

Environmental, social and governance

As a global insurer with operations in 37 countries, QBE follows environmental, social and governance (ESG) standards across a range of jurisdictions. In last year's inaugural consolidated Sustainability Review we stated that QBE's focus extends beyond compliance as we actively focus on the sustainability of all aspects of our business and on making a positive contribution to the communities in which we operate.

The ESG Committee's activities are structured around six areas of focus:

- 1. UNDERWRITING**
- 2. INVESTMENTS**
- 3. OPERATIONS**
- 4. METRICS AND DISCLOSURE**
- 5. MANAGEMENT OF OUR PEOPLE, CULTURE AND COMMUNITY**
- 6. GOVERNANCE AND COMPLIANCE**

In 2016 we took steps to strengthen the governance of our ESG activities and ensure a more co-ordinated approach. Central to these efforts was the formation of an ESG Committee, formalised as an executive committee reporting to the Group Board Risk and Capital Committee (BRCC). This committee provides oversight and guidance to QBE's ESG-related projects, activities and initiatives other than those of the QBE Foundation, which has separate governance arrangements.

The ESG Committee is chaired by the Group Head of Communication and Marketing and includes representatives from Group departments including Risk, Finance, Investments, Investor Relations, People, Communications, Legal, Company Secretariat and Compliance.

Each area of focus is led by a senior executive and is supported by a range of committees and forums that drive implementation of ESG initiatives in day-to-day business activities and decision-making across all levels of the organisation. These committees and forums include members with relevant technical skills and experience and some have independent members who provide a broader business and community perspective.

This Sustainability Review provides a detailed overview of each of the ESG Committee's areas of focus, together with a discussion of QBE's commitment to our community.

1. UNDERWRITING

QBE’s core underwriting and distribution strategy is reflective of QBE’s Purpose “to give people the confidence to achieve their ambitions” and is designed to offer an extensive array of underwriting solutions and products sold through a multi-distribution strategy across the globe through professional intermediaries, business partners and direct to our retail customers.

A number of ESG-related initiatives were progressed during 2016:

2016 PROGRESS				
<p>→ QBE’s Risk Management Services have been expanded to assist our clients to better manage their risks, including from operational incidents, events and losses.</p>	<p>→ Awareness sessions on climate change were conducted with the Group Board at which global experts in this field presented.</p>	<p>→ QBE’s Global Emerging Risks Group continued to examine the impact of emerging and developing risks, including climate, technology and social change.</p>	<p>→ Development of Underwriting Principles incorporating customer-focused ESG considerations by the Group Underwriting Committee.</p>	<p>→ QBE continues to develop underwriting products and services to sustainable industries including the agriculture industry.</p>

A theme that links QBE’s commitments to responsible underwriting and investment is an ongoing focus on seeking out opportunities to “do more good” through our partnerships with businesses and initiatives that are contributing to the wellbeing of our planet and society.

Our involvement in agricultural production in the United States is one example of this commitment. Support of crop production both protects against worldwide hunger and assists in minimising production costs. This contributes to reducing the end cost of basic foodstuffs and also facilitates production of corn used for the manufacture of ethanol as a more environmentally friendly fuel. QBE insures 12% of all production agriculture in the United States, including over 100,000 farmers and nearly 50 million acres of rural farm land.

The Emerging Markets division is actively seeking to expand its activities providing insurance for environmentally-friendly power generation, property risks relating to sustainable buildings and energy-efficient product manufacturing operations.

In addition to increasing involvement in the insurance of onshore wind and solar farms, during 2016 European Operations became an underwriter to a Dutch company offering clean and affordable solar power to a market of 1.3 billion potential customers who live off the electricity grid.

Australian & New Zealand Operations has a portfolio of underwriting clients with a commitment to environmental wellbeing, playing a role in the transition to a low-carbon economy or addressing social problems such as homelessness.

Spotlight story:

Global Risk Solutions

Through the formation of a new Global Risk Solutions Practice in April 2016, QBE is bringing together a team of more than 75 risk engineers, risk management consultants and scientists across the globe into a single community. The objective is to improve knowledge exchange and provide expertise to underwriters and insureds.

Global Risk Solutions provides a variety of services to customers including risk profiling and evaluation, accident investigation, business continuity, risk assessment, supply chain analysis, environmental management, client awareness forums and training materials. In addition to the core internal team, Global Risk Solutions manages over 35 external suppliers (incorporating 200+ consultants) to help service a global client network and divisional customers.

