

29 March 2018

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

Dear Sir/Madam,

**2018 Notice of Annual General Meeting**

QBE's 2018 Annual General Meeting (AGM) is scheduled for Thursday, 3 May 2018 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) 2018 Notice of Annual General Meeting;
- (iii) a sample proxy form;
- (iv) In Review Broadsheet; 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,



Carolyn Scobie  
**Company Secretary**

**QBE Insurance Group Limited** ABN 28 008 485 014  
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GPO Box 82, Sydney NSW 2001  
Telephone + 612 9375 4444 • facsimile + 612 9231 6104

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



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, 3 May 2018. 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 CEO's speeches will be webcast live and uploaded to our website at [www.qbe.com](http://www.qbe.com).

The Notice of Meeting including explanatory notes and Proxy Form is enclosed. I encourage you to read the explanatory notes so you have a full understanding of the resolutions being put.

The 2017 Annual Report provides you with a detailed overview of business performance. Our enclosed 2017 In Review Broadsheet, provides you with a summary of the key areas of interest to our investors. Copies of both the Annual Report and 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.

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".

W. Marston Becker  
Chairman



# **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the 2018 Annual General Meeting (AGM) of shareholders of QBE Insurance Group Limited will be held on 3 May 2018 commencing at 10.00am Sydney time at:

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

2018 ANNUAL GENERAL MEETING  
QBE INSURANCE GROUP LIMITED

# Agenda

The following resolutions are **SUPPORTED** by the Board.

**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 2017.

**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 2017 be adopted.

**3. To approve the grant of Conditional Rights under the 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 2017, that approval be given for the purposes of the ASX Listing Rules (including ASX Listing Rule 10.14) and for all other purposes for the grant of 163,382 Conditional Rights under the Executive Incentive Plan (with an initial value of A\$1,684,469) to Mr Patrick Regan, a director of the Company, and for the acquisition of ordinary shares in the Company upon vesting of those Conditional Rights, in each case as described in the explanatory notes accompanying the Notice convening this meeting.

**4. To elect directors**

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

- (a) That Mr S Fitzgerald, 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 Sir B Pomeroy, 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 Ms J Skinner, who retires by rotation in accordance with rule 50 of the Company's constitution, be re-elected as a director of the Company.

The following resolutions are **NOT SUPPORTED** by the Board.

**5. Resolutions promoted by Market Forces and Local Government Super 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) To disclose climate risk**

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

That in order to address our interest in the longer-term success of the company, given the recognised risks and opportunities associated with climate change, we as shareholders of the company request information about the company's exposure to climate change-related risks. Such information should be provided in routine annual reporting from 2019, in accordance with both the Final Recommendations, and Supplemental Guidance for Insurance Companies, of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

**Note:** Item 5(b) contains an "advisory resolution" and may be properly considered at the meeting only if the resolution in item 5(a) is passed by special resolution. If the resolution in item 5(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 items 5(a) and, if necessary, 5(b) for the reasons set out in the Explanatory Notes on pages 3-6. The Chairman of the meeting intends to vote undirected proxies against the resolutions set out in items 5(a) and 5(b).

By order of the Board



**Carolyn Scobie**  
Group General Counsel & Company Secretary

Sydney, 28 March 2018

# 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 2-4 and AGAINST 5(a) and if necessary, 5(b), 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 the remuneration policy for executives and non-executive directors in future.

### (a) 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.

It also sets out the remuneration arrangements for KMP, including non-executive directors, the CEO and Group executives. 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.

## RESOLUTION 3 To approve the grant of Conditional Rights under the Executive Incentive Plan to the Group Chief Executive Officer

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

### (a) Background

In 2017, the Company introduced the EIP which effectively combines short-term incentive and long-term incentive into a single, simpler incentive plan. The EIP balances both short and long-term performance through an annual award based on performance against a range of financial and non-financial metrics that measure progress against longer-term strategy, with a significant portion of the award made in deferred equity (in the case of Mr Regan for last year in his dual capacity as Group Chief Financial Officer and Chief Executive Officer, Australian & New Zealand Operations, 60%). On becoming

Group Chief Executive Officer with effect from 1 January 2018, the portion in deferred equity for future EIP awards to Mr Regan will be 80%.

The EIP creates long-term shareholder alignment through the building of significant share ownership as deferred equity awards are earned.

The potential EIP award for Mr Regan for 2017 was A\$3,360,000 (being 210% of his fixed remuneration of A\$1,600,000) subject to the achievement of performance measures approved by the Board. His achievement was at 175.5% of his fixed remuneration, (ie, A\$2,807,448).

The 2017 performance measures as they applied in Mr Regan's dual capacity as Group Chief Financial Officer and Chief Executive Officer, Australian & New Zealand Operations were as follows:

- Group cash ROE (for 11.5% of the total EIP opportunity)
- Group COR (for 18.5% of the total EIP opportunity)
- ANZO COR (for 35% of the total EIP opportunity)
- Australian & New Zealand Operations strategic priorities (for 15% of the total EIP opportunity):
  - Operational efficiency, measured by expense savings generated through operational excellence, automation and sourcing capability; and
  - Claims excellence, measured by savings generated through leveraging and improving our global claims capabilities and insights through data analytics.

In each case, in respect of the Australian & New Zealand Operations of the Group.

- Balanced scorecard (for 20% of the total EIP opportunity): the balanced scorecard will comprise financial and non-financial KPIs that are relevant to the executive's role and aligned to the QBE value creation model.

More details of the remuneration arrangements that apply to Mr Regan are set out in the Remuneration Report.

### (b) Details of Grant

Following an assessment of performance against the 2017 performance measures, the Board approved a 2017 EIP award of A\$2,807,448 to Mr Regan. 40% of this award (A\$1,122,979) was paid in cash in late March 2018 with the balance (A\$1,684,469) to be awarded in deferred equity as Conditional Rights under the EIP, subject to shareholder approval.

Subject to shareholder approval, 163,382 Conditional Rights will be granted to Mr Regan with effect from the Grant Date. If shareholder approval is obtained, it is intended that 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 Conditional Rights to be granted under the 2017 EIP has been calculated dividing the dollar amount of the equity award (A\$1,684,469) by A\$10.31, being the volume weighted average sale price of QBE shares on the ASX over the five trading days from 26 February 2018 to 2 March 2018 (inclusive); 26 February 2018 being the date QBE's 2017 financial results were announced.

