



2 April 2019

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

Dear Sir/Madam,

**2019 Notice of Annual General Meeting**

QBE's 2019 Annual General Meeting (AGM) is scheduled for Thursday, 9 May 2019 from 10:00am Sydney time at Ballrooms 3 & 4, The Westin Sydney, 1 Martin Place, Sydney.

Please find attached for the market's information:

- (i) our Chairman's letter;
- (ii) 2019 Notice of Annual General Meeting;
- (iii) a sample proxy form;
- (iv) 2018 In Review; and
- (v) a 'Questions from Shareholders' form.

For shareholders who have elected to receive QBE communications in hard copy, mailing will commence today. Shareholders who have elected to receive QBE communications electronically should receive an email today.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Carolyn Scobie", written in a cursive style.

Carolyn Scobie  
**Company Secretary**



Dear Shareholder

On behalf of the Board of Directors, it is my pleasure to invite you to attend QBE's Annual General Meeting (AGM) on Thursday, 9 May 2019. The meeting will be held in the Ballrooms 3 & 4, The Westin Sydney, No.1 Martin Place, Sydney, NSW commencing at 10.00am (Sydney time). The Chairman's and Group CEO's speeches will be webcast live and uploaded to our website at [www.qbe.com](http://www.qbe.com).

Included with this Notice of Meeting are Explanatory Notes and a Proxy Form. I encourage you to read the Explanatory Notes so you have a full understanding of the resolutions being put forward at the AGM.

The 2018 Annual Report provides you with a detailed overview of business performance. Our enclosed 2018 'In Review' Broadsheet, provides you with a summary of the key areas of interest to our shareholders. Copies of both the Annual Report and the Broadsheet may be viewed on our website at [www.qbe.com](http://www.qbe.com). If you requested a printed copy of the Annual Report, it will be mailed to you separately.

At this year's AGM, shareholders are being asked to approve two separate equity awards to our Group CEO, Pat Regan. 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 old Executive Incentive Plan (EIP), for which awards were based on past performance, with a new long-term incentive (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 in 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. The value of this award is based on the Board's assessment of the Group CEO's performance in 2018 – both financial and strategic – against pre-determined targets set at the start of 2018. A detailed description of the performance that resulted in the Group CEO's proposed deferred equity EIP award is included in the Remuneration Report.

Resolution 4 relates to the new LTI award under the Group CEO's new remuneration arrangements for 2019. The 2019 LTI requires shareholder approval upfront for the maximum award, should the Group CEO meet the future performance targets which are set out in the enclosed Notice of Meeting.

A recent history of the types of award proposed for the QBE Group CEO presented for shareholder approval at the AGM follows:

AGM year	Group CEO equity awards presented for shareholder approval
2016	2016 LTI award
2017	No award made
2018	2017 EIP deferred equity award
2019	2018 EIP deferred equity award and 2019 LTI award
2020*	2020 LTI award


\* Assumes the new executive remuneration structure for 2019 will remain in place for 2020

We are inviting shareholders who are unable to attend the meeting to submit questions. You will find a form for this purpose in your AGM pack. We will endeavour to address as many questions as possible at the AGM. If you have received this form electronically, you can submit your question online at [www.investorvote.com.au](http://www.investorvote.com.au).

Votes at the meeting will be by way of a poll. A person intending to vote on shares held in a company name must bring an authority signed on behalf of the company in favour of the person attending.

We look forward to welcoming you at the meeting. If you are unable to attend, I encourage you to vote either by using the Proxy Form or by appointing your proxy online at [www.investorvote.com.au](http://www.investorvote.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to read 'W. Marston Becker'. The signature is fluid and cursive, with the first name 'W.' and last name 'Becker' being clearly distinguishable.

W. Marston Becker  
Chairman



# **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
1. Redundancy	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
2. Sale of business (in certain circumstances)	
3. Retirement (with agreement from employer)	
4. Totally and permanently disabled	
5. Death	Unvested LTI Plan Conditional Rights may vest and be immediately converted with the resulting QBE shares released to Mr Regan's estate
6. Termination by agreement (in certain circumstances where a deed of release has been executed)	Unvested LTI Plan Conditional Rights may vest as per 1 to 4 above

REASONS FOR CEASING EMPLOYMENT	EFFECT ON UNVESTED LTI PLAN CONDITIONAL RIGHTS
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)	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

#### (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>

<sup>1</sup> <https://www.smh.com.au/business/banking-and-finance/qbe-flags-50m-to-100m-profit-headwind-20181211-p50lezh.html>

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

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

<sup>4</sup> Ibid, page 30.

<sup>5</sup> <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-iaea>

# 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



**QBE Insurance Group Limited**

Level 27, 8 Chifley Square, Sydney NSW 2000 Australia

telephone +61 2 9375 4444

[www.qbe.com](http://www.qbe.com)

## Lodge your vote:



**Online:**

[www.investorvote.com.au](http://www.investorvote.com.au)



**By Mail:**

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 723 487  
(outside Australia) +61 3 9415 4840

QBE

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form

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### Vote and view the annual report online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

### Your access information that you will need to vote:

**Control Number: 9999999**

**SRN/HIN: I9999999999**

**PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



**For your proxy appointment to be effective it must be received by 10:00am Sydney time on Tuesday, 7 May 2019**

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

## Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

## Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO APPOINT YOUR PROXY,  
or turn over to complete the form →**



MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of QBE Insurance Group Limited hereby appoint

☐ the Chairman  
of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of QBE Insurance Group Limited to be held at Ballrooms 3 & 4, The Westin Sydney, 1 Martin Place, Sydney New South Wales 2000 on Thursday, 9 May 2019 at 10:00am Sydney time and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Items 2, 3, 4 and 6 (except where I/we have indicated a different voting intention below) even though Items 2, 3, 4 and 6 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**The Chairman of the Meeting intends to vote undirected proxies in favour of each Item of business with the exception of Items 6, 7a and 7b where the Chairman of the Meeting intends to vote against.**

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 2, 3, 4, 6, 7a and 7b by marking the appropriate box in step 2 below.

