

Corporate governance statement

QBE Insurance Group Limited (QBE) is committed to the highest standards of corporate governance. In 2018, QBE introduced its new DNA which interlinks seven cultural elements that are fundamental to QBE and how QBE needs to operate in the future to succeed, recognising its customers, people, shareholders and the community. QBE believes that a culture that rewards transparency, integrity and performance will promote its long-term sustainability and the ongoing success of its business.

This Corporate Governance Statement relates to the 2018 financial year, and should be read in conjunction with QBE's 2018 Annual Report and the 2018 [Sustainability Report](#). This Corporate Governance Statement has been approved by the Board and is dated 25 February 2019.

Board and management

Board functions

The Board charter sets out the matters expressly reserved for the Board and those delegated to its Committees and management. In accordance with its charter, the Board:

- oversees corporate governance;
- selects and supervises the Group Chief Executive Officer;
- provides direction to management;
- approves the strategies and major policies of the QBE Group;
- monitors performance against plan;
- considers regulatory compliance;
- monitors people-related strategies (including people development and succession planning);
- reviews information technology and other resources; and
- ensures that an effective risk management strategy is established and maintained.

The Board reviews strategy on an ongoing basis. To help the Board maintain its understanding of the business and to effectively assess management, directors receive regular presentations from the divisional chief executive officers and other senior managers of the various divisions on relevant topics including budgets, three-year business plans and operating performance. The Board receives updated forecasts during the year. The non-executive directors also have contact with senior executives at numerous times and in various forums during the year.

Visits by non-executive directors to the QBE Group's offices in key locations are encouraged. The Board meets regularly in Australia and, due to QBE's substantial overseas operations, usually spends time in the United Kingdom and the United States each year.

The Board visited the QBE Group's operations in London in October 2018 and in New York in December. A delegation from the Board also visited Singapore in August 2018 to meet with and receive presentations from local management.

Each formal Board meeting normally considers reports from the Group Chief Executive Officer and the Group Chief Financial Officer, together with other relevant reports. The non-executive directors regularly meet in the absence of management. The Chairman and Group Chief Executive Officer in particular, and directors in general, including those on the divisional Boards, have substantial contact outside Board and Committee meetings.

Details of the number of Board meetings held during the 2018 financial year and attendance by directors are set out in the Directors' Report.

The Board delegates responsibility to the Group Chief Executive Officer for management of the business on a day-to-day basis.

Senior management functions

Management's responsibilities are to:

- develop a draft strategy, make recommendations to the Board and implement the Board approved strategy subject to market conditions;
- prepare annual budgets and three-year business plans;
- carry on day-to-day operations within the Board approved annual budget and three-year business plans subject to market conditions;
- design and maintain internal controls;
- set up and keep under review an effective risk management and compliance management system, and monitor and manage all material risks consistent with the strategic objectives, risk appetite statements and policies approved by the Board;
- inform the Board of material matters, and keep the Board and market fully informed about material continuous disclosure issues; and
- ensure succession plans exist for all senior management positions other than the Group Chief Executive Officer.

QBE has operated under an extensive written system of delegated authorities for many years. In particular, a written delegated authority with specified limits is approved by the Board each year to enable the Group Chief Executive Officer to conduct the QBE Group's business in accordance with detailed budgets and business plans. This authority deals with topics such as underwriting, reinsurance protection, claims, investments, acquisitions and expenses. The Group Chief Executive Officer delegates his authority to management throughout the QBE Group on a selective basis, taking into account expertise and past performance. Compliance with delegated authorities is monitored by management and adjusted as required for actual performance, market conditions and other factors. Management and the QBE Group's internal audit teams review compliance with delegated authorities and any breach can lead to disciplinary procedures, including dismissal.

Chairman

The independent Chairman of the Board of QBE is Marty Becker, who was appointed in April 2014. In his role as Chairman, Marty Becker is responsible for ensuring that the Board functions as an effective and cohesive group. Marty Becker works closely with the Group Chief Executive Officer to determine the strategic direction for QBE and to establish high standards of governance and leadership.

