Remuneration Report

This Remuneration Report sets out QBE's remuneration framework and provides detail of remuneration outcomes for key management personnel (KMP) for 2018 and how this aligns with QBE's performance.

Accounting standards define KMP as those executives and non-executive directors with the authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly.

The 2018 Remuneration Report has been prepared and audited in accordance with the disclosure requirements of the *Corporations Act 2001*.

To our shareholders,

On behalf of the Board, I present QBE's Remuneration Report for 2018.

2018 performance and remuneration

Our improved financial results for 2018 have been achieved through the support of our customers, partners and the hard work of our people. In determining the remuneration outcomes of our executives, the Board takes a holistic view of their performance, including the manner in which executives conduct themselves and their approach to managing risk, the latter being a key consideration to support the long-term financial soundness of the Group.

The Board awarded the Group CEO an Executive Incentive Plan (EIP) award of 98.6% of his target opportunity (65.7% of maximum opportunity) for 2018. This reflects:

- Improved financial performance as measured by the cash return on equity (cash ROE) and combined operating ratio (COR), both of which were in line with market guidance and the target incentive range disclosed in last year's Remuneration Report.
- Significant progress on our key priorities for 2018 including improved underwriting and attritional claims ratios as a result of the Brilliant Basics program; achieving premium rate increases; building a stronger, simpler QBE through the sale of underperforming or non-core insurance operations across a number of geographies; streamlining internal structures and hiring quality talent.
- Leading cultural change aligned to our QBE cultural attributes.

A more detailed explanation of the 2018 EIP award for the Group CEO is included on pages 66 and 67.

Changes to the remuneration structure for 2019

For 2019, we have made significant changes to our executive remuneration arrangements. This was in response to shareholder feedback from the Remuneration Report at the 2018 Annual General Meeting (AGM).

In 2017 we introduced the EIP that combined short-term incentives (STI) and long-term incentives (LTI) into a single incentive plan.

While many shareholders were supportive of our intent to simplify incentives and build long-term alignment through meaningful share ownership, some raised concerns with elements of the EIP design that they felt could encourage executives to maximise short-term awards to the detriment of long-term value. We respect the feedback from all shareholders and after careful consideration concluded that change was necessary.

Consequently, for 2019, following an extensive review, we have reverted to the more common model of separate STI and LTI arrangements. We believe this approach will address the concerns raised and will be supported by our stakeholders, including executives. The new STI and LTI arrangements are explained in more detail on page 63.

With the review commencing immediately after the AGM in May 2018 and extending into the second half of the year, we made the decision to retain the EIP for 2018 as it would be inappropriate to retrospectively change executive remuneration arrangements and set backdated financial targets for incentives when more than half the year had passed.

2019 performance targets

Each year we set incentive targets that reflect the Group's business plans and the operating environment.

The STI performance measures are cash ROE and COR. The targets have been set by the Board in consideration of our market guidance set out on page 8. Outcomes against these targets will be disclosed in the 2019 Remuneration Report.

The performance measures for the new LTI award in 2019 will be relative total shareholder return (TSR) and average cash ROE, both measured over a three-year performance period. The three-year average cash ROE target range is 8% to 12%.

Cash ROE references cash profit, the same basis used to determine shareholder dividends. For 2019 we have removed our previous practice of adjusting cash ROE for the impact of unbudgeted discount rate movements as the duration of our investment portfolio now aligns more closely with our liability duration.

Managing catastrophe risk is a core part of our business. Consequently, we have not normalised or adjusted incentive outcomes for catastrophe claims and this will continue for STI awards. For LTI, however, a three-year performance period means extreme catastrophe events or equally very benign periods can have a material impact on multiple awards. To address this, we have introduced a collar which effectively provides a ceiling and floor on catastrophe claims when determining LTI outcomes. Further details will be in the 2019 AGM Notice of Meeting.

The 2019 performance measures are defined on page 63.

Looking ahead

We support the recommendations made in the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry Final Report with regards to culture, governance and remuneration and have developed action plans to evolve our policies and practices to reflect the spirit and intent of new regulation as it is implemented. We recently introduced a new employee performance management framework which formally assesses the "how" as well as the "what" and will continue to focus on strengthening our approach to managing risk and driving cultural change across the Group.

We look forward to your feedback.

Stephen Fitzgerald
Chairman, People & Remuneration Committee

2019 changes to executive remuneration

Board response to concerns raised in relation to the 2017 Remuneration Report

QBE's financial performance in 2017 clearly didn't meet the expectations of our shareholders and a significant improvement was needed for 2018. The Board is pleased with the progress made throughout 2018 on our strategic priorities and recognises the efforts of our people and how they have responded following a very challenging prior year. Details of 2018 achievements are highlighted in the Chairman's message found on page 2 of the Annual Report.

In the lead up to the 2018 AGM and subsequently, we spent considerable time talking to our shareholders to seek feedback on our executive remuneration arrangements. The key issues and our response to each is shown below including changes to our approach for the 2019 performance year. We also received feedback that the costs associated with a refresh of our executive talent were high. In negotiating such costs, we seek the best commercial outcome for QBE. We are satisfied that we now have the executive team in place to deliver our strategic priorities.

ISSUE 1: EIP structure

Concern: The absence of further performance conditions on deferred EIP equity awards meant EIP awards were determined solely from annual performance measures. This could overly focus executives on maximising short-term outcomes at the expense of long-term value.