### STEP 2 Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

**Board recommended resolutions.** The Board recommends shareholders vote **FOR** items 2, 3, 4, 5(a), 5(b) and 5(c).

	Board Recommendation	For	Against	Abstain
2. To adopt the remuneration report	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To approve the grant of Conditional Rights under the 2018 Executive Incentive Plan to the Group Chief Executive Officer	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. To approve the grant of Conditional Rights under the 2019 QBE Long-term Incentive Plan to the Group Chief Executive Officer	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5(a). To re-elect Mr John Green as a Director	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5(b). To re-elect Mr Rolf Tolle as a Director	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5(c). To elect Mr Fred Eppinger as a Director	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Non-endorsed resolutions.** The Board recommends shareholders vote **AGAINST** items 6, 7(a) and 7(b).

	Board Recommendation	For	Against	Abstain
6. Contingent Resolution: Conditional Spill Resolution	Against	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7(a). To amend the constitution	Against	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7(b). Exposure Reduction Targets	Against	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business with the exception of Items 6, 7a and 7b where the Chairman of the Meeting intends to vote against. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### SIGN

**Signature of Securityholder(s)** *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_

Date

QBE

999999A

Computershare +

# 2018 IN REVIEW



QBE INSURANCE GROUP LIMITED

QBE.COM

## Our customers are at the heart of everything we do

We give people the confidence to achieve their ambitions



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#### Shareholder information

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All amounts in this report are US dollars unless otherwise stated.

### The Commons

QBE aims to support the development of sustainable cities and communities around the world. Through an insurance intermediary, QBE provides insurance coverage to The Commons, a sustainable urban development. The Commons is a mixed-use apartment building which creates a sense of community. Located in Melbourne, Australia, the building represents better quality housing which pays equal attention to sustainability, liveability and financial return.



# Delivering meaningful improvements

## CHAIRMAN AND GROUP CEO REVIEW



**The actions we took last year, to simplify the Group, upgrade core capabilities in pricing, underwriting and claims and implement a rigorous performance management framework delivered meaningful improvements in the underlying quality of our business and improved financial performance in 2018.**

Our combined operating ratio (COR) of 95.7% for 2018 was ahead of the midpoint of our guidance and we saw slight increases in both gross written and net earned premium in 2018. The Group statutory net profit after tax was \$390 million reflecting more normal catastrophe incidence coupled with meaningful improvement in the attritional claims ratio, assisted by strong rate growth momentum.

Our improved results reflect the hard work of our people throughout the year and the efforts made across the business to do the basics, brilliantly. Through our Brilliant Basics

program, we are upgrading QBE's capabilities in underwriting, pricing and claims to deliver a consistent level of excellence across our entire portfolio.

We are also maintaining a rigorous approach to performance management across the business, through our "cell review" process. Cell reviews help drive accountability throughout the organisation and enable us to quickly respond to changes in the market as they occur.

During 2018, we exited a number of countries and portfolios where we lacked scale or were not able to deliver an acceptable return to shareholders. This included the sale of our operations covering our entire Latin America division, Thailand, Indonesia and the Philippines. We also exited loss-making portfolios including North American personal lines, Hong Kong construction worker's compensation and Australian & New Zealand travel insurance.

Despite these businesses accounting for around \$200 million of underwriting losses in 2017, we successfully sold them for -\$550 million and a -\$100 million premium to book value.

This allowed us to streamline our operating structure, reducing the number of divisions to three: Australia Pacific, International and North America. From 1 January 2019, Asia now sits within **International**, alongside our European Operations, while the Pacific and India have joined Australian & New Zealand Operations to form **Australia Pacific**. The restructure will allow our businesses in Asia, the Pacific and India to generate efficiencies by leveraging the scale and resources of our major divisions.

Reflecting the Group's performance in 2018, the Group Board declared a final dividend of 50 Australian cents per share in 2018. This included a second half dividend of 28 Australian cents per share.

Importantly, we also focussed on our people and our customers in 2018. We launched our new QBE DNA, which interlinks seven cultural elements that are fundamental to who we are and how we need to operate in the future to succeed. This new set of cultural elements places a greater emphasis on being customer-centred, technically excellent, diverse, fast-paced, courageous and accountable and working together as a team.

Our aim is to consistently deliver high-quality experience and outcomes for our customers which will differentiate QBE and support our growth agenda. One way we do this is by finding cutting edge solutions for our customers current and emerging needs. In 2018, we continued to invest in technology solutions such as machine learning and artificial intelligence, through our venture capital arm, QBE Ventures. You can read more about this work on page 5.

We also made significant progress on our long-term sustainability journey as we continued to further integrate sustainability across our business. QBE became carbon neutral in 2018 and we will continue to take steps to both drive down our operational emissions wherever possible, and offset those that can't be eliminated, to maintain carbon neutrality into the future.

Last year, we publicly declared our support for the recommendation of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). We recognise that a failure to act on climate change will lead to increasingly volatile and severe weather-related events and these are likely to have significant economic consequences. In August, we published our plan to implement the TCFD's recommendations and we have already made good progress against that plan, with more to come in 2019.

Looking ahead, our priorities for 2019 are described on page 3 and include a greater focus on sustainability and customer outcomes, delivering against our customer commitment program. We will also continue to invest in our risk management capabilities, recognising our obligations to meet the expectations of our shareholders, regulators and the communities in which we operate.