Each 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.

Conditional Rights will vest based on the following schedule:

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

During the vesting period, notional dividends will accrue on unvested EIP 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 as if they formed part of the original grant of EIP Conditional Rights.

The table below shows what may happen to Conditional Rights under the EIP if employment of Mr Regan is terminated prior to Conditional Rights vesting:

REASONS FOR CEASING EMPLOYMENT	EFFECT ON UNVESTED EIP CONDITIONAL RIGHTS
1. Redundancy	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
2. Sale of business (in certain circumstances)	
3. Retirement (with agreement from employer)	
4. Totally and permanently disabled	
5. Death	All unvested EIP 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)	The unvested EIP Conditional Rights may vest as per 1 to 4 above
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

The People & Remuneration Committee may adjust any unvested Conditional Rights downward, to zero if appropriate, if there is any Malus.

There are no other directors and no other Associates of directors who are presently entitled to participate in the EIP. No other directors or other Associates of directors have received either shares or Conditional Rights under the EIP.

## RESOLUTION 4 Election of directors

### (a) Mr Stephen Fitzgerald - B Ec Independent Non-Executive Director



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

Stephen was appointed as an independent non-executive director of QBE in 2014. He is Chairman of the Investment Committee and a member of the Risk & Capital, and Operations & Technology Committees. Stephen is Chairman of Affirmative Investment Management. Previously, Stephen was a member of the Board of Guardians of the Future Fund (Australia's Sovereign Wealth Fund), and Chairman of Goldman Sachs, Australia and New Zealand. He also served on the Goldman Sachs Partnership Committee.

### (b) Sir Brian Pomeroy - MA, FCA Independent non-executive director



*The Board (without Sir Brian Pomeroy voting) recommends that shareholders vote **IN FAVOUR** of this Resolution.*

Sir Brian was appointed as an independent non-executive director of QBE in 2014. Sir Brian is Chairman of the Audit Committee and a member of the Investment and Risk & Capital Committees. He was formerly a non-executive member of the Board of the Financial Conduct Authority in the UK, a nominated member of the Council of Lloyd's of London and a non-executive director on QBE's European regulated boards. He was the senior partner of Deloitte Consulting in the UK until 1999.

**(c) Ms Jann Skinner – B Com, FCA, FAICD  
Independent non-executive director**



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

Jann was appointed as an independent non-executive director of QBE in 2014. Jann is Deputy Chairman of the Audit Committee and the Risk & Capital Committee and a member of the People & Remuneration Committee. Jann was a non-executive director on QBE's Australian regulated boards, where she was also Chairman of the Audit and Risk & Capital Committees. She has over 30 years' professional accounting experience and was an audit partner at PricewaterhouseCoopers.

**RESOLUTION 5  
Resolutions promoted by Market Forces  
and Local Government Super 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 5(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 QBE Board respects the rights of shareholders to request a change to the Constitution, however the Board believes that the requisitioned resolution is not in the best interests of all shareholders.

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.

The Company's Constitution gives the Board its power to manage the business of the Company. QBE is a large and complex organisation, with a diverse portfolio both in terms of geography and product 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 Local Government Super would impact the Board's ability to make these decisions effectively and confuse the role of the Board and shareholders.

The Directors believe that the proposed resolution could be used by special interest groups who are promoting single issues which do not take into account the integrated nature of QBE's global business.

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. We have regular discussions with proxy advisors who represent large shareholder groups. Shareholders also have the right to ask any questions or make comments regarding any aspect of the Company's business under item 1 of the Notice of Meeting, or at any other time. We also provide a question form with every Notice of Meeting encouraging shareholders to submit questions about the Company. The proposed resolution does not provide an appropriate forum for all shareholders to have input into a discussion about the business of the Company, and accordingly we recommend shareholders vote **AGAINST** this resolution.

**(b) To disclose climate risk**

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

The same small group of shareholders has proposed the resolution in item 5(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 5(a) is passed by special resolution. If item 5(a) is not passed, this item will not be put to the meeting.

QBE's commitment to sustainability is long-term and we build on our approach each year in response to a rapidly changing environment. We believe it is important to understand current and emerging ESG trends that impact our stakeholders. This knowledge allows us to integrate sustainability considerations into our risk management and decision-making processes and to help our customers manage risks through our products and services.

QBE has been involved in a range of ESG initiatives over several years. These include the UNEP FI Principles of Sustainable Insurance, Principles of Responsible Investment and ClimateWise Principles. We are also members of the Responsible Investment Association Australasia. As part of our commitment to these global and regional sustainability-related initiatives, we continue to integrate these principles into our decision-making and risk management processes. This also extends to the products and services we develop for our customers (eg, our Premiums4Good Initiative).

For QBE and the insurance sector more broadly, climate-related risks and opportunities constitute a key topic affecting core business. As outlined in the guidance published by the TCFD, “the scientific consensus is that a continued rise in average global temperatures will have a significant effect on weather-related natural catastrophes and will account for an increasingly large share of natural catastrophe losses.”<sup>1</sup>

As well as the physical risks associated with climate change, we are cognisant of potential transitional risks (eg, legal, policy, investment) due to the global shift towards a lower-carbon economy.

In June 2017, the Financial Stability Board released the TCFD recommendations. The recommendations are structured around four thematic areas that represent core elements of how companies operate: governance, strategy, risk management, and metrics and targets.

The Final Report of the TCFD outlines a possible five-year path for adoption, recognising that time is required for full implementation. As understanding, data analytics, and modelling of climate-related issues become more widespread, disclosures can mature accordingly.”<sup>2</sup>

As noted in our 2017 Annual Report and Sustainability Report, we support the TCFD recommendations and have work underway to enhance our disclosures in line with this pathway, beginning in our 2018 Annual Report. We have further strengthened our commitment by signing the Statement of Support for the TCFD Recommendations.

QBE is fully committed to applying a disciplined approach to risk management and ensuring that our risk management practices and systems are robust, independent and aligned with global best practice. QBE’s Enterprise Risk Management framework is outlined in QBE’s Risk Management Strategy, and is supported by frameworks for each risk class, including strategic, insurance, operational, credit, market and liquidity risks. Climate-related risks are assessed and managed through this integrated framework.

