



# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2019 Annual General Meeting (AGM) of shareholders of QBE Insurance Group Limited will be held on 9 May 2019 commencing at 10.00am Sydney time at:

Ballrooms 3 & 4,  
The Westin Sydney,  
1 Martin Place, Sydney,  
New South Wales, 2000, Australia

2019 ANNUAL GENERAL MEETING  
QBE INSURANCE GROUP LIMITED

# Agenda

## Board Recommendations

Resolutions 2, 3, 4, and 5 are **SUPPORTED** by the Board. The Board recommends shareholders vote **AGAINST** contingent resolution 6 in the event that it is put to a vote and resolution 7 prompted by Market Forces and Australian Ethical Investment and requisitioned by a group of shareholders.

1. **To receive and consider the annual financial report** and the reports of the directors and of the auditors of the Company for the year ended 31 December 2018.

2. **To adopt the Remuneration Report**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

That the Remuneration Report of the Company for the financial year ended 31 December 2018 be adopted.

3. **To approve the grant of Conditional Rights under the 2018 Executive Incentive Plan to the Group Chief Executive Officer**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

In accordance with and subject to the terms of the Company's Executive Incentive Plan for 2018, that approval be given for all purposes, including ASX Listing Rule 10.14 and sections 200B and 200E of the *Corporations Act 2001* (Cth), for the grant of 302,005 Conditional Rights under the Executive Incentive Plan (with an initial value of A\$3,676,000) for nil consideration to Mr Patrick Regan, a director of the Company, and for the acquisition of ordinary shares in the Company to satisfy the grant upon vesting of those Conditional Rights, in each case as described in the Explanatory Notes accompanying the Notice convening this meeting.

4. **To approve the grant of Conditional Rights under the 2019 Long-term Incentive Plan to the Group Chief Executive Officer**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

In accordance with and subject to the terms of the Company's Long-term Incentive Plan for 2019, that approval be given for all purposes, including ASX Listing Rule 10.14 and sections 200B and 200E of the *Corporations Act 2001* (Cth) for the grant of 345,055 Conditional Rights to acquire ordinary shares in the Company (with an initial maximum value of A\$4,200,000) for nil consideration to Mr Patrick Regan, a director of the Company, and for the acquisition of ordinary shares in the Company to satisfy the grant upon vesting of those Conditional Rights, in each case as described in the Explanatory Notes accompanying the Notice convening this meeting.

5. **To elect directors**

To consider and, if thought fit, to pass each of the following resolutions as a separate ordinary resolution:

- (a) That Mr J Green, who retires by rotation in accordance with rule 50 of the Company's constitution, be re-elected as a director of the Company.
- (b) That Mr R Tolle, who retires by rotation in accordance with rule 50 of the Company's constitution, be re-elected as a director of the Company.
- (c) That Mr F Eppinger, who was appointed in accordance with rule 48(c) of the Company's constitution, be elected as a director of the Company.

6. **Contingent Resolution: Conditional Spill Resolution**

Subject to and conditional on at least 25% of the votes cast on item 2, being cast against the Company's Remuneration Report for the financial year ended 31 December 2018, to hold an extraordinary general meeting of the Company (Spill Meeting) within 90 days of this resolution passing at which:

- (a) all the non-executive directors in office when the resolution to approve the directors' report for the financial year ended 31 December 2018 was passed and who remain in office at the time of the Spill Meeting, cease to hold office immediately before the end of the Spill Meeting; and
- (b) resolutions to appoint persons to offices that will be vacated immediately before the end of the Spill Meeting are put to the vote at the Spill Meeting.

7. **Resolutions promoted by Market Forces and Australian Ethical Investment and requisitioned by a group of shareholders**

- (a) **To amend the constitution**

To consider and, if thought fit, to pass the following resolution as a special resolution:

To insert into our company's constitution beneath 'Business of Annual and Other General Meetings' the following new sub-clause 32(c): "The company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the company partially or exclusively vested in the directors has been or should be exercised. However, such a resolution must relate to an issue of material financial relevance and cannot either advocate action which would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the directors or the company."

- (b) **Exposure Reduction Targets**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

Shareholders request that the company disclose short-, medium- and long-term targets to reduce investment and underwriting exposure to coal, oil and gas assets along with plans and progress to achieve the targets set. These targets should be consistent with the goal of the Paris Agreement to limit the increase in global average temperature to 1.5°C. This information should be published annually, starting with the 2019 annual report.

**Note:** Item 7(b) contains an "advisory resolution" and may be properly considered at the meeting only if the resolution in item 7(a) is passed by special resolution. If the resolution in item 7(a) is not passed, this resolution will not be put to the meeting.

The Board unanimously recommends that shareholders vote against the resolutions set out in item 6 if necessary, item 7(a) and, if necessary item 7(b) for the reasons set out in the Explanatory Notes accompanying the Notice convening this meeting. The Chairman of the meeting intends to vote undirected proxies against the resolutions set out in items 6, 7(a) and 7(b).

By order of the Board

**Carolyn Scobie**



**Group General Counsel & Company Secretary**

Sydney, 2 April 2019

# Explanatory notes

Please refer, when reading these explanatory notes, to the Glossary of Key Terms which appears at the end of this document.

Each word of a defined term begins with a capital letter.

The Chairman of the AGM intends to vote all available proxy appointments **IN FAVOUR** of Resolutions 2, 3, 4, and 5 and **AGAINST** Resolution 6, in the event that it is put to a vote, and vote **AGAINST** Resolution 7(a) and if necessary, 7(b), in each case to the extent permitted by law.

## RESOLUTION 2 Adoption of the Remuneration Report

*The Board recommends that shareholders vote **IN FAVOUR** of this Resolution.*

Section 250R(2) of the Corporations Act requires the Company to put a resolution to the AGM for adoption of the Remuneration Report. The vote on the resolution will be advisory only and will not bind either the directors or the Company. However, the Board values shareholder feedback and will take into consideration the outcome of voting on this resolution when assessing remuneration policy for executives and NEDs in future.

If 25% or more of the votes cast on this item 2 are against the resolution, the conditional spill resolution at item 6 will be put to shareholders for their consideration and vote.

### Remuneration overview

The Board presents the Remuneration Report to shareholders for consideration and adoption.

The Remuneration Report contains information about QBE's remuneration policy and practices on pages 60 to 83 of the 2018 Annual Report, which is available on the Company's website at [www.qbe.com](http://www.qbe.com).

QBE's financial performance in 2017 clearly didn't meet the expectations of our shareholders and a significant improvement was needed for 2018. The Board is pleased with the progress made throughout 2018 on our strategic priorities and recognises the efforts of our people and how they have responded following a very challenging prior year.

In the lead up to the 2018 AGM and subsequently, we spent considerable time talking to our shareholders to seek feedback on our executive remuneration arrangements. The key issues and our response to each is shown on page 62 of the 2018 Annual Report.