Committees

The Board is supported by several Committees which meet regularly to consider audit, risk management, investments, remuneration, technology, operations and other matters. The main Committees of the Board are the Audit, Investment, People & Remuneration, Governance & Nomination, Risk & Capital and Operations & Technology Committees. Further sub-committees of the Board may be convened to confer on particular issues from time to time. Any non-executive director may attend a Committee meeting. The Committees have free and unfettered access to QBE's senior managers and may consult external advisers at QBE's cost, including requiring their attendance at Committee meetings, with the consent of the Chairman. A report on each Committee's last meeting is provided to the next Board meeting.

Each Committee comprises at least three independent directors and each Committee Chairman is an independent or non-executive director who is not the Chairman of the Board (excluding the Governance & Nominations Committee, the Chairman of which is Marty Becker). Each Committee operates under a written charter approved by the Board. These charters are available at www.qbe.com. The membership of each Committee is provided at www.qbe.com and details of the number of Committee meetings held during the 2018 financial year and attendance by Committee members at Committee meetings are set out in the Directors' Report. Further information regarding the Committees can be found throughout this Corporate Governance Statement.

Company Secretary

The Company Secretary acts as secretary to the Board and all of the Committees and is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. All directors have direct access to the Company Secretary.

The Company Secretary's role is described in the Board charter and includes communication with regulatory bodies and the Australian Securities Exchange (ASX), all statutory and other filings, assisting with good information flows within the Board and its Committees and between non-executive directors and senior management, as well as facilitating induction and professional development as required. The Company Secretary may also provide guidance to directors in relation to governance matters.

Board skills and experience

Directors are selected to achieve a broad range of skills, experience and expertise complementary to the QBE Group's insurance activities. At the date of this Corporate Governance Statement, the Board comprised 10 directors, being an independent Chairman, eight other non-executive directors, and the Group Chief Executive Officer.

The Board has a skills matrix covering the range of competencies and experience of each director. When the need for a new director is identified, the required experience and competencies of the new director are considered in the context of this matrix and any gaps that may exist.

The Board's skills matrix is below.

SKILLS	INDUSTRY
Financial literacy	General insurance
Legal	Reinsurance
Governance	Investment banking
Strategy	Private equity
Commercial expertise	Financial services
Risk management	Accounting
Government relations	Investments
Executive leadership	
Digital technology	
Cyber security	
IT risks	
Data analytics	

Details of individual directors, including their qualifications and experience, independence status and the period of office serving on the Board, are set out in the Board of Directors section and can also be found on the QBE website at www.qbe.com.



Corporate governance statement continued

Independence of the Board

The majority of the Board are independent directors, applying the “independence” definition of the ASX Corporate Governance Council. When applying this definition, the Board has determined that an independent director’s relationship with QBE as a professional adviser, consultant, supplier, customer or otherwise is not material unless amounts paid under that relationship exceed 0.1% of QBE’s revenue. The roles of QBE’s Chairman and Group Chief Executive Officer are also not exercised by the same individual.

Directors are required to advise the Board on an ongoing basis of any interest they have that they believe could conflict with QBE’s interests. If a potential conflict does arise, either the director concerned may choose not to, or the Board may decide that he or she should not, receive documents or take part in Board discussions whilst the matter is being considered.

Tenure

The mere fact that a director has served on the QBE Board for a lengthy period of time does not, of itself, suggest a lack of independence; however, the Board has agreed that an independent director’s term should be approximately 10 years. The Board considers that a mandatory limit on tenure would deprive the QBE Group of valuable and relevant corporate experience in the complex world of international general insurance and reinsurance. The tenure of each director is set out in the Board of directors’ section and can also be found on the QBE website at www.qbe.com.

QBE’s constitution provides that no director, except the Group Chief Executive Officer, shall hold office for a continuous period in excess of three years or past the third AGM following a director’s appointment, whichever is the longer, without submission for re-election. Under QBE’s constitution, there is no maximum fixed term or retirement age for non-executive directors.

