Remuneration Report

Remuneration Report contents

To our shareholders

On behalf of the Board, I present QBE's Remuneration Report for 2021.

The efforts of our people and the ongoing support of our customers, along with continued premium rate momentum, have resulted in a Group result reflecting strong top line growth and ongoing improvement across the business. A strong return to profitability was achieved with a Group adjusted cash return on equity (ROE) of 10.3% whilst our balance sheet continued to strengthen. Relative to initial expectations, COVID-19 impacts were more benign through 2021 than expected, though our teams have nonetheless remained focused in light of considerable uncertainty across our key markets. From the strong foundations evident in this result, we expect further momentum in the business as our new purpose, vision and six strategic priorities are embedded across the Group and our culture.

During 2021, we also welcomed a number of new executives and, as foreshadowed in last year's report, carried out a broader review of remuneration arrangements to address the incoming regulatory requirements across the Australian financial services sector.

For more information about the changes for 2022, refer to page 59.

In a challenging year, we are pleased with the results our people have achieved for your Company and delivered for our customers.

For more information on how we performed in 2021, refer to pages 60–61.

Executive changes

As announced in March 2021, we appointed a new Group Chief Executive Officer (CEO), Andrew Horton, who commenced in September 2021, replacing Interim Group CEO, Richard Pryce. Mr Horton was also appointed an executive director of QBE effective 1 September 2021.

Mr Horton's experience in the insurance sector provides QBE with refreshed rigour having driven positive change and high performance in his previous roles. Upon Mr Horton's commencement, Mr Pryce transitioned to an advisory role and retired in December 2021.

We also welcomed Fiona Larnach as the Group Chief Risk Officer (CRO) and Sue Houghton as CEO, Australia Pacific. Pleasingly, we promoted two members of our senior management to the Group Executive being Sam Harrison to the role of Group Chief Underwriting Officer and Amanda Hughes to the role of Group Executive, People and Culture.

It has been encouraging to see tangible benefit from our efforts to build our internal talent pipeline to fill a number of these roles. We are confident that these most recent executive changes provide QBE with the capability to continue to build the momentum across the business for future success.

There were no changes in non-executive director membership or fees during 2021.

For more information, refer to page 77.

People, culture and inclusion

There continued to be a strong commitment to the wellbeing of our people in 2021.

Having regard to both physical and mental health during the year, we evolved our employee listening strategy to better connect with our people. The former annual engagement and enablement survey is now carried out through more frequent, shorter and tailored pulse surveys. Through these, we have started to deliver on our ambition for a modernised listening approach at QBE and we are able to gather important insights into how our people are feeling. Our focus is on four key dimensions: wellbeing, respect, inclusion and risk.

Our progress on the 'Culture Accelerator' program during 2021 has provided a solid base from which to build. The activities carried out as part of the program, which were to refine and enhance our DNA and support our journey towards making QBE more future-fit, have seen significant traction. A refreshed DNA and shared language for calling out behaviour were launched in October 2021 and sponsorship of a number of culture-related initiatives will continue into 2022.

The development of a renewed approach to inclusion occurred during 2021 with the formal launch of a new Inclusion of Diversity policy in early 2022. The change in terminology is representative of the fact that inclusion is needed to both foster and unlock the value of diversity and QBE's continued commitment and focus in this area.

Pleasingly, during the year, QBE became one of the first organisations in Australia certified as a Family Friendly Workplace and is a founding partner of the National Work + Family Standards, launched in

partnership with UNICEF Australia and Parents at Work. The standards set out best practice and ways to build family-friendly workplace cultures. In addition, we have been recognised in the Top 100 of Equileap's 2021 Gender Equality Global Report & Ranking for progressing our gender equality agenda and included in the 2022 Bloomberg Gender-Equality Index.

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

Performance during 2021

The Group's 2021 financial result was pleasing as we have seen a strong return to profitability and growth in comparison to 2020. Across the three divisions of North America, International and Australia Pacific, strong premium growth and progress against key initiatives was delivered against a backdrop of heightened natural catastrophe activity. The Group's statutory combined operating ratio (COR) (excluding the impact of changes in risk-free rates) was 93.7% compared with 104.2% in 2020 and the Group cash ROE of 10.3% compared with (10.9)% in 2020.

For 2021 incentives, the Group COR used to determine short-term incentive (STI) calculations is based on a blend of divisional COR outcomes. This results in a payout of 93.9%. The non-financial component of the STI for the executive KMP, the ME@QBE component, was determined by the Board and outcomes ranged from 100% to 120%.

Based on the above, overall STI outcomes for the current executive KMP ranged from 80% to 128% of their target. The 2021 STI outcome for the Group CEO reflects his part year in the role. Based on this, he will receive 115.2% of his target opportunity (76.8%% of his maximum opportunity). For the other executive KMP, the average STI outcome is 73% of their maximum opportunity.

There was no executive KMP long-term incentive (LTI) due to vest during 2021.

For more information on 2021 performance and STI outcomes, refer to pages 60-64.

Changes for 2022

For 2022, we have continued to evolve our remuneration arrangements to support our future direction and proactively respond to the upcoming regulatory requirements in Australia.

A number of changes were introduced in 2021 such as the revised malus and new clawback provisions, and we will continue to transition further in 2022 and 2023.

For STI in 2022 we will be taking a broader view of performance and will include overall enterprise financial and also non-financial performance including risk, people and strategic measures. The detail of the measures will be provided along with the outcomes at the end of the performance year and will consider both qualitative and quantitative factors. In addition, executive KMP STI deferral periods will be lengthened from vesting across two years to four years.

We will also simplify the LTI award in 2022. Whilst the use of average Group cash ROE and relative total shareholder return (TSR) measures will be retained, a varied weighting will apply.

We will recommence our use of a three year average Group cash ROE with ranges set with reference to a risk free rate plus margin and remove the use of a catastrophe collar. This measure will be weighted as 70%.

The remaining 30% weighting will be based on the performance of a relative TSR peer group which will reflect a global insurance peer group.

These changes maintain a strong link to measures management are able to influence and provide a stepped change approach to the regulatory requirements being introduced in 2023.

For more information, refer to page 59.

This Remuneration Report sets out QBE's remuneration framework and provides detail of remuneration outcomes for key management personnel (KMP) for 2021 and how this aligns with QBE's performance.

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

The 2021 Remuneration Report has been prepared and audited in accordance with the disclosure requirements of the *Corporations Act 2001*.

Looking ahead

With culture and our people being two of the six strategic priorities, highlighted on page 9, I am confident that we will continue to drive forward a strong agenda for the benefit of our employees, customers and shareholders in 2022 and beyond.

The remuneration changes provide QBE with an opportunity to continue to adapt to the changing landscape along with the additional areas of focus for the year ahead.

As always, we look forward to shareholder feedback.

John M Green
Deputy Chair
Chair, People & Remuneration Committee

Our remuneration framework at a glance

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

Our purpose

QBE – enabling a more resilient future

Our remuneration principles

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

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

The remuneration framework supports the strategy

Simple and clear

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

Adaptable to changes in our strategy and external environment

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

Measures that are correlated with performance

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

Encourages our executives to think and act like business owners

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

Aligning remuneration to culture and managing risk

The remuneration structure is designed to align remuneration with prudent risk-taking, underpinned by clear messaging of our QBE DNA which describes who we are, what we stand for and how we need to operate to be successful. The way that each executive manages risk and conduct is a key consideration of the Board in determining incentive outcomes. An enhanced focus on measuring not only what was achieved but how it was achieved will be implemented in 2022.

A number of changes to the QBE short and long-term incentive plans will apply with effect from 2022. The Group CEO terms are shown below. Additional details will be provided in the 2022 Remuneration Report.