This review extended into the second half of 2018 and accordingly, the Board took the decision to retain the EIP for 2018, as it would be inappropriate to retrospectively change executive remuneration arrangements and set backdated financial targets for incentives when more than half of the year had passed.

However, in response to shareholder feedback and following our extensive review, for 2019, we will no longer utilise the EIP model for executive Key Management Personnel (**KMP**). Instead, we will revert to the more common model of STI and LTI arrangements. We believe this approach appropriately addresses shareholder concerns. The new STI and LTI arrangements are explained in more detail on page 63 of the 2018 Annual Report.

The Board is confident that QBE's remuneration policies are in line with governance requirements and designed to provide market competitive remuneration that motivates and retains QBE's executives, aligned with the creation of sustained shareholder value.

## RESOLUTIONS 3 and 4 Grant of Conditional Rights under the 2018 Executive Incentive Plan and the 2019 Long-term Incentive Plan to the Group Chief Executive Officer

*The Board, without Mr Regan voting, recommends that shareholders vote **IN FAVOUR** of these Resolutions.*

### Background

Shareholders are asked to approve two separate awards of Conditional Rights to the Group CEO. This is a one-off consequence of changes we are making to our executive remuneration structure for 2019 in response to shareholder feedback at last year's AGM.

Under this change, we have replaced the EIP, for which awards were based on past performance, with a new LTI Plan, for which awards are subject to future performance targets.

Implementation of these changes requires two separate resolutions for this AGM only – one pertaining to 2018 and the other setting the framework for the Group CEO's remuneration for 2019.

Accordingly, resolution 3 relates to the deferred equity award under the old EIP, as part of the Group CEO's remuneration arrangements for 2018.

Resolution 4 relates to the new LTI award under the Group CEO's new remuneration arrangements for 2019.

### (a) EIP equity grant for 2018

Mr Regan's 2018 annual remuneration package included:

- (i) fixed remuneration (base salary and packaged benefits) of A\$2.0 million; and
- (ii) a target EIP award of 233% of his fixed remuneration, subject to the achievement of performance measures approved by the Board. 80% of any EIP award comprises deferred Conditional Rights (**EIP Conditional Rights**) that vest in equal tranches over four years, with the other 20% being a cash payment.

The 2018 performance measures as they applied to Mr Regan were as follows:

- Group cash ROE (for 25% of the total EIP opportunity);
- Group COR (for 40% of the total EIP opportunity);
- strategic performance objectives which comprise financial and non-financial key performance indicators aligned to QBE's strategic priorities (for 35% of the total EIP opportunity).

Following an assessment of performance against the 2018 performance measures, the Board approved a 2018 EIP award of 98.6% of the Group CEO's target EIP opportunity.

20% of this award (A\$919,000) was paid in cash in late March 2019 with the balance (A\$3,676,000) to be awarded in deferred equity as EIP Conditional Rights under the EIP, subject to shareholder approval.

Subject to shareholder approval, 302,005 EIP Conditional Rights will be granted to Mr Regan for nil consideration with effect from the Grant Date. If shareholder approval is obtained, it is intended that EIP Conditional Rights will be granted shortly after the AGM, but in any event, within 12 months of the date of the meeting.

The number of EIP Conditional Rights to be granted under the 2018 EIP has been calculated by dividing the dollar amount of the equity award (A\$3,676,000) by A\$12.17, being the volume



## Explanatory notes continued

weighted average sale price of QBE shares on the ASX over the five trading days from 25 February 2019 (the date QBE's 2018 financial results were announced) to 1 March 2019 (inclusive).

Each EIP Conditional Right allows Mr Regan to receive one fully paid share in the Company, subject to his continued service as an employee, on the vesting schedule set out below.

EIP Conditional Rights will vest based on the following schedule:

- 25% of the Conditional Rights will vest 1 year after the Grant Date;
- 25% of the Conditional Rights will vest 2 years after the Grant Date;
- 25% of the Conditional Rights will vest 3 years after the Grant Date; and
- 25% of the Conditional Rights will vest 4 years after the Grant Date.

The table below shows what may happen to EIP Conditional Rights if Mr Regan's employment with QBE ceases prior to EIP Conditional Rights vesting, in various scenarios:

| REASONS FOR CEASING EMPLOYMENT  | EFFECT ON UNVESTED EIP CONDITIONAL RIGHTS   |
|---|---|
| <b>1. Redundancy</b>  | All unvested EIP Conditional Rights may continue to be held subject to the same vesting conditions as if Mr Regan had continued to be employed within the QBE Group |
| <b>2. Sale of business (in certain circumstances)</b>   |   |
| <b>3. Retirement (with agreement from employer)</b>   |   |
| <b>4. Totally and permanently disabled</b>  |   |
| <b>5. Death</b>   | All unvested EIP Conditional Rights may vest and be immediately converted with the resulting QBE shares released to Mr Regan's estate                               |
| <b>6. Termination by agreement (in certain circumstances where a deed of release has been executed)</b>   | The unvested EIP Conditional Rights may vest as per 1 to 4 above  |
| <b>7. Any other termination, or on giving notice of such termination (including, but not limited to, resignation, termination without notice, poor performance, and serious misconduct)</b> | Lapse immediately   |

### (b) LTI grant for 2019

Mr Regan's 2019 annual remuneration package includes:

- (i) fixed remuneration (base salary and packaged benefits) of A\$2.1 million;
- (ii) a target STI opportunity of 133% of his fixed remuneration, subject to the achievement of performance measures approved by the Board. 50% of any STI award comprises deferred Conditional Rights (**STI Conditional Rights**), with the other 50% being a cash payment; and
- (iii) an LTI grant comprising LTI Plan Conditional Rights up to 200% of his fixed remuneration.

The Board, in Mr Regan's absence, approved a maximum number of Conditional Rights to be granted under the LTI Plan for the 2019 financial year.

Subject to shareholder approval, 345,055 LTI Plan Conditional Rights will be granted to Mr Regan for nil consideration with effect from the Grant Date. If shareholder approval is obtained, it is intended that LTI Plan Conditional Rights will be granted shortly after the AGM, but in any event, within 12 months of the date of the meeting.

The number of LTI Plan Conditional Rights to be granted under the LTI Plan for the 2019 financial year has been calculated by dividing the dollar amount of the award under the LTI Plan (A\$4,200,000) by A\$12.17, being the volume weighted average sale price of QBE shares on the ASX over the five trading days from 25 February 2019 (the date QBE's 2018 financial results were announced) to 1 March 2019 (inclusive).

Under the LTI Plan, two performance targets apply to LTI Plan Conditional Rights. These are:

1. the three-year average Group cash return on equity for 50% of any grant (**Group cash ROE component**); and
2. a relative TSR measure for the other 50% of any grant consisting of two equally weighted comparator groups (**TSR component**).

