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3 May 2018

The Manager
Markets Announcements Office
ASX Limited
Level 4
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

2018 Annual General Meeting of Shareholders - addresses

Please find attached:

1. Chairman's address; and
2. Chief Executive Officer's address.

Yours faithfully

Carolyn Scobie
Company Secretary

Attachments

AGM

CHAIRMAN'S ADDRESS

May 3, 2018

Good Morning. Thank you for joining us for this morning's QBE Annual General Meeting.

On behalf of the Board, I'd like to acknowledge the traditional owners of the land on which we meet – the Gadigal people of the Eora nation – and pay my respects to elders past and present.

Our meeting today follows a year which included an unprecedented cost of global catastrophes along with unexpected poor operating performance in our Emerging Markets division. This meeting provides an opportunity for you to hear how we navigated unexpected challenges and the strategies and priorities that we now have in place for 2018 and beyond.

I will begin by providing a brief summation of QBE's performance in 2017 as this is important context for the other topics that our new Group Chief Executive Officer Pat Regan and I will discuss with you today.

All shareholders would be acutely aware that your company and the industry were put to the test by a sequence of weather-related catastrophes, which included Hurricanes Harvey, Irma and Maria across the Americas; wildfires in California, and Tropical Cyclone Debbie in Australia.

This run of events contributed to an estimated US$330 billion in global catastrophe losses, of which US$135 billion was insured. This level of insured catastrophe losses was, by a small margin, the highest ever recorded. For QBE the net cost of catastrophes, after our comprehensive reinsurance protections, was US$1,227 million. This compares with US$439 million in 2016.

However, QBE's underwriting result was also marred by an unanticipated poor performance in our emerging markets businesses. Surprises of this type and magnitude in our business should be avoidable. After a thorough analysis, we have taken a variety of actions including a) exiting our Latin American business which was subscale and remote from Group oversight, b) changing leadership where appropriate and c) initiated as part of our "brilliant basics" program a reunderwriting of parts of our portfolio.

In addition, our statutory financial result in 2017 was impacted by non-cash items that included a US$700 million impairment of North American goodwill along with a US$230 million write down of the deferred tax asset in our North American Operations due to the reduction in the US corporate tax rate. Incorporating these items, the Group reported a statutory net loss after tax of US$1,249 million. On a cash basis, the loss after tax was US$258 million.

While our European and Australian & New Zealand Operations delivered strong results, QBE's overall performance in 2017 was unsatisfactory and, as indicated, has shaped a number of decisions taken by the Board and management in recent months.

Against this backdrop, there are five main topics that I will address this morning. I will begin with the recent change in the executive leadership of QBE, followed by a high-level overview of the strategic agenda that the Board and management team have agreed for 2018 and beyond.

With capital strength being fundamental to an insurer's licence to operate, I will then provide an update on the Board's approach to capital management and how we managed the Group's capital through a challenging year.

The last two topics relate to resolutions that you will have the opportunity to vote on later this morning. The first of these is the changes to our executive remuneration structure that were introduced in 2017.

Finally, and with reference to the Shareholder Resolution, I will share some observations on the role of the Board in providing guidance and oversight of the company's strategies, policies and performance as well as the work we are doing to understand the effect of a changing climate on our business over the longer term. We know that this is a topic that is of interest to many of you in the room today, just as it is increasingly the subject of discussion both at the Board table and when we meet with investors.

Executive Leadership

Our organisational response to the challenges of the second half 2017 has been shaped by our new Group Chief Executive Officer, Pat Regan, who was appointed to the role from 1 January 2018 following a four month leadership transition.

The Board is grateful to John Neal for his dedication and leadership over five years as Group Chief Executive Officer as he led the business through a significant transformation during a difficult period for the insurance industry globally. It was under John's leadership that a federation of regional businesses was transformed into a cohesive international insurance franchise, and I am confident that QBE's future financial results will benefit from his past stewardship.

Pat is well-credentialed for his new role. In the year prior to his appointment as Group Chief Executive Officer, Pat led the strong turnaround in Australian & New Zealand Operations, and the application of a similar approach to performance management across all of QBE's operations is now taking shape.

In his previous role as Group Chief Financial Officer, Pat was pivotal in strengthening the balance sheet and enhancing the Group's capital management focus.

Alongside the appointment of a new Group Chief Executive Officer, the Group Executive Committee has been refreshed. It is imperative that we have a leadership team with deep insurance expertise to build upon QBE's areas of strength to deliver excellence across the Group consistently.