The Board plays a significant role in the Enterprise Risk Management framework. The Board is responsible for ensuring that an effective risk management strategy is implemented and for defining the risk appetite boundaries within which risk must be managed. The Board is supported by the Risk & Capital Committee which meets at least quarterly and is responsible for overseeing active and appropriate management of risks according to the stated risk appetite, strategy and business plans.

We use stress and scenario testing to better understand our risk profile under a range of different scenarios. Assessing the impact of extreme but plausible events helps us to better prepare for such situations and ensures that our risk exposure is acceptable to the Board. QBE uses a range of modelling techniques to estimate potential losses, manage exposure and assist in making decisions regarding risk management and coverage. This capability is critical to managing our exposure to possible events, such as natural catastrophes and extreme weather events.

QBE operates risk forums across the Group to identify and assess the impact of existing risks which develop in new and unexpected ways, and new risks. Many of the transitional climate-related risks are considered in these forums.

In addition to these forums, we have a specific cross-functional Climate Change Working Group consisting of senior representatives from across our business. This Group includes representatives from our Underwriting, Investments, Finance, Risk and Operations teams. The Climate Change Working Group is supporting management and the Board by providing an integrated view of the risks and opportunities related to climate change and building a clear pathway for transparency and disclosure.

The Climate Change Working Group is co-chaired by our Group Chief Risk Officer and Group Financial Controller, who report to QBE’s Group Executive Committee and the Risk & Capital Committee on behalf of the Climate Change Working Group representatives.

There are a wide range of views across industry, civil society, governments and other stakeholders on how best to address climate change. Therefore, we believe a coordinated approach to mitigating and adapting to climate-related risks requires multiple stakeholder input. QBE will continue to engage with our stakeholders to address this issue.

We will also continue to review, assess, and embed the developing nature of climate-related risks and opportunities including physical, transitional and liability risks.

QBE annually reports relevant climate-related metrics for our operations as part of our Sustainability Report. This includes disclosure on water and energy consumption, waste generation, and greenhouse gas emissions. QBE also reports on efficiency ratios as emissions per unit of economic output. Multi-year emissions data has been reported for several years and is included in the 2017 Sustainability Report. Independent assurance is obtained over our greenhouse gas emissions data set. QBE also continues to voluntarily report as part of the Carbon Disclosure Project.

In the light of the work we are undertaking and the focus that these issues are given by the Board and executive team, we recommend that shareholders vote **AGAINST** this resolution.

1 Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, June 2017.

2 Final Report: Recommendations of the Task Force on Climate-related Financial Disclosures, June 2017.

## 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.

### Resolution 2

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

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.

### Resolution 3

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

1. any director of the Company who is eligible to participate in any Company equity incentive scheme, and by any of their 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 711.37) 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 **Tuesday, 1 May 2018**. 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.

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 **Tuesday, 1 May 2018**.

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, Computershare Investor Services Pty Ltd, 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.

In accordance with the Corporations Act, 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 resolutions 2-4 and against 5(a) and if necessary, 5(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 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

## Appendix 1

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 can follow the example of none 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 they seek more information or favour a particular approach to corporate policy.

The Constitution of QBE Insurance Group 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 Insurance Group, the QBE Insurance Group board and all QBE Insurance Group shareholders. Passage of this resolution – to amend the QBE Insurance Group constitution – will simply put QBE Insurance Group in a similar position in regard to shareholder resolutions as any listed company in the UK, US, Canada or New Zealand.

Local Government Super and all co-filers encourage shareholders to vote in favour of this resolution.

## Appendix 2

We move this resolution with the intention to:

- (a) improve disclosures pertaining to material climate risk faced by our company, aligning them with international expectations;
- (b) increase our company's resilience to regulatory and market changes that can be foreseen as international action is taken to satisfy the goals established by the Paris climate change agreement; and
- (c) ensure our company is resilient to the physical impacts of climate change and minimises financial risks thereof.

In June 2017, the Task Force for Climate-related Financial Disclosures (TCFD)<sup>3</sup> published its final recommendations. According to the TCFD, improved disclosure of climate-related information will allow investors to “appropriately assess and price climate-related risk and opportunities”. Global insurer AXA and reinsurer Swiss Re were involved in drafting the recommendations, and immediately endorsed their adoption.

The Sustainable Insurance Forum, a global network of insurance supervisors and regulators, welcomed the TCFD recommendations, stating that “clear, comparable and consistent climate-related financial disclosure enables insurance firms to improve their management of physical and transition risks in their underwriting operations”<sup>4</sup>.

In Australia, Australian Prudential Regulatory Authority (APRA) Executive Board member Geoff Summerhayes confirmed, “whether due to regulatory action or – more likely – pressure from investors and consumers, Australia’s financial sector can expect to see more emphasis on disclosure around climate risk exposure and management”<sup>5</sup>.

In its 2017 Annual Report, QBE confirmed it had formed a “cross-functional Climate Change Working Group”, and that it was “reviewing [its] readiness to disclose” in line with the TCFD recommendations<sup>6</sup>. QBE has made no firm commitment to improve its disclosure of climate-change related risks. Additionally, QBE’s Climate Change submission to the CDP in 2017 earned a “D” rating<sup>7</sup>.

The TCFD Supplemental Guidance for Insurance Companies suggests companies “describe the processes for identifying and assessing climate-related risks on re-/insurance portfolios by geography, business division, or product segments, including the following risks:

- physical risks from changing frequencies and intensities of weather-related perils,
- transition risks resulting from a reduction in insurable interest due to a decline in value, changing energy costs, or implementation of carbon regulation, and
- liability risks that could intensify due to a possible increase in litigation”<sup>8</sup>.

3 Recommendations of the Task Force on Climate-related Financial Disclosures, Final Report, June 2017.

4 [http://unepinquiry.org/wp-content/uploads/2017/07/SIF\\_TCFD\\_Statement\\_July\\_2017.pdf](http://unepinquiry.org/wp-content/uploads/2017/07/SIF_TCFD_Statement_July_2017.pdf)

5 <http://www.apra.gov.au/Speeches/Documents/CPD%20Speech%2029Nov2017.pdf>

6 2017 Annual Report, QBE Insurance Group Ltd.