The performance targets are measured over a three-year Performance Period commencing on 1 January 2019 and ending on 31 December 2021.

The performance targets operate independently.

### Group cash ROE component

The Group cash ROE component for LTI purposes is calculated as the arithmetic average of the three annual cash returns on equity over the Performance Period assessed against targets set in the context of the three-year business plan.

The proportion of Conditional Rights in the Group cash ROE component that may vest is determined in accordance with the following table (subject to the People & Remuneration Committee's discretion):

| GROUP CASH ROE PERFORMANCE (FOR 50% OF AWARD) | % OF LTI PLAN CONDITIONAL RIGHTS IN THE GROUP CASH ROE COMPONENT TO VEST |
|---|--|
| Below 8.0%                                    | 0%   |
| At 8.0%                                       | 30%  |
| Between 8.0% and 12%                          | Straight line between 30% and 100%                                       |
| At or above 12%                               | 100%   |

### Addressing catastrophe risk

Managing catastrophe risk is a core part of our business, with natural flow through consequences for STI awards across the organisation. This will remain unchanged under the new 2019 remuneration structure. However, because the LTI performance period extends over three years, extreme or benign catastrophe periods can have a material effect across multiple LTI awards.

A levelling mechanism, which effectively puts a ceiling and a floor on aggregate catastrophe claims when determining LTI outcomes, has been built into the plan from 2019.

This levelling mechanism uses a range of +/- 1.5% of net earned premium either side of the budgeted catastrophe allowance for which LTI Plan participants are exposed to catastrophe risk. For 2019 (being the first year of the Performance Period), the range is \$375 million to \$725 million.

This means where actual aggregate catastrophe claims (after allowing for reinsurance recoveries) exceed \$725 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 (\$375 million) provides a floor on aggregate catastrophe claims for calculating cash ROE.

The People & Remuneration Committee retain a broad discretion to adjust for items not included in the business plan and deemed appropriate by the People & Remuneration Committee.

### TSR component

The proportion of Conditional Rights in the TSR component that may vest is determined in accordance with the following table:

| QBE TSR RANKING RELATIVE TO THE COMPARATOR GROUP (FOR 50% OF AWARD) | PERCENTAGE OF LTI PLAN CONDITIONAL RIGHTS IN THE TSR COMPONENT TO VEST |
|---|--|
| Less than the 50th percentile                                       | 0%   |
| At the 50th percentile  | 50%  |
| Between 50th and 75th percentile                                    | 50% plus 2% for each percentile rank above the 50th percentile         |
| 75th percentile or greater  | 100%   |

The TSR component consists of two equally weighted comparator groups, a Global Insurance Peer Group and an ASX 50 Peer Group (excluding companies domiciled outside of Australia). The two comparator groups operate independently.

The composition of each comparator groups is included in the Glossary.

Provided the performance targets and other conditions have been met, the LTI Plan Conditional Rights will vest in three approximately equal tranches, with the first tranche vesting on 3 March 2022 at the end of the Performance Period, and the second and third tranches vesting on 3 March 2023 and 3 March 2024 respectively.

The table below shows what may happen to LTI Plan Conditional Rights under the LTI Plan if employment of Mr Regan ceases prior to Conditional Rights vesting:

| REASONS FOR CEASING EMPLOYMENT  | EFFECT ON UNVESTED LTI PLAN CONDITIONAL RIGHTS  |
|---|---|
| <b>1. Redundancy</b>  | Unvested LTI Plan Conditional Rights may be reduced to a pro-rata amount reflecting the proportion of the Performance Period for which Mr Regan was in service, with vesting subject to the same performance targets and retention period had Mr Regan remained employed within the QBE Group |
| <b>2. Sale of business (in certain circumstances)</b>   |   |
| <b>3. Retirement (with agreement from employer)</b>   |   |
| <b>4. Totally and permanently disabled</b>  |   |
| <b>5. Death</b>   | Unvested LTI Plan Conditional Rights may vest and be immediately converted with the resulting QBE shares released to Mr Regan's estate  |
| <b>6. Termination by agreement (in certain circumstances where a deed of release has been executed)</b> | Unvested LTI Plan Conditional Rights may vest as per 1 to 4 above   |

| REASONS FOR CEASING EMPLOYMENT | EFFECT ON UNVESTED LTI PLAN CONDITIONAL RIGHTS |
|--------------------------------|--|
|--------------------------------|--|

|   |                   |
|---|-------------------|
| <b>7. Any other termination, or on giving notice of such termination (including, but not limited to, resignation, termination without notice, poor performance, and serious misconduct)</b> | Lapse immediately |
|---|-------------------|

### (c) General information on Resolutions 3 and 4

During the vesting period, notional dividends will accrue on unvested EIP and LTI Plan Conditional Rights at each dividend payment date. The accumulated notional dividends will generally be provided in the form of additional QBE shares at vesting and will be subject to the terms and conditions of the EIP or LTI Plan (as applicable) as if they formed part of the original grant of EIP or LTI Plan Conditional Rights.

The People & Remuneration Committee may adjust any unvested EIP and/or LTI Plan Conditional Rights downward, to zero if appropriate, if there is any Malus.

Other than Mr Regan, there are no other directors and no other Associates of directors who are presently entitled to participate in the EIP or the LTI Plan. Mr Regan received 122,537 Conditional Rights under the EIP since the 2018 AGM (as approved at the 2018 AGM). The acquisition price for those Conditional Rights was nil. No other directors or other Associates of directors have received either shares or Conditional Rights under the EIP or the LTI Plan.

If approval is given under ASX Listing Rule 10.14, approval will not be required under ASX Listing Rule 7.1.

## RESOLUTION 5 Election of directors

### (a) Mr John M. Green – B JURIS/LLB, FAICD, SF FIN Independent non-executive director



*The Board (without Mr Green voting) recommends that shareholders vote **IN FAVOUR** of this Resolution.*

Mr Green became an independent non-executive director of QBE in 2010. As well as Deputy Chairman of the Board he is also Deputy Chairman of the Investment and Operations & Technology Committees and a member of the People & Remuneration, Risk & Capital, and Audit Committees. He also chaired the Board's subcommittee on QBE's self-assessment against APRA's CBA report on governance, accountability and culture. Currently, John is also a non-executive director of the Cyber Security Cooperative Research Centre and Challenger Limited (both appointed December 2017). John has extensive Australian and international board and advisory experience, including as a director of WorleyParsons Limited and as an executive director at Macquarie Group leading its financial institutions group, and as a partner at two major law firms. He is also a novelist and co-founder of independent book publisher Pantera Press.

