



***QBE INSURANCE GROUP LIMITED***

**BOARD CHARTER**

<b>Owner:</b>	Company Secretary
<b>Approval:</b>	Board
<b>Date:</b>	September 2014

## 1. Introduction

This board charter sets out the key principles for the operation of the board of directors (“Board”) of QBE Insurance Group Limited (the “Company”), having regard to principles of good corporate governance, international best practice and applicable laws.

This charter includes an overview of:

- Board composition and process;
- The relationship between the Board and management; and
- The authority delegated by the Board to management and Board Committees.

## 2. Role

The role of the Board is to represent and serve the interests of shareholders by providing guidance and oversight of the Company's strategies, policies and performance. This includes setting the strategic direction for the QBE Group, and monitoring the performance of management in the delivery of strategy and instilling the values of the QBE Group. The Board's principal objective is to maintain and increase shareholder value while ensuring that the activities of the QBE Group are properly managed.

The Board's key responsibilities are set out in the schedule to this charter.

## 3. Composition

The Board is appointed by the shareholders. Non-executive Directors are engaged through a letter of appointment.

The size and composition of the Board is determined by the Board, subject to regulatory requirements, the Company's Constitution and the shareholders.

It is the Board's policy that it should be composed of a majority of independent Non-executive Directors who, with the executive Directors, comprise an appropriate mix of skills to provide the necessary breadth and depth of knowledge and experience to meet the Board's responsibilities and objectives. It is intended that the Board will be made up of Directors with a broad range of skills and experience, and from a diverse range of backgrounds, including gender.

The Board has a skills matrix describing the skills and experience of each Non-executive Director. When the need for a new Non-executive Director is identified, the required skills and experience of the new Non-executive Director are defined in the context of the skills matrix and any gaps that exist. The process of selection of new Non-executive Directors is undertaken in accordance with the Company's *Non-executive Directors' Nomination, Performance Evaluation and Tenure Guidelines*.

The Board, together with the Nomination Committee, will keep under review the background, skills, experience and independent status of Directors on the Board and determine whether the composition and mix of those backgrounds, skills, experience and independence remain appropriate to ensure the Board remains open to new ideas and independent thinking, while retaining adequate expertise, subject to limits imposed by applicable regulation, the Constitution and the terms served by existing Non-executive Directors.

## 4. Director independence

The Board regularly reviews the independence of each Non-executive Director in light of information relevant to this assessment as disclosed by each Non-executive Director to the Board.

The Board only considers Directors to be independent where they are independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In addition, in assessing independence, the Board will consider whether Directors have during the previous three years, been independent of management and free of any interest, position, association or business or other relationship of a type described above.

## 5. Re-election of Directors and Board tenure

Under the ASX Listing Rules, no Director (other than the Chief Executive Officer ("CEO")) may hold office without re-election past the third Annual General Meeting ("AGM") following their last election or re-election, or three years, whichever is longer.

Prior to each AGM, the Board (together with the Nomination Committee) will determine whether it will recommend to shareholders that they vote in favour of each Director standing for re-election, having regard to any matters the Board considers relevant, including the Director's annual performance assessment and (in the case of a Non-executive Director) the length of the Director's term of service.

The Board has established a policy that in general the maximum term of service for a Non-executive Director should be approximately ten years. However, this term may be extended for reasons such as Board or Committee chairmanship, providing continuity or a particular capability of a Non-executive Director.

Where necessary for the orderly management of retirement of Non-executive Directors in accordance with its policy, the Board (together with the Nomination Committee) may determine that the maximum term of service for a particular Non-executive Director should be a shorter period.

## 6. Chairman

The Board will appoint one of its members to be Chairman. It is intended that the Chairman should be an independent Non-executive Director and that the role of Chairman will be separate from the role of the CEO.

The Chairman's role is described in the Company's *Non-executive Directors' Nomination, Performance Evaluation and Tenure Guidelines*.

The Board may appoint one of its members to be Deputy Chairman. The role of any Deputy Chairman is described in the Company's *Non-executive Directors' Nomination, Performance Evaluation and Tenure Guidelines*.

## 7. Non-executive Directors

Directors will act at all times with honesty and integrity and will observe the highest standards of ethical behaviour.

