



Principles for
**Sustainable
Insurance**
2018

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About QBE Insurance Group

QBE is listed on the Australian Securities Exchange (ASX) and headquartered in Sydney.

We employ more than 12,000 people in 31 countries. QBE is a general insurance and reinsurance company. Across our operations, we offer commercial, personal and specialty products and risk management solutions to our customers. Our purpose is to give people the confidence to achieve their ambitions.

About this report

This document outlines QBE's progress towards implementing the Principles for Sustainable Insurance (PSI). This disclosure refers to and should be read in conjunction with QBE's annual reporting suite, particularly the 2018 Sustainability Report (refer to the Appendix for a copy of Sustainability Report).

The Principles for Sustainable Insurance are a framework for the global insurance industry to address environmental, social and governance risks and opportunities. QBE became a signatory to the PSI in December 2015, and they are an important contributor to the approach we take to embed sustainability issues into our decision-making.

Principle 1

We will embed in our decision-making environmental, social and governance (ESG) issues relevant to our insurance business.

QBE's 2018 Sustainability Report (the Report) provides an overview of our approach to sustainability, including our sustainability framework, governance and management, ongoing stakeholder engagement, memberships and industry collaboration, materiality, and our role in helping achieve the United Nations Sustainable Development Goals (SDGs).

A focus on sustainability is essential to our ability to deliver on our purpose, and our work in this area is underpinned by a refreshed Sustainability Framework described on the following page. This Framework will assist us to further integrate sustainability across our international business and our decision-making processes.

Sustainability Framework: Our approach to sustainability



The Report provides an overview of each focus area and highlights progress throughout the year. Further information about how ESG issues are embedded into our decision-making processes can be found throughout these sections of the Report and on our [website](#).

Sustainability governance and management

The highest governing body for sustainability-related issues is our Group Board of Directors. The Board is supported by the Board Risk & Capital Committee (BRCC) which oversees and guides QBE's sustainability approach, initiatives and reporting requirements. The Group Sustainability function, operating under a dedicated Group Head of Sustainability, reports on sustainability strategy, performance and activity at each BRCC meeting (six meetings were held in 2018).

Our Group Executive Committee (GEC) reviews and approves QBE's sustainability agenda and priorities. The GEC also receives reports on sustainability performance throughout the year.

There are several teams and committees to drive sustainability across the business including:

- Group Sustainability team;
- Group ESG Risk team;
- Group Responsible Investments team;
- Head of Environment;
- Sustainability Committee; and
- ESG Business Policy Committee.

QBE has other internal governance forums whose members have specialist skills to understand and address new and existing sustainability issues. These include:

- Group Emerging Risk Forum;
- Climate Change Working Group;
- Group Underwriting Committee;
- Conduct Risk Working Group;
- Premiums4Good Global Steering Committee;
- Diversity & Inclusion Council;
- Health & Safety Working Group; and
- QBE Foundation Global Committee.

Further information about QBE's sustainability governance and stakeholder engagement can be found in "Our approach to sustainability" in the Report.

Our role in the United Nations Sustainable Development Goals

We believe in, and support, the aims and objectives of the United Nations Sustainable Development Goals (SDGs). At QBE, we are working to align our sustainability agenda to support advancement of these global goals. As a universal agreement to work towards a better future, the SDGs align closely with our own purpose to give people the confidence to achieve their ambitions.

We reviewed all 17 SDGs to understand their relevance to our business and stakeholders. Our assessment considered alignment of the SDGs against our purpose, business strategy, sustainability framework, products and services and business initiatives, as well as the interconnectedness and interdependencies of the SDGs.

All of the SDGs are relevant to our business in some way. However, we contribute to the achievement of some SDGs more directly than to others. We have therefore chosen to focus our actions on five goals which align most closely to our purpose and strategic business priorities. This is where we can have the greatest impact. Further information about our role in the global sustainability agenda can be found in "Our approach to sustainability" in the Report and on our website [here](#).

Risk management and responsible underwriting

QBE provides a broad range of insurance products to personal, business, corporate and institutional customers. As a proud signatory to the PSI, we take an active approach

to risk management, no matter how complex, and listen to our customers' needs to deliver tailored solutions.

As we work to further embed sustainability into our decision-making, we actively manage current and emerging ESG risks and opportunities. In 2018, we formed an ESG Risk team to analyse and help manage these risks across the business. Our new ESG Business Policy Committee also discusses and develops specific ESG policies for application throughout the business.

Our Group Underwriting Standards support our commitment to, and reflect our definition of, responsible underwriting. Further information can be found in the "Sustainable insurance" section of the Report.

Our risk management processes and systems are robust and aligned to global best practice. Our Group Chief Risk Officer's report in the **2018 Annual Report** contains further detail about our approach to risk management across our business.

ESG in insurance underwriting pilot

QBE is part of the core project team for the development of the PSI ESG in Underwriting guidelines published in February 2019. These guidelines are currently undergoing public consultation until 30 June 2019, with the final version released in December 2019.

Product and service development

Through our products and services, we help customers and clients address sustainability issues. Examples include:

- We introduced a new mobile offering for selected new clients in Europe to make fleet telematics more accessible. The solution allows clients to reduce risk and fuel use while encouraging safe-driving behaviours, as well as giving our underwriters the data they need to offer affordable premiums.
- We insure water utility companies in many parts of the world through our international portfolio. Many of these companies are at the forefront of providing new solutions for sustainable management of water in their territories.
- Our rehabilitation services, provided through our European Operations, focus on early intervention to assist injured parties, protect our clients and their claims position. This helps injured people get back to work promptly, while reducing claims costs.

- We work with construction companies that are improving the health and safety of their workforces through technological solutions.
- We are also involved in a range of projects using Building Information Modelling (BIM). As part of the Changi Airport expansion, BIM technology makes the project safer and helps to ensure a cost-efficient environmental design.

Further information on our sustainable solutions and products can be found in the “Sustainable insurance” and “Customer and community” sections of the Report.

Responsible investment

As a global investor and committed signatory to the Principles for Responsible Investment (PRI), QBE aims to contribute to social wellbeing and sustainable development. We believe that integrating responsible investing into investment decisions is good for long-term, risk-adjusted financial returns and aligned to our stakeholders’ expectations. Further information about how ESG issues are integrated into our investments can be found in the “Responsible investments” section of the Report.

Principle 2

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

QBE works with clients, business partners and our own employees to raise awareness of sustainability issues, manage risks and develop solutions. We offer events, seminars, tools and publications that help our clients, brokers and employees build their risk management knowledge and sustainability awareness. We also promote sustainability awareness in other ways including our Global Risk Solutions Practice, publishing market-leading insights across our divisions on sustainability-related issues, Risk Culture Profiling Tool (RCPT) in the United Kingdom, engaging directly with teams across the business to raise awareness of sustainability, sustainable solutions and products, impact investing, and promoting financial inclusion and accessibility. Further information can be found in the “Sustainable insurance” and “Customer and community” sections of the Report.

Earlier in 2018, we released our Supplier Sustainability Principles which outline minimum expectations of suppliers doing business with QBE across a range of sustainability topics. As part of our broader approach to sustainability, we seek to engage suppliers and partners who share this understanding and commitment, and who can work with us to achieve our objectives. Further information can be found in the “Operational excellence” section of the Report.

In 2018, we continued to give debt investors the opportunity to make a positive impact on society. In 2017, we issued a Gender Equality Bond, a debt product that incorporates gender equality with strict investment criteria. Further information about this can be found in the “Sustainable insurance” section of the Report.

By choosing QBE as an insurer, our customers make a difference through their insurance premiums by contributing to Premiums4Good. In addition, select customers can direct up to 25% of their insurance premiums to impact investments – investments in securities with an additional social or environmental objective, such as SIBs, social bonds, green bonds and investments in infrastructure with environmental benefits. Further information can be found in the “Responsible investments” section of the Report.

Principle 3

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

QBE engages with governments, regulators and other key stakeholders to promote action on sustainability. Examples include:

- Boosting resilience in cities and regional communities by participating in the Australian Government's National Resilience Taskforce to develop a framework for financing adaptation and resilience;
- Understanding the workforce of the future by working with the Monetary Authority of Singapore (MAS);
- Championing workers' health and safety in Singapore; and
- Attending and speaking at business roundtables, seminars and events on sustainability on topics including impact investing, diversity and inclusion, climate change, modern slavery, sustainable cities and communities, resilience and sustainable finance.

We continued to add our voice at key events including:

- Five of our delegates attending training provided by the University of Cambridge Institute for Sustainability Leadership;

- Multiple events held by the Accounting for Sustainability Leadership (A4S);
- First-ever Ocean Risk Summit in Bermuda;
- Inaugural Insurance and Climate Risk Americas Conference in New York; and
- UNEP FI Global Roundtable and Paris Climate Finance Day.

Further information about our work with governments, regulators and other stakeholders to promote action on sustainability can be found in the "Sustainable insurance" section of the Report.

As part of our focus on stakeholder engagement, we are members of, and signatories to, several global and regional sustainability-related initiatives. These include the United Nations Environment Programme Finance Initiative (UNEP FI), Principles for Responsible Investment (PRI), Investor Group on Climate Change (IGCC), Responsible Investment Association Australasia (RIAA), Carbon Disclosure Project (CDP), ClimateWise Principles, Business Council for Sustainable Development Australia, and Women's Empowerment Principles (WEPs).

Principle 4

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles.

We disclose our progress in implementing the Principles for Sustainable Insurance annually and discuss the integration of ESG issues across our business in our annual Sustainability Report and, where appropriate, elsewhere in QBE's annual reporting suite.

In 2018, we disclosed our first report in line with the Taskforce on Climate-related Financial Disclosures (TCFD). Further information about our approach to climate change can be found [here](#).

By engaging with stakeholders and reporting on our sustainability approach and initiatives, we aim to be transparent and open about our journey, achievements and performance. We are therefore involved in several external reporting and benchmarking initiatives. Further information about this can be found [here](#).

2018

SUSTAINABILITY REPORT

QBE INSURANCE GROUP LIMITED

Appendix

QBE at a glance

Who we are

QBE is listed on the Australian Securities Exchange (ASX) and headquartered in Sydney. We employ more than 12,000 people in over 31 countries.

QBE is a general insurance and reinsurance company. Across our operations, we offer commercial, personal and specialty products and risk management solutions to our customers.

Our purpose is to give people the confidence to achieve their ambitions.

Where we are¹



¹ QBE's operations as at 31 December 2018. Effective 1 January 2019, our operations comprised of International (including European Operations and Asia), Australia Pacific (including Australia, New Zealand, the Pacific and India) and North America. The Group's operations in Argentina, Brazil, Mexico and Ecuador were disposed during 2018. The Group's operations in Colombia were disposed of on 1 February 2019 and disposal of operations in Puerto Rico is expected to complete in 2019. Throughout this Report, we have included workforce-related metrics as well as greenhouse gas emissions data from our operations in Latin America as at 31 December 2018, including those held for sale.

² QBE's Group Shared Services Centre in the Philippines provides a comprehensive range of insurance services to QBE's customers and brokers across Australia, New Zealand, Europe, North America and Asia Pacific such as underwriting support, policy servicing, claims, control and customer service. It also provides knowledge processing services such as Finance, Technology, HR Delivery, Data Analytics and Reporting to QBE businesses globally.

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As a company that helps people and businesses protect themselves from risk, QBE has a focus on sustainability, and the identification of current and emerging environmental, social and governance (ESG) trends, is an integral part of achieving our purpose, understanding the needs of our customers and ensuring the sustainability of our own business.

About the cover

QBE aims to support the development of sustainable cities and communities around the world. Through an insurance intermediary, QBE provides insurance coverage to The Commons, a sustainable urban development. The Commons is a mixed-use apartment building which creates a sense of community. Located in Melbourne, Australia, the building represents better quality housing which pays equal attention to sustainability, liveability and financial return.

About this Report

This Sustainability Report covers the activities of QBE across its operations during the financial year ended 31 December 2018. All financial figures are quoted in US dollars unless otherwise stated. We engaged Deloitte Touche Tohmatsu to provide independent limited assurance over QBE's global greenhouse gas (GHG) emissions data, selected workforce-related metrics and the total number of Premiums4Good impact investments and associated financial value for the year ended 31 December 2018.

This limited assurance engagement has been undertaken in accordance with the Auditing and Assurance Standards Board's Australian Standards on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information and ASAE 3410 Assurance Engagement on Greenhouse Gas Statements.

The purpose of this was to provide QBE management with limited assurance over the reported data, calculated in accordance with selected disclosure requirements outlined in the Global Reporting Initiative Standards and QBE's Sustainability Reporting Framework, including its GHG Reporting Framework. The full limited assurance statement, which includes a summary of the specific reporting criteria used for each of the selected metrics, is available at the end of this Report.

2018 snapshot¹

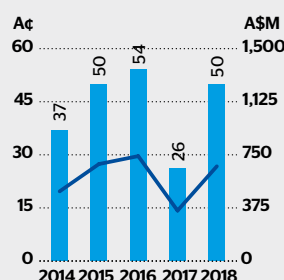
Shareholder highlights

Dividend per share (A¢)

50¢

Dividend payout (A\$M)

669



⬆ 88% from 2017

Earnings (loss) per share (US¢)

29.0¢

2017 (91.5)¢

Cash profit (loss) return on average shareholders' funds (%)²

8.0%

2017 (1.4)%

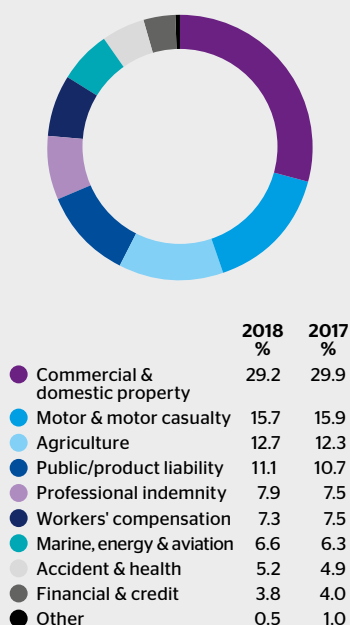
Financial highlights³

Combined operating ratio (COR) (%)

95.9%

2017 104.5%

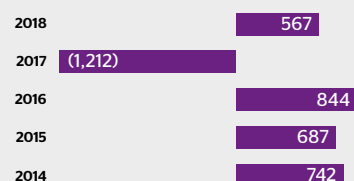
Gross earned premium by class of business (%)



Net profit (loss) after income tax (US\$M)

567

⬆ \$1,779M from 2017



Insurance profit (loss) (US\$M)

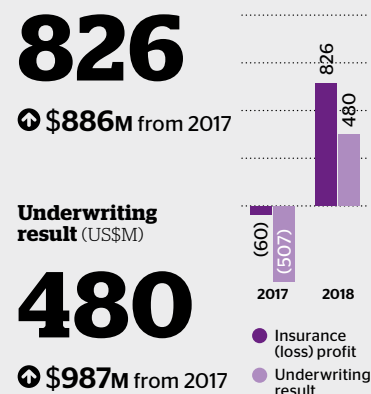
826

⬆ \$886M from 2017

Underwriting result (US\$M)

480

⬆ \$987M from 2017



Net earned premium by type (%)

92% direct and facultative insurance

8% inward reinsurance

Net earned premium (US\$M)

11,640

⬆ 3% from 2017

¹ The information in the tables above is extracted or derived from the Group's audited financial statements included on pages 86 to 161 of this Annual Report. The Group Chief Financial Officer's report sets out further analysis of the results to assist in comparison of the Group's performance against 2018 targets provided to the market.

² Cash profit ROE from continuing operations excluding gains (losses) on disposals.

³ 2017 and 2018 figures reflect results for continuing operations only.



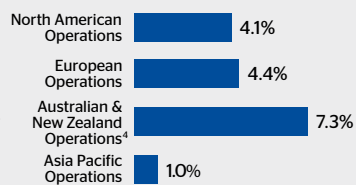
Operational highlights

Average premium rate increase (%)

Group-wide⁴

5.0%

Divisions



QBE Ventures

3 investments

(h[s])
HYPERSCIENCE

JUPITER

zeguro

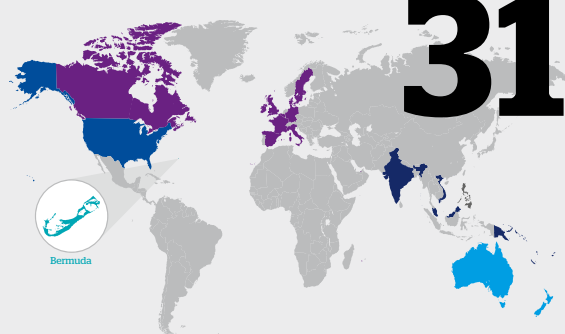
Retention (%)

81%

Cell reviews

>500

Countries of operation



Sustainability highlights

Workforce (%)

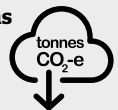
32%

Women in senior management

Target 35% by 2020



Greenhouse gas emissions reduction (%)



↓ 10%

from 2017

Carbon neutrality (tonnes CO₂-e)

47,273 tonnes CO₂-e

offset through



Premiums4Good (US\$M)

2021 ambition

\$1B

Total invested

\$440M

Climate change action plan



Collaborating on TCFD and sustainability



⁴ Excludes premium rate changes relating to compulsory third party motor (CTP).

Group CEO message

I am proud of the steps we took in 2018 to progress QBE's long-term sustainability journey as we continued to further integrate sustainability across our business. This Report describes the actions we are taking to deliver solutions for our customers to manage current and emerging needs.



A focus on sustainability is essential to our ability to deliver on our purpose, and our work in this area is underpinned by a refreshed Sustainability Framework described on the following page. In line with our commitment of doing the basics of insurance – underwriting, pricing and claims – brilliantly (our commitment to “Brilliant Basics”), this refreshed Framework will assist us to further integrate sustainability across our international business and our decision-making processes.

In 2018, we undertook a detailed review of the United Nations Sustainable Development Goals (SDGs) to understand the risks and opportunities each presents for our business and stakeholders. We believe the SDGs align closely with our business and provide an opportunity to collaborate with our stakeholders on the issues that matter.

