executive roles at Zurich for 15 years.

## Sam Harrison BA (Hons) Economics

Former Group Chief Underwriting Officer

Sam joined QBE in 1998 and was appointed Group Chief Underwriting Officer in April 2021. He ceased employment with QBE in April 2023.

## Todd Jones BSc, MBA

Former Chief Executive Officer, North America

Todd joined QBE in October 2019 as Chief Executive Officer, North America. He ceased employment with QBE in August 2023.

# Corporate **Governance**

QBE is committed to the highest standards of corporate governance. This ensures that we have a framework of systems, accountabilities, policies and processes that allows us to execute our strategic priorities and deliver on our vision and purpose.

**QBE Group's Corporate Governance Statement can be found at qbe.com/investor-relations/corporate-governance.**

## Key focus areas for the Board in 2023

**Key areas of governance that the Board has focused on include:**

- Oversight of delivery and execution of QBE's Strategic Priorities, including:
  - focusing on efforts to further develop an enterprise mindset within our people, empowering our staff, simplifying processes and removing complexity;
  - supporting more effective knowledge-sharing within enterprise groups and across functions;
  - improving clarity of accountabilities across the organisation;
  - encouraging the safety-to-speak-up culture to enable empowerment and transparency; and
  - reviewing progress on our six strategic priorities, with the Board's focus on the portfolio optimisation and modernise our business priorities highlighted below.
- Review and approval of financial disclosures in accordance with the new AASB 17 *Insurance Contracts* which was effective from 1 January 2023.
- Supporting the delivery of QBE's sustainability strategy and the use of the 2023-25 Sustainability Scorecard.
- Considering Group Board composition and renewal including the skills, experience and diversity requirements for Board membership, as highlighted below.

### Portfolio optimisation

- Overseeing progress in the active management of the portfolio mix including the setting of the internal target portfolio mix, the reduction in natural perils exposures and the reduction in earnings volatility.
- Overseeing the incorporation of Portfolio optimisation guidance in business planning and approach.

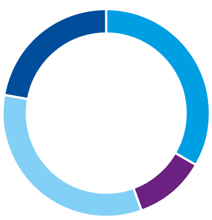
### Modernise our business

- Overseeing progress and execution of Modernisation programmes to build the capabilities that QBE will need in order to deliver on its growth ambitions.
- Overseeing the setting of medium-term modernisation plans for the enterprise, divisions and enabling functions including the alignment of underlying processes, technology, security and data investments.

### Board renewal

- reviewing the selection, appointment, renewal and retirement of Board members and considering the diverse range of skills, knowledge, experience, age, gender and place of residence that the Board requires;
- approving the appointment of new Group Board directors as part of QBE's Board succession planning; and
- achieving the right balance and diversity within the Board to allow Board to properly undertake and perform its responsibilities.

### Non-executive director (NED) tenure[1]



| Number of NEDs | |
|---|---|
| <3 years | 3 |
| 3–6 years | 1 |
| 6–9 years | 3 |
| >9 years | 2 |

### Workforce diversity[1]

**Women on Group Board**

**40%**

target of 40% by 2025 (achieved)

**Women in leadership** (Levels 0-3)

**40%**

target of greater than 40% by 2025 (achieved)

1 As at 31 December 2023.

# Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2023



Your directors present their report on QBE Insurance Group Limited and the entities it controlled at, or during, the year ended 31 December 2023.

## Directors

Michael Wilkins AO (Chair)
Andrew Horton
Yasmin Allen AM
Stephen Ferguson (from 1 November 2023)
Tan Le
Kathryn Lisson
Sir Brian Pomeroy
Jann Skinner
Eric Smith (until 10 March 2023)
Rolf Tolle
Peter Wilson (from 1 September 2023)

Penny James was appointed to the Board on 1 January 2024.

## Operating and financial review

Information on the Group's results, operations, business strategy, prospects and financial position is set out in the operating and financial review on pages 6 to 33 of this Annual Report.

## Dividends

The directors are announcing a final dividend of 48 Australian cents per share (2022 30 Australian cents per share). The final dividend will be 10% franked (2022 10%). The 2023 full year dividend payout is A$926 million compared with A$580 million for 2022. Further details of dividends paid during the year are set out in note 5.4 to the financial statements.

## Activities

The principal activities of QBE during the year were underwriting general insurance and reinsurance risks, management of Lloyd's syndicates and investment management.

## Presentation currency

The Group has presented the Financial Report in US dollars because a significant proportion of its underwriting activity is denominated in US dollars. The US dollar is also the currency that is widely understood by the global insurance industry, international investors and analysts.

## Group indemnities

Rule 78 of the Company's Constitution provides that the Company indemnifies past and present directors, secretaries or other officers against any liability incurred by that person as a director, secretary or other officer of the Company or its subsidiaries. The indemnity does not apply to any liability (excluding legal costs):

- owed to the Company or a related body corporate (e.g. breach of directors' duties);
- for a pecuniary penalty under section 1317G or a compensation order under sections 1317H or 1317HA of the *Corporations Act 2001* (Cth) (or a similar provision of the corresponding legislation in another jurisdiction); or
- that is owed to someone other than the Company or a related body corporate and which did not arise out of conduct in good faith.

The indemnity extends to legal costs other than where:

- in civil proceedings, one or more of the above exclusions apply;
- in criminal proceedings, the person is found guilty;
- the person is liable in proceedings brought by the Australian Securities and Investments Commission (ASIC), a corresponding regulator in another jurisdiction or a liquidator (unless as part of the investigation before proceedings are commenced); or
- the court does not grant relief after an application under the *Corporations Act 2001* or corresponding legislation in another jurisdiction.

In addition, a deed exists between the Company and each director which includes an indemnity in similar terms to rule 78 of the Company's Constitution.

## Directors' and officers' insurance

QBE pays a premium each year in respect of a contract insuring directors, secretaries, senior managers and employees of the Group together with any natural person who is either a trustee or a member of a policy committee for a superannuation plan established for the benefit of the Group's employees against liabilities past, present or future. The officers of the Group covered by the insurance contract include the directors listed on pages 34 and 35 of this Annual Report, the Group General Counsel and Company Secretary, Carolyn Scobie, and Group Company Secretary, Peter Smiles.

In accordance with normal commercial practice, disclosure of the amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No such insurance cover has been provided for the benefit of any external auditor of the Group.

## Significant changes

There were no significant changes in the Group's state of affairs during the financial year other than as disclosed in this Annual Report.

## Likely developments and expected results of operations

Likely developments in the Group's operations in future financial years and the expected results of those operations have been included in the operating and financial review on pages 6 to 33 of this Annual Report.

## Events after balance date

Other than the declaration of the final dividend, no matter or circumstance has arisen since 31 December 2023 that, in the opinion of the directors, has significantly affected or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future financial periods.

## Material business risks

As a global insurance and reinsurance business, QBE is subject to a substantial variety of business risks. The directors believe that effective management of these risks is critical to delivering value for QBE's stakeholders. It is QBE's policy to adopt a rigorous approach to managing risk throughout the Group. Risk management is a continuous process and an integral part of QBE's governance structure, QBE's broader business processes and, most importantly, QBE's culture.

Some of the material business risks that QBE faces include strategic, insurance, credit, market, liquidity, operational, compliance and Group risks. Explanations of these risks and their mitigations are set out in detail in note 4 to the financial statements which we recommend you read. Further details of how QBE manages risk are set out in the risk management section on pages 16 to 19, climate-related risks and opportunities section on pages 20 to 33 and the risk management section of the corporate governance statement on the website.

## Meetings of directors

| | | | | | MEETINGS OF COMMITTEES | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | FULL MEETINGS OF DIRECTORS[1] | | MEETINGS OF INDEPENDENT DIRECTORS | | AUDIT | | GOVERNANCE & NOMINATION | | PEOPLE & REMUNERATION | | RISK & CAPITAL | | SUB-COMMITTEES[2] | |
| | H | A | H | A | H | A | H | A | H | A | H | A | H | A |
| Yasmin Allen | 9 | 9 | 6 | 6 | 5 | 5 | – | – | 4 | 4 | – | – | 4 | 4 |
| Stephen Ferguson[3] | 2 | 2 | 1 | 1 | 1 | 1 | – | – | – | – | 1 | 1 | 1 | 1 |
| Andrew Horton | 9 | 9 | – | – | – | – | – | – | – | – | – | – | 5 | 4 |
| Tan Le | 9 | 9 | 6 | 6 | – | – | 9 | 9 | 4 | 4 | – | – | – | – |
| Kathryn Lisson | 9 | 9 | 6 | 6 | – | – | – | – | 4 | 4 | 5 | 5 | – | – |
| Sir Brian Pomeroy | 9 | 9 | 6 | 6 | 5 | 5 | – | – | – | – | 5 | 5 | – | – |
| Jann Skinner | 9 | 9 | 6 | 6 | 5 | 5 | 9 | 9 | – | – | 5 | 5 | 7 | 7 |
| Eric Smith[3] | 1 | 1 | 1 | 1 | 1 | 1 | – | – | – | – | 1 | 1 | – | – |
| Rolf Tolle | 9 | 9 | 6 | 6 | – | – | 9 | 8 | 4 | 4 | 5 | 5 | 1 | 1 |
| Michael Wilkins | 9 | 9 | 6 | 6 | 5 | 5 | 9 | 9 | 4 | 4 | 5 | 5 | 7 | 7 |
| Peter Wilson[3] | 3 | 3 | 2 | 2 | 2 | 2 | – | – | – | – | 2 | 2 | – | – |

H Number of meetings held while a Board or Committee member.

A Number of meetings attended while a Board or Committee member.

1 All directors attended all scheduled Board meetings. Some of the 2023 Board meetings were unscheduled and called at short notice, resulting in some directors being unable to attend.

2 Ad hoc committees of the Board were convened during the year in relation to the financial results and other reporting matters.

3 Eric Smith retired from the Board effective 10 March 2023. Peter Wilson was appointed to the board effective 1 September 2023. Stephen Ferguson was appointed to the board effective 1 November 2023.

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

## Directorships of listed companies held by the members of the Board

From 1 January 2021 to 16 February 2024, the following directors also served as directors of the following listed entities:

| DIRECTOR | POSITION | DATE APPOINTED | DATE CEASED |
|---|---|---|---|
| **Michael Wilkins** | | | |
| Medibank Private Limited | Director | 25 May 2017 | – |
| Scentre Group Limited | Director | 8 April 2020 | – |
| **Jann Skinner** | | | |
| Telix Pharmaceuticals Limited | Director | 19 June 2018 | – |
| **Yasmin Allen** | | | |
| Cochlear Limited | Director | 2 August 2010 | – |
| Santos Limited | Director | 22 October 2014 | – |
| ASX Limited | Director | 9 February 2015 | – |

## Qualifications and experience of directors

The qualifications and experience of each director are set out on pages 34 and 35 of this Annual Report.

## Qualifications and experience of company secretaries

**Carolyn Scobie**, BA, LLB, MA, AGIA, GAICD
Carolyn joined QBE in 2016 as Group General Counsel and Company Secretary. Prior to joining QBE, Carolyn was Group General Counsel at Goodman Group for 17 years, where she ran a multi-disciplinary legal team. Carolyn has extensive experience in corporate law, compliance, regulatory matters, litigation and managing the complexity of multiple jurisdictions.

**Peter Smiles**, LLB, MBA, FGIA, FCIS, GAICD
Peter is Group Company Secretary of QBE Insurance Group Limited and a company secretary of various QBE subsidiaries in Australia. He has over 30 years of insurance experience, which includes 25 years as a corporate lawyer. In addition to his current company secretarial duties, he acts as a corporate lawyer advising Group head office departments.

## Directors' interests and benefits

### Ordinary share capital

Directors' relevant interests, including those of their personal related parties, in the ordinary share capital of the Company at the date of this report are as follows:

| DIRECTOR | NUMBER OF SHARES HELD |
|---|---|
| Yasmin Allen | **18,333** |
| Stephen Ferguson | – |
| Andrew Horton | **315,729** |
| Penny James | – |
| Tan Le | **12,493** |
| Kathryn Lisson | **52,800** |
| Sir Brian Pomeroy | **46,215** |
| Jann Skinner | **70,000** |
| Rolf Tolle | **79,160** |
| Michael Wilkins | **92,559** |
| Peter Wilson | – |

### Options and conditional rights

At the date of this report, Andrew Horton has 869,113 conditional rights to ordinary shares of the Company. No executives or directors hold options at the date of this report. Details of the schemes under which options and conditional rights are granted are provided in the Remuneration Report and in note 8.5 to the financial statements.

The names of all persons who currently hold options granted under the Employee Share and Option Plan and conditional rights to ordinary shares of the Company are entered in the registers kept by the Company pursuant to section 168 of the *Corporations Act 2001*.

## Environmental regulation

Disclosures on climate-related risks and opportunities are provided on pages 20 to 33 of this Annual Report and operational GHG emissions and other environmental data are disclosed in the 2023 Sustainability Data Book.

# Remuneration Report

## Remuneration Report contents



## To our shareholders,

On behalf of the Board, I am pleased to present QBE's Remuneration Report for 2023.

As a Board, we are committed to overseeing the evolution of QBE's people and culture strategic priorities to meet the changing needs of the business. As Chair of the People & Remuneration Committee, I am especially proud to acknowledge the continued hard work and dedication of our people in enabling a sustainable and resilient workforce.

We have made substantial progress during 2023 and I think it is important to share a few examples of how this has come to life: the launch of our 'Why QBE' campaign focused on career and development opportunities and building deeper succession pathways at QBE; the ongoing Safety to Speak Up initiative encourages our people to participate, experiment, challenge, and to call out risks, issues or concerns; leadership capability programs across our three enterprise leadership groups supported the embedment of the QBE DNA through role modelling in day-to-day activities. This is particularly important as having the right culture in place is crucial to our future success. In addition, the launch of QShare, our new opt-in employee share purchase plan, brings our enterprise together and helps a wider range of our employees to think and act as shareholders. During the year, QBE received external recognition through an array of people and culture awards, see page 43.

### Executive key management personnel

During 2023, we had some changes at the executive leadership level. The two internal appointments to our executive key management personnel (KMP) highlights the bench-strength of high calibre leaders already within QBE and reflects the enhanced focus we have made on internal talent and leadership over the last few years. Peter Burton was appointed as Group Chief Underwriting Officer on 4 September 2023; and Julie Wood, as Chief Executive Officer (CEO), North America, on 18 September 2023.

The global market for attracting and retaining talent remains highly competitive, and we continue to invest to ensure QBE stands out as an employer of choice. Having conducted a detailed benchmark comparison of local and global companies with a similar footprint, industry and complexity, and recognising the cumulative impacts of inflation, an adjustment of up to 5% was applied to the fixed remuneration of the executive KMP during 2023. The long-term incentive (LTI) maximum opportunities were also aligned for the three Divisional CEOs and Group Chief Financial Officer to drive long-term performance.

### Performance during 2023

QBE recorded a Group adjusted cash return on equity (ROE) for incentive purposes of 16.0%, a strong result above target, buoyed by more resilient underwriting performance and a favourable investment result. The strong investment returns were underpinned by higher interest rates, while risk asset returns were also sound, despite weaker returns in the unlisted property portfolio.

Our business has demonstrated continued resilience despite numerous catastrophes, with multiple storm, flood, wildfire and hurricane events across key regions during 2023, although underwriting profitability was challenged by the impact of largely catastrophe related prior year development. As a result, the Group combined operating ratio (COR) for incentive purposes was 95.2%, between threshold and target.

We've continued to make strong progress on each of our six strategic priorities and uplifted our risk maturity across the Group.

**For more information on the strategic priorities' achievements and the financial performance in 2023, refer to pages 6 to 15.**

The executive KMP business scorecard outcome is utilised as an input in determining executive KMP incentives. For the 2023 performance year, having considered the financial and non-financial measures, the executive KMP business scorecard was assessed as slightly below target, see page 47.

The Board's consideration of executive KMP performance against their 2023 objectives resulted in their incentive outcomes for the period ranging between 55.2% to 70.0% of their maximum opportunity, see pages 48 and 49. The Group CEO received 91.9% of the target opportunity (61.3% of the maximum opportunity), of which 50% is deferred as conditional rights and vests in equal tranches over the first, second, third and fourth anniversaries of the award.

**For more information on 2023 executive KMP remuneration, refer to pages 48 and 49.**

## Non-executive directors

As part of our continuous Board renewal, the Board appointed Peter Wilson and Stephen Ferguson as new non-executive directors during 2023, with Penny James joining the Board in January 2024. Non-executive director fees were reviewed to ensure they remain competitive relative to international financial institution peers and commensurate with the directors' experiences, accountabilities and workloads. Following this review, an increase of 3% will apply from 1 January 2024, the first such increase since 2015.

**For more information on 2023 non-executive director remuneration, refer to pages 62 to 64.**

## Looking ahead

The new Australian Prudential Standard CPS 511 *Remuneration* (CPS 511) will apply across the remuneration programs in the new performance year; and includes the addition of non-financial measures in the LTI plan. As alluded to in last year's Remuneration Report, I am pleased to confirm that we have included a new measure for the LTI awards in 2024 which supports our sustainability strategy and commitments. This will be in place alongside a new customer-aligned measure, see page 45. Further details will be shared in the 2024 Remuneration Report.

For 2024, there will be continued focus on uplifting the capability of our employees and the implementation of multiple people and culture initiatives that will support how we build a resilient workforce for the future.

Thank you for your support in 2023. As always, we welcome shareholder feedback.

**Tan Le**

**Chair, People & Remuneration Committee**

## Recognition and awards

### Gender Equality Index (GEI)

2023 Bloomberg GEI

### Top 100 for Gender Equality

2023 Equileap Global Report & Ranking

### Most Inclusive Workplace (Australia)

2023 Australian HR Institute (AHRI)

### Platinum Well Workplace Award (USA)

2023 Wellness Council of America

### HR Asia Best Companies to Work for In Asia (Hong Kong)

2023 Business Media International

### Parental Policies Award (UK)

2023 Working Dads Employer Awards

This Remuneration Report sets out QBE's remuneration framework and provides detail of remuneration outcomes for KMP for 2023 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 2023 Remuneration Report has been prepared and audited in accordance with the disclosure requirements of the *Corporations Act 2001*.

# Our remuneration at a glance

## Remuneration framework

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

### Our purpose

QBE – enabling a more resilient future

### Our remuneration principles

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

- Simple and clear
- Linked to strategy
- Motivating
- Aligned to shareholders
- Globally consistent and locally competitive

### The remuneration framework supports our 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 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 complies with the requirements of our Group Code of Ethics and Conduct (the Code) and manages their risk is a key consideration of the Board in determining their incentive outcomes. Executive KMP performance assessments include a formal assessment of risk and behaviours using input from the Group Chief Risk Officer (CRO), the Chair of the People & Remuneration Committee, the Chair of the Board Risk & Capital Committee and chairs of divisional boards where relevant.

In 2023, we continued to focus on measuring not only what was achieved but how it was achieved to further strengthen our culture. The future inclusion of non-financial elements in our LTI plan, together with extended deferral for certain regulated roles, further promotes the effective management of financial and non-financial risks.

# Remuneration key features

A high level summary of the terms of the Group CEO's remuneration arrangements in 2023 is presented below:

| | Annual Performance Incentive (API) | Long-term Incentive (LTI) |
|---|---|---|
| Delivered through | A mix of API cash (50%) and API deferred equity (50%) | Equity (100%) |
| Incentive opportunity | 150% (target), 225% (maximum) | 200% (maximum face-value) |
| Performance period | One year | Three years |
| Equity deferral period | One to four years from end of performance period | Three to five years from start of performance period |
| Performance measures | Performance measured through a business scorecard containing Group cash ROE and Group COR financial measures alongside non-financial measures. These incorporate metrics based on risk, people and culture and strategic priorities. In addition, individual performance objectives focus both on what has been achieved and how they were achieved during the year. | Two measures: Average Group cash ROE (70%) and relative Total Shareholder Return (TSR) (30%) with a global insurance peer group. |

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

# LTI changes for 2024

The 2024 LTI plan will incorporate two new strategic measures to support future performance, enabling resilience and value generation for our stakeholders.

We are including non-financial measures in the 2024 LTI as required by CPS 511. Sustainability and Customer, together with relative TSR and average Group cash ROE will drive towards a strategically aligned resilient future. A high level summary is provided below.

## Sustainability

QBE recognises the importance for people, communities and businesses to build resilience in order to address the challenges we face now, and into the future. The new LTI performance measures, aligned to our sustainability strategy, will help drive forward our sustainability commitments.

For the 2024 LTI award, the measures will track our performance against a range of targets aligned with our three sustainability focus areas. These provide significant opportunity to expand into further sustainability-focused initiatives in future years.

## Customer

The inclusion of customer measures in the 2024 LTI encourages our senior leaders to continue to improve how we service our customers. Delivering an enhanced customer experience through modernising key business processes during the performance period will make it easier for customers to do business with us.

Better customer experiences will be evidenced through improved external ratings from broker relationships and efficient and consistent improvements in business processes through modernisation.

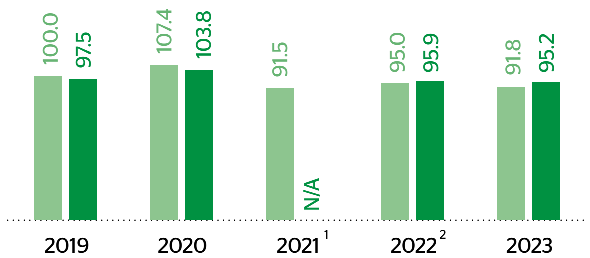
There are both quantitative and qualitative metrics aligned to the new non-financial measures. Following the three-year performance period, a pre-vest assessment by the Board will determine appropriate vesting outcomes. Where the LTI measures are deemed to be commercially sensitive, they will be disclosed at the end of the performance period (unless sensitivity remains).

# Five-year performance

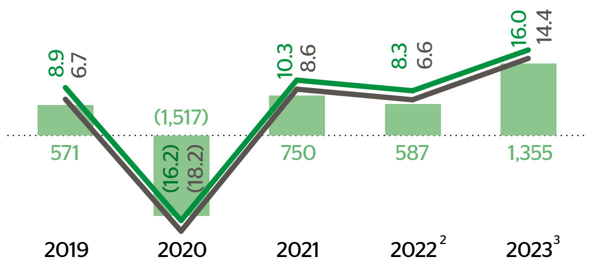
The Group's financial performance demonstrated greater consistency and resilience in a dynamic operating environment, though our underwriting performance highlights we still have further work ahead of us.

## Financial performance

### COR

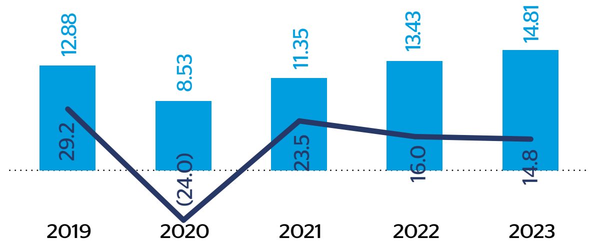



### Profit measures

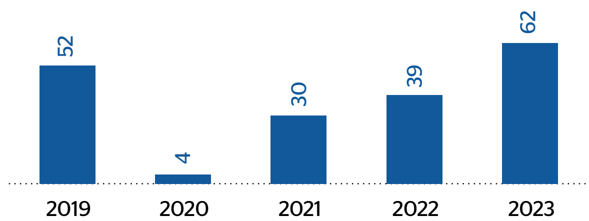



## Return to shareholders

### Return to shareholders




### Dividend per share




### Group CEO outcomes

| | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|
| Short term incentive achievements as % of target[4, 5] | 68.5 | 90.4 | 115.2 | 98.1 | **91.9** |
| LTI vested (% of grant)[6] | 0 | – | – | – | – |

### 2020 LTI vesting outcomes

| | ACHIEVEMENTS | WEIGHTING | % OUTCOME ACHIEVED |
|---|---|---|---|
| **2020 LTI measures** | | **100%** | **17.3%** |
| Relative TSR ASX 50 peer group | Achieved at 60th percentile | 25% | 69.1% |
| Relative TSR global insurance peer group | Below the 50th percentile | 25% | 0% |
| Average Group cash ROE | Below the threshold of 8% | 50% | 0% |

### Tracking of unvested LTI awards

**2021 LTI award** – vesting Q1 2024/25/26 – Average Group cash ROE and relative TSR performance – Partial vesting[7]
**2022 LTI award** – vesting Q1 2025/26/27 – Average Group cash ROE and relative TSR performance – On track
**2023 LTI award** – vesting Q1 2026/27/28 – Average Group cash ROE and relative TSR performance – On track

1 For incentive purposes, the 2021 Group COR was replaced by a blended Group COR. For details please see the 2021 Remuneration Report.
2 The 2022 results have been restated to reflect the application of AASB 17 *Insurance Contracts*. Remuneration outcomes were not revised.
3 Group adjusted cash ROE for incentive purposes of 16.0% is as provided on page 13.
4 Full details for 2023 are provided on page 48.
5 Legacy plans are detailed on page 57 and comprise Short Term Incentive (STI) from 2019 to 2021. The API was introduced in 2022.
6 The '–' indicates no LTI award was eligible for vesting in the relevant year, where '0' indicates zero LTI vested. The current Group CEO was not in role and therefore was not eligible to receive the 2020 LTI; for details of the 2020 LTI please see the 2020 Remuneration Report.
7 For details on the 2021 LTI Group cash ROE targets, see page 56. Further details on vesting will be disclosed in the 2024 Remuneration Report.

# How we performed – executive KMP business scorecard

Our focus on both financial and non-financial measures during the 2023 performance year resulted in the outcome for the executive KMP business scorecard as summarised below.

## Financial

WEIGHTING: 70%

### Group COR

THRESHOLD 30% | TARGET 100% | SUPERIOR 150%

OUTCOME:

The Group COR for incentive purposes was 95.2%, a result between threshold and target. From a divisional performance perspective, North America made progress in rebalancing its portfolio, noting underwriting profitability was challenged by short-tail reserve strengthening. Non-core lines, made up of recently terminated or legacy business, weighed heavily on underwriting performance accounting for a significant amount of divisional catastrophe costs and reserve strengthening. The International result included strong premium growth and excellent underwriting profitability. Australia Pacific achieved strong premium growth, and delivered resilient underwriting returns in light of ongoing catastrophe activity and persistent inflation. For detailed commentary of Group and divisional financial performance, please refer to pages 8 to 15.

### Group cash ROE

THRESHOLD 30% | TARGET 100% | SUPERIOR 150%

OUTCOME:

QBE recorded a Group adjusted cash ROE for incentive purposes of 16.0%, which was above target buoyed by a resilient underwriting performance and a strong investment result. Favourable investment performance was supported by higher interest rates. While risk asset returns were sound overall, there were weaker returns in the unlisted property portfolio. Our business has demonstrated continued resilience despite a dynamic operating environment, which included heightened catastrophe activity and increased inflation impacting all regions.

## Non-financial

WEIGHTING: 30%

### Risk

THRESHOLD 30% | TARGET 100% | SUPERIOR 150%

OUTCOME:

The annual Risk Maturity Self-Assessment completed for 2023 received an outcome of 'embedded' and reflects improvements across all elements of our Enterprise Risk Management Framework. Risk Skills and Culture was the highest scoring element driven by improvements in psychological safety and speaking up and tone from the top, both essential to influencing effective risk management across the Group. Uplift was also seen in risk-based decision making and how risk is governed, evidencing a greater ownership of risk within the business.

### People and culture

THRESHOLD 30% | TARGET 100% | SUPERIOR 150%

OUTCOME:

Positive progress against the people and culture initiatives was achieved in 2023 with the launch of our Employee Promise 'Why QBE' campaign which reinforced career development opportunities and succession pathways through our three enterprise talent groups. Further improvements were made on employee engagement levels and we achieved our Women in Leadership targets, supported by strengthened inclusion of diversity (IoD) activity across the enterprise. This included introducing global inclusive recruitment principles and IoD Policy enhancements. Innovative new global targets focused on equal sense of belonging across the dimensions of gender, race/ethnicity, disability status and LGBTIQ+ identification were also introduced, along with the launch of our new employee share purchase plan, QShare.

### Strategic priorities

THRESHOLD 30% | TARGET 100% | SUPERIOR 150%

OUTCOME:

The delivery of our strategic priorities progressed well in 2023. There was a notable reduction in volatility achieved through portfolio optimisation initiatives, including portfolio exits and the reserve transaction. We progressed cyber and delivered sustainable growth across a number of areas, including reinsurance, global specialty and QBE's UK business. Bring the enterprise together was a key enabler supporting initiatives to improve performance. Our efforts to modernise our business focused on progressing our enterprise data strategy and our approach to piloting and scaling AI.

API business scorecard weighted outcome: **Slightly below target**

**The Board considered quantitative and qualitative factors in determining the final outcome of the executive KMP business scorecard.**

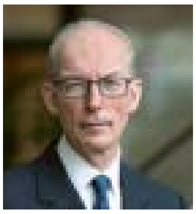
# Executive KMP performance snapshots

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

QBE discloses actual remuneration outcomes in the financial period under review for executive KMP in role at 31 December 2023. The realised 2023 remuneration figures below include the accrued API cash award for the 2023 financial year, the value of any conditional rights granted in prior years that vested during 2023 and executive shareholdings against the MSR.

### Andrew Horton

Group CEO



**Term as KMP in 2023**
Full year

**Country of residence**
Australia

**Total value of shareholdings against the MSR**
(times fixed remuneration) **4.8**

**2023 API outcome** (US$000) **91.9%** of target


61.3% of maximum

**2023 realised remuneration**[1] (US$000) $**3,325** Total


### Peter Burton

Group Chief Underwriting Officer

**Term as KMP in 2023**
Commenced 4 September 2023

**Country of residence**
United Kingdom

**Total value of shareholdings against the MSR**
(times fixed remuneration) **0.8**

**2023 API outcome** (US$000) **83.1%** of target


55.4% of maximum

**2023 realised remuneration**[1] (US$000) $**414** Total


### Jason Harris

Chief Executive Officer, International

**Term as KMP in 2023**
Full year

**Country of residence**
United Kingdom

**Total value of shareholdings against the MSR**
(times fixed remuneration) **1.7**

**2023 API outcome** (US$000) **105.0%** of target


70.0% of maximum

**2023 realised remuneration**[1] (US$000) $**1,972** Total


### Sue Houghton

Chief Executive Officer, Australia Pacific

**Term as KMP in 2023**
Full year

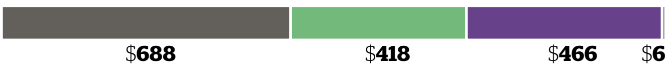
**Country of residence**
Australia

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

**2023 API outcome** (US$000) **84.3%** of target


56.2% of maximum

**2023 realised remuneration**[1] (US$000) $**1,578** Total




1 The value of vested conditional rights awards has been calculated using the share price on the vesting date. These figures are different from those shown in the statutory table on page 58. 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.

**Key:** Fixed remuneration · API cash · API deferred equity · Value of vested rights · Other

## Amanda Hughes

Group Chief People Officer

**Term as KMP in 2023**
Full year

**Country of residence**
Australia

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

**2023 API outcome** (US$000) **97.6%** of target

$**323** Cash | $**215** Deferred | 65.0% of maximum

**2023 realised remuneration[1]** (US$000) $**971** Total

$**550** $**323** $**94** $**4**

## Fiona Larnach

Group Chief Risk Officer

**Term as KMP in 2023**
Full year

**Country of residence**
Australia

**Total value of shareholdings against the MSR**
(times fixed remuneration) **0.6**

**2023 API outcome** (US$000) **82.8%** of target

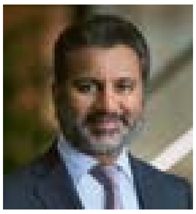
$**231** Cash | $**154** Deferred | 55.2% of maximum

**2023 realised remuneration[1]** (US$000) $**956** Total

$**619** $**231** $**86** $**20**

## Inder Singh

Group Chief Financial Officer



**Term as KMP in 2023**
Full year

**Country of residence**
Australia

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

**2023 API outcome** (US$000) **95.8%** of target

$**617** Cash | $**412** Deferred | 63.8% of maximum

**2023 realised remuneration[1]** (US$000) $**2,368** Total

$**894** $**617** $**851** $**6**

## Julie Wood

Chief Executive Officer, North America

**Term as KMP in 2023**
Commenced 18 September 2023

**Country of residence**
United States

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

**2023 API outcome** (US$000) **84.0%** of target

$**157** Cash | $**104** Deferred | 56.0% of maximum

**2023 realised remuneration[1]** (US$000) $**412** Total

$**250** $**157** $**5**

**Key:** Fixed remuneration · API cash · API deferred equity · Value of vested rights · Other

## 1. REMUNERATION GOVERNANCE

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

**Board**

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

**People & Remuneration Committee**

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

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

**Group CEO** | **Divisional People & Remuneration Committees** | **External advisers**

### Managing risk

The continued focus on and investment in managing our risk provides for a stronger and more 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 remuneration governance framework incorporates risk oversight principles so that executives cannot unduly influence a decision that could materially impact their own incentive outcome. The 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 closely with the Board Risk & Capital Committee, with members of both committees attending a joint meeting at least once a year. Further, members of the Board attend the meetings of the People & Remuneration Committee during the year which contributes to strengthened remuneration governance across QBE. The Group CRO attends and provides input to the joint committee meetings with resultant risk outcomes appropriately reflected in remuneration decisions and aligned with the Group's risk management framework.

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

- deliver a target remuneration mix balanced between fixed/variable remuneration, short- and long-term and cash and equity;
- incorporate individual performance objectives through the API that measure demonstrable proactive sound risk management, including an assessment of risk maturity and the setting of a clear and consistent tone about the importance of managing risk;
- incorporate robust corporate standards for all employees supporting the QBE risk culture;
- balance performance outcomes based on delivery against a range of financial and non-financial measures which are set in the context of business plans that have been appropriately stress-tested by the Group CRO;
- enable the build-up of meaningful shareholding with API deferred equity and LTI underpinned by the MSR (refer to page 52);
- provide the Board with discretion to take other factors into account when determining the appropriate incentive outcome; and
- allow for multiple risk adjustments: in-year, malus for unvested awards and clawback of cash and vested equity (refer to page 51).

As part of the 2023 year-end process, an assessment of each senior executive's approach to risk management has been completed using input from the Group CRO. This process recognises positive and negative risk culture and risk management through upward or downward adjustment of performance ratings, incentive payouts and consequences (that can include executives leaving the organisation). Across the Group in 2023, over 100 assessments were carried out including for executive KMP and divisional executive teams. Reviews against the malus and clawback provisions were also completed as part of the year-end process. While there was no application of malus or clawback in 2023, there were upward and downward performance ratings and/or incentive adjustments applied across the workforce.

## Group Code of Ethics and Conduct

The Code provides clear guidance to employees, contractors, directors and others representing QBE on how we should conduct ourselves, reinforcing our culture and highlighting the responsibilities we have to the organisation, each other, and to our customers, partners, communities and governments. Through following the Code and our QBE DNA behaviours, we demonstrate the expected standards of professionalism and ethical behaviour in our actions and interactions.

**A copy of QBE's Group Code of Ethics and Conduct is available from www.qbe.com/investor-relations/corporate-governance/global-policies.**

## Consequence management

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

Malus and clawback provisions reflect QBE's regulatory obligations to incorporate terms allowing for the adjustment of incentive awards to protect QBE's financial soundness and ability to respond to unforeseen significant issues.

### Malus provision

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

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

### Clawback provision

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

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

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

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

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

## Adjustments to incentive plans

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

The People & Remuneration Committee may defer the vesting of any award after the end of any performance period to one or more participants in circumstances where there is a dispute of any nature between a participant and QBE, or in cases where a participant's actions or inactions may be relevant to an ongoing internal or external investigation.

Further, the People & Remuneration Committee may reduce any unvested award to zero, if considered appropriate, in the instances of misconduct, misstatement or to protect the financial soundness of QBE.

## 1. REMUNERATION GOVERNANCE

### Securities Trading Policy

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

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

### Minimum shareholding requirement

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

The value of shareholdings as a multiple of fixed remuneration as at 31 December 2023 for each executive KMP is shown on pages 48 and 49. All executive KMP have either met the MSR requirements as at 31 December 2023, or are within the five-year period to achieve the MSR.

### Use of external advisers

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

Ernst & Young (EY) currently acts as the independent remuneration adviser to the People & Remuneration Committee. The People & Remuneration Committee and the Board are satisfied that the advice provided by EY during 2023 was free from undue influence.

During 2023, management requested and utilised reports on market practice from various reputable sources. No recommendations in relation to the remuneration of KMP were provided as part of these engagements.

### 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 and become effective or a bidder has 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*.

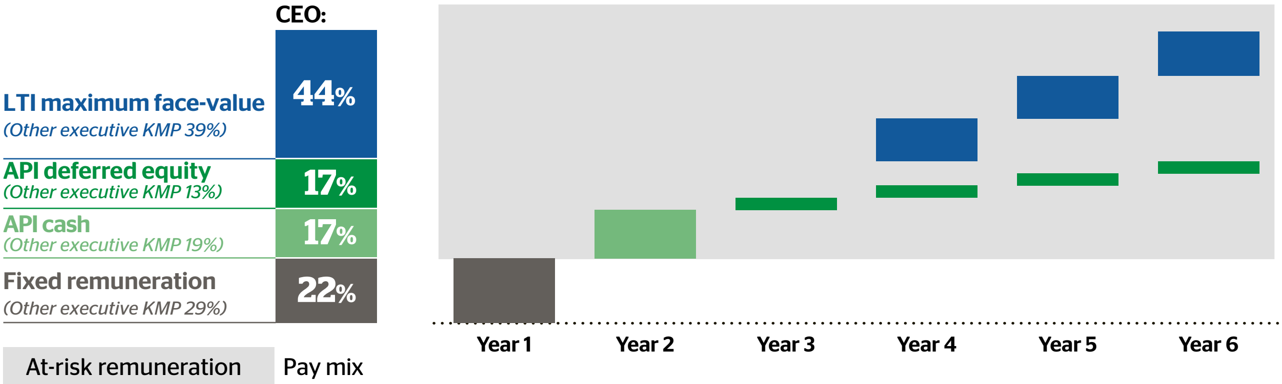
Should a change in organisational control occur, the People & Remuneration Committee has discretion to determine how unvested conditional rights should be treated, having regard to factors such as the length of time elapsed in the performance period, the level of performance to date and the circumstances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

## 2. EXECUTIVE KMP REMUNERATION IN DETAIL

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

The graph below sets out the typical remuneration structure and delivery for the Group CEO and other executive KMP for on-target performance at 31 December 2023.

### Group CEO and other executive KMP pay mix




The average pay mix for other executive KMP is fixed remuneration 29%; API cash 19%; API deferred equity 13%; and LTI maximum face-value 39%. Their individual pay mix reflects the relative accountabilities, responsibilities and regulatory requirements of their role.

### Executive KMP remuneration structure

QBE's executive KMP remuneration structure for 2023 comprised a mix of fixed and at-risk remuneration through API and LTI plan arrangements. Each of these components is discussed in further detail on the following pages.

#### FIXED REMUNERATION – KEY DETAILS

##### Description

Fixed remuneration comprises cash salary, superannuation/pension and packaged benefits, additional annual benefits and associated taxes. Additional annual benefits may include health insurance, life assurance, personal accident insurance, expatriate benefits, occasional partner travel to accompany the executive on business and applicable taxes.

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

##### Determining fixed remuneration levels

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

To assess the competitiveness of fixed remuneration, the People & Remuneration Committee considers market data and recognised published surveys.