Response: The intent of the EIP was to build long-term alignment through meaningful share ownership and we believe over the longer term this would have been demonstrated. However, we recognise the feedback from some shareholders that combined plans such as the EIP are not regarded as an appropriate substitute for long-term performance hurdles. We concluded that the model to best achieve the right balance is the more traditional model of separate STI and LTI arrangements. The structure of the STI and LTI plans for 2019 is shown below and is very similar to that which applied in 2016 prior to the introduction of the EIP.

ISSUE 2: Poor financial results and shareholder outcomes

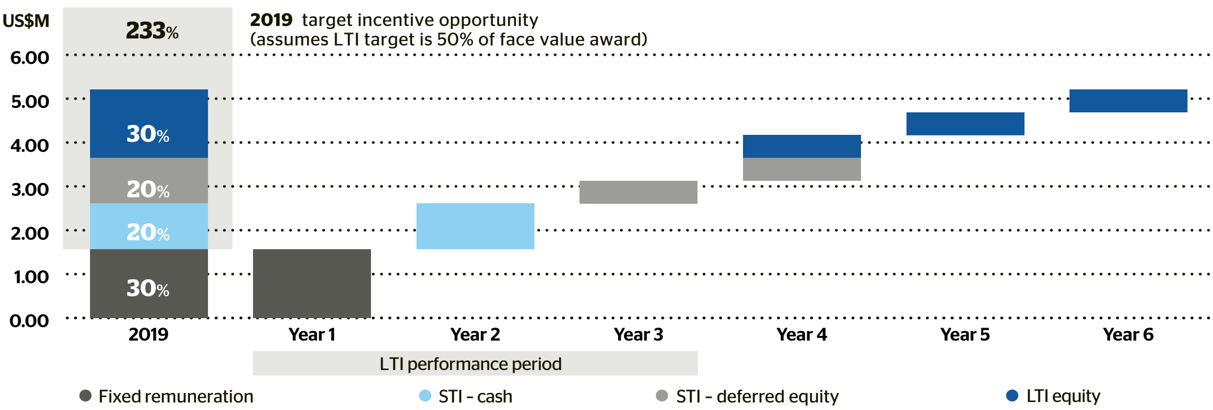
Concern: 2017 EIP outcomes did not appropriately reflect financial results and shareholder outcomes.

Response: We recognise that the financial outcomes for shareholders were unsatisfactory. As a result of the feedback received at the time, the incoming Group CEO volunteered to reduce his deferred EIP equity award by 25% (A$420,000).

Remuneration arrangements for the 2019 performance year

The changes for 2019 will apply to all executive KMP. The structure for the Group CEO is set out below.

Remuneration framework and payment profile



On introducing the EIP in 2017, we applied a 50% discount to the face-value of the LTI award to recognise the fact that performance conditions were being measured over one year instead of three, and therefore less uncertain. In moving back to separate STI and LTI arrangements for 2019, we will revert to the % opportunities that applied previously. Mr Regan's fixed remuneration increased from A$2,000,000 to A$2,100,000 on 1 January 2019 in accordance with his contractual terms agreed on appointment and as previously disclosed in the 2017 Remuneration Report.

Performance measures

STI	RISK OVERLAY	Group cash ROE 25%	Group COR 40%	Strategic performance objectives 35%

CASH ROE

Definition: Net cash profit divided by average shareholders' funds. As a principle, losses due to unbudgeted amortisation/impairment of intangibles will, other than in exceptional circumstances, be included in cash ROE so that executives remain accountable for the management of intangible assets.

Rationale: Cash ROE is a measure of how effectively we manage shareholder funds and will generally be measured on the same basis used to determine shareholder dividends.

COR

Definition: Net claims, commissions and expenses as a percentage of net earned premium. Consistent with how we report COR to the market, this is measured excluding the impact of changes in risk-free rates used to discount net outstanding claims.

Rationale: COR is the most relevant measure of the profitability of our insurance operations.

Adjustments: Any other items (such as material acquisitions or divestments) not included in the business plan and deemed appropriate by the People & Remuneration Committee.

Strategic performance objectives: The strategic performance objectives are linked to our longer-term strategic priorities. Full details of the strategic performance objectives for 2019 are on page 9 of the Annual Report.

- Deliver the 2019 plan
- Brilliant Basics
- Talent and culture
- Future focus
- Customer focus
- Managing risk
- Operating sustainably

LTI	RISK OVERLAY	Average Group cash ROE 50%	Relative TSR 50%

AVERAGE CASH ROE

Definition: The arithmetic average of the three annual cash ROEs for the three-year performance period. To reduce the impact of extreme catastrophe events or equally very benign periods, we have introduced a catastrophe adjustment which effectively provides a ceiling and floor on catastrophe claims when determining LTI outcomes.

Rationale: Cash ROE is the primary financial measure of success for QBE and is most tangible for long-term decision-making.

RELATIVE TSR

Definition: TSR of QBE against two independent peer groups
1. ASX50 entities (for 50% of the TSR component)
2. Global insurance peer group (for 50% of the TSR component)

TSR is the change in percentage value of an entity's share price plus the value of reinvested dividends and any capital returns measured over the three-year performance period.

Rationale: The use of two independent peer groups provides strong alignment to our shareholder base.

Adjustments: Any other items (such as material acquisitions or divestments) not included in the business plan and deemed appropriate by the People & Remuneration Committee.

Risk overlay: We continue to strengthen our approach to risk management and drive cultural change across the Group. STI and LTI outcomes for each executive may be adjusted by the Board based on a formal review of risk and behaviours. This review includes input from the Group CEO, Group Chief Risk Officer, divisional boards and the Chairman of the Risk & Capital Committee.