We have identified an initial five priority SDGs for our business, where we believe we can have the greatest impact as an international insurer. Throughout this Report we have included a range of case studies that show how we have contributed to these five SDGs throughout the year.

Early in 2018, QBE committed to implementing the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures, over a three-year period. QBE recognises that a failure to act on climate change will lead to increasingly volatile and severe weather-related events and these are likely to have significant economic consequences. This is a material business risk for QBE, and for our customers, and I am pleased with the progress we have made on implementing our Climate Change Action Plan, which is detailed in our [2018 Annual Report](#).

I am proud of our continued commitment to diversity and inclusion. This is essential to our ability to embed our cultural attributes across the

business. It is fundamental to who we are and how we operate. Our efforts to provide a diverse, inclusive and innovative workplace were recognised with QBE's inclusion as a member of the 2019 Bloomberg Gender-Equality Index and in the top 200 companies in the Equileap 2018 Gender Equality Global Report & Ranking.

Our impact investment initiatives were also celebrated, with Premiums4Good winning the Asset Owner of the Year at the Australian Impact Investment Awards. The program was also included as a Finalist in the Finance for the Future Awards founded by The Prince of Wales's Accounting for Sustainability Project and the Institute of Chartered Accountants in England and Wales. This program continues to go from strength to strength and just last month, I was delighted to announce our ambition to grow our impact investments to \$1 billion by 2021, up from \$440 million today.

As we continue to build for the future, we are focused on effective ESG risk management across our business. Our long-term, holistic view of risks and opportunities enables us to continue creating value for our stakeholders and ultimately protects our organisation's sustainability.

Throughout the coming year, we will continue to build on our progress by engaging with our customers, employees, shareholders, investors, partners and the community to make sure that our approach to sustainability across the business responds to the needs of our stakeholders and emerging trends. This will strengthen our ability to assist our customers to build resilience in light of a rapidly changing environment, and to give them the confidence to achieve their ambitions.

Pat Regan
Group Chief Executive Officer



Sustainability Framework: Our approach to sustainability



As an international insurer and reinsurer, we are focused on the governance and sustainability of our business, being a great employer and on making a positive contribution to the economies and communities in which we operate.

Managing risk is what we do at QBE. It is important that current and emerging ESG considerations are built into our decision-making processes to help our customers manage risk through our products and services. We take a holistic, long-term view to continue creating value for our stakeholders and ultimately protect our organisation's sustainability.

In 2018, we reviewed our approach to sustainability to make sure our initiatives and priorities were aligned to our role as an international insurance company. Our refreshed Sustainability Framework will help us drive performance and manage risks across the areas of sustainability that are most important to our business and stakeholders. This refresh included updating our assessment of material issues as outlined on [pages 10 to 11](#).

This Report outlines our performance and initiatives across the focus areas of our Sustainability Framework. It highlights how we work with key stakeholders to strengthen our collective impact, and to identify and address ESG risks and opportunities.

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Sustainability governance and management

Oversight of sustainability

The highest governing body for sustainability-related issues is our Group Board of Directors. The Board is supported by the Board Risk & Capital Committee (BRCC) which oversees and guides QBE's sustainability approach, initiatives and reporting requirements. The Group Sustainability function, operating under a dedicated Group Head of Sustainability, reports on sustainability performance and activity at each BRCC meeting (six meetings were held in 2018).

Our Group Executive Committee (GEC) reviews and approves QBE's sustainability agenda and priorities. The GEC also receives reports on sustainability performance throughout the year.

Driving sustainability across our business

Group Sustainability function

The Group Sustainability function drives sustainability across our business. This includes development and implementation of our sustainability approach and initiatives, external stakeholder engagement, internal communications and engagement, performance management and reporting.

Group ESG Risk function

In 2018, a Group ESG Risk function was formed. The team reports to the Group Chief Risk Officer (CRO), a GEC member. It is responsible for coordinating the identification, analysis and management of ESG risks and integration into our risk management practices and systems across the business. The team supports our Climate Change Working Group on managing our approach to climate risk management.

Group Responsible Investments function

QBE has a dedicated Responsible Investments (RI) function, which reports to the Group Chief Investment Officer and the Group Chief Financial Officer, a GEC member. The RI team is responsible for integrating ESG considerations into the investment decision-making process. The RI team's activities are also overseen by the BRCC and, where appropriate, the Board Investment Committee.

Sustainability Committee

The Sustainability Committee supports the business in the delivery and effectiveness of our sustainability strategy, initiatives and reporting requirements. It is made up of senior representatives from across the Group who are involved in the day-to-day management of sustainability issues. These representatives come from business units including Risk, Finance, Investments, Investor Relations, People and Culture, Communications, Legal, Company Secretariat and Compliance, Operations and Claims.

The Sustainability Committee is chaired by our Group Head of Communications and Marketing, a member of the GEC. This ensures a close alignment with our Group CEO's agenda.

ESG Business Policy Committee

The ESG Business Policy Committee was established in late 2018 by the Group CRO. The Committee is responsible for managing and overseeing activities to identify and review ESG risks and developing appropriate policy and decision-making frameworks. In addition, the Committee considers and recommends policy positions on ESG risks that impact underwriting, investment and/or operations across the Group to the Executive Risk & Capital Committee.

Other Governance Forums

There is a range of other internal governance forums and working groups whose members have specialist skills to understand and address existing and emerging sustainability issues. These include our:

- Group Emerging Risk Forum;
- Climate Change Working Group;
- Group Underwriting Committee;
- Conduct Risk Working Group;
- Premiums4Good Global Steering Committee;
- Diversity & Inclusion Council;
- Health & Safety Working Group; and
- QBE Foundation Global Committee.

Further detail about these committees can be found throughout this Report under the relevant sections.



Sustainability Governance Framework



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Stakeholder engagement

As an international business, QBE operates in a range of increasingly complex and dynamic marketplaces. We have a diverse range of stakeholders including customers, investors, employees, regulators, commercial partners and community groups. It is essential that we work closely and transparently with them all.

Our stakeholder engagement is designed to enable us to understand our stakeholders' unique needs, expectations, perceptions or concerns. This helps us identify risks and opportunities, and gain the insights we need, to ensure our strategy, products and services continue to meet our stakeholders' needs and requirements.

We regularly consult with leading industry experts, and our people attend external conferences and events, to stay well-informed of emerging sustainability trends and their potential impact on our business and stakeholders.

Major stakeholder groups and how we engage with them

CUSTOMERS	INVESTORS	EMPLOYEES	INDUSTRY, GOVERNMENT AND REGULATORS	COMMERCIAL PARTNERS	SOCIETY
Stakeholders					
Direct customers End consumers	Institutional investors Retail shareholders Analysts	Directors Employees Contractors	Prudential, conduct and other regulators Government (local, national) Industry associations	Suppliers Brokers Fund managers Financial institutions	Media (local, national, international, social) NGOs and charities Sponsorship partners Interest groups Research and academia Think tanks Other community representative groups
Engagement mechanism					
Direct customer engagement Intermediaries Customer surveys Customer feedback channels Market research and brand monitoring	Investor reports Investor presentations Annual General Meeting Direct engagement Participation in surveys	Employee engagement survey Roadshows, meetings and events Engagement platforms (e.g. Intranet, yammer) QBE Ethics Hotline Employee focus groups	Regular meetings and briefings Participation in supervisory activities including reviews and inspections Participation in consultation processes Roundtables and focus groups Industry forums	Contract and mandates (standards) Ongoing relationship management Industry surveys, forums and events Supplier events Feedback surveys	Direct engagement QBE Foundation (partnerships, donations, volunteering) Sponsorships Thought leadership Panels and speaking engagements QBE website Briefings and press releases

Our memberships and industry collaboration

As part of our focus on stakeholder engagement, we are members of, or signatories to, several global and local sustainability-related initiatives. These provide us with a platform to collaborate with stakeholders on key sustainability issues through open dialogue and knowledge sharing. They assist us to develop solutions to address local and global challenges relevant to our industry and beyond.



A global partnership between the United Nations Environment Programme (UNEP) and the financial sector. More than 200 institutions, including banks, insurers and investors, work with UNEP to bring about systemic change in finance to support a sustainable world.



These provide a global framework for the insurance industry to address ESG risks and opportunities. The initiative aims to help strengthen the insurance industry's contribution – as risk managers, risk carriers and investors – to building resilient, inclusive and sustainable communities and economies.

Signatory of:



The world's leading proponent of responsible investment. Built around six principles for investing responsibly, the PRI are supported by the United Nations. PRI has more than 2,200 signatories representing more than US\$82 trillion in AUM.



IGCC represents a group of institutional investors with total funds under management of \$2 trillion, and others in the investment community, who are interested in the impact of climate change on investments.



These principles for business offer guidance on how to empower women in the workplace, marketplace and community. They are the result of a collaboration between the United Nations Entity for Gender Equality and the Empowerment of Women and the United Nations Global Compact.

We also belong to industry bodies and other local membership organisations in countries where we operate, as well as forums and institutes related to risk management, accounting and finance and actuarial services. We encourage employees to be involved in these organisations through training and qualifications, events, participation in working groups and taking leadership positions.



The peak industry body representing responsible and ethical investors across Australia and New Zealand. RIAA works to promote a more responsible approach to investment by encouraging more people to actively choose a responsible and ethical option for their savings and investments.



ClimateWise supports the insurance industry to better communicate, disclose and respond to the risks and opportunities of climate change. Representing a global network of leading insurance organisations, ClimateWise helps align members' expertise to directly support society as it responds to climate change.



A not-for-profit organisation that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.



The Australian partner of the World Business Council for Sustainable Development. The national peak body representing forward-thinking companies and organisations that are working towards the transition to a sustainable Australia.

Performance and reporting

By engaging with stakeholders and reporting on our sustainability approach and initiatives, we aim to be transparent and open about our sustainability performance and achievements. Sustainability ratings and industry benchmarks provide an important opportunity for us to improve our sustainability performance over time.

In 2018 we engaged professional services firm Deloitte Touche Tohmatsu (Deloitte) to work with us to enhance the rigour behind our sustainability reporting. Deloitte conducted independent limited assurance of our global greenhouse gas (GHG) emissions reporting, selected workforce-related metrics and the total number of Premiums4Good impact investments and associated financial value for the year ended 31 December 2018. The limited assurance statement is available at the end of this Report.

In 2019 we will continue to expand the scope of our assurance over sustainability-related metrics.

We participate in a range of external reporting and benchmarking initiatives including:



In Collaboration with RobecoSAM



FTSE4Good



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Materiality

In late 2017, we began updating our materiality assessment to identify the issues, risks and opportunities that are most significant for QBE and our stakeholders. The results of our materiality assessment inform our sustainability approach, strategic priorities and reporting.

Identification

Sustainability topics were identified using guidance developed by AccountAbility's *AA1000 AccountAbility Principles (AA1000AP) 2018*, including their five-part materiality test. This included a review of:

- media and global peer activities;
- a range of sustainability indices such as the Dow Jones Sustainability Index and MSCI ESG-indexes;
- industry standards and benchmarks such as the Global Reporting Initiative Standards;
- the United Nations Sustainable Development Goals;
- emerging risks and opportunities for the insurance industry including those outlined in the World Economic Forum Global Risks Report;
- employee surveys such as QBE Voice;
- stakeholder expectations including feedback from investors and customers; and
- targeted stakeholder interviews with representatives from across the business.

The sustainability topics identified were mapped to our Sustainability Framework to ensure coverage of the risks and opportunities relevant to our role in society as an international insurance company.

Prioritisation

The risks and opportunities associated with each sustainability topic were reviewed based on their importance to our business and to our stakeholders. In addition to the sources reviewed above, a survey of Sustainability Committee members and other senior leaders provided input into the analysis of the relative importance of sustainability topics to QBE.

Each topic was then positioned on our materiality matrix within three different stages of relevance and maturity:

- **Prioritise** – Topics with high importance to both our stakeholders and our business. These topics require continuous review and focus.
- **Maintain** – Relevant topics for the business for which we have well-established management processes. Stakeholder interest in these topics may vary.
- **Explore** – Topics with increasing relevance from an internal perspective and an expected increase in stakeholder interest. These topics warrant further analysis.

Validation

Following the development of the materiality matrix by an independent third party, an internal validation workshop was held with the Sustainability Committee to test and validate the assumptions used and the outcomes. This validation took into account the short, medium and long-term potential impacts of each topic. The final outcomes were then shared with the GEC and the Group BRCC.

Material topics for 2018

Our prioritised material topics for 2018 included:



Climate change management

As an international insurance company, we have a significant role to play in understanding and managing the potential exposures to climate-related risks and opportunities across our entire value chain. This includes transparent disclosure of climate-related financial impacts in line with regulatory expectations and the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures. As well as the physical impacts of climate change, we are also aware of the potential transition risks (e.g. policy, technology, market) due to the global shift towards a lower-carbon economy. Refer to the [Spotlight: climate change](#) for more information on how we are addressing this topic.



Ethics and conduct

We are committed to maintaining high ethical standards in how we conduct our business. The actions and conduct of our employees and others acting on QBE's behalf are key to maintaining these



standards. Our Group Code of Ethics and Conduct helps guide our employees to act with honesty and integrity, promoting QBE's reputation and supporting a positive compliance culture. The increased focus on trust in the financial services sector, with greater regulatory attention, has led to the need for enhanced transparency and disclosure around key customer issues. Refer to [Governance](#) section.



Culture

Building a culture that supports and enables us to achieve our purpose, vision and strategy in an ethical and responsible manner is a strategic priority for our business. Culture is key to ensuring that how people go about their work is seen as just as important as what gets achieved. Our newly defined cultural attributes – being fast paced, accountable, technical experts, courageous, diverse, customer-centred and team-oriented – help us to deliver on our strategic plan. Our behaviours and Group Code of Ethics and Conduct also underpin our culture. Refer to [People and culture](#) section.



Leadership and talent

Developing and empowering our people to be effective leaders and change agents and building a diverse talent pipeline are core to developing an effective organisational culture. This includes developing the appropriate skills to deliver our strategic priorities. Refer to [People and culture](#) section.



ESG risk management

As an insurance company, our financial strength and long-term sustainability rely on effective risk management, including the consideration of economic, political and regulatory risks, as well as ESG risks. We understand the importance of having a robust ESG risk management framework in place that identifies, assesses and manages current and emerging risks that are likely to impact us and our shareholders, customers, partners and communities. Refer to [Sustainable insurance](#) and [Responsible investments](#) sections.



Customer service and satisfaction

As a customer-centred business, we engage with our customers to understand their current and emerging needs and to deliver the right products and services. We are focused on continuous improvement in customer service, providing appropriate and

affordable services, efficient and effective resolution of customer complaints and customer education. Refer to [Customer and community](#) section.



Quality and transparency of products and services

We are committed to providing high quality products and services that account for the risks being mitigated. Designing products that meet customers' needs, provide value, and are responsible and reliable is fundamental. This includes providing transparent, simple and accurate product and service information including information related to pricing, fees and charges. Refer to [Customer and community](#), [Sustainable insurance](#), and [Responsible investments](#) sections.



Claims management

As part of our focus on Brilliant Basics (see our [Group CEO's message](#) in this Report), we are focused on redesigning our core claims processes to improve customer experience and reduce costs. We are committed to responding to clients quickly and ethically in line with our Group Code of Ethics and Conduct, and making sure that claims processes are clearly understood. Refer to [Operational excellence](#) section.



Privacy and security

We believe that the security of data and information, including cyber security, is integral to building partnerships with our customers in an increasingly digital economy and workplace. We have a responsibility to protect customer privacy through the ethical use and control of customer data. We manage and mitigate emerging threats, including cyber threats, by adhering to all legislation relevant to our business and our Group Code of Ethics and Conduct. Refer to [Operational excellence](#) section.



Appropriate pricing

We have a strong focus on pricing across our business, with detailed assessment of existing pricing models implemented as part of our renewed focus on Brilliant Basics. Enabling the balance between risk and reward so that underwriting models appropriately reflect current and emerging risks is important to the continued adequacy and appropriateness of our pricing models. Refer to [Customer and community](#) and [Sustainable insurance](#) sections.

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Our role in the United Nations Sustainable Development Goals

We believe in, and support, the aims and objectives of the United Nations Sustainable Development Goals (SDGs) which arose through collaboration between governments, civil society, the private sector and academia. The SDGs seek to address the world's most pressing environmental and social challenges and form part of a wider 2030 Agenda for Sustainable Development. At QBE, we are working to align our sustainability agenda to support advancement of these global goals. As a universal agreement to work towards a better future, the SDGs align closely with our own purpose to give people the confidence to achieve their ambitions.

Integrating the SDGs across our global business

We reviewed all 17 SDGs to understand their relevance to our business and stakeholders. Our assessment considered alignment of the SDGs against our purpose, business strategy, sustainability framework, products and services and business initiatives, as well as the interconnectedness and interdependencies of the SDGs. We used two lenses for this analysis:

- Direct and indirect impacts of the SDGs on our business and stakeholders, including our people, customers and community.
- Opportunities to contribute to the achievement of the SDGs through our products and services, advice, thought leadership and community initiatives.

Following this analysis, we performed a deep dive review for each division, considering the different markets and sectors in which we operate. Our divisional analysis considered strategic priorities, business activities and product lines. We then engaged with divisional executive teams to review and agree key insights. This process validated our initial thinking and helped identify nuances to prioritise our efforts at both a divisional and Group level moving forward.

All of the SDGs are relevant to our business in some way. However, we contribute to the achievement of some SDGs more directly than to others. We have therefore chosen to focus our actions on five goals (outlined on the following page) which align most closely to our purpose and strategic business priorities. This is where we can have the greatest impact.

In addition to the five goals, our community engagement activities also focus on Goal 3: Good health and wellbeing. Supporting the health and wellbeing of our communities is a priority for us from a strategic community engagement perspective. Across our divisions, employees engage with their communities via the QBE Foundation which coordinates charity partnerships, grants, events participation, volunteering, awareness-raising events and employee fundraising.