Board selection process

The Board has a Governance & Nomination Committee which meets regularly during the year around the time of the Board meetings. The Committee assists the Board in appointing directors so that the Board as a whole has the necessary range of skills, knowledge and experience to be effective. The Governance & Nomination Committee is comprised of all the non-executive directors of the Board and is chaired by Marty Becker.

A formal process for the selection and appointment of directors is undertaken by the Governance & Nomination Committee and Board. Before the Board appoints a new director or puts forward a candidate for election, appropriate background checks are undertaken. External consultants may be employed, where necessary, to search for prospective directors. Candidates are assessed against the required skills and on their qualifications, backgrounds and personal qualities. In addition, candidates must have the required time to commit to the position. The Board regularly reviews the mix of skills that is required. Under QBE’s Constitution, the size of the Board is limited to 12 directors. The Board considers that a maximum of 12 will reflect the largest realistic size of the Board that is consistent with:

- maintaining the Board’s efficiency and cohesion in carrying out its governance duties on behalf of shareholders;
- reducing the risk of a director being insufficiently involved and informed in the business of QBE; and
- providing individual directors with greater potential to contribute and participate.

QBE also provides shareholders with all material information in its possession that is relevant to a decision on whether or not to elect or re-elect a director through a number of channels, such as the Notice of Meeting, director biographies and other information contained in the Annual Report.

The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review. As an ongoing evaluation, the Board regularly discusses its make up in relation to the mix of skills, diversity and geographic location of directors to meet the needs of QBE.

Director induction and training

Upon appointment, each non-executive director (and senior executive) is provided with a written agreement which sets out the terms of their appointment. Directors also attend induction sessions upon their appointment, where they are briefed on QBE’s history and vision, strategy, financials, and risk management and governance frameworks.

The Board ensures it has the information it requires to be effective including, where necessary, independent professional advice. A non-executive director may seek such advice at QBE’s cost with the consent of the Chairman. Directors are also provided with ongoing professional development and training programs to enable them to develop and maintain their skills and knowledge at QBE’s cost, with the consent of the Chairman.

Performance evaluation and remuneration

Performance evaluation – Board and directors

The Chairman oversees the performance of the Board, its Committees and each director. The Board regularly reviews its performance through internal and external assessments, and recommendations for either improvement or increased focus are agreed and then implemented.

The Board performance evaluation for the 2018 year commenced in early 2019. The review covers the performance of the Board and its Committees, both at the Group and divisional level.

Performance evaluation – senior management

The People & Remuneration Committee oversees the performance of senior management. In addition, the Board continually monitors the performance of senior management through regular contact and reporting.

In 2018, QBE used a balanced scorecard of an individual's achievement against specific strategic priorities. Other than as set out in the Remuneration Report, senior management has 35% of their Executive Incentive Plan outcome determined with reference to individual objectives.

The scorecard is aligned to QBE's business plans and measures objectives which support QBE's strategic objectives in 2018. The Remuneration Report sets out a summary of the key objectives and outcomes for the Group Chief Executive Officer. The Group Chief Executive Officer's scorecard was formulated initially through a discussion between the Group Chief Executive Officer and the Chairman and was approved by the Board. Consistent with the Group Chief Executive Officer, the scorecards for the rest of senior management align with QBE's business plans and support the strategic priorities. The approval and assessment process for the senior management scorecards is completed by the People & Remuneration Committee.

The 2018 objectives for senior management were used to measure their performance for the 2018 year. These performance evaluations occurred in 2019.

People & Remuneration Committee

The Board has a People & Remuneration Committee which meets at least quarterly to assist it in overseeing major remuneration practices of the QBE Group. The People & Remuneration Committee is comprised of independent directors and is chaired by Stephen Fitzgerald.

Remuneration policies and practices

Details of QBE's policies and practices regarding the remuneration of executives and non-executive directors (being Key Management Personnel) are set out in the Remuneration Report.

Other than meeting statutory superannuation requirements, QBE does not have in place any retirement benefit schemes for non-executive directors.

QBE's trading policy for dealing in securities of QBE Insurance Group Limited or other entities outlines QBE's approach to derivatives or otherwise limiting the economic risk of participating in an equity-based remuneration scheme. The trading policy is available at www.qbe.com.