7 <http://www.cdp.net/en/>

8 Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, June 2017.

*Physical Risks*

In September 2015, Bank of England Governor Mark Carney highlighted to insurers that:

- “Since the 1980s the number of registered weather-related loss events has tripled; and
- Inflation-adjusted insurance losses from these events have increased from an annual average of around US\$10 billion in the 1980s to around US\$50 billion over the past decade”<sup>9</sup>.

Locally, APRA Executive Board member Geoff Summerhayes noted that Tropical Cyclone Debbie was the second costliest cyclone event of the past 50 years<sup>10</sup>.

Munich Re confirmed that 2017 was the second costliest year in insurance history, with losses from natural disasters amounting to US\$330 billion<sup>11</sup>. In January, QBE’s new CEO Pat Regan declared 2017 had seen “an unprecedented cost of catastrophes”<sup>12</sup>. The net cost of catastrophes for QBE in 2017 (after reinsurance), was US\$1.227 billion compared with US\$439 million in 2016<sup>13</sup>.

Many insurance companies are concerned about the ongoing viability of the industry’s basic business model. Tom Herbstein of Cambridge University’s insurance project ClimateWise, has said “climate change fundamentally challenges the existing insurance business model because it is rendering actuary analysis in many places obsolete.”<sup>14</sup>

*Transition Risks*

QBE is an underwriter of offshore oil rigs, tar sands operations, coal mines and coal-fired power stations. Though ‘Marine, Energy and Aviation’ contributed just 6.4% of Gross Earned Premium in 2017<sup>15</sup> these have all been identified as high-risk sectors by the TCFD. QBE has not disclosed how it intends to respond to the disruption ongoing in the energy and transport sectors.

*Liability Risks*

Globally insurance companies are acting to reduce their exposure to companies with a high degree of climate risk and avoid underwriting assets that are primary drivers of greenhouse gas pollution. AXA, Allianz, Aviva, Lloyds, Munich Re, SCOR and Swiss Re are among those to divest from coal companies in their investment portfolios, and/or restrict underwriting to the coal industry. These actions are undertaken on the basis that it is incongruent for insurance companies whose business models are at stake from physical climate change impacts, to be investing in or actively supporting one of the key causes of the problem.

*Improved Disclosure*

This resolution simply asks that QBE provide information consistent with the recommendations of the TCFD so that shareholders can understand the extent to which the company is exposed to climate risk.

Arguably, the most important element of the TCFD recommendations is scenario analysis. To date, QBE has not disclosed the impacts to the company of policy scenarios and market responses consistent with the Paris Agreement.

As the physical impacts of climate change are already impacting the insurance industry, QBE should produce and disclose analyses of the material impact of physical risk to its business in scenarios where the Paris Agreement is met, along with scenarios where the 2°C global warming limit is breached.

Local Government Super and all co-filers encourage shareholders to vote in favour of this resolution.

9 Breaking the Tragedy of the Horizon - climate change and financial stability, Mark Carney, Governor of the Bank of England, September 2015.

10 <http://www.apra.gov.au/Speeches/Documents/CPD%20Speech%2029Nov2017.pdf>

11 <https://www.munichre.com/en/media-relations/publications/press-releases/2018/2018-01-04-press-release/index.html>

12 <https://www.asx.com.au/asxpdf/20180123/pdf/43qzhtfzfdb4nt.pdf>

13 2017 Annual Report, QBE Insurance Group Ltd.

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

15 2017 Annual Report, QBE Insurance Group Ltd.

# Glossary of key terms

<b>AGM</b>	annual general meeting
<b>ANZO COR</b>	the Group's Australian & New Zealand operation'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>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 ie, nil consideration (other than serving as an employee) on grant and also on vesting
<b>Corporations Act</b>	Corporations Act 2001 (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>	5 March 2018
<b>Group</b>	QBE and its controlled entities
<b>Group cash ROE</b>	the Group's net cash profit divided by average shareholders' funds. In accordance with existing policy and while the Group manages an unmatched asset-liability position with regards to duration, an adjustment for 50% of the impact of movements in risk-free discount rates will apply
<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 2017 are listed in the Remuneration Report
<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>Remuneration Report</b>	the report so named included in the Company's 2017 annual report
<b>Resolution</b>	the resolutions put forward for consideration by the shareholders of the Company at the 2018 AGM
<b>TCFD</b>	the Financial Stability Board's Task Force on Climate-related Financial Disclosures

**QBE Insurance Group Limited**


ABN 28 008 485 014


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telephone +61 2 9375 4444

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

## Lodge your vote:

 **Online:**  
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

**For all enquiries call:**  
(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

## Proxy Form

XX



### 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:

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, 1 May 2018**

## 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 →**

**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.

# 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, 3 May 2018 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 appointment (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy appointment on Items 2 & 3 (except where I/we have indicated a different voting intention below) even though Items 2 & 3 are connected directly or indirectly with the remuneration of a member of the key management personnel for the QBE Consolidated Group.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or to abstain from voting on Items 2 & 3 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(a), 4(b) and 4(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 Executive Incentive Plan to the Group Chief Executive Officer	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4(a). To re-elect Mr S Fitzgerald as a Director	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4(b). To re-elect Sir B Pomeroy as a Director	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4(c). To re-elect Ms J Skinner as a Director	For	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Non-endorsed resolutions.** The Board recommends shareholders vote **AGAINST** items 5(a) and 5(b).

	Board Recommendation	For	Against	Abstain
5(a). To amend the Constitution	Against	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5(b). To disclose climate risk	Against	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxy appointments in favour of each item of business, with the exception of the non-endorsed resolutions (5(a) and 5(b)), to the extent permitted by law. 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 / / \_\_\_\_\_

# 2017 IN REVIEW



QBE INSURANCE GROUP LIMITED

QBE.COM



## Towards a stronger and simpler QBE

Investing in technology and accelerating the pace of innovation will enhance our business model and drive efficiency. **PAGE 4**

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# Towards a stronger and simpler QBE

## CHAIRMAN AND GROUP CEO REVIEW



**As a general insurance and reinsurance company, QBE's purpose is very clear - we give people the confidence to achieve their ambitions.**

Our 14,000 people around the world are committed to this purpose every day, but it's never more important than in the aftermath of a catastrophe that has caused widespread devastation and loss to a community. At these times we marshal our specialist catastrophe claims response teams, with support from across the organisation, to respond promptly to claims and provide other assistance such as the delivery of essential aid relief.