## Explanatory notes continued

**(b) Mr Rolf Tolle – Dipl. Pol**  
Independent non-executive director



*The Board (without Mr Tolle voting) recommends that shareholders vote **IN FAVOUR** of this Resolution.*

Mr Tolle was appointed as an independent non-executive director in 2016. Rolf is the Chairman of the Risk & Capital Committee and a member of the People & Remuneration and Audit Committees. He has significant experience in specialist insurance and reinsurance businesses, having held senior positions in a number of global companies, including being Lloyd's first ever Franchise Performance Director. He was in this role for approximately seven years and was consequently awarded the Silver Medal for Services at Lloyd's, an honour bestowed to only a few individuals since its creation in 1917. He is also on the advisory board of Wrisk Ltd. Rolf was previously a director of Beazley plc and Beazley Furlonge Ltd.

**(c) Mr Fred Eppinger – BA, MBA**  
Independent non-executive director



*The Board (without Mr Eppinger voting) recommends that shareholders vote **IN FAVOUR** of this Resolution.*

Mr Eppinger was appointed as an independent non-executive director of QBE in 2019. Fred is a member of the Risk & Capital and Operations & Technology Committees. Fred was the President and Chief Executive Officer of The Hanover Insurance Group, Inc. for 13 years until 2016. He has more than 35 years' experience in finance and strategic marketing in the North American insurance industry, including serving as Executive Vice President, Property and Casualty for The Hartford Financial Services Group, Inc. He is currently a non-executive director of Centene Corporation, a large publicly-traded company and a multi-line managed care enterprise that serves as a major intermediary for both government-sponsored and privately insured health care programs. He is also a non-executive director of the publicly-traded company, Stewart Information Services Corporation.

## **RESOLUTION 6** **Conditional spill resolution**

*The Board recommends that shareholders vote **AGAINST** this Resolution.*

This item will only be put to the AGM if at least 25% of the votes cast on resolution 2 to adopt the Remuneration Report are cast against its adoption. If fewer than 25% of the votes are against its adoption, then there will be no "second strike" and this item will not be put to the AGM.

If the item is put, the spill resolution will be considered as an ordinary resolution.

If the spill resolution is put to the AGM and passed, a special meeting of shareholders known as a "Spill Meeting" must be held within 90 days. The following non-executive directors will cease to hold office at the end of the Spill Meeting, unless they are re-elected at the Spill Meeting:

- W. Marston (Marty) Becker
- Fred Eppinger
- Stephen Fitzgerald
- John M. Green
- Kathryn (Kathy) Lisson
- Sir Brian Pomeroy
- Jann Skinner
- Rolf Tolle
- Michael (Mike) Wilkins

Even if Mr Green, Mr Tolle and Mr Eppinger are re-elected and elected at the AGM, they will still need to be re-elected at the Spill Meeting to remain in office.

The Board considers the following factors to be relevant to a shareholder's decision on how to vote on this item:

- the Board's action to address the concerns expressed by shareholders in relation to remuneration issues, as demonstrated by the important changes to the remuneration strategy, governance and framework are set out in the Remuneration Report and these Explanatory Notes;
- each of the relevant non-executive directors has previously been elected as a Director and received strong support from shareholders; and
- the disruption and significant cost involved in convening a Spill Meeting.

## RESOLUTION 7

### Resolutions promoted by Market Forces and Australian Ethical Investment and requisitioned by a group of shareholders

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#### (a) To amend the Constitution

*The Board recommends that shareholders vote **AGAINST** this Resolution.*

A small group of shareholders has proposed the resolution in item 7(a) under section 249N of the Corporations Act and requested pursuant to section 249P of the Corporations Act that the statement set out in Appendix 1 to this notice be provided to shareholders.

#### The Board's response

The Board respects the rights of shareholders to request a change to the Constitution. The Board does not, however, believe that the requisitioned resolution is in the best interests of all shareholders.

The Board considers that the proposed amendment put forward by Market Forces and Australian Ethical Investment, gives rise to a number of practical difficulties and uncertainties, including undermining the authority and accountability of the directors. The Board considers that to permit resolutions which are advisory would create uncertainty and confusion, whereas the division of responsibility for decision-making between the Board and shareholders needs to be clear.

The Board represents and serves the interests of all shareholders by providing guidance and oversight of the Company's strategies, policies and performance. In order to do this effectively, the directors must consider a range of issues relevant to QBE's business. QBE is a large and complex organisation, with a diverse portfolio both geographically and in terms of portfolio mix. Directors must balance the issues faced by multiple stakeholders that are part of operating a global business.

The Board must have the ability to make decisions about the business of the Company so that it can meet its obligation to act in the best interests of all shareholders. The amendment proposed by Market Forces and Australian Ethical Investment would impact the Board's ability to make these decisions effectively and confuse the role of the Board and shareholders.

Shareholders already have a number of ways to engage with the Company. QBE has a comprehensive investor relations engagement program that facilitates effective communication with its investors. There is regular and extensive engagement between QBE (at Chairman, NED and management level) and its institutional shareholders and matters related to ESG considerations, as well as climate risk, are regularly a significant part of this engagement. The discussions help shape our approach to these issues, and we report on our progress through our Sustainability Report and the Climate Change Action Plan section of our Annual Report.

Shareholders also have the right to ask any questions or make comments regarding any aspect of the Company's business at any time, including under item 1 of the Notice of Meeting at the AGM. We also provide a question form with every Notice of Meeting encouraging shareholders to submit questions about the Company. If shareholders disapprove of actions taken by the directors, shareholders can refuse to re-elect them or remove them from office by ordinary resolution.

The proposed resolution does not provide an appropriate forum for all shareholders to have input into a discussion about the business of the Company. It is not in the best interests of all shareholders, and accordingly we recommend shareholders vote **AGAINST** this resolution.

#### (b) To publish exposure reduction targets

*The Board recommends that shareholders vote **AGAINST** this Resolution.*

The same small group of shareholders has proposed the resolution in item 7(b) under section 249N of the Corporations Act and requested pursuant to section 249P of the Corporations Act that the statement set out in Appendix 2 to this notice be provided to shareholders.

#### The Board's response

The resolution is an 'advisory resolution' and may be properly considered at the meeting only if item 7(a) is passed by special resolution. If item 7(a) is not passed, this item will not be put to the meeting.

#### QBE commitment to climate change action

QBE supports the recommendations of the Financial Stability Board's TCFD. Contrary to the commentary provided in Appendix 2, this requires us to not only focus on disclosures but also to take the tangible actions necessary to fully implement the 11 recommendations of the TCFD related to governance, strategy, risk management and metrics and targets, over the recommended time frame. This work is outlined in our three-year Climate Change Action Plan (2018–2020), published in our 2018 Annual Report.

Implementation of our action plan is already well progressed and on track. During 2018 we reviewed our governance and risk management processes and established a new ESG Risk team. We continued to collaborate with our industry peers and through our strategic investment fund, QBE Ventures, partnered with Jupiter, an emerging leader in predicting and managing climate risk. We also announced our commitment to offset the carbon emissions from our global operations by becoming carbon neutral from January 2018.