Group governance

Group Governance Framework

In line with its commitments to the highest standards of corporate governance, in 2018 the Group Board adopted an updated Group Governance Framework effective 1 January 2019. The Framework sets out five overarching governance principles that support best practice governance across the QBE Group, and is designed to encourage collective governance accountability across Group and the divisions.

The updated Framework refines the roles, responsibilities and composition of the Group and divisional Boards and Committees to ensure they provide appropriate guidance and oversight over the business. The Framework also strengthens the relationship and information flows between these governance bodies, so they can work together to achieve the best possible outcomes for QBE.



Corporate governance statement continued

Group policies

In February 2018, the QBE Group released its updated Code of Ethics and Conduct. The Code was reviewed and updated to take into account QBE's changing business environment, approach and strategy and emerging regulatory and compliance issues. In May 2018, global Code of Ethics and Conduct training was released across QBE. The document was again revised in December 2018 to include the newly launched QBE DNA. The Code of Ethics and Conduct applies to all employees as well as directors, agents and contractors.

Also in May 2018, QBE changed the provider of its current whistleblowing system and released the new system, known as the QBE Ethics Hotline, across the majority of QBE. The availability of the Hotline reflects QBE's commitment to develop a "speak up" culture and ensure disclosures made by employees are taken seriously and employees are protected. In June 2018, global Ethics Hotline training was released across QBE.

Director conduct is covered by both the Code of Ethics and Conduct and the non-executive directors' nomination, performance evaluation and tenure guidelines. These guidelines cover director conduct, particularly in regard to tenure, performance and evaluation. The guidelines are available at www.qbe.com.

The QBE Group has global policies in key compliance areas, including conflicts of interest, anti-bribery and anti-corruption, sanctions, whistleblowing, diversity and inclusion, work, health and safety and privacy. Global policies are also in place to address prudential requirements of the Australian Prudential Regulation Authority, including risk management, business continuity management, reinsurance management, fitness and propriety and outsourcing. In 2018, QBE released a Group Modern Slavery Statement, introduced a global Priority Data Breach Policy and expanded the requirements of the Gift and Entertainment (G&E) Policy across QBE's Group Head Office, Australia, New Zealand, Asia Pacific, Philippines (GSSC) and reinsurance divisions. North America and Europe continue to adopt a local approach to G&E.

In recognition of the importance of protecting employee and customer data across the QBE Group, the Group Privacy Officer chairs a global Privacy Working Group. QBE's global approach in key compliance areas recognises that employees (including contractors, directors and agents) are key to maintaining a compliant and ethical approach to QBE's business practices. Most global policies are supported by Group guidelines that provide additional information and guidance to support employees. As per the Group Compliance Monitoring Plan, QBE has finalised three compliance monitoring reviews covering gifts and entertainment, sanctions, and fitness and propriety. QBE has also enhanced the resource capability of the Group Compliance team, recruiting expertise in financial crime and learning and development.

In Australia, QBE complies with the General Insurance Code of Practice, a self-regulated code relating to the provision of products and services to customers of the general insurance industry in Australia. The Code Governance Committee (CGC) is the independent body that monitors and enforces insurers' compliance with the Code. QBE's Australian business is also a member of the Australian Financial Complaints Authority (AFCA), the external dispute resolution scheme that deals with complaints from consumers in the financial system.

Continuous disclosure

QBE takes its continuous disclosure obligations seriously and issues market releases during the year to satisfy those obligations. All ASX announcements are set out on QBE's website at www.qbe.com.

QBE's continuous disclosure policy is available at www.qbe.com.

Diversity and inclusion

QBE has a strong commitment to diversity and to offering a dynamic workplace culture; one that values and leverages the ideas, capabilities and experiences of our global workforce. The Global Diversity & Inclusion (D&I) policy was revised in 2018, aiming through its implementation to ensure the Group is:

- attracting and hiring diverse teams that enhance the approach to problem solving and innovation;
- supporting productivity and engagement by offering an inclusive, flexible and modern workplace;
- leveraging diverse skills to enhance the customer experience and organisational growth; and
- supporting our local communities and strengthening our brand reputation.