As one of the largest international insurers, our role in assisting customers in their

time of need was put to the test in 2017 by a sequence of weather-related catastrophes, which included Hurricanes Harvey, Irma and Maria across the Americas; wildfires in California; and Tropical Cyclone Debbie in Australia.

This run of events caused an estimated US\$135 billion<sup>1</sup> in insured catastrophe losses in 2017. This level of loss was unprecedented, and for QBE the net cost of catastrophes, after our comprehensive reinsurance protections, was US\$1,227 million. This compares with US\$439 million in 2016.

QBE's underwriting result was also marred by a material decline in the performance of our emerging markets businesses, while the Group reported a statutory financial loss that included

significant non-cash items as we impaired North American goodwill and responded to the reduction in the US corporate tax rate by writing down the value of the deferred tax asset in our North American Operations.

While our European and Australian & New Zealand Operations delivered strong results, aspects of QBE's performance in 2017 were unsatisfactory. Necessary action has been taken and we started 2018 with refreshed leadership and a clear plan for a simpler geographic footprint and improved performance in the current year and beyond. In keeping with these plans, we recently announced the sale of our Latin American Operations after a review identified that QBE was no longer the best strategic owner of these businesses.

Our new leadership team has commenced an accelerated reshaping of the company's strategic focus to create a stronger and simpler QBE. This includes a program of work that we are confident will simplify the Group, improve performance and reduce volatility. The key elements of the program are outlined on the adjacent page and include a prioritisation of "Brilliant Basics" - improving underwriting quality, pricing and claims handling in every market in which we operate and every product we underwrite. QBE has areas of real expertise and strength and the objective now is to deliver excellence across the Group consistently. With a relentless commitment to getting the basics right, improvements in the quality and predictability of our earnings will naturally follow.

Aligned with Brilliant Basics is a rigorous program of performance management across the Group. Using the same approach as we have employed in Australian & New Zealand Operations since mid-2016, this work involves regular reviews of discrete business "cells" to identify strengths and weaknesses, develop strategies and specific plans for performance improvement and make decisions about the overall structure of the portfolio.

Investing in technology and accelerating the pace of innovation will play a substantial role across all elements of the revised strategy. For example, our technology roadmap will support Brilliant Basics through a focus on enhancing our systems to support the use of complex pricing models, improved risk selection and increase the use of data throughout our underwriting processes. Importantly, the simplification of our portfolio will facilitate some cost reduction as will the ability to leverage savings from the investment in better tools and systems for our people.

Managing the likely impact of climate change is also an area of particular focus and QBE supports the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosures (TCFD). We believe they are an important step in the right direction to inform and improve transparency on the risks and opportunities climate change poses.

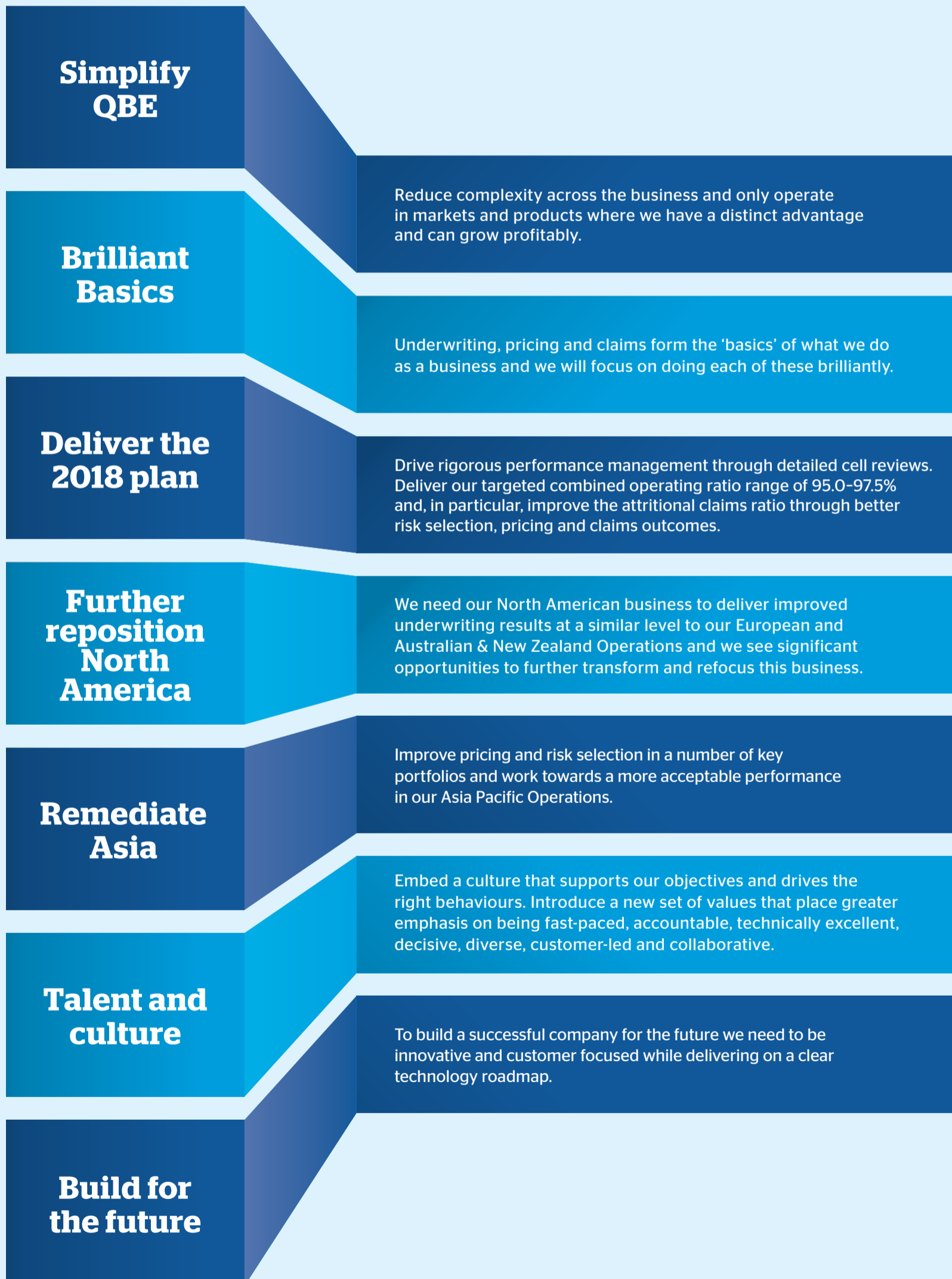
Finally, we would like to thank our shareholders and other stakeholders. QBE has been through a period of challenge and change with financial results that are below expectations. We expect better and more consistent results in the future that will reward your continued support and we look forward to reporting on our progress in years to come.