Summary of key features

	2018	2019	
FEATURE	EIP	STI	LTI
Remuneration components	• EIP cash (20%) • EIP deferred equity (80%)	• STI cash (50%) • STI deferred equity (50%)	• LTI Equity (100%)
Group CEO target incentive opportunity	• 233% (target) • 350% (maximum)	• 133% (target) • 200% (maximum)	• 200% (face-value)
Performance period	• 1 year	• 1 year	• 3 years
Equity deferral period	• 1–4 years from end of performance period	• 1–2 years from end of performance period	• 3–5 years from start of performance period
Performance measures	• Group cash ROE • Group COR • Strategic performance objectives	• Group cash ROE • Group COR • Strategic performance objectives	• Group average cash ROE • Relative TSR
Malus	• Subject to malus during the vesting period		
Executive minimum shareholding (x fixed remuneration)	• The minimum shareholding requirement (MSR) was increased to 3x fixed remuneration for the Group CEO (1.5x for other KMP) on introduction of the EIP in 2017. The MSR will remain unchanged for 2019 but the time to achieve has been extended from three to five years.		

2018 remuneration at a glance

Our strategy and how we performed

Our purpose

We give people the confidence to achieve their ambitions

Our vision

To be the insurer that builds the strongest partnership with customers

QBE Group 2018 priorities

Our strategic priorities for 2018 support our vision.

- Simplify QBE
- Brilliant Basics
- Deliver the 2018 plan
- Further reposition North America
- Remediate Asia
- Talent and culture
- Build for the future

Our remuneration principles

QBE's remuneration strategy is designed to attract, motivate and retain QBE's executives by providing market competitive remuneration aligned with the creation of sustained shareholder value.

- Simple and clear
- Linked to strategy
- Motivating
- Aligned to shareholders
- Globally consistent and locally competitive

How the remuneration framework supports the strategy

Simple and clear

A simple and clear view of how delivery of our strategy impacts incentive outcomes for our executives.

Adaptable to changes in our strategy and external environment

Annual performance targets aimed at delivering our long-term objectives are adaptable to the evolution of our strategy, changes to business cycles and the external operating environment.

Measures that are correlated with performance

Measures that focus on profitability, management of the balance sheet and our longer-term strategic priorities enable remuneration outcomes to reflect a holistic view of performance.

Encourages our executives to think and act like business owners

A significant portion of incentives are paid in equity which focuses executives on creating shareholder value, managing risk and being accountable for the long-term success of QBE.

Aligning remuneration to culture and managing risk

The remuneration structure is designed to align remuneration with prudent risk-taking, underpinned by clear messaging of our QBE DNA which describes who we are, what we stand for and how we need to operate to be successful.

Financial performance – five year summary

		2014	2015	2016	2017	2018
Net profit (loss) after income tax [1]	(US$M)	742	687	844	(1,249)	**567**
Statutory combined operating ratio [1]	(%)	96.1	94.9	94.0	104.8	**95.9**
Statutory return on average shareholders' funds	(%)	6.9	6.4	8.1	(13.0)	**4.5**

1 The 2018 results include continuing operations only. Prior years included continuing and discontinued operations.

Return to shareholders – five year summary

		2014	2015	2016	2017	2018
Share price at 31 December	(A$/share)	11.21	12.59	12.42	10.68	**10.10**
Dividend per share	(Australian cents)	37	50	54	26	**50**
Total shareholder return	(%)	(0.4)	15.2	5.3	(8.9)	**(0.9)**

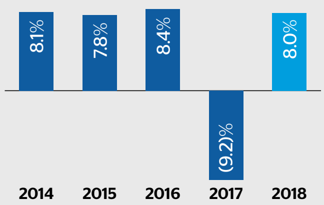
2018 Group performance

2018 divisional performance

	Group cash ROE	Group COR	North American Operations COR	European Operations COR	Australian & New Zealand Operations COR	Asia Pacific Operations COR
Award	**83.8%**	**97.9%**	**79.0%**	**136.7%**	**126.7%**	**34.7%**
Superior	11.0%	93.0%	94.0%	94.0%	90.5%	95.5%
Result	8.0%	95.7%	97.9%	94.8%	91.9%	104.2%
Threshold	7.0%	99.0%	100.0%	100.0%	96.5%	104.5%

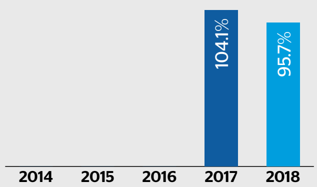
Group performance measures for 2018 EIP

Cash ROE for incentive purposes (%)



See page 14 for details of the statutory to adjusted reconciliation.

COR for incentive purposes (%)



COR has been adjusted for the impact of changes in risk-free rates used to discount net outstanding claims liabilities.

Group CEO outcomes

	2014	2015	2016	2017	2018
Short-term incentive or EIP (from 2017) as % of target	46.7%	75.0%	75.3%	15.6%	**98.6%**
Long-term incentive vested (% of grant)	0.0%	0.0%	0.0%	0.0%	**0.0%**

Tracking of unvested LTI awards

LTI AWARD	PERFORMANCE MEASURES	VESTING DATE	TRACKING
2016	Statutory ROE and relative TSR	March 2019	Will not vest

1. GROUP CHIEF EXECUTIVE OFFICER AND KMP PERFORMANCE SNAPSHOTS

The EIP outcomes for 2018 have been determined taking a view of performance that balances focus on financial results and progress against our strategic priorities.