Key features:	2021	2022
Short-term incentive	▶ Delivered through A mix of STI cash (50%) and STI deferred equity (50%)	▶ No change for 2022
	▶ Incentive opportunity 150% (target), 225% (maximum)	
	▶ Performance period One year	
	▶ Equity deferral period One to two years from end of performance period	▶ One to four years from end of performance period
	▶ Performance measures Group cash ROE (25%), blended Group COR (40%), strategic performance objectives (35%)	▶ Performance measured through a business scorecard containing Group cash ROE and Group COR financial measures alongside risk, people and strategic non-financial measures. In addition, personal performance objectives will focus both on what has been achieved and how it was achieved during the year.
Long-term incentive	▶ Delivered through Equity (100%)	▶ No change for 2022
	▶ Incentive opportunity 200% (face-value)	
	▶ Performance period Three years	
	▶ Equity deferral period Three to five years from start of performance period	
	▶ Performance measures Group average cash ROE (50%) and relative TSR (50%) with two peer groups A catastrophe collar may apply to Group average cash ROE	▶ New weighting of two measures: Group average cash ROE (70%) and relative TSR (30%) with a single global insurance peer group, no catastrophe collar on Group average cash ROE.

The STI and LTI arrangements for the Interim Group CEO in 2021 were consistent with terms disclosed in the 2020 Remuneration Report.

Risk and behaviours, malus and clawback (no change)

Executive KMP performance assessments include a formal assessment of risk and behaviours using input from the Group CRO, the Chair of People & Remuneration Committee, the Chair of the Risk & Capital Committee and chairs of divisional boards where relevant. Malus and clawback provisions and executive minimum shareholding requirements (MSR) will continue to apply in 2022.

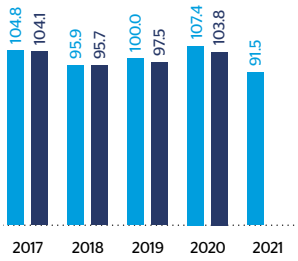
How we performed: **Financial performance**

Financial performance for the Group reflected strong top line momentum from continued premium rate increases and targeted growth across all divisions, alongside a much improved combined operating ratio.

The impact of the financial performance on the incentive payouts for executive KMP is provided on pages 62 to 64.

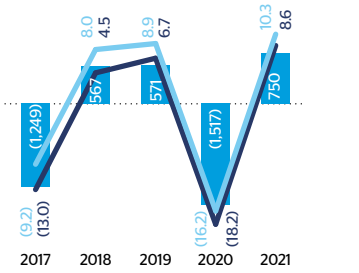
Financial performance

COR



- Statutory COR (%)[1]
- Group COR for incentive purposes (%)[2]

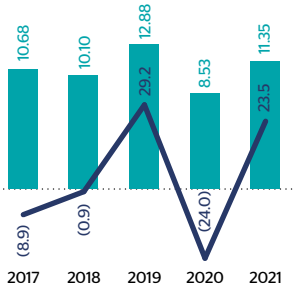
Profit measures



- Net profit (loss) after tax (US$M)[1]
- Group cash ROE for incentive purposes (%)[3]
- Return on average shareholders' equity (%)

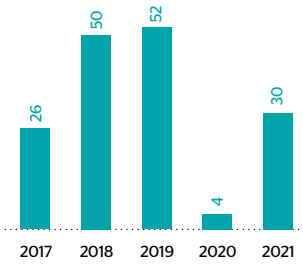
Return to shareholders

Return to shareholders



- Share price at 31 December (A$/share)
- TSR (%)

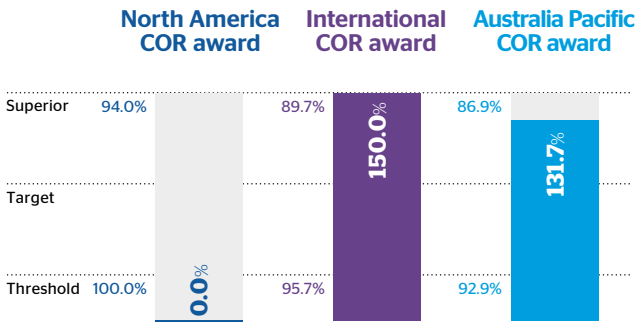
Dividend per share



- Dividend per share (Australian cents)

Award outcomes

COR



Blended Group COR

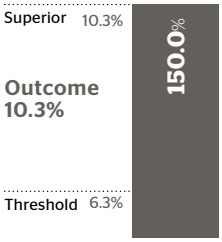
Award 93.9%

An equal blend of the divisional COR outcomes (to the left) is used to determine the blended Group COR award for 2021 STI purposes.

Cash ROE

Group cash ROE[3]

Award 150.0%



Group CEO outcomes[4]

	2017	2018	2019	2020	2021
STI or Executive Incentive Plan (EIP) (from 2017 to 2018) achievement as % of target	15.6	98.6	68.5	90.4	115.2
LTI vested (% of grant)	0	0	0	–	–

Tracking of unvested LTI awards

2019 LTI award – vesting Q1 2022/23/24 – Average cash ROE and relative TSR performance – Will not vest

2020 LTI award – vesting Q1 2023/24/25 – Average cash ROE and relative TSR performance – Unlikely to vest in full

2021 LTI award – vesting Q1 2024/25/26 – Average cash ROE and relative TSR performance – On track

1 From 2018, the results reflect continuing operations only. For 2017, the results reflect consolidated Group performance including discontinued operations.
2 For incentive purposes, the 2021 Group COR was replaced by a blended Group COR award as detailed above.
3 For incentive purposes, the adjusted cash ROE of 10.3% is as provided on page 12. Prior year adjustments are detailed in the Remuneration Report for each relevant year.
4 For 2021, the results reflect the pro-rated STI outcome for the Group CEO. For full details see page 62. Previous Group CEO outcomes are detailed in the Remuneration Report for each relevant year. There were no LTI grants due to vest in 2021.

How we performed: **2021 priorities**

The progress made against our strategic priorities through 2021 is summarised below. The executive KMP objectives are aligned with these and a portion of their STI outcomes are tied to their delivery.

Performance

Evolve and reinvigorate cell reviews and Brilliant Basics+ to further enhance performance discipline and drive portfolio optimisation. Targeted, sustainable, profitable growth, maximising the favourable rate environment. Deliver against our sustainability and climate commitments. Continued focus on shareholder returns.

▶ Cell reviews

A redesign of the format of cell reviews and reporting metrics provided for a more streamlined process and performance focus. Greater emphasis on underwriting actions (cell performance) and new lenses to focus on growth and claims provided a step-change in our ability to proactively address issues.

▶ Sustainability and climate commitment

Ongoing integration of sustainability considerations saw QBE set a new net-zero commitment across its global operations by 2030 and complete a new Environment & Social Risk Framework which came into effect on 1 January 2022. QBE celebrated the 10th anniversary of the QBE Foundation, won Green Insurer of the Year, launched our first syndicated sustainability linked loan and made progress towards our $2 billion impact investment target.

▶ Robust growth and shareholder returns

Performance discipline focused on maximising the favourable rate environment. GWP growth was driven by strong rate momentum and improved new business volumes in targeted growth areas. Launched a project to assess how we optimise natural catastrophe business.

Modernisation

Deliver on our program of work to accelerate our technology infrastructure modernisation. Continued automation across underwriting, distribution and claims to support the evolving needs of our customers and partners. Accelerate adoption of machine learning models across pricing and claims.

▶ Technology infrastructure modernisation

Building blocks for a more modern, efficient and secure QBE are taking shape. End of life remediation plans remain on track, rollouts of capability across core platforms continue and cyber security capability delivered.

▶ Automation

The evolution of our maturity in digitalisation continues. Tactical robots and automation solutions introduced across a range of underwriting and claims areas. Ongoing digitisation of claims lifecycle in place for many products and growing capability in this area. Digital channels available to support full sales lifecycle for most flow products and modernisation of customer portals underway in Australia Pacific and North America.

▶ Machine learning

Emergence of advanced analytics across the claims lifecycle in certain pockets of QBE. Initial stages of embedding data-enabled pricing/risk selection and decision support.

Customer focus

Deliver value and exceed customer expectations through Customer@QBE. Better understanding of our customers' industries and needs. Embed a culture of proactive, insightful customer engagement. Fully embed the use of Salesforce and related analytical tools across the business, central to all our customer activity.

▶ Customer@QBE

Developed the customer engagement framework to drive consistent discovery around our customers; how we articulate value to our customers and partners and increase visibility of customer metrics. Global awareness and education targeted to enhance customer mindset and shape our customer-focused culture.