The Financial Services Royal Commission in Australia recently made a number of recommendations for policy makers, regulators and the industry to consider, to ensure the Australian financial services sector meets community standards and expectations. QBE takes these recommendations seriously and we will work closely with governments, regulators and the industry in their implementation while maintaining our focus on ensuring the best interests of our customers and partners continue to be met.

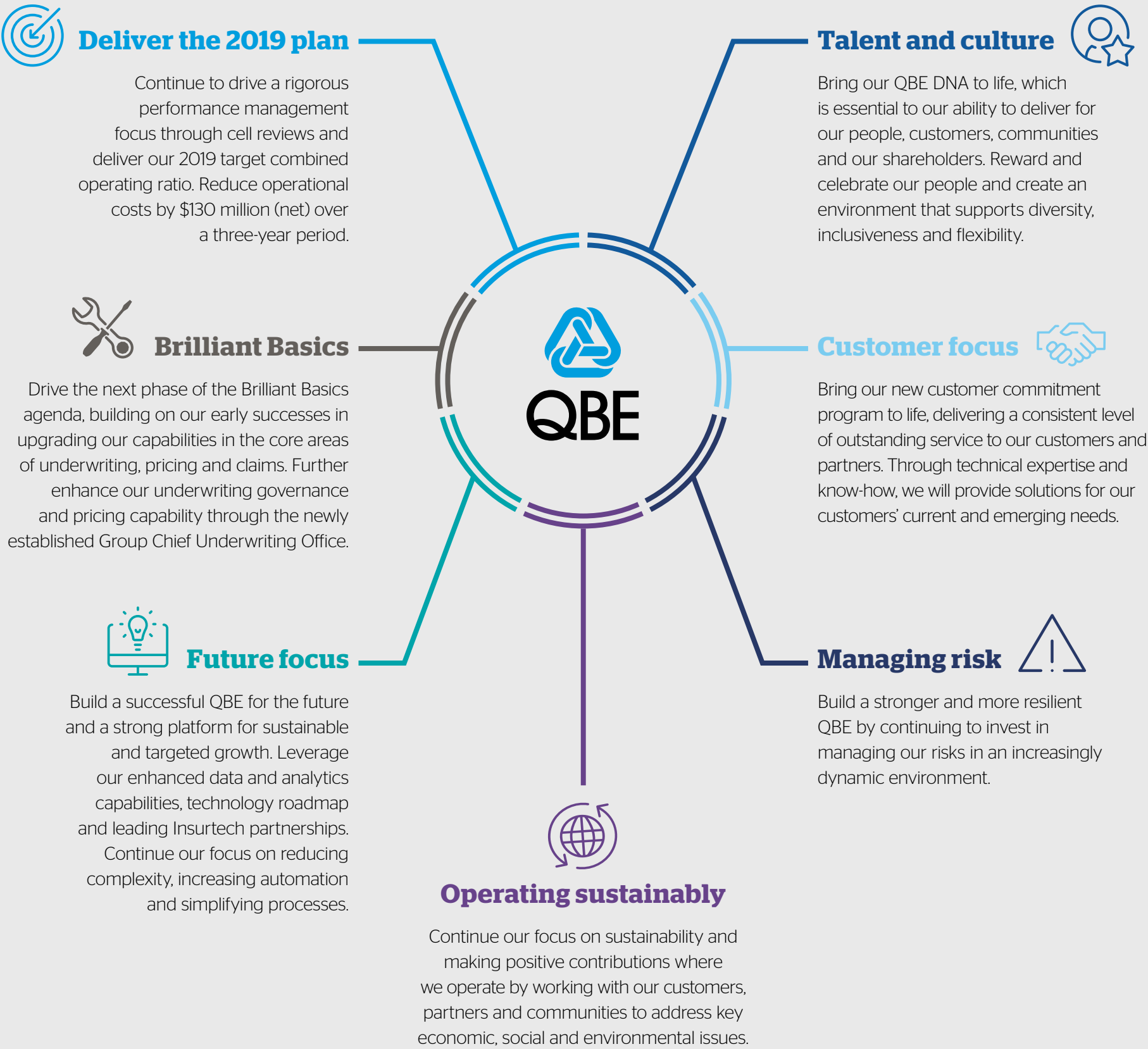
With our simplified structure, the implementation of Brilliant Basics and our relentless focus on performance across the business, we are confident that we can build upon this result to deliver value for our shareholders into 2019 and beyond.

**Pat Regan**  
GROUP CHIEF EXECUTIVE OFFICER

**Marty Becker**  
CHAIRMAN

# 2019 priorities

## DRIVING PERFORMANCE





# Our people

DYNAMIC AND DIVERSE



## Ending the dementia stigma

**The QBE Foundation supports charities that help people overcome disadvantage, strengthen their abilities and live more independently, successfully and productively.**

We support charities in a variety of ways, from matching employee fundraising efforts and payroll giving donations, to providing grants to charities and encouraging employee volunteering. Employees in our European operations select a charity partner each year to be the focus of fundraising activities. In 2018, our employees voted to support the Alzheimer's Society as our charity partner for 2018 and 2019. With our fundraising and volunteering efforts, we hope to increase public awareness and understanding of dementia, ending the stigma associated with the condition today. QBE is also one of the first corporate partners taking a lead to drive awareness through the Alzheimer's Society's Insurance United Against Dementia campaign. All funds we raise with them will also support the valuable work of the Alzheimer's Society.