#### Reviewing our investments in and insurance for coal, oil and gas

In late 2018 we reviewed our investment portfolio and investment strategy to minimise transition risks and reduce our exposures to climate risk. Importantly, by applying the 2 Degrees Investing Initiative (2Di) Paris Agreement Capital Transition Assessment Tool (**PACTA**) we were able to confirm that our credit portfolio is aligned to the Paris Agreement, both now and in five years' time.

At the same time, we also began detailed analysis of our energy portfolio, as the first of the priority underwriting portfolios we committed to review for climate-related risks and opportunities in 2019. Following this review, we have developed a policy for our energy portfolio as outlined overleaf.



## Explanatory notes continued

### QBE Group Energy Policy

#### QBE supports an orderly policy-driven transition to a lower carbon global economy

Consistent with reports of the Intergovernmental Panel on Climate Change (IPCC) and the 2015 Paris Agreement, QBE recognises that continued global warming will lead to increasingly unpredictable and potentially more severe weather events with significant economic and social consequences. For the long-term sustainability and value of its business for shareholders, QBE aims to support its customers in the transition to a lower carbon global economy, consistent with the objectives of the Paris Agreement.

With this objective, growth in renewables and the development and deployment of new technologies is important, along with reductions in greenhouse gas emissions.

QBE's role as an insurer is to financially protect assets and people, to assist recovery from natural disasters and other risks, and to support economic activity for the communities in which it operates. QBE will continue to support its customers by providing risk management and insurance services to those moving towards a lower carbon economy and investing in renewable energy and other technologies that enable this shift.

#### QBE will target zero direct investment in and phase out insurance for the thermal coal industry

Due to the thermal coal industry's high emissions intensity, potential substitution by renewable energy and gas, and in the absence to date of large-scale deployment of economically viable carbon capture and storage technology, QBE will target zero direct investment in the thermal coal industry by 1 July 2019. QBE will however maintain a margin of up to 0.5% of total funds under management in order to allow for exposures in our indirectly managed investments, such as through equity index funds.

Thermal coal customers – those with more than 30% of revenue or 30% of power generation from thermal coal – make up less than 0.5% of QBE's current premium revenue. From 1 July 2019 QBE will not provide any new direct insurance services for new construction projects for thermal coal mines or power stations

or thermal coal transport infrastructure. QBE will continue to provide statutory or compulsory insurance such as workers' compensation and compulsory third-party motor insurance for such projects.

By 1 January 2030, QBE will have phased out all direct insurance services for thermal coal customers, except for statutory or compulsory insurance.

#### QBE will continue to invest in and provide insurance for metallurgical (or coking) coal customers

Currently, there are no industrial-scale alternatives to metallurgical coal for the manufacture of steel, which is vital for future economic development and for the construction of renewable energy assets. Some alternative technologies are showing promising signs, such as hydrogen, but these are yet to reach economic scale.

#### QBE will continue to invest in and provide insurance for oil and gas customers

Due to its much lower emissions intensity, gas has an important role as a transitional fuel in accelerating the curtailment of thermal coal. Gas can also complement renewable energy in electricity grids by providing dispatchable energy during periods of intermittency. Gas is expected to be an important transitional fuel well past 2040, and demand for oil and gas is expected to increase in the short-term.

Currently, oil has a major role in transport, products like plastic and plays a minor role in electricity generation. Oil use is likely to be reduced as alternatives are developed for these essential products, including electric vehicles.

#### QBE will monitor its policy as developments occur

QBE will continue to review its investment and insurance policies as the world transitions to a lower carbon economy. It will have regard to government action under the Paris Agreement, scenario analyses such as those provided by the International Energy Agency and IPCC reports, as well as through engagement with its customers across multiple economic sectors.

### Next Steps

Throughout 2019 we will continue our analysis of other priority underwriting portfolios. This will incorporate the work we have commenced with the United Nations Environment Programme Finance Initiative (UNEP FI) and 17 other global insurers in a new pilot that aims to develop tools and standards for scenario analysis in line with the TCFD. This work will inform our underwriting strategy and the development of any other relevant short, medium- and long-term targets, in line with the Paris Agreement. We will continue to disclose our progress through our external reporting.

Through our impact investments portfolio, including our ambition to grow impact investments to US\$1 billion by 2021, we will continue to invest in renewable energy and other technologies that enable a transition to a lower carbon economy. We will also remain focused on reducing the carbon footprint of our own

business and collaborating with others through various working groups and initiatives to advance climate action.

Further information about our commitment to acting on climate change can be found in our 2018 Annual Report. Our 2018 Sustainability Report also describes actions we are taking to support our customers in the transition to renewables, through our Premiums4Good initiative and our investments in impact bonds.

In light of this commitment and our demonstrated progress delivering against our Climate Change Action Plan, the Board believes that it is appropriate to maintain the ordered, responsible and structured approach QBE has adopted to these issues. As such, we recommend shareholders vote **AGAINST** this resolution.



# Voting exclusion statements

The Company will apply the voting exclusions below to persons appointed as attorney by a shareholder to attend and vote at the AGM under a power of attorney, as if they were appointed as a proxy.

## Resolutions 2 and 6

Votes may not be cast, and the Company will disregard any votes cast, on Resolutions 2 and 6:

1. by or on behalf of any KMP member whose remuneration details are included in the Remuneration Report, and by any of their Closely Related Parties, regardless of the capacity in which the votes are cast; and
2. by any person who is a KMP member as at the time the Resolution is voted on at the AGM, and by any of their Closely Related Parties, as a proxy,

unless the votes are cast as a proxy for a person who is entitled to vote on the Resolution:

- in accordance with a direction in the proxy appointment; or
- by the Chairman of the AGM in accordance with an express authorisation in the proxy appointment to cast the votes even if the Resolution is connected directly or indirectly with the remuneration of a KMP member.

## Resolutions 3 and 4

Votes may not be cast, and the Company will disregard any votes cast, in favour of Resolutions 3 and 4:

1. by or on behalf of Mr Regan or any of his Associates, regardless of the capacity in which the votes are cast; and
2. by any person who is a KMP member as at the time the relevant resolution is voted on at the AGM, and by any of their Closely Related Parties, as a proxy,

unless the votes are cast as a proxy for a person who is entitled to vote on the relevant resolution:

- in accordance with a direction in the proxy appointment; or
- by the Chairman of the AGM in accordance with an express authorisation in the proxy appointment to cast the votes even if the relevant resolution is connected directly or indirectly with the remuneration of a KMP member.

# Voting notes

## Determination of the entitlement to attend and vote

The *Corporations Regulations 2001* (Cth) (regulation 7.11.37) permit the Company to specify a time, not more than 48 hours before a general meeting, at which a 'snapshot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the meeting. For the purposes of the AGM, the Company's directors have determined that shares will be taken to be held by the persons who are registered as members as at **7:00pm** Sydney time on **7 May 2019**. This means that if you are not the registered member in respect of a share at that time, you will not be entitled to vote in respect of that share.