In this context, it is pleasing to introduce three new members of the Group Executive, each of whom are in the room today, who were appointed subsequent to last year's annual general meeting, with one further appointment to become effective later in the year.

First, we have David McMillan, who joined QBE as Group Chief Operations Officer in September, having previously been Chief Executive Officer for Europe at Aviva as well as Chairman of Global Health Insurance, responsible for a number of Aviva businesses across Europe and India. David is responsible for leading QBE's operations, claims and technology activities.

Secondly, Vivek Bhatia joined QBE in February having been appointed to replace Pat Regan as Chief Executive Officer of Australian & New Zealand Operations. Vivek is a seasoned insurance executive, well known in the Australian insurance community from his roles as Australian CEO of Wesfarmers Insurance and most recently CEO and Managing Director of icare, with prior management consulting experience in restructuring and transformation.

Finally, just last month Inder Singh was promoted to the role of Group Chief Financial Officer. Inder joined QBE from Aviva in January 2015 and he knows our business very well. His previous roles with QBE include Group Head of Corporate Development and Financial Planning & Analysis followed by Chief Financial Officer for Australian & New Zealand Operations.

We have also announced one further appointment to the Group Executive who will be joining us later in the year.

Peter Grewal has been appointed Group Chief Risk Officer and will be starting with us in Sydney in July. Peter joins QBE from Swiss Re where he was most recently the Chief Risk Officer for Reinsurance, Swiss Re's largest business unit. In this role he also led a significant global risk transformation program, with a focus on transparency and collaboration.

QBE's strategic focus

Each of these recent appointments to the Group Executive, and to other key leadership roles, has been made with an eye to ensuring the management team has the skills and capabilities needed to deliver an accelerated reshaping of the company's strategic focus to create a stronger and simpler QBE.

This includes the prioritisation of a program we have called "Brilliant Basics" – improving underwriting quality, pricing and claims handling in every market in which we operate and every product we underwrite.

We are seeking to achieve consistent excellence in these disciplines across our global operations. Two areas that are receiving particular attention are repositioning North America to deliver improved underwriting performance and remediating Asia through improved pricing and risk selection.

Pat will explain what this all means in practice, as well as expanding on his priorities for 2018. However from a Board perspective we are seeing encouraging early progress in the implementation of this strategy.

Looking in from the outside, the clearest markers of this progress are in the area of "simplification" of QBE as we work towards a position of operating only in markets and products where the Group has a distinct advantage and the opportunity to grow profitably.

The sale of our operations in Latin America to Zurich Insurance Group, announced in late February, was a significant achievement and followed a strategic review which confirmed that QBE was no longer the best owner of these businesses.

We have also disposed of a couple of legacy reserve portfolios in our North American and Asia Pacific divisions to enhance our predictability of future result and allow our efforts and focus to be on the future versus the past.

Meaningful progress has also been made over the last twelve months in areas that will contribute to our Brilliant Basics. For example, in the area of claims excellence, and notwithstanding the significant catastrophe claims in the second half of 2017, we were able to generate significant savings from the claims transformation program through anti-fraud, supply chain management and recoveries initiatives.

As I mentioned earlier, Pat will talk in more detail about Brilliant Basics in the context of QBE's seven priorities for 2018.

Capital Management

Turning now to capital management. As I said in the annual report, achieving the right balance between prioritising QBE's capital strength and rewarding shareholders is an ongoing priority for the Board.

You would recall that a strong balance sheet and positive outlook for cash remittances from the divisions supported steady increases in the dividend from 2014 through to 2016. We are acutely aware that the dividends paid by QBE are highly valued by our shareholders, and were very pleased to be able to increase the dividend over this period.

In 2017 we introduced an additional mechanism for returning capital to shareholders through the commencement of a program of buying back shares in QBE which, all other things being equal, should enhance return on capital as well as the quantum of dividends in the future.

Unfortunately prudence required that we break the recent trend of increasing dividends in the second half of 2017 as the Group's financial performance necessarily shaped our approach to capital management. With generally satisfactory performance recorded in the first half, a period in which the Group generated a substantial cash profit, the dividend of 22 Australian cents per share represented a payout ratio of 61% - consistent with our dividend policy to pay out "up to 65%" of cash profits.

With the magnitude of our second half loss (on a cash basis) the Board felt it prudent to keep our balance sheet strong and declared a reduced final dividend of four Australian cents per share.