**Pat Regan**  
GROUP CHIEF EXECUTIVE OFFICER

**Marty Becker**  
CHAIRMAN

<sup>1</sup> Source: Munich Re, 4 January 2018.

# Our priorities for 2018



# Embracing change

## INNOVATION



### QBE Ventures

**QBE Ventures was launched in 2017 to invest globally in start-ups that provide access to differentiated technology which has the potential to enhance QBE's business model, drive efficiencies and develop new avenues of growth.**

One of the things that QBE Ventures looks for when investing in a start-up is the potential to bring their product or technology back into QBE through the creation of commercial partnerships alongside our equity investment. There's a twin benefit to this approach - our equity investments provide QBE with a unique vantage point into the rapidly evolving landscape of new technologies and business models, while our commercial partnerships deliver an immediate impact to our divisions through efficiencies and revenue growth along with opportunities to collaborate and co-develop future products and services.

In 2017, QBE Ventures invested in its first two portfolio companies, Cytora and RiskGenius.

Cytora ([www.cytora.com](http://www.cytora.com)) is a London-based start-up that uses artificial intelligence (AI) and open source data to help insurers lower loss ratios, grow premiums and improve expense ratios.

RiskGenius ([www.riskgenius.com](http://www.riskgenius.com)) is a Kansas City-based machine learning company that helps carriers, brokers and regulators analyse policy and endorsement language and aid in product development.

"The RiskGenius team chose to partner with QBE because we believed in its people and its mission. The QBE people are passionate about insurance and they are hungry for new solutions. I love the fact that QBE has decided to focus on data and analytics when partnering with Insurtechs. The two parties are aligned in our vision for RiskGenius to become a utility, a standard, for insurance professionals looking to evaluate insurance policy language. That's exciting." - Chris Cheatham, CEO of RiskGenius

### Emerging Technology Research

The QBE Digital Innovation Lab continues to help create a future that is driven by the emerging technologies of today. The research that the Lab conducted in 2017 has had a far-reaching impact on the organisation - from the development of new insurance products and services to a better appreciation of the risks and opportunities posed by cutting edge technologies. Its research included highly sophisticated simulation of losses to specific components of electric vehicles, advanced object and loss detection using satellite imagery, and research into the opportunities presented to insurers through advances in quantum computing. In many cases, the research that comes out of the Lab will form the foundation of the future of how QBE operates and how we sustain our competitive advantage in the marketplace.



### B3i

**The Blockchain Insurance Industry Initiative (B3i) is a collaboration of insurers and reinsurers formed to explore the potential of using Distributed Ledger Technologies within the insurance industry for the benefit of all stakeholders.**

B3i is focused on developing and testing technical developments aimed at better serving customers and enhancing transaction efficiency, thus promoting competition. QBE Re, which is QBE's reinsurance division, joined the consortium in 2017 and is working closely with other members on the evaluation of B3i's first product, a Property Catastrophe excess of loss contract.

"QBE Re joined the B3i initiative because we strongly believe it has the right foundations in place to drive more efficient data processing across the whole reinsurance value chain, to the benefit of all parties involved."  
- Piet Haers, Head of Reinsurance Operations at QBE Re

### Innovation

**Advances in technology will have a dramatic impact on both the insurance industry and the world in which our customers operate. Embracing this change is a challenge and opportunity for QBE. We know we need to innovate faster than ever before to improve our processes, create new products and services and capture new market opportunities.**

**Rising to this challenge is central to our strategy and we are investing across a broad portfolio of innovation activities. Our innovation portfolio grew considerably in 2017 to include participation in industry-leading consortiums, the introduction of a new corporate venture capital unit and advances in our emerging technology research capabilities.**

# Supporting our communities

## THE QBE FOUNDATION



### Encouraging diversity in sport

#### AUSTRALIAN & NEW ZEALAND OPERATIONS

**QBE Australia has been Principal Partner of the Sydney Swans for 31 years. We also support the QBE Sydney Swans Academy, which provides elite talent development programs for boys aged 11-19 years. In 2017, we became supporters of the Academy's new Youth Girls program, which is providing talent pathways for young female footballers.**

We also got behind the Swans' first Diversity Action Plan. This followed the club's important work through their Reconciliation Action Plan, which is strengthening relationships with Aboriginal and Torres Strait Islander communities through education and opportunities.

The club's Diversity Action Plan makes meaningful commitments to disability empowerment, multicultural inclusion, the advancement of women and LGBTIQ pride. Like QBE, the Swans joined Australia's Marriage Equality campaign in 2017, and we once again supported the annual Pride Game, which promotes diversity and inclusion.



### Wounded Warrior Project

#### NORTH AMERICAN OPERATIONS

**In North America, our people, supported by the QBE Foundation, have a focus on supporting military veterans.**

Since 2011, the QBE Foundation has partnered with the Wounded Warrior Project, providing monetary grants, awareness campaign advocacy, employee volunteering and fundraising efforts. Through Warriors at Work, unemployed and wounded veterans gain

access to employment and regain their independence. We have also assisted the Warrior Care Network, which provides access to support and services for veterans living with moderate to severe post-traumatic stress disorder and other mental health issues. Our employees have also been involved in awareness campaigns such as the Soldier Ride in New York, Atlanta and Chicago, a unique four-day cycling event that helps warriors gain confidence and experience the heartfelt appreciation and support of communities around the country.

### In the community

As an insurance company, we are uniquely placed to help people in their times of need and our community initiatives mirror this role. We have three main channels for community contribution and participation across our global business divisions: The QBE Foundation; natural disaster relief; and sponsorship and events. We also seek to positively impact communities through business initiatives such as Premiums4Good, our dedicated impact investing platform, and identifying opportunities through our procurement decisions (e.g. seeking to purchase from social enterprises).