Financial performance outcomes

Overall financial performance in 2018 represents an improvement on our 2017 performance. The Group Cash ROE was 8.0%, resulting in an award of 83.8% for this measure. The Group COR was 95.7%, resulting in an award of 97.9%. The targets and outcomes for cash ROE and COR excludes discontinued business lines.

In determining the award outcome for each measure, the Board considered the quality of the result in the context of the operating environment and other factors. For example, the divestiture of Latin American Operations added significant value to shareholders, both in the agreed sale terms and subsequent execution. It has significantly simplified our operations and set us up for more consistent and further improved performance going forward.

Strategic performance objectives for 2018

Executives have 35% of their EIP outcome determined with reference to strategic performance objectives aligned to QBE's strategic priorities (50% for the Group Chief Risk Officer). The table below sets out a summary of the key objectives for the Group CEO for 2018.

STRATEGIC PRIORITY	2018 OBJECTIVES	OUTCOMES
Simplify QBE	Reduce complexity across the business and only operate in markets and products where we have a distinct advantage and can grow profitably.	Successfully exited countries and portfolios where we lacked scale or were not able to deliver an acceptable return, generating a pre-tax gain of circa $111 million, before reclassification of foreign currency translation reserve. Further simplified QBE by streamlining the operating structure.
Brilliant Basics	Underwriting, pricing and claims form the "basics" of what we do as a business and we will focus on doing each of these brilliantly.	Strengthened Group Underwriting Standards and Group Claims Standards and upgraded our capabilities in pricing; established Chief Underwriting Offices in each of the divisions; made key appointments for the Group Chief Underwriting Officer and Global Head of Pricing roles.
Deliver the 2018 Plan	Drive rigorous performance management through detailed cell reviews. Deliver our targeted COR range of 95.0%–97.0% and, in particular, improve the attritional claims ratio through better risk selection, pricing and claims outcomes.	Achieved improved financial results supported by over 500 cell reviews across the Group; achieved targeted rate increases; strong retention and improvements in our attritional claims ratios.
Further reposition North America	Deliver improved underwriting results and further transform and refocus this business.	Significant improvement in the attritional claims ratio; sold North American personal lines; simplified the organisational structure by combining the specialty and commercial businesses; technology implementation plan and funding in place to reduce reliance on legacy systems.
Remediate Asia	Improve pricing and risk selection in a number of key portfolios and work towards a more acceptable performance in our Asia Pacific Operations.	Delivered 2H 2018 COR of 99.5% through significant improvements in our claims processes, attritional claims ratio and the sale of loss-making operations which have also enabled us to simplify our divisional structure.
Talent and culture	Embed a culture that supports our objectives and drives the right behaviours. Introduce a new set of values that place greater emphasis on being fast-paced, accountable, technically excellent, decisive, diverse, customer-led and collaborative.	Refreshed how we describe our culture with the launch of our QBE DNA; achieved a 2% increase to the number of women in senior management roles; launched the QBE Champions of Change network focused on diversity and inclusion; built bench strength through the acquisition of talent including the completion of the refresh of the Group Executive team.
Build for the future	To build a successful company for the future we need to be innovative and customer focused while delivering on a clear technology roadmap.	Developed clear strategy for the Transformation of IT; continued to invest in emerging technology partnerships with QBE Ventures completing three further investments in 2018 (HyperScience, Jupiter and Zeguro).

Risk and behaviours

The way in which results were achieved, in terms of how the executives manage risk and conduct themselves, were key considerations of the Board in determining incentive outcomes. Performance assessments of each executive included a formal assessment of risk behaviours using input from the Group Chief Risk Officer and Chairman of the Risk & Capital Committee.

Other executives' objectives are also aligned with the above and their outcomes/achievements are provided in the following pages.

QBE is required to disclose actual remuneration outcomes in the financial period under review.

The realised 2018 remuneration figures below include the accrued EIP cash award for the 2018 financial year, the value of any conditional rights granted in prior years that vested during 2018 and executive shareholdings against the MSR. The value of vested conditional rights awards has been calculated using the share price on the vesting date. These figures are different from those shown in the statutory table in section 4.1 of the Remuneration Report. For example, the statutory table includes an apportioned accounting value for all unvested conditional rights held during the year, which remains subject to performance and service conditions and consequently may or may not ultimately vest.

Group Chief Executive Officer

Patrick Regan
Group Chief Executive Officer

Target Remuneration Mix

30% | 14% | 56%

- Fixed remuneration
- EIP cash
- EIP deferred equity

2018 EIP award

Group cash ROE	83.8%
Group COR	97.9%
Strategic performance objectives	110.0%

Threshold | Target | Superior

Country of residence	Term as KMP in 2018	Total value of shareholdings against the MSR (times fixed rem)
Australia	Full year	5.0

2018 EIP outcome (US$000)

- 20% — $686 EIP cash
- 80% — $2,745 EIP deferred equity

98.6% of target

measured on...