Australian-based executive roles are generally benchmarked to the Australian Securities Exchange (ASX) 30 and ASX 10-50 peer groups of companies, with a specific focus on global companies and companies in the financial services industry. Overseas-based executives or roles that have a global reach are compared with a peer group consisting of global insurers. The peer group of companies used for remuneration benchmarking purposes is set out in the table below:

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

1 Overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Additional information

## 2. EXECUTIVE KMP REMUNERATION IN DETAIL

### ANNUAL PERFORMANCE INCENTIVE PLAN – KEY DETAILS

#### Description

The API is an annual, performance-based incentive, measured over a 12-month period. This plan provides an incentive outcome with a clear link between business performance, risk management and individual performance and behaviours, and allows further discretion by the Board to be applied where warranted. The API award is delivered as 60% cash and 40% deferred as conditional rights to QBE shares (50%:50% in the case of the Group CEO). The conditional rights vest in equal tranches over a further four years, on the first, second, third and fourth anniversaries of the award. Vesting is subject to service conditions during the deferral period.

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

#### Performance measures and rationale

The performance measures and a summary of achievements and position against targets is set out in the executive KMP business scorecard on page 47. Performance above threshold leads to outcomes ranging from 30% up to 150% of target. The measures and their rationale for use is provided below:

**Financial**

| MEASURE/ WEIGHTING % | DEFINITION | RATIONALE |
|---|---|---|
| **COR** 45.5 | Comprises net claims expense, net commission and expenses and other income as a percentage of net insurance revenue. The measure excludes the impact of risk-free rates because it is consistent with the way we report and the basis on which the market assesses the underwriting performance of QBE. | COR is a key measure reflecting the underwriting performance of our insurance operations, assisting to identify areas of underwriting profitability leading to improved performance. |
| **Group cash ROE** 24.5 | For the API, this will generally be measured on the same basis used to determine shareholder dividends, with the detailed calculation set out on page 13. As a principle, losses due to unbudgeted amortisation/ impairment of intangibles will, other than in exceptional circumstances, be included in Group cash ROE so that executives remain accountable for the management of intangible assets. | Group cash ROE is a measure of how effectively we are managing shareholders' investment in QBE. |

**Non-financial**

| MEASURE/ WEIGHTING % | DEFINITION | RATIONALE |
|---|---|---|
| **Risk** 10.0 | Risk outcomes are assessed using the Risk Maturity Self-Assessment, a framework QBE uses to understand how our risk management practices are maturing, how we determine areas of strength and identify areas that may require further investment. | This multi-dimensional measure supports how we assess our effectiveness in managing risk, both from a qualitative and quantitative perspective. |
| **People and culture** 10.0 | Investment in our people and the strengthening of alignment and collaboration across the enterprise are priorities that enable culture in order to drive performance. A blend of quantitative measures and qualitative outputs provides a comprehensive view of the effectiveness of our people and culture initiatives across the enterprise. | Enabling a more sustainable and resilient workforce will assist us to deliver a more resilient future for our customers, communities and people. |
| **Strategic priorities** 10.0 | Our focus in 2023 has been to continue the momentum of our strategic priorities: portfolio optimisation, sustainable growth, bring the enterprise together and modernise our business. | How we are actively managing the business to deliver achievements in each of our strategic priority areas is key to delivering our vision. |

**Individual performance objectives**

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

#### API conditional rights allocation

To calculate the number of conditional rights to be granted, the award value to be deferred is divided by the volume weighted average price of QBE shares over the five trading days prior to the grant date. Notional dividends accrue on conditional rights during the vesting period. Malus and clawback provisions apply.

**Executive KMP API outcomes for the 2023 performance year are detailed on pages 48 and 49.**

## LONG TERM INCENTIVE PLAN – KEY DETAILS

### Description

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

### Performance measures and rationale

Vesting is subject to two performance measures, assessed over a three-year performance period, and service conditions throughout the vesting period. LTI outcomes may be adjusted by other items (such as material acquisitions or divestments) not included in the business plan and as deemed appropriate by the People & Remuneration Committee.

| MEASURE/ WEIGHTING % | DEFINITION | RATIONALE |
|---|---|---|
| **Group cash ROE** 70.0 | The three-year arithmetic average of the annual Group cash ROE over the performance period assessed against targets set in the context of the three-year business plan. The Group cash ROE target is set with reference to the prevailing risk-free rate plus a set margin. | Group cash ROE is the primary financial measure of success for QBE and is most tangible for long-term decision making. |
| **Relative Total Shareholder Return** 30.0 | TSR is the change in percentage value of an entity's share price plus the value of reinvested dividends and any capital returns measured over the three-year performance period. TSR of QBE is measured against a global insurance peer group detailed below. | The use of a relative TSR measure enables stronger pay for performance, aligned with shareholders. |

#### TSR peer group – global insurance peer group

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

### LTI conditional rights allocation

To calculate the number of conditional rights granted, the award value is divided by the volume weighted average price of QBE shares over the five trading days prior to the grant date. Notional dividends accrue on conditional rights during the vesting period. Malus and clawback provisions apply.

### Vesting schedules

For the 2023 LTI, the Group cash ROE and TSR vesting schedules are outlined below:

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

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

### Vesting periods

Following assessment of performance measures at the end of the three-year performance period, conditional rights will vest in three tranches (on or about the vesting date) set out in the table below:

| TRANCHE | VESTING DATE | VESTING PERIOD | PROPORTION OF ELIGIBLE 2023 LTI CONDITIONAL RIGHTS TO VEST |
|---|---|---|---|
| 1 | 27 February 2026 | End of the three-year performance period | 33% |
| 2 | 26 February 2027 | First anniversary of the end of the performance period | 33% |
| 3 | 28 February 2028 | Second anniversary of the end of the performance period | 34% |

## 2. EXECUTIVE KMP REMUNERATION IN DETAIL

### Treatment of incentives on termination

#### Voluntary termination

All unvested incentives are forfeited.

#### Involuntary termination

**On termination with cause or for poor performance:**

All unvested incentives are forfeited.

**On termination without cause:**

For API, 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.

'Good leaver' provisions (for example, retirement, redundancy, ill health, injury, or mutually agreed separation (in some cases)) will apply such that unvested deferred Executive Incentive Plan (EIP), STI and API conditional rights remain in the plan subject to the original vesting dates and malus, with clawback provisions included from 2021.

In cases of good leavers as described above, unvested LTI conditional rights may be reduced to a pro-rata amount to reflect the proportion of the performance period in service and may continue to be held subject to the same performance and vesting conditions.

Legacy equity awards generally remain in the plan subject to the original performance and vesting conditions, however, the People & Remuneration Committee has discretion to vest these awards in accordance with the original terms and plan rules.

### Other equity schemes

The information below summarises QBE's other equity plans mentioned in the Remuneration Report.

### QShare

Our employee share purchase and matching plan, QShare, was launched in 2023 to bring our enterprise together, encourage retention and build share ownership. This plan is globally consistent and allows employees to purchase QBE shares up to an agreed threshold using after-tax salary. The QBE shares are matched with conditional rights which may vest in the future, subject to ongoing service and retention of the underlying purchased QBE shares.

### 2021 LTI award

#### LTI levelling mechanism

The LTI levelling mechanism, introduced in 2019 and removed after 2021, effectively put a ceiling and a floor on aggregate catastrophe claims in determining LTI outcomes, because extreme or benign catastrophe periods can have a material effect across multiple LTI awards with the performance periods measured over three consecutive years. The cap and collar uses a range of +/- 1.5% of net earned premium on the budgeted catastrophe allowance for which LTI participants are exposed to catastrophe risk. In 2021, the Group adjusted cash ROE was 11%. There was no need to adjust the Group cash ROE for catastrophe claims in 2022 or 2023.

#### Group cash ROE award targets

The 2021 LTI approach for Group cash ROE, set out in more detail in the 2021 Remuneration Report, addressed the difficulty of long-range forecasting due to significant anticipated economic volatility through setting target ranges for each of the three performance years at the start of each relevant year and providing disclosure in the following year. The threshold and maximum ranges for each relevant year over the performance period are used to create the target range for the three-year performance period:

| QBE'S AVERAGE GROUP CASH ROE PERFORMANCE | THRESHOLD | MAXIMUM |
|---|---|---|
| 2021 | 6.3% | 10.3% |
| 2022 | 7.9% | 11.9% |
| 2023 | 12.0% | 19.0% |
| **Average Group cash ROE over 2021, 2022 and 2023** | **8.7%** | **13.7%** |
| % of LTI conditional rights subject to the Group cash ROE component which may vest | 30% | 100% |

Straight-line vesting commences at 30% from the lower range up to 100% at the upper range. Vesting outcomes for the 2021 LTI will be disclosed in the 2024 Remuneration Report.

### Executive Incentive Plan – until 31 December 2018 (legacy plan)

The EIP was a performance-based incentive delivered in the form of an annual cash payment and deferred award in the form of conditional rights to fully paid ordinary QBE shares. Performance was measured over a 12-month period. The conditional rights were deferred over four equal tranches: 25% vested over each of the four anniversaries of the award.

EIP outcomes were subject to the achievement of multiple performance measures comprising Group's cash ROE and COR targets, individual performance ratings and, for divisional staff, divisional COR targets.

The EIP was replaced by the STI and LTI plans for executive KMP from 2019. The EIP awards made to Peter Burton and Sam Harrison prior to their appointments as executive KMP include cash-settled share-based payment awards which are subject to the same vesting conditions as the equivalent conditional rights described above. The benefit received at vesting is indexed to the movement in the A$ value of QBE's shares, including dividends declared, in the period between grant and vest dates.

### Short Term Incentive – until 31 December 2021 (legacy plan)

The STI was a performance-based incentive delivered in the form of an annual cash payment and deferred award in the form of conditional rights to fully paid ordinary QBE shares. Performance was measured over a 12-month period. The conditional rights were deferred in two equal tranches: 50% vested on the first and second anniversaries of the award.

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

## 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 | OTHER EXECUTIVE KMP |
|---|---|---|
| **Duration** | Permanent full-time employment contract until notice given by either party | |
| **Notice period (by executive KMP or QBE)** | 12 months<br>QBE may elect to make a payment in lieu of notice | Six to 12 months<br>QBE may elect to make a payment in lieu of notice |
| **Post-employment restraints** | 12 months non-compete and non-solicitation | Six to 12 months non-compete and non-solicitation |

## 3. EXECUTIVE KMP REMUNERATION TABLES

### 3.1 Statutory remuneration disclosures

The following table provides details of the remuneration of QBE's executive KMP as determined by reference to applicable Australian Accounting Standards for the year ended 31 December 2023. Remuneration has been converted to US dollars using the average rate of exchange for the relevant year, details of which can be found on page 75.

| | | SHORT-TERM EMPLOYMENT BENEFITS | | | POST-EMPLOYMENT BENEFITS | OTHER LONG-TERM EMPLOYEE BENEFITS | | | |
|---|---|---|---|---|---|---|---|---|---|
| | YEAR | BASE SALARY US$000 | OTHER[1] US$000 | API CASH[2] US$000 | SUPERANNUATION US$000 | LEAVE ACCRUALS[3] US$000 | SHARE-BASED PAYMENTS[4,5] US$000 | TERMINATION BENEFITS US$000 | TOTAL US$000 |
| Andrew Horton | **2023** | **1,237** | **137** | **855** | **2** | **9** | **2,346** | **–** | **4,586** |
| | 2022 | 1,246 | 186 | 919 | 3 | 32 | 2,125 | – | 4,511 |
| Peter Burton[6] | **2023** | **242** | **23** | **145** | **4** | **–** | **169** | **–** | **583** |
| Jason Harris | **2023** | **839** | **12** | **634** | **–** | **–** | **925** | **–** | **2,410** |
| | 2022 | 801 | 7 | 562 | – | – | 716 | – | 2,086 |
| Sue Houghton | **2023** | **671** | **6** | **418** | **17** | **11** | **868** | **–** | **1,991** |
| | 2022 | 676 | 16 | 520 | 17 | (3) | 810 | – | 2,036 |
| Amanda Hughes | **2023** | **533** | **4** | **323** | **17** | **(15)** | **439** | **–** | **1,301** |
| | 2022 | 536 | 5 | 324 | 17 | 45 | 250 | – | 1,177 |
| Fiona Larnach | **2023** | **602** | **20** | **231** | **17** | **3** | **503** | **–** | **1,376** |
| | 2022 | 607 | 18 | 270 | 17 | 9 | 356 | – | 1,277 |
| Inder Singh | **2023** | **877** | **6** | **617** | **17** | **(2)** | **1,038** | **–** | **2,553** |
| | 2022 | 884 | 11 | 628 | 17 | 18 | 867 | – | 2,425 |
| Julie Wood[6] | **2023** | **242** | **5** | **157** | **8** | **–** | **167** | **–** | **579** |
| **Former executive KMP** | | | | | | | | | |
| Sam Harrison[7] | **2023** | **264** | **10** | **–** | **–** | **–** | **(1,024)** | **–** | **(750)** |
| | 2022 | 776 | 13 | 554 | – | – | 883 | – | 2,226 |
| Todd Jones[7] | **2023** | **711** | **29** | **372** | **18** | **–** | **1,813** | **–** | **2,943** |
| | 2022 | 1,000 | 33 | 600 | 24 | – | 1,081 | – | 2,738 |
| **Total** | **2023** | **6,218** | **252** | **3,752** | **100** | **6** | **7,244** | **–** | **17,572** |
| | 2022 | 6,526 | 289 | 4,377 | 95 | 101 | 7,088 | – | 18,476 |

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

2 API cash is payable in March 2024 for the 2023 performance year.

3 Includes the movement in annual leave and long service leave provisions during the relevant year measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. See note 8.6 to the financial statements on page 139 for more detail.

4 Includes conditional rights and legacy cash-settled awards. The fair value of conditional rights at grant date is determined using appropriate models including Monte Carlo simulations and the Black-Scholes model, depending on the vesting conditions. The fair value of each conditional right is recognised evenly over the service period ending at vesting date. Where an award will no longer vest, the related accounting charge for any non-market component is reversed in full and the reversal is included in the table above. This may include conditional rights granted as compensation for incentives forfeited on ceasing previous employment to join QBE. Details of conditional rights are provided on pages 59 to 61.

Amounts include the reversal and acceleration of accounting charges in relation to Sam Harrison and Todd Jones respectively, for unvested incentives on cessation of their employment in accordance with the treatment described on page 56.

5 For Peter Burton and Sam Harrison, the share-based payments expense includes amounts, including reversals, related to legacy cash-settled share-based awards for grants made prior to their appointments as executive KMP under the 2019 to 2021 EIP totalling $36,000 and ($220,000) respectively. A description of the EIP is provided on page 57.

6 Peter Burton and Julie Wood were executive KMP for part of the year. Their commencement dates are shown on pages 48 and 49.

7 Sam Harrison, former Group Chief Underwriting Officer, was executive KMP to 28 April 2023. Todd Jones, former CEO, North America, was executive KMP to 31 August 2023. Todd Jones received a pro-rated 2023 API award of 48.9% of the maximum opportunity.

## 3.2 Executive KMP shareholdings

The table below provides details of movements during the year in the number of ordinary shares in QBE held by executive KMP, including their personally-related parties. In prior years, where non-recourse loans were provided by the Group to executive KMP for the purchase of shares in QBE, details are shown in the Remuneration Report of each relevant year. There were no loans provided to executive KMP during the year ended 31 December 2023.

| 2023 | INTEREST IN SHARES AT 1 JANUARY 2023 NUMBER[1] | DIVIDENDS REINVESTED NUMBER | CONDITIONAL RIGHTS VESTED NUMBER | SHARES PURCHASED (SOLD) NUMBER[2] | INTEREST IN SHARES AT 31 DECEMBER 2023 NUMBER[3] |
|---|---|---|---|---|---|
| Andrew Horton | 235,959 | – | 108,270 | (28,500) | 315,729 |
| Peter Burton | 14 | – | – | 46 | 60 |
| Jason Harris | 42,371 | 2,092 | 48,328 | (22,729) | 70,062 |
| Sue Houghton | 46,250 | 2,322 | 46,121 | (16,942) | 77,751 |
| Amanda Hughes | 18,232 | 342 | 9,340 | 58 | 27,972 |
| Fiona Larnach | – | 265 | 8,603 | 58 | 8,926 |
| Inder Singh | 190,430 | 1,818 | 84,513 | (174,942) | 101,819 |
| Julie Wood | – | – | – | – | – |
| **Former executive KMP** | | | | | |
| Sam Harrison | 206 | 4 | 60,110 | (60,110) | 210 |
| Todd Jones | 227,108 | 813 | 58,783 | (70,784) | 215,920 |

1 Amounts for Peter Burton and Julie Wood reflect their respective holdings at the date they became executive KMP. Their commencement dates are shown on pages 48 and 49.
2 The shares listed as sold may either partially or fully relate to sales to meet withholding tax obligations on the vesting of conditional rights. Shares purchased include executive KMP participation in QShare.
3 For former executive KMP Sam Harrison and Todd Jones, this represents their interests in shares at 28 April 2023 and 31 August 2023 respectively, being the dates they ceased to be executive KMP.

## 3.3 Conditional rights movements

Equity awards at QBE are granted in the form of conditional rights. A conditional right is a promise by QBE to acquire or issue one fully paid ordinary QBE Insurance Group Limited share where certain conditions are met. The table below details conditional rights provided under the terms of both current and legacy plans, details of which can be found on pages 54 to 57, and contractual arrangements. LTI conditional rights are subject to future performance hurdles as detailed on page 55. Conditional rights under the API for the 2023 performance year will typically be granted in the first quarter of 2024.

| 2023 | BALANCE AT 1 JANUARY 2023 NUMBER[1] | GRANTED NUMBER | 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 2023 NUMBER[4] |
|---|---|---|---|---|---|---|---|---|
| Andrew Horton | 611,437 | 339,974 | 3,191 | (108,270) | 1,094 | – | 25,972 | 869,113 |
| Peter Burton | 103,783 | 19,821 | 177 | – | – | – | 977 | 124,581 |
| Jason Harris | 404,385 | 158,454 | 1,466 | (48,328) | 487 | (86,076) | 13,199 | 441,634 |
| Sue Houghton | 273,027 | 138,245 | 1,280 | (46,121) | 466 | – | 11,245 | 376,396 |
| Amanda Hughes | 102,123 | 76,777 | 713 | (9,340) | 94 | – | 5,221 | 174,781 |
| Fiona Larnach | 194,476 | 80,307 | 742 | (8,603) | 86 | – | 8,203 | 274,383 |
| Inder Singh | 440,562 | 176,638 | 1,634 | (84,513) | 851 | (65,360) | 14,395 | 481,722 |
| Julie Wood | 128,985 | – | – | – | – | – | 1,215 | 130,200 |
| **Former executive KMP** | | | | | | | | |
| Sam Harrison | 345,619 | 154,161 | 1,426 | (60,110) | 604 | (448,982) | 9,312 | – |
| Todd Jones | 631,762 | 199,088 | 1,836 | (58,783) | 594 | (371,650) | 13,446 | 413,863 |

1 Amounts for Peter Burton and Julie Wood reflect their respective holdings at the date they became executive KMP. Their commencement dates are shown on pages 48 and 49.
2 The value at grant date is calculated in accordance with AASB 2 *Share-based Payment*.
3 Amounts for Jason Harris, Inder Singh and Todd Jones reflect lapsed incentives related to the 2020 LTI award and related notional dividends, details on page 46. Amounts also include awards forfeited by former executive KMP, Sam Harrison and Todd Jones, following the cessation of their employment in accordance with the treatment described on page 56.
4 For former executive KMP Sam Harrison and Todd Jones, this represents the balance of conditional rights immediately after 28 April 2023 and 31 August 2023 respectively, being the dates they ceased to be executive KMP.

## 3. EXECUTIVE KMP REMUNERATION TABLES

### 3.4 Valuation of conditional rights outstanding at 31 December 2023

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

| 2023 | GRANT | GRANT DATE[1] | PERFORMANCE PERIOD START DATE | VESTING/ EXERCISE DATE[2] | CONDITIONAL RIGHTS AT 31 DECEMBER 2023 NUMBER[3] | MAXIMUM VALUE OF AWARD TO VEST A$000[4] | FAIR VALUE PER CONDITIONAL RIGHT A$[5,6,7] | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | GROUP CASH ROE | TSR | TIME |
| Andrew Horton | Special | 1 Sep 2021 | 1 Sep 2021 | 2024-2025 | 177,216 | 2,112 | – | – | 11.92 |
| | 2021 STI | 28 Feb 2022 | 1 Jan 2021 | 26 Feb 2024 | 23,000 | 275 | – | – | 11.94 |
| | 2022 LTI | 5 May 2022 | 1 Jan 2022 | 2025-2027 | 318,453 | 3,482 | 12.13 | 8.14 | – |
| | 2022 API | 27 Feb 2023 | 1 Jan 2022 | 2024-2027 | 90,956 | 1,366 | – | – | 15.02 |
| | 2023 LTI | 12 May 2023 | 1 Jan 2023 | 2026-2028 | 259,488 | 3,588 | 15.26 | 10.48 | – |
| Peter Burton | 2019 EIP | 24 Feb 2020 | 1 Jan 2019 | 23 Feb 2024 | 3,213 | 48 | – | – | 14.91 |
| | 2020 EIP | 26 Feb 2021 | 1 Jan 2020 | 2024-2025 | 8,936 | 83 | – | – | 9.30 |
| | 2021 EIP | 28 Feb 2022 | 1 Jan 2021 | 2024-2026 | 17,816 | 213 | – | – | 11.94 |
| | 2022 LTI | 28 Feb 2022 | 1 Jan 2022 | 2025-2027 | 25,100 | 264 | 11.94 | 7.15 | – |
| | 2022 API | 27 Feb 2023 | 1 Jan 2022 | 2024-2027 | 29,556 | 444 | – | – | 15.02 |
| | 2023 LTI | 2023 | 1 Jan 2023 | 2026-2028 | 39,900 | 540 | 14.92 | 10.32 | – |
| | QShare | 2023 | 2023 | 2026 | 60 | 1 | – | – | 12.74 |
| Jason Harris | 2020 LTI | 1 Oct 2020 | 1 Jan 2020 | 2024-2025 | 12,414 | 32 | – | 2.54 | – |
| | 2021 LTI | 26 Feb 2021 | 1 Jan 2021 | 2024-2026 | 132,181 | 959 | 9.30 | 5.21 | – |
| | 2021 STI | 28 Feb 2022 | 1 Jan 2021 | 26 Feb 2024 | 27,070 | 323 | – | – | 11.94 |
| | 2022 LTI | 28 Feb 2022 | 1 Jan 2022 | 2025-2027 | 106,637 | 1,120 | 11.94 | 7.15 | – |
| | 2022 API | 27 Feb 2023 | 1 Jan 2022 | 2024-2027 | 37,361 | 561 | – | – | 15.02 |
| | 2023 LTI | 27 Feb 2023 | 1 Jan 2023 | 2026-2028 | 125,911 | 1,714 | 15.02 | 10.32 | – |
| | QShare | 2023 | 2023 | 2026 | 60 | 1 | – | – | 12.74 |
| Sue Houghton | 2021 LTI | 3 Aug 2021 | 1 Jan 2021 | 2024-2026 | 97,891 | 856 | 10.89 | 6.61 | – |
| | Special | 3 Aug 2021 | 3 Aug 2021 | 1 Mar 2024 | 39,155 | 426 | – | – | 10.89 |
| | 2021 STI | 28 Feb 2022 | 1 Jan 2021 | 26 Feb 2024 | 8,386 | 100 | – | – | 11.94 |
| | 2022 LTI | 28 Feb 2022 | 1 Jan 2022 | 2025-2027 | 88,464 | 929 | 11.94 | 7.15 | – |
| | 2022 API | 27 Feb 2023 | 1 Jan 2022 | 2024-2027 | 34,322 | 516 | – | – | 15.02 |
| | 2023 LTI | 27 Feb 2023 | 1 Jan 2023 | 2026-2028 | 108,120 | 1,472 | 15.02 | 10.32 | – |
| | QShare | 2023 | 2023 | 2026 | 58 | 1 | – | – | 12.80 |
| Amanda Hughes | 2020 EIP | 26 Feb 2021 | 1 Jan 2020 | 2024-2025 | 3,654 | 34 | – | – | 9.30 |
| | 2021 EIP | 28 Feb 2022 | 1 Jan 2021 | 2024-2026 | 20,131 | 240 | – | – | 11.94 |
| | 2021 STI | 28 Feb 2022 | 1 Jan 2021 | 26 Feb 2024 | 1,092 | 13 | – | – | 11.94 |
| | 2022 LTI | 28 Feb 2022 | 1 Jan 2022 | 2025-2027 | 70,765 | 743 | 11.94 | 7.15 | – |
| | 2022 API | 27 Feb 2023 | 1 Jan 2022 | 2024-2027 | 21,418 | 322 | – | – | 15.02 |
| | 2023 LTI | 27 Feb 2023 | 1 Jan 2023 | 2026-2028 | 57,663 | 785 | 15.02 | 10.32 | – |
| | QShare | 2023 | 2023 | 2026 | 58 | 1 | – | – | 12.80 |
| Fiona Larnach | 2021 LTI | 26 Feb 2021 | 1 Jan 2021 | 2024-2026 | 103,117 | 748 | 9.30 | 5.21 | – |
| | 2021 STI | 28 Feb 2022 | 1 Jan 2021 | 26 Feb 2024 | 8,869 | 106 | – | – | 11.94 |
| | 2022 LTI | 28 Feb 2022 | 1 Jan 2022 | 2025-2027 | 79,615 | 836 | 11.94 | 7.15 | – |
| | 2022 API | 27 Feb 2023 | 1 Jan 2022 | 2024-2027 | 17,851 | 268 | – | – | 15.02 |
| | 2023 LTI | 27 Feb 2023 | 1 Jan 2023 | 2026-2028 | 64,873 | 883 | 15.02 | 10.32 | – |
| | QShare | 2023 | 2023 | 2026 | 58 | 1 | – | – | 12.80 |
| Inder Singh | 2020 LTI | 24 Feb 2020 | 1 Jan 2020 | 2024-2025 | 9,426 | 97 | – | 10.31 | – |
| | 2021 LTI | 26 Feb 2021 | 1 Jan 2021 | 2024-2026 | 148,947 | 1,081 | 9.30 | 5.21 | – |
| | 2021 STI | 28 Feb 2022 | 1 Jan 2021 | 26 Feb 2024 | 26,273 | 314 | – | – | 11.94 |
| | 2022 LTI | 28 Feb 2022 | 1 Jan 2022 | 2025-2027 | 114,997 | 1,208 | 11.94 | 7.15 | – |
| | 2022 API | 27 Feb 2023 | 1 Jan 2022 | 2024-2027 | 41,464 | 623 | – | – | 15.02 |
| | 2023 LTI | 27 Feb 2023 | 1 Jan 2023 | 2026-2028 | 140,557 | 1,913 | 15.02 | 10.32 | – |
| | QShare | 2023 | 2023 | 2026 | 58 | 1 | – | – | 12.80 |
| Julie Wood | Special | 30 Jan 2023 | 30 Jan 2023 | 2024-2026 | 63,986 | 873 | – | – | 13.65 |
| | 2023 LTI | 27 Feb 2023 | 1 Jan 2023 | 2026-2028 | 66,214 | 901 | 15.02 | 10.32 | – |

| 2023 | GRANT | GRANT DATE[1] | PERFORMANCE PERIOD START DATE | VESTING/ EXERCISE DATE[2] | CONDITIONAL RIGHTS AT 31 DECEMBER 2023 NUMBER[3] | MAXIMUM VALUE OF AWARD TO VEST A$000[4] | FAIR VALUE PER CONDITIONAL RIGHT A$[5,6,7] | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | GROUP CASH ROE | TSR | TIME |
| **Former executive KMP** | | | | | | | | | |
| Sam Harrison | 2019 EIP | 24 Feb 2020 | 1 Jan 2019 | 23 Feb 2024 | 9,495 | 142 | – | – | 14.91 |
| | 2020 EIP | 26 Feb 2021 | 1 Jan 2020 | 2024-2025 | 26,740 | 249 | – | – | 9.30 |
| | 2021 LTI | 26 Feb 2021 | 1 Jan 2021 | 2024-2026 | 126,917 | 921 | 9.30 | 5.21 | – |
| | 2021 EIP | 28 Feb 2022 | 1 Jan 2021 | 2024-2026 | 9,201 | 110 | – | – | 11.94 |
| | 2021 STI | 28 Feb 2022 | 1 Jan 2021 | 26 Feb 2024 | 16,812 | 201 | – | – | 11.94 |
| | 2022 LTI | 28 Feb 2022 | 1 Jan 2022 | 2025-2027 | 102,393 | 1,075 | 11.94 | 7.15 | – |
| | 2022 API | 27 Feb 2023 | 1 Jan 2022 | 2024-2027 | 36,524 | 549 | – | – | 15.02 |
| | 2023 LTI | 27 Feb 2023 | 1 Jan 2023 | 2026-2028 | 120,900 | 1,645 | 15.02 | 10.32 | – |
| Todd Jones | 2020 LTI | 24 Feb 2020 | 1 Jan 2020 | 2024-2025 | 19,640 | 202 | – | 10.31 | – |
| | 2021 LTI | 26 Feb 2021 | 1 Jan 2021 | 2024-2026 | 219,075 | 1,589 | 9.30 | 5.21 | – |
| | 2021 STI | 28 Feb 2022 | 1 Jan 2021 | 26 Feb 2024 | 19,692 | 235 | – | – | 11.94 |
| | 2022 LTI | 28 Feb 2022 | 1 Jan 2022 | 2025-2027 | 186,351 | 1,957 | 11.94 | 7.15 | – |
| | 2022 API | 27 Feb 2023 | 1 Jan 2022 | 2024-2027 | 40,365 | 606 | – | – | 15.02 |
| | 2023 LTI | 27 Feb 2023 | 1 Jan 2023 | 2026-2028 | 162,941 | 2,218 | 15.02 | 10.32 | – |

1 Shareholders approved the grant of 2023 LTI for Andrew Horton at the Annual General Meeting on 12 May 2023. Peter Burton's 2023 LTI comprised of two awards with grant dates of 27 February 2023 and 4 September 2023 respectively. The QShare matching conditional rights were granted on 11 August 2023 and 11 December 2023.

2 The expiry date for awards is equivalent to the vesting/exercise date.

3 Includes original grant of conditional rights and notional dividends.

For the 2020 LTI award, the number of conditional rights shown reflect the extent to which the ASX 50 peer group relative TSR performance condition was achieved. The Group cash ROE and global relative TSR peer group tranches both lapsed in full, details on page 46.

For the 2021 LTI award, the number of conditional rights reflects an equal proportion of Group cash ROE and combined relative TSR performance conditions.

For the 2022 and 2023 LTI awards, the number of conditional rights reflects a proportion of 70% Group cash ROE and 30% relative TSR performance conditions.

For former executive KMP Sam Harrison and Todd Jones, this represents the balance of conditional rights immediately prior to the date they ceased as executive KMP.

4 The maximum value to vest represents the fair value at grant date for all unvested conditional rights. The minimum amount executive KMP may receive will be zero if awards do not vest for any reason.

5 The fair value of conditional rights at grant date is determined using appropriate models including Monte Carlo simulations and the Black-Scholes model, depending on the vesting conditions. The fair value of each conditional right is recognised evenly over the service period ending at vesting date.

For the 2020 LTI award, the relative TSR fair value at grant date reflects the ASX 50 peer group, the only portion left to vest.

For the 2021 LTI award granted on 26 February 2021, the relative TSR fair value reflects the weighted average fair value of the ASX 50 peer group of A$5.33 and global peer group of A$5.09. For the 2021 LTI award granted on 3 August 2021, the relative TSR fair value reflects the weighted average fair value of the ASX 50 peer group of A$6.77 and global peer group of A$6.44.

6 The fair value of Peter Burton's 2023 LTI is the weighted average of the two awards on 27 February 2023 and 4 September 2023 respectively: the Group cash ROE fair value represents the weighted average of A$15.02 and A$14.82 at the two grant dates, and the relative TSR fair value comprises the weighted average of A$10.32 and A$10.31 at the two grant dates.

7 The fair value of QShare matching conditional rights is the weighted average of two awards granted on 11 August 2023 and 11 December 2023 being A$13.30 and A$12.57 respectively, and may vary by executive KMP based on the number of shares purchased in the period.

## 4. NON-EXECUTIVE DIRECTOR REMUNERATION

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

### Remuneration philosophy

Non-executive director remuneration reflects QBE's desire to attract, motivate and retain experienced independent directors and to ensure their active participation in the Group's affairs for the purpose of corporate governance, regulatory compliance and other matters.

QBE aims to provide a level of remuneration for non-executive directors comparable with that of its peers, which include international financial institutions. The Board reviews surveys published by independent remuneration consultants and other public information to ensure that fee levels are appropriate. The remuneration arrangements of non-executive directors are distinct and separate from those of the executive KMP.

### Fee structure and components

The aggregate amount approved by shareholders at the Annual General Meeting on 5 May 2022 was A$4,750,000 per annum. The total amount paid to non-executive directors in 2023 was A$3,133,676 (2022 A$3,387,953).

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.

During 2023, we reviewed the structure and level of non-executive director fees to ensure they remain competitive in the international market in which we operate and are commensurate with their workload. As a result, Board fees have been adjusted upwards by 3% with effect from 1 January 2024, the first Board fee adjustment since 2015. Committee fees were not adjusted.

The non-executive director fee structure for 2024 (with comparisons reflected for 2023) is shown in the table below:

| BOARD/COMMITTEE | ROLE | 2024 A$ | 2023 A$ |
|---|---|---|---|
| **Board** | Chair | **683,000** | 663,000 |
| | Deputy chair | **236,000** | 229,000 |
| | Member | **215,000** | 208,000 |
| **Committee** | Chair | **50,000** | 50,000 |
| | Member | **27,000** | 27,000 |

### Other benefits

Non-executive directors do not receive any performance-based remuneration such as cash incentives or equity awards. Under QBE's Constitution, non-executive directors are entitled to be reimbursed for all travel and related expenses properly incurred in connection with the business of QBE. All non-executive directors are eligible to receive an annual cash travel allowance of A$42,750 (A$64,000 for the Chair), in addition to fees for the time involved in travelling to Board meetings and other Board commitments. This policy has remained unchanged since 2015, with the exception of the travel allowance being paused during COVID-19.

#### Superannuation

QBE pays superannuation to Australian-based non-executive directors in accordance with Australian superannuation guarantee (SG) legislation. Overseas-based non-executive directors receive the cash equivalent amount in addition to their fees. From 1 July 2023, the SG contribution increased by 0.5% to 11%. This change is reflected in table 4.1.

Since 1 January 2020, Australian-based directors may elect to opt out of superannuation contributions as long as they are still receiving contributions from at least one employer. In such cases, a superannuation allowance is paid in lieu of actual contributions.

## 4.1 Remuneration details for non-executive directors

The table below details the nature and amount of each component of the remuneration of QBE's 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 | **2023** | **483** | **–** | **17** | **34** | **534** |
| | 2022 | 504 | – | 17 | 35 | 556 |
| Yasmin Allen | **2023** | **202** | **–** | **–** | **22** | **224** |
| | 2022 | 106 | – | 4 | 7 | 117 |
| Stephen Ferguson[3] | **2023** | **34** | **–** | **4** | **–** | **38** |
| Tan Le | **2023** | **221** | **3** | **–** | **–** | **224** |
| | 2022 | 231 | 2 | – | – | 233 |
| Kathryn Lisson | **2023** | **224** | **2** | **–** | **–** | **226** |
| | 2022 | 239 | 2 | – | – | 241 |
| Sir Brian Pomeroy | **2023** | **224** | **2** | **–** | **–** | **226** |
| | 2022 | 240 | 2 | – | – | 242 |
| Jann Skinner | **2023** | **218** | **–** | **9** | **14** | **241** |
| | 2022 | 234 | – | 4 | 20 | 258 |
| Eric Smith[4] | **2023** | **44** | **4** | **–** | **–** | **48** |
| | 2022 | 233 | – | – | – | 233 |
| Rolf Tolle | **2023** | **241** | **2** | **–** | **–** | **243** |
| | 2022 | 258 | 4 | – | – | 262 |
| Peter Wilson[3] | **2023** | **74** | **1** | **–** | **–** | **75** |
| **Total** | **2023** | **1,965** | **14** | **30** | **70** | **2,079** |
| | 2022 | 2,045 | 10 | 25 | 62 | 2,142 |

1 Fees include travel allowances and additional fees in lieu of superannuation in Australia. Tan Le, Kathryn Lisson, Sir Brian Pomeroy, Eric Smith, Rolf Tolle and Peter Wilson received additional fees of 10.5% in lieu of superannuation in Australia from 1 January 2023 to 30 June 2023, and 11.0% from 1 July 2023 to 31 December 2023.
Fees also include amounts sacrificed in relation to the Director Share Acquisition Plan (DSAP). During 2023, Michael Wilkins, Stephen Ferguson, Tan Le, Kathryn Lisson, Sir Brian Pomeroy, Eric Smith, Rolf Tolle and Peter Wilson elected to sacrifice a portion of their director pre-tax base fees to acquire QBE shares to meet their MSR over the required period. The amounts are included in the fees approved by shareholders and form part of the A$3,133,676 on page 62. Where applicable, the increase in their shareholdings in 2023 reflected in table 4.2 was mainly as a result of their participation in the DSAP.
2 Michael Wilkins, Yasmin Allen, Stephen Ferguson and Jann Skinner are Australian residents. Superannuation is calculated as 10.5% of fees, up to 30 June 2023 and increased by 0.5% to 11.0% through to 31 December 2023. Superannuation in excess of the statutory minimum may be taken as additional cash fees or in the form of superannuation contributions at the option of the director. For all or part of 2023, Yasmin Allen and Jann Skinner elected to opt out of superannuation contributions and a superannuation allowance was paid in lieu of superannuation contributions.
3 Stephen Ferguson commenced in role on 1 November 2023 and Peter Wilson commenced in role on 1 September 2023.
4 Eric Smith retired on 10 March 2023.

## Minimum shareholding requirement

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

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

All non-executive directors have met the MSR as at 31 December 2023, or are within the five-year period to achieve the MSR.

# 4. NON-EXECUTIVE DIRECTOR REMUNERATION

## 4.2 Non-executive director shareholdings

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

| 2023 | POSITION | TERM AS KMP | INTEREST IN SHARES AT 1 JANUARY 2023 NUMBER[1] | CHANGES DURING THE YEAR NUMBER | INTEREST IN SHARES AT 31 DECEMBER 2023 NUMBER[2] |
|---|---|---|---|---|---|
| Michael Wilkins | Chair | Full year | 83,783 | 8,776 | 92,559 |
| Yasmin Allen | Director | Full year | 18,333 | – | 18,333 |
| Stephen Ferguson | Director | Part year from 1 November 2023 | – | – | – |
| Tan Le | Director | Full year | 8,753 | 3,740 | 12,493 |
| Kathryn Lisson | Director | Full year | 49,010 | 3,790 | 52,800 |
| Sir Brian Pomeroy | Director | Full year | 42,425 | 3,790 | 46,215 |
| Jann Skinner | Director | Full year | 70,000 | – | 70,000 |
| Eric Smith | Director | Part year to 10 March 2023 | 8,767 | 1,910 | 10,677 |
| Rolf Tolle | Director | Full year | 73,806 | 5,354 | 79,160 |
| Peter Wilson | Director | Part year from 1 September 2023 | – | – | – |

1 The interest in shares for Stephen Ferguson and Peter Wilson represent their balances at their respective commencement dates of 1 November 2023 and 1 September 2023.
2 The interest in shares for Eric Smith represents the balance at the date he retired as non-executive director on 10 March 2023.

# Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2023

## 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 66.

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 16th day of February 2024 in accordance with a resolution of the directors.