We also believe that Goal 17: Partnerships for the goals – underpins everything we do and that adherence to that Goal will enable us to help achieve the wider 2030 Agenda for Sustainable Development. We will continue to leverage our existing partnerships to collaborate on key sustainability topics and will seek to collaborate with industry, government, community partners and other stakeholders to help achieve the SDGs.

Throughout this Report we have included a range of case studies that show how we have contributed to the SDGs in 2018. We are working with each of our divisions to identify further opportunities to support the SDGs we have prioritised in 2019 and beyond.

In addition, building on our work in 2018, we will undertake a comprehensive materiality assessment process in 2019 which will further integrate our work on the SDGs into our business. We believe the SDGs provide a framework to help guide our thinking, identify sustainability leadership opportunities and engage with our stakeholders to collaborate on the issues that matter.



Our five priority SDGs



GOAL 1: No poverty

Building the financial resilience of our customers is core to our purpose. We protect people and businesses against risks – contributing to our customers' long-term financial wellbeing. An accident, illness or natural disaster can quickly plunge customers into financial distress. Providing insurance protection for customers and communities helps them to recover, preventing them from falling into, or deeper into, poverty.

GOAL 5: Gender equality

QBE is committed to gender equality both in terms of our own people and in the practice of our insurance business. As a signatory to the Women's Empowerment Principles and with our Group CEO as a Male Champion of Change, there is a greater strategic focus on diversity and inclusion across our business. We have committed to promoting greater gender equality with a target of 35% women in senior management by 2020.

GOAL 8: Decent work and economic growth

With operations in key areas and markets internationally, enabling sustainable economic growth is fundamental to our business. Our strategic focus on innovation and building for the future enables us to promote sustained

economic growth. We provide insurance products that support decent work such as through our workers' compensation and accident and health solutions. A focus on protecting human and labour rights within our business and across our supply chain is essential for ensuring QBE remains a responsible employer and business partner.

GOAL 11: Sustainable cities and communities

We understand that cities and human settlements are rapidly changing due to increasing urbanisation, changing transport and energy systems, building codes and exposure to climate risks. We are committed to building on our existing data, products, services and advice and collaborating with industry and government to identify sustainable solutions to reduce risk and enhance safety and resilience.

GOAL 13: Climate action

As a general insurer, we are very aware of the risks and opportunities presented by climate change. We are well-positioned to use our industry expertise to help customers, partners and communities mitigate these risks and support the uptake of opportunities in the transition to a lower-carbon economy, consistent with the 2015 Paris Agreement.

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Spotlight: **climate change**

Climate change is a global risk that has had, and will continue to have, ramifications around the world. From physical risks such as flooding, droughts and cyclones, at QBE we see first-hand the damaging consequences of the effects of climate change on people and communities. We are also aware of transition risks, such as those associated with changes in policy, laws, technology, and markets.

Our role as an international insurance and reinsurance company is to give people the confidence to achieve their ambitions. This means that we provide customers, communities and people with the ability to recover from natural catastrophes and other severe weather-related events.

QBE accepts the Intergovernmental Panel on Climate Change's scientific reports and we support the landmark agreement forged at the United Nations Framework Convention on Climate Change Conference of the Parties in Paris in 2015, which seeks to combat climate change and intensify action and investment in transitioning to a low carbon future.

In early 2018, QBE became a signatory to the public Statement of Support for the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The TCFD's recommendations are structured around four core elements of how companies operate: governance, strategy, risk management, and metrics and targets. These elements establish a strong and consistent framework for improving climate-related risk management and disclosure.

In 2018, our Climate Change Working Group (CCWG) undertook a high-level impact assessment of climate-related risks and opportunities for QBE and our customers over the short, medium and longer terms.

Following this analysis, in August 2018, we detailed a plan to implement the recommendations of the TCFD and enhance our disclosure of climate-related risks and opportunities for our business over a three-year period.

In 2018, we reviewed and strengthened our governance around climate risk management

by assigning specific responsibilities to the Group Board and Management. We also created an ESG Risk team to support the CCWG and manage the day-to-day implementation of our Climate Change Action Plan. The ESG Risk team also collaborates with key functions across the business to assess and monitor our ongoing exposure to climate-related risks and identify new opportunities to help our customers.

As an institutional investor, we contribute to a low-carbon economy by financing renewable energy infrastructure and investing in green finance in both our wider portfolio and through our impact investment program, Premiums4Good. We provide insurance coverage for renewable energy projects globally and will seek further opportunities to do so in the future.

Climate change is a significant global risk and presents challenges and opportunities for our business and our customers. We are supporting our customers in the transition to a low carbon economy, consistent with the Paris Agreement, and we are delivering against our plan to implement the recommendations of the TCFD, which will enhance our climate-related management and disclosure. We also know that global challenges require global solutions, so we are very pleased to be collaborating closely with our peers in the international insurance industry and through a number of critical international forums.

In 2018, we also undertook an analysis of our exposure to coal through the Group's \$23 billion investment portfolio. We identified that we have less than 1% of our total portfolio in coal-related assets. In addition, our Group Investments team initiated dialogue with the largest greenhouse gas emitters in our credit portfolio and with our external investment managers in relation to their commitment to implementing the TCFD recommendations. More information on this can be found in the Climate Change Action Plan section of our [2018 Annual Report](#).



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QBE also recognises the value of partnerships when it comes to tackling the challenges and opportunities in this important area. In 2018, through our venture capital arm, QBE Ventures, we partnered with Jupiter Intelligence (Jupiter), an emerging leader in predicting and managing climate risk. Jupiter provides data and analytics services to better predict and manage risks from weather and rising sea levels, storm intensification and changing temperatures caused by medium to long-term climate change. We will be working closely with the Jupiter team to find innovative ways to leverage their data and analytics across our business – from underwriting and pricing, to providing resilience management and thought leadership to our customers across the globe.

We believe in the importance of collaboration and are working with the insurance and broader finance industry on a number of working groups and initiatives to advance action on climate change. This includes joining with 17 other global insurers and the United Nations Environment Programme – Finance Initiative in a new pilot to develop analytical tools to further support us in our climate risk disclosures that are in line with the TCFD recommendations. The pilot will make use of the latest climate science, including some of the most advanced, forward-looking climate scenarios available.

Our commitment to carbon neutrality

In 2018, we achieved carbon neutrality for our business operations through reducing our air travel and purchasing offsets in relation to our residual emissions through the Qantas Future Planet program. We have also committed to reduce our total air travel by 20% by 2021 (from a 2017 baseline).





Sustainable insurance

QBE provides a broad range of insurance products to personal, business, corporate and institutional customers. As a proud signatory to the United Nations Environment Programme – Finance Initiative's (UNEP FI) Principles for Sustainable Insurance (PSI), we take an active approach to risk management, no matter how complex, and listen to our customers' needs to deliver tailored solutions.

Our risk management processes and systems are robust and aligned to global best practice. Our Group Board seeks to ensure we have an effective Risk Management Strategy (RMS) across QBE's operations, and that the business manages risks effectively in line with our Enterprise Risk Management framework. This framework incorporates our key risk management processes: determining risk appetite; governance, risk and control assessments; stress and scenario-testing; reporting, risk modelling and capital management; and monitoring our risk culture.

Supporting the Group Board, our Board Risk & Capital Committee (BRCC) oversees active, appropriate risk management in line with our risk appetite, strategy and business plans. The Group Board reviews the RMS annually, and results are reported to the Group Board Audit Committee and BRCC.

Managing risk, embedding sustainability



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As we work to further embed sustainability into our decision-making, we actively manage current and emerging ESG risks and opportunities. This is in line with our membership of the UNEP FI, and our PSI signatory status.

In 2018, we formed an ESG Risk team to analyse and help manage these risks across the business. Our new ESG Business Policy Committee also discusses and develops specific ESG policies for application in the divisions.

We use a robust risk identification, measurement and mitigation process. As part of our RMS, we categorise risks into six classes, with ESG risks across underwriting and investments classified as strategic risks, as well as being integrated into other risk classes.

Our Risk Appetite Statement sets out the nature and level of risk that the Group Board and Group Executive Committee are willing to take in pursuit of our business objectives, clearly defining QBE's appetite and tolerance for risk. We are also integrating ESG risks into the Strategic Risk Policy as part of our regular policy review.

We know that the risk environment evolves over time, so our Global Emerging Risk Forum works with divisional emerging risk forums to identify, research and analyse emerging risks such as cyber, big data and autonomous vehicle risk.

Our commitment to responsible underwriting

Our Group Underwriting Standards support our commitment to, and reflect our definition of, responsible underwriting. They include:

- Strict adherence to compliance and regulatory obligations that underpin global efforts to reduce terrorism, corruption, corporate and organised crime and human rights violations.
- Identifying and integrating ESG issues into risk management and underwriting decision-making processes.
- A commitment to developing products and services that reduce risk, positively impact ESG issues and encourage better risk management.
- Working with clients and business partners to raise awareness of ESG issues, manage risk and develop solutions.

We are helping drive our industry towards better ESG standards in underwriting. Together with our peers, we are participating in the industry-wide

PSI ESG Standards for Underwriting project. Due for release in early 2019, we will use its outcomes to inform our Group Underwriting Standards.

Our Group Code of Ethics and Conduct (refer to the [Governance](#) section for further information) and conduct risk management model also support our commitment to responsible underwriting. We define conduct risk as the risk of unfair customer outcomes resulting from QBE's failure to treat its customers in a fair manner when (i) designing or building its products, (ii) designing its sales and marketing practices, (iii) overseeing the distribution of its products, (iv) handling claims and (v) managing complaints. Our approach is designed to cover our business model, strategy, culture, product design, distribution, communication, post-sales activity, and product governance.

To support our Group conduct risk principles, we also have specific policies and processes for divisions assessed to have a higher likelihood of conduct risk. In late 2018, we set up a Conduct Risk Working Group, chaired by our new Group Head of Conduct. Made up of experts from across our business, the working group aims to deliver a consistent approach to understanding and managing conduct risk.



Our business is fundamentally about how we identify, mitigate and manage risks for QBE and our customers. In 2018, we strengthened our approach to managing environmental, social and governance risks across our business by forming an ESG Risk team and ESG Business Policy Committee. This helps us ensure our risk management practices and systems are robust, independent and aligned with global best practice."

Peter Grewal,
Group Chief Risk Officer

Promoting sustainability with clients and business partners

QBE works with clients, business partners and our own employees to raise awareness of sustainability issues, manage risks and develop solutions. We offer events, seminars, tools and publications that help our clients, brokers and employees build their risk management knowledge and sustainability awareness. We also promote sustainability awareness in the following ways:

Expert risk solutions

Our Global Risk Solutions Practice is a community of risk engineers, risk management consultants and scientists. Together, they work with our customers on risk profiling and evaluation, accident investigation, business continuity, risk assessment, supply chain analysis, environmental management and client awareness forums and training materials. The team uses technology to proactively engage business owners, making it easy for them to learn about, and plan for, the risks they face. In 2018, we launched a solution targeted at small to medium-sized businesses, honing their focus on risk management, and equipping them with expert knowledge, data and tools.

Sustainable solutions and products

Through our products and services, we help customers and clients address sustainability issues, for example:

- We have introduced a new mobile offering for selected new clients in Europe to make fleet telematics more accessible. The solution allows clients to reduce risk and fuel use, while encouraging safe-driving behaviours, as well as giving our underwriters the data they need to offer affordable premiums.
- We insure water utility companies in many parts of the world through our international portfolio. Many of these companies are at the forefront of providing new solutions for sustainable management of water in their territories.

Further examples can be found on the next page.

Engaging our suppliers on sustainability

In 2018, we released our Supplier Sustainability Principles, outlining our minimum expectations of our suppliers across a range of sustainability issues. Refer to the [Operational excellence](#) section for further information.

Educating our stakeholders

We publish market-leading insights across our divisions on sustainability-related issues. For example, our European Innovation Series informs our customers about the drivers behind industry change, covering topics such as technology, logistics innovations, modern rail risk, cyber security and disruptions in motor fleets.

We also engage with our brokers and intermediary distributors through education seminars and public campaigns on topics such as emerging cyber risks, automation and road safety.

Raising employee awareness

In 2018, the Group Sustainability function engaged directly with teams across the business to raise awareness of sustainability. We also published a range of intranet articles and created dedicated internal Yammer groups to provide frequent updates on sustainability trends, insights and news for our international business.

In addition, we invited several external speakers to present at lunch-and-learn sessions on a range of sustainability topics.

Making a difference through impact investing

In 2015, QBE launched Premiums4Good.

This pioneering initiative enables QBE customers to make a difference by directing a proportion of their insurance premiums to investments in securities with an additional social or environmental objective. Refer to the [Responsible investments](#) section for further information.

Examples of sustainable solutions and products



Proactive rehabilitation services

Our rehabilitation services, provided through our European Operations, focus on early intervention to assist injured parties, protect our clients and their claims position. By providing the right rehabilitation and claims support when it is needed, our services help injured people get back to work promptly, while reducing claims costs. We help underwriters, risk managers, brokers and customers with a range of rehabilitation and occupational health issues, such as absence management, major incident assistance, rehabilitation best practices and return-to-work policies.



Innovation enhancing health and safety

We work with construction companies that are improving the health and safety of their workforces through technological solutions. Through our European Operations, we underwrite Laing O'Rourke, which has invested over £120 million to develop an off-site construction facility that reduces the need for personnel to work on site in dangerous conditions. The facility robotically builds concrete structures, which are then delivered to sites, reducing instances of working-at-height and the movement of materials by cranes.

Through our Asia Pacific Operations, we are also involved in a range of projects using Building Information Modelling (BIM). As part of the Changi Airport expansion, BIM technology makes the project safer and helps to ensure a cost-efficient environmental design. Combining BIM and GPS technology also helps ensure safety on-site by alerting workers and supervisors to dangerous locations.



Transitioning towards a low-carbon economy

We offer a range of solutions that support our customers' transition to a low-carbon economy and manage the risks associated with climate change. In our Asia Pacific Operations, we have expanded our renewable energy portfolio, providing cover for solar farms across Vietnam and Korea. Some are set on floating pontoons in lakes, reservoirs and harbours. Floating solar farms are more efficient than normal farms because of the water's cooling effect, which can make the panels as much as 10% more effective, and limit water from evaporating.

Through our European Operations, we work in partnership with GCube, a specialist provider of renewable energy insurance services. GCube helps wind, solar, biomass, wave, tidal, hydro and energy storage asset owners to identify, quantify, mitigate and insure risk efficiently and cost-effectively.



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

QBE continued to engage and work with a range of governments, regulators and other stakeholders on a host of sustainability topics throughout 2018.

Examples include:

Boosting resilience in cities and regional communities

During 2018, QBE representatives participated in the Australian Government's National Resilience Taskforce to develop a framework for financing adaptation and resilience. The Taskforce brought together stakeholders across industry and government, community groups and not-for-profit organisations to collaborate on potential resilience strategies for Australia. This has created a platform for change, discussion and partnership for enhanced resilience in communities.

In July, we sponsored the UNEP FI Conference on Financing a Resilient and Sustainable Economy. Held in Sydney, the Conference discussed ways to strengthen the banking, insurance and investment sectors' contribution to sustainable development. It featured innovation and market developments across key global financial frameworks and initiatives, including PSI and the Principles for Responsible Investment (PRI).

Understanding the workforce of the future

In Singapore, we have been working with the Monetary Authority of Singapore (MAS) to understand the needs of the country's future workforce. To date, MAS has supported training for local staff on machine learning and the impacts on workforce planning. In addition, our Singapore CEO is involved in industry boards and working groups, such as the Institute of Banking and Finance, which focuses on reskilling the workforce for the future.

Championing workers' health and safety

The CEO of our Singapore office chairs the General Insurance Association of Singapore which is exploring best practice for the safety of workers using technology. Our Singapore CEO also sits on the Tripartite Strategy Committee 2028, which is formulating the Workplace Safety and Health Strategy for Singapore, an initiative that puts a greater emphasis on workers' health than ever before.

Adding our voice at key events

Throughout the year, QBE representatives have attended and spoken at business roundtables, seminars and events on sustainability. Topics included impact investing, diversity and inclusion, climate change, modern slavery, sustainable cities and communities, resilience and sustainable finance.

Supporting financial security through microinsurance



In the Philippines, the QBE Foundation has collaborated with World Vision Australia, VisionFund International and Accenture Development Partnerships to develop a microinsurance initiative. The initiative supports financial safety and resilience in a number of areas, including health, retirement, the fishing industry, small shops and agriculture. Designed in 2018, the pilot aims to drive financial inclusion, including tailored microinsurance products for poor communities of Southeast Asia.





Events included:

- In early 2018, five of our delegates, including two non-executive directors, two executives and one senior leader, attended the training provided by the University of Cambridge Institute for Sustainability Leadership. The program explored the challenges facing us globally, their strategic implications for business, and how business leaders can respond to those challenges through resilient business models.
- Employees across the business attended or contributed at multiple events held by Accounting for Sustainability (A4S). Our Group Head of Sustainability has been an expert panel member since January 2017, and our Group Financial Controller joined the A4S Trans-Tasman Circle of Practice in 2018. Once again, QBE attended the 2018 A4S Summit at St James's Palace in London, an invitation-only event hosted by HRH The Prince of Wales.
- In May 2018, we attended the first-ever Ocean Risk Summit in Bermuda. The Summit was organised around the following themes: our changing ocean, managing and reducing ocean risk, building resilience and applied solutions. It showcased the latest research on the interrelated changes taking place in the ocean, covering issues from threats to global food security and human health, to the impacts of hurricanes on communities, ecosystems, and businesses.
- In September 2018, we attended the inaugural Insurance and Climate Risk Americas conference in New York, held during the UN General Assembly Week and Climate Week. In November 2018, we also attended the UNEP FI Global Roundtable and Paris Climate Finance Day to discuss sustainable finance.



Investors and customers are increasingly looking for businesses to operate sustainably and demonstrate social purpose. It is essential that boards have a strategy for adding long-term value to their companies, and that they anticipate environmental and social regulatory requirements."