▶ Customer insights

Increased global visibility of core customer and industry data in one place supported the sharing of global customer research with business leaders. Customer-focused panels allowed sharing of insights and best practice. Consistency in measurement allows for trend analysis and interconnections between customer experience, our people, brand and results.

▶ Salesforce

Sales enablement tools embedded with greater visibility of new business pipeline and opportunities to cross sell. Related analytical tools expanded along with consistent increase in usage across all divisions.

Talent & culture

Enhance the QBE culture and reinforce a positive risk culture by building on the QBE DNA through the Culture Accelerator. Accelerate our talent and leadership strategy by developing our people and building a diverse talent pipeline. Focus on embedding performance through ME@QBE and retaining and motivating people through our Reward approach. Define our future ways of working.

▶ Culture

Defined the culture we want to create, supported through a global survey and 'Culture Hack' to source ideas from our people. Launched our new employee listening approach to capture employee feedback on a continuous basis. Refreshed our QBE DNA to reflect desired behaviours, created a shared language to encourage people to speak up and identified the need for a refreshed recognition program grounded in our DNA.

▶ Talent and leadership

Continued to build deeper insights into our talent pool and pipeline to enable focus on our senior leader hiring and development activities. Launched an online learning platform that provides skills-based training relevant to individual roles, supported by a campaign around development conversations.

▶ Ways of working

Strengthened our understanding of our workforce so we can define our future workforce needs and deliver on our strategic ambitions. Continued focus on employee wellbeing and defined future ways of working through Flex@QBE.

1. EXECUTIVE KMP PERFORMANCE SNAPSHOTS

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

The realised 2021 remuneration figures below include the accrued STI cash award for the 2021 financial year, the value of any conditional rights granted in prior years that vested during 2021 and executive shareholdings against the MSR. The value of vested conditional rights awards has been calculated using the share price on the vesting date. These figures are different from those shown in the statutory table on page 73. For example, the statutory table includes an apportioned accounting value for all unvested conditional rights held during the year, which remain subject to performance and service conditions and consequently may or may not ultimately vest.

Group CEO

Andrew Horton
Group CEO

Term as KMP in 2021
Commenced 1 September 2021

Country of residence
Australia

Total value of shareholdings against the MSR (times fixed remuneration) **3.2**

Target remuneration mix

22% | 17% | 17% | 44%

2021 STI outcome (US$000)

STI (cash) $390
STI (deferred) $390

115.2% of target

measured on...

25.0% Group cash ROE (achieved 150.0%)
40.0% Blended Group COR (achieved 93.9%)
35.0% Strategic performance objectives (achieved 114.8%)

2021 realised remuneration[1] (US$000) **$1,286** Total

$431 | $390 | $465

Divisional executive KMP

Jason Harris
Chief Executive Officer, International

Term as KMP in 2021
Full year

Country of residence
United Kingdom

Total value of shareholdings against the MSR (times fixed remuneration) **0.9**

Target remuneration mix

31% | 26% | 12% | 31%

2021 STI outcome (US$000)

STI (cash) $922
STI (deferred) $454

128.2% of target

measured on...

11.5% Group cash ROE (achieved 150.0%)
18.5% Blended Group COR (achieved 93.9%)
35.0% Divisional COR [2] (achieved 146.7%)
35.0% Strategic performance objectives (achieved 120.6%)

2021 realised remuneration (US$000) **$1,823** Total

$894 | $922 | $7

1 Other total for Andrew Horton includes a cash payment of A$500,000 on commencement of employment with QBE, payable in February 2022.
2 Divisional COR achievement outcome adjusted for items held in the Corporate & Other segment.

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

Sue Houghton
Chief Executive Officer, Australia Pacific

Term as KMP in 2021
Commenced 3 August 2021

Country of residence
Australia

Total value of shareholdings against the MSR (times fixed remuneration) **1.4**

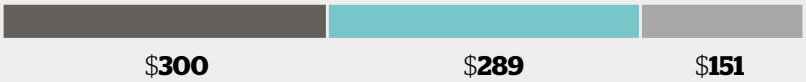
Target remuneration mix

2021 STI outcome (US$000)

115.7% of target

measured on...
- **11.5%** Group cash ROE (achieved 150.0%)
- **18.5%** Blended Group COR (achieved 93.9%)
- **35.0%** Divisional COR (achieved 131.7%)
- **35.0%** Strategic performance objectives (achieved 100.0%)

2021 realised remuneration[1] (US$000) **$740** Total



Todd Jones
Chief Executive Officer, North America

Term as KMP in 2021
Full year

Country of residence
United States

Total value of shareholdings against the MSR (times fixed remuneration) **2.2**

Target remuneration mix

2021 STI outcome (US$000)

80.1% of target

measured on...
- **11.5%** Group cash ROE (achieved 150.0%)
- **18.5%** Blended Group COR (achieved 93.9%)
- **35.0%** Divisional COR[2] (achieved 30.0%)
- **35.0%** Strategic performance objectives (achieved 100.0%)

2021 realised remuneration (US$000) **$2,883** Total

Group Head Office executive KMP

Sam Harrison
Group Chief Underwriting Officer

Term as KMP in 2021
Commenced 1 April 2021

Country of residence
United Kingdom

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

Target remuneration mix

2021 STI outcome (US$000)

110.1% of target

measured on...
- **25.0%** Group cash ROE (achieved 150.0%)
- **40.0%** Blended Group COR (achieved 93.9%)
- **35.0%** Strategic performance objectives (achieved 100.0%)

2021 realised remuneration (US$000) **$1,242** Total

1 Other total for Sue Houghton includes a cash payment of A$200,000 on commencement of employment with QBE, paid in August 2021.
2 The Board has considered the performance of North America as being in line with the 2021 plan (excluding the above average catastrophes in 2021), and has specifically considered the strong top line growth, delivery of cost savings and build-out of financial lines in determining the North America COR outcome applied to Todd Jones.

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

1. EXECUTIVE KMP PERFORMANCE SNAPSHOTS

Amanda Hughes
Group Executive, People and Culture

Term as KMP in 2021
Commenced 1 December 2021

Country of residence
Australia

Total value of shareholdings against the MSR (times fixed remuneration) **0.3**

Target remuneration mix

2021 STI outcome (US$000)

110.1% of target

measured on...

25.0% Group cash ROE (achieved 150.0%)
40.0% Blended Group COR (achieved 93.9%)
35.0% Strategic performance objectives (achieved 100.0%)

2021 realised remuneration (US$000)

$80 Total

Fiona Larnach
Group Chief Risk Officer

Term as KMP in 2021
Commenced 2 March 2021

Country of residence
Australia

Total value of shareholdings against the MSR (times fixed remuneration) **0.0**

Target remuneration mix

2021 STI outcome (US$000)

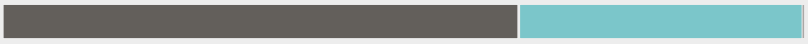
107.7% of target

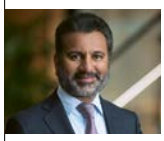
measured on...

19.2% Group cash ROE (achieved 150.0%)
30.8% Blended Group COR (achieved 93.9%)
50.0% Strategic performance objectives (achieved 100.0%)

2021 realised remuneration (US$000)

$863 Total





Inder Singh
Group Chief Financial Officer

Term as KMP in 2021
Full year

Country of residence
Australia

Total value of shareholdings against the MSR (times fixed remuneration) **2.1**

Target remuneration mix

2021 STI outcome (US$000)

115.4% of target

measured on...

25.0% Group cash ROE (achieved 150.0%)
40.0% Blended Group COR (achieved 93.9%)
35.0% Strategic performance objectives (achieved 115.2%)

2021 realised remuneration[1] (US$000)

$2,217 Total

1 The fixed remuneration for Inder Singh was increased from A$1,100,000 to A$1,300,000 with effect from 1 January 2021 following a broadening of his role and a market review.