Michael Wilkins AO
**Director**

Andrew Horton
**Director**

## Auditor’s independence declaration

As lead auditor for the audit of QBE Insurance Group Limited for the year ended 31 December 2023, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of QBE Insurance Group Limited and the entities it controlled during the period.

Voula Papageorgiou
**Partner, PricewaterhouseCoopers**

Sydney
16 February 2024

**PricewaterhouseCoopers, ABN 52 780 433 757**
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T: +61 2 8266 0000, F: +61 2 8266 9999
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T: +61 2 9659 2476, F: +61 2 8266 9999

# Financial Report contents



This Annual Report includes the consolidated financial statements for QBE Insurance Group Limited (the ultimate parent entity or the Company) and its controlled entities (QBE or the Group). All amounts in this Financial Report are presented in US dollars unless otherwise stated. QBE Insurance Group Limited is a company limited by its shares and incorporated and domiciled in Australia. Its registered office is located at:

Level 18, 388 George Street
Sydney NSW 2000
Australia.

A description of the nature of the Group's operations and its principal activities is included on pages 2 to 15, none of which is part of this Financial Report. The Financial Report was authorised for issue by the directors on 16 February 2024. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the Company. All material press releases, this Financial Report and other information are available at our QBE investor centre at our website: www.qbe.com.

# Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2023

| | NOTE | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|---|
| Insurance revenue | 2.1 | **20,826** | 18,904 |
| Insurance service expenses | | **(18,421)** | (17,579) |
| Reinsurance expenses | 2.2.1 | **(4,848)** | (3,850) |
| Reinsurance income | 2.2.1 | **3,946** | 3,496 |
| **Insurance service result** | | **1,503** | 971 |
| Other expenses | | **(250)** | (286) |
| Other income | | **62** | 74 |
| **Insurance operating result** | | **1,315** | 759 |
| Insurance finance (expenses) income | 2.2.1 | **(1,039)** | 1,157 |
| Reinsurance finance income (expenses) | 2.2.1 | **460** | (120) |
| Investment income (loss) – policyholders' funds | 3.1 | **907** | (482) |
| Investment expenses – policyholders' funds | 3.1 | **(24)** | (19) |
| **Insurance profit** | | **1,619** | 1,295 |
| Investment income (loss) – shareholders' funds | 3.1 | **499** | (262) |
| Investment expenses – shareholders' funds | 3.1 | **(13)** | (10) |
| Financing and other costs | 5.1.2 | **(232)** | (245) |
| Gain on sale of entities and businesses | 7.1 | **2** | 38 |
| Share of net loss of associates | | **(2)** | (7) |
| Restructuring and related expenses | | **–** | (106) |
| Impairment of owner occupied property | | **(25)** | – |
| Amortisation and impairment of intangibles | 7.2 | **(11)** | (27) |
| Profit before income tax | | **1,837** | 676 |
| Income tax expense | 6.1 | **(473)** | (81) |
| Profit after income tax | | **1,364** | 595 |
| **Other comprehensive income (loss)** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Net movement in foreign currency translation reserve | 5.3.2 | **138** | (377) |
| Net movement in cash flow hedge and cost of hedging reserves | 5.3.2 | **(8)** | 33 |
| Income tax relating to these components of other comprehensive income | 5.3.2 | **2** | (10) |
| *Items that will not be reclassified to profit or loss* | | | |
| Remeasurement of defined benefit plans | | **(7)** | (36) |
| Income tax relating to this component of other comprehensive income | | **2** | 10 |
| Other comprehensive income (loss) after income tax | | **127** | (380) |
| Total comprehensive income after income tax | | **1,491** | 215 |
| **Profit after income tax attributable to:** | | | |
| Ordinary equity holders of the Company | | **1,355** | 587 |
| Non-controlling interests | | **9** | 8 |
| | | **1,364** | 595 |
| **Total comprehensive income after income tax attributable to:** | | | |
| Ordinary equity holders of the Company | | **1,482** | 207 |
| Non-controlling interests | | **9** | 8 |
| | | **1,491** | 215 |

| EARNINGS PER SHARE FOR PROFIT AFTER INCOME TAX ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | NOTE | 2023 US CENTS | RESTATED 2022 US CENTS |
|---|---|---|---|
| **For profit after income tax** | | | |
| Basic earnings per share | 5.5 | **87.6** | 36.2 |
| Diluted earnings per share | 5.5 | **87.0** | 36.0 |

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

The Group adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 8.1.1.

# Consolidated balance sheet

AS AT 31 DECEMBER 2023

| | NOTE | 2023 US$M | RESTATED 2022 US$M | RESTATED 1 JANUARY 2022 US$M |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | 5.2 | **1,366** | 833 | 819 |
| Investments | 3.2 | **28,670** | 27,299 | 28,111 |
| Derivative financial instruments | 5.6 | **250** | 284 | 142 |
| Other receivables | | **519** | 423 | 570 |
| Current tax assets | | **30** | 45 | 5 |
| Reinsurance contract assets | 2.2 | **8,034** | 7,144 | 6,713 |
| Other assets | | **2** | 2 | 2 |
| Assets held for sale | | **1** | – | 50 |
| Defined benefit plan surpluses | 8.7 | **39** | 46 | 92 |
| Right-of-use lease assets | | **264** | 276 | 328 |
| Property, plant and equipment | | **119** | 151 | 155 |
| Deferred tax assets | 6.2 | **625** | 613 | 526 |
| Investment properties | | **28** | 35 | 37 |
| Investment in associates | | **49** | 32 | 28 |
| Intangible assets | 7.2 | **2,112** | 2,018 | 2,449 |
| Total assets | | **42,108** | 39,201 | 40,027 |
| **Liabilities** | | | | |
| Derivative financial instruments | 5.6 | **373** | 387 | 452 |
| Other payables | | **432** | 347 | 414 |
| Current tax liabilities | | **127** | 39 | 23 |
| Insurance contract liabilities | 2.2 | **27,567** | 26,148 | 26,358 |
| Lease liabilities | | **289** | 301 | 354 |
| Provisions | | **180** | 203 | 129 |
| Defined benefit plan deficits | 8.7 | **23** | 26 | 29 |
| Deferred tax liabilities | 6.2 | **366** | 149 | 72 |
| Borrowings | 5.1 | **2,798** | 2,744 | 3,268 |
| Total liabilities | | **32,155** | 30,344 | 31,099 |
| Net assets | | **9,953** | 8,857 | 8,928 |
| **Equity** | | | | |
| Contributed equity | 5.3.1 | **9,381** | 9,242 | 9,777 |
| Treasury shares held in trust | | **(3)** | (1) | (2) |
| Reserves | 5.3.2 | **(1,273)** | (1,363) | (1,608) |
| Retained profits | | **1,845** | 977 | 760 |
| Shareholders' equity | | **9,950** | 8,855 | 8,927 |
| Non-controlling interests | | **3** | 2 | 1 |
| Total equity | | **9,953** | 8,857 | 8,928 |

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

The Group adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 8.1.1.

# Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2023

| | SHAREHOLDERS' EQUITY | | | | | | |
|---|---|---|---|---|---|---|---|
| | CONTRIBUTED EQUITY US$M | TREASURY SHARES HELD IN TRUST US$M | RESERVES US$M | RETAINED PROFITS US$M | TOTAL US$M | NON-CONTROLLING INTERESTS US$M | TOTAL EQUITY US$M |
| At 1 January 2023 (restated) | **9,242** | **(1)** | **(1,363)** | **977** | **8,855** | **2** | **8,857** |
| Profit after income tax | **–** | **–** | **–** | **1,355** | **1,355** | **9** | **1,364** |
| Other comprehensive income (loss) | **–** | **–** | **132** | **(5)** | **127** | **–** | **127** |
| Total comprehensive income | **–** | **–** | **132** | **1,350** | **1,482** | **9** | **1,491** |
| **Transactions with owners in their capacity as owners** | | | | | | | |
| Shares issued under Employee Share and Option Plan and held in trust | **36** | **(37)** | **–** | **–** | **(1)** | **–** | **(1)** |
| Share-based payment expense | **–** | **–** | **42** | **–** | **42** | **–** | **42** |
| Shares vested and/or released | **–** | **35** | **(35)** | **–** | **–** | **–** | **–** |
| Dividends paid on ordinary shares | **–** | **–** | **–** | **(435)** | **(435)** | **(8)** | **(443)** |
| Dividend Reinvestment Plan and Bonus Share Plan | **49** | **–** | **–** | **3** | **52** | **–** | **52** |
| Distributions on capital notes | **–** | **–** | **–** | **(50)** | **(50)** | **–** | **(50)** |
| Foreign exchange | **54** | **–** | **(49)** | **–** | **5** | **–** | **5** |
| At 31 December 2023 | **9,381** | **(3)** | **(1,273)** | **1,845** | **9,950** | **3** | **9,953** |

| | SHAREHOLDERS' EQUITY | | | | | | |
|---|---|---|---|---|---|---|---|
| | CONTRIBUTED EQUITY US$M | TREASURY SHARES HELD IN TRUST US$M | RESERVES US$M | RETAINED PROFITS US$M | TOTAL US$M | NON-CONTROLLING INTERESTS US$M | TOTAL EQUITY US$M |
| At 1 January 2022, as previously reported | 9,777 | (2) | (1,608) | 714 | 8,881 | 1 | 8,882 |
| Impact of initial application of AASB 17 (note 8.1.1) | – | – | – | 46 | 46 | – | 46 |
| At 1 January 2022 (restated) | 9,777 | (2) | (1,608) | 760 | 8,927 | 1 | 8,928 |
| Profit after income tax | – | – | – | 587 | 587 | 8 | 595 |
| Other comprehensive loss | – | – | (354) | (26) | (380) | – | (380) |
| Total comprehensive (loss) income | – | – | (354) | 561 | 207 | 8 | 215 |
| **Transactions with owners in their capacity as owners** | | | | | | | |
| Shares issued under Employee Share and Option Plan and held in trust | 29 | (30) | – | – | (1) | – | (1) |
| Share-based payment expense | – | – | 39 | – | 39 | – | 39 |
| Shares vested and/or released | – | 31 | (31) | – | – | – | – |
| Dividends paid on ordinary shares | – | – | – | (297) | (297) | (7) | (304) |
| Dividend Reinvestment Plan and Bonus Share Plan | 36 | – | – | 3 | 39 | – | 39 |
| Distributions on capital notes | – | – | – | (50) | (50) | – | (50) |
| Foreign exchange | (600) | – | 591 | – | (9) | – | (9) |
| At 31 December 2022 (restated) | 9,242 | (1) | (1,363) | 977 | 8,855 | 2 | 8,857 |

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

The Group adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 8.1.1.

# Consolidated statement of cash flows

FOR THE YEAR ENDED 31 DECEMBER 2023

| | NOTE | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|---|
| **Operating activities** | | | |
| Premium received | | **20,924** | 18,472 |
| Reinsurance recoveries received | | **4,608** | 2,502 |
| Reinsurance premium paid net of ceding commissions received | | **(5,879)** | (3,469) |
| Acquisition costs paid | | **(3,732)** | (3,483) |
| Claims and other insurance service expenses paid | | **(14,284)** | (10,953) |
| Interest received | | **703** | 421 |
| Dividends received | | **50** | 126 |
| Other operating payments | | **(509)** | (463) |
| Interest paid | | **(240)** | (246) |
| Income taxes paid | | **(138)** | (74) |
| Net cash flows from operating activities | 8.4 | **1,503** | 2,833 |
| **Investing activities** | | | |
| Net proceeds on sale (payments for purchase) of growth assets | | **54** | (512) |
| Net payments for purchase of interest-bearing financial assets | | **(284)** | (1,494) |
| Net payments for foreign exchange transactions | | **(23)** | (186) |
| Payments for purchase of intangible assets | | **(145)** | (132) |
| Payments for purchase of property, plant and equipment | | **(23)** | (33) |
| Payments for investment in associates | | **(19)** | (11) |
| Proceeds on disposal of entities and businesses (net of cash disposed) | | **9** | 361 |
| Proceeds on disposal of joint venture investment | | **3** | – |
| Net cash flows from investing activities | | **(428)** | (2,007) |
| **Financing activities** | | | |
| Purchase of treasury shares | | **(1)** | (1) |
| Payments relating to principal element of lease liabilities | | **(55)** | (62) |
| Proceeds from borrowings | | **405** | – |
| Repayments of borrowings | | **(406)** | (412) |
| Dividends and distributions paid | | **(441)** | (315) |
| Net cash flows from financing activities | | **(498)** | (790) |
| Net movement in cash and cash equivalents | | **577** | 36 |
| Cash and cash equivalents at the beginning of the year | | **833** | 819 |
| Effect of exchange rate changes | | **(44)** | (22) |
| Cash and cash equivalents at the end of the year | 5.2 | **1,366** | 833 |

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

The Group adopted AASB 17 *Insurance Contracts* from 1 January 2023 and has correspondingly restated the comparative period. The impacts of adoption are detailed in note 8.1.1.

1 Overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Additional information

# Notes to the financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

## 1. OVERVIEW

### 1.1 About QBE

#### About QBE Insurance Group

QBE is one of the world's largest insurance and reinsurance companies, with operations in all the major insurance markets. Formed in Australia in 1886, QBE employs more than 13,000 people and carries on insurance activities in 27 countries, with operations in Australia, Europe, North America, Asia and the Pacific. QBE's captive reinsurers, Equator Re and Blue Ocean Re (collectively referred to as 'Equator Re'), provide reinsurance protection to our divisions in conjunction with the Group's external reinsurance programs.

The Company is listed on the Australian Securities Exchange and is a for-profit entity.

#### About insurance

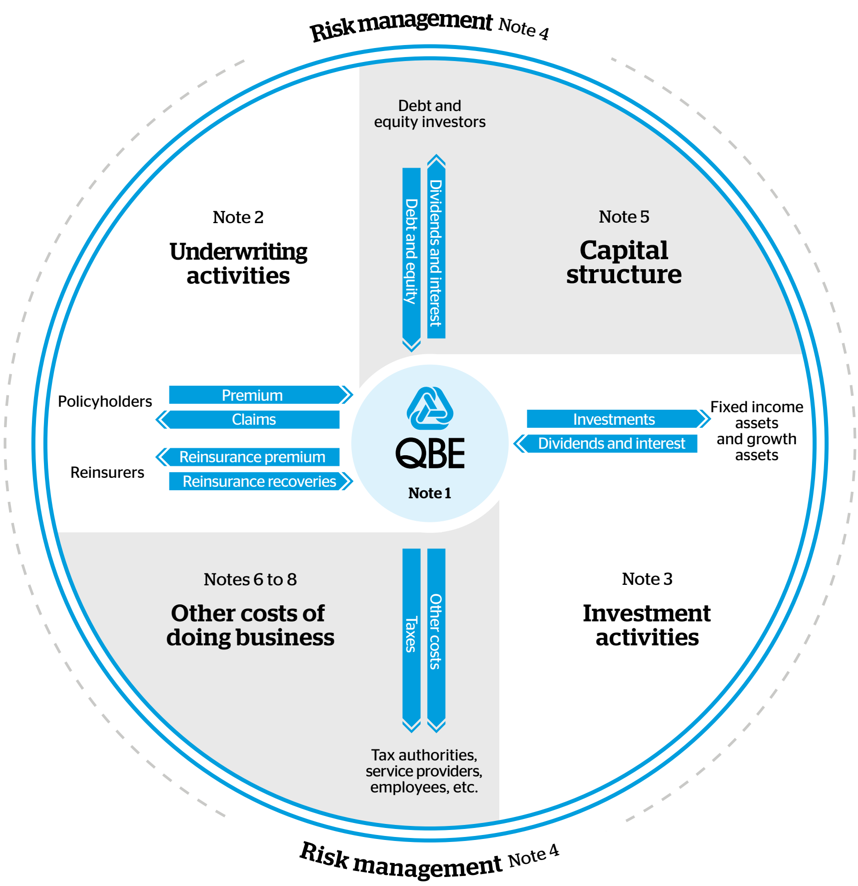
In simple terms, insurance and reinsurance companies help their customers (consumers, businesses and other insurance companies) to manage risk. More broadly put, an insurance company creates value by pooling and redistributing risk. This is done by collecting premium from those that it insures (i.e. policyholders), and then paying the claims of those that call upon their insurance protection. A company may also choose to reduce some of its own accumulated risk through the use of outward reinsurance (or referred to as reinsurance contracts held), which is insurance for insurance companies. As not all policyholders will actually experience a claim event, the effective pooling and redistribution of risk lowers the total cost of risk management, thereby making insurance protection more cost effective for all.

The operating model of insurance companies relies on profits being generated by:

- appropriately pricing risk and charging adequate premium to cover the expected payouts that will be incurred over the life of the insurance policy (both claims and operating expenses); and
- earning a return on the collected premium and funds withheld to pay future claims through the adoption of an appropriate investment strategy.

Insurance therefore serves a critical function of providing customers with the confidence to achieve their business and personal goals through cost-effective risk management. This is achieved within a highly regulated environment, designed to ensure that insurance companies maintain adequate capital to protect the interests of policyholders.

The diagram below presents a simplified overview of the key components of this Financial Report:



## 1.2 About this report

This Financial Report includes the consolidated financial statements of QBE Insurance Group Limited (the ultimate parent entity or the Company) and its controlled entities (QBE or the Group).

The Financial Report includes the four primary statements, namely the statement of comprehensive income (which comprises profit or loss and other comprehensive income or loss), balance sheet, statement of changes in equity and statement of cash flows as well as associated notes as required by Australian Accounting Standards. Disclosures have been grouped into the following categories in order to assist users in their understanding of the financial statements:

1. **Overview** contains information that impacts the Financial Report as a whole as well as segment reporting disclosures.
2. **Underwriting activities** brings together results and balance sheet disclosures relevant to the Group's insurance activities.
3. **Investment activities** includes results and balance sheet disclosures relevant to the Group's investments.
4. **Risk management** provides commentary on the Group's exposure to various financial and capital risks, explaining the potential impact on the results and balance sheet and how the Group manages these risks.
5. **Capital structure** provides information about the debt and equity components of the Group's capital.
6. **Tax** includes disclosures relating to the Group's tax expense and balances.
7. **Group structure** provides a summary of the Group's controlled entities and includes disclosures in relation to transactions impacting the Group structure.
8. **Other** includes additional disclosures required to comply with Australian Accounting Standards.

Where applicable within each note, disclosures are further analysed as follows:

- **Overview** provides some context to assist users in understanding the disclosures.
- **Disclosures** (both numbers and commentary) provide analysis of balances as required by Australian Accounting Standards.
- **How we account for the numbers** summarises the accounting policies relevant to an understanding of the numbers.
- **Critical accounting judgements and estimates** explains the key estimates and judgements applied by QBE in determining the numbers.

The notes include information which the directors believe is required to understand the financial statements and is material and relevant to the operations, balance sheet and results of the Group. Information is considered material and relevant if:

- the amount in question is significant because of its size or nature;
- it is important to assist in understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business – for example, significant acquisitions or disposals; or
- it relates to an aspect of the Group's operations that is important to its future performance.

### 1.2.1 Basis of preparation

This Financial Report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*;
- complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and Interpretations as issued by the IFRS Interpretations Committee (IFRIC);
- has been prepared on a historical cost basis as modified by certain exceptions, the most significant of which are the measurement of investments and derivatives at fair value and the measurement of the net insurance contract liabilities at present value;
- is presented in US dollars; and
- is presented with values rounded to the nearest million dollars or, in certain cases, to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*.

New and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are now effective are detailed in note 8.1.1.

The Group has adopted AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* and AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* as listed in note 8.1.1. Other than these, the Group has not adopted any other Accounting Standards and Interpretations that have been issued or amended but are not yet effective as listed in note 8.1.2.

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 31 December 2023 and the results for the financial year then ended. In preparing the consolidated financial statements, all transactions between controlled entities are eliminated in full. Where control of an entity commences or ceases during a financial year, the results are included for that part of the year during which control existed. A list of entities controlled by the Company at the balance date is contained in note 7.3.

Lloyd's syndicates are accounted for on a proportional basis. The nature of Lloyd's syndicates is such that, even when one party provides the majority of capital, the syndicate as a whole is not controlled for accounting purposes.

Where necessary, comparative information has been restated to conform to the current year's disclosures.

# 1. OVERVIEW

## 1.2.2 Critical accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements and estimates that affect reported amounts.

In view of the geographic and product diversity of its international operations, the Group has developed a centralised risk management and policy framework designed to ensure consistency of approach across a number of operational activities, subject to the specific requirements of local markets, legislation and regulation. Such operational activities include underwriting, claims management, actuarial assessment of the outstanding claims within insurance liabilities and investment management.

Given the centralised approach, sensitivity analyses in respect of critical accounting estimates and judgements are presented at the consolidated Group level in order to provide information and analysis which is meaningful, relevant, reliable and comparable year-on-year. Sensitivity disclosure at business segment or product level would not provide a meaningful overview given the complex interrelationships between the variables underpinning the Group's operations.

The key areas in which critical estimates and judgements are applied are as follows:

- measurement of insurance and reinsurance contract assets and liabilities (note 2.2);
- recoverability of deferred tax assets (note 6.2.1); and
- impairment testing of intangible assets (note 7.2.1).

The Group has also considered the impact of climate change on the amounts reported and disclosed in the financial statements, particularly in the context of the risks and opportunities identified in our climate change disclosures on pages 20 to 33 of this Annual Report. Details of how these considerations have been reflected in the critical accounting judgements and estimates are discussed in the relevant notes where appropriate.

## 1.2.3 Australian pricing promise review

In 2022, the Group recognised a provision on the balance sheet and a $75 million net cost (before tax) in the consolidated statement of comprehensive income following a review of pricing promises across a number of policy administration systems and products which identified instances where policy pricing promises were not fully delivered. The net cost comprises amounts for customer remediation, interest payable and other costs associated with administering the program.

In estimating the amounts recognised, assumptions were made based on the findings of the review, including in relation to the number of affected customers, and the premiums and interest refundable. As at 31 December 2023, QBE has reviewed the assumptions underlying the estimates based on latest information, and payments made, resulting in no material change to the costs recognised in profit or loss since the prior year.

## 1.2.4 Foreign currency

### Translation of foreign currency transactions and balances

Transactions included in the financial statements of controlled entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). Foreign currency transactions are translated into functional currencies at the spot rates of exchange applicable at the dates of the transactions. At the balance date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing at that date. Resulting exchange gains and losses are included in profit or loss.

### Translation of foreign operations

The results and balance sheets of all foreign operations that have a functional currency different from the Group's presentation currency of US dollars are translated into US dollars as follows:

- income, expenses and other current period movements in comprehensive income are translated at average rates of exchange; and
- balance sheet items are translated at the closing balance date rates of exchange.

On consolidation, exchange differences arising from the translation of net investments in foreign operations are taken to shareholders' equity and recognised in other comprehensive income. When a foreign operation is sold in whole or part and capital is repatriated, exchange differences on translation from the entity's functional currency to the ultimate parent entity's functional currency of Australian dollars are reclassified out of other comprehensive income and recognised in profit or loss as part of the gain or loss on sale.

### Hedging of foreign exchange risk

The Group manages its foreign exchange exposures as part of its foreign currency risk management processes, further information on which is provided in note 4.4.

QBE uses borrowings to mitigate currency risk on translation of net investments in foreign operations to the ultimate parent entity's functional currency of Australian dollars. QBE may elect to use derivatives to manage currency translation risk in order to preserve capital.

QBE also uses derivatives to mitigate risk associated with foreign currency transactions and balances.

The Group designates hedge relationships which meet the specified criteria in AASB 9 *Financial Instruments* as either cash flow hedges or hedges of net investments in foreign operations. Further information on the accounting for derivatives and for designated hedge relationships is provided in note 5.6.

### Exchange rates

The principal exchange rates used in the preparation of the financial statements were:

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | PROFIT OR LOSS | BALANCE SHEET | PROFIT OR LOSS | BALANCE SHEET |
| A$/US$ | **0.664** | **0.682** | 0.693 | 0.678 |
| £/US$ | **1.243** | **1.275** | 1.232 | 1.203 |
| €/US$ | **1.081** | **1.105** | 1.051 | 1.067 |

# Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

## 1. OVERVIEW

### 1.3 Segment information

#### Overview

Information is provided by operating segment to assist an understanding of the Group's performance. The operating segments are consistent with the basis on which information is provided to the Group Executive Committee for measuring performance and determining the allocation of capital, being the basis upon which the Group's underwriting products and services are managed within the various markets in which QBE operates.

#### Operating segments

The Group's operating segments are as follows:

- North America writes general insurance, reinsurance and Crop business in the United States.
- International writes general insurance business in the United Kingdom, Europe and Canada. It also writes general insurance and reinsurance business through Lloyd's; worldwide reinsurance business through offices in the United Kingdom, the United States, Ireland, Bermuda, Dubai and mainland Europe; and provides personal and commercial insurance covers in Hong Kong, Singapore, Malaysia and Vietnam.
- Australia Pacific primarily underwrites general insurance risks throughout Australia, New Zealand and the Pacific region, providing all major lines of insurance for personal and commercial risks.

Corporate & Other includes non-operating holding companies that do not form part of the Group's insurance operations; gains or losses on disposals; and financing costs and amortisation of any intangibles which are not allocated to a specific operating segment. Intersegment transactions are priced on an arm's length basis and are eliminated on consolidation.

| 2023 | NORTH AMERICA US$M | INTERNATIONAL US$M | AUSTRALIA PACIFIC US$M | TOTAL REPORTABLE SEGMENTS US$M | CORPORATE & OTHER US$M | TOTAL US$M |
|---|---|---|---|---|---|---|
| Insurance revenue – external | 7,447 | 8,047 | 5,318 | 20,812 | 14 | 20,826 |
| Insurance revenue – internal | – | 12 | – | 12 | (12) | – |
| Insurance service expenses | (7,595) | (6,209) | (4,638) | (18,442) | 21 | (18,421) |
| Reinsurance expenses | (3,015) | (1,416) | (417) | (4,848) | – | (4,848) |
| Reinsurance income | 3,085 | 629 | 232 | 3,946 | – | 3,946 |
| Insurance service result | (78) | 1,063 | 495 | 1,480 | 23 | 1,503 |
| Other expenses | (42) | (70) | (107) | (219) | (31) | (250) |
| Other income | 2 | 4 | 56 | 62 | – | 62 |
| Insurance operating result | (118) | 997 | 444 | 1,323 | (8) | 1,315 |
| Insurance finance expenses | (429) | (453) | (157) | (1,039) | – | (1,039) |
| Reinsurance finance income | 300 | 144 | 16 | 460 | – | 460 |
| Investment income (loss) – policyholders' funds | 140 | 522 | 248 | 910 | (27) | 883 |
| Insurance (loss) profit | (107) | 1,210 | 551 | 1,654 | (35) | 1,619 |
| Investment income – shareholders' funds | 145 | 205 | 99 | 449 | 37 | 486 |
| Financing and other costs | (1) | (12) | (6) | (19) | (213) | (232) |
| Gain on sale of entities and businesses | – | – | 2 | 2 | – | 2 |
| Share of net loss of associates | – | – | (2) | (2) | – | (2) |
| Impairment of owner occupied property | (25) | – | – | (25) | – | (25) |
| Amortisation of intangibles | – | – | (2) | (2) | (9) | (11) |
| Profit (loss) before income tax | 12 | 1,403 | 642 | 2,057 | (220) | 1,837 |
| Income tax (expense) credit | (2) | (331) | (203) | (536) | 63 | (473) |
| Profit (loss) after income tax | 10 | 1,072 | 439 | 1,521 | (157) | 1,364 |
| Net profit attributable to non-controlling interests | – | – | – | – | (9) | (9) |
| Net profit (loss) after income tax attributable to ordinary equity holders of the Company | 10 | 1,072 | 439 | 1,521 | (166) | 1,355 |

| 2022 (RESTATED) | NORTH AMERICA US$M | INTERNATIONAL US$M | AUSTRALIA PACIFIC US$M | TOTAL REPORTABLE SEGMENTS US$M | CORPORATE & OTHER US$M | TOTAL US$M |
|---|---|---|---|---|---|---|
| Insurance revenue – external | 7,170 | 6,764 | 4,965 | 18,899 | 5 | 18,904 |
| Insurance revenue – internal | – | 7 | – | 7 | (7) | – |
| Insurance service expenses | (6,711) | (6,498) | (4,429) | (17,638) | 59 | (17,579) |
| Reinsurance expenses | (2,735) | (832) | (276) | (3,843) | (7) | (3,850) |
| Reinsurance income | 2,319 | 1,060 | 157 | 3,536 | (40) | 3,496 |
| Insurance service result | 43 | 501 | 417 | 961 | 10 | 971 |
| Other expenses | (54) | (62) | (95) | (211) | (75) | (286) |
| Other income | 17 | 4 | 45 | 66 | 8 | 74 |
| Insurance operating result | 6 | 443 | 367 | 816 | (57) | 759 |
| Insurance finance income | 222 | 801 | 134 | 1,157 | – | 1,157 |
| Reinsurance finance expenses | (2) | (89) | (29) | (120) | – | (120) |
| Investment (loss) income – policyholders' funds | (81) | (422) | (17) | (520) | 19 | (501) |
| Insurance profit (loss) | 145 | 733 | 455 | 1,333 | (38) | 1,295 |
| Investment loss – shareholders' funds | (64) | (185) | (4) | (253) | (19) | (272) |
| Financing and other costs | (1) | (2) | (19) | (22) | (223) | (245) |
| Gain on sale of entities and businesses | – | – | – | – | 38 | 38 |
| Share of net loss of associates | – | – | – | – | (7) | (7) |
| Restructuring and related expenses | (51) | (21) | (14) | (86) | (20) | (106) |
| Amortisation and impairment of intangibles | – | – | (13) | (13) | (14) | (27) |
| Profit (loss) before income tax | 29 | 525 | 405 | 959 | (283) | 676 |
| Income tax (expense) credit | (7) | (100) | (138) | (245) | 164 | (81) |
| Profit (loss) after income tax | 22 | 425 | 267 | 714 | (119) | 595 |
| Net profit attributable to non-controlling interests | – | – | – | – | (8) | (8) |
| Net profit (loss) after income tax attributable to ordinary equity holders of the Company | 22 | 425 | 267 | 714 | (127) | 587 |

## Geographical analysis

North America is defined by reference to its geographical location and, as such, satisfies the requirements of a geographical analysis as well as an operating segment analysis.

Insurance revenue – external was $4,796 million (2022 $4,480 million) for Australia, the ultimate parent entity's country of domicile, and was $2,572 million (2022 $2,335 million) for risks located in the United Kingdom. No other country within International or Australia Pacific is individually material in this respect.

## Product analysis

QBE does not collect Group-wide revenue information by product and the cost to develop this information would be excessive. Insurance revenue by class of business is disclosed in note 4.2.

# 2. UNDERWRITING ACTIVITIES

### Overview

This section provides analysis and commentary on the Group's underwriting activities. Underwriting, in simple terms, is the agreement by the insurer to assume insurance risk in return for a premium paid by the insured. The underwriter assesses the quality of the risk and prices it accordingly.

## 2.1 Insurance revenue

### Overview

Insurance revenue reflects the consideration the Group expects to be entitled to in exchange for providing insurance contract services. Insurance revenue mainly comprises premiums charged for providing insurance coverage, excluding any amounts that are repayable to policyholders in all circumstances (referred to as investment components) and taxes collected on behalf of third parties.

| | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|
| **Contracts measured under the premium allocation approach** | | |
| Insurance revenue from contracts measured under the premium allocation approach | **20,637** | 18,700 |
| **Contracts measured under the general model** | | |
| Insurance service expenses incurred in the period | **101** | 88 |
| Changes in risk adjustment | **16** | 12 |
| Contractual service margin recognised in profit or loss | **54** | 86 |
| Amounts relating to changes in the liability for remaining coverage | **171** | 186 |
| Recovery of insurance acquisition cash flows | **18** | 18 |
| Insurance revenue from contracts measured under the general model | **189** | 204 |
| Insurance revenue | **20,826** | 18,904 |

### How we account for the numbers

The measurement models applicable to measuring insurance and reinsurance contracts are described in note 2.2.1.

Insurance revenue under the premium allocation approach is an allocation of total expected premium to each period of coverage on the basis of the passage of time, or a pattern that reflects the expected timing of incurred insurance service expenses if the expected pattern of incidence of risk differs significantly from the passage of time.

For contracts measured under the general model, insurance revenue comprises:

- changes in the liability for remaining coverage (excluding the loss component) that relate to services provided in the period. The contractual service margin, which represents the unearned profit, is earned to insurance revenue based on a pattern of coverage units which reflects the provision of insurance services over the expected coverage period. The determination of the coverage units pattern is based on the quantity of benefits provided under the contracts in each period and includes consideration of amounts that can be validly claimed by policyholders if an insured event occurs, as well as expected lapses. The movement in the contractual service margin during the period is disclosed in note 2.2.3.
- the recovery of insurance acquisition cash flows, which is determined by allocating a portion of the premium that relates to recovering those cash flows on a straight line basis over the coverage period of the contracts.

## 2.2 Insurance and reinsurance contract assets and liabilities

### Overview

Insurance contract liabilities represent the rights and obligations arising from insurance and reinsurance contracts issued, and comprise the following components:

- the liability for remaining coverage, being the obligation to provide future insurance services in relation to contracts in force at the balance date; and
- the liability for incurred claims, being the obligation to pay claims reported but not yet paid, IBNR and other incurred insurance service expenses such as claims handling costs.

Reinsurance contract assets represent the rights and obligations arising from reinsurance contracts held, and comprise the following components:

- the asset for remaining coverage, being the amounts that are expected to be recoverable from reinsurers in relation to future insured claims that have not yet been incurred; and
- recoveries of incurred claims, being the amounts that are expected to be recoverable from reinsurers in relation to claims that have been incurred on underlying contracts.

The Group's insurance and reinsurance contracts are aggregated into portfolios, each comprising contracts that are of similar risks and managed together. Portfolios of insurance and reinsurance contracts issued that are assets are presented separately from those that are liabilities on the balance sheet. Similarly, portfolios of reinsurance contracts held that are assets are presented separately from those that are liabilities. There were no portfolios of insurance contracts issued that were assets or portfolios of reinsurance contracts held that were liabilities at the balance date and at 31 December 2022.

| | 2023 | | | 2022 (RESTATED) | | |
|---|---|---|---|---|---|---|
| | PREMIUM ALLOCATION APPROACH US$M | GENERAL MODEL US$M | TOTAL US$M | PREMIUM ALLOCATION APPROACH US$M | GENERAL MODEL US$M | TOTAL US$M |
| Insurance contract liabilities | **27,003** | **564** | **27,567** | 25,503 | 645 | 26,148 |
| Reinsurance contract assets | **(5,819)** | **(2,215)** | **(8,034)** | (6,248) | (896) | (7,144) |
| Net insurance contract liabilities (assets) | **21,184** | **(1,651)** | **19,533** | 19,255 | (251) | 19,004 |

### How we account for the numbers

Insurance and reinsurance contracts must be measured using a general model, unless the contracts meet certain eligibility criteria, in which case they may be measured using a simplified approach known as the premium allocation approach. Contracts are eligible for the simplified approach if they have coverage periods of one year or less or if the liability for remaining coverage under that approach is not expected to materially differ from that under the general model. The Group applies the premium allocation approach to most of its insurance and reinsurance contracts on the basis that these eligibility requirements are met.

### Critical accounting judgements and estimates

For contracts with coverage periods greater than one year, the Group's assessment of eligibility for the premium allocation approach involves a qualitative consideration of contract features and, where applicable, modelling of the liability for remaining coverage under a range of reasonably expected scenarios. The following key assumptions and estimates are modelled:

- expected future cash flows and the risk adjustment as described in notes 2.2.1 and 2.2.4;
- pattern of coverage units used to determine the earning pattern of the contractual service margin, which includes consideration of the economic value of policyholders' insurable interests and any contractual limits to amounts that can be claimed under the relevant insurance contracts; and
- expected variability in assumptions used, such as changes in discount rates.

## 2. UNDERWRITING ACTIVITIES

### 2.2.1 Movement in the net carrying amounts

#### Insurance contract liabilities

| | 2023 | | | | 2022 (RESTATED) | | | |
|---|---|---|---|---|---|---|---|---|
| | LIABILITY (ASSET) FOR REMAINING COVERAGE | | | | LIABILITY (ASSET) FOR REMAINING COVERAGE | | | |
| | EXCLUDING LOSS COMPONENT US$M | LOSS COMPONENT US$M | LIABILITY FOR INCURRED CLAIMS US$M | TOTAL US$M | EXCLUDING LOSS COMPONENT US$M | LOSS COMPONENT US$M | LIABILITY FOR INCURRED CLAIMS US$M | TOTAL US$M |
| **Insurance contract liabilities at 1 January** | **(1,262)** | **112** | **27,298** | **26,148** | – | 42 | 26,316 | 26,358 |
| Insurance revenue – contracts under the modified retrospective approach | **(314)** | **–** | **–** | **(314)** | (554) | – | – | (554) |
| Insurance revenue – other contracts | **(20,512)** | **–** | **–** | **(20,512)** | (18,350) | – | – | (18,350) |
| Insurance revenue (a) | **(20,826)** | **–** | **–** | **(20,826)** | (18,904) | – | – | (18,904) |
| Incurred claims and other attributable expenses | **(68)** | **(112)** | **14,573** | **14,393** | (92) | (42) | 14,768 | 14,634 |
| Amortisation of insurance acquisition cash flows | **3,654** | **–** | **–** | **3,654** | 3,333 | – | – | 3,333 |
| Changes that relate to past service – prior accident years | **–** | **–** | **92** | **92** | – | – | (696) | (696) |
| Losses on onerous contracts and reversals of those losses | **–** | **86** | **–** | **86** | – | 115 | – | 115 |
| Insurance service expenses (b)[1] | **3,586** | **(26)** | **14,665** | **18,225** | 3,241 | 73 | 14,072 | 17,386 |
| Insurance service result (a)+(b) | **(17,240)** | **(26)** | **14,665** | **(2,601)** | (15,663) | 73 | 14,072 | (1,518) |
| Insurance finance expenses (income) | **19** | **–** | **1,020** | **1,039** | (5) | – | (1,152) | (1,157) |
| Foreign exchange | **(51)** | **–** | **393** | **342** | (132) | (3) | (1,178) | (1,313) |
| **Statement of comprehensive income** | **(17,272)** | **(26)** | **16,078** | **(1,220)** | (15,800) | 70 | 11,742 | (3,988) |
| Investment components | **(71)** | **–** | **71** | **–** | (71) | – | 71 | – |
| Disposals | **(3)** | **–** | **(8)** | **(11)** | – | – | – | – |
| **Cash flows** | | | | | | | | |
| Premium received | **20,445** | **–** | **479** | **20,924** | 18,021 | – | 451 | 18,472 |
| Acquisition costs paid | **(3,655)** | **–** | **(77)** | **(3,732)** | (3,412) | – | (71) | (3,483) |
| Claims and expenses, including taxes, paid | **–** | **–** | **(14,542)** | **(14,542)** | – | – | (11,211) | (11,211) |
| Total cash flows | **16,790** | **–** | **(14,140)** | **2,650** | 14,609 | – | (10,831) | 3,778 |
| **Insurance contract liabilities at 31 December** | **(1,818)** | **86** | **29,299** | **27,567** | (1,262) | 112 | 27,298 | 26,148 |

1 Excludes $196 million (2022 $193 million) of insurance service expenses which represent movements in assets and liabilities that do not form part of insurance contract liabilities on the balance sheet.