Directors will carry out their duties in accordance with the law and the Company's corporate governance framework and policies, including without limitation the Company's Code of Business Ethics and Conduct and Securities Trading Policy.

Directors will ensure that no decision or action is taken that has the effect of prioritising their personal interests over the Company's interests.

The performance expectations, responsibilities and skills of Non-executive Directors are described in the Company's *Non-executive Directors' Nomination, Performance Evaluation and Tenure Guidelines*.

Non-executive Directors' responsibilities are dealt with in the context of their part time position and limited involvement. It is not intended for Non-executive Directors to assume any of management's responsibilities.

Directors must be available upon reasonable notice to meet with relevant regulators if requested to do so.

## **8. Relationship between the Board and management**

Subject to formal delegations of authority, the Board has delegated the management function to the CEO. The Board approves corporate objectives for the CEO to satisfy and, jointly with the CEO, develops the duties and responsibilities of the CEO. The CEO is accountable to the Board for the exercise of the delegated authority and, with the support of senior management, reports to the Board on the exercise of the authority through reports, briefings and presentations to the Board.

The CEO has primary responsibility for the day to day management of the Company and is responsible to the Board in particular for the development of strategy and performance of the Company. In particular, management's responsibilities are to:

- develop a draft strategy, make recommendations to the Board and implement the Board approved strategy subject to market conditions;
- prepare annual budgets and three year business plans;
- carry on day-to-day operations within the Board approved annual budget and three year business plans subject to market conditions;
- design and maintain internal controls;
- set up and keep under review an effective risk management and compliance management system, and monitor and manage all material risks consistent with the strategic objectives, risk appetite statement and policies approved by the Board;
- inform the Board of material matters, and keep the Board and market fully informed about material continuous disclosure; and
- ensure succession plans exist for all Group Executive positions other than the CEO.

## **9. Company Secretary**

The Board will appoint at least one Company Secretary. The Company Secretary is accountable to the Board via the Chairman.

All Directors will have direct access to the Company Secretary.

The Company Secretary supports the effectiveness of the Board by monitoring adherence to any board procedures and co-ordinating meetings of the Board (including preparation of agendas, circulation of papers and preparation and circulation of minutes of meetings).

The Company Secretary's responsibilities include communication with regulatory bodies and ASX, all statutory and other filings, assisting with good information flows within the Board and its Committees and between Non-executive Directors and senior management, as well as facilitating induction and professional development as required. The Company Secretary may also provide guidance to Directors in respect of legal and regulatory responsibilities.

## **10. Committees**

The Board may establish such Committees as it considers appropriate. There are five standing Committees:

- Audit Committee;
- Investment Committee;
- Nomination Committee;
- Remuneration Committee;
- Risk and Capital Committee.

The Board will receive and review reports from the Committees on their activities.

Each standing Committee adopts a formal charter setting out the matters relevant to the composition, responsibilities and administration of the Committee.

The Board may also delegate specific functions to ad hoc Committees on an 'as needs' basis.

## 11. Meetings

The Board will meet regularly and Directors will allocate sufficient time to perform their duties effectively. A quorum for meetings will be three Directors, including a majority of Non-executive Directors unless otherwise specified by applicable regulatory requirements. Periodically, Non-executive Directors will meet without executive Directors or management present.

The Company's Constitution governs the regulation of Board and Committee meetings and proceedings, including the procedure for passing circular resolutions outside of meetings.

The Chairman, in consultation with the CEO and Company Secretary, will finalise the agenda for each meeting. Directors may suggest additional agenda items and may raise at any Board meeting items that are not on the agenda.

A notice of each meeting confirming the date, time, venue and agenda will be approved by the CEO and forwarded to each Director generally not less than three business days prior to the date of the next meeting. The notice will include relevant supporting documentation for agenda items to be discussed.

## 12. Reporting

The discussions and resolutions of the Board will be recorded in minutes, which must be signed by the Chairman of the meeting. The minutes are to be kept in accordance with applicable law.

The Company Secretary will prepare and circulate minutes of meetings of the Board to all Directors within a reasonable time after each meeting.

The CEO will update the Board as appropriate on the resolution of issues raised in previous Board meetings.

## 13. Other matters

### Conflicts of interest

All Directors must declare their interests in matters to be decided by the Board and any other conflicts or potential conflicts between their personal or business interests, the interests of any associated person or their duties to any other organisation, on the one hand, or their duties to the Company, on the other hand.