Looking forward, our dividend policy remains the same as previously, and so we expect to continue to pay a dividend of up to 65% of cash profits. This means that, as we deliver on the objective of reducing volatility in the Group's earnings, shareholders should expect a return to a more historically normal dividend.

I note also that we remain committed to the three-year share buyback announced in February 2017.

In executing all our capital management plans, the Board must always be mindful of the overriding importance of ensuring the Group balance sheet remains robust when measured against both regulatory and rating agency capital requirements.

I believe that we have struck the right balance thus far, and that this is reflected in S&P Global Ratings' affirmation of an A+ financial strength rating on QBE's core operating companies earlier this year.

Remuneration

I would now like to spend a few moments on our remuneration approach at QBE.

In 2017 we introduced a new executive incentive plan (EIP). This followed a detailed review of our incentive structure across the course of 2016 to ensure it remained fit for purpose for QBE – in particular, in an environment of increasing uncertainty and volatility in our markets. Having sat on the Remuneration Committee throughout the process, I can attest to the degree of thought that went into the new design, which included input from some of our largest investors and their proxy advisers.

The end result was the EIP – a plan that combines short and long-term incentives into a single, simpler scheme. The Board believes that the EIP supports our strategic intent by being:

1. Better correlated to long-term performance and therefore more aligned to shareholders through a balance of annual performance measures aimed at delivering long-term sustainable value and a very significant portion of awards paid in equity,
2. More adaptable to the evolution of our strategy, business cycles and the external operating environment,
3. More tangible and meaningful to our executives, and importantly
4. Simpler and more transparent to all stakeholders.

It should also be noted that because the cash and equity components of the EIP are based on one year targets, the aggregate bonus opportunity under the EIP is approximately 30% less than under our previous, traditional, cash bonus and three year LTI plans.

Also of importance to the EIP is the greater emphasis we have placed on alignment of executives and shareholders by significantly increasing the proportion of bonuses paid in deferred equity and increasing the minimum shareholding requirement of executives.

While we accept that the design of the EIP is not common in the Australian market, the Board believes it is the right plan for QBE at this time. This view was shared by the large majority of shareholders when we presented the EIP last year.

While the success of the new plan needs to be measured over more than one year, the events of 2017 and our financial results have prompted questions from some shareholders on how we applied the EIP in its first year of operation. This is evident through the voting outcomes on the 2017 Remuneration Report and the proposed grant of Conditional Rights to the

Group CEO for his performance in his previous role as CEO for our Australian and New Zealand Operations.

In the lead up to the meeting today, we had the opportunity to hear from a number of shareholders and consider their feedback on the operation of the EIP and Pat's EIP award.

While a majority of shareholders lodging proxy votes in advance of today's meeting are supportive of our remuneration approach a significant percentage did not approve. Additionally, a number expressed reservations about the size of Pat's award of conditional rights in the context of the company's 2017 results.

In response to this feedback, prior to today's meeting Pat volunteered to reduce his award of conditional rights by 25% as was announced last Friday morning. This means, if resolution 3 today is passed, Pat will instead be granted 122,537 conditional rights rather than 163,382. This represents a reduction in the initial value of the award of just over A$420,000.

The proxy voting on the Remuneration Report that we will present at Resolution 2 will show an AGAINST vote of more than 25% which means we will incur a first strike. Naturally we are very disappointed by this, however we have heard your concerns. The Board will use this feedback from shareholders on our remuneration approach and review what changes we want to make going forward - we will communicate these to you in due course.

Role of the Board and Climate change

Turning now to matters relating to Resolution 5 on today's Notice of Meeting, I will spend a few minutes explaining why we have recommended that shareholders vote against both arms of this resolution notwithstanding our commitment to increased disclosure of climate risk.

Resolution 5 is divided into two parts, with item 5(a) proposing an amendment to QBE's Constitution so that shareholders might use general meetings as a forum to express an opinion or request information on matters that would otherwise be partially or exclusively the responsibility of the Board.

Your Board is firmly of the view that passing this resolution would not be in the interests of all shareholders. Indeed, we believe this amendment would impact the Board's ability to make decisions effectively and confuse the role of the Board and shareholders. There would be a real risk that amending the Constitution would provide an opportunity for special interest groups to seek to influence your company's strategy and direction without taking into account the integrated nature of QBE's global business.