## Reinsurance contract assets

| | 2023 | | | | 2022 (RESTATED) | | | |
|---|---|---|---|---|---|---|---|---|
| | ASSET FOR REMAINING COVERAGE | | | | ASSET FOR REMAINING COVERAGE | | | |
| | EXCLUDING LOSS-RECOVERY COMPONENT US$M | LOSS-RECOVERY COMPONENT US$M | RECOVERIES OF INCURRED CLAIMS US$M | TOTAL US$M | EXCLUDING LOSS-RECOVERY COMPONENT US$M | LOSS-RECOVERY COMPONENT US$M | RECOVERIES OF INCURRED CLAIMS US$M | TOTAL US$M |
| **Reinsurance contract assets at 1 January** | **(1,629)** | **6** | **8,767** | **7,144** | (1,031) | 4 | 7,740 | 6,713 |
| Reinsurance expenses (a) | **(4,848)** | **–** | **–** | **(4,848)** | (3,850) | – | – | (3,850) |
| Recovery of incurred claims and other expenses | **(25)** | **(6)** | **4,076** | **4,045** | (46) | (4) | 3,781 | 3,731 |
| Changes in credit risk | **–** | **–** | **5** | **5** | – | – | 6 | 6 |
| Changes that relate to past service – prior accident years | **–** | **–** | **(107)** | **(107)** | – | – | (247) | (247) |
| Recovery of onerous contract losses and reversals of those recoveries | **–** | **3** | **–** | **3** | – | 6 | – | 6 |
| Reinsurance income (b) | **(25)** | **(3)** | **3,974** | **3,946** | (46) | 2 | 3,540 | 3,496 |
| Insurance service result (a)+(b) | **(4,873)** | **(3)** | **3,974** | **(902)** | (3,896) | 2 | 3,540 | (354) |
| Reinsurance finance income (expense) | **110** | **–** | **350** | **460** | (56) | – | (64) | (120) |
| Foreign exchange | **(2)** | **–** | **74** | **72** | 40 | – | (182) | (142) |
| **Statement of comprehensive income** | **(4,765)** | **(3)** | **4,398** | **(370)** | (3,912) | 2 | 3,294 | (616) |
| Investment components | **(201)** | **–** | **201** | **–** | (235) | – | 235 | – |
| Disposals | **–** | **–** | **(1)** | **(1)** | – | – | – | – |
| **Cash flows** | | | | | | | | |
| Premium paid net of ceding commissions received[1] | **5,869** | **–** | **10** | **5,879** | 3,549 | – | 43 | 3,592 |
| Recoveries and taxes received | **–** | **–** | **(4,618)** | **(4,618)** | – | – | (2,545) | (2,545) |
| Total cash flows | **5,869** | **–** | **(4,608)** | **1,261** | 3,549 | – | (2,502) | 1,047 |
| **Reinsurance contract assets at 31 December** | **(726)** | **3** | **8,757** | **8,034** | (1,629) | 6 | 8,767 | 7,144 |

1 2022 includes amounts settled via the transfer of non-cash assets.

### How we account for the numbers

The asset or liability for remaining coverage under the premium allocation approach is measured as premiums received net of unamortised acquisition cash flows and amounts recognised as insurance revenue for coverage that has been provided. Insurance acquisition cash flows are amortised over the coverage period of the related insurance contracts on the same basis as the insurance revenue earning pattern (note 2.1) for the business to which the cash flows relate. The liability for remaining coverage is not discounted where the time between providing each part of the services and the related premium due date is no more than a year.

The asset or liability for remaining coverage under the general measurement model is measured as the sum of:

- the present value of future cash flows that are expected to arise as the Group fulfils the contracts, which mainly comprise premium, claims and attributable expenses;
- a risk adjustment for non-financial risk (note 2.2.4); and
- a contractual service margin, representing the profit that has not yet been recognised in profit or loss as it relates to future services to be provided over the remaining coverage of the insurance contracts.

The liability for remaining coverage includes a loss component which depicts amounts recognised on onerous contracts. A corresponding loss-recovery component within the reinsurance asset for remaining coverage depicts amounts recoverable in respect of losses on onerous contracts covered by reinsurance contracts held.

Under both measurement models, the liability for incurred claims (and corresponding recoveries of incurred claims) is measured as the fulfilment cash flows (sum of present value of future cash flows and a risk adjustment) relating to incurred claims and attributable expenses that have not yet been paid, including claims that have been incurred but not yet reported.

## 2. UNDERWRITING ACTIVITIES

### Critical accounting judgements and estimates

The determination of the amounts that the Group will ultimately pay for claims arising under insurance and reinsurance contracts issued involves a number of critical assumptions. Some of the uncertainties impacting these assumptions are as follows:

- changes in patterns of claims incidence, reporting and payment;
- volatility in the estimation of future costs for long-tail insurance classes due to the longer period of time that can elapse before a claim is paid in full;
- existence of complex underlying exposures;
- incidence of catastrophic events close to the balance date;
- changes in the legal environment, including the interpretation of liability laws and the quantum of damages; and
- changing social, environmental, political and economic trends, for example price and wage inflation.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims that have been reported to the Group but are not yet paid, for which more information about claims is generally available. The notification and settlement of claims relating to liability and other long-tail classes of business may not happen for many years after the event giving rise to the claim. As a consequence, liability and other long-tail classes typically display greater variability between initial estimates and final settlement due to delays in reporting claims and uncertainty in respect of court awards and future claims inflation. Claims in respect of property and other short-tail classes are typically reported and settled soon after the claim event, typically giving rise to less uncertainty.

Estimates of future cash flows for each class of business are determined using a variety of estimation techniques, generally based on an analysis of historical experience and with reference to external benchmarks where relevant. The cash flows are discounted to present value using appropriate discount rates as described in note 2.2.5.

#### Onerous contracts

Insurance contracts are onerous when the liability for remaining coverage is insufficient to pay future claims and other insurance service expenses attributable to the contracts.

Contracts that are measured using the premium allocation approach are assumed not to be onerous unless facts and circumstances indicate otherwise. In identifying facts and circumstances that may be indicators of onerous contracts, the Group considers management information for Group planning and performance management, in combination with other indicators where relevant. If there are facts and circumstances that may indicate the existence of possible onerous contracts, the onerous contract losses are measured based on the extent to which the fulfilment cash flows attributable to the group of contracts exceed the liability for remaining coverage for that group.

Under both measurement models, onerous contract losses are measured on a gross basis (excluding the effect of reinsurance contracts held) and are immediately recognised in profit or loss. A loss component of the liability for remaining coverage is established (or increased) to depict the onerous contract losses recognised. Where the onerous contracts are covered by reinsurance contracts held, reinsurance income is recognised in profit or loss and a corresponding loss-recovery component of the reinsurance asset for remaining coverage is established to depict expected recoveries attributable to the onerous contract losses.

The consideration of facts and circumstances as well as the measurement of any onerous contract losses are determined separately for each underwriting year within a portfolio of contracts that are of similar risks and managed together. Where a subset of contracts within a portfolio would be identified as a separate group from other contracts within the portfolio only because of the existence of specific legal or regulatory constraints to the Group's practical ability to set a different price or level of benefits for policyholders with different characteristics, such contracts are included in the same group for the purposes of identifying and measuring onerous contracts.

## 2.2.2 Movement in the net liability for incurred claims

| | 2023 | | | 2022 (RESTATED) | | |
|---|---|---|---|---|---|---|
| | PREMIUM ALLOCATION APPROACH US$M | GENERAL MODEL US$M | TOTAL US$M | PREMIUM ALLOCATION APPROACH US$M | GENERAL MODEL US$M | TOTAL US$M |
| **Net liability for incurred claims** | | | | | | |
| Insurance contract liabilities | **29,170** | **129** | **29,299** | 27,152 | 146 | 27,298 |
| Reinsurance contract assets | **(8,635)** | **(122)** | **(8,757)** | (8,711) | (56) | (8,767) |
| | **20,535** | **7** | **20,542** | 18,441 | 90 | 18,531 |

The movement in the net liability for incurred claims for contracts measured under the premium allocation approach is analysed in the tables below:

### Insurance contract liabilities

| | 2023 | | | 2022 (RESTATED) | | |
|---|---|---|---|---|---|---|
| | PRESENT VALUE OF FUTURE CASH FLOWS US$M | RISK ADJUSTMENT US$M | LIABILITY FOR INCURRED CLAIMS US$M | PRESENT VALUE OF FUTURE CASH FLOWS US$M | RISK ADJUSTMENT US$M | LIABILITY FOR INCURRED CLAIMS US$M |
| **Insurance contract liabilities at 1 January** | **25,376** | **1,776** | **27,152** | 24,323 | 1,766 | 26,089 |
| Incurred claims and other attributable expenses | **14,210** | **285** | **14,495** | 14,031 | 662 | 14,693 |
| Changes that relate to past service – prior accident years | **342** | **(163)** | **179** | (112) | (462) | (574) |
| Insurance service expenses | **14,552** | **122** | **14,674** | 13,919 | 200 | 14,119 |
| Insurance service result | **14,552** | **122** | **14,674** | 13,919 | 200 | 14,119 |
| Insurance finance expenses (income) | **980** | **40** | **1,020** | (1,033) | (113) | (1,146) |
| Foreign exchange | **347** | **46** | **393** | (1,089) | (77) | (1,166) |
| **Statement of comprehensive income** | **15,879** | **208** | **16,087** | 11,797 | 10 | 11,807 |
| Investment components | **71** | **–** | **71** | 71 | – | 71 |
| Disposals | **(7)** | **(1)** | **(8)** | – | – | – |
| **Cash flows** | | | | | | |
| Premium received | **470** | **–** | **470** | 435 | – | 435 |
| Acquisition costs paid | **(77)** | **–** | **(77)** | (71) | – | (71) |
| Claims and expenses, including taxes, paid | **(14,525)** | **–** | **(14,525)** | (11,179) | – | (11,179) |
| Total cash flows | **(14,132)** | **–** | **(14,132)** | (10,815) | – | (10,815) |
| **Insurance contract liabilities at 31 December** | **27,187** | **1,983** | **29,170** | 25,376 | 1,776 | 27,152 |

## 2. UNDERWRITING ACTIVITIES

### Reinsurance contract assets

| | 2023 | | | 2022 (RESTATED) | | |
|---|---|---|---|---|---|---|
| | PRESENT VALUE OF FUTURE CASH FLOWS US$M | RISK ADJUSTMENT US$M | RECOVERIES OF INCURRED CLAIMS US$M | PRESENT VALUE OF FUTURE CASH FLOWS US$M | RISK ADJUSTMENT US$M | RECOVERIES OF INCURRED CLAIMS US$M |
| **Reinsurance contract assets at 1 January** | **8,236** | **475** | **8,711** | 7,206 | 520 | 7,726 |
| Recovery of incurred claims and other expenses | **3,382** | **1** | **3,383** | 3,424 | 264 | 3,688 |
| Changes in credit risk | **5** | **–** | **5** | 6 | – | 6 |
| Changes that relate to past service – prior accident years | **(103)** | **(1)** | **(104)** | 10 | (249) | (239) |
| Reinsurance income | **3,284** | **–** | **3,284** | 3,440 | 15 | 3,455 |
| Insurance service result | **3,284** | **–** | **3,284** | 3,440 | 15 | 3,455 |
| Reinsurance finance income (expenses) | **351** | **(1)** | **350** | (31) | (33) | (64) |
| Foreign exchange | **63** | **12** | **75** | (154) | (27) | (181) |
| **Statement of comprehensive income** | **3,698** | **11** | **3,709** | 3,255 | (45) | 3,210 |
| Investment components | **175** | **–** | **175** | 127 | – | 127 |
| Disposals | **(1)** | **–** | **(1)** | – | – | – |
| **Cash flows** | | | | | | |
| Premium paid net of ceding commissions received | **10** | **–** | **10** | 43 | – | 43 |
| Recoveries and taxes received | **(3,969)** | **–** | **(3,969)** | (2,395) | – | (2,395) |
| Total cash flows | **(3,959)** | **–** | **(3,959)** | (2,352) | – | (2,352) |
| **Reinsurance contract assets at 31 December** | **8,149** | **486** | **8,635** | 8,236 | 475 | 8,711 |

## 2.2.3 Analysis of contracts measured under the general model

### Insurance contract liabilities

| | 2023 | | | | 2022 (RESTATED) | | | |
|---|---|---|---|---|---|---|---|---|
| | PRESENT VALUE OF FUTURE CASH FLOWS US$M | RISK ADJUSTMENT US$M | CONTRACTUAL SERVICE MARGIN US$M | TOTAL US$M | PRESENT VALUE OF FUTURE CASH FLOWS US$M | RISK ADJUSTMENT US$M | CONTRACTUAL SERVICE MARGIN US$M | TOTAL US$M |
| **Insurance contract liabilities at 1 January** | **340** | **68** | **237** | **645** | 419 | 78 | 308 | 805 |
| **Changes that relate to current service** | | | | | | | | |
| Contractual service margin release for services provided | **–** | **–** | **(54)** | **(54)** | – | – | (87) | (87) |
| Changes in risk adjustment | **–** | **3** | **–** | **3** | – | 6 | – | 6 |
| Experience adjustments | **(38)** | **–** | **–** | **(38)** | (31) | – | – | (31) |
| | **(38)** | **3** | **(54)** | **(89)** | (31) | 6 | (87) | (112) |
| **Changes that relate to future service** | | | | | | | | |
| Contracts initially recognised in the period | **(31)** | **7** | **24** | **–** | (73) | 11 | 62 | – |
| Changes that adjust the contractual service margin | **54** | **9** | **(63)** | **–** | 28 | 7 | (35) | – |
| | **23** | **16** | **(39)** | **–** | (45) | 18 | 27 | – |
| **Changes that relate to past service** | | | | | | | | |
| Adjustments to liability for incurred claims | **(63)** | **(24)** | **–** | **(87)** | (97) | (25) | – | (122) |
| | **(63)** | **(24)** | **–** | **(87)** | (97) | (25) | – | (122) |
| Insurance service result | **(78)** | **(5)** | **(93)** | **(176)** | (173) | (1) | (60) | (234) |
| Insurance finance expenses (income) | **14** | **2** | **5** | **21** | (17) | (3) | 7 | (13) |
| Foreign exchange | **2** | **–** | **(1)** | **1** | (26) | (6) | (18) | (50) |
| **Statement of comprehensive income** | **(62)** | **(3)** | **(89)** | **(154)** | (216) | (10) | (71) | (297) |
| **Cash flows** | | | | | | | | |
| Premium received | **107** | **–** | **–** | **107** | 181 | – | – | 181 |
| Acquisition costs paid | **(17)** | **–** | **–** | **(17)** | (12) | – | – | (12) |
| Claims and expenses, including taxes, paid | **(17)** | **–** | **–** | **(17)** | (32) | – | – | (32) |
| Total cash flows | **73** | **–** | **–** | **73** | 137 | – | – | 137 |
| **Insurance contract liabilities at 31 December** | **351** | **65** | **148** | **564** | 340 | 68 | 237 | 645 |

## 2. UNDERWRITING ACTIVITIES

**Contracts initially recognised in the period**

The following table provides an analysis of contracts measured under the general model that were initially recognised in the period:

| | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|
| Insurance acquisition cash flows | **15** | 12 |
| Claims and other insurance service expenses payable | **45** | 77 |
| Estimates of the present value of future cash outflows | **60** | 89 |
| Estimates of the present value of future cash inflows | **(91)** | (162) |
| Risk adjustment | **7** | 11 |
| Contractual service margin | **24** | 62 |
| **Movement in insurance contract liabilities** | **–** | – |

**Contractual service margin by transition method**

The following table provides an analysis of contractual service margin by transition method applied to measure the contracts on adoption of AASB 17 (note 8.1.1):

| | 2023 | | | 2022 (RESTATED) | | |
|---|---|---|---|---|---|---|
| | CONTRACTS UNDER THE MODIFIED RETROSPECTIVE APPROACH US$M | OTHER CONTRACTS US$M | TOTAL US$M | CONTRACTS UNDER THE MODIFIED RETROSPECTIVE APPROACH US$M | OTHER CONTRACTS US$M | TOTAL US$M |
| At 1 January | **190** | **47** | **237** | 308 | – | 308 |
| **Changes that relate to current service** | | | | | | |
| Contractual service margin release for services provided | **(39)** | **(15)** | **(54)** | (75) | (12) | (87) |
| **Changes that relate to future service** | | | | | | |
| Contracts initially recognised in the period | **–** | **24** | **24** | – | 62 | 62 |
| Changes in estimates that adjust the contractual service margin | **(56)** | **(7)** | **(63)** | (35) | – | (35) |
| Insurance service result | **(95)** | **2** | **(93)** | (110) | 50 | (60) |
| Insurance finance expenses | **4** | **1** | **5** | 7 | – | 7 |
| Foreign exchange | **(2)** | **1** | **(1)** | (15) | (3) | (18) |
| Statement of comprehensive income | **(93)** | **4** | **(89)** | (118) | 47 | (71) |
| At 31 December | **97** | **51** | **148** | 190 | 47 | 237 |

## Reinsurance contract assets

| | 2023 | | | | 2022 (RESTATED) | | | |
|---|---|---|---|---|---|---|---|---|
| | PRESENT VALUE OF FUTURE CASH FLOWS US$M | RISK ADJUSTMENT US$M | CONTRACTUAL SERVICE MARGIN US$M | TOTAL US$M | PRESENT VALUE OF FUTURE CASH FLOWS US$M | RISK ADJUSTMENT US$M | CONTRACTUAL SERVICE MARGIN US$M | TOTAL US$M |
| **Reinsurance contract assets at 1 January** | **819** | **62** | **15** | **896** | 668 | 38 | 20 | 726 |
| **Changes that relate to current service** | | | | | | | | |
| Contractual service margin release for services provided | **–** | **–** | **(2)** | **(2)** | – | – | (5) | (5) |
| Changes in risk adjustment | **–** | **(69)** | **–** | **(69)** | – | (5) | – | (5) |
| Experience adjustments | **(5)** | **–** | **–** | **(5)** | (16) | – | – | (16) |
| | **(5)** | **(69)** | **(2)** | **(76)** | (16) | (5) | (5) | (26) |
| **Changes that relate to future service** | | | | | | | | |
| Contracts initially recognised in the period | **(282)** | **156** | **7** | **(119)** | (94) | 34 | 7 | (53) |
| Changes in estimates that do not adjust the contractual service margin | **76** | **5** | **–** | **81** | 14 | – | – | 14 |
| Changes that adjust the contractual service margin | **15** | **2** | **(17)** | **–** | 6 | 1 | (7) | – |
| | **(191)** | **163** | **(10)** | **(38)** | (74) | 35 | – | (39) |
| **Changes that relate to past service** | | | | | | | | |
| Adjustments to recoveries of incurred claims | **(3)** | **–** | **–** | **(3)** | (8) | – | – | (8) |
| | **(3)** | **–** | **–** | **(3)** | (8) | – | – | (8) |
| Insurance service result | **(199)** | **94** | **(12)** | **(117)** | (98) | 30 | (5) | (73) |
| Reinsurance finance income (expenses) | **107** | **4** | **–** | **111** | (57) | (5) | – | (62) |
| Foreign exchange | **51** | **1** | **–** | **52** | (24) | (1) | – | (25) |
| **Statement of comprehensive income** | **(41)** | **99** | **(12)** | **46** | (179) | 24 | (5) | (160) |
| **Cash flows** | | | | | | | | |
| Premium paid net of ceding commissions received[1] | **1,922** | **–** | **–** | **1,922** | 480 | – | – | 480 |
| Recoveries received | **(649)** | **–** | **–** | **(649)** | (150) | – | – | (150) |
| Total cash flows | **1,273** | **–** | **–** | **1,273** | 330 | – | – | 330 |
| **Reinsurance contract assets at 31 December** | **2,051** | **161** | **3** | **2,215** | 819 | 62 | 15 | 896 |

1 2022 includes amounts settled via the transfer of non-cash assets.

## 2. UNDERWRITING ACTIVITIES

**Contracts initially recognised in the period**

The following table provides an analysis of contracts measured under the general model that were initially recognised in the period:

| | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|
| Estimates of the present value of future cash outflows | **(2,083)** | (138) |
| Estimates of the present value of future cash inflows | **1,801** | 44 |
| Risk adjustment | **156** | 34 |
| Contractual service margin | **7** | 7 |
| **Movement in reinsurance contract assets** | **(119)** | (53) |

**Contractual service margin by transition method**

The following table provides an analysis of contractual service margin by transition method applied to measure the contracts on adoption of AASB 17 (note 8.1.1):

| | 2023 | | | 2022 (RESTATED) | | |
|---|---|---|---|---|---|---|
| | CONTRACTS UNDER THE MODIFIED RETROSPECTIVE APPROACH US$M | OTHER CONTRACTS US$M | TOTAL US$M | CONTRACTS UNDER THE MODIFIED RETROSPECTIVE APPROACH US$M | OTHER CONTRACTS US$M | TOTAL US$M |
| At 1 January | **9** | **6** | **15** | 20 | – | 20 |
| **Changes that relate to current service** | | | | | | |
| Contractual service margin release for services provided | **–** | **(2)** | **(2)** | (4) | (1) | (5) |
| **Changes that relate to future service** | | | | | | |
| Contracts initially recognised in the period | **–** | **7** | **7** | – | 7 | 7 |
| Changes in estimates that adjust the contractual service margin | **(15)** | **(2)** | **(17)** | (7) | – | (7) |
| Insurance service result | **(15)** | **3** | **(12)** | (11) | 6 | (5) |
| Statement of comprehensive income | **(15)** | **3** | **(12)** | (11) | 6 | (5) |
| At 31 December | **(6)** | **9** | **3** | 9 | 6 | 15 |

### 2.2.4 Risk adjustment

The risk adjustment recognised in relation to the liability for incurred claims (net of reinsurance held) corresponds to a confidence level of 90.0% (2022 90.1%). The net liability for incurred claims excludes recoveries under reinsurance loss portfolio transfer contracts that are accounted for under the general model and recognised within the reinsurance asset for remaining coverage as they relate to underlying claims that have not yet been settled. The confidence level inclusive of these recoveries is 90.6% (2022 90.0%).

#### How we account for the numbers

The risk adjustment reflects the compensation required for bearing uncertainty about the amount and timing of cash flows that arises from non-financial risk. For contracts measured under the premium allocation approach, unless the contracts are onerous, an explicit risk adjustment for non-financial risk is only estimated for the measurement of the liability for incurred claims.

The risk adjustment recognised in relation to the liability for incurred claims is determined with reference to QBE's weighted average cost of economic capital allocated to earned reserve risk. The risk adjustment also reflects the benefit from the diversification of the classes and geographies of the Group. The Group aims to maintain a risk adjustment within a range of 6% to 8% of the net present value of future cash flows in relation to the net outstanding claims liability (being claims reserves within the liability for incurred claims) inclusive of recoveries from reinsurance loss portfolio transfer contracts.

Changes in the risk adjustment are disaggregated between the insurance service result and insurance and reinsurance finance income and expenses.

#### Critical accounting judgements and estimates

The risk adjustment is approved by the Board and represents the compensation QBE requires for bearing the uncertainty in the net discounted estimate of future cash flows within the insurance liabilities. The determination of the appropriate level of risk adjustment takes into account:

- the level of economic capital that QBE allocates to support the net discounted cash flows and the weighted average cost of servicing that capital;
- the run-off profile and term to settlement of the net discounted cash flows;
- mix of business, in particular the mix of short-tail and long-tail business;
- the benefit of diversification between classes of business and geographic locations; and
- the level of uncertainty in the cash flow estimates due to estimation error, data quality, variability of key inflation assumptions, and possible economic and legislative changes.

The uncertainty by class of business is measured using techniques that determine a range of possible outcomes of ultimate payments and assign a likelihood to outcomes at different levels. These techniques generally use standard statistical distributions, and the measure of variability is referred to as the coefficient of variation.

The coefficient of variation for two or more classes of business or for two or more geographic locations combined is likely to be less than the coefficients of variation for the individual classes, reflecting the benefit of diversification in general insurance. The statistical measure used to determine diversification is called the correlation; the higher the correlation between two classes of business, the more likely it is that a negative outcome in one class will correspond to a negative outcome in the other class. For example, higher correlation exists between classes of business affected by court cases involving bodily injury claims such as motor third-party liability, workers' compensation and public liability, particularly in the same jurisdiction.

The confidence level for the Group is determined by analysing the variability of each class of business and the correlation between classes of business and divisions. Correlations are determined for aggregations of classes of business, where appropriate, at the divisional level. The correlations adopted by the Group are generally derived from industry analysis, the Group's historical experience and the judgement of experienced and qualified actuaries. The net present value of future cash flows used in the determination of the confidence level is discounted using risk-free rates.

## 2. UNDERWRITING ACTIVITIES

### 2.2.5 Discount rates used to estimate the present value of future cash flows

#### Overview

Claims in relation to long-tail classes of business (e.g. professional indemnity and workers' compensation) typically may not settle for many years. As such, the liability is discounted to reflect the time value of money. The table below summarises the yield curves used to discount estimates of future cash flows within the net insurance contract liabilities.

| | 2023 | | | 2022 (RESTATED) | | |
|---|---|---|---|---|---|---|
| | 1 YEAR | 5 YEARS | 10 YEARS | 1 YEAR | 5 YEARS | 10 YEARS |
| New Zealand dollar | **5.79** | **4.51** | **4.70** | 5.77 | 5.02 | 4.84 |
| US dollar | **5.55** | **4.23** | **4.20** | 5.14 | 4.43 | 4.26 |
| Canadian dollar | **5.19** | **3.46** | **3.42** | 4.84 | 3.73 | 3.64 |
| Sterling | **5.18** | **3.68** | **3.92** | 3.51 | 3.90 | 4.01 |
| Hong Kong dollar | **4.58** | **3.46** | **3.55** | 4.30 | 4.09 | 4.00 |
| Australian dollar | **4.53** | **3.95** | **4.29** | 3.58 | 4.00 | 4.41 |
| Euro | **3.84** | **2.21** | **2.34** | 2.41 | 2.77 | 2.86 |

#### How we account for the numbers

AASB 17 *Insurance Contracts* requires the estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows. A bottom-up approach is applied to determine the discount rates used to discount insurance and reinsurance contract cash flows, which uses risk-free rates adjusted to reflect the liquidity characteristics of the insurance contracts.

#### Critical accounting judgements and estimates

The illiquidity premium within discount rates is derived based on the long-term weighted average credit spread of a reference portfolio of assets with a similar currency mix and weighted average duration as the related insurance liabilities over the longer term. The effect of credit risk and other factors that are not relevant to the liquidity characteristics of insurance contracts is eliminated to estimate the portion of the spread that reflects the illiquidity premium.

## 2.2.6 Maturity profile of the net insurance contract liabilities

### Overview

The maturity profiles below set out the Group's expectation of the period over which the cash flows arising from insurance and reinsurance contracts will be settled and the period over which the contractual service margin of contracts applying the general model is expected to be released to profit or loss. The Group uses information about the maturity profile of the present value of future cash flows to ensure that it has adequate liquidity to pay claims and expenses as they are due to be settled and to inform the Group's investment strategy.

### Expected timing of settlement of the present value of future cash flows

The following table summarises the expected maturity profile of the present value of future cash flows within the Group's insurance and reinsurance contract assets and liabilities. The net liability for remaining coverage of contracts measured under the premium allocation approach is excluded from the below.

| 2023 | 1 YEAR OR LESS US$M | 13 TO 24 MONTHS US$M | 25 TO 36 MONTHS US$M | 37 TO 48 MONTHS US$M | 49 TO 60 MONTHS US$M | OVER 5 YEARS US$M | TOTAL US$M |
|---|---|---|---|---|---|---|---|
| Insurance contract liabilities | **12,656** | **4,419** | **2,985** | **2,098** | **1,499** | **3,881** | **27,538** |
| Reinsurance contract assets | **5,707** | **1,368** | **917** | **689** | **429** | **1,090** | **10,200** |

| 2022 (RESTATED) | 1 YEAR OR LESS US$M | 13 TO 24 MONTHS US$M | 25 TO 36 MONTHS US$M | 37 TO 48 MONTHS US$M | 49 TO 60 MONTHS US$M | OVER 5 YEARS US$M | TOTAL US$M |
|---|---|---|---|---|---|---|---|
| Insurance contract liabilities | 12,330 | 4,170 | 2,748 | 1,905 | 1,303 | 3,260 | 25,716 |
| Reinsurance contract assets | 5,577 | 1,182 | 731 | 481 | 402 | 682 | 9,055 |

There were no amounts payable on demand at the balance date (2022 nil).

### Expected timing of contractual service margin release

The following table sets out when the Group expects to recognise the remaining contractual service margin in profit or loss:

| | 2023 | | | | 2022 (RESTATED) | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 YEAR OR LESS US$M | 2 TO 5 YEARS US$M | MORE THAN 5 YEARS US$M | TOTAL US$M | 1 YEAR OR LESS US$M | 2 TO 5 YEARS US$M | MORE THAN 5 YEARS US$M | TOTAL US$M |
| Insurance contract liabilities | **39** | **79** | **30** | **148** | 62 | 127 | 48 | 237 |
| Reinsurance contract assets | **(2)** | **3** | **2** | **3** | 3 | 9 | 3 | 15 |

## 2. UNDERWRITING ACTIVITIES

### 2.2.7 Impact of changes in key variables on the net insurance contract liabilities

#### Overview

The impact of changes in key variables used in the calculation of the net insurance contract liabilities is summarised in the table below, and is shown gross and net of reinsurance held. Each change has been calculated in isolation from the other changes and shows the after-tax impact on profit or loss assuming that there is no change to any of the other variables. In practice, this is considered unlikely to occur as, for example, an increase in interest rates is normally associated with an increase in the rate of inflation. Over the medium to longer term, the impact of a change in discount rates is expected to be, at least partly, offset by the impact of a change in the rate of inflation.

The sensitivities below assume that all changes directly impact profit after tax. In practice, if the present value of future cash flows was to increase, it is possible that part of the increase may result in an offsetting change in the level of risk adjustment required rather than in a change to profit or loss after tax, depending on the nature of the change in the cash flow estimate and risk outlook.

| | | PROFIT (LOSS)[1] | | | |
|---|---|---|---|---|---|
| | | GROSS | | NET | |
| | SENSITIVITY % | 2023 US$M | RESTATED 2022 US$M | 2023 US$M | RESTATED 2022 US$M |
| Present value of future cash flows | +5 | **(895)** | (852) | **(635)** | (620) |
| | -5 | **895** | 852 | **635** | 620 |
| Risk adjustment | +5 | **(70)** | (63) | **(48)** | (45) |
| | -5 | **70** | 63 | **48** | 45 |
| Inflation rate | +1 | **(524)** | (475) | **(395)** | (375) |
| | -1 | **486** | 443 | **366** | 348 |
| Discount rate[2] | +1 | **462** | 422 | **348** | 334 |
| | -1 | **(507)** | (461) | **(383)** | (365) |
| Weighted average term to settlement | +10 | **197** | 185 | **145** | 143 |
| | -10 | **(200)** | (187) | **(147)** | (144) |

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

2 The impact of reasonably possible changes in interest rates on interest-bearing financial assets owned by the Group at the balance date is shown in note 4.4.

## 2.3 Claims development – net liability for incurred claims

### Overview

The claims development table demonstrates the extent to which the original estimate of net ultimate claims payments in any one accident year (item (a) in the table below) has subsequently developed favourably (i.e. claims cost estimates have reduced) or unfavourably (i.e. further claims expense has been recognised in subsequent years). This table therefore illustrates the variability and inherent uncertainty in estimating the expected claims cash flows each year. The ultimate claims cost for any particular accident year is not known until all claims payments have been made which, for some long-tail classes of business, could be many years into the future. The estimate of net ultimate claims payments at the end of each subsequent accident year demonstrates how the original estimate has been revised over time (b).

Cumulative net claims payments (d) are deducted from the estimate of net ultimate claims payments in each accident year (c) at the current balance date, resulting in the undiscounted claims estimate at a fixed rate of exchange (e). This is revalued to the balance date rate of exchange (f) to report the net undiscounted claims estimate (g), which is reconciled to the net liability for incurred claims (h). The treatment of foreign exchange in the claims development table is explained on the following page.

The net increase (decrease) in estimated net ultimate claims payments (i) reflects the estimated ultimate net claims payments at the end of the current financial year (c) less the equivalent at the end of the previous financial year (b).

The claims development table is presented net of reinsurance. With insurance operations in 27 countries, hundreds of products, various reinsurance arrangements and with the Group's risk tolerance managed on a consolidated basis, it is considered neither meaningful nor practicable to provide this information other than on a consolidated Group basis.

| | | 2018 & PRIOR US$M | 2019 US$M | 2020 US$M | 2021 US$M | 2022 US$M | 2023 US$M | TOTAL US$M |
|---|---|---|---|---|---|---|---|---|
| **Net ultimate claims payments** | | | | | | | | |
| (a) | Original estimate of net ultimate claims payments | | 7,199 | 7,170 | 7,707 | 9,224 | 9,550 | |
| (b) | One year later | | 7,469 | 6,925 | 7,872 | 9,511 | | |
| | Two years later | | 7,695 | 7,012 | 7,843 | | | |
| | Three years later | | 7,748 | 6,930 | | | | |
| | Four years later | | 7,815 | | | | | |
| (c) | Current estimate of net ultimate claims payments | | 7,815 | 6,930 | 7,843 | 9,511 | 9,550 | 41,649 |
| (d) | Cumulative net payments to date | | (6,474) | (5,185) | (5,341) | (5,443) | (2,401) | (24,844) |
| (e) | Net undiscounted claims estimate at fixed rate of exchange | 4,010 | 1,341 | 1,745 | 2,502 | 4,068 | 7,149 | 20,815 |
| (f) | Foreign exchange impact | | | | | | | (29) |
| | Provision for impairment | | | | | | | 20 |
| (g) | Net undiscounted claims estimate at 31 December 2023 | | | | | | | 20,806 |
| | Discount to present value | | | | | | | (2,421) |
| | Other attributable cash flows | | | | | | | 637 |
| | Risk adjustment | | | | | | | 1,520 |
| (h) | Net liability for incurred claims at 31 December 2023 (note 2.2.2) | | | | | | | 20,542 |
| (i) | Movement in estimated net ultimate claims payments | 142 | 67 | (82) | (29) | 287 | 9,550 | 9,935 |

## 2. UNDERWRITING ACTIVITIES

### How we account for the numbers

The estimate of net ultimate claims payments attributable to business acquired that apply the modified retrospective transition approach (note 8.1.1) is included in the claims development table in the accident year in which the acquisition was made. Information about claims development has been disclosed for the five accident years preceding the end of the current reporting period as permitted by AASB 17.

The Group writes business in many currencies. The translation of estimated net ultimate claims payments denominated in foreign currencies gives rise to foreign exchange movements which have no direct bearing on the development of the underlying claims. To eliminate this distortion, estimated net ultimate claims payments have been translated to the functional currencies of our controlled entities at constant rates of exchange. All estimates of ultimate claims payments for the accident years reported that are in functional currencies other than US dollars have been translated to US dollars using 2023 average rates of exchange.

### 2.3.1 Reinsurance of prior accident year claims liabilities

During 2023, the Group entered into a reserve transaction to reinsure certain prior accident year claims liabilities in North America and International which resulted in the recognition of an upfront net cost of $101 million within reinsurance expenses. Reinsurance expenses also include $620 million (2022 $87 million) relating to this transaction and reinsurance loss portfolio transfer contracts entered into in prior periods that remain in-force, reflecting amounts recognised over the coverage period as the underlying claims settle.

# 3. INVESTMENT ACTIVITIES

## Overview

Premiums collected from policyholders are invested to meet the Group's cash flow needs to pay claims and other expenses, as well as generating a return that contributes to the Group's profitability. A sound investment strategy is therefore integral to the success of the Group's operations.

The Group invests across a diversified range of instruments to achieve an appropriate balance between risk and return. Decisions on where to invest are dependent on expected returns, cash flow requirements of the Group, liquidity of the instrument, credit quality of the instrument and the overall risk appetite of the Group. Further details on the management of risk associated with investment assets can be found in note 4.

## 3.1 Investment income

| | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|
| Income (loss) on fixed interest securities, short-term money and cash | **1,361** | (812) |
| Income on growth assets | **71** | 60 |
| Gross investment income (loss)[1] | **1,432** | (752) |
| Investment expenses | **(37)** | (29) |
| Net investment income (loss) | **1,395** | (781) |
| Foreign exchange | **(19)** | 18 |
| Other expenses | **(7)** | (10) |
| Total investment income (loss) | **1,369** | (773) |
| Investment income (loss) – policyholders' funds | **907** | (482) |
| Investment expenses – policyholders' funds | **(24)** | (19) |
| Investment income (loss) – shareholders' funds | **499** | (262) |
| Investment expenses – shareholders' funds | **(13)** | (10) |
| Total investment income (loss) | **1,369** | (773) |

1 Includes net fair value gains of $631 million (2022 $1,295 million losses), interest income of $739 million (2022 $466 million) and dividend and distribution income of $62 million (2022 $77 million).

## How we account for the numbers

Interest income is recognised in the period in which it is earned. Dividends and distribution income are recognised when the right to receive payment is established. Investment income includes realised and unrealised gains or losses on financial assets which are reported on a combined basis as fair value gains or losses on financial assets.

# 3. INVESTMENT ACTIVITIES

## 3.2 Investments

| | 2023 US$M | 2022 US$M |
|---|---|---|
| **Fixed income assets** | | |
| Short-term money | **6,728** | 5,396 |
| Government bonds | **6,325** | 5,094 |
| Corporate bonds | **12,030** | 13,649 |
| Infrastructure debt | **50** | 47 |
| Emerging market debt | **565** | 429 |
| High yield debt | **612** | 416 |
| Private credit | **194** | 113 |
| | **26,504** | 25,144 |
| **Growth assets** | | |
| Developed market equity | **464** | 332 |
| Emerging market equity | **–** | 62 |
| Unlisted property trusts | **585** | 747 |
| Infrastructure assets | **928** | 834 |
| Alternatives | **189** | 180 |
| | **2,166** | 2,155 |
| Total investments | **28,670** | 27,299 |
| Amounts maturing within 12 months | **11,386** | 11,032 |
| Amounts maturing in greater than 12 months | **17,284** | 16,267 |
| Total investments | **28,670** | 27,299 |

At 31 December 2023, QBE had undrawn commitments to externally managed investment vehicles of $645 million (2022 $237 million).

### How we account for the numbers

The Group's investments are required to be measured at fair value through profit or loss, with all investments managed and assessed on a fair value basis to optimise returns within risk appetites and investment strategy parameters and limits. They are therefore initially recognised at fair value, determined as the cost of acquisition excluding transaction costs, and are remeasured to fair value through profit or loss at each reporting date. The fair value hierarchy and the Group's approach to measuring the fair value of each category of investment instrument are disclosed in note 3.2.1.

All purchases and sales of investments that require delivery of the asset within the time frame established by regulation or market convention are recognised at trade date, being the date on which the Group commits to buy or sell the asset. Investments are de-recognised when the right to receive future cash flows from the asset has expired or has been transferred along with substantially all the risks and rewards of ownership.

### 3.2.1 Fair value hierarchy

## Overview

The Group Revaluation Committee is responsible for the governance and oversight of the valuation process. The fair value of investments is determined in accordance with the Group's investment valuation policy.

The investments of the Group are disclosed in the table below using a fair value hierarchy which reflects the significance of inputs into the determination of fair value as follows:

**Level 1:** Valuation is based on quoted prices in active markets for identical instruments.

**Level 2:** Valuation is based on quoted prices for identical instruments in markets which are not active, quoted prices for similar instruments, or valuation techniques for which all significant inputs are based on observable market data, for example, consensus pricing using broker quotes or valuation models with observable inputs.

**Level 3:** Valuation techniques are applied in which one or more significant inputs are not based on observable market data.