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

Former executive KMP

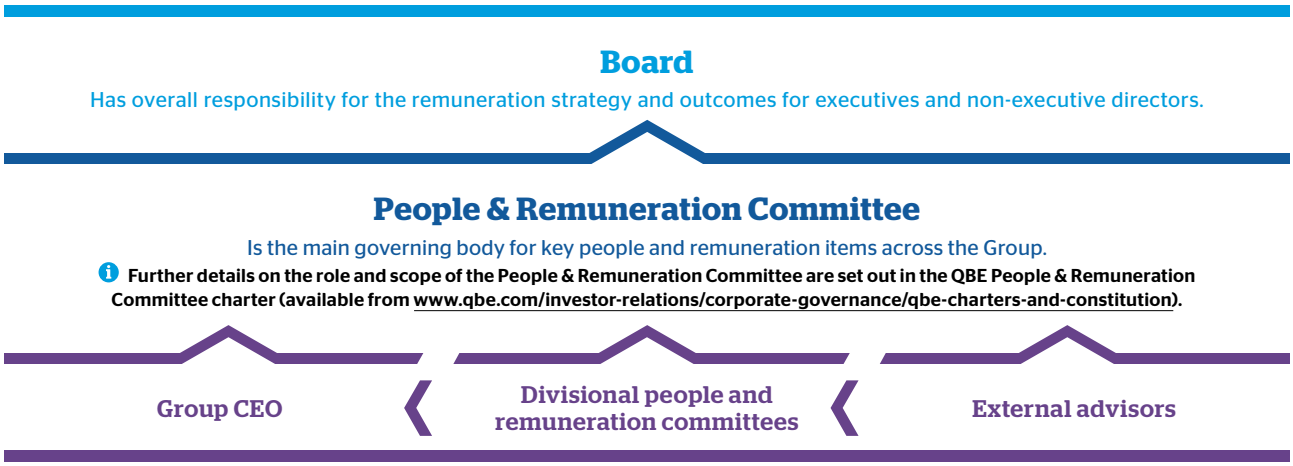
Jason Brown (former Group Chief Underwriting Officer) – Jason Brown ceased as executive KMP on 31 March 2021 immediately prior to the internal promotion of Sam Harrison.

Margaret Murphy (former Group Executive, People & Culture) – Margaret Murphy ceased as executive KMP on 30 November 2021 immediately prior to the internal promotion of Amanda Hughes.

Richard Pryce (former Interim Group CEO) – Richard Pryce ceased as executive KMP on 31 August 2021 immediately prior to the appointment of Andrew Horton. Mr Pryce's planned retirement was previously communicated.

2. REMUNERATION GOVERNANCE

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



Managing risk

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

The People & Remuneration Committee works with Group Risk and Human Resources to ensure that any risk associated with remuneration arrangements is managed within the Group's risk management framework. The Chair of the People & Remuneration Committee is a member of the Risk & Capital Committee and vice versa. The attendance of other members of the Board at the People & Remuneration Committee meetings and close working relationship with the Risk & Capital Committee strengthen remuneration governance across QBE. The Group CRO attends the People & Remuneration Committee periodically to report on executive risk behaviours.

Executive KMP are required to adhere to a range of Group-wide policies to ensure risks are well managed, strong governance structures are in place and high ethical standards are maintained. The Board approves a comprehensive delegated authority for the Group CEO, which is an integral part of QBE's risk management process. The remuneration governance framework incorporates risk oversight principles so that executives cannot unduly influence a decision that could materially impact their own incentive outcome, and the performance-based components of remuneration established in QBE's incentive plans are designed to encourage behaviour that supports the Group's long-term financial soundness. Specifically, the QBE incentive plans:

- are designed to deliver a target remuneration mix balanced between fixed/variable remuneration and short and long-term and cash and equity;
- incorporate individual objectives through the STI that measure demonstrable proactive sound risk management, including the setting of a clear and consistent tone about the importance of managing risk throughout the organisation;
- incorporate robust corporate standards for all employees supporting the QBE risk culture;
- balance performance outcomes based on delivery against a range of financial and non-financial strategic metrics which are set in the context of business plans that have been appropriately stress-tested by the Group CRO;
- enable the build-up of meaningful shareholding with deferred STI equity and LTI underpinned by a MSR for executive KMP (refer to page 66);
- provide the Board with discretion to take other factors into account when determining the appropriate award outcome; and
- allow for multiple risk adjustments, notably in year, malus provisions for unvested awards and clawback of cash payments and vested equity (refer to page 66).

2. REMUNERATION GOVERNANCE

As part of the year end process, an assessment of each senior executive's approach to risk management has been completed using input from the CRO. This process recognises positive and negative risk culture and risk management through upward or downward adjustment of performance ranges, incentive payouts and consequences that can include executives leaving the organisation.

Across the Group in 2021, over 100 assessments were carried out including for executive KMP and divisional executive teams. Based on the assessments in 2021, there were adjustments applied both upwards and downwards.

Malus provision

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

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

This provision reflects QBE's obligations under APRA's Prudential Standard CPS 510 *Governance* to incorporate terms allowing for the adjustment of incentive awards to protect QBE's financial soundness and ability to respond to unforeseen significant issues. A review against the malus provision was completed as part of the year end process. There was no requirement to apply the provision in 2021.

Clawback provision

The clawback provision, introduced for the 2021 performance year, allows, to the extent permissible by applicable law, all variable remuneration (cash and deferred remuneration) to remain subject to clawback for a period of two years from the date of payment or vesting (as the case may be) of the relevant component of variable remuneration. The Board can determine whether to apply clawback to paid or vested variable remuneration and, if so, the appropriate value over which clawback will be applied. The circumstances in which the Board may apply clawback include those where it concludes in good faith that there is or has been:

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

Clawback may be applied to any variable remuneration that has been paid or vested (as the case may be) regardless of whether or not the employment or engagement of the relevant person is ongoing.

A review against the clawback provision was completed as part of the year end process. There was no requirement to apply the provision in 2021.

Trading policy

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

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

Minimum shareholding requirement

The MSR ensures executives build their shareholding to have significant exposure to QBE's share price. Under the MSR, a minimum of three times fixed remuneration for the Group CEO (one and a half times for other executive KMP) is to be maintained as long as the executive KMP remains at QBE. The value of shareholdings as a percentage of fixed remuneration at 31 December 2021 for each executive KMP is shown on pages 62 to 64. New executive KMP are required to build their shareholdings over a five-year period after becoming executive KMP.

Dilution limits for share plans

Shares awarded under QBE's employee share plans may be purchased on-market or issued subject to Board discretion and the requirements of the *Corporations Act 2001* and the ASX Listing Rules. At 31 December 2021, the proportion of shares and unvested conditional rights and options held in the QBE Employee Share Plan is 1.12%. This is significantly less than the maximum of 10% over a 10-year period allowed under the plan rules.

Treatment of conditional rights on a change in control of QBE

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

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

Use of external advisors

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

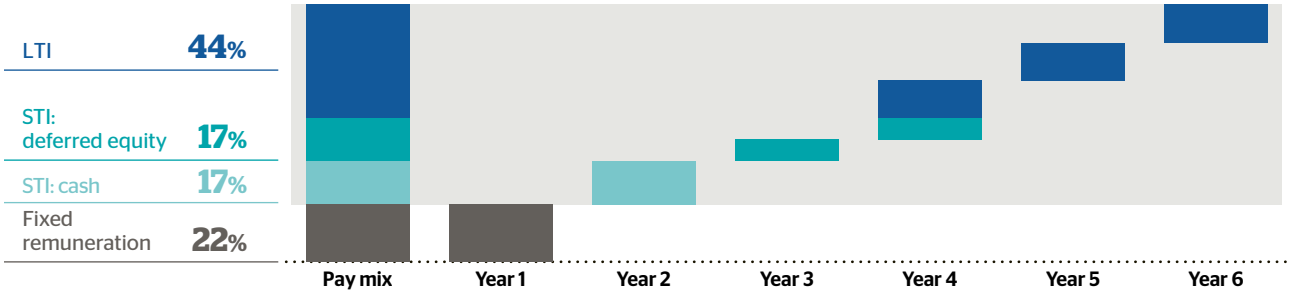
Australian-based firm Ernst & Young (EY) currently acts as the independent remuneration advisor to the People & Remuneration Committee. The People & Remuneration Committee and the Board are satisfied that the advice provided by EY during 2021 was free from undue influence. The cost of advice and assistance provided by EY in 2021 was $61,000 (2020 $65,000).