- 25.0% Group cash ROE
- 40.0% Group COR
- 35.0% Strategic performance objectives

Realised 2018 remuneration (US$000)

- $1,494 Fixed remuneration
- $686 EIP cash
- $389 Conditional rights vested
- $350 Other

$2,919 Total

Divisional executives

Vivek Bhatia
Chief Executive Officer, Australian & New Zealand Operations

Target Remuneration Mix

36% | 26% | 38%

- Fixed remuneration
- EIP cash
- EIP deferred equity

2018 EIP award

Group cash ROE	83.8%
Group COR	97.9%
Divisional COR	126.7%
Strategic performance objectives	120.0%

Threshold | Target | Superior

Country of residence	Term as KMP in 2018	Total value of shareholdings against the MSR (times fixed rem)
Australia	Commenced 1 February 2018	0.8

2018 EIP outcome (US$000)

- 40% — $674 EIP cash
- 60% — $1,011 EIP deferred equity

114.1% of target

measured on...

- 11.5% Group cash ROE
- 18.5% Group COR
- 35.0% Divisional COR
- 35.0% Strategic performance objectives

Realised 2018 remuneration (US$000)

- $817 Fixed remuneration
- $674 EIP cash
- \- Conditional rights vested
- $765 Other[1]

$2,256 Total

1 Amount includes a cash payment of $746,871 (A$1,000,000) on commencement of employment with QBE.

Remuneration Report continued

1. GROUP CHIEF EXECUTIVE OFFICER AND KMP PERFORMANCE SNAPSHOTS

Jason Brown
Chief Executive Officer, Asia Pacific Operations

Target Remuneration Mix

38% | 25% | 37%

- Fixed remuneration
- EIP cash
- EIP deferred equity

2018 EIP award

Group cash ROE	83.8%
Group COR	97.9%
Divisional COR	34.7%
Strategic performance objectives	120.0%

Threshold | Target | Superior

Country of residence Singapore

Term as KMP in 2018 Full year

Total value of shareholdings against the MSR (times fixed rem) **2.1**

2018 EIP outcome (US$000)

40% $352 EIP cash

60% $528 EIP deferred equity

81.9% of target

measured on...

11.5% Group cash ROE
18.5% Group COR
35.0% Divisional COR
35.0% Strategic performance objectives

Realised 2018 remuneration (US$000)

$672 Fixed remuneration
$352 EIP cash
$192 Conditional rights vested
$124 Other

$1,340 Total

Russell Johnston
Chief Executive Officer, North American Operations

Target Remuneration Mix

36% | 26% | 38%

- Fixed remuneration
- EIP cash
- EIP deferred equity

2018 EIP award

Group cash ROE	83.8%
Group COR	97.9%
Divisional COR	79.0%
Strategic performance objectives	120.0%

Threshold | Target | Superior

Country of residence United States

Term as KMP in 2018 Full year

Total value of shareholdings against the MSR (times fixed rem) **1.3**

2018 EIP outcome (US$000)

40% $647 EIP cash

60% $970 EIP deferred equity

97.4% of target

measured on...

11.5% Group cash ROE
18.5% Group COR
35.0% Divisional COR
35.0% Strategic performance objectives

Realised 2018 remuneration (US$000)

$922 Fixed remuneration
$647 EIP cash
$86 Conditional rights vested
$23 Other

$1,678 Total

Richard Pryce
Chief Executive Officer, European Operations

Target Remuneration Mix

32% | 27% | 41%

- Fixed remuneration
- EIP cash
- EIP deferred equity

2018 EIP award

Group cash ROE	83.8%
Group COR	97.9%
Divisional COR	136.7%
Strategic performance objectives	145.0%

Threshold | Target | Superior

Country of residence United Kingdom

Term as KMP in 2018 Full year

Total value of shareholdings against the MSR (times fixed rem) **2.3**

2018 EIP outcome (US$000)

40% $1,156 EIP cash

60% $1,734 EIP deferred equity

126.3% of target

measured on...

11.5% Group cash ROE
18.5% Group COR
35.0% Divisional COR
35.0% Strategic performance objectives

Realised 2018 remuneration (US$000)

$955 Fixed remuneration
$1,156 EIP cash
$519 Conditional rights vested
$147 Other

$2,777 Total

Group head office executives

Peter Grewal
Group Chief Risk Officer

Country of residence Australia
Term as KMP in 2018 Commenced 2 July 2018
Total value of shareholdings against the MSR (times fixed rem) **1.3**

Target Remuneration Mix

38% | 25% | 37%

- Fixed remuneration
- EIP cash
- EIP deferred equity

2018 EIP award

Group cash ROE	83.8%
Group COR	97.9%
Strategic performance objectives	100.0%

Threshold | Target | Superior

2018 EIP outcome (US$000)

40% **$173** EIP cash

60% **$259** EIP deferred equity

96.2% of target

measured on…

19.2% Group cash ROE
30.8% Group COR
50.0% Strategic performance objectives

Realised 2018 remuneration (US$000)

$280 Fixed remuneration

$173 EIP cash

– Conditional rights vested

$178 Other

$631 Total

David McMillan
Group Chief Operations Officer

Country of residence United Kingdom
Term as KMP in 2018 Full year
Total value of shareholdings against the MSR (times fixed rem) **0.2**

Target Remuneration Mix

36% | 26% | 38%

- Fixed remuneration
- EIP cash
- EIP deferred equity

2018 EIP award

Group cash ROE	83.8%
Group COR	97.9%
Strategic performance objectives	110.0%

Threshold | Target | Superior

2018 EIP outcome (US$000)

40% **$743** EIP cash

60% **$1,115** EIP deferred equity

98.6% of target

measured on…

25.0% Group cash ROE
40.0% Group COR
35.0% Strategic performance objectives

Realised 2018 remuneration (US$000)