For example, there may be a small minority of our 120,000 shareholders that would like to see us withdraw from particular lines of business, or direct our investment in certain directions, for reasons that are entirely un-related to the Board's obligation to act in the interests of all shareholders. If the Constitution were to be amended as envisaged by this item 5(a), it would require a petition from only 100 of these 120,000 shareholders for their issue of special concern to be put to all shareholders in general meeting.

The cost and distraction of responding to such resolutions would be a burden that your Company can ill-afford.

That said, QBE is always open to hearing the views of all stakeholders, particularly our shareholders and we actively promote engagement with the Company across a variety of avenues.

We have a comprehensive investor relations engagement program that facilitates effective communication with investors. We have regular discussions with proxy advisors who provide recommendations to large shareholder groups. Shareholders also have the right to ask any questions or make comments regarding an aspect of the Company's business under item 1 of the Notice of Meeting for today's meeting, or directly to us at any other time.

We also provide a question form with the Notice of Meeting each year for you to bring to our attention any questions that you might have about the Company.

Turning now to item 5(b). As you would have seen in the Notice of Meeting this resolution, which is concerned with the disclosure of climate risk, may be properly considered at this meeting if item 5(a) is passed by special resolution.

As the Board has recommended that shareholders vote against item 5(a) it would have made little sense that we recommend anything other than a vote against 5(b).

However, as I will explain, this recommendation does not detract from our commitment to improved climate risk disclosure. Let me note that our plans in this regard were already underway before the shareholder resolution was tabled.

Climate risk is an area of increasing focus for the Board, management and our industry. We are very pleased that so many shareholders share our interest in improved understanding and disclosure in this area.

Those of you who have reviewed the Sustainability Report published with our annual results would know that we have spent time over the past year considering how best to integrate the full range of sustainability considerations into our risk management and decision-making processes.

We are well aware that for QBE, and the insurance sector more broadly, climate-related risks and opportunities constitute a key topic affecting our core business.

Earlier this year QBE confirmed its support for the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD) that were released during 2017, and we have commenced the work that's required to enhance our climate risk related disclosures commencing in our annual reporting materials for the 2018 year. These disclosures will accord with the TCFD recommendations, which are structured around four thematic areas that represent core elements of how companies operate: governance, strategy, risk management, and metrics and targets.

Completing this work will require a substantial resource commitment over an extended period, and the Final Report of the TCFD outlines a possible three to five-year path for adoption of the recommendations, recognising that time is required for full implementation.

In his Group Chief Executive Officer's address Pat Regan will provide an overview of some of the areas where climate-related risks can create challenges for insurers, as well as additional detail of the work that has commenced to support improved disclosure of climate-related risks in the future.

It's important to note that in committing to report in accordance with the TCFD recommendations, we are taking exactly the actions that were requested of us by a group of shareholders as set out in Resolution 5(b) on the Notice of

Meeting. I can advise that 18.6% of proxies lodged in advance of today's meeting were in favour of resolution 5(b). This result, and the conversations we have had with the investor community over the past few weeks, confirm to us that the actions we have underway are the right ones. We are pleased that so many of our shareholders share our commitment to action and disclosure on climate change.

In just a moment I will ask Pat to present his inaugural AGM address as Group Chief Executive Officer. Before I do, and on behalf of the Board, I would like to thank you, our shareholders, for your support over the last year. We expect better and more consistent results in the future that will reward your continued support and we look forward to reporting on our progress in years to come.

2018 AGM

CEO'S ADDRESS

Thank you Marty and good morning everyone.

I am delighted to speak to you today at my first Annual General Meeting as the CEO of QBE Insurance Group.

Today I will provide an update on the progress we are making on each of our seven strategic priorities, outline our approach to a number of critical sustainability issues and update on our 2018 year to date trading performance.

Turning first to our seven strategic priorities.

My appointment as CEO came at a challenging time for QBE. The Group reported a Combined Operating Ratio of over 104% in 2017 due to both an unprecedented level of weather related catastrophes, but also a material decline in the performance of our Asia Pacific and Latin American operations.

It is clear that QBE's performance in 2017 was unacceptable and needs to improve.

It is against this backdrop that we have created a significant program of change to both simplify the Group and turnaround performance. Our strategic agenda has been built around seven key priorities with the overarching objective of creating a much stronger and simpler QBE.

1. First / Simplify QBE

While QBE has some very strong market positions, most notably in Australia and Europe, it also has some operations that were underperforming and sub-scale. The broad geographical spread of our operations has contributed to the volatility in our underwriting performance.