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | LEVEL 1 US$M | LEVEL 2 US$M | LEVEL 3 US$M | TOTAL US$M | LEVEL 1 US$M | LEVEL 2 US$M | LEVEL 3 US$M | TOTAL US$M |
| **Fixed income assets** | | | | | | | | |
| Short-term money | **222** | **6,506** | **–** | **6,728** | 326 | 5,070 | – | 5,396 |
| Government bonds | **4,943** | **1,382** | **–** | **6,325** | 3,547 | 1,547 | – | 5,094 |
| Corporate bonds | **–** | **12,030** | **–** | **12,030** | – | 13,649 | – | 13,649 |
| Infrastructure debt | **–** | **–** | **50** | **50** | – | – | 47 | 47 |
| Emerging market debt | **–** | **565** | **–** | **565** | – | 429 | – | 429 |
| High yield debt | **–** | **612** | **–** | **612** | – | 416 | – | 416 |
| Private credit | **–** | **–** | **194** | **194** | – | – | 113 | 113 |
| | **5,165** | **21,095** | **244** | **26,504** | 3,873 | 21,111 | 160 | 25,144 |
| **Growth assets** | | | | | | | | |
| Developed market equity | **464** | **–** | **–** | **464** | 332 | – | – | 332 |
| Emerging market equity | **–** | **–** | **–** | **–** | 62 | – | – | 62 |
| Unlisted property trusts | **–** | **–** | **585** | **585** | – | – | 747 | 747 |
| Infrastructure assets | **–** | **–** | **928** | **928** | – | – | 834 | 834 |
| Alternatives | **118** | **–** | **71** | **189** | 112 | – | 68 | 180 |
| | **582** | **–** | **1,584** | **2,166** | 506 | – | 1,649 | 2,155 |
| Total investments | **5,747** | **21,095** | **1,828** | **28,670** | 4,379 | 21,111 | 1,809 | 27,299 |

The Group's approach to measuring the fair value of investments is described below:

### Short-term money

Cash managed as part of the investment portfolio is categorised as level 1 in the fair value hierarchy. Term deposits are valued at par. Other short-term money (bank bills, certificates of deposit, treasury bills and other short-term instruments) is priced using interest rates and yield curves observable at commonly quoted intervals.

### Government bonds, corporate bonds, emerging market debt and high yield debt

These assets are valued based on quoted prices sourced from external data providers. The fair value categorisation of these assets is based on the observability of the inputs.

### Infrastructure debt

Infrastructure debt is priced by external data providers where quoted prices are available or by the external fund manager who may use a combination of observable market prices or comparable prices where available and other valuation techniques. When valuation techniques require the use of significant unobservable inputs, these assets have been categorised as level 3.

### Private credit

These assets comprise investments in fund vehicles that are valued using current unit prices as advised by the investment fund manager. As the valuation techniques require the use of significant unobservable inputs, these assets have been categorised as level 3.

## 3. INVESTMENT ACTIVITIES

### Developed market equity and emerging market equity

These assets mainly comprise listed equities traded in active markets valued by reference to quoted prices.

### Unlisted property trusts and infrastructure assets

These assets are valued using current unit prices as advised by the responsible entity, trustee or equivalent of the investment management scheme. As the valuation techniques require the use of significant unobservable inputs, these assets have been categorised as level 3.

### Alternatives

These assets mainly comprise investments in exchange-traded commodity products that are listed, traded in active markets and valued by reference to quoted prices. Alternatives also includes strategic unlisted investments which are valued based on other valuation techniques utilising significant unobservable inputs.

**Movements in level 3 investments**

The following table provides an analysis of investments valued with reference to level 3 inputs:

| LEVEL 3 | 2023 US$M | 2022 US$M |
|---|---|---|
| At 1 January | **1,809** | 1,697 |
| Purchases | **157** | 200 |
| Disposals | **(137)** | (98) |
| Fair value movement recognised in profit or loss | **(17)** | 70 |
| Foreign exchange | **16** | (60) |
| At 31 December | **1,828** | 1,809 |

### 3.2.2 Charges over investments and restrictions on use

A controlled entity has given fixed and floating charges over certain of its investments and other assets in order to secure the obligations of the Group's corporate members at Lloyd's as described in note 8.2.

Included in investments are amounts totalling $4,053 million (2022 $3,538 million) which are held in Lloyd's syndicate trust funds. In order to conduct underwriting business within some territories, Lloyd's syndicates are required to lodge assets in locally regulated trust funds. Under Lloyd's byelaws, these amounts can only be used to pay claims and allowable expenses of the syndicate and cannot be withdrawn from the trust funds until they become distributable as profit once annual solvency requirements are met. Included in this amount is $1,068 million (2022 $790 million) of short-term money.

### 3.2.3 Derivatives over investment assets

In accordance with our investment management policies and procedures, derivatives may be used in the investment portfolio as both a hedging tool and to alter the risk profile of the portfolio. Risk management policies over the use of derivatives are set out in note 4.

The Group's notional exposure to investment derivatives at the balance date is set out in the table below:

| NOTIONAL EXPOSURE | 2023 US$M | 2022 US$M |
|---|---|---|
| **Bond futures** | | |
| Short government bond futures | **(527)** | (1,347) |
| Long government bond futures | **202** | 12 |
| **Interest rate futures** | | |
| Short interest rates futures | **(2,809)** | – |
| **Equity index futures** | | |
| Short equity index futures | **–** | (80) |

QBE may also have exposure to derivatives through investments in underlying pooled funds in accordance with the fund mandate. Those derivative exposures are not included in the table above.

### How we account for the numbers

Derivatives over investment assets are required to be measured at fair value through profit or loss. They are therefore initially recognised at fair value, determined as the cost of acquisition excluding transaction costs, and are remeasured to fair value through profit or loss at each reporting date. For futures and options traded in an active market, the fair value is determined by reference to quoted market prices. The mark-to-market value of futures positions is cash settled on a daily basis resulting in a fair value of nil at the balance date. The fair value of options was not material at the balance date.

## 4. RISK MANAGEMENT

### Overview

QBE is in the business of managing risk. The Group's ability to satisfy customers' risk management needs is central to what we do. QBE aims to generate wealth and maximise returns for its shareholders by pursuing opportunities that involve risk. Our people are responsible for ensuring that QBE's risks are managed and controlled on a day-to-day basis. QBE aims to use its ability to properly manage risk to provide more certainty and improved outcomes for all stakeholders.

QBE applies a consistent and integrated approach to enterprise risk management (ERM). QBE's ERM framework is articulated in the Group Risk Management Strategy (RMS) and Reinsurance Management Strategy (REMS), both of which are approved annually by the Board and lodged with APRA. QBE's framework sets out the approach to managing risk effectively to meet strategic objectives while taking into account the creation of value for our shareholders.

The ERM framework consists of complementary elements that are embedded throughout the business management cycle and culture of the organisation. Key aspects include risk appetite, governance, reporting, risk identification and measurement, modelling and stress testing, risk systems, and risk culture.

Risk management is a continuous process and an integral part of robust business management. QBE's approach is to integrate risk management into the broader management processes of the organisation. It is QBE's philosophy to ensure that risk management remains embedded in the business and that the risk makers or risk takers are themselves the risk managers. Specifically, the management of risk must occur at each point in the business management cycle.

The Group's strategy for managing risk is to:

- achieve competitive advantage by better understanding the risk environments in which we operate;
- give confidence to the business to make objective, risk-based decisions to optimise returns; and
- avoid unwelcome surprises to the achievement of business objectives by reducing uncertainty and volatility through the identification and management of risks.

The key risk categories used by QBE to classify risk are as follows:

- strategic risk (note 4.1);
- insurance risk (note 4.2);
- credit risk (note 4.3);
- market risk (note 4.4);
- liquidity risk (note 4.5);
- operational risk (note 4.6);
- compliance risk (note 4.7); and
- Group risk (note 4.8).

### Risk culture

A sound risk culture underpins QBE's risk management strategy and is a key component of the ERM framework. QBE is committed to, and supports, a strong risk culture.

It recognises the importance of risk awareness and culture as being instrumental in the effectiveness of the ERM framework. Further information on risk culture is provided on page 16 of this Annual Report.

1 Overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Additional information

# 4. RISK MANAGEMENT

## 4.1 Strategic risk

### Overview

Strategic risk is the current and prospective impact on earnings and/or capital arising from strategic business decisions and responsiveness to external change. QBE classifies strategic risk into five subcategories, as follows:

- Performance risk: QBE is not able to achieve its performance objectives.
- Capital risk: QBE's structure and availability of capital do not meet regulatory requirements and/or support strategic initiatives.
- Reputational risk: QBE's stakeholders have a negative perception of QBE's brand which may damage QBE's reputation and threaten overall performance.
- Environmental, social and governance (ESG) risk: this is the negative impact on QBE's strategic priorities or objectives from ESG issues.
- Emerging risk: these are new or future risks which are difficult to assess but may have a significant impact to QBE or the markets in which it operates.

QBE's approach to managing strategic risk is underpinned by the Group strategic risk appetite statement as set by the Board and is summarised below.

### Performance risk

Failure to deliver acceptable performance can result in shareholders losing confidence, impacting our reputation in the market and ultimately impacting our ability to deliver our strategic objectives.

QBE evaluates performance risk by assessing potential earnings volatility against its risk appetite and considering the changing levels of risk in its business plan. The plan is supported by an established regime of attestations by chief underwriting officers, chief actuaries, chief financial officers and chief risk officers, enabling action prior to signing off the business plan and making market commitments. Performance risk is monitored throughout the year against committed business plans (supported by performance monitoring, cell reviews and mid-year risk reviews).

### Capital risk

The Internal Capital Adequacy Assessment Process (ICAAP) outlines QBE's approach to:

- assessing the risks arising from its activities and ensuring that capital held is commensurate with the level of risk; and
- maintaining adequate capital over time, including the setting of capital targets consistent with risk profile, risk appetite and regulatory capital requirements.

QBE maintains a level of eligible regulatory capital that exceeds requirements, with the capital target set at a multiple of 1.6–1.8 times the Prescribed Capital Amount (PCA).

All regulated controlled entities are required to maintain a minimum level of capital to meet obligations to policyholders. It is the Group's policy that each regulated entity maintains a capital base appropriate to its size, business mix, complexity and risk profile which fully complies with and meets or exceeds local regulatory requirements.

QBE aims to maintain the ratio of borrowings to total capital at 15%–30%. At the balance date, this ratio was 21.9% (2022 23.7%). 2022 is calculated based on total capital that has been restated for the application of AASB 17 (note 8.1.1).

The ICAAP also sets out QBE's approach to:

- accessing potential sources of additional capital if required;
- setting and monitoring risk indicators and triggers for capital levels, to alert management to periods of potential heightened risk;
- outlining the management actions that can be used to mitigate the potential implications of heightened risk;
- undertaking stress testing and scenario analysis to anticipate, and be better prepared for, certain adverse events;
- assessing the quality and composition of capital to meet regulatory requirements and rating agency guidelines and rules; and
- determining and monitoring capital allocation and ensuring that QBE earns an effective rate of return on its capital deployed.

The governance over the ICAAP includes the Board and Board Committees, the Executive Investment & Capital Committee, the Executive Risk Committee, senior management, and supporting functions.

### Reputational risk

QBE assesses reputational risk through the quality of the relationships with key stakeholders, including shareholders, regulators, customers, governments, communities, employees, and third-party partners including distributors and suppliers. Each of these relationships is managed through divisional and Group teams, including corporate affairs, human resources, regulatory, compliance and distribution teams.

### ESG and emerging risks

ESG and emerging risk horizon scans are performed annually to identify and assess the key ESG and emerging risks to QBE. We maintain oversight of ESG risks through the ESG Risk Committee and both ESG and emerging risks are considered as part of the development of the Group's top risk profile. The Group's top risk profile is overseen by the Executive Risk Committee and the Board Risk & Capital Committee.

ESG, including climate change, is a material business risk for QBE, potentially impacting our business and customers in the medium to long term. We have considered short-term scenarios that could affect our insurance business written to date and current investments. Climate change is expected to increasingly impact the frequency and severity of weather-related natural catastrophes over the long term. In the short term, it is often difficult to distinguish the impact of climate change from the normal variability in weather and natural catastrophes. Claims in respect of classes most impacted by these events (e.g. property classes) are typically reported and settled soon after the claim event, and climate change is therefore not expected to materially impact the level of uncertainty in estimating the ultimate cost of those claims. QBE looks to manage for natural catastrophe volatility by considering a wide range of event frequency and severity scenarios in our capital planning, and by purchasing a comprehensive Group catastrophe reinsurance program.

QBE's investments continue to be resilient with respect to climate transition risks as they have limited exposure to highly impacted sectors. Given the medium to long-term nature of the estimated impacts of climate transition, this factor is not expected to be significant to the fair value measurement of the Group's investment assets at the balance date.

Further detail on QBE's approach to climate change is included in our climate change disclosures on pages 20 to 33 of this Annual Report.

## 4.2 Insurance risk

### Overview

Insurance risk is the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations.

QBE classifies insurance risk into three subcategories, as follows:

- underwriting/pricing risk;
- insurance concentration risk; and
- reserving risk.

QBE's approach to managing insurance risk is underpinned by the Group's insurance risk appetite statement which is set by the Board and is summarised below.

### Underwriting/pricing risk

QBE manages underwriting/pricing risk by appropriately setting and adjusting underwriting strategy, risk selection and pricing practices throughout the underwriting cycle. Underwriting/pricing risk is monitored throughout the year against committed business plans, underpinned by cell reviews.

QBE's underwriting strategy aims to diversify and limit the type of insurance risks accepted and reduce the variability of the expected outcome. The underwriting strategy is implemented through QBE's annual business planning process, supported by minimum underwriting standards and delegated authorities. These authorities reflect the level of risk that the Group is prepared to take with respect to each permitted insurance class.

Pricing of risks is controlled by the use of in-house pricing models relevant to specific portfolios and the markets in which QBE operates. Underwriters and actuaries maintain pricing and claims analysis for each portfolio, combined with a knowledge of current developments in the respective markets and classes of business.

# 4. RISK MANAGEMENT

## Insurance concentration risk

QBE's exposure to concentrations of insurance risk is mitigated by maintaining a business portfolio that is diversified across countries and classes of business. Product diversification is pursued through a strategy of developing strong underwriting skills in a wide variety of classes of business.

The table below demonstrates the diversity of QBE's operations:

| INSURANCE REVENUE | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|
| Commercial and domestic property | **6,306** | 5,538 |
| Agriculture | **4,310** | 3,935 |
| Public/product liability | **2,703** | 2,243 |
| Motor and motor casualty | **2,059** | 1,900 |
| Marine, energy and aviation | **1,506** | 1,297 |
| Professional indemnity | **1,373** | 1,540 |
| Workers' compensation | **1,082** | 1,131 |
| Accident and health | **969** | 802 |
| Financial and credit | **385** | 419 |
| Other | **133** | 99 |
| | **20,826** | 18,904 |

Insurance concentration risk includes the risks from natural or man-made events that have the potential to produce claims from many of the Group's policyholders at the same time (e.g. catastrophes). QBE currently uses a variety of methodologies to monitor aggregate exposures and manage catastrophe risk. These include the use of catastrophe models from third-party vendors, realistic disaster scenarios and group aggregate methodology. In determining catastrophe risk accumulation, QBE considers the insurance concentration risk charge (ICRC), a capital measure under APRA prudential standards. QBE's maximum risk tolerance for an individual natural catastrophe is determined annually and is linked to the maximum net annual allowance for catastrophe claims.

## Reserving risk

Reserving risk is managed through the actuarial valuation of insurance liabilities, which is conducted at least half-yearly. The valuation of the present value of future claims cash flows within the net insurance contract liabilities is performed by qualified and experienced actuaries, with reference to historical data and reasoned expectations of future experience and events. The present value of future claims cash flows within the net insurance contract liabilities is subject to a comprehensive independent review at least annually.

## 4.3 Credit risk

### Overview

Credit risk is the risk of financial loss from a counterparty's failure to meet their financial obligations, including both inability or unwillingness to pay, as well as loss due to credit quality deterioration from rating downgrades. QBE's exposure to credit risk results from financial transactions with securities issuers, debtors, brokers, policyholders, reinsurers and guarantors.

QBE's approach to managing credit risk is underpinned by the Group's credit risk appetite as set by the Board and is summarised below.

### Reinsurance credit risk

The Group's objective is to maximise placement of reinsurance with highly rated counterparties. Concentration of risk with reinsurance counterparties is monitored strictly and regularly by the Group's Security Committee and is controlled by reference to the following protocols:

- treaty or facultative reinsurance is placed in accordance with the requirements of the Group REMS and Group Security Committee guidelines;
- reinsurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical claims and potential future claims based on the Group's insurance concentrations; and
- exposure to reinsurance counterparties and the credit quality of those counterparties are actively monitored.

Credit risk exposures are calculated regularly and compared with authorised credit limits. The Group is exposed to material concentrations of credit risk in relation to reinsurance recoveries at the balance date, in particular to large global reinsurers. In certain cases, the Group requires letters of credit or other collateral arrangements to be provided to guarantee the recoverability of the amount involved. Collateral held for the Group in respect of reinsurance arrangements, including loss portfolio transfer contracts, is $1,261 million (2022 $1,809 million). The carrying amount of relevant asset classes on the balance sheet represents the maximum amount of credit exposure. Collateral held may reduce the level of credit risk associated with this exposure but does not change the total amount recoverable. The credit rating analysis below includes the impact of such security arrangements. In some cases, further security has been obtained in the form of trust arrangements, reinsurer default protection and other potential offsets. This additional security has not been included in the credit rating analysis below.

The following table provides information about the quality of the Group's credit risk exposure in respect of reinsurance recoveries at the balance date. The analysis classifies the assets according to Standard & Poor's (S&P) counterparty financial strength credit ratings. AAA is the highest possible rating.

| | CREDIT RATING | | | | | |
|---|---|---|---|---|---|---|
| | AAA US$M | AA US$M | A US$M | BBB US$M | NOT RATED US$M | TOTAL US$M |
| **At 31 December 2023** | | | | | | |
| Reinsurance recoveries on incurred outstanding claims[1] | **72** | **4,931** | **2,655** | **11** | **153** | **7,822** |
| Reinsurance recoveries on paid claims | **4** | **1,797** | **383** | **9** | **19** | **2,212** |
| **At 31 December 2022 (RESTATED)** | | | | | | |
| Reinsurance recoveries on incurred outstanding claims[1] | 69 | 4,423 | 1,892 | 31 | 77 | 6,492 |
| Reinsurance recoveries on paid claims | 2 | 2,066 | 437 | 4 | 15 | 2,524 |

1 Includes $1,798 million (2022 $636 million) of recoveries under reinsurance loss portfolio transfer contracts that are recognised within the reinsurance asset for remaining coverage.

The following table provides further information regarding the ageing of reinsurance recoveries on paid claims at the balance date:

| | | | PAST DUE BUT NOT IMPAIRED | | | | |
|---|---|---|---|---|---|---|---|
| | YEAR | NEITHER PAST DUE NOR IMPAIRED US$M | 0 TO 3 MONTHS US$M | 4 TO 6 MONTHS US$M | 7 MONTHS TO 1 YEAR US$M | GREATER THAN 1 YEAR US$M | TOTAL US$M |
| Reinsurance recoveries on paid claims | **2023** | **1,119** | **1,031** | **5** | **1** | **56** | **2,212** |
| | 2022 (RESTATED) | 1,183 | 1,043 | 54 | 147 | 97 | 2,524 |

# Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

## 4. RISK MANAGEMENT

### Investment and treasury credit risk

The Group only transacts with investment counterparties within the limits outlined in the delegated authorities. Investment counterparty exposure limits are applied to individual counterparty exposures and to multiple exposures within a group of related companies in relation to investments, cash deposits and forward foreign exchange exposures. Counterparty exposure limit compliance is monitored daily.

The following table provides information regarding the Group's aggregate credit risk exposure at the balance date in respect of the major classes of financial assets. Amounts within insurance contract liabilities and other receivables are excluded from this analysis on the basis that they comprise smaller credit risk items which generally cannot be rated and are not individually material. The analysis classifies the assets according to S&P counterparty credit ratings. AAA is the highest possible rating. Rated assets falling outside the range of AAA to BBB are classified as speculative grade.

| | CREDIT RATING | | | | | | |
|---|---|---|---|---|---|---|---|
| | AAA US$M | AA US$M | A US$M | BBB US$M | SPECULATIVE GRADE US$M | NOT RATED US$M | TOTAL US$M |
| **At 31 December 2023** | | | | | | | |
| Cash and cash equivalents | **314** | **478** | **558** | **11** | **–** | **5** | **1,366** |
| Interest-bearing investments | **4,310** | **11,051** | **7,652** | **2,587** | **688** | **217** | **26,505** |
| Derivative financial instruments | **–** | **147** | **99** | **3** | **–** | **1** | **250** |
| **At 31 December 2022 (RESTATED)** | | | | | | | |
| Cash and cash equivalents | 137 | 231 | 437 | 17 | 1 | 10 | 833 |
| Interest-bearing investments | 3,796 | 10,217 | 7,629 | 2,869 | 482 | 153 | 25,146 |
| Derivative financial instruments | – | 121 | 154 | 8 | – | 1 | 284 |

The carrying amount of non-derivative asset classes on the balance sheet represents the maximum amount of credit exposure at the balance date. The fair value of derivatives shown on the balance sheet represents the risk exposure at the balance date but not the maximum risk exposure that could arise in the future as a result of changing values.

### Insurance and other credit risk

The Group transacts with brokers that are reputable, suitable and approved in accordance with local broker policies. The continuous due diligence over brokers involves an assessment of the broker's reputation, regulatory standing and financial strength.

QBE regularly reviews the collectability of receivables and the adequacy of associated provisions for impairment. Concentration risk for large brokers is also monitored. Balances are monitored on the basis of uncollected debt and debt outstanding in excess of six months. Brokers are also subject to regular due diligence to ensure adherence to local broker policies and associated requirements.

The following table provides information regarding the ageing of the Group's financial assets that are past due but not impaired and which are largely unrated at the balance date:

| | | PAST DUE BUT NOT IMPAIRED | | | | |
|---|---|---|---|---|---|---|
| | NEITHER PAST DUE NOR IMPAIRED US$M | 0 TO 3 MONTHS US$M | 4 TO 6 MONTHS US$M | 7 MONTHS TO 1 YEAR US$M | GREATER THAN 1 YEAR US$M | TOTAL US$M |
| **At 31 December 2023** | | | | | | |
| Premium receivable[1] | **9,312** | **427** | **115** | **71** | **27** | **9,952** |
| Other trade debtors | **212** | **2** | **1** | **4** | **1** | **220** |
| Receivables within insurance contract liabilities | **9,524** | **429** | **116** | **75** | **28** | **10,172** |
| Other receivables | **513** | **3** | **1** | **1** | **1** | **519** |
| **At 31 December 2022 (RESTATED)** | | | | | | |
| Premium receivable[1] | 8,149 | 282 | 110 | 51 | 28 | 8,620 |
| Other trade debtors | 213 | 1 | 1 | 2 | 5 | 222 |
| Receivables within insurance contract liabilities | 8,362 | 283 | 111 | 53 | 33 | 8,842 |
| Other receivables | 417 | 3 | 1 | 1 | 1 | 423 |

1 Net of a provision for impairment.

Due to the predominantly short-term nature of these receivables, the carrying value is assumed to approximate the fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables. No receivables are pledged by the Group as collateral for liabilities or contingent liabilities.

## 4.4 Market risk

### Overview

Market risk is the risk of adverse impacts on earnings resulting from changes in market factors. Market factors include, but are not limited to, interest rates, equity prices, credit spreads and foreign exchange rates.

QBE's approach to managing market risk is underpinned by the Group's market risk appetite as set by the Board and is summarised below.

QBE's approach to managing investment market movements is underpinned by the Group's investment strategy which outlines QBE's view of the markets and its corresponding investment approach.

Investment market risk is managed through the application of risk limits. These limits are based on the market risk appetite as determined by the Board and apply to:

- losses generated on the investment portfolio under market stress scenarios. The scenarios assume adverse movements in market factors and are designed to reflect a significant market stress event; and
- sensitivities to changes in risk factors which have a significant impact on the investment portfolio such as interest rate risk.

### Interest rate risk

QBE's exposure to interest rate risk arises mainly through its holdings in interest-bearing assets and the measurement of its net insurance contract liabilities. Interest-bearing borrowings issued by the Group are measured at amortised cost and therefore do not expose the Group result to fair value interest rate risk.

Interest-bearing investments with a floating interest rate expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value interest rate risk. QBE's risk management approach is to minimise interest rate risk by actively managing investment portfolios to achieve a balance between cash flow interest rate risk and fair value interest rate risk. The Group predominantly invests in high quality, liquid interest-bearing securities and cash and may use derivative financial instruments to manage the interest rate risk of the fixed interest investment portfolio and other financial instruments. All investments are financial assets measured at fair value through profit or loss. Movements in interest rates impacting the fair value of interest-bearing financial assets therefore impact reported profit or loss after income tax.

The estimates of future cash flows in the net insurance contract liabilities are discounted to present value by reference to risk-free interest rates adjusted to reflect an illiquidity premium (note 2.2.5). The Group is therefore also exposed to potential profit or loss volatility arising from the measurement of the net insurance contract liabilities as a result of interest rate movements. In practice, over the longer term, an increase or decrease in interest rates is normally offset by a corresponding increase or decrease in inflation. The impacts of changes in interest rates on the Group's net insurance contract liabilities are recognised within the net insurance finance result in profit or loss which is analysed as follows:

| | NOTE | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|---|
| **Insurance finance (expenses) income** | | | |
| Effect of changes in interest rates | | **(72)** | 1,796 |
| Discount unwind and changes in financial assumptions | | **(962)** | (632) |
| Accretion of interest on contractual service margin | | **(5)** | (7) |
| | 2.2.1 | **(1,039)** | 1,157 |
| **Reinsurance finance income (expenses)** | | | |
| Effect of changes in interest rates | | **42** | (546) |
| Discount unwind and changes in financial assumptions | | **434** | 426 |
| Accretion of interest on contractual service margin and premium financing component | | **(16)** | – |
| | 2.2.1 | **460** | (120) |
| Net insurance finance (expenses) income | | **(579)** | 1,037 |

The impact of interest rate changes on the fair value of interest-bearing financial assets will be partially offset by the corresponding impact on the Group's net insurance contract liabilities. The Group seeks to minimise the net impact of movements in interest rates on the Group's profit or loss through managing the duration of fixed interest securities relative to the net insurance contract liabilities. At the balance date, the average modified duration of cash and fixed interest securities was 1.7 years (2022 1.6 years). Although QBE maintains a shorter asset duration relative to net insurance contract liabilities, the Group's overall exposure to interest rate risk is not material given the quantum by which the value of fixed income assets exceeds the value of the net insurance contract liabilities.

# Notes to the financial statements continued

FOR THE YEAR ENDED 31 DECEMBER 2023

## 4. RISK MANAGEMENT

The impact of a 1.0% increase or decrease in interest rates on interest-bearing financial assets owned by the Group and the corresponding impact of a 1.0% increase or decrease in discount rates on the net insurance contract liabilities at the balance date is shown in the table below:

| | | PROFIT (LOSS)[1] | |
|---|---|---|---|
| | SENSITIVITY % | 2023 US$M | RESTATED 2022 US$M |
| Interest rate movement – interest-bearing financial assets | +1 | **(337)** | (294) |
| | -1 | **347** | 309 |
| Discount rate movement – net insurance contract liabilities[2] | +1 | **348** | 334 |
| | -1 | **(383)** | (365) |

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

2 Net of reinsurance held. Further information relating to the sensitivity of the net insurance contract liabilities to changes in key variables is provided in note 2.2.7.

### Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded on the market.

QBE is exposed to equity price risk on its investment in growth assets and may use derivative financial instruments to manage this exposure. Exposure is also managed by diversification across international markets and currencies.

Growth assets are measured at fair value through profit or loss. The impact of a 20% increase or decrease in the value of investments owned by the Group at the balance date on profit or loss after income tax is shown in the table below:

| | | PROFIT (LOSS)[1] | |
|---|---|---|---|
| | SENSITIVITY % | 2023 US$M | 2022 US$M |
| Infrastructure assets | +20 | **130** | 117 |
| | -20 | **(130)** | (117) |
| Unlisted property trusts | +20 | **82** | 105 |
| | -20 | **(82)** | (105) |
| Alternatives | +20 | **26** | 25 |
| | -20 | **(26)** | (25) |
| ASX 200 | +20 | **21** | 8 |
| | -20 | **(21)** | (8) |
| S&P 500 | +20 | **18** | 8 |
| | -20 | **(18)** | (8) |
| FTSE 100 | +20 | **18** | 8 |
| | -20 | **(18)** | (8) |
| EURO STOXX | +20 | **8** | 11 |
| | -20 | **(8)** | (11) |
| Emerging market equity | +20 | **–** | 9 |
| | -20 | **–** | (9) |

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

QBE is also exposed to price risk on its fixed interest securities as discussed above in relation to interest rate risk, and below in relation to credit spread risk. All securities are measured at fair value through profit or loss.

1 Overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Additional information

## Credit spread risk

Movements in credit spreads impact the value of corporate interest-bearing securities, emerging market and high yield debt and private credit, and therefore impact reported profit or loss after tax. This risk is managed by investing in mostly high quality, liquid interest-bearing securities and by managing the credit spread duration of the interest-bearing securities portfolio.

The impact of a 0.5% increase or decrease in credit spreads on interest-bearing financial assets held by the Group at the balance date on profit or loss after income tax is shown in the table below:

| | SENSITIVITY % | PROFIT (LOSS)[1] 2023 US$M | PROFIT (LOSS)[1] 2022 US$M |
|---|---|---|---|
| Credit spread movement – interest-bearing financial assets[2] | +0.5 | **(116)** | (125) |
| | -0.5 | **111** | 120 |

1 Net of tax at the Group's prima facie income tax rate of 30%.
2 Includes infrastructure debt and other investments.

## Foreign exchange risk

QBE's approach to foreign exchange management is underpinned by the Group's foreign currency strategy. The Group's foreign exchange exposure generally arises as a result of either the translation of foreign currency amounts to the functional currency of a controlled entity (operational currency risk) or due to the translation of the Group's net investments in foreign operations to the functional currency of the ultimate parent entity of Australian dollars and to QBE's presentation currency of US dollars (currency translation risk).

### Operational currency risk

Operational currency risk is managed as follows:

- Each controlled entity manages the volatility arising from changes in foreign exchange rates by matching liabilities with assets of the same currency, as far as is practicable, thus ensuring that any exposures to foreign currencies are minimised. The Group's aim is to mitigate, where possible, its operational foreign currency exposures at a controlled entity level.
- Forward foreign exchange contracts are used where possible to protect any residual currency positions. Where appropriate, forward foreign exchange contracts may also be used in relation to the Group's borrowings and may be designated as hedge relationships for accounting purposes. Further information on forward foreign exchange contracts used to manage operational currency risk is provided in note 5.6.

The risk management process relating to the use of forward foreign exchange contracts involves close senior management scrutiny. All forward foreign exchange contracts are subject to delegated authority levels provided to management and the levels of exposure are reviewed on an ongoing basis.

The analysis below demonstrates the impact on profit or loss after income tax of a 10% strengthening or weakening of the major currencies against the functional currencies of the underlying QBE entities for which the Group has a material exposure at the balance date. The exposures below reflect the aggregation of operational currency exposures of multiple entities with different functional currencies. The sensitivity is measured with reference to the Group's residual (or unmatched) operational foreign currency exposures at the balance date. Operational foreign exchange gains or losses are recognised in profit or loss in accordance with the policy set out in note 1.2.4. The sensitivities provided demonstrate the impact of a change in one key variable in isolation while other assumptions remain unchanged.

The sensitivities shown in the table below are relevant only at the balance sheet date, as any unmatched exposures are actively monitored by management and the exposure subsequently matched. 2022 amounts have been restated to reflect amounts within the net insurance contract liabilities that became monetary items following the application of AASB 17.

| | 2023 | | | 2022 (RESTATED) | | |
|---|---|---|---|---|---|---|
| EXPOSURE CURRENCY | RESIDUAL EXPOSURE US$M | SENSITIVITY % | PROFIT (LOSS)[1] US$M | RESIDUAL EXPOSURE US$M | SENSITIVITY % | PROFIT (LOSS)[1] US$M |
| US dollar | **165** | **+10** | **12** | 350 | +10 | 25 |
| | | **(10)** | **(12)** | | (10) | (25) |
| Euro | **116** | **+10** | **8** | (154) | +10 | (11) |
| | | **(10)** | **(8)** | | (10) | 11 |
| Australian dollar | **64** | **+10** | **4** | 15 | +10 | 1 |
| | | **(10)** | **(4)** | | (10) | (1) |
| Sterling | **17** | **+10** | **1** | 15 | +10 | 1 |
| | | **(10)** | **(1)** | | (10) | (1) |
| Canadian dollar | **(2)** | **+10** | **–** | 13 | +10 | 1 |
| | | **(10)** | **–** | | (10) | (1) |

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

## 4. RISK MANAGEMENT

**Currency translation risk**

QBE is exposed to currency risk in relation to the translation of:

- the ultimate parent entity's net investments in foreign operations to its functional currency of Australian dollars; and
- all non-US dollar functional currency operations to the Group's presentation currency of US dollars.

Currency translation risk in relation to QBE's investment in foreign operations is monitored on an ongoing basis and may be mitigated by designation of foreign currency borrowings as a hedge of this risk. Any borrowing that qualifies as a hedging instrument may be designated as a hedge of the Australian dollar ultimate parent entity's net investments in foreign operations and any residual exposure to foreign operations in tradeable currencies may be hedged up to the limit specified in the Group risk appetite statement. The extent of hedging this exposure is carefully managed to ensure an appropriate balance between currency risk and associated risks such as liquidity risk and stability of capital adequacy levels.

QBE does not ordinarily seek to use derivatives to mitigate currency translation risk on translation to the ultimate parent entity functional currency of Australian dollars for the following reasons:

- currency translation gains and losses generally have no cash flow;
- currency translation gains and losses are accounted for in the foreign currency translation reserve (a component of equity) and therefore do not impact profit or loss unless the related foreign operation is disposed of; and
- management of translation risk needs to be balanced against the impact on capital requirements and liquidity risk.

QBE may, however, elect to use derivatives to manage currency translation risk in order to preserve capital.

Currency management processes are actively monitored by Group Treasury and involve close senior management scrutiny. All hedge transactions are subject to delegated authority levels provided to management, and the levels of exposure are reviewed on an ongoing basis. All instruments that are designated as hedges are tested for effectiveness in accordance with AASB 9 *Financial Instruments*.

Further information on derivatives and borrowings designated as hedges of net investments in foreign operations is provided in note 5.6.1.

Foreign exchange gains or losses arising on translation of the Group's foreign operations from the ultimate parent entity's functional currency of Australian dollars to the Group's US dollar presentation currency are recognised directly in equity in accordance with the policy set out in note 1.2.4. The Group cannot hedge this exposure.

The analysis below demonstrates the impact on equity of a 10% strengthening or weakening against the US dollar of the major currencies to which QBE is exposed through its net investments in foreign operations. The basis for the sensitivity calculation is the Group's actual residual exposure at the balance date.

| | 2023 | | | 2022 (RESTATED) | | |
|---|---|---|---|---|---|---|
| EXPOSURE CURRENCY | RESIDUAL EXPOSURE US$M | SENSITIVITY % | EQUITY INCREASE (DECREASE) US$M | RESIDUAL EXPOSURE US$M | SENSITIVITY % | EQUITY INCREASE (DECREASE) US$M |
| Australian dollar | **3,564** | **+10** | **356** | 3,214 | +10 | 321 |
| | | **(10)** | **(356)** | | (10) | (321) |
| Euro | **1,670** | **+10** | **167** | 1,573 | +10 | 157 |
| | | **(10)** | **(167)** | | (10) | (157) |
| Sterling | **1,144** | **+10** | **114** | 664 | +10 | 66 |
| | | **(10)** | **(114)** | | (10) | (66) |
| New Zealand dollar | **302** | **+10** | **30** | 303 | +10 | 30 |
| | | **(10)** | **(30)** | | (10) | (30) |
| Hong Kong dollar | **213** | **+10** | **21** | 151 | +10 | 15 |
| | | **(10)** | **(21)** | | (10) | (15) |
| Singapore dollar | **137** | **+10** | **14** | 126 | +10 | 13 |
| | | **(10)** | **(14)** | | (10) | (13) |

## 4.5 Liquidity risk

### Overview

Liquidity risk is the risk of having insufficient liquid assets to meet liabilities as they fall due to policyholders and creditors or only being able to access liquidity at excessive cost.

QBE's approach to managing liquidity risk is underpinned by the Group's liquidity risk appetite which is set by the Board and is summarised below.

QBE manages liquidity risk using a number of tools, as follows:

- cash flow targeting;
- maintenance of a minimum level of liquid assets relative to the Group's liabilities;
- cash flow forecasting; and
- stress testing and contingency planning.

Liquidity is managed across the Group using a number of cash flow forecasting and targeting tools and techniques. Cash flow forecasting and targeting are conducted at a legal entity level and involve actively managing operational cash flow requirements.

To supplement the cash flow targeting and to ensure that there are sufficient liquid funds available to meet insurance and investment obligations, a minimum percentage of QBE's liabilities is held, at all times, in cash and liquid securities. QBE also maintains a defined proportion of the funds under management in liquid assets.

QBE actively forecasts cash flow requirements to identify future cash surpluses and shortages to optimise invested cash balances and limit unexpected calls from the investment pool. The Group limits the risk of liquidity shortfalls resulting from mismatches in the timing of claims payments and receipts of claims recoveries by negotiating cash call clauses in reinsurance contracts and seeking accelerated settlements for large reinsurance recoveries.

The following table summarises the maturity profile of the Group's financial liabilities based on the remaining contractual obligations, and includes derivative assets used to hedge contractual undiscounted interest payments on borrowings. Contractual cash flows are undiscounted and may not necessarily agree with their carrying amounts. Borrowings and contractual undiscounted interest payments are disclosed by reference to the first call date of the borrowings, details of which, including redemption terms, are included in note 5.1.

| | LESS THAN 1 YEAR US$M | 13 TO 36 MONTHS US$M | 37 TO 60 MONTHS US$M | OVER 5 YEARS US$M | NO FIXED TERM US$M | TOTAL US$M |
|---|---|---|---|---|---|---|
| **At 31 December 2023** | | | | | | |
| Forward foreign exchange contracts | **378** | **–** | **–** | **–** | **–** | **378** |
| Other payables | **399** | **31** | **–** | **–** | **2** | **432** |
| Lease liabilities | **59** | **104** | **76** | **71** | **–** | **310** |
| Borrowings[1] | **700** | **1,165** | **735** | **205** | **–** | **2,805** |
| Contractual undiscounted interest payments | **166** | **191** | **75** | **8** | **–** | **440** |
| Interest rate swaps used to hedge contractual undiscounted interest payments | **(12)** | **(20)** | **–** | **–** | **–** | **(32)** |
| **At 31 December 2022 (RESTATED)** | | | | | | |
| Forward foreign exchange contracts | 256 | 131 | – | – | – | 387 |
| Other payables | 334 | 11 | – | 2 | – | 347 |
| Lease liabilities | 49 | 88 | 70 | 94 | – | 301 |
| Borrowings[1] | 406 | 1,000 | 863 | 481 | – | 2,750 |
| Contractual undiscounted interest payments | 155 | 195 | 49 | 9 | – | 408 |

1 Excludes capitalised finance costs of $7 million (2022 $6 million). Redemption is subject to the prior written approval of APRA.

The maturity profile of the Group's insurance contract liabilities is analysed in note 2.2.6.