To achieve this, the Group Executive Committee, which represents the Global Diversity & Inclusion Council, has set the following objectives which are implemented and overseen by the Council and assessed and reviewed annually by the People & Remuneration Committee of the Group Board:

AREA OF FOCUS	ACHIEVEMENTS IN 2018
<p>Inclusive leadership – look to support the set-up of collaborative/inclusive teams and normalise flexibility to increase productivity and retention</p>	<ul style="list-style-type: none"> Introduced a new initiative engaging with senior leaders across QBE (QBE Champions of Change) and gaining insights through a series of activation workshops on what they need to feel empowered, set the tone from the top, role model inclusive behaviours to support the QBE DNA. New Flex@QBE principles were developed and endorsed by the Group D&I Council and Group Board – aimed to normalise flexibility in the way we work, having the right technology, workplace design and ways of working to empower all our employees. Enhancement of commitment at the top of the organisation through agreement to external pledges which require visible sponsorship and accountability – including Male Champions of Change in Australia, HM Treasury Women in Finance Charter and Lloyd's of London Inclusive Behaviours pledge in the UK and France's L'Autre Cercle charter on LGBT+ inclusion. This is in addition to our signatory to the Statement of Support for the Women's Empowerment Principles.
<p>Diversity in leadership representation – progressively inclusive, gender balanced leadership teams at senior levels</p>	<ul style="list-style-type: none"> Female representation at senior levels (Levels 0–3) increased a further 2% over the year, reaching 32%. The Group is seeing more gender balance in our external hiring (42% of external hires were women) and we have retained more women than men (only 27% of those who left were women). Embedding a global process for executive hiring (Levels 0–1 and key Levels 2 roles) continues to be a focus.
<p>Strong pipeline of diverse talent – progressively implement equitable access policies and practices to govern QBE's attraction, retention and optimisation of all talent</p>	<ul style="list-style-type: none"> Refreshed talent and succession validation approach rolled out. Our leaders are taking increased personal responsibility for mentoring, sponsoring and driving career conversations. In Australia a new female talent program (Lead In) was introduced targeting Level 3 and 4 women (22 women participating in 2018), this was successfully completed and will continue to run in 2019.
<p>Fair remuneration – seek to reward our employees fairly and support gender pay equity through regular analysis, monitoring and transparent communication</p>	<ul style="list-style-type: none"> In 2018, in addition to our regular global pay equity analysis, we advanced our methodology to measure gender pay equity using multivariate regression analysis in our major markets of Australia, the United States and the United Kingdom. This allowed us to assess gender pay equity based on the key drivers of pay in our organisation, such as the role, location and performance of the employee. As a result, QBE has made plans to adjust the salaries of both male and female employees across these markets during the 2019 salary review process to ensure our employees are fairly remunerated. We have also put in place initiatives to improve fair pay during the employee lifecycle, such as at the point of recruitment, and will continue to expand the analysis across the Group through 2019.
<p>Customer satisfaction and retention – progressively review our products, policies and practices to enhance equitable access to our diverse customer base</p>	<ul style="list-style-type: none"> Within our newly set out Supplier Sustainability principles we have promoted our commitment to D&I looking to ensure our suppliers: <ul style="list-style-type: none"> Comply with human rights standards in respect to their employees and business operations Are committed to having a diverse workforce and inclusive respectful workplace QBE continues to offer Premiums4Good to our customers, which invites them to join with us to make a real difference. They can ask us to invest 25% of their insurance premium in impact investments – investments in securities with an additional environmental or social objective. This social objective now also includes social inclusion, diversity and gender.



Corporate governance statement continued

Gender balance at Board and senior management levels

Across the Group, in 2015 we set ourselves the goals of achieving 35% of women in senior management and 30% of women on our Board by 2020. We achieved another 2% increase in the 2018 year in senior management; however our Board composition remained unchanged at 31 December 2018.