We are taking steps to significantly simplify the group.

Our first major step was to exit Latin America. We concluded that QBE would not be able to deliver an acceptable level of return in Latin America within a reasonable timeframe and therefore an exit at a good valuation was the best option. For a business that delivered an underwriting loss of $94m last year, the sale of the Division to Zurich for $409m is a clean break at an attractive premium to book value.

In North America Personal Lines we don't have the scale or competitive advantage to deliver consistent underwriting profitability. This business – which has GWP of approximately $350m - also carries a high amount of operational complexity and cost. The exit from this line of business will also enable us to deliver cost reductions. We are now taking steps to exit this book of business over the next few months.

In Asia Pacific, I am pleased to announce that we have found a reinsurance solution to address profitability challenges in our Hong Kong construction workers comp portfolio. We have entered into a Loss Portfolio Transfer Agreement with Swiss Re in relation to over $200m of Hong Kong construction workers comp reserves. This transaction completely removes our exposure to a very challenged portfolio that recorded a $53m underwriting loss in 2017.

There remains much to do to return our Asian business to a solid footing but this transaction represents a key milestone on that journey. We have also recently sold our loss-making business in Thailand.

Taken together, the sale of Latin America, the Asia Pacific transactions and the exit from North America Personal Lines will remove from the Group, exposure to businesses that contributed an underwriting loss of over $200m to our 2017 result.

2. Brilliant Basics

The Brilliant Basics agenda is at the core of our strategy and will become the hallmark of QBE. Brilliant Basics is aimed at ensuring we have a consistent level of excellence in underwriting, pricing and claims everywhere that we do business – in every country and in every portfolio.

The Brilliant Basics strategy was designed during my time as CEO of Australian & New Zealand Operations to drive the turnaround of that Division. The implementation of Brilliant Basics resulted in a number of significant changes to the way in which we run our business in Australia & New Zealand including:

- establishing a Chief Underwriting Office and Product Committees to improve governance and oversight of underwriting and risk selection;
- detailed underwriting guidelines to improve local underwriting risk selection;
- increasing the sophistication and granularity of pricing models including greater use of third party data;
- significantly expanding the resources and capabilities of the dedicated pricing team and;
- reducing claims leakage by amongst other things, fraud prevention, better supply chain management, greater use of data analytics and bringing the management of more complex risks back onshore.

As you can see from the slide, the Brilliant Basics agenda in Australia & New Zealand Operations was a major contributor to the turnaround of the Division with the underwriting results of the majority of our 50 cells recording an improvement over an 18 month period and our underlying net combined operating ratio improving by approximately 4% (exc. LMI) over the same period.

The Brilliant Basics program is now being implemented at the Group level and I am pleased with how this important program of work is mobilising so far.

The Brilliant Basics program will include:

- implementation of a new set of Group Underwriting Standards;
- implementation of a new set of Group Claims Standards;
- full assessment of our active pricing models;
- progressive upgrading of our pricing models to use data & analytics and machine learning;
- establishment of a new Group CUO office to oversee the implementation and;
- redesigning our core claims processes to reduce costs, drive further indemnity savings and improve customer service.

While we expect to see early benefits from Brilliant Basics in the second half of the year, this is part of a longer-term journey to transform the culture of the organisation and consistently deliver world class underwriting performance.

3. Drive Performance Improvement

Alongside Brilliant Basics, and to ensure a greater degree of rigour around our underwriting performance management, we have also implemented an intensive, detailed, rigorous and action- oriented performance management process across QBE – the “cell review” process. This is a process that we started in Australia & New Zealand Operations over 18 months ago.

The cell reviews are a forensic approach to performance management. In addition to myself, each cell review is attended by the Group CFO (and in future the Group CUO) as well the Divisional CEO, CFO, CUO, Chief Actuary and Head of Claims. Each cell owner presents their strategy, a comprehensive review of current performance and their detailed plan to deliver their underwriting result for the year. The cell owner identifies key risk factors and for those risk factors decisions are made on remediation actions. Decisions may include rate increases for specific segments, more selective underwriting, claims actions, or shifts in distribution.

We have now completed the first round of cell reviews in each of the four Divisions and have expanded it to include approximately 100 cells, making it one of the most comprehensive business performance management tools I'm aware of.