$933 Fixed remuneration

$743 EIP cash

– Conditional rights vested

$186 Other

$1,862 Total

Margaret Murphy
Group Chief Human Resources Officer

Country of residence Australia
Term as KMP in 2018 Full year
Total value of shareholdings against the MSR (times fixed rem) **1.4**

Target Remuneration Mix

38% | 25% | 37%

- Fixed remuneration
- EIP cash
- EIP deferred equity

2018 EIP award

Group cash ROE	83.8%
Group COR	97.9%
Strategic performance objectives	125.0%

Threshold | Target | Superior

2018 EIP outcome (US$000)

40% **$372** EIP cash

60% **$559** EIP deferred equity

103.9% of target

measured on…

25.0% Group cash ROE
40.0% Group COR
35.0% Strategic performance objectives

Realised 2018 remuneration (US$000)

$563 Fixed remuneration

$372 EIP cash

$19 Conditional rights vested

$26 Other

$980 Total

Remuneration Report continued

1. GROUP CHIEF EXECUTIVE OFFICER AND KMP PERFORMANCE SNAPSHOTS

Inder Singh
Group Chief Financial Officer

Target Remuneration Mix

36% | 26% | 38%

- Fixed remuneration
- EIP cash
- EIP deferred equity

2018 EIP award

Group cash ROE	83.8%
Group COR	97.9%
Strategic performance objectives	125.0%

Threshold | Target | Superior

Country of residence
Australia

Term as KMP in 2018
See details below[1]

Total value of shareholdings against the MSR (times fixed rem) **0.6**

2018 EIP outcome[1] (US$000)

40% **$486** EIP cash

60% **$709** EIP deferred equity

105.5% of target

measured on...

25.0% Group cash ROE
40.0% Group COR
35.0% Strategic performance objectives

Realised 2018 remuneration (US$000)

$645 Fixed remuneration

$486 EIP cash

- Conditional rights vested

$31 Other

$1,162 Total

1 This illustrates Inder Singh's EIP measures in his role as Group Chief Financial Officer and the 2018 EIP payment shown relates to time as KMP in the role of acting Chief Executive Officer, Australian & New Zealand Operations from 1 January 2018 to 31 January 2018 and Group Chief Financial Officer from 11 April 2018 onwards.

2. REMUNERATION GOVERNANCE

OVERVIEW

QBE has a robust remuneration governance framework overseen by the QBE Group Board. This ensures that the remuneration arrangements are appropriately managed and that the agreed frameworks and policies are applied across QBE.

Use of external advisors

Remuneration consultants provide guidance on remuneration for executives, facilitate discussion, review remuneration and at-risk reward benchmarking within industry peer groups and provide guidance on current trends in executive remuneration practices.

Any advice provided by remuneration consultants is used as a guide and is not a substitute for consideration of all the issues by each non-executive director on the People & Remuneration Committee.

The People & Remuneration Committee retained UK based firm FIT Remuneration Consultants LLP (FIT) to act as its independent remuneration adviser. Having received a declaration by FIT that they were not unduly influenced by QBE executives regarding their remuneration recommendations, the People & Remuneration Committee and the Board are satisfied that the advice provided by FIT during 2018 was provided free from undue influence.

The cost of advice and assistance provided by FIT in 2018 was $73,845.

During 2018, management requested reports on market practice from PwC and other sources. No recommendations in relation to the remuneration of KMP were provided as part of these engagements.

Managing risk

By continuing to invest in managing our risk in an increasingly dynamic environment, we will build a stronger and resilient QBE.

The People & Remuneration Committee works with Group Risk and Human Resources to ensure that any risk associated with remuneration arrangements is managed within the Group's risk management framework. The remuneration governance framework incorporates risk oversight policies, so that executives cannot unduly influence a decision that could materially impact their own incentive outcome.

The performance-based components of remuneration established in QBE's incentive plans are designed to encourage behaviour that supports the Group's long-term financial soundness.

Specifically, the QBE incentive plans:

- recognise adherence to QBE's risk management processes;
- balance both short and long-term performance through an annual award based on performance against a range of financial metrics that measure progress against longer-term strategy;

2. REMUNERATION GOVERNANCE

- incorporate individual objectives that measure demonstrable proactive sound risk management, including the setting of a clear and consistent tone about the importance of managing risk throughout the organisation;
- set financial targets in the context of business plans that have been appropriately stress-tested by the Group Chief Risk Officer;
- defer a significant portion of the award in equity (which vests over four years);
- have Plan Rules which provide the Board with discretion to take other factors into account when determining the appropriate award outcome;
- include a malus provision (see below);
- enable the build-up of meaningful shareholding through the deferred equity (underpinned by a minimum shareholding requirement for executives) (see below); and
- result in a target remuneration mix that is appropriately balanced between fixed/variable remuneration and short-term/long-term.

The Group Chief Risk Officer attends the People & Remuneration Committee annually to report on executive risk behaviours.

The Chairman of the People & Remuneration Committee is a member of the Risk & Capital Committee and vice versa.

The Group Board approves a comprehensive delegated authority for the Group CEO, which is an integral part of QBE's risk management process.

Executives are required to adhere to a range of Group-wide policies to ensure risks are well managed, strong governance structures are in place and high ethical standards are maintained.

Treatment of conditional rights on a change in control of QBE

In accordance with the rules of each of QBE's incentive plans, a change in control is defined as either a scheme of arrangement that has been approved by QBE's shareholders or the acquisition by a bidder of at least 50% of the issued and to be issued QBE shares under an unconditional takeover offer made in accordance with the *Corporations Act 2001*.