## Appointment of a proxy

If you wish to appoint a proxy, you can use the hard copy proxy form accompanying this Notice (as applicable). Hard copy proxy forms can also be obtained on request from the share registry, Computershare Investor Services Pty Ltd.

A shareholder can also make a proxy appointment online by visiting the website [www.investorvote.com.au](http://www.investorvote.com.au) and following the instructions provided. Certain custodians and other intermediaries who participate in the share registry's Intermediary Online system can also make a proxy appointment online via [www.intermediaryonline.com](http://www.intermediaryonline.com) in accordance with the instructions provided.

To be effective, hard copy proxy appointments must be received by the Company or the share registry, and online proxy appointments must be made, by no later than **10:00am** Sydney time on **7 May 2019**.

You may lodge your hard copy proxy appointments (and any proxy appointment authority) at the registered office of the Company, or with the share registry, by one of the following methods:

1. using the enclosed reply paid envelope;
2. faxing to +(61 3) 9473 2555;
3. mailing to GPO Box 242, Melbourne VIC 3000 Australia; or
4. delivering in person to Level 4, 60 Carrington Street, Sydney.

To make your proxy appointment online at [www.investorvote.com.au](http://www.investorvote.com.au), you will need to enter your Shareholder Reference Number (**SRN**) or Holder Identification Number (**HIN**), postcode and Control Number, as shown on your proxy form. You will be taken to have signed the proxy form if you lodge it in accordance with the instructions on the website. A proxy cannot be appointed online if they are appointed under a power of attorney or similar authority. The online proxy facility may not be suitable for some shareholders who wish to split their votes on an item of business or appoint two proxies with different voting directions. Please read the instructions for the online proxy facility carefully before you submit your proxy appointment using this facility.

## Voting notes continued

In accordance with the *Corporations Act 2001* (Cth), shareholders are notified that:

- (a) a shareholder who is entitled to attend and cast a vote at the AGM may appoint a proxy to attend and vote for the shareholder;
- (b) the appointment may specify the proportion or number of votes that the proxy may exercise;
- (c) a shareholder who is entitled to cast two or more votes on a resolution at the AGM may appoint two proxies and may specify the proportion or number of votes each proxy is entitled to exercise. If you appoint two proxies and the appointments do not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the shareholder's votes; and
- (d) a proxy may be an individual or a body corporate and need not be a shareholder.

A proxy appointment is not revoked by the shareholder attending and taking part in the AGM unless the shareholder actually votes at the AGM on the resolution for which the proxy appointment is proposed to be used. Subject to the foregoing sentence and to the voting exclusions noted above, a proxy may vote as the proxy thinks fit on any motion or resolution in respect of which no manner of voting is indicated in the instrument of appointment.

If an appointed proxy does not attend the AGM, then the Chairman of the AGM will be taken to have been appointed as the proxy of the relevant shareholder in respect of the AGM. In addition, if a proxy attends the AGM and has been directed how to vote on a resolution, but the proxy does not vote on that resolution on a poll, then the Chairman of the AGM will be taken to have been appointed as the proxy of the relevant shareholder in respect of that poll.

If the Chairman of the AGM is appointed, or taken to be appointed, as a proxy, but the appointment does not specify the way to vote on a resolution, then the Chairman intends to exercise the relevant shareholder's votes in favour of items 2–5 and against item 6 if necessary, item 7(a), and if necessary item 7(b) (subject to the voting exclusions noted above).

Shareholders who appoint a proxy should consider how they wish to direct the proxy to vote, that is, whether the shareholder wishes the proxy to vote "for" or "against", or to abstain from voting, on each resolution, or whether to leave the decision to the appointed proxy after discussion at the AGM (subject to the voting exclusions noted above).

You may split your voting direction by inserting the number of shares or percentage of shares that you wish to vote in the appropriate box. If you place a mark in the 'Abstain' box, your votes will not be counted in computing the required majority on a poll.

If you do not send your proxy form to the Company or the share registry, please bring it with you if you attend the AGM as it will assist in identifying you on entry. However, please note that you cannot lodge your proxy form at the AGM.

### Corporate representatives

A shareholder, or proxy, that is a corporation and entitled to attend and vote at the AGM may appoint an individual to act as its corporate representative. Evidence of the appointment of a corporate representative must be in accordance with section 250D of the *Corporations Act 2001* (Cth) and be lodged with the Company before the AGM or at the registration desk on the day of the AGM.

### Attorneys

A shareholder entitled to attend and vote at the AGM is entitled to appoint an attorney to attend and vote at the AGM on the shareholder's behalf. An attorney need not be a shareholder of the Company. The power of attorney appointing the attorney must be duly signed and specify the name of each of the shareholder, the Company and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one.

To be effective, the power of attorney must also be returned in the same manner, and by the same time, as outlined above for proxy forms.

### Evidence of signing authority

If a proxy form or appointment of a corporate representative is signed on behalf of an individual or a corporation under power of attorney or other authority, the power of attorney or other authority under which the relevant instrument is signed, or a copy of that power of attorney or other authority, certified as a true copy by statutory declaration, must accompany the instrument unless the power of attorney or other authority has previously been noted by the Company's share registry.

### Voting at the AGM

QBE plans for every resolution arising at the AGM to be decided on a poll. Upon a poll, every shareholder who is present in person or by proxy, or by representative or by attorney, will have one vote for each share held by that person.

# Appendices

The comments in the Appendices were provided by Market Forces and Australian Ethical Investment and are not endorsed by the Board.

## Appendix 1 Resolution 7(a) - Amendment to the Constitution

Shareholder resolutions are a healthy part of corporate democracy in many jurisdictions other than Australia. For example, in the UK shareholders can consider resolutions seeking to explicitly direct the conduct of the board. In the US, New Zealand and Canada shareholders can consider resolutions seeking to advise their board as to how it should act. As a matter of practice, typically, unless the board permits it, Australian shareholders cannot follow the example of their UK, US, New Zealand or Canadian cousins in this respect.

A board of directors is a steward for shareholders and accountability for the discharge of that stewardship is essential to long-term corporate prosperity.

In rare situations the appropriate course of action for shareholders dissatisfied with the conduct of board members is to seek to remove them. But in many situations such a personality-focused approach is unproductive and unwarranted. In those situations a better course of action is to formally and publicly allow shareholders the opportunity at shareholder meetings such as the AGM to alert board members that the shareholders seek more information or favour a particular approach to corporate policy.

The Constitution of QBE is not conducive to the right of shareholders to place resolutions on the agenda of a shareholder meeting.

In our view, this is contrary to the long-term interests of QBE, the QBE board and all QBE shareholders.

Passage of this resolution - to amend the QBE constitution - will simply put QBE in a similar position in regard to shareholder resolutions as any listed company in the UK, US, Canada or New Zealand.