The cell reviews have proven to be a highly effective method to:

- drive accountability throughout the organisation;
- identify performance issues at a very early stage and take corrective action;
- identify where we need additional resources;
- determine any products and portfolios that do not have a realistic plan of action;
- identify top talent within the organisation and;
- pursue opportunities for growth in strongly performing areas.

4. Further Reposition North America

The QBE business in North America has evolved significantly in recent years, with a reduced program business, exit of Mortgage & Lenders Services and selective growth in Specialty business. We now have a business focussed on four key segments:

- Crop where we are a top 3 player;
- Programs where we are top 3 player;
- Mid-market commercial and specialty business where we have a relevant growing presence;
- But also, as I mentioned earlier, a sub-scale position in Personal Lines.

We see significant opportunities in the North American market as we operate as a specialist industry focused commercial underwriter. The planned exit from the Personal Lines business will help us to achieve significant benefits from rationalisation of systems and back office. This will improve processes in North America and drive cost savings.

5. Remediate Asia

We are implementing a program of portfolio remediation in Asia including exiting unprofitable lines of business, driving a sharper underwriting focus and reducing costs.

The Hong Kong Workers Comp exit was a key milestone in the remediation process for Asia. We also have remediation activities across another 18 portfolios in Asia including Marine in Hong Kong, Singapore and Indonesia and Accident & Health in Hong Kong and Singapore. We have also exited whole segments such as Indonesian Tugs & Barges where the industry risk profile was not acceptable. In Property, across the whole region, we are reducing the risk profile of the portfolio and reviewing our exposures in catastrophe exposed markets. We are seeing early signs of improvement, but it will take time for these improvements to be fully reflected in the region’s financial results.

In addition to remediation, the Brilliant Basics program of work has identified a number of opportunities for Asia to improve the sophistication of its approach to risk selection, pricing and claims management, leveraging the practices of other Divisions. We have transferred a number of staff from other divisions into Asia to accelerate this process.

6. Talent and Culture

As well as having a clear plan we also need the right team in place to execute that plan. I was delighted to recently announce a number of new hires to our Group Executive team. Vivek Bhatia (ANZO CEO), Inder Singh (Group CFO), and Peter Grewal (Group CRO) are all highly credentialed additions to the team. All have deep insurance expertise and I am confident that we now have in place the right team to execute on our strategic priorities.

We will be appointing a new Group Chief Underwriting Officer. This is a newly established Group Executive position for QBE and will play a key role in driving the cell review process as well as owning the implementation of Brilliant Basics in pricing and underwriting.

In addition to the Group Executive changes, we have also announced the strengthening of our senior management team with the addition of Matt Mansour (Group CIO), Anders Land as Group Head of Internal Audit and Liam Buckley as Head of Talent and Culture.

As a Leadership Team we have also spent a great deal of time defining the attributes of the target culture required to deliver on our strategic plan. Having the right culture is equally as important as Brilliant Basics or the cell reviews. Next week we will host 160 of QBE's employees from across our global divisions in Sydney for our Group Leadership Forum with the focal point of the conference being to align the team around our key cultural attributes – being fast paced, accountable, technically excellent, courageous & high integrity, diverse, customer centred and team oriented.

7. Build for the Future

Much of QBE's current focus is directed at addressing issues that face the company in the near term. However, our sector does not stand still and I am equally excited about building a QBE that will thrive in the future. We need to build a company that is innovative, customer centred, agile and technology enabled.

One example of this is QBE Ventures which we formed 12 months ago to provide us with access to the innovation in the InsurTech space. QBE Ventures has recently completed its third investment into a New York based start-up called HyperScience. HyperScience is an artificial intelligence platform that captures and analyses information from documents and handwritten forms. The company provides us with the opportunity to automate a range of tasks.

And indeed one area where we have not yet provided any further detailed guidance is on cost reduction. While this has been a focus in recent years, we believe that more can be done to improve the efficiency of our operations, particularly through the automation and digitisation of our processes. We are currently undertaking a detailed efficiency assessment program and will be in a position to provide further detail on future cost savings later in the year.

Sustainability

I'd like to turn now to a number of sustainability issues that are important to us as an organisation, to me personally and are critical to the role we play in the broader community. Firstly, let me say I am a big believer that business should make an active positive contribution to the communities in which we operate – beyond the contributions the businesses themselves make. A focus on sustainability needs to be a core part of how we operate and understanding and addressing social and environmental issues is integral to our success as company.