Should a change in organisational control occur, the People & Remuneration Committee has discretion to determine how unvested conditional rights should be treated, having regard to factors such as the length of time elapsed in the performance period, the level of performance to date and the circumstances of the change of control.

Malus provision

The "malus" provision gives the People & Remuneration Committee discretion to reduce the amount of an unvested award (including to zero) in certain circumstances during the retention period including in the case of:

- serious misconduct; or
- circumstances that materially undermine the reputation or performance of QBE; and

on the basis that, in each case, the conduct or circumstances were not foreseen at the time of granting the award.

This provision reflects best practice and QBE's obligations under APRA's prudential standard CPS 510 to incorporate terms allowing for the adjustment of incentive awards to protect QBE's financial soundness and ability to respond to unforeseen significant issues.

Minimum shareholding

The MSR ensures executives build their shareholding to have significant exposure to QBE's share price. Under the MSR, a minimum of 3x fixed remuneration for the Group CEO (1.5x for other executives) is to be maintained as long as the executive remains at QBE. The value of shareholdings as at 31 December 2018 for each executive is shown in section 1.

Trading policy

Trading in QBE ordinary shares is generally permitted outside of designated blackout periods. The QBE Share Trading Policy states that non-executive directors and executives should notify any intended share transaction to nominated people within the Group.

The policy prohibits the hedging of unvested equity entitlements by executives. The purpose of this prohibition is to ensure that, until equity has vested, there is an alignment between the interests of executives and shareholders, with the effect that share price movements (either positive or negative) will economically impact executive rewards. There is a further restriction on hedging vested equity entitlements if such entitlement counts towards the executive's minimum shareholding requirement.

The policy is enforced by requiring non-executive directors and executives to sign an annual declaration that confirms compliance with the restrictions on hedging. A copy of QBE's trading policy for dealing in securities is available from www.group.qbe.com/corporate-governance/background-documents.

Dilution limits for share plans

Shares awarded under QBE's employee share plans may be purchased on market or issued subject to Board discretion and the requirements of the *Corporations Act 2001* and the ASX Listing Rules. At 31 December 2018, the proportion of shares and unvested conditional rights and options held in the QBE Employee Share Plan is 1.76%. This is significantly less than the maximum of 10% over a 10 year period allowed under the plan rules.

3. 2018 EXECUTIVE REMUNERATION IN DETAIL

OVERVIEW

At QBE our purpose is to give people the confidence to achieve their ambitions, both personally and professionally.

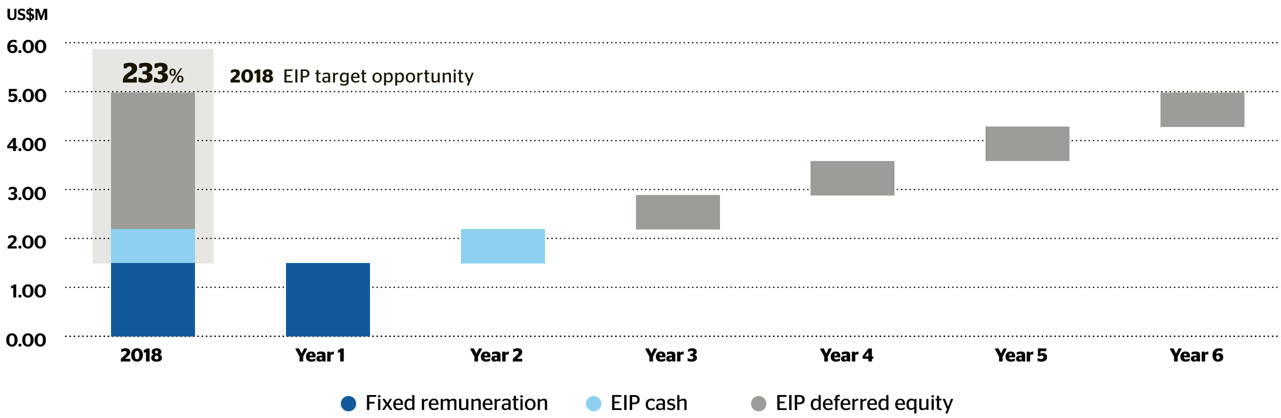
To continue to play this role in our industry and maintain our position as market leaders, we must ensure our executive remuneration framework reflects QBE's desire to attract, inspire and develop the best people. These people create shareholder value whilst prudently managing risk and maintaining strong corporate governance and, importantly, are accountable for the success of our Group.

This section sets out our approach for 2018. As explained earlier in the Remuneration Report, we have made significant changes to our incentive arrangements for 2019 which are summarised on pages 62 and 63.

QBE's executive remuneration structure for 2018 comprised of a mix of fixed and at-risk remuneration, under the umbrella of the EIP.

The EIP is an annual award of cash and deferred equity that vests progressively over a five-year period. The EIP reflects current year performance, progress against longer term strategic priorities, and focuses executives on building strong shareholder returns. The EIP enables executives to build up a significant shareholding in QBE, with a large proportion of awards deferred in conditional rights to QBE shares (80% in the case of the Group CEO). Further details of the EIP are found in section 3.2.

The graph below sets out the remuneration framework for the Group CEO for on-target performance, and how the remuneration vests over time.



3.1 Fixed remuneration

The following outlines key details of executives' fixed remuneration.

Description

Fixed remuneration comprises cash salary, superannuation/pension and packaged benefits, additional annual benefits and associated taxes.