## Celebrating diversity

**At QBE, we offer a dynamic, diverse and inclusive workplace where people can achieve their personal and professional ambitions.**

We believe that providing a great workplace and investing in our people instils pride in the company and inspires our people to deliver the best possible customer service. We encourage and empower our people to work together on issues they care about and have several employee action groups to support them. This includes MIX (our multicultural network), Pride (LGBT+), Women's Initiative Network (women), Valour (Veterans), Workability and a women's network called "The Circle". Many of our Foundation programs and investments are also selected by our people.

## R U OK?

**R U OK? is a suicide prevention and awareness charity based in Australia.**

Their mission is to inspire and empower everyone to meaningfully connect with people around them and support anyone struggling with life.

2018 marked the first year the QBE Foundation joined R U OK? to support its efforts in fostering a mentally healthy workplace. With our funding, the organisation developed a new resource made available to all Australians as an online downloadable resource or hard copy booklet. Throughout the two-month campaign period it received 37,899 pageviews, 9,320 downloads and 3,835 hard copies were purchased.

## QBE DNA

**In 2018 we launched our QBE DNA - seven interwoven cultural elements helping us deliver our vision and strategic plan.**

These seven cultural elements help us respond to the current and emerging needs of our people, customers, communities and other stakeholders across our business and are key to aligning our risk and broader organisational cultures. To mark the launch of our QBE DNA, we celebrated DNA Day in every one of our offices around the globe on 13 September 2018. From flash mobs to online collaborations, trivia and best dressed competitions, DNA Day saw an outpouring of enthusiasm and energy as it moved around the world.



## Championing change

**Our people bring a broad range of talents, skills and experience to their work. We embrace the diversity of all employees and believe this is essential both to our ability to deliver excellent customer service and to attract, retain and develop the best people.**

In 2018, we launched QBE Champions of Change - an initiative led by our Group CEO to encourage leaders across the business to become powerful role models and champions of inclusion and diversity and to directly influence change.

Our Group Executive Committee now have a higher level of visible sponsorship and accountability for promoting inclusion as well as gender equality. This includes supporting the progression of women in leadership and a responsibility to ensure fair treatment of all.

In 2018, QBE was recognised as a top 200 company in Equileap's Gender Equality Global Report & Ranking. This is the first year QBE has been included in the global ranking. QBE was also included in the 2019 Bloomberg Gender-Equality Index (GEI) for a second year recognising our dedication to disclosure and commitment to gender equality.

# Our customers and partners

## BUILDING RELATIONSHIPS



### Lauren Parker - ambitions for Tokyo

**In 2018, we were proud to announce the appointment of Lauren Parker as an official ambassador to our Australian & New Zealand business.**

Lauren became a paraplegic after a freak accident during a training ride. At the time, Lauren was training for Iron Man Australia in Port Macquarie and riding high after a second placing at the legendary Ironman World Championships in Kona, Hawaii.

Lauren was a beneficiary of a QBE Accident and Health insurance policy, through her membership of Triathlon Australia, and QBE continues to support Lauren with her sporting career, recovery and ongoing rehabilitation.

"QBE paid my claim in full within two weeks of my accident. I then started working with my QBE Injury Management Advisor, who worked tirelessly to help me, and my support team to come to terms with my life change, giving me security and direction at the time I needed it most."

Following her accident, Lauren quickly transitioned to adapted sport and Lauren has partially attributed this transition to the support she received from QBE. In her role as QBE's Australian & New Zealand ambassador, Lauren will attend and speak at several events for QBE employees, partners and customers, as well as support QBE in competition with logo placement on her kit. Lauren now has her eyes set firmly on the 2020 Tokyo Olympics, where she hopes to become the first Australian to win a Paralympic gold medal in the Wheelchair category (PTWC) of the sport of Parathlon.

### Premiums4Good

QBE customers make a difference with their premiums through our Premiums4Good program, which directs a portion of insurance premiums to investment in securities with an additional social or environmental objective. This includes initiatives such as Future Shapers, a dynamic programme for 14 to 17-year-olds in South Yorkshire, United Kingdom. Future Shapers works with young people, to develop their job prospects by building their skills, attitudes and understanding as they move from education to the world of work. In 2018, our Premiums4Good investments grew from 26 to 32 and we have an ambition to grow our impact investments to \$1 billion by 2021.

### Innovation and disaster response

**As an insurer, we are one of the first ports of call for our customers when they are affected by a disaster.**

We are constantly reviewing our processes and procedures to ensure that we can meet and exceed customer expectations if disaster strikes and in 2018 our Group Innovation and Digital team worked with our Claims teams to deliver solutions to enhance our responses to natural disasters.

The team put themselves in the shoes of our customers in the wake of a natural disaster such as Hurricanes Michael and Florence in the United States. They used geospatial information to identify many of our customers who could be in the path of the storm to send them proactive messages expressing our concern for their safety and providing them with their policy number and a link to lodge an online claim to make lodging a claim easy if they were impacted by the storm.

Leveraging our innovative capabilities, we have been able to make a difference for customers in their time of need.



### Digital, data and analytics

**Digital technologies and data and analytics give QBE a competitive edge and help us deliver better customer experiences.**

Our teams are constantly exploring new technology solutions. For example, in 2018, we have used machine learning tools to predict injury complexity to maximise return to work potential and have continued to scale our telematics solutions for small commercial fleet customers. Meanwhile, through our venture capital arm QBE Ventures, we are building and investing in commercial relationships with start-ups that have the potential to revolutionise our work.

In 2018, QBE Ventures invested in three such companies:

**HYPERSCIENCE:** translates human-readable content into machine-readable data, freeing organisations from their reliance on manual data entry.

**JUPITER:** delivers data and analytics services to better predict and manage risks caused by medium to long-term climate change.

**ZEGURO:** enables users to automate their cybersecurity processes, detect for and manage any cyber risks to their company, and improve mitigation.

These are on top of our 2017 investments in Cytora and RiskGenius.