A Director should consider abstaining from deliberating and voting with respect to a transaction or matter concerning the Company in which they have a conflicting interest and will not be counted in the quorum of any board meeting at which the transaction is considered.

The Board may resolve in exceptional circumstances to permit a Director to have involvement in a matter involving possible circumstances of conflicting interests but in that event, the Board must minute the basis of the determination and the nature of the conflict, including a formal resolution concerning the matter.

### **Board commitment**

All Non-executive Directors should be able to allocate sufficient time to the Company to discharge their responsibilities effectively. This will be considered and assessed during the nomination process and annual board performance review. Non-executive Directors should disclose to the Board any other significant commitments and should advise the Chairman on an ongoing basis should their circumstances materially change.

### **Board effectiveness**

The Board has a process for assessing, at least annually, the Board's effectiveness in performing its role and responsibilities, which is described in the Company's *Non-executive Directors' Nomination, Performance, Evaluation and Tenure Guidelines*. This process also includes assessment of the performance of individual Directors and of Committees.

The Chairman will be responsible for facilitating the assessment process and will report the results of such evaluations to the Board, Committees and individual Directors (as relevant).

The Non-executive Directors (other than the Chairman) and the CEO will consider the Chairman's performance. This review will be facilitated by a Non-executive Director agreed between the Non-executive Directors, who will discuss it with the Chairman.

### **Access to information, training and independent advice**

All Directors will receive induction on joining the Board and should regularly update and refresh their skills and knowledge. The Company will provide the necessary resources for developing and updating its Directors' knowledge and capabilities. To function effectively, all Directors need appropriate knowledge of the Company and access to its operations and staff.

The Board collectively, its standing Committees and each Director individually, may seek independent professional advice at the expense of the Company on any matter connected with the carrying out of Directors' responsibilities. This advice includes, but is not limited to, legal, accounting and financial advice and is subject to the approval of the Chairman. If appropriate, any such advice will be circulated to the remainder of the Board.

## Schedule – Key responsibilities of the Board

The Board is accountable to shareholders for the performance of the QBE Group.

The Board's responsibilities include to:

**Strategy** – review strategic direction of the QBE Group and approve corporate strategic initiatives developed by management and any material changes to business activities outside of business plans and budgets;

**Financial performance** – review and approve the Company's business plans and budgets, and monitor management and financial and operational performance of the QBE Group;

**Risk management** – together with the Audit Committee and Risk and Capital Committee, review, approve and oversee the effectiveness of risk management and compliance for the QBE Group, including the Company's risk appetite and risk management strategy, systems of accountability, risk management framework, internal controls and codes of conduct;

**Financial and other reporting** – consider and approve the Company's half-yearly and annual financial statements, and monitor and review management processes aimed at ensuring the integrity of financial and other reporting;

**Board performance and composition** – together with the Nomination Committee, evaluate the performance of the Board, its Committees and individual Directors on at least an annual basis and determine the size and composition of the Board having regard to the matters set out in sections 3 and 5;

**Chair performance** – together with the Nomination Committee (and in the absence of the Chair), evaluate the performance of the Chair on at least an annual basis;

**Leadership selection** – approve the CEO's delegated authority and any matters outside that authority, evaluate the performance of, select and, where appropriate remove, the CEO, and select and, where appropriate remove, the Company Secretary;

**Succession and remuneration planning** – together with the Nomination Committee and Remuneration Committee as appropriate – plan for Board, CEO and executive succession and remuneration, approve the remuneration policy for the QBE Group and set Non-executive Director remuneration within shareholder approved limits;

**Social responsibility** – consider the social, ethical and environmental impact of the QBE Group's activities and operations and set standards and monitor compliance with the Company's social responsibilities and practices;

**Major expenditure and capital initiatives in excess of the authority levels delegated to management** - approve major capital expenditure, acquisitions and divestitures, and approve and monitor the capital management framework;

**Corporate Policies** – review, approve and monitor the QBE Group's corporate governance and other significant corporate policies (including those required by applicable law or regulation) and practices;

**External Auditor** - together with the Audit Committee, select and recommend to shareholders the appointment of the external auditor; and

perform such other functions as are prescribed by law or applicable regulation or are assigned to the Board.