# 4. RISK MANAGEMENT

The maturity of the Group's interest-bearing financial assets is shown in the table below:

| | | INTEREST-BEARING FINANCIAL ASSETS MATURING IN: | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | LESS THAN 1 YEAR | 13 TO 24 MONTHS | 25 TO 36 MONTHS | 37 TO 48 MONTHS | 49 TO 60 MONTHS | OVER 5 YEARS | TOTAL |
| **At 31 December 2023** | | | | | | | | |
| Fixed rate | US$M | **9,879** | **3,066** | **1,999** | **1,125** | **1,262** | **3,989** | **21,320** |
| Weighted average interest rate | % p.a. | **4.8** | **4.3** | **4.3** | **4.3** | **4.5** | **4.3** | **4.6** |
| Floating rate | US$M | **2,872** | **1,363** | **1,008** | **414** | **159** | **735** | **6,551** |
| Weighted average interest rate | % p.a. | **4.7** | **5.4** | **5.6** | **5.3** | **5.4** | **5.7** | **5.1** |
| **At 31 December 2022** | | | | | | | | |
| Fixed rate | US$M | 9,911 | 2,905 | 2,007 | 1,220 | 887 | 3,398 | 20,328 |
| Weighted average interest rate | % p.a. | 4.0 | 4.5 | 4.7 | 5.0 | 5.1 | 4.7 | 4.4 |
| Floating rate | US$M | 1,954 | 1,051 | 1,110 | 396 | 436 | 704 | 5,651 |
| Weighted average interest rate | % p.a. | 2.4 | 4.0 | 4.3 | 4.8 | 4.2 | 5.2 | 3.7 |

## 4.6 Operational risk

### Overview

Operational risk is the risk of financial loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk can materialise in a number of forms including fraud perpetrated by employees or by external parties (e.g. claims fraud or cyber attacks), employment practices (e.g. losses arising from acts inconsistent with laws or agreements governing employment, employee health or safety, or from diversity or discrimination events involving internal employees), improper business practices (e.g. failure to meet professional obligations or issues with the nature or design of an insurance product), business disruption and system failures, or business and transaction processing failures.

QBE manages operational risk through setting policy, minimum standards, and process and system controls, including effective segregation of duties, access controls, authorisations and reconciliation procedures, business continuity management, fraud management, information security and physical security.

QBE identifies, assesses and manages operational risk through the:

- risk and control self-assessment process, which identifies and assesses the key risks to achieving business objectives and is conducted at the business unit level;
- operational risk appetite statement, which sets out the nature and level of risk that the Board and Group Executive Committee are willing to take in pursuit of the organisation's objectives. The operational risk appetite statement is measured through an assessment of the control environment, key risk indicators, issues and incidents; and
- scenario analysis process, which assesses the impact of potentially extreme scenarios and the appropriateness of our contingency planning.

Key residual risks from the above processes are monitored by the Executive Risk Committee.

## 4.7 Compliance risk

### Overview

Compliance risk is the risk of legal or regulatory penalties, financial loss or impacts and customer detriment resulting from non-compliance with laws, regulations or conduct standards.

QBE's approach to managing compliance risk is underpinned by the Group Compliance Risk Policy which is aligned to the Group RMS and risk appetite set by the Board and is summarised below.

QBE manages compliance risk through the following approach:

- governance arrangements that establish accountability, responsibility and authority in relation to the management of compliance risk;
- a culture based on honesty, integrity and respect that is embedded as part of QBE DNA and the Code of Ethics and Conduct;
- stakeholder management to maintain pro-active and co-operative relationships with lawmakers, regulators and other relevant external parties;
- strategic priorities and objectives that are aligned to risk appetites set by the Board; and
- people, systems and processes to support effective compliance risk management.

QBE's approach to compliance management is subject to continuous review and improvement to recognise changes in the regulatory and legal environment and industry, customer and community expectations.

## 4.8 Group risk

### Overview

Group risk is the risk to a division arising specifically from being part of the wider Group, including financial impact and loss of support from the Company.

QBE's approach to managing Group risk is supported by divisional Group risk appetite statements where divisions define the Board-approved plan to address identified Group risk exposures. Sources of Group risk are summarised below.

Sources of Group risk may include:

- shared global reinsurance program, including counterparty risk of Equator Re;
- intercompany loans and receivables;
- contagion reputational risk;
- credit agency dependency;
- use of Group functions where there is a global operating model in place;
- use of QBE's internal asset management function – Group Investments;
- Group initiatives or decisions with a material impact on one or more divisions; and
- liquidity and central foreign exchange management.

QBE manages Group risk through various systems, controls and processes, including the management of reinsurance arrangements, use of intercompany transactions and balances accounting guidance, transfer pricing guidelines, investment management agreements, capital planning and assessments of the use of Group functions, Group initiatives and contagion reputational events.

# 5. CAPITAL STRUCTURE

## Overview

QBE's objective in managing capital is to maintain an optimal balance between debt and equity in order to reduce the overall cost of capital while satisfying the capital adequacy requirements of regulators and rating agencies, providing financial security for our policyholders and continuing to provide an adequate return to shareholders.

The Company is listed on the Australian Securities Exchange and its share capital is denominated in Australian dollars. The Group also accesses international debt markets to diversify its funding base and maintain an appropriate amount of leverage. Borrowings are diversified across currencies and tenure.

Details of the Group's approach to capital risk management are disclosed in note 4.1.

## 5.1 Borrowings

| FINAL MATURITY DATE | ISSUE DATE | PRINCIPAL AMOUNT | 2023 US$M | 2022 US$M |
|---|---|---|---|---|
| **Senior debt** | | | | |
| 25 May 2023 | 25 September 2017 | $6 million[1] | **–** | 6 |
| | | | **–** | 6 |
| **Subordinated debt** | | | | |
| 25 August 2036 | 25 August 2020 | A$500 million[2] | **340** | 338 |
| 13 September 2038 | 13 September 2021 | £400 million | **508** | 478 |
| 26 October 2038 | 19 October 2023 | A$330 million | **224** | – |
| 28 June 2039 | 21 June 2023 | A$300 million | **204** | – |
| 24 November 2043 | 21 November 2016 | $400 million/A$689 million[2] | **–** | 400 |
| 2 December 2044 | 2 December 2014 | $700 million/A$1,169 million[2] | **699** | 699 |
| 12 November 2045 | 12 November 2015 | $300 million | **300** | 300 |
| 17 June 2046 | 17 June 2016 | $524 million | **523** | 523 |
| | | | **2,798** | 2,738 |
| Total borrowings[3] | | | **2,798** | 2,744 |
| Amounts expected to be settled within 12 months[4] | | | **699** | 406 |
| Amounts expected to be settled in greater than 12 months[4] | | | **2,099** | 2,338 |
| Total borrowings | | | **2,798** | 2,744 |

1 The senior notes were redeemed on 24 May 2023.
2 Details of related hedging activity are included in note 5.6.1.
3 $2 million of finance costs (2022 nil) were capitalised during the year.
4 Redemption of the securities is subject to the prior written approval of APRA.

## Subordinated debt key terms

### Subordinated debt due 2036
Interest is payable quarterly in arrears at a rate equal to the three-month BBSW rate plus a margin of 2.75% per annum.

### Subordinated debt due 2038
For the sterling denominated debt, interest is payable semi-annually in arrears at a fixed rate of 2.5% per annum until 13 September 2028. The rate will reset in 2028 and 2033 to a rate calculated by reference to the then five-year gilt rate plus a margin of 2.061% per annum.

For the Australian dollar denominated debt, interest is payable quarterly in arrears at a rate equal to the three-month BBSW rate plus a margin of 2.55% per annum.

### Subordinated debt due 2039
Interest is payable quarterly in arrears at a rate equal to the three-month BBSW rate plus a margin of 3.10% per annum.

### Subordinated debt due 2043
The securities were redeemed on 24 November 2023. Interest was payable semi-annually in arrears at a fixed rate of 7.50% per annum.

### Subordinated debt due 2044
Interest is payable semi-annually in arrears at a fixed rate of 6.75% per annum until 2 December 2024, at which time the rate will reset to a 10-year mid-market swap rate plus a margin of 4.3% per annum. The rate will reset again, on the same basis, on 2 December 2034.

### Subordinated debt due 2045
Interest is payable semi-annually in arrears at a fixed rate of 6.1% per annum until 12 November 2025, at which time the rate will reset to a 10-year mid-market swap rate plus a margin of 3.993% per annum. The rate will reset again, on the same basis, on 12 November 2035.

### Subordinated debt due 2046
Interest is payable semi-annually in arrears at a fixed rate of 5.875% per annum until 17 June 2026. The rate will reset in 2026 and 2036 to a rate calculated by reference to the then 10-year mid-market swap rate plus a margin of 4.395% per annum.

### Deferral of interest
QBE has an option to defer payment of interest in certain circumstances and such deferral will not constitute an event of default for securities due 2036, 2038, 2039, 2044, 2045 and 2046.

### Redemption terms
The securities are redeemable at the option of QBE, with the prior written approval of APRA, at any time in the event of certain tax and regulatory events and on:

- 25 August 2026, 26 October 2028 and 28 June 2029 and each interest payment date thereafter for Australian dollar denominated securities due 2036, 2038 and 2039 respectively;
- any business day within the six-month period up to and including the first reset date of 13 September 2028 and on each reset date thereafter for sterling securities due 2038; and
- each reset date for securities due 2044, 2045 and 2046.

### Conversion terms
The securities due 2036, 2038, 2039, 2044, 2045 and 2046 must be converted into a variable number of the Company's ordinary shares, or written off, if APRA determines QBE to be non-viable. The conversion rate is subject to a price floor of 20% of the VWAP of the shares in the five trading days before the date of issue of the securities.

### Security arrangements
The claims of bondholders pursuant to the subordinated debt will be subordinated in right of payment to the claims of all senior creditors.

## How we account for the numbers

Borrowings are initially measured at fair value net of transaction costs directly attributable to the transaction and are subsequently measured at amortised cost. Any difference between the proceeds and the redemption amount is recognised through profit or loss over the period of the financial liability using the effective interest method.

1 Overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Additional information

# 5. CAPITAL STRUCTURE

## 5.1.1 Fair value of borrowings

| | 2023 US$M | 2022 US$M |
|---|---|---|
| Senior debt | – | 6 |
| Subordinated debt | **2,726** | 2,561 |
| Total fair value of borrowings | **2,726** | 2,567 |

Consistent with other financial instruments, QBE is required to disclose the basis of valuation with reference to the fair value hierarchy which is explained in detail in note 3.2.1. The fair value of the Group's borrowings is categorised as level 2 in the fair value hierarchy. Fixed and floating rate securities are priced using broker quotes and comparable prices for similar instruments in active markets. Where no active market exists, floating rate resettable notes are priced at par plus accrued interest.

## 5.1.2 Financing and other costs

| | 2023 US$M | 2022 US$M |
|---|---|---|
| Interest expense on borrowings | **169** | 166 |
| Other costs | **63** | 79 |
| Total financing and other costs | **232** | 245 |

## 5.1.3 Movement in borrowings

| | 2023 US$M | 2022 US$M |
|---|---|---|
| At 1 January | **2,744** | 3,268 |
| Net changes from financing cash flows | **(1)** | (412) |
| Other non-cash changes | **2** | 2 |
| Foreign exchange | **53** | (114) |
| At 31 December | **2,798** | 2,744 |

## 5.2 Cash and cash equivalents

| | 2023 US$M | 2022 US$M |
|---|---|---|
| Fixed interest rate | **18** | 1 |
| Floating interest rate | **1,348** | 832 |
| | **1,366** | 833 |

### Restrictions on use

Included in cash and cash equivalents are amounts totalling $113 million (2022 $71 million) which are held in Lloyd's syndicate trust funds. In order to conduct underwriting business within some territories, Lloyd's syndicates are required to lodge assets in locally regulated trust funds. Under Lloyd's byelaws, these amounts can only be used to pay claims and allowable expenses of the syndicates and cannot be withdrawn from the trust funds until allowed to be distributed as profit once annual solvency requirements are met.

Also included in cash and cash equivalents is $160 million (2022 $126 million) relating to policyholder trust accounts in the United Kingdom which can only be accessed by QBE in certain circumstances, such as when QBE is owed a deductible by the policyholder on a claim. The Group recognises a corresponding payable in relation to these until such an event occurs.

QBE has operations in many countries which have foreign exchange controls and regulations. These controls and regulations can vary from simple reporting requirements to outright prohibition of movement of funds without explicit prior central bank or regulator approval. The impact of these controls and regulations may restrict the Group's capacity to repatriate capital and/or profits.

### How we account for the numbers

Cash and cash equivalents include cash at bank and on hand and deposits at call which are readily convertible to cash on hand and which are used for operational cash requirements. Amounts in cash and cash equivalents are the same as those included in the consolidated statement of cash flows.

The reconciliation of profit or loss after income tax to net cash flows from operating activities is included in note 8.4.

## 5.3 Contributed equity and reserves

### Overview

Contributed equity comprises share capital and capital notes.

Ordinary shares in the Company rank after all creditors, have no par value and entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

Capital notes are Additional Tier 1 instruments with discretionary and non-cumulative distributions, and no fixed redemption date.

### 5.3.1 Contributed equity

| | 2023 US$M | 2022 US$M |
|---|---|---|
| Issued ordinary shares, fully paid | **8,495** | 8,356 |
| Capital notes | **886** | 886 |
| Contributed equity | **9,381** | 9,242 |

#### Share capital

| | 2023 | | 2022 | |
|---|---|---|---|---|
| | NUMBER OF SHARES MILLIONS | US$M | NUMBER OF SHARES MILLIONS | US$M |
| Issued ordinary shares, fully paid at 1 January | **1,485** | **8,356** | 1,477 | 8,891 |
| Shares issued under the Employee Share and Option Plan | **4** | **36** | 4 | 29 |
| Shares issued under the Dividend Reinvestment Plan | **5** | **49** | 4 | 36 |
| Shares issued under the Bonus Share Plan | **–** | **–** | – | – |
| Foreign exchange | **–** | **54** | – | (600) |
| Issued ordinary shares, fully paid at 31 December | **1,494** | **8,495** | 1,485 | 8,356 |
| Shares notified to the Australian Securities Exchange | **1,494** | **8,497** | 1,485 | 8,358 |
| Less: plan shares subject to non-recourse loans, derecognised under accounting standards | **–** | **(2)** | – | (2) |
| Issued ordinary shares, fully paid at 31 December | **1,494** | **8,495** | 1,485 | 8,356 |

#### Capital notes

| ISSUE DATE | PRINCIPAL AMOUNT | 2023 US$M | 2022 US$M |
|---|---|---|---|
| 12 May 2020 | $500 million | **493** | 493 |
| 16 July 2020[1] | $400 million | **393** | 393 |
| | | **886** | 886 |

1 In July 2020, the terms of these instruments (originally issued in November 2017) were amended such that the notes are written off at a point of non-viability, as determined by APRA, with no possibility of conversion into ordinary shares of the Company. This resulted in the classification of these instruments as equity.

**Key terms**

**Capital note issued 12 May 2020**

Distributions of 5.875% per annum are paid semi-annually in arrears until 12 May 2025. The rate will reset in 2025 and on every fifth anniversary thereafter to a rate calculated by reference to the then five-year US Treasury rate plus a margin of 5.513% per annum.

**Capital note issued 16 July 2020**

Distributions of 5.250% per annum are paid semi-annually in arrears until 16 May 2025. The rate will reset in 2025 and on every fifth anniversary thereafter to a rate calculated by reference to the then five-year US Treasury rate plus a margin of 3.047% per annum.

**Redemption terms**

The notes are redeemable at the option of QBE, with the prior written approval of APRA, on each interest reset date or at any time in the event of certain tax or regulatory events. In the event that APRA was to declare a point of non-viability, the notes would be written off.

## 5. CAPITAL STRUCTURE

### 5.3.2 Reserves

| | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|
| **Owner occupied property revaluation reserve**[1] | | |
| At 1 January | **1** | 1 |
| At 31 December | **1** | 1 |
| **Cash flow hedge reserve**[2] | | |
| At 1 January | **22** | – |
| Hedging amounts recognised in other comprehensive income | **10** | 104 |
| Hedging amounts reclassified to profit or loss | **(13)** | (72) |
| Taxation | **1** | (10) |
| At 31 December | **20** | 22 |
| **Cost of hedging reserve**[3] | | |
| At 1 January | **6** | 5 |
| Amounts recognised in other comprehensive income | **(4)** | 3 |
| Amounts reclassified to profit or loss | **(1)** | (2) |
| Taxation | **1** | – |
| At 31 December | **2** | 6 |
| **Foreign currency translation reserve**[4] | | |
| At 1 January | **(1,542)** | (1,765) |
| Net movement on translation | **93** | 224 |
| Net movement on hedging transactions | **(9)** | (1) |
| At 31 December | **(1,458)** | (1,542) |
| **Share-based payment reserve**[5] | | |
| At 1 January | **162** | 164 |
| Options and conditional rights expense | **42** | 39 |
| Transfers from reserve on vesting of options and conditional rights | **(35)** | (31) |
| Foreign exchange | **5** | (10) |
| At 31 December | **174** | 162 |
| **Premium on purchase of non-controlling interests**[6] | | |
| At 1 January | **(12)** | (13) |
| Foreign exchange | **–** | 1 |
| At 31 December | **(12)** | (12) |
| Total reserves at 31 December | **(1,273)** | (1,363) |

Each of the above reserves relates to the following:

1 Fair value movements in the carrying value of owner occupied property.

2 Cash flow hedges of foreign exchange and interest rate risk, the accounting policies for which are disclosed in note 5.6.1.

3 Cost of hedging elections as described in note 5.6.1.

4 Exchange gains and losses arising on translation of foreign controlled entities and related hedging instruments, the accounting policies for which are disclosed in note 5.6.1.

5 Equity-settled share-based payment awards.

6 Movements in ownership interests in controlled entities that do not result in a loss of control and represent the difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received.

## 5.4 Dividends

### Overview

Our dividend policy is designed to ensure that we reward shareholders relative to cash profit and maintain sufficient capital for future investment and growth of the business.

| | 2023 | 2022 | |
|---|---|---|---|
| | INTERIM | FINAL | INTERIM |
| Dividend per share (Australian cents) | **14** | 30 | 9 |
| Franking percentage | **10%** | 10% | 10% |
| Franked amount per share (Australian cents) | **1.4** | 3.0 | 0.9 |
| Dividend payout (A$M) | **209** | 447 | 133 |
| Payment date | **22 September 2023** | 14 April 2023 | 23 September 2022 |

On 16 February 2024, the directors declared a 10% franked final dividend of 48 Australian cents per share payable on 12 April 2024. The final dividend payout is A$717 million (2022 A$447 million).

| | 2023 US$M | 2022 US$M |
|---|---|---|
| Previous year final dividend on ordinary shares – 10% franked (2021 10% franked) | **300** | 210 |
| Interim dividend on ordinary shares – 10% franked (2022 10% franked) | **135** | 87 |
| Bonus Share Plan dividend forgone | **(3)** | (3) |
| Total dividend paid | **432** | 294 |

### Dividend Reinvestment and Bonus Share Plans

The Company operates a Dividend Reinvestment Plan (DRP) and a Bonus Share Plan (BSP) which allow equity holders to receive their dividend entitlement in the form of ordinary shares of the Company.

### Bonus Share Plan dividend forgone

The amount paid in dividends during the year has been reduced as a result of certain eligible shareholders participating in the BSP and forgoing all or part of their right to dividends. These shareholders were issued ordinary shares under the BSP. During the year, 360,792 (2022 349,232) ordinary shares were issued under the BSP.

### Franking credits

The franking account balance on a tax paid basis at 31 December 2023 was a surplus of A$46 million (2022 A$54 million).

The unfranked part of the dividend is declared to be conduit foreign income. For shareholders not resident in Australia, the dividend will not be subject to Australian withholding tax.

# 5. CAPITAL STRUCTURE

## 5.5 Earnings per share

### Overview

Earnings per share (EPS) is the amount of profit or loss after income tax attributable to each share. Diluted EPS adjusts the EPS for the impact of shares that are not yet issued but which may be in the future, such as shares potentially issuable from convertible notes, options and employee share-based payments plans.

| | 2023 US CENTS | RESTATED 2022 US CENTS |
|---|---|---|
| **For profit after income tax** | | |
| Basic earnings per share | **87.6** | 36.2 |
| Diluted earnings per share | **87.0** | 36.0 |

### 5.5.1 Reconciliation of earnings used for earnings per share measures

Earnings per share is based on profit or loss after income tax attributable to ordinary equity holders of the Company, as follows:

| | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|
| Profit after income tax attributable to ordinary equity holders of the Company | **1,355** | 587 |
| Less: distributions paid on capital notes classified as equity (note 5.3.1) | **(50)** | (50) |
| Profit used in calculating basic and diluted earnings per share | **1,305** | 537 |

### 5.5.2 Reconciliation of weighted average number of ordinary shares used for earnings per share measures

| | 2023 NUMBER OF SHARES MILLIONS | 2022 NUMBER OF SHARES MILLIONS |
|---|---|---|
| Weighted average number of ordinary shares on issue and used as the denominator in calculating basic earnings per share | **1,490** | 1,482 |
| Weighted average number of dilutive potential ordinary shares issued under the Employee Share and Option Plan | **10** | 11 |
| Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share | **1,500** | 1,493 |

### How we account for the numbers

Basic earnings per share is calculated by dividing profit or loss after income tax attributable to members of the Company, adjusted for the cost of servicing capital notes classified as equity, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the weighted average number of shares to include dilutive potential ordinary shares and instruments with mandatory conversion features. As there are no impacts on interest and other financing costs from such instruments, diluted earnings per share utilises the same earnings figure used in the determination of basic earnings per share.

## 5.6 Derivatives

### Overview

Derivatives may be used as a tool to hedge the Group's foreign exchange exposures. Each controlled entity manages operational foreign exchange volatility by matching liabilities with assets of the same currency, as far as practicable. Forward foreign exchange contracts are used to manage residual currency exposures, with both the foreign exchange gains or losses on translation of the exposure and the mark-to-market of related derivatives reported through profit or loss. Forward foreign exchange contracts may also be utilised in cash flow hedging of foreign currency borrowings and/or hedging exposure to net investments in foreign operations (NIFO).

Interest rate swaps and swaptions are used to hedge exposure to interest rate movements on the Group's borrowings.

Refer to note 4.4 for additional information relating to QBE's approach to managing interest rate risk and foreign exchange risk.

The Group's exposure to treasury derivatives at the balance date determined by reference to the functional currency of the relevant controlled entity is set out in the table below:

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | EXPOSURE US$M | FAIR VALUE ASSET US$M | FAIR VALUE LIABILITY US$M | EXPOSURE US$M | FAIR VALUE ASSET US$M | FAIR VALUE LIABILITY US$M |
| Forward foreign exchange contracts not in designated hedges | **1,249** | **218** | **248** | 990 | 251 | 172 |
| Forward foreign exchange contracts used in cash flow hedges | **(854)** | **–** | **105** | (1,404) | – | 186 |
| Forward foreign exchange contracts used in NIFO hedges | **806** | **5** | **20** | 1,081 | 2 | 29 |
| Interest rate swaps | **341** | **27** | **–** | – | – | – |
| Interest rate swaptions | **–** | **–** | **–** | 339 | 31 | – |
| | | **250** | **373** | | 284 | 387 |

The fair value of these derivatives are categorised as level 2 in the fair value hierarchy. They are fair valued using present value techniques utilising observable market data, broker quotes and/or comparable prices for similar instruments in active markets.

### How we account for the numbers

Derivatives are initially recognised at fair value, determined as the cost of acquisition excluding transaction costs, and remeasured to fair value at each reporting date. Remeasurements are recognised in profit or loss at each reporting date, unless the derivative is designated as part of a qualifying hedge relationship (refer to note 5.6.1).

## 5. CAPITAL STRUCTURE

### 5.6.1 Designated hedges

The Group's material designated hedge relationships are analysed below by risk category and are accounted for with reference to the accounting policies set out at the end of this note. Hedging ratios, being the relationship between the quantity of the hedging instrument and the quantity of the hedged item, are 1:1 as the nominal values of hedging instruments match those of the hedged items. Any ineffectiveness arising from factors such as credit risk is not expected to be material. Amounts recognised in equity or reclassified to profit or loss are disclosed in note 5.3.2.

#### Cash flow hedges of borrowings

At the balance date, forward foreign exchange contracts were used to hedge foreign currency risk associated with highly probable forecast transactions in relation to $700 million of subordinated debt maturing in 2044. Foreign currency risk on future coupons and the principal amount is hedged up to and including the first call date of the subordinated debt in 2024. Similarly, interest rate swaps were used to hedge interest rate risk in relation to coupons on A$500 million of subordinated debt maturing in 2036, following the exercise of interest rate swaptions during the year. The interest rate swaps hedge coupon payments from the exercise date to the first call date in August 2026. These hedges were put in place to more effectively manage currency exposures and costs of funding.

Only the spot components of forward foreign exchange contracts, the fair value of interest rate swaps and the intrinsic value of interest rate swaptions prior to exercise, are designated in hedge relationships. For forward foreign exchange contracts, reclassifications of hedging gains and losses to profit or loss are included in foreign exchange (refer to note 3.1), consistent with the currency movement of the hedged borrowings. For the interest rate swaps, reclassifications of any cumulative hedging gains or losses to profit or loss occur as related coupon payments are made during the period from August 2023 to August 2026. A 'cost of hedging' election was made in respect of the forward foreign exchange contracts and interest rate swaptions, as described below, and amortisation of the forward and currency basis components is included in financing costs (refer to note 5.1.2) where they relate to hedged coupons, or in foreign exchange (refer to note 3.1) where they relate to principal amounts.

The timing of the nominal amounts of the hedging instruments and corresponding average rates, if applicable, are provided in the following table:

| | | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|---|
| | | MATURING IN: | | | MATURING IN: | | |
| | | LESS THAN 1 YEAR | 1 TO 5 YEARS | OVER 5 YEARS | LESS THAN 1 YEAR | 1 TO 5 YEARS | OVER 5 YEARS |
| **Forward foreign exchange contracts** | | | | | | | |
| Nominal amounts | Buy US$M/ Sell A$M | **747/1,251** | **–** | **–** | 477/819 | 747/1,251 | – |
| Average forward rate | US$/A$ | **0.60** | **–** | **–** | 0.58 | 0.60 | – |
| **Interest rate swaps** | | | | | | | |
| Nominal amounts | A$M | **–** | **500** | **–** | – | – | – |
| Average fixed interest rate | % | **–** | **0.80** | **–** | – | – | – |

#### Hedges of currency risk relating to translation of net investments in foreign operations

At the balance date, forward foreign exchange contracts and borrowings were designated as NIFO hedges. Only the spot components of the forward foreign exchange contracts are designated as being in hedge relationships. The forward and currency basis components are included in foreign exchange (refer to note 3.1), with a 'cost of hedging' election made in respect of US dollar NIFO hedges, as described below. Cumulative hedging gains or losses recognised in equity are recycled to profit or loss only on disposal of the foreign operation.

The timing of cash flows relating to the hedging instruments and corresponding average forward rates, if applicable, are provided in the following table, with borrowings being disclosed by reference to their first call dates where available (refer to note 5.1):

| | | 2023 MATURING IN: LESS THAN 1 YEAR | 2023 MATURING IN: 1 TO 5 YEARS | 2023 MATURING IN: OVER 5 YEARS | 2022 MATURING IN: LESS THAN 1 YEAR | 2022 MATURING IN: 1 TO 5 YEARS | 2022 MATURING IN: OVER 5 YEARS |
|---|---|---|---|---|---|---|---|
| **Debt instruments used in US dollar NIFO hedges** | | | | | | | |
| Subordinated debt | US$M | – | **823** | – | – | 528 | – |
| Senior debt | US$M | – | – | – | 6 | – | – |
| **Debt instruments used in sterling NIFO hedges** | | | | | | | |
| Subordinated debt | £M | – | **327** | – | – | – | 327 |
| **Forward foreign exchange contracts used in Hong Kong dollar NIFO hedges** | | | | | | | |
| Nominal amounts | Buy A$M/ Sell HKDM | **190/970** | – | – | 185/970 | – | – |
| Average forward rate | A$/HKD | **5.10** | – | – | 5.24 | – | – |
| **Forward foreign exchange contracts used in US dollar NIFO hedges** | | | | | | | |
| Nominal amounts | Buy A$M/ Sell US$M | **991/700** | – | – | 418/300 | 991/700 | – |
| Average forward rate | A$/US$ | **0.71** | – | – | 0.72 | 0.71 | – |

## How we account for the numbers

When a derivative or other financial instrument is designated in a qualifying hedge relationship, the relevant controlled entity formally documents the relationship between the hedging instrument and hedged item, as well as its risk management objectives and its strategy for undertaking hedging transactions. The relevant entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedge effectiveness requirements are met, including the relevant economic relationship, the effect of credit risk and the hedge ratio.

For qualifying cash flow hedges and NIFO hedges, the gain or loss on the hedging instrument associated with the effective portion of the hedge is accumulated in equity through other comprehensive income and is subsequently reclassified to profit or loss when the hedged item also affects profit or loss. For cash flow hedges, this is reflected in the cash flow hedge reserve; for NIFO hedges, this is reflected in the foreign currency translation reserve (refer to note 5.3.2). The gain or loss on any ineffective portion of the hedging instrument is recognised in profit or loss immediately.

Where the forward and currency basis components of a designated derivative do not form part of the designated hedge relationship, these components are accounted for at fair value through profit or loss unless a 'cost of hedging' election is made. Under this election, the fair value of these components at inception of the hedge are amortised through profit or loss over time periods relevant to the hedge, with other changes in their fair values after inception recognised in equity through other comprehensive income. This election can be made on a hedge-by-hedge basis and is reflected in the cost of hedging reserve (refer to note 5.3.2).

Hedge accounting is discontinued when the qualifying hedge no longer meets the criteria for hedge accounting, including when the risk management objective is no longer met or is no longer relevant; the hedging instrument expires or is sold, terminated or exercised; the hedged item matures, is sold or repaid; or a hedged forecast transaction is no longer considered highly probable. When a cash flow hedge is discontinued, any cumulative hedging gain or loss in equity at that time remains in equity and is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is a forecast transaction that is no longer considered highly probable, the cumulative gain or loss is immediately reclassified to profit or loss. When a hedge of a net investment in a foreign operation is discontinued, any cumulative hedging gain or loss at that time remains in equity and is only recycled to profit or loss on disposal of the foreign operation, forming part of the resulting gain or loss.

# 6. TAX

## Overview

Income tax expense or credit is the accounting tax outcome for the period and is calculated as the tax payable on the current period taxable income based on the applicable income tax rate for each jurisdiction, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses. The relationship between accounting profit or loss and income tax expense or credit is provided in the reconciliation of prima facie tax to income tax expense or credit (refer to note 6.1). Income tax expense does not equate to the amount of tax actually paid to tax authorities around the world, as it is based upon the accrual accounting concept.

Accounting income and expenses do not always have the same recognition pattern as taxable income and expenses, creating a timing difference as to when a tax expense or credit can be recognised. These differences usually reverse over time but, until they do, a deferred tax asset or liability is recognised on the balance sheet. Note 6.2 details the composition and movements in deferred tax balances and the key management assumptions applied in recognising tax losses.

Details of franking credits available to shareholders are disclosed in note 5.4.

## 6.1 Reconciliation of prima facie tax to income tax expense

| | NOTE | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|---|
| Profit before income tax | | **1,837** | 676 |
| Prima facie tax expense at 30% | | **551** | 203 |
| Tax effect of non-temporary differences: | | | |
| Untaxed dividends | | **(2)** | (3) |
| Differences in tax rates | | **(42)** | 17 |
| Other, including non-taxable income and non-allowable expenses | | **4** | 55 |
| Prima facie tax adjusted for non-temporary differences | | **511** | 272 |
| Deferred tax assets re-recognised | | **(41)** | (203) |
| Underprovision in prior years | | **3** | 12 |
| Income tax expense | | **473** | 81 |
| **Analysed as follows:** | | | |
| Current tax | | **280** | 91 |
| Deferred tax | | **193** | (10) |
| | | **473** | 81 |
| **Deferred tax expense (credit) comprises:** | | | |
| Deferred tax assets recognised in profit or loss | 6.2.1 | **112** | (214) |
| Deferred tax liabilities recognised in profit or loss | 6.2.2 | **81** | 204 |
| | | **193** | (10) |

## How we account for the numbers

The current income tax expense or credit is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries in which controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, as appropriate.

## 6.2 Deferred income tax

| | NOTE | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|---|
| Deferred tax assets | 6.2.1 | **625** | 613 |
| Deferred tax liabilities | 6.2.2 | **366** | 149 |

### 6.2.1 Deferred tax assets

| | NOTE | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|---|
| **Amounts recognised in profit or loss** | | | |
| Financial assets – fair value movements | | **19** | 22 |
| Provision for impairment | | **19** | 13 |
| Employee benefits | | **74** | 66 |
| Intangible assets | | **65** | 158 |
| Insurance provisions | | **761** | 747 |
| Tax losses recognised | | **348** | 290 |
| Other | | **101** | 196 |
| | | **1,387** | 1,492 |
| **Amounts recognised in other comprehensive income and equity** | | | |
| Defined benefit plans | | **28** | 29 |
| Other | | **3** | 5 |
| | | **31** | 34 |
| **Deferred tax assets before set-off** | | **1,418** | 1,526 |
| Set-off of deferred tax liabilities | 6.2.2 | **(793)** | (913) |
| | 6.2 | **625** | 613 |

**Movements**

| | NOTE | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|---|
| At 1 January | | **1,526** | 1,340 |
| Amounts recognised in profit or loss | 6.1 | **(112)** | 214 |
| Amounts recognised in other comprehensive income | | **(3)** | 1 |
| Foreign exchange | | **7** | (29) |
| At 31 December | | **1,418** | 1,526 |

# 6. TAX

## Critical accounting judgements and estimates

### Recoverability of deferred tax assets

QBE assesses the recoverability of deferred tax assets at each balance date. In making this assessment, QBE considers in particular each controlled entity's future business plans, history of generating taxable profits, whether the unused tax losses resulted from identifiable causes which are unlikely to recur and if any tax planning opportunities exist in the period in which the taxable losses can be utilised.

The recognised deferred tax asset relating to the North American tax group of $420 million (2022 $390 million) comprises $300 million (2022 $220 million) of carry forward tax losses and $120 million (2022 $170 million) of deductible temporary differences, net of applicable offsetting deferred tax liabilities, as a result of insurance technical reserves and the tax deductibility of goodwill and other intangibles.

Uncertainty continues to exist in relation to the utilisation of this asset, which is subject to there being continued future taxable profits over the period of time in which the losses can be utilised. QBE has made a judgement that the North American tax group will be able to generate sufficient taxable profits over the foreseeable future, based upon the Group's business plan and assumptions which are consistent with those used in the impairment testing of goodwill. Key assumptions include an expectation of future taxable profit driven by no material deterioration in the estimates of prior accident year insurance liabilities, a sustained return to underwriting profitability, benefits flowing from initiatives to reduce the cost base of the division and sustained investment yields. Losses expire over the next 19 years, with the majority expiring between 2032 and 2040. The uncertainty around the recognition of the deferred tax asset will be resolved in future years if taxable profits are generated. Recovery of the asset continues to be sensitive to changes in the combined operating ratio, premium growth and investment yield assumptions as these items are the key drivers of future taxable profits.

## 6.2.2 Deferred tax liabilities

| | NOTE | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|---|
| **Amounts recognised in profit or loss** | | | |
| Intangible assets | | **93** | 154 |
| Insurance provisions | | **951** | 757 |
| Financial assets – fair value movements | | **15** | 37 |
| Other provisions | | **6** | 23 |
| Other | | **86** | 82 |
| | | **1,151** | 1,053 |
| **Amounts recognised in other comprehensive income and equity** | | | |
| Defined benefit plans | | **8** | 9 |
| | | **8** | 9 |
| **Deferred tax liabilities before set-off** | | **1,159** | 1,062 |
| Set-off of deferred tax assets | 6.2.1 | **(793)** | (913) |
| | 6.2 | **366** | 149 |

**Movements**

| | NOTE | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|---|
| At 1 January | | **1,062** | 886 |
| Amounts recognised in profit or loss | 6.1 | **81** | 204 |
| Amounts recognised in other comprehensive income | | **(2)** | (9) |
| Foreign exchange | | **18** | (19) |
| At 31 December | | **1,159** | 1,062 |

## How we account for the numbers

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill or if they arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the controlled entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset in the consolidated financial statements when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

### 6.2.3 Tax losses

The Group has not brought to account $168 million (2022 $187 million) of tax losses, which includes some benefit arising from tax losses in overseas countries. $81 million (2022 $69 million) of tax losses not brought to account have an indefinite life and the remaining $87 million (2022 $118 million) expire in eight to 19 years. The benefits of unused tax losses will only be brought to account when it is probable that they will be realised.

This benefit of tax losses will only be obtained if:

- the Group derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- no changes in tax legislation adversely affect the Group in realising the benefit from the deductions for the losses.

### 6.2.4 Tax consolidation legislation

On adoption of the tax consolidation legislation, the Company and its wholly-owned Australian controlled entities entered into a tax sharing and tax funding agreement that requires the Australian entities to fully compensate the Company for current tax liabilities and to be fully compensated by the Company for any current tax or deferred tax assets in respect of tax losses arising from external transactions occurring after the date of implementation of the tax consolidation legislation. The contributions are allocated by reference to the notional taxable income of each Australian entity. The head entity is QBE Insurance Group Limited.

### 6.2.5 International tax reform – Pillar Two model rules

The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income tax legislation, in accordance with AASB 112 *Income Taxes* as amended by AASB 2023-2 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules.*

As at the balance date, Pillar Two legislation has been enacted or substantively enacted in several jurisdictions in which QBE operates and will be effective from 1 January 2024, with a number of other jurisdictions expected to enact this legislation in 2024 with possible retrospective application from 1 January 2024.

Under the Pillar Two model rules, the Group is expected to be liable to pay a top-up tax for the difference between the effective tax rate calculated in accordance with Pillar Two and a 15% minimum tax rate. The quantitative impact of Pillar Two legislation is not yet reasonably estimable, but the Group's exposure to Pillar Two income taxes is not expected to be material based on the Group's assessment to date. The Group's assessment is ongoing and actual impacts are subject to the finalisation of tax laws and guidance relating to the application of Pillar Two rules which continue to be developed and established.

# 7. GROUP STRUCTURE

## Overview

This section provides information to help users understand the Group structure, including the impact of changes in the financial year. This includes acquisitions and disposals of businesses, intangible assets acquired or developed and the results of impairment reviews.

## 7.1 Disposals

During 2023, the Group disposed of QBE (PNG) Limited and its wholly-owned operating subsidiary, QBE Insurance (PNG) Limited.

During 2022, the Group disposed of Westwood Insurance Agency in North America.

## 7.2 Intangible assets

### Overview

Intangible assets are assets with no physical substance. The most significant classes of intangible assets are detailed below:

#### Lloyd's syndicate capacity

The Lloyd's syndicate capacity intangible asset relates to the syndicate capacity acquired as part of the acquisition of QBE Underwriting Limited (formerly trading as Limit) in 2000 and costs incurred as a result of increasing capacity since that date. Syndicate capacity is the aggregate of the premium limits of each member of that syndicate at a point in time. An existing capital provider has the first right to participate on the next year of account, giving the indefinite right to participate on all future years of account. The Group has demonstrated a long-term commitment to developing its operations at Lloyd's. The value of this asset is in the access it gives to future underwriting profits at Lloyd's. For these reasons, Lloyd's syndicate capacity is deemed to have an indefinite useful life.

#### Customer relationships

Customer relationships comprise the capitalisation of future profits relating to insurance contracts acquired and the expected renewal of those contracts. It also includes the value of distribution networks and agency relationships. Customer relationships are amortised over remaining lives of up to eight years depending on the classes of business to which the assets relate.