We're deploying these technologies across our business. For example, in the United Kingdom, our Property business uses Cytora machine learning to help make decisions on the risk and price of specific covers. While in Australia, Hyperscience helps Case Managers in our compulsory third-party business spend less time on data entry and more time getting our clients back on their feet.



# In the community

## THE QBE FOUNDATION



### Helping preserve Indigenous culture, values and traditions

As one of Australia's largest insurers of Indigenous communities, we've long been committed to those communities and the preservation of Indigenous culture, values and traditions. Our vision for the future is to make it possible for Australia's First Peoples to be valued, accepted and have equality in society.

Building on the successful implementation of our first Reconciliation Action Plan, in 2018, we released our second Innovate Reconciliation Action Plan (RAP) 2018-2020. This details several actions and commitments we will take to advance our commitment to creating meaningful relationships and promoting sustainable opportunities for Aboriginal and Torres Strait Islander communities, organisations and businesses.

One of the ways we do this is through our partnership with Jawun, an innovative not-for-profit organisation aiming to bring lasting, material and measurable improvements to the lives of Indigenous people. Jawun's mission is to transfer corporate skills to build the capacity of Indigenous organisations and in turn, foster understanding and meaningful connections between Indigenous and non-Indigenous Australians.

QBE has proudly partnered with Jawun since 2011 and over that time more than 70 QBE employees have enjoyed an opportunity to participate in a six-week secondment, working with Indigenous organisations around Australia. These secondments provide an opportunity for QBE employees to learn about Indigenous Australia as well as to share their own skills and expertise with Indigenous organisations.

Jawun also facilitates "Executive Visits" as an opportunity for Indigenous leaders and organisations to develop their networks or business opportunities. During these visits, over two or three days, senior-level representatives of corporate, government and philanthropic organisations visit a region supported by Jawun and meet Indigenous leaders driving reform or social progress.

### Opening doors for those who broke barriers

In the United Kingdom, the QBE Foundation has worked with Opening Doors London (ODL), a charity dedicated to supporting older LGBT+ people.

With the Foundation's support, ODL is creating LGBT+ appropriate materials, including audio materials, to assist people suffering from dementia.

Many existing resources for people living with dementia encourage memory recall from life experiences that many older LGBT+ people were denied, including marriage or having children and grandchildren. The materials ODL creates with our support go some way towards addressing those limitations.



### Supporting drought relief

**As the major sponsor of the Sydney Swans Australian Rules football club, this year, the QBE Foundation in Australia partnered with the club to support drought-stricken communities.**

At their round 23 clash with the Hawthorn Football Club, the Swans Foundation and the QBE Foundation each pledged A\$10,000 to the Rural Aid "Buy A Bale" campaign, which is providing support for farmers by delivering hay and other essential items to farmers who have no feed left for their cattle.

The QBE Foundation matched the Sydney Cricket Ground Trust's commitment to donate A\$1 for every supporter who attended the Saturday night game. The campaign raised more than A\$130,000, with QBE committing over A\$62,000.

"We see the devastating impact the drought has had on our customers and partners - both through QBE and our Elders Insurance network - and just how hard these communities are doing it. As insurers, it's our job to support the communities in which we operate, but we're also part of those communities, and that's why we want to be part of the effort to help."

- Vivek Bhatia, CEO Australia Pacific.

### Access to quality education

**A strategic aim of our Group Shared Services Centre (GSSC) QBE Foundation in the Philippines is to provide children with access to quality education.**

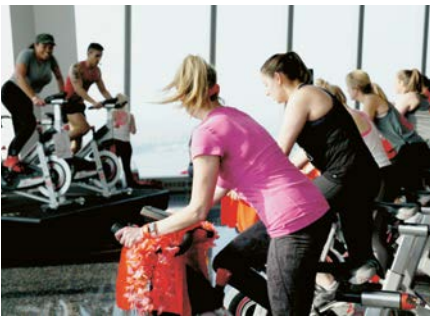
Despite improvements in the literacy rate of children in the Philippines, millions continue to have no access to quality education.

To help improve access to quality education, we have partnered with the Dynamic Teen Company (DTC), a not-for-profit organisation promoting literacy to the disadvantaged. DTC volunteers walk around streets with pushcarts containing books and other learning materials to teach street children and bridge them back to formal education.

### Joining the fight against cancer and heart disease

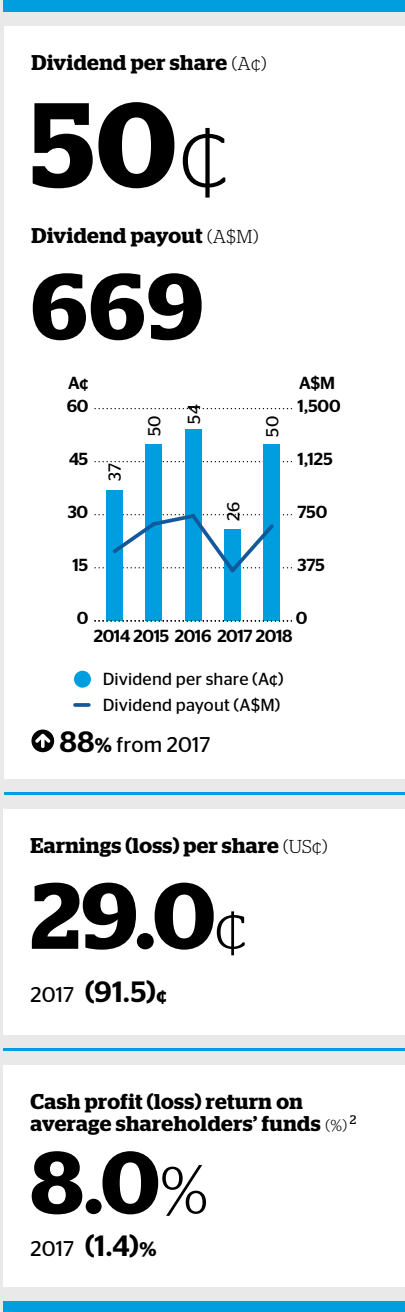
Since 2011, QBE has partnered with the American Cancer Society to help advance the Society's work in research, raising awareness of cancer prevention, sharing expert information and providing patient support.