### Balia Foundation

#### EUROPEAN OPERATIONS

**The QBE Foundation has partnered with the Balia Foundation since 2012 on a range of funding initiatives that help children and young people who are at risk of social exclusion in Madrid.**

Our funding supports activities that aim to prevent early school leaving, reduce the likelihood of addiction and violence, and improve personal and social skills. Colleagues from our Spanish office are also involved in the Balia corporate volunteering program for the Young District Project.



### Smile Train

#### ASIA PACIFIC OPERATIONS

**Each year the QBE Foundation partners with charities that strive to improve medical research, treatment and support for health concerns such as cancer, diabetes, rare genetic conditions, birth defects, mental health and physical disability.**

Our support includes formal charity partnerships, grants, events participation, volunteering, awareness-raising events and fundraising.

The QBE Foundation has partnered with Smile Train, an international organisation providing corrective surgery and comprehensive care for children and adults with orofacial clefts. Over six weeks, life-changing surgeries were performed for a total of 90 children and adults in Metro Manila and Central Visayas. Comprehensive care and learning development were also given to the beneficiaries after their surgery. They undergo speech therapy with a professional pathologist and take part in social learning sessions. These efforts will help them prepare for their reintegration to the community and enjoy a new life.

# Delivering on our purpose

## CATASTROPHE RESPONSE



### Applying technology to natural disaster response

**We are always experimenting with technology to improve QBE's catastrophe claims response process.**

In Australia, drones were used for the first time to visually inspect areas affected by Tropical Cyclone Debbie. We now have plans to use high-resolution aerial imagery to view widespread damage caused by cyclones and are trialling a number of platforms to enhance the claims triage process.

QBE's Digital Innovation Lab is in the experimental phase of using satellite imagery to accelerate disaster response. We know that for some losses and geographies, being able to access satellite imagery will allow us to make better claims handling decisions. Work is also underway to automate analytical capabilities and improve the customer experience, with recent hurricanes in Houston and Puerto Rico used as test cases for the technology.

## Responding to Harvey and Irma

**QBE North America calls upon a dedicated team of claims professionals when a hurricane is first detected. The claims team works with colleagues from underwriting and disaster modelling to monitor the path of a weather event and assess the risk associated with insured locations potentially in harm's way. Based on projections, the team estimates the resources needed to handle the expected claims volume.**

In addition to internal capability, the claims team draws upon a network of contracted independent service providers. Overall, these external vendors handled more than 4,600 independent adjuster assignments for Harvey and Irma.

Effective communication was critical for co-ordination of our catastrophe response in 2017. Daily calls involving claims, underwriting, modelling, IT and facilities kept all efforts aligned and ensured issues were solved quickly. Proactive communication to agents and brokers ahead of the hurricanes assured them of our readiness and provided safety advice

and claims reporting information. After landfall, the claims team proactively called customers where the storms hit hardest - even though they hadn't yet reported a claim. Claims senior leaders travelled to Florida post-Irma to meet with customers, complete inspections along with field adjusters, and survey impacted areas from the air.

Our dedicated crop team, a pioneer in the use of drones, assembled from all parts of the country to apply their skills in hurricane-affected areas. The drones proved invaluable for reconnaissance missions to assess the damage to commercial nurseries insured by QBE, enabling workflow mapping and more efficient deployment of resources.

Overall in 2017, QBE North America responded to 51 events designated as catastrophes. Harvey and Irma were the most challenging events and at the peak of these events we received 500 claims lodgement calls a day during Harvey and 200 during Irma. The average time it took to answer a First Notification of Loss call for the two weeks after Irma was eight seconds. For both Harvey and Irma, 100% of customers were contacted by a claims professional within 24 hours of reporting a claim, and it took 14 days on average for us to inspect a claim. We approved damages estimates on average less than two days later.

## Puerto Rico

**Hurricane Maria was particularly devastating for Puerto Rico and our 180 employees on the ground were not immune.**

We mobilised support from QBE's North American and global teams to assist. Our specialty Aviation business in North America worked with a QBE customer, MillionAir/American Jet International, to organise emergency airlift responses. Risk and business continuity teams from Latin America and North America partnered to create a communications system to locate all staff across the Island and ensure their safety.

Employees volunteered in Miami to organise and distribute donated and company-purchased emergency supplies including water, medication and food to our Puerto Rico colleagues.

## Tropical Cyclone Debbie

**Tropical Cyclone Debbie made landfall in Queensland in March 2017 with damage and flooding recorded from the Whitsunday Islands down to central New South Wales.**

Debbie ranks second only to Cyclone Tracy in 1974 in terms of collective insurance losses caused by a cyclone in Australia.

The high claims volume proved challenging for insurers looking to access resources to complete repairs. QBE set out to give work to local suppliers, but the objective of supporting local industry had to be balanced against a desire to get the job completed quickly.

As at March 2018, QBE had closed more than 85% of claims relating to Tropical Cyclone Debbie, with the vast majority of remaining claims relating to large, complex losses.

# 2017 snapshot<sup>1</sup>

## Shareholder highlights

**Dividend per share (A¢)**  
**26¢**

**Dividend payout (A\$M)**  
**\$356M**

2017 26¢, 2016 54¢, 2015 50¢, 2014 37¢, 2013 32¢

2017 1125, 2016 1125, 2015 1125, 2014 1125, 2013 1125

● Dividend per share (A¢)  
— Dividend payout (A\$M)

⬇️ 52% from 2016

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**(Loss) earnings per share (US¢)**  
**(91.5)¢**

2016 61.6¢

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**Return on average shareholders' funds (%)**  
**(13.0)%**

2016 8.1%

## Financial highlights

**Combined operating ratio (COR) (%)**  
**104.8%**

2016 94.0%

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**Net (loss) profit after income tax (US\$M)**  
**(1,249)**

⬇️ 248% from 2016

2017 (1,249), 2016 844, 2015 687, 2014 742, 2013 (254)

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**Gross earned premium by class of business**