The next step is for the Global Risk Solutions team to roll out elements of the market-leading risk solutions model developed in European Operations to QBE offices around the world. This offering includes a senior team of risk practitioners with greater than 15 years’ experience and ranging from chemical engineers to construction, logistics, mining, retail and professional services.

Central to the European Operations approach is QRisk, a risk database launched in 2013 to manage all information from surveys and risk assessments. The QRisk database has now captured more than 7,500 client engagement activities, providing a strong foundation for increased use of data analytics to drive a better understanding of clients and industry sectors in 2017 and beyond. The intelligence from this data source is providing underwriters with a richer insight to the risks they insure, with the potential to protect the environment through identifying opportunities for risk reduction.

2. INVESTMENTS

QBE has a co-ordinated approach to responsible investment with two major initiatives led by the Group Chief Investment Officer. A dedicated Manager, Responsible Investments was appointed in 2016 with day to day responsibility for activities in this area.

The first of these initiatives relates directly to QBE's obligations as a signatory to the Principles for Responsible Investment supported by the United Nations. Consistent with the Principles, QBE introduced a new Credit Risk Policy in 2016 which applies across the entirety of QBE's business and includes a requirement that the credit evaluation of risks and risk mitigants include consideration of "regulatory, environmental, social and governance risks and impacts on QBE's reputation".

More specifically, QBE incorporates ESG principles into investment decisions across major portfolio areas as follows:

- In relation to corporate bonds, our selection processes recognise that the sustainability of a business is likely to be greater if it has strong governance that includes effective management of ESG factors. To understand and monitor a company's approach to managing ESG policies and practices, an independently derived ESG measure is included in the credit management process; and
- In relation to growth assets and related asset classes, QBE invests using external managers via either mandates or collective investment schemes. When considering whether to appoint or allocate to an external fund manager, QBE considers the extent to which managers incorporate ESG factors into investment processes and operational areas. More than three quarters of external managers currently engaged by QBE are signatories to the Principles for Responsible Investment.

Premiums4Good

QBE's second major investment initiative is Premiums4Good, a pioneering program understood to be unique in the insurance industry globally which allows targeted customers to direct a proportion of their premium to be invested in securities with an additional social or environmental objective.

Examples of these investments include Social Impact Bonds, green bonds and investments into infrastructure projects with environmental benefits. Through this initiative, QBE is playing a part in stimulating the development of new investment products which offer appropriate risk-adjusted returns as well as supporting beneficial social outcomes.

Significant progress was made in the rollout of Premiums4Good in 2016. The official launch of the program took place at Lloyd's of London in March 2016 and participation in the program is now open to selected customers in European Operations, North American Operations and Australian & New Zealand Operations. A total investment of \$400 million has now been made into impact investments across 16 securities that meet the Premiums4Good investment and impact criteria.

The Premiums4Good program is now reaching a level of maturity such that the impact of some early investments is starting to become clear. For example, The Benevolent Society Social Benefit Bond was one of the first Social Impact Bonds to be launched globally, with funds used to support an intensive support program ("Resilient Families") for Australian families with children at risk of being removed or placed in out-of-home care. The third annual investor update reported that Resilient Families has improved the safety and wellbeing of all of the children in the 156 families referred to the program since 2013, positively impacting more than 360 children to date. Importantly, there have been 21% fewer entries into out-of-home care for children of families participating in the program, compared with the control group.

"P4G has had a positive impact on our retention rate; our customer engagement; and our new business opportunities. It's now an integral part of our value offering to customers alongside multinational policies and risk engineering amongst other things. It gives customers the perfect reason to give more of their business to QBE, so I encourage everyone to talk about it with their customers at every opportunity."

Grant Clemence
Director of Underwriting,
QBE European Operations

Current Investment List

INVESTMENT TYPE	NO. OF INVESTMENTS	SOCIAL/ENVIRONMENTAL IMPACT AREA
Green Bond	6	Renewable Energy/ Low Carbon
Forest Bond	1	Low Carbon
Corporate Credit	1	Financial Inclusion
Social Bond	1	Education & Training
Infrastructure Debt	2	Renewable Energy/ Mass Transport
Social Impact Bond	4	Social Services/Education & Training/Healthcare
Equity Fund	1	Social Services
Total Investments	16	

3. OPERATIONS

QBE is committed to conducting our operations responsibly, and took steps to strengthen governance in this area in 2016 through the establishment of an Operations and Technology Committee of the QBE Board.