Details of gender representation across our workforce and management levels together with targets are set out below:

GENDER REPRESENTATION	GENDER TARGET BY 2020	ACTUAL 31 DECEMBER 2018	ACTUAL 31 DECEMBER 2017	ACTUAL 31 DECEMBER 2016	BASELINE 31 DECEMBER 2015
QBE Board	30%	22%	22%	27%	22%
Group Executive positions (Level 0)		11%	11%	11%	10%
Level 1		26%	22%	22%	20%
Level 2		26%	22%	22%	21%
Level 3		34%	32%	30%	29%
Women in management (Total % of Levels 0, 1, 2 & 3)	35%	32%	30%	28%	27%
Women in workforce		53%	53%	53%	53%

In addition to gender equality, QBE's commitment extends to other areas of diversity including:

- actively promoting inclusion for lesbian, gay, bisexual, transgender and intersex (LGBTI+) employees with a global QBE Pride employee network and working with Pride In Diversity and Stonewall;
- ongoing commitment to supporting indigenous communities, in Australia launching QBE's second Innovate Reconciliation Action Plan during NAIDOC week; and
- looking to ensure accessibility in the workplace and enhance our ability to employ people with a disability, QBE Europe receiving Disability Confident Committed status by the government in 2018.

For additional information on our approach and progress, see QBE's 2018 Sustainability Report. QBE also makes an annual filing to comply with the Workplace Gender Equality Act (WGEA) in Australia disclosing our performance against the "Gender Equality Indicators". The 2018 report can be found at www.qbe.com.

Respecting the rights of shareholders

QBE respects the rights of its shareholders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

QBE aims to provide shareholders with up-to-date information. QBE also provides regular communications to shareholders and other stakeholders through a number of publications including the Annual Report, Half Year Report and Sustainability Report. Hard copies of these documents are sent to shareholders who have opted to receive these in printed form. All reports are available at www.qbe.com. The website also provides information about QBE's history and corporate governance, as well the biographies about directors and the QBE Group executives.

QBE provides shareholders the option to receive all communications from QBE and its share registry electronically, and encourages shareholders to do so where possible. Shareholders can discuss their shareholding with either the shareholder services department or the share registry, both located in Sydney.

QBE welcomes shareholder participation at its Annual General Meeting (AGM), either in person or by proxy. The AGM is held in Sydney each year and webcast to shareholders that are unable to attend in person. Shareholders are also encouraged to provide questions or comments ahead of the meeting, and ask any direct questions to the Chairman or the external auditor at the AGM.

All resolutions in the Notice of Meeting have explanatory notes. The shareholder communication guidelines are available at www.qbe.com.

QBE has a comprehensive investor relations program that facilitates effective communication with its investors. The Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Operations Officer, Group General Counsel and Company Secretary, Global Head of Investor Relations, divisional chief executives and divisional finance officers generally deal with analysts, investors, media, rating agencies and others, taking account of regulatory guidelines including those issued by the ASX on continuous disclosure. The presentations on the 30 June and 31 December results and other major presentations are sent to the ASX before the presentations commence and are available promptly on the QBE Group's website. The 30 June and 31 December presentations are also webcast live and subsequently archived on the QBE Group's website.

Financial and other reporting

Audit Committee

The Board has an Audit Committee which meets at least quarterly to support the Board in overseeing the effectiveness of the QBE Group's financial reporting and risk management framework. In particular, the Audit Committee oversees and monitors the integrity of the QBE Group's financial reporting, including climate-related financial disclosures. The Audit Committee is comprised of non-executive directors, a majority of whom are independent directors, and is chaired by Sir Brian Pomeroy.

CEO and CFO declaration

Prior to the Audit Committee's review and the Board's approval of the 2018 Annual Report, the Group Chief Executive Officer and Group Chief Financial Officer provided a declaration to the Board that, in their opinion, the financial records were properly maintained, that the financial statements complied with the appropriate accounting standards and that they gave a true and fair view of the financial

position and performance of the QBE Group. The declaration also provides that the opinion of the Group Chief Executive Officer and Group Chief Financial Officer was based on a sound system of risk management and internal control which is operating effectively.