We encourage shareholders to vote in favour of this resolution.

## Appendix 2 Resolution 7(b) - Exposure Reduction Targets

This resolution is proposed in order to protect the long-term interests of the company, noting that:

- (a) Climate change is already impacting our company's profitability and any increase in global warming enhances the risk profile of climate change impacts to our financial health;
- (b) a primary driver of global warming is the fossil fuel industry, which our company is exposed to through investments and underwriting;
- (c) while our company is planning to improve its disclosures on climate risks and opportunities, there are no plans to reduce exposure through investment and underwriting to activities that present a fundamental threat to our bottom line;
- (d) many of our international competitors have taken steps to reduce fossil fuel investment and underwriting;
- (e) to be a credible public proponent for action that mitigates and builds resilience to climate change impacts, QBE should have its own house in order; and
- (f) beyond the self-interest of the company, QBE should be making its own contribution to global efforts to mitigate climate change, rather than undermining those efforts.

### Shareholder value at risk

Since 2011 QBE has paid out US\$12.2 billion on natural catastrophe and large individual risk claims. This equates to 11.4% of the company's net earned premium over the period, well above the 8.1% over the 7 years to 2010. In December 2018 QBE flagged it will have to increase its budget for large individual risk and catastrophe claims from \$1.2 billion to \$1.4 billion for 2019.<sup>1</sup>

QBE reported a US\$1.2 billion loss in 2017, largely due to extreme weather.<sup>2</sup> In 2018 catastrophe claims amounted to US\$523 million, down on the record-breaking US\$1.2 billion from 2017 but still an increase on 2016 claims. Catastrophe claims were reported as above average in each of our key markets of Australia and New Zealand, the United States, and Europe. Large individual risk and catastrophe claims totalled US\$1.16 billion last year, or 9.8% of the company's Net Earned Premium.<sup>3</sup> QBE admitted in the 2018 annual report that natural disasters were once again worse than expected, stating

"... catastrophe claims were higher than expected due to significant catastrophe activity across much of Australia during December 2018."<sup>4</sup>

The losses incurred by QBE on catastrophes, exacerbated by global warming, are a direct hit to the shareholder capital invested in this company, and present fundamental risks to our industry's ability to operate. According to Tom Herbstein of Cambridge University's insurance project ClimateWise, "climate change fundamentally challenges the existing insurance business model because it is rendering actuary analysis in many places obsolete."<sup>5</sup>

1 <https://www.smh.com.au/business/banking-and-finance/qbe-flags-50m-to-100m-profit-headwind-20181211-p50lez.html>

2 <https://www.intelligentinsurer.com/news/qbe-records-1-2bn-loss-for-2017-14687>

3 <https://www.qbe.com/investor-relations/reports-presentations>, 2018 annual report, page 18.

4 *Ibid*, page 30.

5 <https://www.bloomberg.com/news/articles/2017-11-13/big-insurers-brace-for-perilous-future-as-climate-risks-escalate>

## Appendices continued

In 2018 IAG<sup>6</sup> and the NZ Reserve Bank<sup>7</sup> warned the effects of climate change will render huge swathes of the globe uninsurable. The same warning was made specifically for Townsville after its record-breaking floods in February 2019.<sup>8</sup> According to Munich Re, during the three decades to 2012 Australian weather-related insurance losses rose fourfold.<sup>9</sup> The trend is clear. Without significant and urgent action in both climate change mitigation and adaptation, QBE faces shrinking markets and growing and less predictable natural catastrophe claims.

### Falling behind

To be invested in and underwrite the operations of companies that are the primary contributors to climate change, which in turn poses structural risk to QBE's operations, amounts to the company shooting itself in the foot.

Many of QBE's competitors have begun to align their economic interest with their policies on fossil fuels. The December 2018 Insuring Coal No More report shows that seven major re/insurers (including Allianz, AXA, Swiss Re, Munich Re and Zurich) have restricted underwriting for coal, and 19 major insurers, with more than \$6 trillion in assets have divested from coal.<sup>10</sup> QBE was ranked poorly alongside its competitors in the same report, scoring zero out of ten for its non-effort to limit underwriting and investments of coal and tar sands, two of the worst greenhouse gas emitting industries. Since that report was released another insurer, Vienna Insurance Group, has stopped insuring new coal mines and power stations.<sup>11</sup>

In contrast to the action being taken by our competitors, QBE's current plan is to:

"... complete our analyses of priority underwriting portfolios in 2019. In 2020, we will use this analysis to develop metrics for assessing our exposure to climate-related risks within our underwriting and investment portfolios and set targets for these metrics ..."<sup>12</sup>

This language is disturbing on several levels. It reveals a lack of prior knowledge on the company's investments and underwriting that shareholders should find alarming. It is vaguely-worded, not specifying which risks will be assessed. It delays any potential action for two years while making no commitment to disclose any metrics and targets.

This language suggests the company's management lacks the desire and/or competency to sufficiently manage climate risks and limit the extent to which it supports activities that worsen global warming.

Finally, since this plan allows QBE to spend at least two years continuing business as usual, which includes investing in and underwriting fossil fuel expansions, our company will not be aligned with global efforts to achieve a 1.5 degree warming limit.<sup>13,14</sup>

### Investor support is required

This resolution is intended to ensure QBE is acting sufficiently, within its sphere of influence, to manage and mitigate a risk that is already undermining the financial health of the company and its shareholders. It would afford the company credibility among its peers and in the public domain when calling for action to be taken on climate change, and send an important signal to markets that an urgent transition to a low-carbon economy is necessary.

We encourage shareholders to vote in favour of this resolution.

6 <https://www.afr.com/business/insurance/climate-change-on-track-to-make-world-uninsurable-iag-20181115-h17xu5>

7 <https://www.stuff.co.nz/business/108931621/reserve-bank-voices-fears-climate-change-will-render-homes-uninsurable>

8 <https://www.insurancebusinessmag.com/au/news/breaking-news/climate-changedriven-flood-risk-could-make-townsville-homes-uninsurable-159513.aspx>

9 <https://www.smh.com.au/business/the-economy/australias-insurance-losses-to-climb-as-globe-warms-munich-re-20121027-28bxa.html>

10 <https://unfriendcoal.com/2018scorecard>

11 [https://www.vig.com/fileadmin/web/Corporate\\_Responsibility/Klimawandel-Strategie/20190218\\_VIG\\_Climate\\_Change\\_Strategy\\_2019.pdf](https://www.vig.com/fileadmin/web/Corporate_Responsibility/Klimawandel-Strategie/20190218_VIG_Climate_Change_Strategy_2019.pdf)

12 <https://www.qbe.com/investor-relations/reports-presentations>, 2018 annual report, page 41.