During 2021, management requested and utilised reports on market practice from various reputable sources. No recommendations in relation to the remuneration of KMP were provided as part of these engagements.

3. EXECUTIVE KMP REMUNERATION IN DETAIL

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

This section sets out our approach for 2021. The graph below sets out the typical remuneration structure and delivery for the Group CEO for on-target performance, and how the remuneration vests over time:



Executive remuneration structure

QBE's executive remuneration structure for 2021 remained broadly consistent with the prior year and comprised a mix of fixed and at-risk remuneration through STI and LTI plan arrangements.

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

FIXED REMUNERATION – KEY DETAILS

Description

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

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

Determining fixed remuneration levels

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

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

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

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

STI - KEY DETAILS

Description

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

Performance measures and rationale

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

Group cash return on equity

DEFINITION

A measure of how effectively we are managing shareholders' investment in QBE. For the STI, this measure will generally be measured on the same basis as that used to determine shareholder dividends. As a principle, losses due to unbudgeted amortisation/impairment of intangibles will, other than in exceptional circumstances, be included in cash ROE so that executives remain accountable for the management of intangible assets.

RATIONALE

Cash ROE is a measure of how effectively we manage shareholders' funds.

Combined operating ratio

DEFINITION

Net claims, commissions and expenses as a percentage of net earned premium. Consistent with how we report COR to the market, this is measured excluding the impact of changes in risk-free rates used to discount net outstanding claims. An equal blend of the COR outcomes for North America (1/3), International (1/3) and Australia Pacific (1/3) is used for the 2021 blended Group COR.

RATIONALE

COR is the most relevant measure of the underwriting performance of our insurance operations. The measure excludes the impact of risk-free rates because it is consistent with the way we report and with the basis on which the market assesses the underwriting performance of QBE.

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

A summary of the achievements against the strategic performance objectives for 2021 is provided on page 61.

ADJUSTMENTS

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

Vesting schedule

The indicative STI vesting schedule is outlined below:

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

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

Instrument and deferral mechanics

The STI award is delivered as 67% in cash (50% in the case of the Group CEO and Interim Group CEO) and 33% is deferred as conditional rights to QBE shares (50% in the case of the Group CEO and Interim Group CEO).

Deferred STI vests in two equal tranches – half on the first anniversary of the award and the remainder on the second anniversary of the award. Vesting is subject to service conditions during the deferral period. Malus and clawback also apply.

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

STI awards for the 2021 performance year are detailed on pages 62 to 64.

Leaver provisions

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

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

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

Malus and clawback provisions

STI is subject to malus and clawback, as applicable, enabling awards to be either forfeited, reduced or have clawback applied at the discretion of the People & Remuneration Committee and Board.

3. EXECUTIVE KMP REMUNERATION IN DETAIL

LTI - KEY DETAILS

Description

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

Performance measures

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

Average cash return on equity

DEFINITION

The average of the three individual annual cash ROEs for the three individual years comprising the performance period (used for the 2021 grant due to volatility).
A catastrophe adjustment may apply, which defines a ceiling and floor for catastrophe claims (see below) when determining LTI outcomes. Prior year grant details are provided in the relevant Annual Reports.

RATIONALE

Cash ROE is the primary financial measure of success for QBE and is most tangible for long-term decision making.

Relative total shareholder return

DEFINITION

TSR is the change in percentage value of an entity's share price plus the value of reinvested dividends and any capital returns measured over the three-year performance period.

TSR of QBE is measured against two independent peer groups, shown below for 2021:

- ASX 50 peer group (for 50% of the TSR component); and
- a global insurance peer group (for 50% of the TSR component).

RATIONALE

The use of a relative TSR measure enables stronger pay for performance, aligning with shareholders.

ADJUSTMENTS

Because the LTI performance period is measured over three years, extreme or benign catastrophe periods can have a material effect across multiple LTI awards. A levelling mechanism, introduced in 2019, effectively puts a ceiling and a floor on aggregate catastrophe claims when determining LTI outcomes. This levelling mechanism uses a range of +/- 1.5% of net earned premium either side of the budgeted catastrophe allowance for which LTI participants are exposed to catastrophe risk. For 2021, the range of $505 million to $865 million is applied. This means where actual aggregate catastrophe claims (after allowing for reinsurance recoveries) exceed $865 million, aggregate catastrophe claims are capped at this amount for calculating cash ROE. Conversely, in a very benign period, the lower limit of the collar ($505 million) provides a floor on aggregate catastrophe claims for calculating cash ROE. The cost of catastrophe claims for 2021 was $924 million, and this in excess of the range and consequently an after-tax adjustment of $49 million is applied and an adjusted cash ROE of 11% will be used for the 2021 performance period (2020 (14.2)%).

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

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

Afterpay Limited	Dexus	Qantas Airways Limited	Sydney Airport
APA Group	Fortescue Metals Group Ltd	QBE Insurance Group Limited	Tabcorp Holdings Limited
Aristocrat Leisure Limited	Goodman Group	Ramsay Health Care Limited	Telstra Corporation Limited
ASX Limited	GPT Group	REA Group Ltd	TPG Telecom Limited
Australia and New Zealand Banking Group Limited	Insurance Australia Group Limited	Reece Limited	Transurban Group
Australian Foundation Investment Company Limited	Lendlease Group	Rio Tinto Limited	Wesfarmers Limited
BHP Group Limited	Macquarie Group Limited	Santos Limited	Westpac Banking Corporation
BlueScope Steel Limited	Magellan Financial Group Limited	Scentre Group	WiseTech Global Limited
Brambles Limited	Mirvac Group	Seek Limited	Woodside Petroleum Ltd
Cochlear Limited	National Australia Bank Limited	Sonic Healthcare Limited	Woolworths Group Limited
Coles Group Limited	Newcrest Mining Limited	South32 Limited	
Commonwealth Bank of Australia	Northern Star Resources Ltd	Stockland	Coca-Cola Amatil Limited (removed due to delisting)
CSL Limited	Origin Energy Limited	Suncorp Group Limited	

TSR peer group 2 – Global insurance peer group

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

LTI allocation

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

Vesting schedules

For the 2021 LTI, the Group cash ROE component is determined with reference to the average of the three annual performance ranges set over the three individual years, being 2021, 2022 and 2023 to determine vesting outcomes. This approach addresses the difficulty of long range forecasting due to the economic volatility.

The indicative Group average cash ROE vesting schedule for 2021 awards is outlined below:

QBE'S GROUP CASH ROE PERFORMANCE	% OF LTI CONDITIONAL RIGHTS SUBJECT TO THE GROUP CASH ROE COMPONENT WHICH MAY VEST
Below 6.3%	0%
At 6.3%	30%
Between 6.3% and 10.3%	Straight line vesting between 30% and 100%
At or above 10.3%	100%

For the 2021 LTI only, target ranges for 2021, 2022 and 2023 will be set at the start of the relevant years and disclosed in the following year. The individual annual ranges will be used to create the target range for the three-year period.

The indicative relative TSR vesting schedule for 2021 awards is outlined below:

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

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

Vesting periods

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

TRANCHE	VESTING DATE	PERFORMANCE PERIOD	PROPORTION OF ELIGIBLE 2021 LTI CONDITIONAL RIGHTS TO VEST
1	25 February 2024	End of the three-year performance period	33%
2	25 February 2025	First anniversary of the end of the performance period	33%
3	25 February 2026	Second anniversary of the end of the performance period	34%

Notional dividends accrue during the vesting period.

Leaver provisions

In cases of 'Good leaver' (e.g. retirement, redundancy, ill health, injury, mutually agreed separation (in some cases)) the unvested LTI conditional rights may be reduced to a pro-rata amount to reflect the proportion of the performance period in service and may continue to be held subject to the same vesting conditions.

Malus and clawback provisions

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

3. EXECUTIVE KMP REMUNERATION IN DETAIL

Changes to incentives for 2022

In considering our future incentive design, we have included feedback from multiple sources in an effort to evolve our incentive plans to better support our future strategy, target culture and align with the future requirements being introduced by Australian regulators.

Dialogue captured through the Culture Accelerator identified a number of areas that could be enhanced through incentive plan design. These included, being more future focused, being more enterprise focused, having a broader view of performance and having an increased focus on behaviours.