As supplier expenditures are second only to human resource expenses, a particular area of focus is the transparent and fair procurement of goods and services. Our procurement activities are conducted according to the following core principles:

PROCUREMENT PRINCIPLES				
Procurement activities are conducted transparently and fairly.	Procurement activities are conducted in accordance with all applicable laws, including those relating to anti-bribery, corruption and modern slavery.	All procurement process participants must adhere to the policy and probity guidelines outlined by the Procurement function.	Procurement activities take into account current and potential suppliers' ESG practices in decision-making.	Procurement decisions are supported by ethical, impartial and objective processes and appropriate documentation.

Procurement activities are designed to deliver value for money while minimising operational risk (including legal risk) when negotiating and interacting with suppliers. For example, we review supplier information security and business continuity plans as a standard part of the supplier selection processes.

Our suppliers' ESG practices are directly considered in the supplier selection process. This is done through the inclusion of a section in QBE's standard Request For Proposal template that asks the supplier to describe and provide evidence of their environmental initiatives, ongoing sustainability practices, and to provide any reporting and disclosures from such activities.

All significant ongoing supplier relationships are managed in accordance with their contractual terms, to minimise risk and maximise value for QBE.

An additional element of QBE's commitment to responsible operations is prioritising environmental sustainability when selecting office buildings in which to house our operations. Group Head Office in Sydney is located in 8 Chifley Square, Sydney - a modern building targeting carbon emissions at least 75% less than those of a 'typical' Sydney CBD office building, and our London operations are also housed in buildings with strong environmental credentials. The introduction of activity-based working in some offices also assists in reducing QBE's carbon footprint and encourages flexible work practices for staff.

Current initiatives

We have recently updated our standard procurement and contracting templates to include questions and clauses related to anti-bribery, corruption and modern slavery and are in the process of revising due diligence and evaluation guidelines to reflect these requirements. Our existing supplier base is being notified of the requirement to comply with the Modern Slavery Act in the United Kingdom and attestations of compliance are being sought.

Since 2014 we have been investing in procurement systems, with the result that we now have a globally consistent procurement framework and process that allows for transparency and auditability of decision-making. Our procurement team can now:

- Search and find agreements, globally, using the contract repository containing 7,000+ contracts to date.
- View historical expenditures, linked to division, category, supplier, timeframe and accounting entities.
- Use electronic sourcing for our selection processes to track all supplier communication, bid evaluation and bid award decisions.
- Manage all procurement projects through a five-step sourcing process, with documented stage-gate signoffs and progress tracking along the way. This provides complete transparency in the evaluation of suppliers and related decision-making.
- Manage the segmentation and risk processes of our suppliers in an automated and auditable fashion.

The next step in this process is to complete the implementation of a Supplier Management Program which will facilitate periodic supplier reviews to ensure incumbent suppliers are adhering to requirements.

4. ENVIRONMENTAL METRICS AND DISCLOSURE

QBE acknowledges the impact that our business has on the environment. An area of focus for the ESG Committee is to deliver continual improvement in the way that we report on this impact.

During the 2016 reporting period, as part of our continual improvements in ESG reporting, QBE re-designed our greenhouse gas (GHG) data collection process to more accurately report the level of our emissions. This included gathering more granular data and expanding the array of Scope 3 emissions disclosed. Additionally, for the first time, QBE has engaged Deloitte to provide limited assurance on our 2016 reported GHG data.

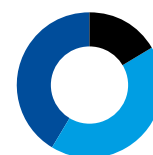
Consistent with prior years, the QBE Group GHG emissions data has been prepared based on:

- QBE's ESG Reporting – Greenhouse Gas Emissions Reporting Framework and other internal policies and procedures.
- The Greenhouse Gas Protocol's Corporate Accounting and Reporting and Corporate Value Chain (Scope 3) Accounting and Reporting Standards.

The Group's GHG emissions reporting is driven by our global insurance operations across the world. The GHG emissions are calculated using the energy content and emission factors that were relevant to each region in which we operate and sourced from the Australian National Greenhouse Accounts (NGA), the UK Government's Department of Environmental Food and Rural Affairs (DEFRA) and Department of Energy & Climate Change (DECC) Greenhouse Gas Conversion Factors for Company Reporting 2016, the US Environmental Protection Agency (EPA), and the International Energy Agency (IEA)'s *CO₂ Emissions from Fuel Combustion 2016 Edition*.

The Group's GHG emissions inventory comprises of:

- **Scope 1** – Direct emissions: direct greenhouse gas emissions from fuel consumption and mileage from company cars, as well as natural gas consumed for office building heating
- **Scope 2** – Indirect emissions from electricity consumption
- **Scope 3** – Other indirect emissions related to business travel (air, rail and land), waste disposal including recycling and water consumption.