In 2018, QBE sponsored and participated in Cycle Nation, a spin-a-thon to raise money and awareness of heart health for the American Heart Association. QBE employees also took part in the Wall Street Run and Walk and we held an employee fundraiser, which raised \$4,100 in donations that were matched by the QBE Foundation.

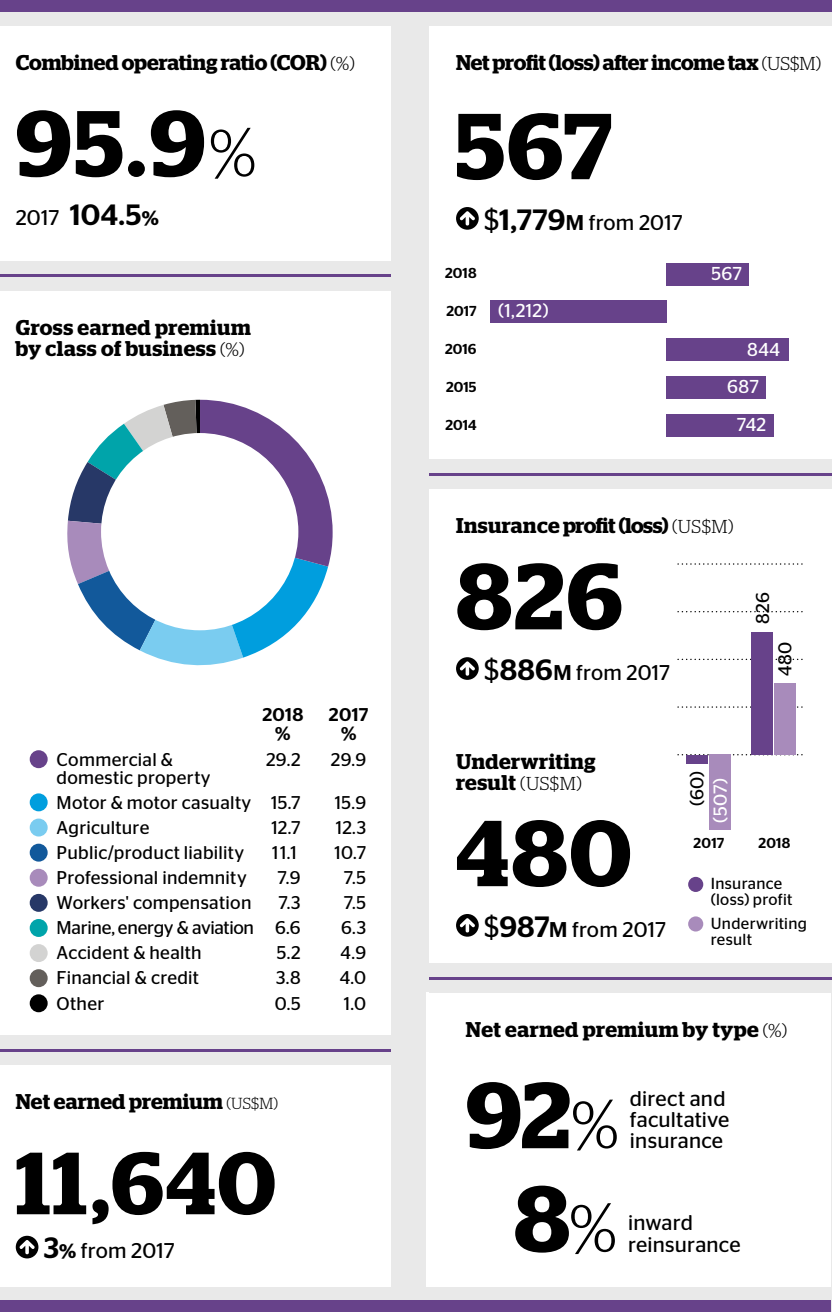


# 2018 snapshot<sup>1</sup>

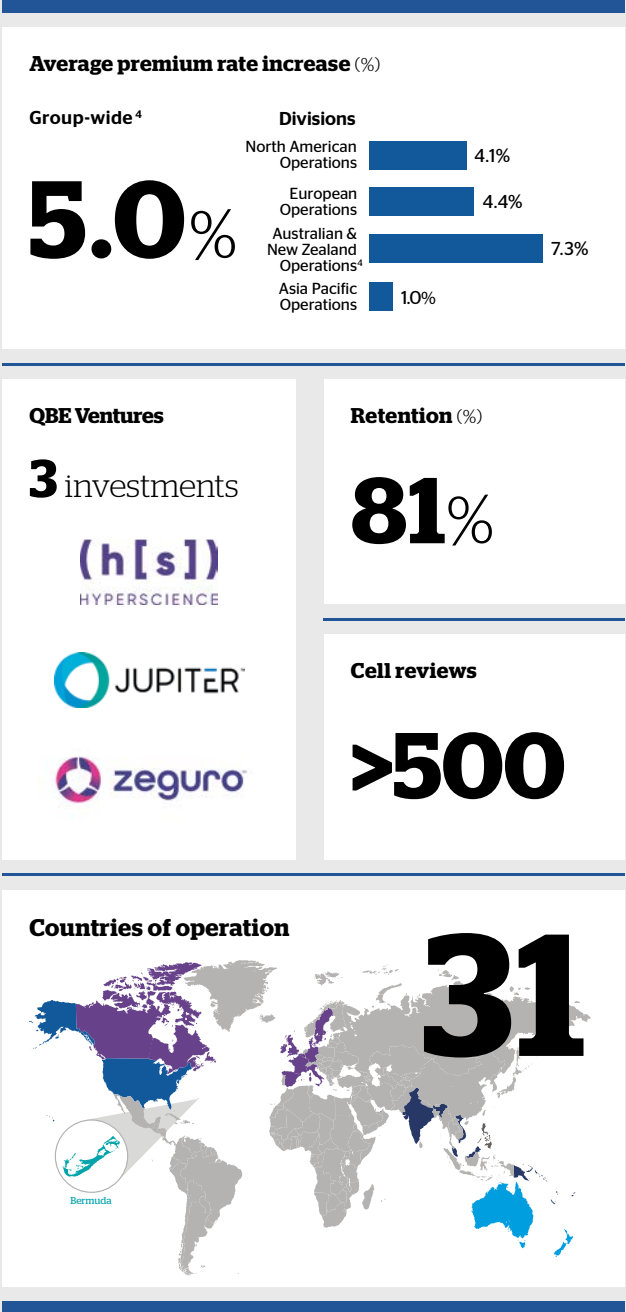
## Shareholder highlights



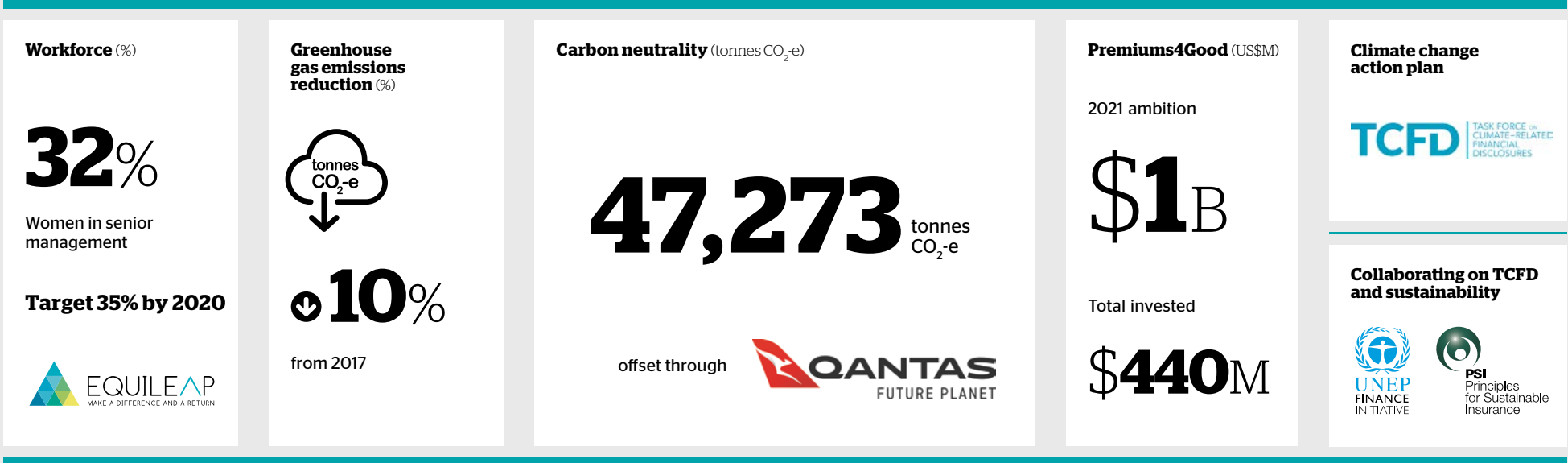
## Financial highlights<sup>3</sup>



## Operational highlights



## Sustainability highlights



<sup>1</sup> The information in the tables above is extracted or derived from the Group's 2018 Annual Report.  
<sup>2</sup> Cash profit ROE from continuing operations excluding gains (losses) on disposals.

<sup>3</sup> 2017 and 2018 figures reflect results for continuing operations only.  
<sup>4</sup> Excludes premium rate changes relating to compulsory third party motor (CTP).

# Key financial performance measures

		2018 <sup>1</sup>	2017 <sup>1</sup>	2017 <sup>2</sup>	2016 <sup>2</sup>	2015 <sup>2</sup>	2014 <sup>2</sup>
<b>Profit or loss information:</b>							
Gross written premium	US\$M	13,657	13,328	14,191	14,395	15,092	16,332
Gross earned premium	US\$M	13,601	13,611	14,446	14,276	14,922	16,521
Net earned premium	US\$M	11,640	11,351	12,041	11,066	12,314	14,084
Claims ratio	%	63.6	71.5	70.9	58.2	60.4	63.2
Commission ratio	%	16.9	17.1	17.6	18.4	17.2	16.8