Based on this the three key areas of change are firstly, the introduction of non-financial metrics with a material weighting through the STI. These would be assessed through quantitative and qualitative methods. Secondly, the use of a formalised 'how' rating which informs the overall rating of an executive KMP. This emphasises its importance and brings focus to the role that behaviours play in achieving STI outcomes across QBE. Thirdly, changes to simplify LTI for future grants include the removal of the relative TSR ASX 50 peer group and a higher weighting of the Group cash ROE component for 2022, removing the catastrophe adjustment mechanism and using risk free rate plus margin basis ensure that LTI outcomes are more easily understood, and therefore supported, by our internal stakeholders and shareholders. The People & Remuneration Committee retain discretion to adjust performance outcomes.

Employment agreements

The table below summarises the material terms for the current executive KMP which are subject to applicable laws. The terms and conditions of employment of each executive KMP reflect market conditions at the time of their contract negotiation on appointment and thereafter. In addition, the typical treatment of incentives is also provided below.

CONTRACTUAL TERM	GROUP CEO[1]	OTHER EXECUTIVE KMP
Duration	Permanent full-time employment contract until notice given by either party.	
Notice period (by executive KMP or QBE)	12 months: QBE may elect to make a payment in lieu of notice.	Six months: QBE may elect to make a payment in lieu of notice.
Post-employment restraints	12 months non-compete and non-solicitation.	Six to 12 months non-compete and non-solicitation.

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

Treatment of incentives

Involuntary termination

On termination with cause or for poor performance: All unvested incentives are forfeited.

On termination without cause: For STI in the year of termination, the executive remains eligible to be considered for an award on a pro-rata basis, with any award to be determined following the end of the performance year and subject to the standard deferral arrangements. Unvested deferred EIP and STI conditional rights remain in the plan subject to the original vesting dates and malus provisions. The unvested LTI conditional rights may be reduced to a pro-rata amount to reflect the proportion of the performance period in service and may continue to be held subject to the same performance and vesting conditions. Legacy LTI awards generally remain in the plan subject to the original performance and vesting conditions; however, the People & Remuneration Committee has discretion to vest these awards.

Voluntary termination

All unvested incentives are forfeited.

4. EXECUTIVE KMP REMUNERATION TABLES

4.1 Statutory remuneration disclosures

The following table provides details of the remuneration of QBE's executive KMP as determined by reference to applicable Australian Accounting Standards (AASB) for the financial year ended 31 December 2021. Remuneration has been converted to US dollars using the average rate of exchange for the relevant year.

		SHORT-TERM EMPLOYMENT BENEFITS			POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYEE BENEFITS			
	YEAR	BASE SALARY US$000	OTHER[1] US$000	STI CASH[2] US$000	SUPERANNUATION US$000	LEAVE ACCRUALS[3] US$000	SHARE-BASED PAYMENTS[4] US$000	TERMINATION BENEFITS[5] US$000	TOTAL US$000
Andrew Horton[6]	**2021**	**431**	**465**	**390**	**–**	**33**	**913**	**–**	**2,232**
Jason Harris	**2021**	**894**	**7**	**922**	**–**	**–**	**810**	**–**	**2,633**
	2020	60	847	–	–	–	39	–	946
Sam Harrison[6]	**2021**	**650**	**14**	**578**	**–**	**–**	**620**	**–**	**1,862**
Sue Houghton[6]	**2021**	**295**	**151**	**289**	**5**	**6**	**396**	**–**	**1,142**
Amanda Hughes[6]	**2021**	**42**	**–**	**38**	**–**	**(10)**	**2**	**–**	**72**
Todd Jones	**2021**	**1,000**	**27**	**659**	**23**	**–**	**818**	**–**	**2,527**
	2020	1,000	106	–	23	–	2,160	–	3,289
Fiona Larnach[6]	**2021**	**540**	**1**	**306**	**16**	**32**	**168**	**–**	**1,063**
Inder Singh	**2021**	**962**	**10**	**905**	**18**	**21**	**733**	**–**	**2,649**
	2020	743	9	–	15	23	568	–	1,358
Former executive KMP									
Jason Brown[7]	**2021**	**172**	**50**	**165**	**–**	**–**	**674**	**–**	**1,061**
	2020	641	97	–	–	–	472	–	1,210
Margaret Murphy[7]	**2021**	**602**	**104**	**487**	**5**	**–**	**510**	**–**	**1,708**
	2020	605	84	–	15	15	582	–	1,301
Richard Pryce[7]	**2021**	**1,011**	**147**	**945**	**–**	**–**	**5,610**	**–**	**7,713**
	2020	1,089	177	–	–	–	2,003	–	3,269
Total	**2021**	**6,599**	**976**	**5,684**	**67**	**82**	**11,254**	**–**	**24,662**
	2020[8]	4,138	1,320	–	53	38	5,824	–	11,373

1 Other includes, where relevant, provision of motor vehicles, health insurance, spouse travel, accommodation costs, staff insurance discount benefits received during the year, life assurance and personal accident insurance and applicable taxes. It also includes the deemed value of interest-free share loans, tax accruals in respect of employment benefits and other one-off expenses. For Andrew Horton and Sue Houghton, this includes a cash payment of A$500,000 (payable in February 2022) and A$200,000 (paid in August 2021) respectively to compensate for incentives forfeited in ceasing previous employment to join QBE.

2 STI cash is payable in March 2022 for performance in 2021. Where an executive is a KMP for only part of the year, amounts shown are pro-rated. The Board exercised its discretion to deliver the 2020 STI in conditional rights.

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

4 Includes conditional rights and legacy cash-settled awards. The fair value at grant date of conditional rights is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. The fair value of each conditional right is recognised evenly over the service period ending at vesting date. Where an award will no longer vest, the related accounting charge for any non-market component is reversed in full and the reversal is included in the table above. For new executive KMP, this may include conditional rights granted as compensation for incentives forfeited on ceasing previous employment to join QBE in addition to a pro-rata grant of conditional rights for the 2021 LTI. Details of grants of conditional rights are provided on pages 74 to 75. For Sam Harrison, this includes legacy cash-settled share-based awards relating to grants made prior to his appointment as executive KMP under the 2019 and 2020 EIP. Details of EIP awards are provided on page 76. For Jason Brown and Richard Pryce, the accelerated accounting charge relating to conditional rights awards which remain unvested is included.

5 There were no termination benefits payable in this period.

6 Andrew Horton, Sam Harrison, Sue Houghton, Amanda Hughes and Fiona Larnach were all executive KMP for part of the year. Dates are shown on pages 62 to 64.

7 Jason Brown, Margaret Murphy and Richard Pryce were executive KMP through to 31 March 2021, 30 November 2021 and 31 August 2021 respectively.

8 The 2020 totals above are not the same as those disclosed in the 2020 Remuneration Report because of changes in executive KMP.

4. EXECUTIVE KMP REMUNERATION TABLES

4.2 Conditional rights movements

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

The table below details conditional rights provided under the terms of both current and legacy plans, details of which can be found on pages 69 and 76, and contractual arrangements. LTI conditional rights are subject to future performance hurdles as detailed on pages 70 to 71 and 76. Conditional rights under the STI for the 2021 performance year will be granted in the first quarter of 2022.

2021	BALANCE AT 1 JANUARY 2021 NUMBER[1]	GRANTED NUMBER[2]	VALUE AT GRANT DATE US$000[3]	VESTED AND EXERCISED NUMBER	VALUE AT VESTING DATE US$000	FORFEITED/ LAPSED NUMBER	NOTIONAL DIVIDENDS ATTACHING IN THE YEAR NUMBER	BALANCE AT 31 DECEMBER 2021 NUMBER[4]
Andrew Horton	–	335,570	3,003	–	–	–	–	335,570
Jason Harris	162,533	155,200	893	–	–	–	2,950	320,683
Sam Harrison	126,290	120,179	654	–	–	–	2,292	248,761
Sue Houghton	–	193,572	1,435	–	–	–	1,798	195,370
Amanda Hughes	6,916	–	–	–	–	–	–	6,916
Todd Jones	488,646	265,522	1,535	(168,374)	1,174	–	5,442	591,236
Fiona Larnach	–	96,729	527	–	–	–	897	97,626
Inder Singh	288,111	199,304	1,177	(45,586)	322	–	4,107	445,936
Former executive KMP								
Jason Brown	246,372	44,082	308	(33,713)	238	–	–	256,741
Margaret Murphy	293,470	140,775	829	(111,929)	792	–	2,997	325,313
Richard Pryce	824,172	211,431	1,476	(120,544)	853	–	–	915,059

1 The opening balance for Sam Harrison and Amanda Hughes is their respective conditional rights holding at the date they became executive KMP.