Greenhouse Gas Emissions by Scope (tonnes per carbon dioxide equivalent – tCO₂-e)

	12 MONTHS TO				
	DECEMBER 2016	DECEMBER 2015	DECEMBER 2014	DECEMBER 2013	DECEMBER 2012
Scope 1 - Direct emissions ²	8,686	12,400	11,144	10,777	1,160
Scope 2 - Electricity consumption ¹	22,324	30,639	33,517	33,639	36,396
Scope 3 - Other indirect emissions ^{1,2,3,4}	21,752	10,698	11,166	11,847	19,899
	52,762	53,737	55,827	56,263	57,455

1 Estimations were required in certain office locations and activity data streams where actual activity data was not available. Estimations were made based on comparable offices in the same region. QBE aims to increase the availability of actual activity data in future reporting periods.

2 Prior years Scope 1 and Scope 3 emissions were restated to report GHG emissions from fuel consumptions as part of Scope 1 direct emissions. These were previously reported as Scope 3 other indirect emissions.

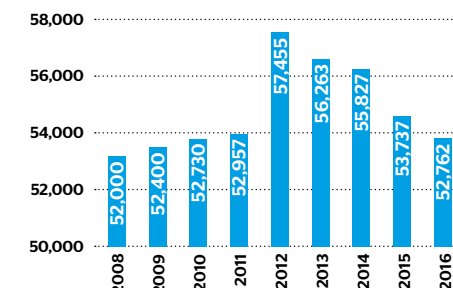
3 As part of continual improvement on GHG emissions reporting, we reported GHG emissions from waste disposal and water consumptions in Scope 3 other indirect emissions for the first time in 2016.

4 Scope 3 emissions from business air travel in 2016 includes DEFRA's required distance uplift and excludes radiative forcing. Greenhouse gas emissions from air business travels 2015 and prior exclude both distance uplift and radiative forcing.

Measures of environmental footprint

	2016	2015	2014	2013
Total GHG emissions (tCO ₂ -e)	52,762	53,737	55,827	56,263
Number of employees (FTE)	14,226	14,532	14,084	15,455
GHG emissions (tCO ₂ -e)/FTE	3.71¢	3.70¢	3.96¢	3.64¢
Electricity usage in QBE offices (MWh)	41,813	49,402	53,981	52,851
Water consumption in QBE offices (kL)	183,906			
Office paper (tonnes)	505			
Recycling rates (% of waste)	46%			

Group GHG emissions (tCO₂-e)



Stakeholder engagement and external reporting

Stakeholder engagement and external reporting in relation to ESG strategies and initiatives are increasing areas of focus for QBE. We engage with stakeholders in relation to ESG strategies and initiatives through a number of mediums and this is regarded as key to developing an effective and meaningful ESG program.

In 2016, QBE was selected as an index component of the Dow Jones Sustainability Indices (DJSI), recognising QBE's corporate sustainability leadership in the insurance industry. FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) has also recently confirmed that QBE has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

By engaging with our stakeholders and reporting on our progress in implementing our ESG strategy and initiatives, QBE ensures that we are transparent and open about our ESG journey and achievements.

5. MANAGEMENT OF OUR PEOPLE, CULTURE AND COMMUNITY

Overall workforce

14,226

53% female

47% male

Overall average age

39 years

Senior management

72% male

28% female

QBE is focused on creating a dynamic, diverse and inclusive workplace where people are able to achieve their personal and professional ambitions. Equally, we are committed to making a positive impact in the communities in which we operate, whether it is through the work we do with our customers or the range of activities we undertake through the QBE Foundation and our social investing initiatives.

Attracting, retaining and developing our people

As an employer of over 14,000 people globally, QBE is constantly exploring ways to attract, retain and develop the very best people. With a range of business-critical roles from underwriting through to claims, sales and operations, having a diverse group of employees with a range of skills, backgrounds and experiences is a key part of our ongoing success.

Our promise to our people

QBE's values are known by the acronym ONE QBE - Openminded; Networked; Empowered; Quality Approach; Business Acumen; Excellent Outcomes. These values drive the day-to-day behaviour of our people and support us in delivering our employee value proposition (EVP). We recognise and celebrate employees across each Division when it comes to consistently living the values through our 10/10 Global recognition program. The EVP is based on three critical pillars that capture the promise we have made to our people across all parts of our business.