Expense ratio	%	15.4	15.9	16.3	17.4	17.3	16.1
Combined operating ratio	%	95.9	104.5	104.8	94.0	94.9	96.1
<b>Investment income</b>							
before investment gains/losses	US\$M	690	576	589	641	541	676
after investment gains/losses	US\$M	547	758	812	746	665	814
Insurance profit (loss)	US\$M	826	(60)	(98)	1,075	1,031	1,074
Insurance profit (loss) to net earned premium	%	7.1	(0.5)	(0.8)	9.7	8.4	7.6
Financing and other costs	US\$M	305	302	305	294	244	297
<b>Operating profit (loss)</b>							
before income tax	US\$M	627	(793)	(825)	1,072	953	931
after income tax and non-controlling interests	US\$M	567	(1,212)	(1,249)	844	687	742
<b>Balance sheet and share information:</b>							
Number of shares on issue <sup>3</sup>	millions	1,327		1,358	1,370	1,370	1,363
Shareholders' funds	US\$M	8,381		8,859	10,284	10,505	11,030
Total assets	US\$M	39,582		43,862	41,583	42,176	45,000
Net tangible assets per share <sup>3</sup>	US\$	4.22		4.29	4.90	5.07	5.32
Borrowings to shareholders' funds	%	38.0		40.8	33.8	33.6	32.5
Basic earnings (loss) per share <sup>3</sup>	US cents	29.0		(91.5)	61.6	50.3	57.4
Basic earnings (loss) per share - cash basis <sup>4</sup>	US cents	53.1		(18.9)	65.5	65.3	63.5
Diluted earnings (loss) per share	US cents	28.6		(91.5)	60.8	49.8	55.8
Return on average shareholders' funds	%	4.5		(13.0)	8.1	6.4	6.9
Dividend per share	Australian cents	50		26	54	50	37
Dividend payout	A\$M	669		356	741	685	492
Total investments and cash <sup>5</sup>	US\$M	22,887		26,141	25,235	26,708	28,583