#### Brand names

These assets reflect the revenue-generating ability of acquired brands. In some circumstances, brand names are considered to have an indefinite useful life due to the long-term nature of the asset.

#### Insurance licences

These assets give the Group the right to operate in certain geographic locations and to write certain classes of business with a potential to generate additional revenue. In some cases, these are considered to have an indefinite useful life due to their long-term nature; however, where there is a finite useful life, assets are amortised over the remaining period, up to 13 years.

#### Software

This includes both acquired and internally developed software which is not integral or closely related to an item of hardware such as an underwriting system. Capitalised software is amortised over periods of up to 10 years, reflecting the period during which the Group is expected to benefit from the use of the software.

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets acquired. Goodwill has an indefinite useful life and therefore is not subject to amortisation but is tested for impairment annually, or more often if there is an indication of impairment.

| 2023 | IDENTIFIABLE INTANGIBLES | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | LLOYD'S SYNDICATE CAPACITY US$M | CUSTOMER RELATION-SHIPS US$M | BRAND NAMES US$M | INSURANCE LICENCES US$M | SOFTWARE US$M | OTHER US$M | GOODWILL US$M | TOTAL US$M |
| **Cost** | | | | | | | | |
| At 1 January | **76** | **390** | **25** | **132** | **463** | **10** | **1,578** | **2,674** |
| Additions | **–** | **–** | **–** | **–** | **145** | **–** | **–** | **145** |
| Disposals/reclassifications[1] | **–** | **–** | **–** | **–** | **(44)** | **–** | **–** | **(44)** |
| Foreign exchange | **5** | **–** | **–** | **1** | **3** | **–** | **18** | **27** |
| At 31 December | **81** | **390** | **25** | **133** | **567** | **10** | **1,596** | **2,802** |
| **Amortisation** | | | | | | | | |
| At 1 January | **–** | **(377)** | **(21)** | **(74)** | **(174)** | **(10)** | **–** | **(656)** |
| Amortisation[2] | **–** | **(9)** | **–** | **(2)** | **(65)** | **–** | **–** | **(76)** |
| Disposals/reclassifications[1] | **–** | **–** | **–** | **–** | **41** | **–** | **–** | **41** |
| Foreign exchange | **–** | **–** | **–** | **–** | **1** | **–** | **–** | **1** |
| At 31 December | **–** | **(386)** | **(21)** | **(76)** | **(197)** | **(10)** | **–** | **(690)** |
| **Carrying amount** | | | | | | | | |
| At 31 December | **81** | **4** | **4** | **57** | **370** | **–** | **1,596** | **2,112** |

1 Includes de-recognition of $38 million of fully amortised intangible assets no longer in use.
2 Amortisation of $65 million is included in insurance service expenses as it relates to intangible assets integral to the Group's underwriting activities.

| 2022 | IDENTIFIABLE INTANGIBLES | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | LLOYD'S SYNDICATE CAPACITY US$M | CUSTOMER RELATION-SHIPS US$M | BRAND NAMES US$M | INSURANCE LICENCES US$M | SOFTWARE US$M | OTHER US$M | GOODWILL US$M | TOTAL US$M |
| **Cost** | | | | | | | | |
| At 1 January | 86 | 454 | 26 | 139 | 492 | 19 | 2,016 | 3,232 |
| Additions | – | – | – | – | 132 | – | – | 132 |
| Impairment | – | – | – | – | (11) | – | – | (11) |
| Disposals | – | (57) | – | – | (119) | (9) | (328) | (513) |
| Foreign exchange | (10) | (7) | (1) | (7) | (31) | – | (110) | (166) |
| At 31 December | 76 | 390 | 25 | 132 | 463 | 10 | 1,578 | 2,674 |
| **Amortisation** | | | | | | | | |
| At 1 January | – | (426) | (22) | (77) | (239) | (19) | – | (783) |
| Amortisation[1] | – | (13) | – | (2) | (64) | – | – | (79) |
| Disposals | – | 56 | – | – | 119 | 9 | – | 184 |
| Foreign exchange | – | 6 | 1 | 5 | 10 | – | – | 22 |
| At 31 December | – | (377) | (21) | (74) | (174) | (10) | – | (656) |
| **Carrying amount** | | | | | | | | |
| At 31 December | 76 | 13 | 4 | 58 | 289 | – | 1,578 | 2,018 |

1 Amortisation of $63 million is included in insurance service expenses as it relates to intangible assets integral to the Group's underwriting activities.

## How we account for the numbers

Intangible assets are measured at cost less accumulated amortisation and impairment. Those with a finite useful life are amortised over their estimated useful life in accordance with the pattern of expected consumption of economic benefits, with amortisation expense reported in insurance service expenses or in amortisation and impairment of intangibles depending on the use of the asset. Intangible assets with an indefinite useful life are not subject to amortisation but are tested for impairment annually or more frequently if there are indicators of impairment. Intangible assets with a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

## 7. GROUP STRUCTURE

### 7.2.1 Impairment testing of intangible assets

#### Overview

An intangible asset's recoverable value is the greater of its value in use and its fair value less cost to sell.

For intangible assets with a finite life, if there are indicators that the intangible asset's recoverable value has fallen below its carrying value (e.g. due to changing market conditions), an impairment test is performed and a loss is recognised for the amount by which the carrying value exceeds the asset's recoverable value.

Intangible assets that have an indefinite useful life, such as goodwill, are tested annually for impairment or more frequently where there is an indication that the carrying amount may not be recoverable.

Goodwill is allocated to cash-generating units, or groups of cash-generating units, expected to benefit from synergies arising from the acquisition giving rise to the goodwill. Cash-generating units or groups of cash-generating units reflect the level at which goodwill is monitored for impairment by QBE. As the Group acquires or disposes of operations or reorganises the way that operations are managed, reporting structures may change, giving rise to a reassessment of cash-generating units and the allocation of goodwill to those cash-generating units.

The goodwill relating to certain acquisitions is denominated in currencies other than the US dollar and so is subject to foreign exchange movements.

Goodwill is analysed by groups of cash-generating units as follows:

| | 2023 US$M | 2022 US$M |
|---|---|---|
| North America | **30** | 30 |
| International | **501** | 490 |
| Australia Pacific | **1,065** | 1,058 |
| | **1,596** | 1,578 |

#### Impairment losses

No intangible assets were impaired during 2023. During 2022, software assets of $11 million were impaired.

## How we account for the numbers

### Impairment testing of identifiable intangible assets

The recoverable amount of each intangible asset with an indefinite useful life has been determined by reference to a value in use calculation based on the following key assumptions and estimates:

- Cash flow forecasts relevant to the initial valuation of the identifiable intangible asset are reviewed and updated (if appropriate). Cash flow forecasts are based on a combination of actual performance to date and expectations of future performance based on prevailing and anticipated market factors.
- Discount rates include a beta and a market risk premium determined with reference to observable market information, and a specific risk premium appropriate to reflect the nature of the risk associated with the intangible asset or the cash-generating unit to which the asset is allocated.

### Impairment testing of goodwill

The recoverable amount of each cash-generating unit or group of cash-generating units has been determined by reference to a value in use calculation based on the following key assumptions and estimates:

- Cash flow forecasts reflect combined operating ratio and investment return assumptions that build from the latest three-year business plan. These forecasts cover a period of five years, with the final two years determined with reference to the terminal growth rates discussed below. The cash flow forecasts are based on a combination of historical performance and expectations of future performance based on prevailing and anticipated market factors and the benefit of committed cost saving measures.
- Terminal value is calculated using a perpetuity growth formula from the end of the cash flow forecast period. Growth rates reflect the long-term average growth rates of the countries relevant to the cash-generating unit or group of cash-generating units and are based on observable market information. The terminal growth rates used in impairment testing are: North America 2.3% (2022 2.3%), Australia Pacific 2.5% (2022 2.5%) and International 2.0% (2022 2.0%).
- Discount rates reflect a beta and a market risk premium determined with reference to observable market information, and a specific risk premium appropriate to reflect the nature of the business of each cash-generating unit or group of cash-generating units. The pre-tax discount rates used were: North America 12.9% (2022 12.7%), Australia Pacific 14.5% (2022 14.0%) and International 12.2% (2022 10.8%). The post-tax discount rates used were: North America 9.9% (2022 9.9%), Australia Pacific 10.1% (2022 9.9%) and International 9.0% (2022 8.6%).

## Critical accounting judgements and estimates

The Group's business plan, which is the basis for cash flow forecasts used to determine the recoverable amount of goodwill, considers the potential impact of climate change through the catastrophe allowance which reflects the anticipated rise in trends in the frequency and cost of weather-related events, as well as other assumptions, including relating to premium rate, which reflect QBE's underwriting strategy and planned management actions in response to these risks.

The disposal of Westwood Insurance Agency in 2022 (note 7.1) included an allocation of $328 million of goodwill relating to the North American cash-generating unit.

# 7. GROUP STRUCTURE

## 7.3 Controlled entities

### Overview

This section lists the Group's controlled entities. The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company at 31 December 2023 and the results for the financial year then ended, or for the period during which control existed if the entity was acquired or disposed of during the financial year.

### 7.3.1 Controlled entities

| | COUNTRY OF INCORPORATION/ FORMATION | EQUITY HOLDING 2023 % | EQUITY HOLDING 2022 % |
|---|---|---|---|
| **Ultimate parent entity** | | | |
| QBE Insurance Group Limited | Australia | | |
| **Controlled entities** | | | |
| Austral Mercantile Collections Pty Limited | Australia | **100.00** | 100.00 |
| Australian Aviation Underwriting Pool Pty Limited | Australia | **100.00** | 100.00 |
| Burnett & Company, Inc. | United States | **100.00** | 100.00 |
| Champlain Insurance PCC, Inc. (incorporated 26 April 2023) | United States | **100.00** | – |
| Cumberland Insurance PCC, Inc. (incorporated 9 May 2023) | United States | **100.00** | – |
| Elders Insurance (Underwriting Agency) Pty Limited | Australia | **80.00** | 80.00 |
| Equator Reinsurances Limited | Bermuda | **100.00** | 100.00 |
| General Casualty Company of Wisconsin | United States | **100.00** | 100.00 |
| General Casualty Insurance Company | United States | **100.00** | 100.00 |
| Greenhill BAIA Underwriting GmbH | Germany | **100.00** | 100.00 |
| Greenhill International Insurance Holdings Limited | United Kingdom | **100.00** | 100.00 |
| Greenhill Sturge Underwriting Limited | United Kingdom | **100.00** | 100.00 |
| Greenhill Underwriting Espana Limited | United Kingdom | **100.00** | 100.00 |
| Lifeco s.r.o. | Czech Republic | **100.00** | 100.00 |
| NAU Country Insurance Company | United States | **100.00** | 100.00 |
| North Pointe Insurance Company | United States | **100.00** | 100.00 |
| Praetorian Insurance Company | United States | **100.00** | 100.00 |
| QBE (PNG) Limited (sold effective 31 October 2023)[1] | PNG | **–** | 100.00 |
| QBE Administration Services, Inc. | United States | **100.00** | 100.00 |
| QBE Americas, Inc. | United States | **100.00** | 100.00 |
| QBE Asia Pacific Holdings Limited | Hong Kong | **100.00** | 100.00 |
| QBE Asia Services Sdn. Bhd | Malaysia | **100.00** | 100.00 |
| QBE Blue Ocean Re Limited | Bermuda | **100.00** | 100.00 |
| QBE Corporate Limited | United Kingdom | **100.00** | 100.00 |
| QBE Emerging Markets Holdings Pty Limited | Australia | **100.00** | 100.00 |
| QBE Employee Share Trust[2] | Australia | **–** | – |
| QBE Europe SA/NV | Belgium | **100.00** | 100.00 |
| QBE European Operations plc | United Kingdom | **100.00** | 100.00 |
| QBE European Services Limited | United Kingdom | **100.00** | 100.00 |
| QBE European Underwriting Services (Australia) Pty Limited (deregistered 23 August 2023) | Australia | **–** | 100.00 |
| QBE Finance Holdings (EO) Limited | United Kingdom | **100.00** | 100.00 |
| QBE FIRST Enterprises, LLC | United States | **100.00** | 100.00 |
| QBE FIRST Property Tax Solutions, LLC | United States | **100.00** | 100.00 |
| QBE General Insurance (Hong Kong) Limited | Hong Kong | **100.00** | 100.00 |
| QBE Group Services Pty Ltd | Australia | **100.00** | 100.00 |
| QBE Group Shared Services Limited | United Kingdom | **100.00** | 100.00 |
| QBE Holdings (AAP) Pty Limited | Australia | **100.00** | 100.00 |
| QBE Holdings (EO) Limited | United Kingdom | **100.00** | 100.00 |
| QBE Holdings, Inc. | United States | **100.00** | 100.00 |
| QBE Hongkong & Shanghai Insurance Limited | Hong Kong | **100.00** | 100.00 |

| | COUNTRY OF INCORPORATION/ FORMATION | EQUITY HOLDING 2023 % | 2022 % |
|---|---|---|---|
| QBE Insurance (Australia) Limited | Australia | **100.00** | 100.00 |
| QBE Insurance (Fiji) Limited | Fiji | **100.00** | 100.00 |
| QBE Insurance (International) Pty Limited | Australia | **100.00** | 100.00 |
| QBE Insurance (Malaysia) Berhad | Malaysia | **100.00** | 100.00 |
| QBE Insurance (PNG) Limited (sold effective 31 October 2023)[1] | PNG | **–** | 100.00 |
| QBE Insurance (Singapore) Pte Ltd | Singapore | **100.00** | 100.00 |
| QBE Insurance (Vanuatu) Limited | Vanuatu | **100.00** | 100.00 |
| QBE Insurance (Vietnam) Company Limited | Vietnam | **100.00** | 100.00 |
| QBE Insurance Corporation | United States | **100.00** | 100.00 |
| QBE Insurance Holdings Pty Limited | Australia | **100.00** | 100.00 |
| QBE International Markets Pte Ltd (dissolved 8 May 2023) | Singapore | **–** | 100.00 |
| QBE Investments (Australia) Pty Limited | Australia | **100.00** | 100.00 |
| QBE Investments (North America), Inc. | United States | **100.00** | 100.00 |
| QBE Irish Share Incentive Plan[2] | Ireland | **–** | – |
| QBE Latin America Insurance Holdings Pty Ltd | Australia | **100.00** | 100.00 |
| QBE Lenders' Mortgage Insurance Limited | Australia | **100.00** | 100.00 |
| QBE Management (Ireland) Limited | Ireland | **100.00** | 100.00 |
| QBE Management, Inc. | United States | **100.00** | 100.00 |
| QBE Management Services (Philippines) Pty Limited | Australia | **100.00** | 100.00 |
| QBE Management Services (UK) Limited | United Kingdom | **100.00** | 100.00 |
| QBE Management Services Pty Limited | Australia | **100.00** | 100.00 |
| QBE Mortgage Insurance (Asia) Limited | Hong Kong | **100.00** | 100.00 |
| QBE Partner Services (Europe) LLP | United Kingdom | **100.00** | 100.00 |
| QBE Regional Companies (N.A.), Inc. | United States | **100.00** | 100.00 |
| QBE Reinsurance Corporation | United States | **100.00** | 100.00 |
| QBE Reinsurance Services (Bermuda) Limited | Bermuda | **100.00** | 100.00 |
| QBE Services Inc | Canada | **100.00** | 100.00 |
| QBE Specialty Insurance Company | United States | **100.00** | 100.00 |
| QBE s.r.o. | Czech Republic | **100.00** | 100.00 |
| QBE Stonington Insurance Holdings Inc | United States | **100.00** | 100.00 |
| QBE Strategic Capital (Europe) Limited | United Kingdom | **100.00** | 100.00 |
| QBE Strategic Capital (International) Limited | United Kingdom | **100.00** | 100.00 |
| QBE Strategic Capital Company Pty Limited | Australia | **100.00** | 100.00 |
| QBE UK Finance IV Limited | United Kingdom | **100.00** | 100.00 |
| QBE UK Limited | United Kingdom | **100.00** | 100.00 |
| QBE UK Share Incentive Plan[2] | United Kingdom | **–** | – |
| QBE Underwriting Limited | United Kingdom | **100.00** | 100.00 |
| QBE Underwriting Services (Ireland) Limited (dissolved 11 April 2023) | Ireland | **–** | 100.00 |
| QBE Underwriting Services (UK) Limited | United Kingdom | **100.00** | 100.00 |
| QBE Ventures Pty Limited | Australia | **100.00** | 100.00 |
| QBE Workers Compensation (NSW) Limited (dormant) | Australia | **100.00** | 100.00 |
| QBE Workers Compensation (VIC) Pty Limited (dormant) | Australia | **100.00** | 100.00 |
| Queensland Insurance (Investments) Pte Limited (in liquidation) | Fiji | **100.00** | 100.00 |
| Regent Insurance Company | United States | **100.00** | 100.00 |
| Southern National Risk Management Corporation | United States | **100.00** | 100.00 |
| Southern Pilot Insurance Company | United States | **100.00** | 100.00 |
| Standfast Corporate Underwriters Limited | United Kingdom | **100.00** | 100.00 |
| Stonington Insurance Company | United States | **100.00** | 100.00 |
| Trade Credit Collections Pty Limited | Australia | **100.00** | 100.00 |
| Trade Credit Underwriting Agency NZ Limited | New Zealand | **100.00** | 100.00 |
| Trade Credit Underwriting Agency Pty Limited | Australia | **100.00** | 100.00 |

1 Disclosures relating to the disposal of these controlled entities are included in note 7.1.

2 QBE Employee Share Trust, QBE Irish Share Incentive Plan and QBE UK Share Incentive Plan have been included in the consolidated financial statements as these entities are special purpose entities that exist for the benefit of the Group.

All equity in controlled entities is held in the form of shares or through contractual arrangements.

## 7. GROUP STRUCTURE

### How we account for the numbers

#### Controlled entities

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over it. All transactions between and with controlled entities are eliminated in full. Non-controlling interests in the results and equity of controlled entities are shown separately in the consolidated statement of comprehensive income, balance sheet and statement of changes in equity.

Where control of an entity commences during a financial year, its results are included in the consolidated statement of comprehensive income from the date on which control is obtained. Where control of an entity ceases during a financial year, its results are included for that part of the year during which the control existed.

A change in ownership of a controlled entity without the gain or loss of control is accounted for as an equity transaction.

# 8. OTHER

## Overview

This section includes other information that must be disclosed to comply with the Australian Accounting Standards or the *Corporations Act 2001.*

## 8.1 Other accounting policies

### 8.1.1 New accounting standards and amendments adopted by the Group

The Group adopted the following new or amended accounting standards from 1 January 2023:

| TITLE | |
|---|---|
| AASB 17 | *Insurance Contracts* |
| AASB 2020-1 | *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* |
| AASB 2021-2 | *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* |
| AASB 2021-5 | *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| AASB 2022-6 | *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants* |
| AASB 2023-2 | *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules* |

With the exception of AASB 17, the impacts of which are detailed below, the adoption of these new and amended standards did not significantly impact the Group's financial statements.

#### AASB 17 *Insurance Contracts*

AASB 17 establishes new accounting requirements for insurance contracts. The new standard was adopted in accordance with its transitional provisions which require retrospective application and restatement of comparative information as if AASB 17 had always been in effect, except to the extent that it is impracticable to do so, in which case permitted modifications have been applied ('modified retrospective approach'). The adoption of AASB 17 has resulted in an increase in net assets as at 1 January 2022 of $46 million. This amount, being the cumulative retrospective effect of adoption, was recognised as an adjustment to the opening balance of retained earnings as shown in the statement of changes in equity. The opening net asset impact mainly reflects increases from the application of the AASB 17 risk adjustment ($130 million) and higher discount rates due to the inclusion of the illiquidity premium ($168 million), partly offset by decreases driven by onerous contracts ($39 million), the impact of changes in the pattern of revenue recognition for certain classes of business (largely resulting from the application of the general model) ($174 million), tax impacts ($36 million) and other smaller items.

The following permitted modifications under the modified retrospective approach have been applied to present and measure certain groups of insurance and reinsurance contracts on transition to AASB 17:

- certain contracts acquired in the past (e.g. as part of a business combination) that, at the time of acquisition, were considered past expiry and were in their claims settlement period. For these contracts, the related liabilities were classified as liabilities for incurred claims, on the basis that it was impracticable to treat these liabilities as related to unexpired coverage;
- determination of the contractual service margin, being the unearned profit for contracts measured under the general model, for which sufficient data on historical assumptions was not available for the estimation of future cash flows and risk adjustment at initial recognition as well as the amount of contractual service margin earned to profit or loss up to the transition date, which are key inputs. To the extent that this information was not available without the use of hindsight, permitted modifications in AASB 17 have been applied to estimate these amounts based on transition date expectations about changes that occurred between initial recognition and the transition date; and
- identification of groups of onerous contracts relating to past underwriting years. These have been assessed based on information available at the transition date to the extent that reasonable and supportable information about facts and circumstances prior to that date was not available without the use of hindsight.

# 8. OTHER

## 8.1.2 New accounting standards and amendments issued but not yet effective

| TITLE | | OPERATIVE DATE |
|---|---|---|
| AASB 2022-5 | *Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback* | 1 January 2024 |
| AASB 2014-10 | *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | 1 January 2025 |

The Australian Accounting Standards and amendments detailed in the table above are not mandatory for the Group until the operative dates stated; however, early adoption is often permitted.

The Group currently plans to adopt the standards and amendments detailed above in the reporting periods beginning on their respective operative dates. An assessment of the financial impact of the standards and amendments has been undertaken and they are not expected to have a material impact on the Group's financial statements.

## 8.2 Contingent liabilities

### Overview

Contingent liabilities are disclosed when the possibility of a future settlement of economic benefits is considered to be less than probable but more likely than remote. If the expected settlement of the liability becomes probable, a provision is recognised.

QBE is required to support the underwriting activities of the Group's controlled entities including corporate members at Lloyd's. Funds at Lloyd's are those funds of the Group which are subject to the terms of the Lloyd's Deposit Trust Deed and are required to support underwriting for the following year and the open years of account, determined by a formula prescribed by Lloyd's each year. At the balance date, letters of credit and similar forms of support of $2,361 million (2022 $2,330 million) were in place in respect of the Group's participation in Lloyd's, along with cash and investments of $110 million (2022 $89 million). In addition, a controlled entity has entered into various trust and security deeds with Lloyd's in respect of assets lodged to support its underwriting activities. These deeds contain covenants that require the entity to meet financial obligations should they arise in relation to cash calls from syndicate participations. A cash call would be made first on the assets held in syndicate trust funds and would only call on funds at Lloyd's after syndicate resources were exhausted. Only if the level of these trust funds was not sufficient would a cash call result in a draw down on the letters of credit and other assets lodged with Lloyd's.

In the normal course of business, the Group is also exposed to contingent liabilities in relation to claims litigation and regulatory examinations arising out of its insurance and reinsurance activities. The Group may also be exposed to the possibility of contingent liabilities in relation to insurance and non-insurance litigation including but not limited to regulatory test cases and class actions, taxation and compliance matters, which may result in legal or regulatory penalties and financial or non-financial losses and other impacts. QBE is currently defending a representative class action in Australia relating to policyholders with business interruption policies.

Entities in the Group may also provide guarantees to support representations in commercial transactions.

## 8.3 Offsetting financial assets and liabilities

At 31 December 2022, the Group had a $228 million receivable and payable with a single counterparty which were fully offset in the balance sheet in accordance with Australian Accounting Standards, on the basis that the Group intended to settle these on a net basis and had a legally enforceable right to do so.

The receivable and payable are nil at the balance date as they were net settled during the current year.

## 8.4 Reconciliation of profit after income tax to net cash flows from operating activities

### Overview

AASB 1054 *Australian Additional Disclosures* requires a reconciliation of profit or loss after income tax to net cash flows from operating activities.

| | 2023 US$M | RESTATED 2022 US$M |
|---|---|---|
| Profit after income tax | **1,364** | 595 |
| Adjustments for: | | |
| Depreciation and impairment of property, plant and equipment | **59** | 31 |
| Amortisation of right-of-use lease assets | **58** | 61 |
| Amortisation/impairment of intangibles | **76** | 90 |
| Gain on sale of entities and businesses | **(2)** | (38) |
| Share of net loss of associates | **2** | 7 |
| Net foreign exchange losses (gains) | **9** | (20) |
| Fair value (gains) losses on financial assets | **(631)** | 1,295 |
| Equity-settled share-based payments expense | **42** | 39 |
| Balance sheet movements: | | |
| Decrease in other receivables | **8** | 18 |
| (Increase) decrease in net operating assets | **(40)** | 109 |
| Decrease in other payables | **(47)** | (10) |
| Increase in insurance contract liabilities | **1,087** | 620 |
| (Increase) decrease in reinsurance contract assets | **(818)** | 29 |
| Increase in net defined benefit obligation | **1** | – |
| Decrease in net tax assets | **335** | 7 |
| Net cash flows from operating activities | **1,503** | 2,833 |

1 Overview
2 Operating and financial review
3 Governance
4 Directors' Report
5 Financial Report
6 Additional information

## 8. OTHER

## 8.5 Share-based payments

### Overview

Share-based payments are equity-based compensation schemes provided to employees and executives. The Company issues shares from time to time under an Employee Share and Option Plan (the Plan). Any full-time or part-time employee of the Group or any equally-owned joint venture who is offered shares or options is eligible to participate in the Plan.

### 8.5.1 Share schemes

A summary of deferred equity award plans is set out below:

#### Current deferred equity plans

| PLAN | AVAILABLE TO | NATURE OF AWARD | CONDITIONS |
|---|---|---|---|
| **Annual Performance Incentive (API) (2022–2023)** | Executives and other key senior employees | • 60%–67% delivered in cash (50% in the case of the Group CEO).<br>• 33%–40% deferred as conditional rights to fully paid ordinary shares of the Company (50% in the case of the Group CEO). | The conditional rights are deferred in equal tranches over two, three or four years, dependent on the vesting period of the award.<br>API outcomes are subject to the achievement of:<br>• performance outcomes measured through a business scorecard containing key financial measures alongside strategically important non-financial measures; and<br>• individual performance objectives measured both on what has been achieved and how it was achieved during the year. |
| **Long-term Incentive (LTI) (2019–2023)** | Executives and other key senior employees | • Conditional rights to fully paid ordinary shares of the Company. | The conditional rights vest in three tranches on achievement of the performance measures at the end of a three-year period as follows:<br>• 33% at the end of the three-year performance period;<br>• 33% on the first anniversary of the end of the performance period; and<br>• 34% on the second anniversary of the end of the performance period.<br>Vesting is subject to performance conditions as follows:<br>• For 2022–2023 awards, 70% of conditional rights are subject to the achievement against the Group cash ROE performance target based on a three-year arithmetic average; and 30% of conditional rights are based on the Group's relative total shareholder return, compared against a global insurance peer group, over a three-year performance period.<br>• For 2019–2021 awards, 50% of conditional rights are subject to the achievement against the Group cash ROE performance target based on the average of three individual annual performance ranges set over three individual years (for 2021 awards), or a three-year arithmetic average (for 2019 and 2020 awards); and 50% of conditional rights are based on the Group's relative total shareholder return, compared against two independent peer groups, over a three-year performance period. |
| **QShare (2023)** | Permanent employees in approved countries | • Conditional rights to fully paid ordinary shares of the Company which match the number of shares purchased by participants under the plan. | The conditional rights vest at the end of three years, subject to the following conditions:<br>• participants must remain in the Group's service throughout the three-year period except in cases where good leaver provisions apply. Under good leaver provisions (e.g. retirement, redundancy, ill health, injury or mutually agreed separation and death), all awarded conditional rights may vest and be converted into ordinary shares of the Company; and<br>• participants must retain the underlying purchased shares throughout the three-year service period in order for the awards to vest.<br>The conditional rights do not provide participants with entitlement to dividends (including notional dividends). |

### Legacy deferred equity plans

| PLAN | AVAILABLE TO: | NATURE OF AWARD | VESTING CONDITIONS |
|---|---|---|---|
| **Executive Incentive Plan (EIP) (2017–2021)** | Executives (before 1 Jan 2019) and other key senior employees | • 40%–50% delivered in cash.<br>• 50%–60% deferred as conditional rights[1] to fully paid ordinary shares of the Company. | The conditional rights are deferred in four equal tranches, such that 25% vests on each of the first, second, third and fourth anniversaries of the award.<br>EIP outcomes were subject to the achievement of:<br>• a blend of divisional combined operating ratios (COR) for 2021, or Group COR for 2017–2020, and Group cash ROE targets;<br>• divisional COR targets in the case of divisional employees; and<br>• individual performance objectives reflecting QBE's strategic priorities. |
| **Short-term Incentive (STI) (2014–2021)** | Executives and other key senior employees | • 67% delivered in cash (50% in the case of the Group CEO).<br>• 33% deferred as conditional rights to fully paid ordinary shares of the Company (50% in the case of the Group CEO). | The conditional rights are deferred in two equal tranches, such that 50% vests on the first anniversary of the award and 50% vests on the second anniversary of the award.<br>STI outcomes were subject to the achievement of:<br>• a blend of divisional CORs for 2021, or Group COR for 2017–2020, and Group cash ROE targets;<br>• divisional COR targets[2] in the case of divisional employees; and<br>• individual performance objectives reflecting QBE's strategic priorities. |

1 For participants outside Australia, the deferred component was generally delivered in equal shares of conditional rights and cash.
2 Divisional return on allocated capital targets until 31 December 2016.

Additionally, for the API, LTI, EIP and STI deferred equity plans:

- plan rules provide suitable discretion for the People & Remuneration Committee to adjust any formulaic outcome to ensure that awards made appropriately reflect performance;
- during the period from the grant date to the vesting date, further conditional rights are issued under the BSP to reflect dividends paid on ordinary shares of the Company. These conditional rights are subject to the same vesting conditions as the original grant of conditional rights;
- recipients must remain in the Group's service throughout the service period in order for the awards to vest, except in cases where good leaver provisions apply. Vesting is also subject to malus, with clawback provisions applicable to allocations since 2021 under the plans;
- under good leaver provisions, conditional rights remain subject to the performance and vesting conditions; and
- once vested, conditional rights can be exercised for no consideration.

## 8.5.2 Conditional rights

Details of the number of employee entitlements to conditional rights to ordinary shares granted, vested and transferred to employees during the year are as follows:

| | 2023 NUMBER OF RIGHTS | 2022 NUMBER OF RIGHTS |
|---|---|---|
| At 1 January | **12,660,558** | 10,983,929 |
| Granted | **6,477,583** | 6,938,596 |
| Dividends attaching | **593,365** | 306,532 |
| Vested and transferred to employees | **(3,610,031)** | (3,741,501) |
| Forfeited | **(717,019)** | (1,826,998) |
| At 31 December | **15,404,456** | 12,660,558 |
| Weighted average share price at date of vesting of conditional rights during the year | **A$15.14** | A$11.43 |
| Weighted average fair value of conditional rights granted during the year | **A$14.24** | A$11.20 |

# 8. OTHER

## 8.5.3 Fair value of conditional rights

The fair value of conditional rights granted during the year was determined using the following significant assumptions:

| | | 2023 | 2022 |
|---|---|---|---|
| Five-day volume weighted average price of instrument at grant date | A$ | **12.57–15.26** | 11.42–12.61 |
| Expected volatility | % | **27–29** | 28–29 |
| Risk-free rate | % | **3.04–3.83** | 1.49–3.12 |
| Dividend yield[1] | % | **5.41–6.21** | – |
| Expected life of instrument | Years | **0.1–5.0** | 0.1–5.0 |

1 Applies to QShare where participants are not entitled to dividends on conditional rights during the vesting period.

The fair value is determined using appropriate models including Monte Carlo simulations and the Black-Scholes model, depending on the vesting conditions. Some of the assumptions used may be based on historical data which is not necessarily indicative of future trends. Reasonable changes in these assumptions would not have a material impact on the Group's financial statements.

## 8.5.4 Employee options

Options were issued to employees in 2004 in lieu of shares under the Plan with an exercise price of A$11.08. The options vested immediately and are exercisable until March 2024. The market value of all shares underlying the options at the balance date was nil (2022 A$0.2 million). During 2023, 14,250 options (2022 nil) were cancelled or forfeited and 2,250 options (2022 nil) were exercised. At 31 December 2023, 500 options remained, excluding notional dividends (2022 17,000).

## 8.5.5 Share-based payment expense

This expense, which includes amounts in relation to cash-settled share-based payment awards, was $47,712 thousand (2022 $44,344 thousand). These amounts are included in insurance service expenses.

## 8.5.6 Shares purchased on-market

The Group may purchase shares on-market to satisfy entitlements under employee share schemes. The Group acquired 0.3 million (2022 0.1 million) such shares during the period at an average price of A$14.97 (2022 A$11.78).

### How we account for the numbers

The fair value of the employee services received in exchange for the grant of equity-settled instruments is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the instruments granted, excluding the impact of any non-market vesting conditions. The impacts of non-market vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable.

The fair value of each instrument is recognised evenly over the service period ending at the vesting date; however, at each balance date, the Group revises its estimates of the number of instruments that are expected to become exercisable due to the achievement of non-market vesting conditions. The Group recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity.

## 8.6 Key management personnel

### Overview

AASB 124 *Related Party Disclosures* requires disclosure of the compensation of directors (executive and non-executive) and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. This group is collectively defined as key management personnel. Additional details in respect of key management personnel and their remuneration are shown in the Remuneration Report.

| | 2023 US$000 | 2022 US$000 |
|---|---|---|
| Short-term employee benefits | **12,201** | 13,446 |
| Post-employment benefits | **200** | 192 |
| Other long-term employment benefits | **6** | 101 |
| Share-based payments | **7,244** | 7,088 |
| | **19,651** | 20,827 |

### How we account for the numbers

#### Short-term employee benefits – profit sharing and bonus plans

A provision is recognised for profit sharing and bonus plans where there is a contractual obligation or where past practice has created a constructive obligation at the end of each reporting period. Bonus or profit sharing obligations are settled within 12 months from the balance date.

#### Post-employment benefits – defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays a fixed contribution into a fund during the course of employment and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Contributions to defined contribution plans are expensed as incurred.

#### Other long-term employee employment benefits

The liabilities for long service leave and annual leave are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using high quality corporate bond yields with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

#### Share-based payments

Further information in relation to remuneration under equity-based compensation schemes is provided in note 8.5.

#### Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. When applicable, the Group recognises termination benefits at the earlier of the date when the Group:

- can no longer withdraw the offer of those benefits; and
- recognises costs for a restructuring that is within the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

## 8. OTHER

### 8.7 Defined benefit plans

#### Overview

Defined benefit plans are post-employment plans which provide benefits to employees on retirement, disability or death. The benefits are based on years of service and an average salary calculation. Contributions are made to cover the current cash outflows from the plans and a liability is recorded to recognise the estimated accrued but not yet funded obligations.

| | | FAIR VALUE OF PLAN ASSETS | | PRESENT VALUE OF PLAN OBLIGATIONS | | NET RECOGNISED SURPLUSES (DEFICITS) | |
|---|---|---|---|---|---|---|---|
| | DATE OF LAST ACTUARIAL ASSESSMENT | 2023 US$M | 2022 US$M | 2023 US$M | 2022 US$M | 2023 US$M | 2022 US$M |
| **Defined benefit plan surpluses** | | | | | | | |
| Iron Trades Insurance staff trust | 31 Dec 2023 | **211** | 205 | **(177)** | (164) | **34** | 41 |
| Janson Green final salary superannuation scheme[1] | 31 Dec 2023 | **120** | 117 | **(115)** | (112) | **5** | 5 |
| | | **331** | 322 | **(292)** | (276) | **39** | 46 |
| **Defined benefit plan deficits** | | | | | | | |
| QBE the Americas plan[1] | 31 Dec 2023 | **153** | 154 | **(164)** | (167) | **(11)** | (13) |
| Other plans[2] | 31 Dec 2023 | **24** | 23 | **(36)** | (36) | **(12)** | (13) |
| | | **177** | 177 | **(200)** | (203) | **(23)** | (26) |

1 Defined benefit plan obligations are funded.
2 Other plans include $8 million (2022 $9 million) of defined benefit post-employment plan obligations that are not funded.

The measurement of assets and liabilities in defined benefit plans makes it necessary to use assumptions about discount rates, expected future salary increases, investment returns, inflation and life expectancy. If actual outcomes differ materially from actuarial assumptions, this could result in a significant change in employee benefit expense recognised in profit or loss or in actuarial remeasurements recognised in other comprehensive income, together with the defined benefit assets and liabilities recognised in the balance sheet.

The Group does not control the investment strategies of defined benefit plan assets, most of which are managed by trustees. Nonetheless, the Group has agreed, as part of ongoing funding arrangements, that the trustees should manage their strategic asset allocation in order to minimise the risk of material adverse impact. In particular, the Group has agreed with the trustees to reduce the level of investment risk by investing in assets that match, where possible, the profile of the liabilities. This involves holding a mixture of government and corporate bonds. The Group believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is also appropriate.

The charge recognised in profit or loss in the year of $1 million (2022 $2 million) is included in insurance service expenses. Total employer contributions expected to be paid to the various plans in 2024 amount to $2 million.

#### How we account for the numbers

The surplus or deficit recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate or government bonds that are denominated in the currency in which the benefits will be paid, and that have a term to maturity approximating the term of the related superannuation liability. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, and are recognised in other comprehensive income. Past service costs are recognised immediately in profit or loss.

## 8.8 Remuneration of auditors

### Overview

QBE may engage the external auditor for non-audit services (which include assurance and non-assurance services) other than excluded services. This is subject to the general principle that the fees for non-assurance services should not exceed 50% of all fees paid to the external auditor in any one financial year. The Board believes some non-audit services are appropriate given the external auditor's knowledge of the Group. External tax services are generally provided by an accounting firm other than the external auditor. Consistent with prior periods, the external auditor cannot provide excluded services which include preparing accounting records or financial reports or acting in a management capacity.

| | 2023 US$000 | 2022 US$000 |
|---|---|---|
| **PricewaterhouseCoopers (PwC) Australian firm** | | |
| Audit or review of financial reports of the ultimate parent entity | **2,208** | 2,051 |
| Audit of financial reports of controlled entities | **2,176** | 2,223 |
| Audit of statutory returns | **656** | 553 |
| Other assurance services | **1,465** | 725 |
| Taxation services | **11** | 14 |
| Advisory services | **484** | – |
| | **7,000** | 5,566 |
| **Related practices of PwC Australian firm (including overseas PwC firms)** | | |
| Audit of financial reports of controlled entities | **9,349** | 8,247 |
| Audit of statutory returns | **2,758** | 2,691 |
| Other assurance services | **180** | 135 |
| Taxation services | **4** | 11 |
| Advisory services | **22** | 1,058 |
| | **12,313** | 12,142 |
| | **19,313** | 17,708 |
| Audit and assurance services | **18,792** | 16,625 |
| Other services | **521** | 1,083 |
| | **19,313** | 17,708 |
| **Other auditors** | | |
| Audit of financial reports of controlled entities | **1,754** | 1,231 |

# 8. OTHER

## 8.9 Ultimate parent entity information

### Overview

The *Corporations Act 2001* requires the disclosure of summarised financial information relating to the ultimate parent entity, QBE Insurance Group Limited.