We are committed to creating:

EVP PRINCIPLES		
A dynamic, diverse and inclusive culture	Consistent systems that reward and recognise contribution	Opportunity for people to fulfil their personal and professional ambitions

Geographical footprint by Division:

FOOTPRINT BY DIVISION¹

● North American Operations	2,387
● European Operations	1,943
● Australian & New Zealand Operations	2,930
● Emerging Markets	2,983
● Equator Re	24
● Group Head Office	873
● Group Shared Service Centre	3,086



¹ All figures are permanent or fixed term employees as at 31 December 2016.

Developing our people

QBE is one of the few insurers that has invested in a bespoke Leadership Academy and Underwriting Academy, providing our current and future leaders exposure to innovative, relevant and engaging training to help them progress their careers at QBE.

In its fourth year of operation, the QBE Leadership Academy had 531 leaders participate in programs globally in 2016, taking the total number of graduates to 2,351. Drawing on both internal and external speakers and content, the QBE Leadership Academy continues to be a key pillar in our talent development strategy.

The QBE Underwriting Academy launched in 2016, with 233 graduates across our Divisions so far and an additional 79 trained subject matter experts.

With underwriting at the core of our business, the objective of the QBE Underwriting Academy is to raise the bar for the industry and our business by establishing a consistent, replicable model of underwriting excellence. Academy content includes QBE modules that explore our markets and products; track networking pathways to knowledge and experience; explore market fluctuations, ethics, ESG considerations and their impact on risk and pricing policy; and create a level of shared understanding around QBE's underwriting approach globally.

To further enhance the QBE Underwriting Academy, we have chosen three market-based insurance institutes to deliver certificate qualifications to our foundation underwriters in their home regions. The program will provide development for underwriters over two years.

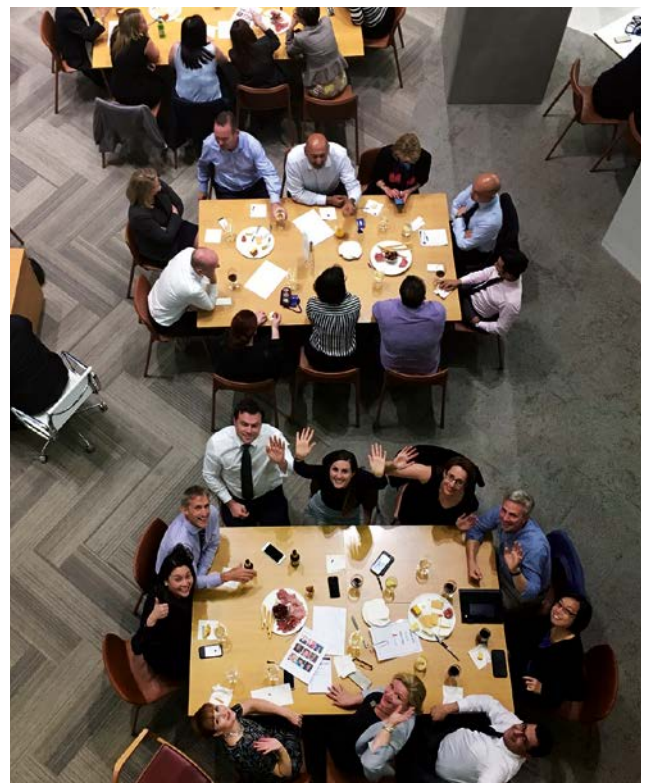
QBE Leadership Academy

2,351
graduates

QBE Underwriting Academy

233
graduates

79
trained subject
matter experts



5. MANAGEMENT OF OUR PEOPLE, CULTURE AND COMMUNITY CONTINUED

Creating a culture of inclusion and diversity in the workforce

In order to strengthen our commitment to fostering a diverse and inclusive culture, the Group Diversity & Inclusion Council continued to meet regularly through 2016 and there are now Diversity & Inclusion Councils set up across all Divisions, with each council chaired by a Group Executive Committee member.

In 2016, we launched a new Group Diversity & Inclusion Policy outlining QBE's commitment in promoting and embedding diversity and inclusion in our workplace. We are also focused on accelerating our progress towards gender-balanced leadership teams (currently 28% female), with a new target of 35% by 2020.

We provide employees and leaders many opportunities to demonstrate their commitment to creating an inclusive workplace through a variety of initiatives including mentoring programs; employee network events led by senior leaders; globally coordinated celebrations and awareness sessions relating to gender equality, LGBT inclusion, importance of work/life integration and building awareness of supporting people with a disability.

We have invested in modernising our workplaces in Australia, London, Hong Kong and Miami, with New York scheduled for 2017. This investment has focused on transforming our offices and workplace into an attractive new agile environment that supports new technology, connectivity, creativity and collaboration. We have launched a new global intranet site used to empower and better engage our workforce globally and have used social media to enhance collaboration, information sharing and promote networking.