1 Profit or loss information for the current period has been prepared on a continuing basis and excludes discontinued operations. For comparability, restated profit or loss information for the year ended 31 December 2017 has also been included above. Balance sheet and share information for both periods continues to reflect the consolidated Group unless otherwise specified.  
2 As originally reported for each period.  
3 Reflects shares on an accounting basis.  
4 Earnings per share on a cash basis is calculated with reference to cash profit, being profit after tax adjusted for amortisation and impairment of intangibles and other non-cash items net of tax.  
5 Includes financial assets at fair value through profit or loss, cash and cash equivalents and investment properties.

## Financial calendar

YEAR	MONTH	DAY	ANNOUNCEMENT
2019	February	25	Results and dividend announcement for the full year ended 31 December 2018
	March	7	Shares begin trading ex dividend
		8	Record date for determining shareholders' entitlement to the 2018 final dividend
		11	DRP/BSP election close date - last day to nominate to participate in the Dividend Reinvestment Plan or the Bonus Share Plan
	April	18	Payment date for the 2018 final dividend
	May	9	2019 Annual General Meeting
	June	30	Half year end
	August	15 <sup>1</sup>	Results and dividend announcement for the half year ended 30 June 2019
		22 <sup>1</sup>	Shares begin trading ex dividend
		23 <sup>1</sup>	Record date for determining shareholders' entitlement to the 2019 interim dividend
		26 <sup>1</sup>	DRP/BSP election close date - last day to nominate to participate in the Dividend Reinvestment Plan or the Bonus Share Plan
	October	4 <sup>1</sup>	Payment date for the 2019 interim dividend
	December	31	Full year end

1 Dates shown may be subject to change.

## Shareholder information

QBE is incorporated in Australia, is listed on the Australian Securities Exchange (ASX) and trades under the code "QBE".

### Registered office

**QBE Insurance Group Limited**

Level 27, 8 Chifley Square  
Sydney NSW 2000 Australia

Telephone: +61 2 9375 4444

Facsimile: +61 2 9231 6104

Website: [www.qbe.com](http://www.qbe.com)

### QBE website

QBE's website provides investors with information about QBE including annual reports, corporate governance statements, sustainability reports, half yearly reports and announcements to the ASX. The website also offers regular QBE share price updates, a calendar of events, a history of QBE's dividend and online access to your shareholding details via the share registry.

## Shareholder information and enquiries

Enquiries and correspondence regarding shareholdings can be directed to QBE's share registry:

**Computershare Investor Services Pty Limited (Computershare)**

GPO Box 2975  
Melbourne VIC 3001 Australia

452 Johnston Street  
Abbotsford VIC 3067 Australia

Telephone: 1300 723 487 (Australia)  
Telephone: +61 3 9415 4840 (International)

Web: [www.computershare.com.au](http://www.computershare.com.au)  
Email: [qbe.queries@computershare.com.au](mailto:qbe.queries@computershare.com.au)

For security purposes, you will need to quote your Securityholder Reference Number (SRN) or Holder Identification Number (HIN).

If you are broker (CHES) sponsored, queries relating to incorrect registrations and changes to name and/or address can only be processed by your stockbroker. Please contact your stockbroker. Computershare cannot assist you with these changes.





**Post this form to:**  
QBE share registry  
GPO Box 242  
Melbourne VIC 3001  
Australia



**Or email to:**  
QBE.Queries@computershare.com.au

## Questions from Shareholders

The Annual General Meeting (AGM) of QBE Insurance Group Limited will be held on Thursday, 9 May 2019 commencing at 10.00am (Sydney Time). Shareholders who are unable to attend the meeting or who may prefer to register questions in advance of the AGM are invited to do so. This form is provided to shareholders as a convenient way to submit any questions they may have.

Shareholders may also use this form to submit a written question to the auditor if the question is relevant to the content of the auditor's report or the conduct of the audit of the financial report to be considered at the AGM.

During the course of the AGM we intend to address as many of the more frequently asked questions as is practicable.

**Shareholder questions must be received by Thursday, 2 May 2019.** Please return the form to our Share Registry, Computershare Investors Services Pty Ltd, GPO Box 242, Melbourne Victoria 3001 or by Facsimile to 1800 783 447 (within Australia) +61 3 9473 2555 (outside Australia) or by email to [QBE.Queries@computershare.com.au](mailto:QBE.Queries@computershare.com.au). The envelope provided for the return of your proxy form may also be used for this purpose.