### 8.9.1 Summarised financial data of QBE Insurance Group Limited (the Company)

| | 2023 US$M | 2022 US$M |
|---|---|---|
| Profit after income tax | **16** | 225 |
| Other comprehensive income (loss) | **77** | (795) |
| Total comprehensive income (loss) | **93** | (570) |
| Assets maturing within 12 months[1] | **712** | 859 |
| Shares in controlled entities | **13,153** | 13,072 |
| Other assets | **175** | 333 |
| Total assets | **14,040** | 14,264 |
| Liabilities maturing within 12 months[2] | **602** | 568 |
| Borrowings | **2,798** | 2,738 |
| Total liabilities | **3,400** | 3,306 |
| Net assets | **10,640** | 10,958 |
| Contributed equity | **9,381** | 9,242 |
| Treasury shares held in trust | **(3)** | (1) |
| Foreign currency translation reserve | **(38)** | (39) |
| Other reserves | **121** | 112 |
| Retained profits | **1,179** | 1,644 |
| Total equity | **10,640** | 10,958 |

1 Includes amounts due from controlled entities of $434 million (2022 $360 million). 2023 reflects disclosure based on maturity date. 2022 has been updated for consistency and includes a reclassification of $300 million to other assets, with no change to reported profit, total assets or total equity.

2 Includes amounts due to controlled entities of $366 million (2022 $241 million). 2023 reflects disclosure based on maturity date. 2022 has been updated for consistency and includes a reclassification of $234 million from borrowings, with no change to reported profit, total liabilities or total equity.

### 8.9.2 Guarantees and contingent liabilities

| | 2023 US$M | 2022 US$M |
|---|---|---|
| Support of the Group's participation in Lloyd's | **2,361** | 2,330 |
| Support of other insurance operations of controlled entities | **1,571** | 2,383 |

### 8.9.3 Tax consolidation legislation

The accounting in relation to the legislation is set out in note 6.2.4. On adoption of the tax consolidation legislation, the directors of the Company and its wholly-owned Australian controlled entities entered into a tax sharing and tax funding agreement that requires the Australian entities to fully compensate the Company for current tax liabilities and to be fully compensated by the Company for any current tax or deferred tax assets in respect of tax losses arising from external transactions occurring after the date of implementation of the tax consolidation legislation. The contributions are allocated by reference to the notional taxable income of each Australian entity.

Details of franking credits available to shareholders are shown in note 5.4.

### How we account for the numbers

The financial information of the ultimate parent entity of the Group has been prepared on the same basis as the consolidated financial report except for shares in controlled entities, which are recorded at cost less any provision for impairment.

# Directors' declaration

FOR THE YEAR ENDED 31 DECEMBER 2023

In the directors' opinion:

(a) the financial statements and notes set out on pages 68 to 142 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with accounting standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1.2.1 confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Group Chief Executive Officer and Group Chief Financial Officer required by section 295A of the *Corporations Act 2001* and as recommended under the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

Signed in Sydney this 16th day of February 2024 in accordance with a resolution of the directors.

Michael Wilkins AO
**Director**

Andrew Horton
**Director**

# Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

pwc

## Report on the audit of the financial report

### Our opinion

In our opinion:

The accompanying financial report of QBE Insurance Group Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 31 December 2023
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, including material accounting policy information and other explanatory information
- the directors' declaration.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

**PricewaterhouseCoopers, ABN 52 780 433 757**

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## Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

### Audit scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- In conjunction with component auditors, we conducted an audit of the most financially significant components of the Group, being the Australia Pacific, International and North America divisions. In addition, we performed specific risk focused audit procedures in relation to the captive reinsurer, Equator Re, and other head office entities, where appropriate, as well as audit procedures over the consolidation process.
- We determined the level of direction and supervision we needed to have over the audit work performed by component auditors to be satisfied that sufficient audit evidence had been obtained for the purposes of our opinion.
- We kept in regular communication with component auditors throughout the year with conference calls and written instructions.
- We also ensured that our team, including the component auditors across the Group, possessed the appropriate competence and capabilities needed for the audit of a complex global insurer. This included industry expertise as well as specialists and experts in accounting technical, information technology, actuarial, tax and valuations.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Board Audit Committee.

| Key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| **Transition to AASB 17 *Insurance Contracts***<br>(Refer to note 8.1.1)<br><br>On 1 January 2023, the Group transitioned to reporting under the new accounting standard AASB 17 *Insurance Contracts* which replaced AASB 1023 *General Insurance Contracts*.<br><br>The Group has evaluated the requirements of AASB 17 and exercised judgement to develop accounting policies and determine appropriate methodologies in order to comply with AASB 17. In particular, the determination of the measurement models (general model or premium allocation approach) to apply under the standard, the determination of risk adjustment and onerous contract methodologies, and the determination of the discount rate (adjusted for an illiquidity premium to reflect the liquidity characteristics of insurance contracts), were deemed to be significant to the overall impact of transition. The new standard has also had a significant impact on the disclosures in the financial statements. | Our procedures included:<br>• Assessing the significant judgements used by the Group to determine the relevant accounting policies against the requirements of AASB 17. This included judgements used to determine the measurement models adopted, risk adjustment, onerous contracts and discount rates used.<br>• Evaluating the appropriateness of the Group's premium allocation approach eligibility analysis for insurance and reinsurance contracts with coverage periods greater than one year, including testing the relevant supporting data, the significant assumptions used and scenarios applied, and testing the accuracy of models used.<br>• Evaluating the application of the general model for specific insurance and reinsurance contracts. This included assessing the underlying significant assumptions used to derive the fulfilment cash flows and related contractual service margin, where applicable, as well as the related revenue recognition.<br>• Evaluating the appropriateness of the methodology used to determine the risk adjustment, including assessing the underlying discounted cash flow model and significant assumptions. |

# Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

pwc

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Due to the significance of the changes introduced by the standard, we considered the transition to the new standard to be a key audit matter. | • Evaluating the onerous contract methodology used to identify any groups of onerous contracts on transition. Where onerous contracts were identified, we assessed the appropriateness of the significant assumptions and recalculated the relevant loss recovery components.<br>• Assessing the updated discounting methodology, including the determination of the illiquidity premium against the requirements of the standard and comparing to external market data where available.<br>• Testing the supporting calculations related to the material transition adjustments at 1 January 2022, with the standard applied retrospectively.<br>We also assessed the reasonableness of the new and restated disclosures in the financial report against the requirements of AASB 17. |
| **Valuation of insurance contract liabilities**<br>(Refer to note 2.2) | |
| As at 31 December 2023, the Group held US$27,567 million of insurance contract liabilities of which there are two components.<br>The first component relates to the liability for remaining coverage which comprises fulfilment cash flows related to future services to be provided under groups of insurance contracts. Where the general model is adopted, this balance is also inclusive of a risk adjustment, contractual service margin and discounting.<br>The second component relates to the liability for incurred claims and comprises fulfilment cash flows related to past services provided under groups of insurance contracts which have not yet been paid, including claims that have been incurred but not yet reported (IBNR) and claims incurred but not enough reported (IBNER). This balance is also inclusive of a risk adjustment and discounting.<br>We considered the valuation of insurance contract liabilities to be a key audit matter due to the significant judgement required by the Group in estimating future cash flows, and in particular IBNR and IBNER. These estimates are inherently uncertain and can be further impacted by a number of factors such as 'long-tail' classes and natural catastrophe events occurring close to year end where data is limited and as a result require greater reliance on expert judgement.<br>The risk adjustment is also a key area of judgement given it is intended to reflect the compensation an entity requires for bearing the uncertainty about the amount and timing of the cash flows associated with insurance contracts that arise from non-financial risks. | Together with PwC actuarial experts, our procedures included:<br>• Developing an understanding of the control activities relevant to our audit over the Group's process for determining insurance contract liabilities, and for certain control activities, assessing whether they were appropriately designed and operating effectively on a sample basis, throughout the year ended 31 December 2023.<br>• Developing point estimates for selected groups of contracts, focusing on groups of contracts which are material and have heightened uncertainty.<br>• Testing specific groups of contracts including those most impacted by the higher inflationary environment, Covid-19, war conflict, natural catastrophes and other large losses by developing an understanding and assessing the methodology and assumptions used by the Group and, where available, comparing to historical experience of the Group, current industry trends and benchmarks, and other publicly available information.<br>• Performing risk-based testing procedures on the remaining groups of contracts, where there have been material movements and related assumption changes.<br>• Evaluating the appropriateness and reliability of significant data used to estimate future cash flows associated with groups of contracts, including agreeing a sample of claims to underlying information.<br>• Testing the onerous contract assessments, including evaluating the significant assumptions against relevant supporting information.<br>• Testing the discount rate applied through evaluating yield curves, claims payment patterns and the adopted illiquidity premium. This included comparing the rates applied to external market data and the payment patterns to historical information.<br>• Evaluating the relevant underlying calculations used to derive the risk adjustment, including the significant assumptions.<br>We also assessed the reasonableness of the related disclosures in the financial report against the requirements of Australian Accounting Standards. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of reinsurance contract assets**<br>(Refer to note 2.2)<br><br>As at 31 December 2023, the Group held US$8,034 million of reinsurance contract assets.<br><br>We considered the valuation of reinsurance contract assets to be a key audit matter due to the significant judgement applied by the Group in valuing the associated insurance contract liabilities that have been reinsured, the complexity of the application and coverage of divisional and Group-wide reinsurance programmes, and the risk of non-performance by the reinsurers.<br><br>The Group has also executed a significant loss portfolio transfer (LPT) during the year. This has required the use of judgement in the accounting for the contract and significant assumptions used. | Our procedures included:<br>• Developing an understanding of the control activities relevant to our audit over the Group's process for determining reinsurance contract assets, and for certain control activities, assessing whether they were appropriately designed and operating effectively on a sample basis, throughout the year ended 31 December 2023.<br>• Evaluating a sample of reinsurance recoveries held by divisions and the Group against underlying contracts to assess the existence of cover and appropriateness of their recognition.<br>• Assessing the risk of non-performance of reinsurers by considering the payment history and credit worthiness for a sample of reinsurance recoveries.<br>• Assessing the accounting adopted for the LPT, including evaluating the underlying claims data used to recognise the related recoveries.<br><br>We also assessed the reasonableness of the related disclosures in the financial report against the requirements of Australian Accounting Standards. |
| **Carrying value of goodwill**<br>(Refer to note 7.2)<br><br>As at 31 December 2023, the Group held US$1,596 million of goodwill.<br><br>An impairment assessment is performed annually by the Group, or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired.<br><br>Potential impairment is identified by comparing the value-in-use of the cash-generating unit (CGU) to its carrying value, including goodwill. The value-in-use for each of the CGUs is estimated by the Group using a discounted cash flow model which includes significant judgements and assumptions relating to cash flow projections, investment returns, terminal growth rates and discount rates.<br><br>We considered the carrying value of goodwill a key audit matter due to the inherent estimation uncertainty and subjectivity in judgements in a number of the assumptions. | Our procedures included:<br>• Evaluating the determination and composition of the CGUs to which goodwill is allocated in the context of the Group's operations and reporting processes.<br>• Evaluating the appropriateness of the value-in-use methodology adopted against the requirements of Australian Accounting Standards.<br>• Developing an understanding of the process by which the cash flow projections were developed and comparing the cash flows included in the impairment assessment with the three year business plan presented to the Board.<br>• Evaluating the appropriateness of significant assumptions used to derive the cash flow projections by comparing to external market and industry data where available, and current and past performance of the CGUs.<br>• Together with PwC valuation experts, we:<br>– Assessed the consistency of the terminal growth rates and investment returns with available external information.<br>– Reperformed the calculation of the discount rates applied to cash flow projections, comparing key inputs (including risk-free rates, market premiums and unlevered betas) to industry and other benchmarks.<br>• Testing the mathematical accuracy of the models which were used to determine the value-in-use of the CGUs.<br><br>We also assessed the reasonableness of the related disclosures in the financial report against the requirements of Australian Accounting Standards. |

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| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Recoverability of deferred tax assets in the North American tax group**<br>(Refer to note 6.2)<br><br>The Group held US$420 million of net deferred tax assets at 31 December 2023 comprised of carry forward tax losses and deductible temporary differences related to the North American tax group.<br><br>The Group performs a recoverability assessment at each balance date in order to evaluate the expected utilisation of the deferred tax assets. The assessment is dependent upon the future profitability of the entities within the North American tax group, as well as the period over which tax losses will be available for recovery.<br><br>We considered the recoverability of the deferred tax assets in the North American tax group a key audit matter due to the inherent estimation uncertainty and subjectivity in judgements in a number of assumptions, including taxable income projections, investment returns, and terminal growth rates. | Our procedures included:<br>• Evaluating the appropriateness of the recoverability assessment against the requirements of Australian Accounting Standards, and in particular the "convincing other evidence" test under AASB 112 *Income Taxes*.<br>• Evaluating the appropriateness of significant assumptions used to derive the taxable income projections, by comparing with external market and industry data where available, and current and past performance of the entities within the North American tax group.<br>• Testing the mathematical accuracy of the models which were used to determine the recoverability of the deferred tax assets.<br><br>We also assessed the reasonableness of the related disclosures in the financial report against the requirements of Australian Accounting Standards. |
| **Valuation of level 3 investments**<br>(Refer to note 3.2)<br><br>The Group held US$28,670 million of investments at 31 December 2023, of which US$1,828 million were classified as level 3 in accordance with AASB 13 *Fair Value Measurement*.<br><br>The Group exercises judgement in valuing level 3 investments as there are significant unobservable inputs as a result of market illiquidity and/or instrument complexity.<br><br>The level 3 investments held at fair value largely consist of infrastructure assets and unlisted property trusts.<br><br>We considered the valuation of level 3 investments a key audit matter due to the extent of judgement involved in determining the fair value of investments as a result of significant unobservable market inputs. | Our procedures included:<br>• Developing an understanding of the control activities relevant to our audit over the Group's process for measuring level 3 investments at fair value, and for certain control activities, assessing whether they were appropriately designed and were operating effectively on a sample basis, throughout the year ended 31 December 2023.<br>• Evaluating the appropriateness of the valuation methodologies used against the requirements of Australian Accounting Standards.<br>• For a sample of infrastructure assets and unlisted property trusts, where the Group determines the fair value with reference to external information, we:<br>– Compared the price used by the Group to the 31 December 2023 price quoted by the fund manager.<br>– Evaluated the reliability and accuracy of relevant past fund manager statements by reference to the most recent audited financial statements of the relevant funds.<br>– Inspected the most recent reports provided by the fund manager setting out the controls in place at the fund manager, including consideration of the assurance reports on the design and operating effectiveness of those controls, where available.<br><br>We also assessed the reasonableness of the related disclosures in the financial report against the requirements of Australian Accounting Standards. |

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| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Operation of IT systems and controls** | |
| The Group's operations and financial reporting processes are heavily dependent on information technology (IT) systems for the processing and recording of a significant volume of transactions.<br><br>A fundamental component of these IT systems is ensuring that risks in relation to inappropriate user access management, unauthorised program changes and IT operating protocols are managed.<br><br>Due to this, we considered the operation of financial reporting IT systems and relevant controls to be a key audit matter. | For material financial statement balances, we developed an understanding of the business processes, IT systems used to generate and support those balances and associated IT application controls and IT dependencies in manual controls.<br><br>Our procedures included evaluating the design and testing the operating effectiveness, where relevant, of certain controls over the continued integrity of the IT systems that are relevant to financial reporting. This involved assessing, where relevant to the audit:<br>• Change management: the processes and controls used to develop, test and authorise changes to the functionality and configurations within systems.<br>• System development: the project disciplines which ensure that significant developments or implementation are appropriately tested before implementation and that data is converted and transferred completely and accurately.<br>• Security: the access controls designed to enforce segregation of duties, govern the use of generic and privileged accounts or ensure that data is only changed through authorised means.<br>• IT operations: the controls over operations are used to ensure that any issues that arise are managed separately.<br><br>Within the scope of our audit where technology services are provided by a third party, we considered assurance reports from the third party's auditor on the design and operating effectiveness of controls.<br><br>We also carried out tests, on a sample basis, of IT application controls and IT dependencies in manual controls that were key to our audit testing in order to assess the accuracy of certain system calculations, the generation of certain reports and the operation of certain system enforced access controls.<br><br>Where we identified design or operating effectiveness matters relating to IT systems or application controls relevant to our audit, we performed alternative or additional audit procedures. This included considering mitigating controls in order to respond to the impact on our overall audit approach. |

# Independent auditor's report

TO THE MEMBERS OF QBE INSURANCE GROUP LIMITED

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## Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

## Report on the remuneration report

### Our opinion on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 31 December 2023.

In our opinion, the remuneration report of QBE Insurance Group Limited for the year ended 31 December 2023 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

V Papageorgiou

**Voula Papageorgiou**
Partner

Sydney
16 February 2024

# Shareholder information

The Company was incorporated in Australia, is listed on the Australian Securities Exchange (ASX) and trades under the code 'QBE'.

## Registered office

**QBE Insurance Group Limited**
Level 18, 388 George Street
Sydney NSW 2000 Australia

Telephone: +61 2 9375 4444
Facsimile: +61 2 9231 6104

Website: www.qbe.com

## QBE website

QBE's website provides investors with information about QBE including annual reports, corporate governance statements, sustainability reports, half-yearly reports and announcements to the ASX. The website also offers regular QBE share price updates, a calendar of events, a history of QBE's dividends and online access to your shareholding details via the share registry.

## Shareholder information and enquiries

Enquiries and correspondence regarding shareholdings can be directed to QBE's share registry:

**Computershare Investor Services Pty Limited (Computershare)**
GPO Box 2975
Melbourne VIC 3001 Australia

452 Johnston Street
Abbotsford VIC 3067 Australia

Telephone: 1300 723 487 (Australia)
Telephone: +61 3 9415 4840 (International)

Website: www.computershare.com.au
Email: qbe.queries@computershare.com.au

For security purposes, you will need to quote your Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

If you are broker (CHESS) sponsored, queries relating to incorrect registrations and changes to name and/or address can only be processed by your stockbroker. Please contact your stockbroker. Computershare cannot assist you with these changes.

## Shareholding details online

Manage your shareholding online by visiting QBE's share registry, Computershare. Log onto www.investorcentre.com to view your holding balance and dividend statements, to update your address (if you are registered with an SRN) or direct credit instructions, provide DRP or BSP instructions or change/add your tax file number (TFN)/Australian Business Number (ABN) details.

You may also register to receive shareholder documentation electronically including your dividend statements, notices of meetings and proxy and annual reports.

## Privacy legislation

Chapter 2C of the *Corporations Act 2001* requires information about you as a securityholder (including your name, address and details of the securities you hold) to be included in QBE's share register. These details must continue to be included in the public register even if you cease to be a securityholder. A copy of the privacy policy is available on Computershare's website.

## Dividends

QBE pays cash dividends to shareholders resident in Australia and New Zealand by direct credit. Shareholders in the United Kingdom and the United States also have the option to receive their cash dividends by direct credit, although it is not mandatory. The benefit to shareholders of the direct credit facility is access to cleared funds quickly and securely, reducing the risk of cheques being lost or stolen. Shareholders in other countries will receive cheque payments in Australian dollars if they have not elected to receive their payment by direct credit. Shareholders receive a dividend statement for tax records, either by post or by email depending on the selected communications option.

Eligible shareholders can participate in QBE's DRP and BSP when the plans are active. The DRP enables shareholders to subscribe for additional shares. The BSP is a bonus share plan whereby the dividend entitlement is forgone for bonus shares in lieu of the dividend. In order to participate in either the DRP or BSP, shareholders must have a minimum shareholding of 100 shares and have a registered address in Australia or New Zealand.

Participants may change their election to participate in the DRP and BSP at any time. DRP/BSP election cut-off dates and application forms are available from QBE's website.

## Tax file number (TFN), Australian Business Number (ABN) or exemption – Australian residents

You can confirm whether you have lodged your TFN, ABN or exemption by visiting Computershare's Investor Centre. If you choose not to lodge these details, QBE is obliged to deduct tax at the highest marginal rate (plus the Medicare levy) from the unfranked portion of dividends paid. Australian shareholders living abroad should advise Computershare of their resident status.

## Conduit foreign income (CFI)

Shareholders will receive CFI credits in respect of the whole unfranked portion of QBE dividends. These credits exempt non-resident shareholders from Australian withholding tax.

## Unpresented cheques/unclaimed money

Under the *Unclaimed Moneys Act 1950*, unclaimed dividends six or more years old must be given to the Australian Capital Territory. It is very important that shareholders bank outstanding dividend cheques promptly and advise Computershare immediately of changes of address or bank account details.

## Recent QBE dividend

| DATE PAID | TYPE | RECORD DATE | AUSTRALIAN CENTS PER SHARE | FRANKING % |
|---|---|---|---|---|
| 31 March 2014 | Final | 13 March 2014 | 12 | 100 |
| 23 September 2014 | Interim | 29 August 2014 | 15 | 100 |
| 13 April 2015 | Final | 6 March 2015 | 22 | 100 |
| 2 October 2015 | Interim | 28 August 2015 | 20 | 100 |
| 14 April 2016 | Final | 11 March 2016 | 30 | 100 |
| 28 September 2016 | Interim | 26 August 2016 | 21 | 50 |
| 13 April 2017 | Final | 10 March 2017 | 33 | 50 |
| 29 September 2017 | Interim | 25 August 2017 | 22 | 30 |
| 20 April 2018 | Final | 9 March 2018 | 4 | 30 |
| 5 October 2018 | Interim | 24 August 2018 | 22 | 30 |
| 18 April 2019 | Final | 8 March 2019 | 28 | 60 |
| 4 October 2019 | Interim | 23 August 2019 | 25 | 60 |
| 9 April 2020 | Final | 6 March 2020 | 27 | 30 |
| 25 September 2020 | Interim | 21 August 2020 | 4 | 10 |
| 24 September 2021 | Interim | 20 August 2021 | 11 | 10 |
| 12 April 2022 | Final | 8 March 2022 | 19 | 10 |
| 23 September 2022 | Interim | 19 August 2022 | 9 | 10 |
| 14 April 2023 | Final | 7 March 2023 | 30 | 10 |
| 22 September 2023 | Interim | 18 August 2023 | 14 | 10 |

## Annual General Meeting

The Annual General Meeting of QBE Insurance Group Limited will be held at 10am on Friday, 10 May 2024. Details of the meeting, including information about how to vote, will be contained in our notice of meeting.

## Annual Report mailing list

Amendments to the *Corporations Act 2001* have removed the obligation for companies to mail an annual report to shareholders. To improve efficiency, save costs and reduce our impact on the environment by minimising unnecessary use of paper and printing resources, QBE's Annual Report is published on our website at www.qbe.com.

If you wish to receive a hard copy of the Annual Report, please update your communication preferences by logging into your shareholding at www.investorcentre.com.

# Shareholder information continued

## Top 20 shareholders as at 31 January 2024

| NAME | NUMBER OF SHARES | % OF TOTAL |
|---|---|---|
| HSBC Custody Nominees (Australia) Limited | 531,015,807 | 35.55 |
| J P Morgan Nominees Australia Pty Limited | 386,238,848 | 25.85 |
| Citicorp Nominees Pty Limited | 195,868,545 | 13.11 |
| National Nominees Limited | 63,483,498 | 4.25 |
| BNP Paribas Nominees Pty Ltd (Agency Lending A/C) | 38,034,360 | 2.55 |
| BNP Paribas Noms Pty Ltd | 35,140,593 | 2.35 |
| Citicorp Nominees Pty Limited (Colonial First State Inv A/C) | 29,846,099 | 2.00 |
| HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C) | 10,421,526 | 0.70 |
| Argo Investments Limited | 9,790,088 | 0.66 |
| BNP Paribas Noms Pty Ltd Deutsche Bank TCA | 9,334,704 | 0.62 |
| HSBC Custody Nominees (Australia) Limited – A/C 2 | 5,523,342 | 0.37 |
| BNPP Noms Pty Ltd HUB24 Custodial Serv Ltd | 5,375,138 | 0.36 |
| Netwealth Investments Limited (Wrap Services A/C) | 3,627,095 | 0.24 |
| BNP Paribas Noms (NZ) Ltd | 2,681,581 | 0.18 |
| Neweconomy Com Au Nominees Pty Limited (900 Account) | 1,910,052 | 0.13 |
| Mutual Trust Pty Ltd | 1,697,487 | 0.11 |
| HSBC Custody Nominees (Australia) Limited -GSCO ECA | 1,550,052 | 0.10 |
| BNP Paribas Noms Pty Ltd (Global Markets) | 1,485,348 | 0.10 |
| HSBC Custody Nominees (Australia) Limited (Euroclear Bank SA NV A/C) | 1,438,429 | 0.10 |
| Netwealth Investments Limited (Super Services A/C) | 1,432,157 | 0.10 |
| | 1,335,894,749 | 89.43 |

## QBE substantial shareholders as at 31 January 2024

| NAME | NUMBER OF SHARES | % OF TOTAL [1] | DATE OF NOTICE |
|---|---|---|---|
| AustralianSuper Pty Ltd | 124,439,018 | 8.39 | 1 August 2022 |
| BlackRock Group (and its associated entities)[2] | 109,707,892 | 7.23 | 1 December 2023 |
| State Street Corporation | 90,387,067 | 6.09 | 4 October 2022 |
| Vanguard Group (The Vanguard Group, Inc and its controlled entities) | 80,289,148 | 6.06 | 17 May 2019 |

1 Percentage of total at date of notice.

2 Totals include Fully Paid Ordinary shares and American Depository Receipts.

## Distribution of shareholders and shareholdings as at 31 January 2024

| SIZE OF HOLDING | NUMBER OF SHAREHOLDERS | % | NUMBER OF SHARES | % |
|---|---|---|---|---|
| 1 to 1,000 | 43,255 | 60.05 | 15,813,220 | 1.06 |
| 1,001 to 5,000 | 23,123 | 32.10 | 52,052,564 | 3.48 |
| 5,001 to 10,000 | 3,513 | 4.88 | 24,608,011 | 1.65 |
| 10,001 to 100,000 | 2,037 | 2.83 | 43,021,232 | 2.88 |
| 100,001 and over | 99 | 0.14 | 1,358,420,283 | 90.93 |
| Total | 72,027 | 100.00 | 1,493,915,310 | 100.00 |

## Shareholdings of less than a marketable parcel as at 31 January 2024

| | SHAREHOLDERS | | SHARES | |
|---|---|---|---|---|
| | NUMBER | % OF TOTAL | NUMBER | % OF TOTAL |
| Holdings of 32 or fewer shares[1] | 3,407 | 4.73 | 38,391 | 0.0026 |

1 Determined based on less than marketable parcel of $500 based on a closing price of $15.85 on 31 January 2024.

# Financial calendar

| YEAR | MONTH | DAY | ANNOUNCEMENT |
|---|---|---|---|
| **2024** | **February** | **16** | Results and dividend announcement for the year ended 31 December 2023 |
| | **March** | **6** | Shares begin trading ex-dividend |
| | | **7** | Record date for determining shareholders' entitlement to the 2023 final dividend |
| | | **8** | DRP/BSP election close date – last day to nominate participation in the DRP or BSP |
| | **April** | **12** | Payment date for the 2023 final dividend |
| | **May** | **10** | 2024 Annual General Meeting<br>1Q24 Performance update |
| | **June** | **30** | Half year end |
| | **August** | **9**[1] | Results and dividend announcement for the half year ended 30 June 2024 |
| | | **16**[1] | Shares begin trading ex-dividend |
| | | **19**[1] | Record date for determining shareholders' entitlement to the 2024 interim dividend |
| | | **20**[1] | DRP/BSP election close date – last day to nominate participation in the DRP or BSP |
| | **September** | **20**[1] | Payment date for the 2024 interim dividend |
| | **November** | **27**[1] | 3Q24 Performance update |
| | **December** | **31** | Year end |

1 Dates shown may be subject to change.

# Glossary

| | |
|---|---|
| **AASB 1023** | AASB 1023 *General Insurance Contracts* was the accounting standard that previously applied to accounting for insurance and reinsurance contracts. This standard was replaced by AASB 17 *Insurance Contracts* which became effective from 1 January 2023. |
| **Accident year** | The year in which the event causing the claim occurs, regardless of when reported or paid. |
| **Acquisition costs** | Commission and other costs incurred in selling, underwriting and starting insurance contracts. |
| **Admitted insurance** | Insurance written by an insurance company that is admitted (or licensed) to do business in the state in the United States in which the policy was sold. |
| **Agent** | One who negotiates contracts of insurance or reinsurance as an insurance company's representative i.e. the agent's primary responsibility is to the insurance company, not the insured party. |
| **Aggregate reinsurance** | Reinsurance cover that provides protection for an accumulation of claims arising from multiple events over a specified period of time. |
| **APRA** | Australian Prudential Regulation Authority, being the Group's primary insurance regulator. |
| **Attachment point** | The amount of claims retained by the cedant in a reinsurance arrangement, after which reinsurance protection will apply. |
| **Attributable expenses** | Administrative, general and other expenses that directly relate to fulfilling insurance contracts. |
| **Borrowings to total capital** | The Group's gearing ratio (also referred to as debt to total capital), calculated as borrowings expressed as a percentage of total capital. Total capital is shareholders' equity plus Tier 1 instruments classified as liabilities (which are excluded from borrowings for the purposes of this calculation), and subordinated debt. |
| **Broker** | One who negotiates contracts of insurance or reinsurance on behalf of an insured party, receiving a commission from the insurance or reinsurance company for placement and other services rendered. In contrast with an agent, the broker's primary responsibility is to the insured party, not the insurance company. |
| **Capacity** | In relation to a Lloyd's member, the maximum amount of insurance premium (gross of reinsurance but net of brokerage) which a member can accept. In relation to a syndicate, it is the aggregate of each member's capacity allocated to that syndicate. |
| **Captive** | A licensed entity within the Group that provides reinsurance protection to other controlled entities. |
| **Cash profit or loss** | Profit or loss after tax attributable to QBE shareholders, adjusted for the post-tax effect of amortisation and impairment of intangibles and other non-cash items. |
| **Casualty insurance** | Insurance that is primarily concerned with the claims resulting from injuries to third persons or their property (i.e. not the policyholder) and the resulting legal liability imposed on the insured. It includes, but is not limited to, general liability, employers' liability, workers' compensation, professional liability, public liability and motor liability insurance. |
| **Catastrophe claims** | Total of all net claims resulting from catastrophe events. Referred to as catastrophe claims ratio when expressed as a percentage of net insurance revenue. |
| **Catastrophe reinsurance** | A reinsurance contract (often in the form of excess of loss reinsurance) that, subject to specified limits and retention, compensates the ceding insurer for financial losses related to an accumulation of claims resulting from a catastrophe event or series of events. |

| | |
|---|---|
| **Claim** | The amount payable under a contract of insurance or reinsurance arising from a loss relating to an insured event. |
| **Claims incurred** | The aggregate of all claims paid during an accounting period adjusted for the change in the claims provision in that accounting period. |
| **Combined operating ratio (COR)** | The sum of the net claims ratio, commission ratio and expense ratio. A combined operating ratio below 100% indicates an underwriting profit. A combined operating ratio over 100% indicates an underwriting loss. |
| **Commercial lines** | Refers to insurance for businesses, professionals and commercial establishments. |
| **Confidence level** | A statistical measure of the level of confidence that the insurance contract liabilities will be sufficient to pay claims as and when they fall due. This was previously referred to as probability of adequacy under AASB 1023. |
| **Contractual service margin (CSM)** | A component of the asset or liability for remaining coverage of contracts measured under the general model, which represents profit that has not yet been recognised in profit or loss as it relates to future services to be provided over the remaining coverage of the insurance contracts. |
| **Credit spread** | The difference in yield between a bond and a reference yield (e.g. BBSW or a fixed sovereign bond yield). |
| **Credit spread duration** | The weighted average term of cash flows for a corporate bond. It is used to measure the price sensitivity of a corporate bond to changes in credit spreads. |
| **Ex-cat claims** | Net claims excluding catastrophe claims and prior accident year claims development (including movements in risk adjustment related to prior accident years). Referred to as ex-cat claims ratio when expressed as a percentage of net insurance revenue. |
| **Expenses and other income** | The sum of attributable expenses (within insurance service expenses), other expenses and other income. Referred to as expense ratio when expressed as a percentage of net insurance revenue. |
| **Facultative reinsurance** | The reinsurance of individual risks through a transaction between the reinsurer and the cedant (usually the primary insurer) involving a specified risk. |
| **General insurance** | Generally used to describe non-life insurance business including property and casualty insurance. |
| **Gross written premium (GWP)** | The total premium on insurance underwritten by an insurer or reinsurer during an accounting period, before deduction of reinsurance premium. This metric is used to derive insurance revenue under the premium allocation method, which is an allocation of total expected premium, derived based on gross written premium, to each period of coverage on the basis of the passage of time as described in note 2.1 of the Financial Report. |
| **Illiquidity premium** | A component within discount rates applied in the measurement of net insurance contract liabilities which reflects the liquidity characteristics of the insurance contracts. |
| **Incurred but not reported (IBNR)** | Claims arising out of events that have occurred before the end of an accounting period but have not been reported to the insurer by that date. |
| **Insurance profit or loss** | The sum of the insurance operating result, net insurance finance income or expenses and net investment income or loss on assets backing policyholders' funds. On a management basis, it also includes fixed income gains or losses from changes in risk-free rates attributable to shareholders' funds. Referred to as insurance profit margin when expressed as a percentage of net insurance revenue. |

# Glossary continued

| | |
|---|---|
| **Insurance revenue** | The proportion of gross written premium recognised as revenue in the current accounting period, reflecting insurance coverage provided during the period. This is the equivalent of gross earned premium under AASB 1023. |
| **Lead/non-lead underwriter** | A lead underwriter operates in the subscription market and sets the terms and price of an insurance or reinsurance policy. The follower or non-lead underwriter is an underwriter of a syndicate or an insurance or reinsurance company that agrees to accept a proportion of a given risk on terms set by the lead underwriter. |
| **Lenders' mortgage insurance (LMI)** | A policy that protects the lender (e.g. a bank) against non-payment or default on the part of the borrower on a residential property loan. |
| **Letters of credit (LoC)** | Written undertaking by a financial institution to provide funding if required. |
| **Liability for incurred claims (LIC)** | The liability established for claims and attributable expenses that have occurred but have not been paid. This replaces the outstanding claims liability under AASB 1023. |
| **Liability for remaining coverage (LfRC)** | The liability that represents insurance coverage to be provided by QBE after the balance date. This is the equivalent of unearned premium net of premium receivable, unclosed premium, deferred commission and deferred acquisition costs under AASB 1023. |
| **Lloyd's** | Insurance and reinsurance market in London. It is not a company but is a society of individuals and corporate underwriting members. |
| **Long-tail** | Classes of insurance business involving coverage for risks where notice of a claim may not be received for many years and claims may be outstanding for more than one year before they are finally quantifiable and settled by the insurer. |
| **Loss component** | A component of the LfRC within the insurance contract liabilities that relates to losses recognised on onerous contracts. |
| **Loss-recovery component** | A component of the asset for remaining coverage (AfRC) within the reinsurance contract assets that represents recoveries on reinsurance contracts held that correspond to losses recognised on onerous contracts. |
| **Managing General Agent (MGA)** | A wholesale insurance agent with the authority to accept placements from (and often to appoint) retail agents on behalf of an insurer. MGAs generally provide underwriting and administrative services such as policy issuance on behalf of the insurers they represent. Some may handle claims. |
| **Maximum event retention (MER)** | An estimate of the largest claim to which an insurer will be exposed (taking into account the probability of that loss event at a return period of one in 250 years) due to a concentration of risk exposures, after netting off any potential reinsurance recoveries and inward and outward reinstatement premiums. |
| **Modified duration** | The weighted average term of cash flows in a bond. It is used to measure the price sensitivity of a bond to changes in interest rates. |
| **Multi-peril crop insurance (MPCI)** | United States federally regulated crop insurance protecting against crop yield losses by allowing participating insurers to insure a certain percentage of historical crop production. |
| **Net claims expense** | The portion of insurance service expenses related to gross claims expenses, net of reinsurance income associated with reinsurance recoveries on claims. Management analysis of net claims expense includes the impacts of unwind of discount on claims reserves. Referred to as net claims ratio when expressed as a percentage of net insurance revenue. |
| **Net commission** | The portion of insurance service expenses related to commission expenses, net of commission income from reinsurance contracts held that are recognised within reinsurance income. Referred to as net commission ratio when expressed as a percentage of net insurance revenue. |

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| **Net insurance revenue** | Insurance revenue net of reinsurance expenses. This is the equivalent of net earned premium under AASB 1023. |
| **Net outstanding claims** | Claims reserves within the net LIC and unless otherwise stated, also include recoveries from reinsurance loss portfolio transfers. |
| **Personal lines** | Insurance for individuals and families, such as private motor vehicle and homeowners' insurance. |
| **Policyholders' funds** | The net insurance liabilities of the Group. |
| **Premium** | Amount payable by the insured or reinsured in order to obtain insurance or reinsurance protection. |
| **Prescribed Capital Amount (PCA)** | The sum of the capital charges for asset risk, asset concentration risk, insurance concentration risk and operational risk as required by APRA. The PCA must be disclosed at least annually. |
| **Prior accident year claims development** | The portion of net claims expense attributable to prior accident years. Referred to as prior accident year claims development ratio when expressed as a percentage of net insurance revenue. |
| **Prudential Capital Requirement (PCR)** | The sum of the PCA plus any supervisory adjustment determined by APRA. The PCR may not be disclosed. |
| **Recoveries** | The amount of claims recovered from reinsurance, third parties or salvage. |
| **Reinsurance** | An agreement to indemnify an insurer by a reinsurer in consideration of a premium with respect to agreed risks insured by the insurer. The entity accepting the risk is the reinsurer and is said to accept inward reinsurance (or referred to as a reinsurance contract issued). The entity ceding the risks is the cedant or ceding company and is said to place outward reinsurance (or referred to as a reinsurance contract held). |
| **Reinsurance to close** | A reinsurance agreement under which members of a syndicate, for a year of account to be closed, are reinsured by members who comprise that or another syndicate for a later year of account against all liabilities arising out of insurance business written by the reinsured syndicate. |
| **Reinsurer** | The insurer that assumes all or part of the insurance or reinsurance liability written by another insurer or reinsurer. |
| **Retention** | That amount of liability for which an insurer will remain responsible after it has completed its reinsurance arrangements. |
| **Retrocession** | Reinsurance of a reinsurer by another reinsurance company. |
| **Return on equity (ROE)** | Net profit after tax as a percentage of average shareholders' equity. |
| **Risk adjustment** | A component of insurance and reinsurance contract assets and liabilities that reflects the compensation required for bearing uncertainty about the amount and timing of cash flows that arises from non-financial risk. This replaces the risk margin under AASB 1023. |
| **Short-tail** | Classes of insurance business involving coverage for risks where claims are usually known and settled within 12 months. |
| **Surplus (or excess) lines insurers** | In contrast to admitted insurers, every state in the United States also allows non-admitted (or surplus lines or excess lines) carriers to transact business where there is a special need that cannot or will not be met by admitted carriers. The rates and forms of non-admitted carriers generally are not regulated in that state, nor are the policies back-stopped by the state insolvency fund covering admitted insurance. Brokers must inform insurers if their insurance has been placed with a non-admitted insurer. |

# Glossary continued

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| **Syndicate** | A member or group of members underwriting insurance business at Lloyd's through the agency of a managing agent. |
| **Total investment income or loss** | Gross investment income or loss including foreign exchange gains and losses and net of investment expenses. |
| **Total shareholder return (TSR)** | A measure of performance of a company's shares over time. It includes share price appreciation and dividend performance. |
| **Treaty reinsurance** | Reinsurance of risks in which the reinsurer is obliged by agreement with the cedant to accept, within agreed limits, all risks to be underwritten by the cedant within specified classes of business in a given period of time. |
| **Underwriting** | The process of reviewing applications submitted for insurance or reinsurance coverage, deciding whether to provide all or part of the coverage requested and determining the applicable premium. |
| **Underwriting year** | The year in which the contract of insurance commenced or was underwritten. |
| **Volume weighted average price (VWAP)** | A measure of the average trading price during a period, adjusted for the volume of transactions. This is often used for determining the share price applicable to dividend and other share-related transactions. |

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