To ensure we keep our employee value proposition current, we undertake an annual Global Staff Survey to provide insights in:

Engagement	Understanding of QBE's Purpose, Vision and Strategy	ONE QBE values	Embedding of diversity and inclusion	Priority areas for improvement
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We have seen our overall engagement score improve from last year, now at 64% with an 85% response rate. While we are focused on continuing improvement in employee engagement across QBE, we have achieved pleasing progress in the proportion of employees who feel we provide a work environment that is collaborative (63% up from 59% last year) and respectful of difference (71% up from 68%).

Spotlight story:

Supporting Indigenous Communities

QBE ANZO commenced our formal Reconciliation Action Plan (RAP) in July 2015. Our RAP formalises our ongoing commitment to create meaningful relationships, enhance respect and promote sustainable opportunities for Aboriginal and Torres Strait Islander communities, organisations and businesses.

QBE's employee RAP Working Group is responsible for ensuring the RAP meets commitments that include: recognition of national events such as NAIDOC week; providing cultural awareness training to senior leaders; and, forging stronger relationships with our Indigenous partners including Jawun, Career Trackers and GO Foundation.

Jawun provides an opportunity for our employees to participate in a six week secondment with Indigenous communities across Australia to use their professional skill set to provide insights and further foster relationships and understanding of some of the issues faced by Aboriginal and Torres Strait Islander populations. In 2016, QBE reached a milestone of 50 employee secondments.

Our current RAP concludes in August 2017 and we will then look to renew and enhance our existing commitments.

Discrimination and equal opportunity policy

We strive to ensure QBE is an equal opportunity employer, and promote the following principles:

DISCRIMINATION AND EQUAL OPPORTUNITY PRINCIPLES

Our ONE QBE values promote collaboration and teamwork – we expect all employees to foster and promote a work environment that is respectful of each other, our customers, our shareholders and the community – acting with honesty and integrity. We openly embrace the unique diversity, skills and qualities of all our employees and encourage an environment that is open to learning, is culturally sensitive, flexible, safe and attractive.

We promote a high level of engagement and performance by ensuring all employees have equal access to the opportunity to learn, develop and grow, acknowledging our employees have a wealth of knowledge, skills and ideas to contribute.

We demonstrate appropriate workplace behaviours and take accountability to eliminate all forms of unlawful discrimination – we listen, engage, and understand our employees and respond appropriately to their individual needs.

Our leaders model and reinforce the inclusive behaviours we outline in our Leadership Essentials Competency Model, ensuring that all our people management practices and decisions are based on fairness and merit. This includes how we hire, identify talent, reward and develop our people.

These principles reflect our commitment to recruit on the basis of role requirements and we select people based on their skills, experiences and suitability to the role. We do not discriminate on the basis of diverse characteristics including, but not limited to, ethnic identity. QBE strives to be an equal opportunity employer in all our locations. We see this as a fundamental part of creating a diverse and inclusive workplace that attracts and retains the best people, irrespective of their point of difference.

Our retention strategies aim to ensure all our people management practices and decisions are based on fairness and merit, eliminating all forms of discrimination and bias in relation to hiring, identification of talent, and how we reward and develop our people. A recent area of focus has been gender pay equity. This has included analysis of internal and external pay relativity by job family and level, as well as the distribution of performance ratings and merit pools. Our objective in undertaking this analysis is to identify any areas of bias in remuneration decisions and develop strategies to address bias.



5. MANAGEMENT OF OUR PEOPLE, CULTURE AND COMMUNITY CONTINUED

Charities supported

250+

Grants and donations to charities

\$3.7M

QBE employee volunteer work

3,300+
days volunteered

QBE fundraising initiatives

\$750,000+
raised and
matched by the
QBE Foundation

Our commitment to our community

QBE plays an active role in our communities around the world. We have three main avenues for contribution and participation in each of our divisions, creating opportunities for our people to support and give back to the communities in which they live:

- Through the QBE Foundation and the allocation of grants to registered charities nominated by our people.
- By dollar-for-dollar matching of fundraising efforts by our people.
- With a designated volunteering day for every employee.

In 2016 we supported over 250 charities globally with \$3.7 million in grants and donations, in addition to over 3,300 days of volunteering efforts that were made directly by our people.

The QBE Foundation

The QBE Foundation was established in 2011 to partner with charities that help people overcome disadvantage, strengthen their abilities and live more independently, successfully and productively. This philosophy is an extension of our core purpose - to give people the confidence to achieve their ambitions.