Jann Skinner

QBE Group Board member



Social bond issuance

In 2018, we continued to give debt investors the opportunity to make a positive impact on society.

In 2017, we issued a Gender Equality Bond, a debt product that incorporates gender equality with strict investment criteria. Any issuer must be a signatory to the Women's Empowerment Principles and be included in the Equileap Gender Equality Global Report and Ranking's Top 200 Companies at the time we invest. During the year, we published our [inaugural report](#) showcasing the achievements of companies we have invested in, plus progress towards gender equality in the workplace and the communities we serve.





Responsible investments

As a global investor and committed signatory to the Principles for Responsible Investment (PRI), QBE aims to contribute to social wellbeing and sustainable development. We believe that integrating responsible investing into investment decisions is good for long-term, risk-adjusted financial returns and aligned to our stakeholders' expectations.

QBE has a dedicated Responsible Investments (RI) team, which reports to the Group Chief Investment Officer and the Group Chief Financial Officer. Its activities are also overseen by the Board Risk & Capital Committee and, where appropriate, the Board Investment Committee.

QBE manages a multi-asset portfolio. Our fixed income portfolio represents approximately 85-90% of our overall investment assets and is mostly managed directly using in-house portfolio managers and analysts. The growth assets portfolio represents the remaining 10-15% of our investment assets, and we use external investment managers and passive index vehicles to access the various asset classes. For a detailed breakdown, refer to the [2018 Annual Report](#).



Progressing our responsible investments approach

In 2018, we updated our Investment Philosophy to reflect our stronger commitment to considering ESG factors when assessing risk and integrating them into key investment decisions.

We also refreshed our Responsible Investments (RI) Guidelines to reflect our sharper focus on ESG factors across our investment portfolio. We believe that incorporating ESG factors complements our existing investment due diligence and strengthens our overall decision-making.

Our credit analysis and selection process

In 2017, we introduced an independent ESG measure to our credit analysis process. This enables us to understand and monitor a company's approach to managing ESG issues through its policies, practices and other measures. In 2018, we continued to incorporate this ESG measure as part of the credit analysis and selection process. We also extended our ESG integration analysis to cover supranational issuers. We work with credit issuers with lower ESG-ratings to better understand what drives their scores and, where appropriate, what their plans are for improvement.

ESG reviews for external fund managers

During the year, as part of our manager selection and due diligence program, we strengthened our external fund manager reviews and extended the annual ESG review for all existing managers. Also, 85% of our external managers are PRI signatories.

In 2018, QBE joined the Global Real Estate Sustainability Benchmark (GRESB) as an investor member and reviewed the ESG performance of real estate portfolio managers. Based on GRESB real estate benchmarks, the weighted average for the property portfolio is GRESB 4 Star, which is in the top quartile.

Climate change transition risk

In 2018, in line with our commitment to the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, we honed our strategic focus on climate change management and disclosure.

For our investment portfolio, we analysed the transition risks in our corporate bond portfolio associated with climate change, and engaged with external managers. For further detail, refer to [Spotlight: climate change](#) and the Climate Change Action Plan in our [2018 Annual Report](#).

Our investment processes are enhanced by new methodologies, analytics and tools. Results of these tools are supportive of our investment approach to date, and growing sustainable investment credentials.

Industry collaboration and engagement

We continue to join industry and government discussions to share best practice on responsible investing, and regularly contribute to a range of submissions, research papers, forums and panels. During 2018, we strengthened our commitment to responsible investment by joining the Investor Group on Climate Change, where we participate in the Adaptation Working Group. As a member of the Responsible Investment Association Australasia (RIAA), we participate in the Impact Investment Forum and the Human Rights Working Group, collaborating with our peers on key challenges and opportunities.

As an investor member of GRESB, we are able to understand the climate resilience of our real assets portfolio.

We are an active participant in the global field of responsible investing and impact investing, with our representatives attending the following events this year:

- Winter Innovation Summit in Salt Lake City;
- PRI in Person conference in San Francisco;
- RIAA annual conference in Melbourne, where the Group Investments team presented on an impact management panel;
- Asia Pacific Impact Summit where we shared our perspectives as a global investor in social impact bonds (SIBs);
- Global Steering Group for Impact Investing Impact Summit in India where our impact investing program Premiums4Good was profiled as a leading example of mobilising capital for impact; and
- Gender-Smart Investing Summit held in London, where we showcased our commitment to women's empowerment and gender equality.

Employee training and engagement

New training sessions by our RI team are strengthening the ESG knowledge and skills of the broader Investments team. Subjects in 2018 included climate change, and long-term social and economic trends. With more training and development sessions scheduled, we will continue to educate our employees on the importance and relevance of ESG issues to investments decisions.

Premiums4Good

By choosing QBE as an insurer, our customers make a difference through their premiums by contributing to Premiums4Good. In addition, select customers can direct up to 25% of their insurance premiums to impact investments – investments in securities with an additional social or environmental objective, such as SIBs, social bonds, green bonds and investments in infrastructure with environmental benefits.

As QBE bears all the investment risk, there is no cost or risk to the customer. And as premiums grow, demand for social impact investment grows. Premiums4Good supports our belief that we can deliver risk-adjusted returns and make a difference.

QBE invests in line with existing investment mandates and thresholds, and we work with the Classification of Social Investments Committee (COSI) to oversee the program's governance. COSI comprises three QBE representatives and three independent impact experts. It meets quarterly to classify and review investments for an "additional social or environmental objective" and verify their positive impact. The Committee continues to support QBE in iterating and improving our approach.

We are excited by the opportunity to scale up the Premiums4Good program and increase the percentage of funds directed to generate positive impact. In 2018, we established an internal Global Steering Committee with representatives from across the business. The Committee will develop and oversee the Premiums4Good strategy to maximise the value of this innovative, global offering.

Our Premiums4Good offering continued to grow in 2018, with the number of investments increasing from 26 to 32, representing an investment of \$440 million in qualifying securities. Investments range across asset classes and geographies, including green bonds, social bonds, infrastructure and SIBs. We have an ambition to grow our impact investing allocation to \$1 billion by 2021.

We have also mapped these investments to the United Nations Sustainable Development Goals (SDGs) to align to QBE's support of the SDGs. This reflects the momentum of the SDGs in impact investment.

Industry recognition



Australian Impact Investment Awards, Winner
Impact Asset Owner of the Year



The Prince's Accounting for Sustainability Project/Institute of Chartered Accountants Finance for Future Award, Finalist
Building Sustainable Financial Products

Total investment

\$440 m invested across

32 securities that meets QBE's investment and impact criteria (up from 26 in 2017)

Our ambition is to grow our impact investments to

\$1 billion by 2021

Thematic investing

Alongside Premiums4Good, we are exploring thematic investment opportunities in the context of QBE's group-wide priority SDGs. In 2018, we focused on the following three goals:





Current Premiums4Good investments

IMPACT AREA	IMPACT LOCATION				TOTAL
	GLOBAL INCLUDING EMERGING MARKETS	AUSTRALIA AND NEW ZEALAND	EUROPE AND UNITED KINGDOM	NORTH AMERICA	
Environment					
Resource efficiency, recycling, re-use and conservation	2			1	3
Sustainable energy	2	4	2	4	12
Social					
Education and employment	1				1
Financial inclusion	1		2		3
Health		1		1	2
Housing and social real estate		2	1	1	4
Social care and provision of community services		1		2	3
Social inclusion, diversity and gender				1	1
Urban and community development				3	3
	6	8	5	13	32

Impact investments

Social impact bonds

QBE supports social investment as a means of raising capital for global social and environmental issues while creating financial returns. Investments supporting Premiums4Good are in multiple asset classes and impact areas, and range in depth of impact. SIBs are at the high-impact end of the spectrum, as a results-based investment.

In 2014, we committed to invest up to \$100 million in suitable SIB opportunities across our global investment portfolio. We strive to bring commercial rigour to these types of investments and to help develop the market across our multiple jurisdictions, through portfolio investment activities on the institutional demand side, as well as customer initiatives and advocacy. Our involvement in SIBs also demonstrates the power of public-private-social sector partnerships and, importantly, addresses the need to drive demand for continued social investment.

IMPACT MANAGEMENT PROJECT

As we strive for best practice in impact investing globally, we are proud to participate in the Impact Management Project (IMP). This global network of standard-setting organisations aims to develop a convention and shared language for impact investment.

IMP works alongside other reporting standards to identify investors' contribution, and how capital providers such as QBE are investing for impact and intentionally seeking deeper impact. QBE has mapped the Premiums4Good portfolio to the IMP to demonstrate the development and maturity of the program over the past four years since its launch.



Benevolent Society Resilient Families Social Benefit Bond, Australia

QBE's first SIB investment matured in October 2018. The bond not only delivered the financial return expected, it also contributed to social benefits, including 32% fewer children entering out-of-home care compared to a control group.

Over the five-year duration of the program, 303 eligible families were referred to Resilient Families with 816 children gaining support.

The program achieved an 86% preservation rate (children remain home with parents) for all families referred to the program, which is comparable to the best evidence-based programs globally.



Cheyne Social Impact Property Fund, United Kingdom

QBE invests in the Cheyne Social Impact Property Fund, which addresses the pressing challenge of social and affordable housing. Cheyne works with high impact organisations to deliver services such as social housing, elderly additional care, housing for the homeless, adult social care and supported living for people with physical and/or learning disabilities.

Cheyne's Social Property Impact team acquires or builds properties and then eases them to social-services providers at affordable rates. The results are visible and measurable.

One example is the case of a 34-year-old man with severe learning disabilities who was keen to live independently. He had been offered a series of housing options, all of which had fallen through for various reasons.

This meant he was still living with his family and requiring significant care and input from them. When accommodation finally became available it was an hour-and-a-half away, meaning they would also have to move or travel long distances to see him regularly. The alternative was long periods of separation.

The fund's investment allowed a suitable property near his family home to be found and tailored to his needs. The resulting independence from moving out of his parents' house increased the man's quality of life, reduced the care impact on his family and cut administrative costs for both providers and relatives in searching for new accommodation.



Future Shapers Social Impact Bond, United Kingdom

Future Shapers is a dynamic program for 14 to 17-year-olds that aims to support the social and educational development of young people in South Yorkshire, helping them to get the most out of life.

Young people participate in this program to get a better chance of finding a job by developing their skills, attitudes and understanding as they move from education to the world of work.

Personal mentors offer support tailored to the young people's own needs. This includes helping them to grow in confidence, improve school attendance, gain qualifications, take part in extra-curricular activities, socialise with other young people, look for work and much more.

The program launched in 2015, under which investors pay for the project and receive payments based on results. In December 2018, the program matured to deliver positive results.



Customer and community

As a large international insurer and reinsurer, we offer a diverse portfolio of products and services to meet our customers' current, and emerging, needs. We aim to deliver a consistent level of outstanding customer service across our divisions, and our customers are at the heart of our decision-making.

To provide quality solutions for our customers, we seek to understand the trends impacting them and the broader communities in which we operate. The [Sustainable insurance](#) section of this Report outlines how we incorporate this ambition into our products and services. We also seek to contribute to the community through thought leadership, advocacy, emergency relief and through our QBE Foundation.



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Helping our customers reduce risk

We are in the business of managing risk. We listen and respond to our customers' needs to help develop individually-tailored solutions. For example, in the United Kingdom, our Risk Culture Profiling Tool provides a comprehensive framework to help organisations evaluate their risk culture management processes by comparing best-practice indicators and behaviours.

Since its launch in 2016, this tool has helped multiple customers identify risks and make improvements within their business, including one of our specialist Property and Construction customers. Using our expertise in risk management, we have provided this customer with several recommendations and an action plan to deliver tangible improvements and risk reduction.

Promoting financial inclusion

We provide a range of tools and services to help our customers understand our financial products and services. As part of this, we make our policy wording simple to understand so that our customers know what they are, and are not, covered for. During 2018, we continued our efforts to make our product information and policy wording more inclusive, conducting extensive research with brokers and customers on selected commercial products to be launched in 2019.

We continue to provide our partners and customers with financial literacy education. For example, in Indonesia, we conduct seminars for students about the different types and benefits of insurance. Additionally, in line with requirements of the Indonesian regulator, we host seminars, workshops, agency training and annual broker training.

We also aim to promote financial inclusion through microinsurance solutions such as participating in a pilot microinsurance program in the Philippines. Refer to the [Sustainable insurance](#) section for further information.



“

QBE's review was both useful and timely as it helped us to think about how external risks can affect the firm, rather than just focusing on risks posed by individual projects, which are already addressed thoroughly. This ties in neatly with our revised approach towards the ISO 9001 Standards and we used many of the learnings from QBE's review to prepare a paper detailing our view of external risks and how we deal with them throughout the business, all of which will support our re-audit against the Standards.”

- A global construction & property consultancy client



What we are doing to promote accessibility and financial inclusion



QBE Australian Housing Outlook

The QBE Australian Housing Outlook equips our customers, partners and consumers with the latest housing and economic information to help them make informed choices about their financial future. We have partnered with BIS Oxford Economics for many years to produce this annual report.

The 2018-2021 report took a closer look at what drove demand during the past 10 years and what changes we can expect over the next decade. This was particularly fitting given that 2018 also marked the 10th anniversary of QBE's acquisition of our Lenders' Mortgage Insurance (LMI) business.

Our LMI business helps borrowers, who are credit worthy but do not have a large deposit, to obtain a home loan by protecting the lender against loss should the borrower default on their loan.



Tackling housing affordability

In 2018, QBE sponsored a report produced by the Centre for Social Impact which explored the issues underlying homelessness in Australia. It concluded that to address the root causes of homelessness, we need to think beyond the immediate crisis response and find more strategic long-term solutions.

QBE is also pleased to support the Constellation Project – a partnership between the Centre for Social Impact, PwC Australia, Australian Red Cross and Mission Australia – with the objective of working towards ending homelessness in a generation.

"It is clear that we need to work together to address the growing issue of homelessness in our Australian communities. As an active participant in the Australian housing market, I'm really proud QBE has and will continue to work with other corporates, not-for-profits and government departments to tackle the underlying issues that cause homelessness in Australia." Phil White, CEO of QBE LMI



Digital solutions to improve our customer experience

Across our Asia Pacific Operations, our teams have been digitising processes to improve customer accessibility. In Singapore, for example, the Financial Advisors channel has been working with partners to promote the use of digital solutions to quote, rather than going through manual quotes.

In Hong Kong, we launched our digital travel claims portal in October 2018, delivering a simpler and more efficient claims experience for customers. Customers can now submit a travel claim on any device, anytime, anywhere. By eliminating the use of paper forms, printing and postage, we have enabled faster validation and payment, with claims generally assessed as soon as they are received.



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Natural disaster relief

As an insurer, we are one of the first ports of call for our customers when they are affected by a disaster. We aim to respond quickly, to be caring and to deliver outstanding service to those customers impacted by catastrophes – in line with our focus on building resilience within our communities. We directly support disaster relief through financial donations and providing aid such as water, food, medicines, toiletries, equipment and volunteer support.

In 2018, our customers around the world experienced several natural disasters, including Hurricanes Michael and Florence, the Californian wildfires, Indonesian earthquakes and tsunamis and Typhoon Mangkhut. Catastrophes are the ultimate stress test for an insurance company's standards of customer service and, at QBE, we are proud to be a company that looks for ways to go the extra mile for our customers when they need us.



Innovation and disaster response

During the year, our Group Innovation and Digital team worked with our Claims teams to deliver solutions to enhance our responses to natural disasters. The teams put themselves in the shoes of our customers affected by natural disasters such as Hurricanes Michael and Florence in the United States.

We used geospatial information to identify many of our customers that were potentially in the path of the storm. We then sent them proactive messages expressing our concern for their safety and providing them with their policy number and a link to lodge an online claim, so that if they were impacted, their policy details were at hand without

the need for a phone call. We made it easier for our customers to file a claim and also reduced overall call volumes. After Typhoon Mangkhut, we built a simple rules engine to quickly review a backlog of travel delay claims. The engine helped us decide which could proceed directly to payment so that we could prioritise successfully closing these claims. By leveraging our innovative capabilities, we have been able to make a difference for customers in times of need.



Engaging and investing in our communities



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As an insurance company, we are uniquely placed to help people in times of need and our community initiatives reflect this. Our community engagement strategy is aligned to our group-wide Sustainable Development Goals (SDGs) priorities as outlined in the [Our approach to sustainability](#) section. This includes a focus on financial resilience and protecting vulnerable communities (SDG 1), a focus on diversity and inclusion (SDGs 5 and 10), supporting decent work and economic growth (SDG 8), sustainable cities and communities (SDG 11) and climate action (SDG 13).

Our community engagement strategy also includes an additional focus on supporting the health and wellbeing of our communities (SDG 3). As a business, many of our product lines relate to accident and health, and helping people rebuild their lives after a catastrophe. Our employees are also active supporters of their communities, nominating health-related causes they are passionate about for QBE to support.

We support our community activities via three main channels:

- the QBE Foundation;
- disaster relief; and
- sponsorships and events.

The QBE Foundation

The QBE Foundation ensures we manage our community-related activities effectively and consistently, in line with our purpose, strategy and investment criteria. Its vision is:

“To help people overcome disadvantage, strengthen their abilities and live more independently, successfully and productively.”

This vision is an extension of QBE's purpose: to give people the confidence to achieve their ambitions.

The Foundation's activities contribute to our focus on the SDGs. It also helps us drive employee engagement, and maximise returns from, and the impact of, community investment resources.

Our Group Foundation Committee (GFC) oversees the Foundation and sets its community investment strategy within the context of our group-wide sustainability approach. It also monitors activity across our divisions with a long-term focus. The GFC reports to the Group Board via the Board Risk & Capital Committee.

Each division has a local Foundation Committee, which works with passionate local employees to engage with charities in their area of operations. These employees work as local Foundation champions, investigating local community needs and enabling employee engagement.

The GFC includes representatives from each of our divisional committees. QBE Foundation funding is centrally allocated across each division by the Group on an annual basis.