13 <https://unfccc.int/topics/science/workstreams/cooperation-with-the-ipcc/ipcc-special-report-on-global-warming-of-15-degc>

14 <https://www.theguardian.com/business/2018/nov/13/world-has-no-capacity-to-absorb-new-fossil-fuel-plants-warns-iaa>



# Glossary of key terms

|                              |   |
|------------------------------|---|
| <b>AGM</b>                   | annual general meeting  |
| <b>Associate</b>             | has the meaning given in the ASX Listing Rules  |
| <b>ASX</b>                   | ASX Limited, or the market operated by it   |
| <b>ASX Listing Rules</b>     | the official listing rules of ASX (as amended from time to time)  |
| <b>Board</b>                 | board of directors of the Company   |
| <b>Closely Related Party</b> | in relation to a KMP member: <ol style="list-style-type: none"> <li>1. a spouse or child of the member;</li> <li>2. a child of the member's spouse;</li> <li>3. a dependant of the member or of the member's spouse;</li> <li>4. anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the Company; or</li> <li>5. a company controlled by the member</li> </ol> |
| <b>Company or QBE</b>        | QBE Insurance Group Limited (ACN 008 485 014)   |
| <b>Conditional Rights</b>    | conditional rights to acquire fully paid QBE ordinary shares without payment by the holder i.e. nil consideration (other than serving as an employee) on grant and also on vesting  |
| <b>Corporations Act</b>      | <i>Corporations Act 2001</i> (Cth)  |
| <b>EIP</b>                   | the Company's executive incentive plan involving a cash payment and Conditional Rights  |
| <b>ESG</b>                   | environmental, social and governance  |
| <b>Grant Date</b>            | 4 March 2019  |
| <b>Group</b>                 | QBE and its controlled entities   |
| <b>Group cash ROE</b>        | the Group's net cash profit divided by average shareholders' funds  |
| <b>Group CEO</b>             | Group Chief Executive Officer   |
| <b>Group COR</b>             | the Group's net claims, commissions and expenses as a percentage of net earned premium (measured excluding the impact of changes in risk-free rates used to discount net outstanding claims)  |
| <b>KMP</b>                   | key management personnel. The KMP members are those persons having authority and responsibility for planning, directing and controlling the activities of the QBE consolidated group, either directly or indirectly. The KMP members for the QBE consolidated group during the year ended 31 December 2018 are listed in the Remuneration Report  |
| <b>LTI</b>                   | long-term incentive granted under the LTI Plan  |
| <b>LTI Plan</b>              | the Company's long-term incentive plan involving the grant of Conditional Rights  |
| <b>Malus</b>                 | The People & Remuneration Committee has concluded in good faith that: <ol style="list-style-type: none"> <li>1. there was serious misconduct by the recipient of the grant; or</li> <li>2. there are circumstances that materially undermine the Company's performance or reputation or performance of the Group,</li> </ol> and in each case the conduct or circumstances were not foreseen by the People & Remuneration Committee at the time of making the grant |
| <b>NEDs</b>                  | non-executive directors of the Company  |
| <b>Performance Period</b>    | the three-year period commencing 1 January 2019 and ending 31 December 2022   |
| <b>Remuneration Report</b>   | the report so named included in the Company's 2018 annual report  |
| <b>Resolution</b>            | the resolutions put forward for consideration by the shareholders of the Company at the 2019 AGM  |
| <b>STI</b>                   | short-term incentive granted under the STI Plan   |
| <b>STI Plan</b>              | the Company's short-term incentive plan involving a cash payment and Conditional Rights   |
| <b>TCFD</b>                  | Task Force on Climate-related Financial Disclosures   |

## Glossary of key terms continued

|                        |   |                                   |
|------------------------|---|-----------------------------------|
| <b>TSR</b>             | the change in share price plus dividends measured over the Performance Period |                                   |
| <b>TSR peer groups</b> | Global insurance peer group:  |                                   |
|                        | <b>COMPANY NAME</b>   |                                   |
|                        | ALLIANZ SE-REG  | INSURANCE AUSTRALIA GROUP LIMITED |
|                        | AMERICAN INTERNATIONAL GROUP  | QBE INSURANCE GROUP LIMITED       |
|                        | AVIVA PLC   | RSA GROUP                         |
|                        | AXA SA  | SUNCORP GROUP LIMITED             |
|                        | BEAZLEY   | THE HARTFORD                      |
|                        | CHUBB CORP  | TRAVELLERS COS INC/THE            |
|                        | CNA   | ZURICH INSURANCE GROUP AG         |
|                        | HISCOX  |                                   |
|                        | ASX 50 peer group:  |                                   |
|                        | <b>COMPANY NAME</b>   |                                   |
|                        | AGL ENERGY LIMITED  | MIRVAC GROUP                      |
|                        | AMCOR LIMITED   | NATIONAL AUSTRALIA BANK LIMITED   |
|                        | AMP LIMITED   | NEWCREST MINING LIMITED           |
|                        | APA GROUP   | ORIGIN ENERGY LIMITED             |
|                        | ARISTOCRAT LEISURE LIMITED  | QANTAS AIRWAYS LIMITED            |
|                        | ASX LIMITED   | QBE INSURANCE GROUP LIMITED       |
|                        | AURIZON HOLDINGS LIMITED  | RAMSAY HEALTH CARE LIMITED        |
|                        | AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED                               | REA GROUP LIMITED                 |
|                        | AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED                              | RIO TINTO LIMITED                 |
|                        | BHP GROUP LIMITED   | SANTOS LIMITED                    |
|                        | BRAMBLES LIMITED  | SCENTRE GROUP                     |
|                        | CALTEX AUSTRALIA LIMITED  | SONIC HEALTHCARE LIMITED          |
|                        | CIMIC GROUP LIMITED   | SOUTH32 LIMITED                   |
|                        | COCHLEAR LIMITED  | STOCKLAND                         |
|                        | COLES GROUP LIMITED   | SUNCORP GROUP LIMITED             |
|                        | COMMONWEALTH BANK OF AUSTRALIA  | SYDNEY AIRPORT                    |
|                        | COMPUTERSHARE LIMITED   | TABCORP HOLDINGS LIMITED          |
|                        | CROWN RESORTS LIMITED   | TELSTRA CORPORATION LIMITED       |
|                        | CSL LIMITED   | TRANSURBAN GROUP                  |
|                        | DEXUS   | TREASURY WINE ESTATES LIMITED     |
|                        | FORTESCUE METALS GROUP LIMITED  | VICINITY CENTRES                  |
|                        | GOODMAN GROUP   | WESFARMERS LIMITED                |
|                        | GPT GROUP   | WESTPAC BANKING CORPORATION       |
|                        | INSURANCE AUSTRALIA GROUP LIMITED   | WOODSIDE PETROLEUM LIMITED        |
|                        | MACQUARIE GROUP LIMITED   | WOOLWORTHS GROUP LIMITED          |



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