Each division has its own QBE Foundation Committee that works with local employees to identify charities that are delivering programs consistent with the purpose and philosophy of the foundation. Through a rigorous application process, including the requirement that no more than 15% of any donation goes to administrative costs, we are able to ensure our philanthropic efforts are directed to charities with whom our people have an affinity or non-financial connection.

Donation matching

With over 14,000 people across our business, there are a range of very personal causes that our people support in their own time. In all our divisions, we work with employees to match their fundraising efforts dollar-for-dollar. In 2016, more than \$750,000 was raised and matched by the QBE Foundation.

Volunteering

Everyone at QBE has the opportunity to support their local communities through a designated volunteer day that can be used to support a cause they are passionate about. Whether individually or with a number of colleagues, the volunteering day has multiple benefits for the participants, the beneficiary and QBE. More than 3,300 days were volunteered in 2016; an increase of more than 40% on 2015.

In the community: Group Shared Services Centre

Classrooms for tomorrow's leaders

The QBE GSSC team partnered with Dynamic Teen Company (DTC) to build a senior high school for disadvantaged children, to provide better access to education and a more stable and grounded journey into adulthood. With funding from the QBE Foundation, the school's construction proceeded and was assisted by QBE volunteers who devoted weekends over the course of nine months. The school is set to open in early 2017. Volunteers also joined DTC's Kariton Klasrum, an award winning 'classroom-in-a-cart' initiative, bringing education to children in impoverished areas.



6. GOVERNANCE AND COMPLIANCE

QBE recognises that a robust corporate governance framework is fundamental to the sustainability of our business. The company is subject to extensive legal and regulatory requirements, industry codes and business and ethical standards (collectively “obligations”) across its business activities. Some requirements apply to QBE globally and others apply in individual jurisdictions in which QBE operates.

The QBE Corporate Governance Statement can be found on the QBE website.

QBE is committed to maintaining high ethical standards in all elements of the conduct of our business. The actions and conduct of employees, as well as others acting on QBE’s behalf, are key to maintaining these standards. Our Code of Business Ethics and Conduct drives the day-to-day behaviour of our employees. It is designed to ensure QBE employees act with honesty and integrity, promoting and supporting QBE’s reputation and a positive compliance culture, outcomes and management of risk.

A number of changes were made in 2016 in order to introduce greater Group-wide clarity and consistency in key areas of governance and compliance. The Group Compliance Framework and the Group Compliance Monitoring Program were approved by the Board Risk and Capital Committee during 2016. These documents form the foundation of QBE’s ability to manage compliance risk globally, and meets not only regulatory expectations but strengthens our ability to deliver sustainable compliance outcomes and assess the effectiveness of our compliance risk management.

Also in 2016, four new Group Policies were approved: Sanctions, Whistleblowing, Anti-Bribery and Anti-Corruption and Work, Health and Safety. These policies:

- Are principles-based and set minimum standards.
- Document roles and responsibilities.
- Define the governance structure and reporting responsibilities.
- Stipulate requirements for the introduction of supporting Compliance Programs, including risk assessment, reporting of incidents and breaches, monitoring and evaluation, and training and communications.

The principles set out in these Group Policies, in conjunction with local policies, apply to all QBE contractors, employees, directors and for Sanctions and Anti-Bribery and Anti-Corruption to agents. Everyone has a responsibility to read and understand the Group Policy or, where applicable, divisional policies and comply with them. The Group Policies are supported by Global Working Groups that provide oversight, monitoring and quality assurance, information and advice for the QBE Group in relevant areas of expertise. Global Working Groups have been established for sanctions, whistleblowing, bribery and corruption and work, health and safety.

In the community: Group Head Office

Enabling Genetic Testing

The QBE Foundation sponsored a team of employee volunteers including Group CEO, John Neal, in ‘The Bloody Long Walk’ fundraising event – a 35km walk organised by Australian Mitochondrial Disease Foundation (AMDF). More than \$22,000 was raised by the group, which included dollar for dollar matching by the QBE Foundation.

Mitochondrial disease (mito) is a debilitating genetic disorder that robs the body’s cells of energy, causing multiple organ dysfunction or failure. There is no cure and few effective treatments. QBE’s donation to AMDF will provide a dozen patients suspected of having mito with a definitive genetic test, eliminating the need for painful, invasive tests, and going some way to prevent misdiagnosis and unnecessary anguish.



Independent limited assurance report

TO THE MANAGEMENT OF QBE INSURANCE GROUP LIMITED ON THE 2016 GREENHOUSE GAS EMISSIONS DATA

Deloitte.