The activities of the QBE Foundation fall into five categories: charity partnerships, local grants, volunteering, workplace giving and in-kind giving.

Charity partnerships

Each divisional QBE Foundation Committee assesses partnership applications against their own strategic objectives, and alongside global eligibility criteria. Each Committee assesses not-for-profit organisations based on their alignment with the QBE Foundation's vision and requires these organisations to show they can provide engagement opportunities for local employees and create impact within communities.

Our partners receive discretionary funding for a minimum of 12 months, as well as our commitment to support them via events, fundraising, media advocacy and employee volunteering.

Large charity partners must provide funding impact reports, so that we can review the success and impact of the partnership.

In 2018, we supported 44 charity partnerships across our divisions.

Local grants

The QBE Foundation's local grants program enables our employees to support causes or programs they are passionate about within their communities. Employees across our divisions may apply for a local grant of up to \$10,000 for an organisation or charity of their choice, subject to eligibility criteria and budget allocation. Employees can also apply for matched funding of up to \$5,000 a year for their personal fundraising initiatives.

Volunteering

We encourage everyone at QBE to give back to the community by taking a designated, paid-volunteer day every year. Employees can volunteer as individuals, or with colleagues, to support a cause they are passionate about, with QBE

Engaging and investing in our communities (continued)

Foundation managing opportunities to support our charity partners.

Employee feedback tells us that volunteering gives our people personal development opportunities, increases collaboration and teamwork, leads to greater employee satisfaction and generates a sense of pride and connection to QBE and the community.

Workplace giving

Through our workplace giving program, employees can make regular donations to our charity partners from their pre-tax salary.

In-kind giving

Across our divisions, we provide a range of in-kind giving opportunities such as donating used office furniture, and offering office space to local charities.

Our community investment

The total value of our social and community investment programs in 2018 was over \$5 million. This includes financial contributions through our charity partnerships and local grants, employee volunteering, workplace giving, in-kind giving and management overheads.

In 2018, our employees spent over 11,000 hours volunteering as part of their designated volunteer day across our divisions.

TYPE OF CONTRIBUTION	US\$000
Financial contributions ¹	4,185
Time: employee volunteering ²	464
In-kind giving ³	77
Management overheads or administrative cost ⁴	431
Total community contribution	5,157

1 Total financial contributions for natural disaster relief, grants, charity partnerships, and employee matching including for employee fundraising efforts and/or payroll deductions from pre-tax salary.

2 The equivalent financial cost of time volunteered by employees as logged in our HR system to various community initiatives across our divisions. This is estimated based on employee hourly/day rates, i.e. base salary divided by 52 weeks, then divided by either: a) employee weekly appointed hours, for hourly rates; or b) five days, for day rates.

3 Financial proxy values used as estimates. In 2018, we implemented a process to estimate our in-kind giving across our divisions. As we have not traditionally captured this information, we will continue to investigate measures to further improve data capture.

4 This includes costs associated with communications and marketing, overheads and administration of our divisional QBE Foundation Committees. In 2018, we implemented a process to estimate these costs associated with community activities. As we have not traditionally captured this information, we will continue to investigate measures to further improve data capture.

Community sponsorships

As well as our core QBE Foundation activities, our divisions sponsor opportunities for communities to come together through sport and the arts, while helping us build customer relationships and our brand profile. During the year, QBE sponsored a range of organisations including sporting clubs, arts organisations, environmental projects and education initiatives.

These sponsorships help us connect with local stakeholders and communities, and highlight values such as teamwork, commitment, tenacity, leadership and diversity.

Awards for our community initiatives

Our community investment and engagement activities were recognised in 2018 with the following awards:



Best Community Engagement Program – Insurer (Australian & New Zealand Operations)



Silver Quality Mark Award for payroll giving (European Operations)



Supporting our communities



Protecting vulnerable communities and enabling financial resilience are key strategic priorities for our community-related initiatives. This includes supporting financial literacy and inclusion, youth social services, adult welfare and natural disaster recovery efforts.



Tackling food insecurity

Since 2016, the QBE Foundation has proudly partnered with Foodbank – Australia's largest food relief organisation, which provides over 60 million meals a year to over 2,400 charities and 1,000 schools around the country. With the Foundation's support, Foodbank works with partner organisations to deliver fresh fruit and vegetables once a week to remote and desert communities in the Anangu Pitjantjatjara Yankunytjatjara Lands in central Australia. These funds also support the school breakfast program, which supplies around 1,000 Indigenous Australian children every week with a hearty and nutritious breakfast each morning at school, as well as fruit to snack on throughout the day.



KidsCan Shoes for Kids program

In 2018, we entered into a two-year charity partnership with KidsCan New Zealand. Through this partnership, the QBE Foundation will support the Shoes for Kids program, which provides free quality footwear and socks to disadvantaged children, ensuring they can come to school whatever the weather. The partnership will distribute 5,000 shoes and 10,000 pairs of socks to children in need across New Zealand annually.



Helping homeless youth in New York

Covenant House New York (CHNY) is the United States' largest privately-funded agency serving homeless, runaway and at-risk youth. Our partnership with CHNY in 2018 saw our employees volunteer in two half-day sessions to help young people with career mapping.



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A focus on health and wellbeing is a key strategic priority for our community-related activities as it is also a key driver of employee engagement. Each year, the QBE Foundation partners with charities that strive to improve medical research, treatment and support for health concerns such as cancer, diabetes, rare genetic conditions, birth defects, mental health and physical disability. Our support includes formal charity partnerships, grants, events participation, volunteering, awareness-raising events and fundraising.



Joining the fight against cancer and heart disease

Since 2011, QBE has partnered with the American Cancer Society to help advance the Society’s work in research, raising awareness of cancer prevention, sharing expert information and providing patient support. In 2018, QBE sponsored and participated in CycleNation, a spin-a-thon to raise money and awareness of heart health for the American Heart Association. QBE employees also took part in the Wall Street Run and Walk and we held an employee fundraiser, which raised \$4,100 in donations that were matched by the Foundation.



Helping people affected by dementia

QBE is playing an important role in supporting people affected by dementia. As chosen by our employees, we have partnered with 12 international dementia charities in Dubai, Europe, North America and the United Kingdom to help raise public awareness and understanding of dementia. Our employees are engaging in activities to raise money for critical dementia research and support for people affected by the condition. QBE was also one of the first corporate partners to join the Alzheimer’s Society’s Insurance United Against Dementia campaign.



R U OK?

2018 marked the first year the QBE Foundation joined R U OK? to support its efforts in fostering a mentally-healthy workplace. With our funding, the organisation developed a new resource available to all Australians as an online, downloadable resource or hardcopy booklet. We also hosted R U OK? events at our offices nationally, all with one objective: to encourage everyone to stop and ask their colleagues, friends and families – are you ok?





As part of our strategic commitment to encourage diversity and inclusion, QBE supports community initiatives that promote acceptance and opportunity for vulnerable and under-represented groups. We aim to reduce inequality within and among communities in which we operate. Our support includes mentoring, awareness-raising and developing educational materials.



Opening doors for those who broke barriers

In the United Kingdom, the QBE Foundation has worked with Opening Doors London (ODL), a charity dedicated to supporting older LGBT+ people. With the Foundation's support, ODL is creating LGBT+ appropriate materials, including audio materials, to assist people suffering from dementia. Many existing resources for people living with dementia encourage memory recall from life experiences that many older LGBT+ people were denied, including marriage or having children and grandchildren. The materials ODL creates with our support go some way towards addressing those limitations.



Diversity: a New York state of mind

Building on the success of the Women in Insurance Scholarship program, the QBE Foundation is partnering with St. John's University, New York, to create 10 new scholarships to support veterans, women, multicultural and LGBT+ students in need of financial aid.



Supporting the doyennes of entrepreneurship

Our North American Operations partner with Doyenne Group – an organisation founded to provide early-stage female entrepreneurs with certain benefits that only later-stage ventures can usually access, including access to professional development, visibility within the community and connections to valuable networks. Our funding contributes to delivering a coaching program which enables female entrepreneurs to gain skills to more confidently grow their businesses and improve profitability by strengthening their knowledge about business fundamentals.



“Managing risk requires analysing exposure from a variety of perspectives. We recognise the value of promoting diversity in the insurance professionals who will shape the future of risk management. We are encouraged by the success of our partnership with St. John's University and are thrilled to expand the scholarship program to further demonstrate our commitment to diversity and inclusion in the insurance industry.”

Josie Barnett

QBE Foundation Manager,
North American Operations



We aim to foster local economic growth by supporting community-led education and employment initiatives. This helps contribute to social development and poverty reduction. Many of these activities also link to the achievement of other SDG goals such as SDG 1: No poverty and SDG 4: Quality education.



Access to quality education

A strategic aim of our Group Shared Services Centre QBE Foundation in the Philippines is to provide children with access to quality education to help them achieve their goals and contribute to better communities. Despite the improvements in the literacy rate of children in the Philippines, millions of children continue to have no access to quality education, with the high rate of school dropouts also contributing to low functional literacy.

To help improve access to quality education, we have partnered with the Dynamic Teen Company (DTC), a not-for-profit organisation promoting literacy to the disadvantaged. DTC volunteers walk the streets with pushcarts containing books and other learning materials with the aim of teaching street children and acting as a bridge back to formal education.



Supporting Singaporean students in need

Since 2011, QBE has partnered with the Republic Polytechnic Education Fund in Singapore to help under-privileged students advance their education. Our funding provides financial assistance, scholarships, student development and welfare programs, continuing education and development for staff, infrastructure upgrades and new equipment. For the past seven years, we have sponsored 10 students each year from low-income families who have terminally-ill parents, come from single-parent families or have handicapped siblings and heavy medical expenses in their home environments.



Breaking the cycle of intergenerational disadvantage

In Australia, the QBE Foundation supports Charcoal Lane, a social enterprise providing employment, national accredited training in hospitality and personal resources to help Aboriginal and Torres Strait Islander youth to make a successful transition to sustainable mainstream employment. This program empowers young people to break the cycle of intergenerational disadvantage by helping them connect to their culture, gain valuable skills to increase their economic and social prospects and address entrenched barriers to employment and further education.





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As an international insurance company, we have an important role to play in developing sustainable cities and communities, and building resilience through our charity partnerships and collaborations.



A challenge for resilient cities

We have entered into a two-year partnership with Ashoka, the largest global network of leading social entrepreneurs, through the QBE Foundation in our North American Operations. In 2018, we launched an innovation challenge to develop solutions for resilient cities. Together, we are well positioned to seek out and support social entrepreneurs whose innovations are building thriving, resilient cities that can effectively manage and respond to physical, economic and social risks.

In 2019, we will continue to develop ideas and explore partnerships to create shared impact. We will focus on sectors that are most relevant to QBE's business lines to ensure that we are on track with business strategy.



We are well-positioned to help our communities tackle the effects of climate change. For example, natural disasters impact our global communities every year. Our activities in this area also link to the achievement of other SDG goals such as SDG 1: No poverty and SDG 11: Sustainable cities and communities.

In 2018, we provided emergency assistance through donations, fundraising and matched funding. We also provided direct help through on-the-ground catastrophe teams, specialist expertise, relief efforts and spending face-to-face time with affected policy holders.



Nurturing a new crop of tech start-ups

In the United States, the QBE Foundation, together with QBE Ventures and Village Capital, joined forces to enable 12 early-stage food and agriculture startups to take part in the Food and Agriculture: US 2018 Program. Through this unique partnership, participants took part in three intensive workshops with strategic partners, investors and sector experts – including members of the QBE Crop and Ventures teams – to develop solutions for a more efficient, sustainable and accessible food system and to accelerate the market readiness of their products.



Raising awareness about climate risk

In partnership with Earthwatch Institute, we sent one employee from our Australian & New Zealand Operations on a Wildlife of Australia's Rainforests expedition to help investigate the effects of climate change on our rainforests. This provided first-hand experience of both the macro and micro impacts of climate change on our ecosystems. In 2019, we plan on partnering with Earthwatch again to provide similar opportunities to employees across our divisions.



People and culture

At QBE, we offer a dynamic, diverse and inclusive workplace where people can achieve their personal and professional ambitions. We believe that providing a great place to work, and investing in our people, are key to long-term sustainability.

Our QBE DNA

We refreshed how we describe our culture in 2018 with the launch of our QBE DNA - seven interwoven cultural elements that together describe who we are, what we stand for and how we should operate to deliver our vision and strategic plan.

Our QBE DNA underpins everything we do, and we know that it is not just what we do, but how we do it that makes the difference. These seven cultural elements help us respond to the current and emerging needs of our people, customers, communities and other stakeholders across our business, and are key to aligning our risk and broader organisational cultures.

Embedding effective risk management in our culture

The Board People & Remuneration Committee oversees our people strategy and progress, and our Group Board works to continually improve our understanding of risk culture and operating effectiveness.

In launching our QBE DNA, we embedded effective risk management practices into our expected behaviours for everyone across the Group. These expected behaviours are now included in all people related processes, including our Group Code of Ethics and Conduct.

To support the Group Board in understanding risk management in our culture, in 2018, we partnered with an independent consultant to co-facilitate a series of workshops exploring risk management practices and culture. Held across each of QBE's key locations, the workshops gave us a range of perspectives on how we manage risk and gauge risk awareness, attitudes and behaviours.

Our QBE DNA

We are customer-centred

We are diverse

We are technical experts

We are fast-paced

We are courageous

We are accountable

We are a team

Engaging our people

People are at the heart of our business. Creating an environment where our employees feel engaged, supported and equipped to do their best is essential to our success.

Across our divisions, our employee network groups empower employees to work together on issues they care about. These groups include MIX (multicultural), QBE Pride (LGBT+), Women's Initiative Network and The Circle (women) and Valour (veterans). Others include Workability focusing on both physical and mental disability.

We were delighted that our QBE Pride employee group in our Australian & New Zealand Operations was recognised as a joint winner of the Australian Human Resource Institute's Michael Kirby LGBTIQ Award for its work on the initiative "Bringing your 'whole self' to work: the power LGBT+ visibility has in driving an inclusive culture at QBE".

We use platforms such as Yammer and Microsoft Teams to support information sharing, group work and cross-enterprise discussion. We also engage employees through interactive forums, team meetings and networks that encourage two-way conversations. Our Group and divisional CEOs provide regular updates on Yammer, giving employees the chance to comment and ask questions about the business. Our executives also use town halls, focus groups and "YamJams" (online chat forums) to encourage employees to voice their thoughts and engage with their leaders.

Our annual QBE Voice employee survey focusses on issues such as employee engagement and enablement, organisational culture, leadership and management effectiveness, diversity and inclusion (D&I) and risk culture metrics. The survey gives our people the opportunity to tell us what it is like to work at QBE, and where we need to improve our workplace culture. We also used the survey to get a point-in-time view of the diverse composition of our workforce. Refer to [pages 45 to 46](#) for further information. In 2018, we achieved a strong response rate of 87%, with an overall engagement score of 66% and an enablement score of 69%. These results are in line with our 2017 scores.

Key insights from this year's survey showed that our people agree that their team is committed to delivering high quality products and services, that they are treated with respect as individuals and are enabled to meet their family and personal commitments. It was great to hear that our people increasingly feel their leaders place a high priority on ethics and integrity. Our people have also asked us to continue to improve their understanding of how we respond to changes in our business environment, our strategic priorities and how they link to their roles.



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Investing in the growth of our people

We know that long-term, customised career development is crucial to employee satisfaction and retention, and we offer tools and resources to help our people identify and achieve their career goals. We encourage our employees to create a personal development plan with their manager, and use our talent management and succession-planning processes to identify high-potential employees and build their capability for future roles.

In 2018, we introduced a new interface for Learn@QBE, our online learning system with personalised and tailored learning programs based on an individual's preferences and their role. In our Australian & New Zealand Operations, Learning Month included masterclasses and learning labs promoting personal development, decision-making and strategic planning. Across our European Operations, we offered personal development and business skills workshops covering topics such as career conversations, dealing with change and resilience.

Developing our leaders

In May 2018, we brought together our top 150 leaders from across the Group in a leadership forum. This enabled our senior leaders to better understand our progress on strategic priorities, their role in leading change to deliver on these priorities and developing our enterprise culture.

Throughout the year, each QBE division hosted a local leadership forum to reinforce our Group and divisional business strategy, align leadership teams and plan for the future.

In 2018, we launched Ascent, our people leadership essentials program which provides us with a globally consistent approach to defining and delivering core leadership skills across QBE. The program is targeted at mid-level leaders who are new to people leadership, or to QBE.

Managing and rewarding performance

We foster a working environment where people and performance matter. Our Performance Management Process (PMP) ensures employees know what their role involves and how it links to overall business outcomes. It also makes sure our people get timely feedback and development support to help them perform at their absolute best. Each employee works with their manager to set annual objectives and development goals, which they discuss together at year-end. Along with business performance, their review forms the basis for a fair performance rating by their manager which

determines their level of annual incentive payment. Our PMP also tailors the weighting for individual performance to each employee's role and level.

After a recent review, we will be implementing a refreshed approach to performance management in 2019. This will reinforce the importance of giving and receiving feedback, with a more formal process to measure performance and behaviours consistent with our QBE DNA. It will incorporate an increased focus on personal and career development.

We recognise, reward and celebrate achievements and outstanding contributions. We strive to offer employees competitive financial benefits that reflect their efforts and accomplishments. Through our various programs, we also celebrate employees who consistently demonstrate our QBE DNA and continue to benefit our business and stakeholders. We also provide product discounts and a competitive range of benefits tailored to our employees' needs.

Building our technical capabilities

We continue to develop our employees' core technical capabilities aligned to our focus on Brilliant Basics through specific programs such as the QBE Underwriting Academy Foundation Program, available through our European Operations. The Program establishes a consistent, replicable model of underwriting excellence that is raising the bar for our business, and our industry.

In addition, our Group Shared Services Centre (GSSC) delivered an insurance academy, offering general insurance industry knowledge with 26,000 hours' worth of online courses.

In 2018, we also focused on building the technical capability of our leaders. For example, our Claims leaders participated in a series of programs on business acumen delivered in our Australian & New Zealand Operations.