	2017 %	2016 %
Commercial & domestic property	29.7	31.4
Motor & motor casualty	17.7	18.3
Agriculture	11.7	10.8
Public/product liability	10.4	10.1
Professional indemnity	7.1	6.3
Workers' compensation	7.1	7.4
Marine energy & aviation	6.4	6.3
Accident & health	5.1	4.6
Financial & credit	3.8	4.0
Other	1.0	0.8

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**Insurance (loss) profit (US\$M)**  
**(98)**

⬇️ 109% from 2016

2017 (98), 2016 668

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**Underwriting result (US\$M)**  
**(573)**

⬇️ 186% from 2016

2017 (573), 2016 1,075

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**Net earned premium by type**

**93%** direct and facultative insurance

**7%** inward reinsurance

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**Net earned premium (US\$M)**  
**12,041**

⬇️ 9% from 2016

## Operational highlights

**Investments and cash at 31 December 2017 (US\$M)**  
**\$26,141M**

	2017 %	2016 %
Corporate bonds	50.7	44.9
Government bonds	21.3	23.8
Short-term money	13.2	15.7
Property trusts/ investment property	4.2	4.1
Infrastructure assets	3.5	1.0
Cash	2.2	3.4
Infrastructure debt	2.1	1.8
Equities	2.0	2.3
Emerging market debts and equities	0.4	1.3
Private equity	0.3	0.1
Unit trusts	0.1	0.1
Alternatives	-	0.7
High yield debt	-	0.8

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**Divisional analysis of net earned premium (%)**

**2017**

2017, 2016

- North American Operations
- European Operations
- Australian & New Zealand Operations
- Asia Pacific Operations
- Latin American Operations
- Equator Re

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**Countries of operation**  
**36**

## Environmental and social highlights

**Carbon emissions reduction**  
⬇️ **7%**  
from 2016

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**Included as a member of the 2018 Bloomberg Gender-Equality Index**

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**Premiums4Good (US\$M)**  
**\$455M**  
total invested

**26**  
total investments

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**Grants and donations to charities (US\$M)**  
**\$4.39M**

**Charities supported**  
**350+**

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**QBE leadership academy**  
**2,573**  
graduates in total

<sup>1</sup> The information in the tables above is extracted or derived from the Group's 2017 Annual Report.

## Key financial performance measures

		2017	2016	2015	2014	2013	2012
Gross written premium	US\$M	<b>14,191</b>	14,395	15,092	16,332	17,975	18,434
Gross earned premium	US\$M	<b>14,446</b>	14,276	14,922	16,521	17,889	18,341
Net earned premium	US\$M	<b>12,041</b>	11,066	12,314	14,084	15,396	15,798
Claims ratio	%	<b>70.9</b>	58.2	60.4	63.2	64.5	66.0
Commission ratio	%	<b>17.6</b>	18.4	17.2	16.8	16.8	16.2
Expense ratio	%	<b>16.3</b>	17.4	17.3	16.1	16.5	14.9
Combined operating ratio	%	<b>104.8</b>	94.0	94.9	96.1	97.8	97.1
Investment income							
before investment gains/losses	US\$M	<b>589</b>	641	541	676	691	723
after investment gains/losses	US\$M	<b>812</b>	746	665	814	772	1,227
Insurance (loss) profit	US\$M	<b>(98)</b>	1,075	1,031	1,074	841	1,262
Insurance (loss) profit to net earned premium	%	<b>(0.8)</b>	9.7	8.4	7.6	5.5	8.0
Financing and other costs	US\$M	<b>305</b>	294	244	297	345	324
Operating (loss) profit							
before income tax	US\$M	<b>(825)</b>	1,072	953	931	(448)	941
after income tax and non-controlling interests	US\$M	<b>(1,249)</b>	844	687	742	(254)	761
Number of shares on issue <sup>1</sup>	millions	<b>1,358</b>	1,370	1,370	1,363	1,247	1,194
Shareholders' funds	US\$M	<b>8,859</b>	10,284	10,505	11,030	10,356	11,358
Total assets	US\$M	<b>43,862</b>	41,583	42,176	45,000	47,271	50,748
Net tangible assets per share <sup>1</sup>	US\$	<b>4.29</b>	4.90	5.07	5.32	4.75	4.49
Borrowings to shareholders' funds	%	<b>40.8</b>	33.8	33.6	32.5	44.1	43.4
Basic (loss) earnings per share <sup>1</sup>	US cents	<b>(91.5)</b>	61.6	50.3	57.4	(22.8)	65.1
Basic (loss) earnings per share - cash basis <sup>2</sup>	US cents	<b>(18.9)</b>	65.5	65.3	63.5	62.9	89.1
Diluted (loss) earnings per share	US cents	<b>(91.5)</b>	60.8	49.8	55.8	(22.8)	61.6
Return on average shareholders' funds	%	<b>(13.0)</b>	8.1	6.4	6.9	(2.3)	7.0
Dividend per share	Australian cents	<b>26</b>	54	50	37	32	50
Dividend payout	A\$M	<b>356</b>	741	685	492	394	593
Total investments and cash <sup>3</sup>	US\$M	<b>26,141</b>	25,235	26,708	28,583	30,619	31,525

1 Reflects shares on an accounting basis.

2 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.

3 Includes financial assets at fair value through profit or loss, cash and cash equivalents and investment properties.

## Financial calendar

YEAR	MONTH	DAY	ANNOUNCEMENT
2018	February	26	Results and dividend announcement for the year ended 31 December 2017
	March	8	Shares begin trading ex dividend
		9	Record date for determining shareholders' entitlement to 2017 final dividend
		12	DRP/BSP election close date - last day to nominate to participate in the Dividend Reinvestment Plan or the Bonus Share Plan
	April	20	Payment date for the 2017 final dividend
	May	3	2018 Annual General Meeting
	June	30	Half year end
	August	16 <sup>1</sup>	Results and dividend announcement for the half year ending 30 June 2018
		23 <sup>1</sup>	Shares begin trading ex dividend
		24 <sup>1</sup>	Record date for determining shareholders' entitlement to 2018 interim dividend
		27 <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	5 <sup>1</sup>	Payment date for the 2018 interim dividend
	December	31	Year end

<sup>1</sup> 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

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Facsimile: +61 2 9231 6104

Website: www.qbe.com

### QBE website

QBE's website provides investors with information about QBE including annual reports, corporate governance statements, sustainability report, 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)  
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Email: 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.