2 On commencement of employment, Andrew Horton and Sue Houghton were granted conditional rights as compensation for incentives forfeited on ceasing their previous employment to join QBE. The award details are shown in table 4.3. In addition for new executive KMP, 2021 LTI grants made, where relevant, are subject to the performance conditions detailed on pages 70 to 71.

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

4 For former executive KMP Jason Brown, Margaret Murphy and Richard Pryce, this represents the balance at 31 March 2021, 30 November 2021 and 31 August 2021 respectively, being the dates they ceased to be executive KMP.

4.3 Valuation of conditional rights outstanding at 31 December 2021

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

2021	GRANT	GRANT DATE	PERFORMANCE PERIOD START DATE	EXERCISE DATE	CONDITIONAL RIGHTS AT 31 DECEMBER 2021 NUMBER[1]	MAXIMUM VALUE OF AWARD TO VEST A$	FAIR VALUE PER CONDITIONAL RIGHT A$[2]		
							GROUP ROE	TSR	TIME
Andrew Horton	Special	1-Sep-21	1-Sep-21	2022-2025	335,570	3,999,994	–	–	11.92
Jason Harris	Special	1-Oct-20	1-Oct-20	1-Mar-22	62,492	543,680	–	–	8.70
	2020 LTI	1-Oct-20	1-Jan-20	2023-2025	101,549	631,891	8.70	3.75	–
	2020 STI	26-Feb-21	1-Jan-20	2022-2023	31,496	292,913	–	–	9.30
	2021 LTI	26-Feb-21	1-Jan-21	2024-2026	125,146	907,930	9.30	5.21	–
Sam Harrison	2017 EIP	5-Mar-18	1-Jan-17	4-Mar-22	13,502	139,206	–	–	10.31
	2018 EIP	4-Mar-19	1-Jan-18	2022-2023	35,632	433,641	–	–	12.17
	2019 EIP	24-Feb-20	1-Jan-19	2022-2024	27,221	405,865	–	–	14.91
	2020 EIP	26-Feb-21	1-Jan-20	2022-2025	51,111	475,332	–	–	9.30
	2021 LTI	26-Feb-21	1-Jan-21	2024-2026	121,295	879,993	9.30	5.21	–
Sue Houghton	2021 LTI	3-Aug-21	1-Jan-21	2024-2026	92,680	810,797	10.89	6.61	–
	Special	3-Aug-21	3-Aug-21	2022-2024	102,690	1,118,294	–	–	10.89
Amanda Hughes	2020 EIP	26-Feb-21	1-Jan-20	2022-2025	6,916	64,319	–	–	9.30

4.3 Valuation of conditional rights outstanding at 31 December 2021 (continued)

2021	GRANT	GRANT DATE	PERFORMANCE PERIOD START DATE	EXERCISE DATE	CONDITIONAL RIGHTS AT 31 DECEMBER 2021 NUMBER[1]	MAXIMUM VALUE OF AWARD TO VEST A$	FAIR VALUE PER CONDITIONAL RIGHT A$[2]		
							GROUP ROE	TSR	TIME
Todd Jones	2019 LTI	1-Oct-19	1-Jan-19	2022-2024	157,013	1,602,722	12.60	7.82	–
	2019 STI	24-Feb-20	1-Jan-19	23-Feb-22	4,078	60,803	–	–	14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	162,155	2,072,744	14.91	10.66	–
	2020 STI	26-Feb-21	1-Jan-20	2022-2023	58,615	545,120	–	–	9.30
	2021 LTI	26-Feb-21	1-Jan-21	2024-2026	209,375	1,519,014	9.30	5.21	–
Fiona Larnach	2021 LTI	26-Feb-21	1-Jan-21	2024-2026	97,626	708,281	9.30	5.21	–
Inder Singh	2017 EIP	5-Mar-18	1-Jan-17	4-Mar-22	10,541	108,678	–	–	10.31
	2018 EIP	4-Mar-19	1-Jan-18	2022-2023	46,282	563,252	–	–	12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	98,522	1,022,148	12.17	8.58	–
	2019 STI	24-Feb-20	1-Jan-19	23-Feb-22	12,328	183,810	–	–	14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	77,108	985,633	14.91	10.66	–
	2020 STI	26-Feb-21	1-Jan-20	2022-2023	60,139	559,293	–	–	9.30
	2021 LTI	26-Feb-21	1-Jan-21	2024-2026	141,016	1,023,071	9.30	5.21	–
Former executive KMP									
Jason Brown	2017 EIP	5-Mar-18	1-Jan-17	4-Mar-22	7,361	75,892	–	–	10.31
	2018 EIP	4-Mar-19	1-Jan-18	2022-2023	31,390	382,016	–	–	12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	88,573	918,947	12.17	8.58	–
	2019 STI	24-Feb-20	1-Jan-19	23-Feb-22	10,658	158,911	–	–	14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	74,677	954,552	14.91	10.66	–
	2020 STI	26-Feb-21	1-Jan-20	2022-2023	44,082	409,963	–	–	9.30
Margaret Murphy	2017 EIP	5-Mar-18	1-Jan-17	4-Mar-22	6,873	70,861	–	–	10.31
	2018 EIP	4-Mar-19	1-Jan-18	2022-2023	33,486	407,525	–	–	12.17
	2019 LTI	4-Mar-19	1-Jan-19	2022-2024	71,650	743,365	12.17	8.58	–
	2019 STI	24-Feb-20	1-Jan-19	23-Feb-22	8,127	121,174	–	–	14.91
	2020 LTI	24-Feb-20	1-Jan-20	2023-2025	63,092	806,473	14.91	10.66	–
	2020 STI	26-Feb-21	1-Jan-20	2022-2023	41,004	381,337	–	–	9.30
	2021 LTI	26-Feb-21	1-Jan-21	2024-2026	101,081	733,345	9.30	5.21	–
Richard Pryce[3]	2017 EIP	5-Mar-18	1-Jan-17	4-Mar-22	39,138	403,513	–	–	10.31
	2018 EIP	4-Mar-19	1-Jan-18	2022-2023	107,676	1,310,417	–	–	12.17
	2019 Special LTI	4-Mar-19	1-Jan-19	2022-2024	165,594	2,015,279	–	–	12.17
	2019 STI	24-Feb-20	1-Jan-19	23-Feb-22	27,571	411,084	–	–	14.91
	2020 Special LTI	24-Feb-20	1-Jan-20	2023-2025	135,772	2,024,361	–	–	14.91
	2020 STI	26-Feb-21	1-Jan-20	2022-2023	211,431	1,966,308	–	–	9.30
	2021 Special LTI	26-Oct-20	26-Oct-20	2024-2026	227,877	2,014,433	–	–	8.84

1 Includes original grant of conditional rights and notional dividends. For the former executive KMP shown, this represents the number of conditional rights immediately prior to ceasing to be executive KMP. These remain subject to original performance and vesting conditions.

2 The fair value of conditional rights at grant date is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. The fair value of each conditional right is recognised evenly over the service period ending at vesting date. For the LTI allocations, the TSR fair value shown above was averaged over the two peer groups.

3 The Special LTI awards for Richard Pryce include specific performance measures as detailed on page 76.

4. EXECUTIVE KMP REMUNERATION TABLES

4.4 Executive KMP shareholdings

The table below provides details of movements during the year in the number of ordinary shares in QBE held by executive KMP, including their personally-related parties. In prior years, where non-recourse loans were provided by the Group to executive KMP for the purchase of shares in QBE, details are shown in the Remuneration Report of each relevant year. There are no loans outstanding at 31 December 2021 to any executive KMP.