Diversity and Inclusion

QBE has a strong commitment to diversity and inclusion, leveraging the ideas, capabilities and experiences of our entire global workforce. We are making steady progress and are now at 30% of women in leadership roles (up 3% since 2015) with our recruitment policy now requiring all senior roles to have both male and female candidates. That said, we can and will do more, and at the very least we need to move quicker to our target of 35% of women in leadership roles. We have signed up to the UN Women's Empowerment Principles and I am now a supporter of Male Champions of Change. In November 2017 QBE launched a Gender Equality Bond raising $400m. We were also recognised in January this year through QBE's inclusion in the Bloomberg Gender Equality Index.

QBE Foundation

The QBE Foundation was launched in 2011 to mark QBE's 125th anniversary year. The Foundation has become a core part of QBE's corporate culture, assisting in the community through charity partnerships, donations and volunteering.

In 2017 the Foundation partnered with 34 charities and supported a wide range of other not-for-profits. Initiatives supported ranged from health and education programs to intervention for at risk youth, medical research, encouraging diversity in sport and assisting unemployed and wounded veterans to gain access to employment.

Impact Investing

To help us support the communities and environments in which we operate, we offer customers the chance to make a difference with their commercial insurance premiums. Premiums4Good is a unique global initiative that enables a QBE customer to use a portion of their premium to invest in securities with an additional social or environmental objective, such as social impact bonds, green bonds and investments in infrastructure projects with environmental benefits.

Climate Change

I want to provide more detail on how management is responding to climate change.

Climate change is a key topic affecting the core business of insurance companies around the world. As an insurance company we do a great deal of work to assess the impact of climate change – but we need to do significantly more.

What we are now seeing is a range of other potential risks and opportunities resulting from climate change due to everything from changes in client industry sectors, changes in technology, new policies and regulation, new cases of litigation and increasing stakeholder expectations for how corporations manage risk and offer customer solutions.

As such, the recommendations published in June last year by the Financial Stability Board and their Task Force on Climate-related Financial Disclosures should be welcomed. We believe they set a strong framework for improving climate-related management and disclosure. We have signed the public Statement of Support and we are committed to increasing the amount of information we disclose on managing climate change in our Annual Reporting, starting in our next report.

We have created a new senior cross-functional Climate Change Working Group that is chaired by our Group CRO and Group Financial Controller. They have been working with an external expert to further analyse our exposure to climate risk and build a roadmap for implementing the TCFD recommendations over the next three years.

This work will include testing the impact on our strategy, improving our current governance around climate change, doing more detailed analysis of our exposures to climate risk in various products and markets, ensuring our risk management processes incorporate the various physical and transitional risks we see emerging, and identifying further opportunities to assist our customers as they also work through how to manage this issue.

8. 2018 financial targets

Let me next update you on our performance in the first quarter.

On the pricing environment, our rate increases in the first quarter of 2018 have been broadly in line with our forecasts and what we saw at the end of 2017. We have experienced premium rate strength of approximately +4% (excluding CTP) in the first quarter, again led by Australia & New Zealand Operations, but also with positive rate movements in North America and Europe.

The team in Asia Pacific have put together a comprehensive plan of action (and I'm pleased with how they have mobilised this work). However, as you would expect the performance improvements in Asia Pacific will be weighted more towards the second half of the year.

But overall, our first quarter underwriting performance is tracking to plan and as a consequence, we remain on track to achieve our Combined Operating Ratio target for the full year 2018.

Obviously, the first four months were challenging for global investment markets due to a combination of rising yields and equity market volatility. Therefore, as you would expect, our year to date investment returns (on an annualised basis) were below our FY18 target range. That said the lower investment returns have been offset by the benefit of higher risk free rates used to discount liabilities.

At the 2017 full year result we reported a debt to equity ratio of 40.8%, outside of our target gearing range of 25% - 35%. In March we bought back $291m of senior debt, thereby reducing the gearing ratio to approximately 37%. We expect the gearing ratio will move towards our target range during the course of the year. We have commenced our previously announced share buyback for 2018 and as at 1 May have acquired $A23.5m of shares on market under the program.

In closing, I am confident that the seven priorities outlined in QBE's strategic agenda are the right ones to develop a stronger and simpler Group with improved consistency and quality in our results. I am encouraged by the progress we have made in the first phase of this process and would like to thank all our stakeholders, customers, employees and shareholders for their continued support. I look forward to reporting back to you with progress against our plans.