Deloitte Touche Tohmatsu
 ABN 74 490 121 060
 Grosvenor Place
 225 George Street
 Sydney NSW 2000
 PO Box N250 Grosvenor Place
 Sydney NSW 1220 Australia

Tel: +61 8 9365 7000
 Fax: +61 2 9322 7001
 www.deloitte.com.au

We have undertaken a limited assurance engagement on the subject matter detailed below (the 'Subject Matter') presented in QBE Insurance Group Limited's ('QBE') 2016 Sustainability Review in order to state whether anything has come to our attention that would cause us to believe that the Subject Matter has not been reported and presented fairly, in all material respects, in accordance with the Reporting Criteria described below ('Reporting Criteria').

Subject Matter and Reporting Criteria

The Subject Matter and Reporting Criteria for our limited assurance engagement for the year ended 31 December 2016 is as follows:

SUBJECT MATTER

QBE's Scope 1, Scope 2 and Scope 3 Greenhouse Gas (GHG) emissions for the year ended 31 December 2016, collectively referred to as the '2016 GHG Emissions Data' as disclosed on page 5 of the QBE 2016 Sustainability Review

REPORTING CRITERIA

- QBE's ESG Reporting Greenhouse Gas Reporting Framework QBE's 2016 Divisional Basis of Preparation Documentation
- The Greenhouse Gas Protocol's *Corporate Accounting and Reporting Standard*
- The Greenhouse Gas Protocol's *Corporate Value Chain (Scope 3) Accounting and Reporting Standard*

QBE's Responsibility for the Subject Matter

The Directors of QBE are responsible for:

- Ensuring that the Subject Matter in the 2016 GHG Emissions Data is prepared and presented in accordance with the Reporting Criteria
- Confirming the measurement or evaluation of the underlying Subject Matter against the applicable Reporting Criteria, including that all relevant matters are reflected in the Subject Matter information
- Designing, establishing and maintaining internal controls to ensure that the Subject Matter in the 2016 Sustainability Review is prepared and presented in accordance with the Reporting Criteria.

Deloitte's Independence and Quality Control

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

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

Deloitte's Responsibilities

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

We conducted our limited assurance engagement in accordance with Australian Standards on Assurance Engagements ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* ('ASAE 3410'), issued by the Australian Auditing and Assurance Standards Board in order to express a conclusion whether, based on the procedures performed and the evidence obtained, anything has come to our attention that causes us to believe that the Subject Matter has not been prepared and presented in all material respects in accordance with the Reporting Criteria. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the Subject Matter is free from material misstatement.

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A limited assurance engagement in accordance with ASAE 3410 involves identifying areas where a material misstatement of the Subject Matter information is likely to arise, addressing the areas identified and considering the process used to prepare the Subject Matter in the 2016 Sustainability Review. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

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

- Interviewing key GHG emissions data owners to confirm approach for collating, calculating and reporting respective GHG emissions data in the draft 2016 Sustainability Review
- Undertaking detailed walkthroughs of key systems and processes used/relied upon to compile the GHG emissions data
- Undertaking limited testing of data to source documentation across material GHG emissions data streams and locations
- Performing limited testing of QBE's application of the Criteria, including use of appropriate energy content and emission factors
- Assessing the completeness of locations and emission activity data sources included in the reporting.

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

Inherent limitations

Non-financial information, including the Subject Matter may be subject to more inherent limitations than financial information, given both its nature and the methods used for determining, calculating and sampling or estimating such information. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The Subject Matter should be read in the context of QBE's Reporting Criteria as set out in the 2016 Sustainability Review.

Limitations of use

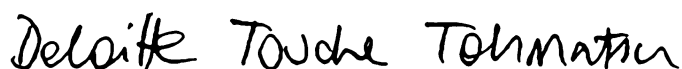
Our assurance report has been prepared solely for the Directors of QBE in accordance with our Statement of Work dated 5 October 2016. We disclaim any assumption of responsibility for any reliance on this report or on the Subject Matter to which it relates, to any person other than the management of QBE or for any purpose other than that for which it was prepared.

Matters relating to electronic presentation of information

Our limited assurance engagement included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of the 2016 Sustainability Review after the date of this assurance statement.

Conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter has not been properly prepared and presented, in all material respects, in accordance with the Reporting Criteria for the year ended 31 December 2016.



DELOITTE TOUCHE TOHMATSU



PR Dobson
Partner
Sydney, 24 February 2017

QBE Insurance Group Limited

Level 27, 8 Chifley Square, Sydney NSW 2000 Australia

telephone +61 2 9375 4444

www.qbe.com