2021	INTEREST IN SHARES AT 1 JANUARY 2021 NUMBER[1]	DIVIDENDS REINVESTED NUMBER	CONDITIONAL RIGHTS VESTED NUMBER	SHARES PURCHASED (SOLD) NUMBER[2]	INTEREST IN SHARES AT 31 DECEMBER 2021[3] NUMBER
Andrew Horton	150,000	–	–	–	150,000
Jason Harris	–	–	–	–	–
Sam Harrison	199	2	–	–	201
Sue Houghton	17,000	–	–	–	17,000
Amanda Hughes	16,460	–	–	–	16,460
Todd Jones	101,334	–	168,374	(64,552)	205,156
Fiona Larnach	–	–	–	–	–
Inder Singh	67,455	–	45,586	–	113,041
Former executive KMP					
Jason Brown	189,639	–	33,713	–	223,352
Margaret Murphy	35,853	810	111,929	(60,587)	88,005
Richard Pryce	255,888	–	120,544	(56,832)	319,600

1 The opening balances for Andrew Horton, Sam Harrison, Sue Houghton and Amanda Hughes is their respective holding at the date they became executive KMP.
2 The shares listed as sold may either partially or fully relate to sales to meet withholding tax obligations upon the vesting of conditional rights.
3 For former executive KMP Jason Brown, Margaret Murphy and Richard Pryce, this represents the interest in shares at 31 March 2021, 30 November 2021 and 31 August 2021 respectively, being the dates they ceased to be executive KMP.

4.5 Legacy equity schemes

The information below summarises QBE's legacy incentive plans.

Executive Incentive Plan – until 31 December 2018

The EIP was an at-risk reward structure comprised of cash and deferred equity that vested progressively over a five-year period. 40% of the award was delivered in cash and 60% of the award was deferred as conditional rights to fully paid ordinary QBE shares.

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

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

Special long-term incentive awards

The LTI award made to Richard Pryce in early 2020 includes performance criteria aligned to specific deliverables as he transitioned to retirement. Other than the tailored performance criteria, the terms and conditions of the award are consistent with other executive KMP.

The LTI award made to Richard Pryce in October 2020, at the time of his appointment as Interim Group CEO, is subject to two performance conditions measured by the Board over the period he held this role. The performance measures were set with a focus on the delivery of a number of important priorities. These include a blend of individual and strategic measures to both reward for the stability provided as Interim Group CEO through 2021, setting QBE up for future success, and the creation of alignment with shareholder interests, structured as follows:

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

Subject to performance against the above, consideration of appropriate financial outcomes, risk behaviours during the vesting period and malus provisions, the conditional rights will vest in three tranches in Q1 2024 (33%), 2025 (33%) and 2026 (34%).

5. NON-EXECUTIVE DIRECTOR REMUNERATION

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

Remuneration philosophy

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

Fee structure and components

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

The total amount paid to non-executive directors in 2021 was A$3,398,414 (2020 A$3,237,700).

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

No changes were made to non-executive director remuneration during 2021.

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

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

Other benefits

Non-executive directors do not receive any performance-based remuneration such as cash incentives or equity awards. Under QBE's Constitution, non-executive directors are entitled to be reimbursed for all travel and related expenses properly incurred in connection with the business of QBE. All non-executive directors are eligible to receive an annual cash travel allowance of A$42,750 (A$64,000 for the Chair), in addition to fees for the time involved in travelling to Board meetings and other Board commitments. Due to the impacts of COVID-19, the travel allowance was temporarily ceased in 2021 for non-executive directors.

Superannuation

QBE pays superannuation to Australian-based non-executive directors in accordance with Australian superannuation guarantee (SG) legislation. Overseas-based non-executive directors receive the cash equivalent amount in addition to their fees. From 1 July 2021, the SG contribution increased by 0.5% to 10.0%. This change is reflected in table 5.2.

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

Minimum shareholding requirement

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

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

Where the MSR has not been met, non-executive directors are required to sacrifice a mandatory minimum amount of 20% of pre-tax fees into the DSAP until the MSR is achieved. Shares acquired in this way are not subject to performance targets, as they are acquired in place of cash payments. Directors' shareholdings are shown overleaf. All non-executive directors have met the MSR as at 31 December 2021, or are within the five-year period to achieve the MSR.

5. NON-EXECUTIVE DIRECTOR REMUNERATION

5.1 Non-executive director shareholdings

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

2021	INTEREST IN SHARES AT 1 JANUARY 2021 NUMBER	CHANGES DURING THE YEAR NUMBER	INTEREST IN SHARES AT 31 DECEMBER 2021 NUMBER
Michael Wilkins	63,172	9,086	72,258
Stephen Fitzgerald	65,286	3,982	69,268
John M Green	41,253	–	41,253
Tan Le	783	3,344	4,127
Kathryn Lisson	40,442	3,637	44,079
Sir Brian Pomeroy	33,757	3,688	37,445
Jann Skinner	63,995	6,005	70,000
Eric Smith	783	3,344	4,127
Rolf Tolle	63,336	4,282	67,618

5.2 Remuneration details for non-executive directors

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

		SHORT-TERM EMPLOYMENT BENEFITS		POST-EMPLOYMENT BENEFITS		
NON-EXECUTIVE DIRECTOR	YEAR	FEES[1] US$000	OTHER US$000	SUPERANNUATION – SG[2] US$000	SUPERANNUATION – OTHER[2] US$000	TOTAL US$000
Michael Wilkins	**2021**	**498**	**–**	**17**	**32**	**547**
	2020	422	–	15	25	462
Stephen Fitzgerald	**2021**	**257**	**–**	**–**	**–**	**257**
	2020	253	–	–	–	253
John M Green	**2021**	**290**	**–**	**–**	**28**	**318**
	2020	263	–	–	25	288
Tan Le	**2021**	**216**	**1**	**–**	**–**	**217**
	2020	66	2	–	–	68
Kathryn Lisson	**2021**	**235**	**3**	**–**	**–**	**238**
	2020	223	4	–	–	227
Sir Brian Pomeroy	**2021**	**238**	**3**	**–**	**–**	**241**
	2020	226	4	–	–	230
Jann Skinner	**2021**	**234**	**–**	**4**	**18**	**256**
	2020	222	–	4	17	243
Eric Smith	**2021**	**216**	**1**	**–**	**–**	**217**
	2020	66	1	–	–	67
Rolf Tolle	**2021**	**257**	**3**	**–**	**–**	**260**
	2020	243	4	–	–	247
Total	**2021**	**2,441**	**11**	**21**	**78**	**2,551**
	2020[3]	1,984	15	19	67	2,085

1 Travel allowances, additional fees in lieu of superannuation in Australia and amounts sacrificed in relation to the DSAP are included in directors' fees.
- Stephen Fitzgerald, Tan Le, Kathryn Lisson, Sir Brian Pomeroy, Eric Smith and Rolf Tolle received additional fees of 9.5% in lieu of superannuation in Australia from 1 January 2021 to 30 June 2021, and 10.0% from 1 July 2021 to 31 December 2021.
- Michael Wilkins, Stephen Fitzgerald, Tan Le, Kathryn Lisson, Sir Brian Pomeroy, Eric Smith and Rolf Tolle all participated in the DSAP.

2 Michael Wilkins, John M Green and Jann Skinner are Australian residents. Superannuation is calculated as 9.5% of fees, up to 30 June 2021 and increased by 0.5% to 10.0% through to 31 December 2021. Superannuation in excess of the statutory minimum may be taken as additional cash fees or in the form of superannuation contributions at the option of the director. During all or part year during 2021, John M Green and Jann Skinner elected to opt out of superannuation contributions and a superannuation allowance was paid in lieu of superannuation contributions.

3 The 2020 totals above are not the same as those disclosed in the 2020 Remuneration Report because of changes in non-executive directors.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2021

Auditor

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

Non-audit services

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

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

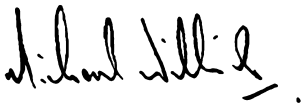
A copy of the auditor's independence declaration required under section 307C of the *Corporations Act 2001* is set out on page 80.

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

Rounding of amounts

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

Signed in SYDNEY this 18th day of February 2022 in accordance with a resolution of the directors.



Michael Wilkins AO
Director

Andrew Horton
Director