External auditor independence

QBE firmly believes that the external auditor must be, and must be seen to be, independent. The external auditor confirms its independence and the Audit Committee confirms this by separate enquiry. The Audit Committee meets with the external auditor in the absence of management as part of each Committee meeting. The external auditor attends the AGM and a representative is available to answer questions from shareholders relevant to the audit.

The Audit Committee has free and unfettered access to the external auditor. The external auditor has free and unfettered access to the Audit Committee.

QBE has issued an internal guideline on external auditor independence. Under this guideline, the external auditor is not allowed to provide the excluded services of preparing accounting records, financial reports or asset or liability valuations. Furthermore, it cannot act in a management capacity, as a custodian of assets or as a share registry.

The Board believes some non-audit services are appropriate given the external auditor's knowledge of the QBE Group. QBE may engage the external auditor for non-audit services other than excluded services subject to the general principle that fees for non-audit services should not exceed 50% of all fees paid to the external auditor in any one financial year. External tax services are generally provided by an accounting firm other than the external auditor.

The Audit Committee approves the audit plan each year and receives information on the external auditor's fees. QBE also considers the terms of engagement of the external auditor every few years. The *Corporations Act 2001* and Australian professional auditing standards require rotation of the lead engagement partner after five years. The lead engagement partner of the external auditor was last rotated in 2018.

In the event that the Audit Committee thought it appropriate to change the firm undertaking QBE's external audit, it would conduct an appropriate competitive tender process.

Actuarial review

It is a longstanding practice of the directors to ensure that the QBE Group's insurance liabilities are assessed by actuaries.

The central estimate of QBE Group's insurance liabilities, comprising outstanding claims and premium liabilities, is determined by experienced internal actuarial staff. Actuarial staff form an independent view, separate from management, of both the central estimate and the probability of adequacy of outstanding claims and premium liabilities. At 31 December 2018, close to 100% of QBE's outstanding claims central estimate was also reviewed by external actuaries.

Internal audit

A global internal audit function is critical to the risk management process. QBE's internal audit function reports to the Group Chief Financial Officer and the Audit Committee on the monitoring of the QBE Group's worldwide operations. Internal audit provides independent assurance that the design and operation of the controls across the QBE Group are effective. The internal audit function operates under a written charter from the Audit Committee and the Group Head of Internal Audit has free and unfettered access to that Committee. Other governance documents include a reporting protocol, internal audit manual, internal audit issue rating system, internal audit opinion levels and internal audit timetables. A risk-based internal audit approach is used so that higher risk activities are reviewed more frequently.

Risk management

QBE is in the business of managing risk. The Board and management are fully committed to ensuring that a disciplined approach to managing risk delivers leading practice and that QBE Group's risk management processes and systems are robust and independent. QBE's risk framework supports its businesses across all divisions and provides a sound foundation for reducing uncertainty and volatility in business performance.

Risk & Capital Committee

The Board monitors the QBE Group's performance and, as such, plays a significant role in ensuring that an effective risk management strategy is established and maintained. The Board has a Risk & Capital Committee which meets at least quarterly to support the Board in overseeing the effectiveness of QBE Group's risk and capital management frameworks. The proper oversight of these frameworks supports strategic objectives, informs business plans and ensures that current and future risks are identified, assessed and monitored in line with risk appetite. Under its charter, the Risk & Capital Committee is required to review the risk framework periodically to confirm it continues to be sound. This review was undertaken during 2018 as part of the annual refresh of the Risk Management Strategy.

The Risk & Capital Committee is comprised of independent directors and is chaired by Rolf Tolle. The Risk & Capital Committee has access to the Group Chief Risk Officer and other relevant senior management.

Economic, social and environmental risk

Information about how QBE approaches sustainability and the management of environmental, social and governance (ESG) issues can be found in the [2018 Sustainability Report](#) available at www.qbe.com.

Further details of how QBE manages risk are set out in the Group Chief Risk Officer's Report. An overview of QBE's risk management framework, including QBE's material economic risks and how these are mitigated, is also set out in note 4 to the Financial Report.