Supporting health, safety and wellbeing



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We actively promote the health, safety and wellbeing of all employees, contractors and visitors across our business, with the following core policies supporting our efforts:

- [Work Health and Safety \(WHS\) Policy](#);
- [Flex@QBE Principles](#); and
- [Group Code of Ethics and Conduct](#).

Our Group and divisional CEOs take executive-level responsibility for health, safety and wellbeing across the business. All people leaders are responsible for improving employee awareness of, and access to, relevant policies, processes and support.

Our global WHS Leadership Team exchanges initiatives and ideas from their respective divisions to enhance the offerings available to staff, and to mitigate risks that may arise. The team regularly reports their work to the QBE Group Board.

Across our divisions, our offices are either Green Star or LEED (Leadership in Energy and Environmental Design) certified. This translates to fresh and innovative office spaces that boost employee wellbeing through benefits such as superior indoor environment quality. Our office layouts encourage collaboration and interaction, making it easier to exchange information and share ideas.

We offer comprehensive, online ergonomic information, workstation setups and self-assessments. Each office location has a group of ergonomic site champions to help employees set up their workstations and provide ongoing guidance on posture. We also arrange regular site inspections to ensure the safety of our employees.

To help our people and their families live healthy, well-balanced lives, QBE provides a range of wellbeing support services, including stress management information and training, lifestyle benefits, health and nutrition programs, flexible working arrangements, childcare facilities and leave provisions. This creates a productive and health-promoting workplace where employees can prioritise health and reduce stress.

While each division takes a different approach, our wellbeing initiatives include:

- corporate health plans for discounted health insurance products;
- access to confidential external Employee Assistance Programs (EAPs) for counselling to support mental health;
- workplace health and safety training;

- a range of stress management programs, such as access to external life coaches, physiologists, resilience programs, seminars and training;
- health and wellbeing information on divisional intranet sites and Yammer groups on topics such as nutrition, healthy eating, weight loss, stress management, mental health and resilience;
- face-to-face mental health, resilience, and nutrition awareness sessions, workshops and online training;
- access to tools such as apps to reduce stress and improve resilience;
- onsite bootcamps, yoga, pilates, mindfulness meditation and cooking classes;
- discounted gym memberships, with some locations such as Sun Prairie in our North American Operations, offering an on-site, complimentary fitness centre for employees;
- health rebates towards healthy eating options and physical activity;
- health checks and flu vaccinations; and
- complimentary fresh fruit bowls.

Flexible working at QBE

We create and maintain a diverse workforce by recognising and responding to people's needs at different stages of their lives. We also support flexible working to help employees balance personal obligations with their careers.

We have developed a new set of [Flex@QBE Principles](#) that outline the standards and values that underpin our approach to flexible working, linked to our QBE DNA. The principles guide both employees and people leaders as they carry out their respective roles and responsibilities.

Across our divisions, we also offer several childcare initiatives to support employees with family or carer responsibilities. Our European Operations offer childcare vouchers, and in our North American Operations, employees can access a Back-Up Care Advantage Program, which provides care when regular childcare is not available. Refer to [pages 44 to 46](#) for further information on metrics.

Supporting financial literacy and wellbeing

QBE offers employees financial literacy initiatives to support their financial wellbeing. This includes one-on-one financial reviews, classes on financial budgeting and training on retirement planning (e.g. superannuation and pension fund management).

We
Support



www.wepprinciples.org

Globe icon denotes integration of WEPs

Diversity and inclusion

Without our diverse and inclusive workforce, we would not have the vast range of skills and experience to respond to challenges and opportunities, and service our customers. We embrace the diversity of all employees irrespective of visible and invisible differences, and believe this is essential to attract, retain and develop the best people.

Our updated global policy

In 2018, we revised and relaunched our [Global Diversity and Inclusion Policy](#), which shares our commitment to promoting equality and embedding inclusion in our workplace. The Board People and Remuneration Committee oversees our strategy and progress and the Global D&I Council (comprising our Group Executive Committee) drives our agenda collectively and divisionally. We report our progress publicly through QBE's [Corporate Governance Statement](#).

Promoting equality through advocacy

In 2018, we focused on strengthening our tone from the top with the launch of QBE Champions of Change – an initiative led by our Group CEO to encourage the top 50 senior leaders across the business to become powerful role models and champions of D&I, and to directly influence change.

Further, our Group Executive Committee has placed a higher level of visible sponsorship and accountability on issues relating to the progression of women in leadership and the fair treatment of all. This included our senior-level leadership advocating and signing up to external pledges such as Male Champions of Change in Australia, HM Treasury Women in Finance Charter in the United Kingdom, and the French LGBT+ charter (L'Autre Cercle). We continue to speak out and advocate on D&I issues through local partnerships such as those with Lloyd's Dive In festival, Female Founders in InsurTech, STEMConnector and Million Women Mentors in the United States.

Equality in recruitment

In 2018, a major focus for us was promoting equality in our recruitment processes across our divisions. By having diverse shortlists and interview panels across both internal and external appointments, we have seen increased female representation and recruitment rates.

We also have a new standardised approach for filling our senior management roles. This aims to provide a consistent, positive experience for internal and external candidates to ensure fairness and objectivity. It incorporates standardised testing, interview guides and a process and decision-making framework.

Diversity in our supply chain

We are committed to encouraging D&I in our supply chain. Our Supplier Sustainability Principles outline our desire to work with businesses that reflect the diverse nature of the communities we serve, including minority and first-nation businesses, disability and social enterprises, female-owned and/or led businesses, our community partners and other not-for-profit businesses. Refer to the [Operational excellence](#) section for further information.

Addressing discrimination and equal employment opportunity

As part of QBE's commitment to treating people with respect and dignity as individuals, we do not tolerate any form of discrimination. Equal employment opportunity is key to our approach to workforce diversity, and we strive to be an equal opportunity employer wherever we are in the world.

Our European Operations received Disability Confident Committed status following discussions with the Workability network. Disability Confident is a United Kingdom government scheme aimed at helping employers make the most of the talents that disabled people can bring to the workplace.

In our Australian & New Zealand Operations, we worked with an external LGBT+ workplace inclusion partner, Pride in Diversity, to deliver a series of Transitioning in the Workplace awareness sessions. The sessions helped educate and raise awareness among employees about what it means to undertake a gender transition, and how all employees can help to ensure that a transitioning employee's return to the workplace is supportive and respectful.

QBE provides training and education on appropriate workplace behaviour and discrimination to all employees, and the [Group Whistleblowing Policy](#) details how to report incidents of discrimination.

Upholding human rights

Wherever we operate, we respect human rights and commit to avoid human rights harm. We are committed to, and promote adherence to, internationally-recognised human rights principles to ensure dignity and equality for all our employees, customers, communities and suppliers.

For more information on how we manage human rights for our business, refer to the [Governance](#) section.



Globe icon denotes integration of WEPS

Progress on achieving our women in senior management goals

Across the Group, we have a goal of achieving 35% of senior management roles being filled by women by 2020. In 2018, we achieved a 2% increase to 32%. This has been achieved through our ongoing focus on recruiting, selecting, promoting and developing our people, including our women.

32%
of senior managers
are women
up 2% from in 2017



Focusing on fair remuneration

At QBE, we are committed to rewarding our employees fairly, and drive gender pay equity through regular analysis, monitoring and transparent communication.

In Australia, since 2012, we have measured the gender pay gap as required by the *Workplace Gender Equality Act 2012* (Cth) and reported our findings to the Workplace Gender Equality Agency. More recently, we have started reporting this in the United Kingdom under the Equality Act 2010.

In both instances, we measure the gap based on the requirement to report average salaries of males and females in the specified country. In 2018, we advanced our methodology to measure gender pay equity using multivariate regression analysis in our major markets of Australia, the United States and the United Kingdom. This allowed us to assess gender pay equity based on the key drivers of pay in our organisation, such as the role, location and performance of the employee. We were pleased that our analysis showed that we are only required to adjust the salaries of a relatively small number of male and female employees during the 2019 salary review process to ensure our employees are fairly remunerated.

We have also put in place initiatives to improve fair pay during the employee lifecycle, such as at the point of recruitment, and will continue to expand the analysis across the Group through 2019.



Recognition for our D&I initiatives

We were proud to be recognised as a top 200 company by Equileap in the 2018 Gender Equality Global Report & Ranking. It was the first year QBE has been included in the global ranking and highlights our focus on promoting gender balance and equality in the workplace. Being a signatory to the Women's Empowerment Principles (WEPs) in 2017 influenced our ranking. We continue to embed the WEPs into our business, to ensure that our workplace reflects our people, customers, partners and the broader community. We have also been included in the 2019 Bloomberg Gender-Equality Index for a second year, recognising our dedication to disclosure and commitment to gender equality.



Action on domestic and family violence

We are proud supporters of the International Day for the Elimination of Violence, and we believe that breaking the silence surrounding domestic violence is the first step towards helping people speak out where they are impacted. We support our employees who may be directly or indirectly impacted by domestic violence with a range of resources, including local policies offering leave provisions and financial assistance, and Employee Assistance Programs with specialised counselling services.



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Our workforce

Overall workforce ¹

12,452

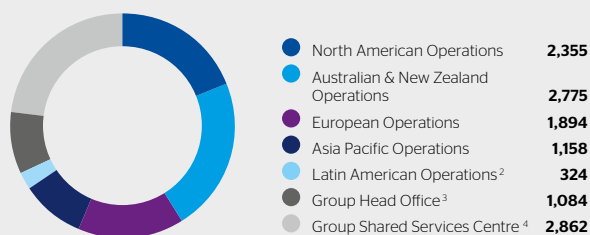
Total number of employees

52.7% Female

47.3% Male

¹ This includes permanent and fixed term, excludes casual/temp employees and contingent workers not directly employed by QBE.

Geographic footprint by division



² Includes remaining employees as at 31 December 2018, including those in operations held for sale.

³ Group Head Office employees are based across all regions.

⁴ Group Shared Services Centre employees are based in the Philippines.

Workforce (%) by employment level and gender ⁴

	2018		2017		2016	
	FEMALE	MALE	FEMALE	MALE	FEMALE	MALE
Level 0	11	89	11	89	10	90
Level 1	26	74	22	78	23	77
Level 2	26	74	22	78	23	77
Level 3	34	66	32	68	30	70
Total % of women in senior management (Levels 0-3) ⁵						
	32	68	30	70	28	72
Level 4	48	52	47	53	47	53
Level 5	56	44	55	45	56	44
Level 6	64	36	64	36	64	36
Women Workforce Total	53	47	53	47	53	47

⁴ This includes permanent and fixed term, excludes casual/temp employees and contingent workers not directly employed by QBE.

⁵ Women in senior management are defined as levels 0, 1, 2 and 3.

Average tenure by gender across levels of workforce

AVERAGE TENURE (YEARS)	FEMALE	MALE	TOTAL
Level 0	2.2	4.4	4.2
Level 1	3.5	9.7	8.1
Level 2	6.0	8.6	7.9
Level 3	7.0	8.1	7.7
Level 4	7.1	7.1	7.1
Level 5	6.3	4.7	5.6
Level 6	5.9	4.2	5.3
Grand Total	6.4	6.0	6.2

Workforce by age and gender

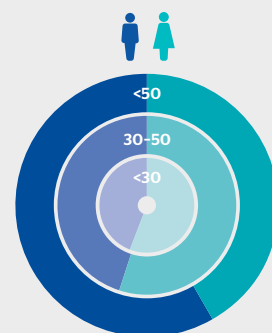
Overall workforce by age and gender¹

HEADCOUNT NUMBER	FEMALE	MALE	TOTAL
<30	1,386	1,096	2,481
30-50	3,946	3,375	7,321
>50	1,232	1,418	2,650

¹ This includes permanent and fixed term, excludes casual/temp employees and contingent workers not directly employed by QBE.

Overall workforce by average age

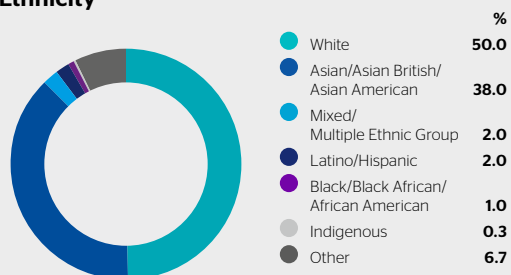
AVERAGE AGE	2018	2017
Overall average age	40	40
North American Operations	47	46
European Operations	40	40
Australian & New Zealand Operations	42	43
Asia Pacific Operations	41	41
Latin American Operations	40	38
Group Head Office	42	41
Group Shared Services Centre	32	31



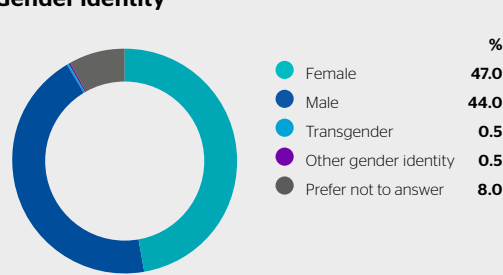
HEADCOUNT %	
<30	
Female	56
Male	44
30-50	
Female	54
Male	46
>50	
Female	46
Male	54

Workforce diversity indicators²

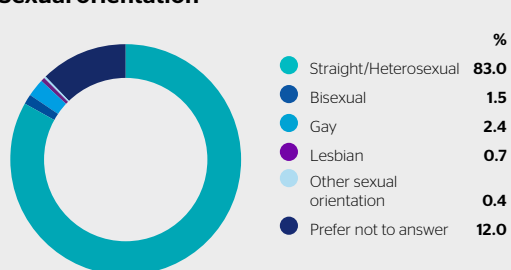
Ethnicity³



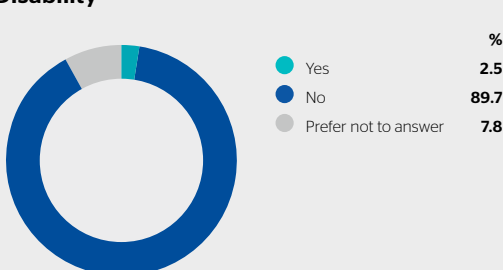
Gender identity⁴



Sexual orientation⁵



Disability⁶



² The following information is at a point in time, collected anonymously and voluntarily as part of the annual QBE Voice employee survey completed in November 2018.

³ Based on % of survey respondents. Total survey respondents = 9,265. Papua New Guinea, Solomon Islands, Vanuatu, Fiji, French Polynesia and New Caledonia were excluded from this survey question.

⁴ Based on % of survey respondents. Total survey respondents = 8,942. Papua New Guinea, Solomon Islands, Vanuatu, UAE, Puerto Rico, India, Indonesia and Malaysia were excluded from this survey question.

⁵ Based on % of survey respondents. Total survey respondents = 8,873. Papua New Guinea, Solomon Islands, Vanuatu, UAE, Puerto Rico, India, Indonesia, Malaysia, Fiji, French Polynesia and New Caledonia were excluded from this survey question.

⁶ Based on % of survey respondents. Total survey respondents = 9,109.



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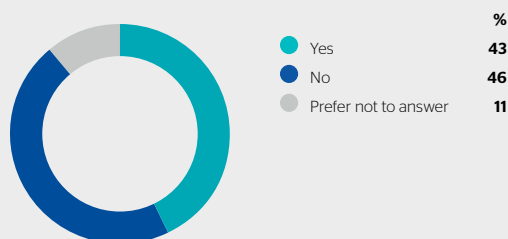
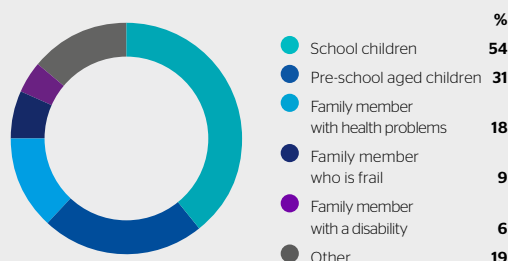
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Our workforce (continued)

Workforce diversity indicators¹ (continued)Carer responsibility²Carer responsibility: care provided to³

1 The following information is at a point in time, collected anonymously and voluntarily as part of the annual QBE Voice employee survey completed in November 2018.

2 Based on % of survey respondents. Total survey respondents = 9,183.

3 Based on % of survey respondents. Total survey respondents = 3,946. Respondents were able to select multiple options, therefore the % does not add up to 100%.

Diversity breakdown of workforce

PART-TIMERS	2018	2017
Female	484	555
Male	51	83
Total	535	638
Total Workforce	12,452	14,140
Part time %	4.3	4.5

4.3% of employees work part-time
Down from 4.5% in 2017

Attrition⁴

	OVERALL TERMINATIONS ⁵	VOLUNTARY ATTRITION ⁶ %	INVOLUNTARY ATTRITION ⁷ %	OVERALL ATTRITION %
By gender				
Female	1,804	14.5	11.8	26.2
Male	1,708	15.0	12.5	27.5
Grand Total	3,512	14.7	12.1	26.8
By age				
<30	737	21.4	9.3	30.7
30-50	2,213	14.6	13.4	28.1
>50	561	9.2	10.8	20.0
Unknown	1	0.0	200.0	200.0
Grand Total	3,512	14.7	12.1	26.8
By region				
Asia Pacific Operations	329	18.6	8.8	27.4
Australian & New Zealand Operations	498	12.4	5.9	18.4
European Operations	228	11.6	0.9	12.5
Group Head Office ⁸	224	14.4	6.8	21.2
Group Shared Services Centre ⁹	669	21.4	1.0	22.4
Latin American Operations ¹⁰	1,253	17.0	122.0	139.0
North American Operations	311	8.8	4.1	12.9
Grand Total	3,512	14.7	12.1	26.8

4 This includes permanent employees, excludes fixed term and casual/temp employees as well as contingent workers not directly employed by QBE.

5 Overall terminations include both voluntary and involuntary numbers.

6 Voluntary terminations typically comprise resignations, contract terminations or voluntary retirement.

7 Involuntary terminations principally include those terminated through dismissal, redundancy or involuntary retirement.

8 Group Head Office employees are based across all regions.

9 Group Shared Services Centre employees are based in the Philippines.

10 High level of attrition in Latin America is due to the consolidation of the Group's divisional structure from six divisions to five and sale of some of our businesses.



Operational excellence

QBE's global operational teams are the backbone of our business, providing essential services to our customers and our own employees such as policy processing, claims management, information technology, data and analytics and procurement. In 2018, with the support of the Board Operations & Technology Committee, the teams focused on improving customer experience, increasing the rate of response to change and strengthening our operational resilience.



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Digital transformation and innovation

We continue to increase the pace at which we apply digital technologies and analytics across our business to deliver better customer experiences and become a more competitive business. In 2018, we continued to digitise our legacy processes and unlock new value for QBE through digital transformation.

We have strengthened our digital capability with the introduction of the new QBE.com website which allows us to provide customer insights and content on demand. It also provides the infrastructure for us to introduce new features such as broker and partner portals, customer text and chat functionality and mobile applications for a more personalised customer experience.

Our partnerships with insurtech companies also help drive innovation. For example, we have implemented HyperScience in our Compulsory Third Party business in Australia. HyperScience's artificial intelligence (AI) engine is reading and processing medical certificates so that our case managers spend less time on data entry, and more time focused on getting our clients back on their feet. We have completed a pilot with Active Recovery Clinics using technology from SWORD Health, a Portuguese startup, to acquire and digitise patient motion to better assess the effectiveness of whiplash treatment.

QBE Ventures

Established in 2017, QBE Ventures is a corporate venture fund focused on forming commercial relationships with startups that will enhance our business model, drive efficiencies and develop new growth paths. These startup companies provide intelligence, insights and potentially industry changing ideas. We do not just take a passive investment role, but actively seek out companies where we believe their product can be implemented in our operations to help us solve a particular business problem or grasp an opportunity – accelerating both the startup's growth and our transformation.

This year, QBE Ventures made three investments – HyperScience, Jupiter and Zeguro – building on the two partnerships we entered into in 2017.

A key component of our QBE Ventures strategy is to work alongside selected ecosystem partners who can provide us with access to innovative startups, targeted markets, geographies and deal flows. In 2018, we partnered with Techstars, Plug and Play and SOSA.



HyperScience

HyperScience's mission is to automate data entry. It translates human-readable content into machine-readable data, freeing organisations from their reliance on manual data entry and allowing them to do business better, faster and cheaper.



Jupiter

Jupiter delivers data and analytics services to better predict and manage risks caused by medium to long-term climate change. Jupiter's "ClimateScore" is a comprehensive, cloud-based platform that incorporates environmental factors in an integrated, dynamic model to deliver risk-focused solutions. The platform comprises data that analyses and predicts asset level climate risk from one hour, to 50 years, in the future.



Zeguro

Zeguro is an easy to use, online platform enabling users to automate their cybersecurity processes, detect and manage any cyber risks to their company and improve mitigation through recommendations on better cyber management across people, processes and technology. Zeguro also helps small and medium enterprises (SMEs) secure tailored insurance against damage in the event of a cyber-attack.

Data and analytics

Our Analytics teams completed over 100 projects in 2018. Aided by new technologies and tools, we are continuing to focus on using analytics insights to make better underwriting and claims decisions.

- In the United Kingdom, our Property business is now using our investment in Cytora's machine learning platforms to support making decisions on the risk and price of specific covers by creating insights from internal, as well as external, property data.
- We have partnered with CLARA Analytics to use their AI and machine learning tools to predict injury complexity to maximise return to work potential.
- Anti-fraud analytics across all our lines of business support faster payment of legitimate claims and reduce leakage.
- We extended our work in Recoveries by putting machine learning models in place across our operations to continually identify claims that should be recovered from our reinsurers.

We also completed substantive work throughout the year to be compliant with the European Union General Data Protection Regulations (GDPR) as part of continued efforts to strengthen our data privacy, governance and controls. Refer to [Governance](#) for further information.



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Technology and operational resilience

During the year, we appointed a new Global Chief Information Officer. Under his leadership our Technology Services team strengthened the foundational aspects of our IT systems. Our focus is to rationalise the number of legacy applications, increase stability of our platforms and improve the user experience, enabling the continued introduction of more transformative technologies such as robotics and process automation.

We also continued to grow the size and capability of our cyber security team under the leadership of our new Global Chief Information Security Officer. Our cyber security strategy outlines the pathway for keeping QBE safe from cyber threats, with a focus on improving security monitoring, end-point detection and response, user access management and application currency. This focus will continue over the next few years along with an increased emphasis on staff training and awareness.

During 2018, QBE's business continuity framework and governance model upgraded from a divisional approach to a consistent global model. The global model delivers a reliable framework, effective oversight and strategic direction for business continuity to further strengthen our operational resilience.

Claims management

Claims management is ultimately what matters most to our customers. When they find themselves in need, they want to know that we will fulfil the promise symbolised by their insurance policy.

Throughout 2018, we have had a group-wide focus on improving our customers' experiences as well as making our claims fulfilment processes more sustainable and efficient.

- In 2018, we continued to expand programs in our workers' compensation business in our North American Operations to help combat the risk of opioid abuse. Our Complex Pharmacy Management program tracks all prescriptions associated with each workers' compensation claim and uses a customised set of triggers to flag when a problem may be developing – enabling us to work with the claimant's clinical care team. We also piloted a sophisticated clinical prediction model to identify when a case is suitable for telephonic nurse management, making it easier to assign nurses to the right claim and cutting the decision time on providing care.
- Our Accredited Smash Repairer Network for motor and heavy vehicles provides our Australian customers with some of the broadest coverage across Australia.
- Our Property Triage tool also helped our Australian business quickly determine the likely complexity and types of repairs required, enabling us to assign claims to the right co-ordinator and repair panel; not only helping us to speed things up for the customer, but also manage our claims costs more effectively.

Aligned with our Group Underwriting Standards, we have introduced Global Claims Standards outlining minimum requirements for governance and key controls across the claims process to help support the early identification and mitigation of risk. The Global Claims Standards integrate ESG considerations.



Procurement



QBE's procurement activities are performed locally, in accordance with global standards. Our procurement team aims to deliver value for money in a responsible and sustainable manner, with a focus on minimising operational risk when negotiating and interacting with suppliers. We are working towards compliance with ISO 20400:2017 Sustainable procurement – Guidance, the new global standard for sustainable procurement. We are doing this by developing third party risk management practices that include considerations for suppliers' ESG practices.

Earlier in 2018, we released our [Supplier Sustainability Principles](#) which outline minimum expectations of suppliers doing business with QBE across a range of sustainability topics. We understand that our purchasing decisions not only affect our performance, reputation and risk profile, but also affect the economy, environment and communities in which we operate. As part of our broader approach to sustainability, we seek to engage suppliers and partners who share this understanding and commitment, and who can work with us to achieve our objectives.

Following the introduction of our Supplier Sustainability Principles, in 2018 we:

- Expanded the use of Procure to Pay systems to the Australian market to include advance authorisation of transactions with suppliers to facilitate timely payment of their invoices and equitable treatment of our SME customers.
- Partnered with Social Traders, Supply Nation and WEConnect International to further promote supplier diversity and collaboration with social enterprises (where possible) across our supply chain.
- Piloted a Supply Chain Financing program that will enable third parties to take advantage of early payments, allowing suppliers within our European Operations to optimise cash flow.
- Implemented a remote claims adjustment program helping to reduce our carbon footprint through reduced fleet use across our North American Operations.

Supplier Sustainability Principles

Compliance with all applicable laws and regulations, including those related to sanctions, anti-bribery, anti-corruption and privacy

Conduct business operations in a manner that respects the human rights of employees and the supply chain

Compliance with all relevant laws and regulations related to labour practices, workplace health and safety and environmental regulations

Foster a diverse and inclusive workplace that is free from discrimination, harassment and bullying

Encourage working with businesses that reflect the diverse communities we serve

Play a positive role in the communities in which we operate

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Operational environmental management

As well as integrating ESG considerations into our insurance and investment business, we are committed to measuring the environmental impact of our operations, and implementing carbon reduction and resource efficiency initiatives to reduce our impact.

In 2018, we achieved carbon neutrality for our business operations through reducing our air travel and purchasing offsets in relation to our residual emissions through the Qantas Future Planet program. We have also committed to source 50% GreenPower for five key Australian office buildings in 2019 and reduce our air travel by 20% by 2021 (from a 2017 baseline). In 2018, we are on track to achieve our air travel target with 19% decrease in air travel (kilometres travelled) and 16% decrease in associated emissions.

In line with our Climate Change Action Plan, we will continue to disclose our operational greenhouse gas (GHG) emissions, along with our performance against a variety of other environmental measures.

Resource efficiency initiatives

- Converting to energy-efficient LED lighting and occupancy sensors during office refurbishments and renovations across major offices in Asia Pacific, North America, Australia and Europe.
- Encouraging staff to reduce single-use plastic by providing mugs, Keep Cups, reusable water bottles and bags. Several offices have also implemented specific coffee cup recycling bins. Offices in the United Kingdom have introduced multi-use compostable cups and removed all plastic bottles from their vending machines.
- Raising awareness of our operational environmental impact through our paper use, waste management and recycling. For example, signage has been improved to educate employees on recycling and our European Operations have an intranet page dedicated to environmental initiatives.

Carbon neutrality

47,273 tonnes
CO₂-e

offset through the Qantas Future Planet program



Partnership for carbon neutrality

In 2018, we partnered with the Qantas Future Planet program to achieve carbon neutrality for our global operations. Through the program, we have purchased NCOS¹ eligible carbon offsets in the key geographies in which we operate. In addition to abating our greenhouse gas emissions, our purchase is delivering significant other benefits for rural communities and our environment.

One of the projects we support is the Babinda Reef project in Australia. The Great Barrier Reef's water quality is under serious threat as a result of land-based activities such as farming along the coastline. Through the Qantas Future Planet program, we are investing in projects that will deliver the revegetation and protection of native forests and catchments of the Great Barrier Reef, reducing nutrient run-off, restoring native animal habitat and providing alternative sources of income for local communities. Find out more about this initiative by visiting [Babinda Reef Project](#).



¹ National Carbon Offset Standard.



Greenhouse gas emissions by activity

tCO ₂ -e GHG EMISSIONS ¹		% CHANGE FROM PRIOR YEAR	2018	2017	2016	2015	2014
Direct emissions (Scope 1)²							
Fleet vehicles	○	5%	6,988	6,631	7,529	10,500	10,125
Natural gas heating	○	-1%	1,262	1,273 ³	1,157	1,900	1,019
Total Scope 1	○	4%	8,250	7,904	8,686	12,400	11,144
Indirect emissions (Scope 2)²							
Electricity consumption ³	○	-11%	21,382	23,899 ³	25,155 ³	33,344 ³	35,908 ³
Other indirect emissions (Scope 3)^{2,4}							
Business travel – air ⁵	○	-16%	14,973	17,739	19,524	10,698	11,166
Business travel – car hire and taxi	○	0%	2,161	2,158	1,669		
Business travel – bus and rail	○	5%	139	133	168		
Office paper	○	-44%	22	39	34		
General waste	○	3%	158	154	164		
Water	○	-18%	188	229	193		
Total Scope 3	○	-14%	17,641	20,452	21,752	10,698	11,166
Total gross GHG emissions (Scope 1, 2 and 3)	○	-10%	47,273	52,255 ³	55,593 ³	56,442 ³	58,218 ³
Carbon offsets	○		(47,273)	–	–	–	–
Net GHG emissions (carbon neutral in 2018)	○		–	52,255 ³	55,593 ³	56,442 ³	58,218 ³

Key performance indicators – GHG emissions intensity

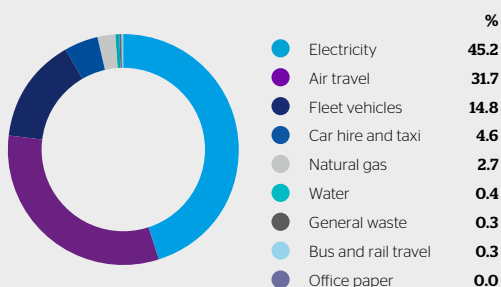
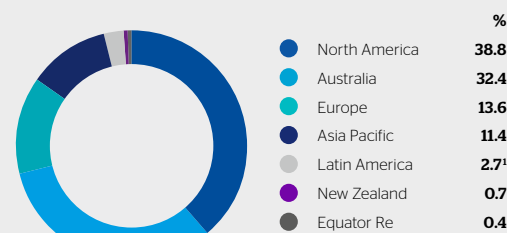
tCO ₂ -e GHG EMISSIONS		% CHANGE FROM PRIOR YEAR	2018	2017 ³	2016 ³	2015 ³	2014 ³
Scope 1+2 GHG emissions per GEP ⁶ US\$M	○	-4%	2.11	2.20	2.30	3.07	2.85
Scope 1+2 GHG emissions per FTE	○	6%	2.38	2.25	2.38	3.15	3.34
Total GHG emissions per GEP ⁶ US\$M	○	-7%	3.37	3.62	3.78	3.78	3.52
Total GHG emissions per FTE	○	3%	3.80	3.70	3.91	3.88	4.13

Other environmental indicators

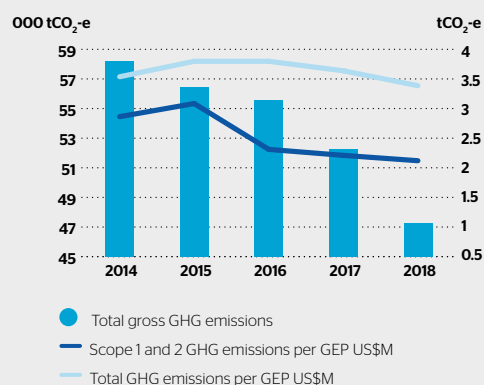
	UNITS		% CHANGE FROM PRIOR YEAR	2018	2017	2016	2015	2014
Electricity consumption in QBE offices	MWh	○	-12%	35,916	40,691 ³	46,500 ³	54,089 ³	58,668 ³
Electricity consumption per FTE	MWh		0%	2.88	2.88 ³	3.27 ³	3.72 ³	4.17 ³
Business travel	000 km	○	-17%	110,499	132,851	124,195	97,569	98,236
Air travel	%	○	-3%	86.7	89.0	92.6		
Road travel ⁷	%	○	18%	10.5	8.9	4.7		
Rail and bus travel	%	○	33%	2.8	2.1	2.7		
Business travel per FTE	000 km	○	-6%	8.87	9.40	8.73	6.71	6.98
Office paper purchased	tonnes	○	-45%	339	618	505		
Office paper purchased per FTE	kg	○	-39%	27	44	35		
Water consumption	kL	○	-18%	178,731	218,156	183,906		
Water consumption per FTE	kL	○	-7%	14.35	15.43	12.93		
Total waste and recycling	tonnes	○	-14%	2,351	2,739	2,403		
General waste	tonnes		7%	1,627	1,526	1,289		
Paper recycled	tonnes		-41%	687	1,169	1,094		
Other recycled waste ⁸	tonnes		-16%	37	44	20		
Waste per FTE	kg	○	-3%	189	194	169		

- GHG emissions data is calculated based on activities within the operational control of QBE and includes emissions from CO₂, N₂O and CH₄ from both continuing and discontinued operations. Emissions from HFCs, PFCs, SF₆ and biogenic activities are not applicable to QBE's operations and therefore have not been reported.
- Estimates were made for certain office locations and activity data streams where actual activity was not available, and were based on comparable offices in the same region.
- In 2018, as part of our ongoing focus on improved data quality, we have been able to capture more complete and accurate electricity and natural gas emissions data. For consistency, we have restated electricity emissions for 2014 to 2017, with restatements for 2014 and 2015 based on 2016 data. Similarly, we have restated our natural gas heating emissions for 2017 based on 2018 data.
- Scope 3 emissions from 2016 onwards include waste disposal and water consumption. Scope 3 emissions from investments and employees commuting are not included in QBE's GHG inventory due to unavailability of data. Other Scope 3 activities related to capital goods, transportation and distribution, real estate and franchisees are not applicable to QBE's operations.
- Scope 3 emissions from business air travel from 2016 onwards include DEFRA's required distance uplift and exclude radiative forcing. For 2015 and 2014, these emissions exclude distance uplift and radiative forcing.
- Gross earned premium from both continuing and discontinued operations, consistent with GHG emissions data reported above.
- Road travel includes business travel by car hire, taxi and private car.
- Includes recycled IT asset waste and mixed plastics, cardboard and glass.

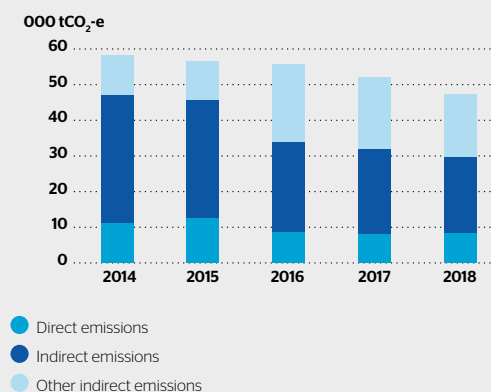
Operational environmental management (continued)

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

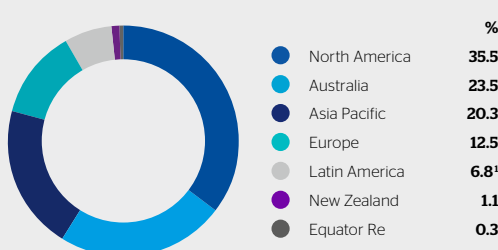
Emissions intensity



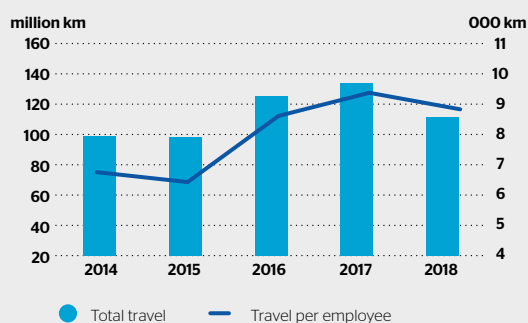
Direct and indirect emissions



Electricity consumption by region (MWh)



Business travel



¹ The Group's operations in Argentina, Brazil, Mexico and Ecuador were disposed during 2018. The Group's operations in Colombia were disposed of on 1 February 2019 and disposal of operations in Puerto Rico is expected to complete in 2019. The 2018 GHG emissions from the Latin American region are estimated based on 2017 activity data and emission factors.

How we account for the numbers

Our reporting on environmental data follows the guidelines outlined in:

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

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

- Australian Government's Department of Environment and Energy: *National Greenhouse Accounts Factors 2018*;
- United Kingdom Government's Department for Business, Energy & Industrial Strategy: *GHG Conversion Factors for Company Reporting 2018*;
- United State's Environmental Protection Agency (EPA): *Emission Factors for Greenhouse Gas Inventories: Direct Emissions from Stationary Combustion 2018*;
- United State's EPA: *Emissions & Generation Resource Integrated Database (eGRID) 2016* (released in 2018); and
- International Energy Agency: *CO2 Emissions from Fuel Combustion, 2018 edition*.



Governance

QBE is subject to extensive legal and regulatory requirements and obligations, industry codes and business and ethical standards across our business activities wherever we operate.

Compliance with these is critical to enable us to deliver our strategy and create long-term value for our stakeholders.

Refer to our [Corporate Governance Statement](#) in our 2018 Annual Report. It includes information about the QBE Board and management, our Group Governance Framework, guidelines, reporting and risk management.



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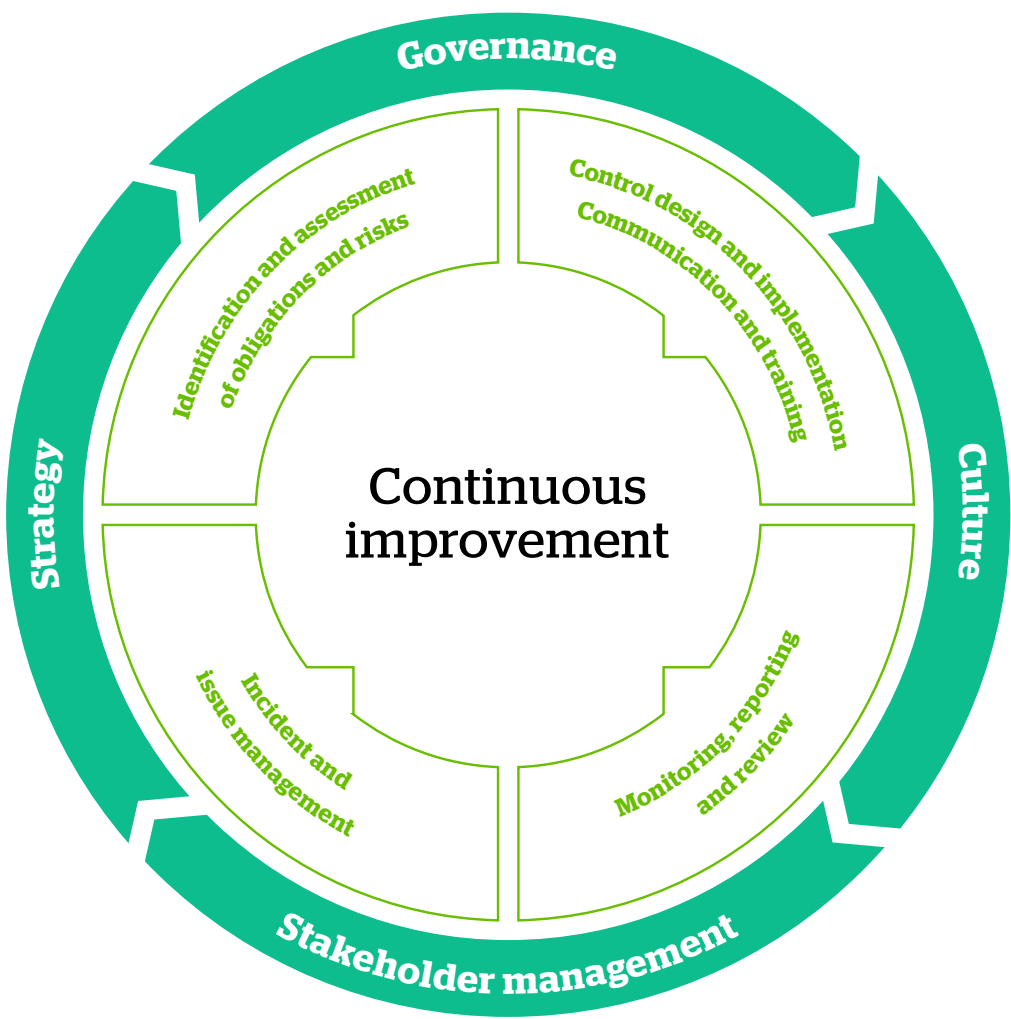
QBE's Group Compliance Framework

QBE's Group Compliance Framework outlines our approach to managing compliance risk across our international operations. It outlines the governance arrangements, and key roles and responsibilities relating to compliance management, and describes the key components of our approach. It is overseen by the Board Risk & Capital Committee (BRCC).

The Framework has been drafted to take into account the International Standard ISO 19600:2014 Compliance management systems – Guidelines; the recognised benchmark for the development of compliance management systems.

The Framework complements our Group Risk Management Strategy and is supported by the Group Compliance Monitoring Program and annual Group Compliance Monitoring Plan, and a range of group and local compliance policies, guidelines, programs and processes.

Compliance across QBE is overseen by a Group Regulatory and Compliance team, with responsibility for providing independent assurance and oversight to the BRCC that compliance is being properly managed and undertaken across QBE's operations.





Our Group Code of Ethics and Conduct

QBE is committed to maintaining high ethical standards in how we conduct our business. Our [Group Code of Ethics and Conduct](#) (the Code) sets the standards we expect of our directors, employees, contractors, agents and anyone who represents us (collectively referred to in the Code and in this section as “employees”) to make good judgement calls and demonstrate high standards of ethical behaviour in all our actions and relationships.

The Code incorporates QBE’s DNA and is a demonstration of who we are and what we value – collectively and individually. Acting in accordance with our Code is a condition of employment, as is annual Code training.

Employees are encouraged to report genuine concerns about any conduct or activity they believe is dishonest, corrupt, inappropriate or illegal. We offer several channels for reporting, including to direct line managers, the Compliance and Human Resources (HR) teams or via our QBE Ethics Hotline – an independently hosted hotline through which anonymous reports can be made.

Complying with financial crime laws

QBE is committed to ensuring compliance with financial crime-related laws in the countries in which we operate. Accordingly, employees must not commit, or become involved in, any form of financial crime, including but not limited to:

- tax evasion;
- bribery and corruption, including making any facilitation payments;
- internal and external fraud and cybercrime;
- money laundering and terrorist financing; and
- sanctions including trade, economic, targeted (focused on individuals, organisations or industries) and comprehensive sanctions (restrictions against a whole country’s regime).

The proper giving and receipt of gifts and entertainment is an essential element of our approach to managing bribery and corruption risk. The Code imposes minimum standards for these activities. They must be reasonable, modest and proportionate, given or received in good faith, and appropriately approved and registered, depending on value.

We also have a suite of group-wide policies and training on sanctions, anti-bribery and anti-corruption, available on our [website](#). In 2018, Group Compliance recruited a Group Compliance Manager with expertise in financial crime.

Anti-competitive and anti-trust practices

We believe in free and fair competition and our competitive activities are undertaken ethically and lawfully. When we interact with competitors or potential competitors, we do not share confidential information that may impact how we all compete. Business decisions are made independently of our competitors. Agreements among competitors to fix prices, reduce prices or exclude other competitors from the market are serious antitrust or anti-competitive offences and is behaviour we do not tolerate.

Whistleblowing

All employees are encouraged to speak up and feel empowered to do and say the right thing. Employees can report concerns internally to their manager, a senior manager, or their HR or Compliance teams. Depending on the issue, employees can choose to report to those working in other teams including, but not limited to Legal, Fraud or Financial Crime, Risk or Procurement. Alternatively, concerns can be reported confidentially and anonymously through our QBE Ethics Hotline. This message is supported by our Code and our Group-wide Whistleblowing Policy and Guidelines ([Whistleblowing Policy](#)).

Where a concern is raised, we will assess whether the issue should be investigated in accordance with the investigation requirements of our Whistleblowing Policy. We acknowledge, investigate (as appropriate) and document all reported concerns. Where reports are substantiated, we take appropriate remedial action, advise the reporter promptly and document the outcomes. We do not tolerate any form of retaliation against anyone who raises a concern or participates in an investigation.

Respecting human rights

Wherever we operate, we respect human rights and commit to avoiding human rights harm. We are committed to adhering to internationally recognised human rights norms and principles to ensure dignity and equality for all our employees, customers, communities and suppliers.

We are guided by internationally recognised human rights standards and guiding principles, such as:

- the International Bill of Human Rights, which consists of the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights;

QBE's Group Compliance Framework (continued)

- the International Labour Organisation's eight core Conventions; and
- the United Nations Guiding Principles on Business and Human Rights.

We take measures to prevent our involvement in human rights harm through our supply chain relationships. We reject any form of slavery, including forced or child labour.

This commitment is detailed in our [Group Modern Slavery and Human Trafficking Statement](#) and in our Code. We are developing our approach to compliance with modern slavery laws, which will include a risk assessment exercise to identify modern slavery risks and embed ongoing due diligence for supplier selection and screening.

Privacy and General Data Protection Regulations

We respect our customers' privacy and protect their personal information from misuse or unauthorised disclosure and comply with privacy laws across all our divisions. We only collect and share personal information where it is needed for legitimate business purposes, or where there is a legal need to do so. We ensure all our employees understand the importance of keeping personal information private. When we work with third parties, we make it clear to them the importance we place on privacy, and the standards we expect.

Privacy at QBE is broadly governed centrally through our Group Compliance team and our Group Privacy Officer. The Group Privacy Officer chairs QBE's Group-wide Privacy Working Group (PWG) which provides advice, evaluation and approval. Its role is to ensure there is adequate consideration and review of the privacy risk and implications related to international activities that cross divisions.

The PWG is also responsible for QBE's Group-wide privacy program and for ensuring that the program meets the requirements of the Group Compliance Framework.

In May 2018, the European Union's General Data Protection Regulations (GDPR) came into effect. We are aware of the territorial impact of the GDPR across our business, and require all activities with a data privacy element to be assessed for GDPR impacts before commencement.

Cultivating compliance awareness

QBE provides mandatory compliance training to ensure our employees understand all relevant laws, regulations and internal policies and how to adhere to, and apply, them to their daily work. Compliance topics, such as our Code, the Ethics Hotline, Sanctions, Anti-Bribery and Anti-Corruption, are supported by Group mandatory compliance training.

In 2018, Group Compliance recruited a Senior Compliance Officer with expertise in learning and development, which is considered an area of strategic focus for us.

Tax strategy and transparency

QBE supports the Australian voluntary Tax Transparency Code. We publish an annual [Tax Transparency Report](#) outlining our tax strategy and governance. We seek to comply with all applicable tax laws, regulations and disclosure requirements, and to pay the amount that is legally required to be paid, in all of the jurisdictions in which we operate. QBE supports the principle behind multilateral moves towards greater transparency that increase the understanding of tax systems and build public trust.

The Group Board has oversight of tax governance across our operations through the Group's Tax Risk Framework, with local boards having oversight of divisional tax governance. Operationally, the Group Chief Financial Officer (CFO) owns tax risk management and is responsible for ensuring the implementation of the Group's Tax Risk Framework. The Group CFO is assisted by the Group Head of Tax and divisional CFOs to ensure that policies and procedures that support the framework are in place and are maintained and applied consistently around the world, and that the divisional tax teams have the skills and experience to implement the approach appropriately.

Independent limited assurance report

to the management of QBE Insurance Group Limited

Deloitte.

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Independent limited assurance report on the 2018 Sustainability Report to the management of QBE Insurance Group Limited

We have undertaken a limited assurance engagement on the subject matter detailed below (the "Sustainability Performance Indicators") presented in QBE Insurance Group Limited's ("QBE") 2018 Sustainability Report for the year ended 31 December 2018, in order to state whether anything has come to our attention that would cause us to believe that the Sustainability Performance Indicators have not been reported, in all material respects, in accordance with the reporting criteria described in the table below ("Reporting Criteria").

Sustainability Performance Indicators and Reporting Criteria

The Sustainability Performance Indicators and Reporting Criteria for our limited assurance engagement for the year ended 31 December 2018 are as follows:

SUSTAINABILITY PERFORMANCE INDICATORS	REPORTING CRITERIA
Premiums4Good impact investments (USD) and associated financial value, pages 24 to 25	QBE's 2018 Sustainability Reporting Framework
Employee satisfaction surveys – employee engagement and enablement score including data coverage, page 39	QBE's 2018 Sustainability Reporting Framework
Workforce (%) by employment level and gender, page 44	GRI Standard 405-1(b) 2016 QBE's 2018 Sustainability Reporting Framework
Average tenure by gender across levels of workforce, page 44	QBE's 2018 Sustainability Reporting Framework
Workforce by age and gender including average age, page 45	GRI Standard 405-1(b) 2016 QBE's 2018 Sustainability Reporting Framework
Breakdown of workforce by ethnicity, gender identity, sexual orientation, disability and carer responsibility (including care provided to), pages 45 to 46	GRI Standard 405-1(b) 2016 QBE's 2018 Sustainability Reporting Framework
Voluntary, involuntary and overall attrition rate (%) and termination number by gender, age group and region, page 46	GRI Standard 401-1(b) 2016 QBE's 2018 Sustainability Reporting Framework
Total Scope 1, 2 and 3 Greenhouse Gas emissions (tCO ₂ -e) by activity, page 53	GRI Standard 305-1 2016 GRI Standard 305-2 2016 GRI Standard 305-3 2016 QBE's Greenhouse Gas Reporting Framework

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Assurance statement

Assurance statement (continued)

QBE's responsibility for the Sustainability Performance Indicators

The Management of QBE are responsible for:

- Ensuring the Sustainability Performance Indicators are properly prepared and presented in accordance with the Reporting Criteria;
- Confirming the measurement or evaluation of the Sustainability Performance Indicators against the applicable criteria, and including that all relevant matters are reflected in the Sustainability Performance Indicators information;
- Designing, establishing and maintaining internal controls to ensure that the Sustainability Performance Indicators are properly prepared and presented in accordance with the Reporting Criteria.

Our independence and quality control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Sustainability Performance Indicators based on the procedures we have performed and the evidence we have obtained.

We conducted our limited assurance engagement in accordance with the Australian Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ("ASAE 3000"), and the Australian Standards on Assurance Engagements ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* ("ASAE 3410"), issued by the Australian Auditing and Assurance Standards Board in order to express a conclusion whether, based on the procedures performed and the evidence obtained, anything has come to our attention that causes us to believe that the Sustainability Performance Indicators have not been prepared and presented, in all material respects, in accordance with the Reporting Criteria. These standards require that we plan and perform this engagement to obtain limited assurance about whether the Sustainability Performance Indicators are free from material misstatement.

We read other information included within the 2018 Sustainability Report and considered whether it was consistent with the knowledge obtained through our procedures. We considered the implications for our report if we became aware of any apparent material inconsistencies with the 2018 Sustainability Report. Our responsibilities did not extend to any other information.

A limited assurance engagement in accordance with ASAE 3000 and ASAE 3410 involves identifying areas where a material misstatement of the subject matter information is likely to arise, addressing the areas identified and considering the process used to prepare the subject matter in the 2018 Sustainability Report. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures we performed were based on our professional judgement and consisted primarily of:

- Interviewing respective Sustainability Performance Indicators data owners to understand and assess the approach for collating, calculating and reporting respective Sustainability Performance Indicators across the 2018 reporting period;
- Undertaking a sample of detailed walkthroughs of key systems and processes used/relied upon to compile the Sustainability Performance Indicators for the 2018 reporting period;
- Assessing the supporting process documentation developed to support the collation, calculation and reporting process in accordance with QBE's policies and procedures and the Reporting Criteria;
- Completing analytical reviews over material data streams to identify any material anomalies/gaps for selected Sustainability Performance Indicators and investigate further where required; and
- Agreeing overall data sets for selected Sustainability Performance Indicators to the final QBE data contained in the 2018 Sustainability Report.



The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express an opinion providing reasonable assurance about whether the Sustainability Performance Indicators have been properly prepared and presented, in all material respects, in accordance with Reporting Criteria.

Inherent limitations

There are inherent limitations in performing an assurance engagement – for example, assurance engagements are based on selective testing of the information being examined – and it is possible that fraud, error or non-compliance may occur and not be detected. An assurance engagement is not designed to detect all misstatements, as an assurance engagement is not performed continuously throughout the year that is the subject of the engagement and the procedures are performed on a test basis. The conclusion expressed in this report has been formed on the above basis.

Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and sampling or estimating such data. We specifically note that the Management of QBE have used estimates or extrapolated underlying information to calculate certain amounts included in the Scope 1, 2 and 3 Greenhouse Gas emissions data.

Limitations of use

Our assurance report has been prepared solely for the Management of QBE in accordance with our Statement of Work and Addendum, dated 13 November 2018 and 29 November 2018, respectively. However, we understand that a copy of the report will be included in QBE's 2018 Sustainability Report. We agree that a copy of the report may be included in QBE's 2018 Sustainability Report, but only on the basis that we accept no duty, liability or responsibility to third parties in relation to the report. We accept no duty, responsibility or liability to any party, other than you, in connection with the report or this engagement.

Matters relating to electronic presentation of information

Our limited assurance engagement included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of the 2018 Sustainability Report after the date of this assurance statement.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Sustainability Performance Indicators have not been properly prepared and presented, in all material respects, in accordance with the Reporting Criteria for the year ended 31 December 2018.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

PR Dobson

PR Dobson

Partner

Sydney, 25th February 2019





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