Additional annual benefits may include health insurance, life assurance, personal accident insurance, car allowances, expatriate benefits, spouse travel to accompany the executive on business and the applicable taxes thereon. Such benefits exclude deemed interest on employee share loans and long service leave accruals.

Fixed remuneration is delivered in accordance with terms and conditions of employment.

3. EXECUTIVE REMUNERATION IN DETAIL

Determining fixed remuneration levels

Fixed remuneration considers the diversity, complexity and expertise required of individual roles. Remuneration quantum is set in the context of QBE's broader reward strategy and internal relativities.

To assess the competitiveness of fixed remuneration, the People & Remuneration Committee considers market data and recognised published surveys. In addition, external market reviews are undertaken periodically to inform the setting of competitive fixed remuneration levels.

Executive roles that are Australian based are generally benchmarked to the ASX30 and ASX10-50 peer group of companies, with a specific focus on global companies and companies in the financial services industry.

Overseas-based executives or roles that have a global reach are compared with a peer group consisting of global insurers. The peer group of companies used for remuneration benchmarking purposes is set out in the table below:

PEER GROUP	DESCRIPTION
ASX peer group	Excludes infrastructure trusts and companies domiciled overseas. The financial services company sub-peer group is determined based on the industry classification listed on the ASX and includes commercial banks and insurers. The sub-peer group of global companies in the ASX is determined based on the global complexity of the organisation using the following criteria: • companies with greater than 25% revenue from overseas; and • companies operating in greater than two geographic locations.
Global insurance peer group	Consists of large, global insurance companies in the Dow Jones Insurance Titans Index excluding life and health insurance, reinsurance and insurance brokers. RSA and Hartford are included in this peer group given their similarities to QBE.

3.2 Executive Incentive Plan

The following outlines the key details of the EIP. The EIP awards made for 2018 are provided in section 1 of the Remuneration Report.

Description

The EIP is a performance-based incentive delivered in the form of an annual cash payment and a deferred award in the form of conditional rights to QBE shares. Performance is measured over a 12 month period.

Performance measures

EIP outcomes are based on performance against Group cash ROE and COR, divisional COR targets in the case of divisional executives and individual strategic performance objectives reflecting QBE's strategic priorities as they apply to each executive's role. An explanation of the financial measures and their rationale is provided below:

Group Cash ROE: is a measure of how effectively we are managing shareholders' investment in QBE. For the EIP, this measure will generally be measured on the same basis as that used to determine shareholder dividends. As a principle, losses due to unbudgeted amortisation/impairment of intangibles will, other than in exceptional circumstances, be included in cash ROE so that executives remain accountable for the management of intangible assets.

COR: is the most relevant measure of the profitability of our insurance operations and therefore overall performance. It is widely used externally for non-life insurance companies. Divisional executives have both Group and Divisional COR measures for their respective division.

The EIP rules provide suitable discretion to the People & Remuneration Committee to adjust any formulaic outcome to ensure EIP awards appropriately reflect performance. Adjustments are typically made in limited cases to better reflect underlying performance. These include an adjustment for the impact of unbudgeted movements in discount rates and to exclude the impact of unbudgeted acquisitions or divestments.

Executive performance against the strategic performance objectives is evaluated annually by the Group CEO, and by the Chairman in respect of the Group CEO, through formal business review assessments which includes management of risk.

Vesting schedule

The EIP vesting schedule is outlined below:

	THRESHOLD	TARGET	SUPERIOR
% of EIP opportunity achieved	30%	100%	150%

Instrument and deferral mechanics

40% of any EIP award is delivered in cash (20% in the case of the Group CEO); and 60% of any EIP award is deferred as conditional rights to QBE shares (80% in the case of the Group CEO).

Deferred EIP vests in four tranches – 25% on the first anniversary of the award, 25% on the second anniversary of the award, 25% on the third anniversary of the award and 25% on the fourth anniversary of the award. Vesting is subject to service conditions and malus provisions during the deferral period.

To calculate the number of conditional rights to be granted, the award value is divided by the volume weighted average sale price of QBE shares over the five trading days prior to the grant date.

Any EIP equity award for the current Group CEO will be subject to shareholder approval at the Annual General Meeting.

Notional dividends accrue during the deferral period.

Leaver provisions

On voluntary termination, dismissal or termination due to poor performance, all awards are forfeited.

"Good leaver" provisions (e.g. retirement, redundancy, ill health, injury, mutually agreed separation (in some cases)) will apply such that:

- EIP opportunity is reduced to a pro-rata amount to reflect the proportion of the performance year in service; and
- deferred awards remain in the plan subject to the original vesting conditions.

Malus provision

EIP deferral is subject to malus provisions, enabling awards to be either forfeited or reduced at the discretion of the People & Remuneration Committee.

3.3 Employment agreements

The table below summarises the material terms for the current executives which are subject to applicable laws. The terms and conditions of employment of each executive reflect market conditions at the time of their contract negotiation on appointment and thereafter.

CONTRACTUAL TERM	GROUP CEO	OTHER EXECUTIVES
Duration	Permanent full-time employment contract until notice given by either party.	
Notice Period (by executive or QBE)	12 months: QBE may elect to make a payment in lieu of notice	Six months: QBE may elect to make a payment in lieu of notice
Treatment of Incentives – Involuntary termination:	**On termination with cause or for poor performance:** All unvested incentives are forfeited. **On termination without cause:** For EIP in the year of termination, the executive remains eligible to be considered for an award on a pro-rata basis with any award to be determined following the end of the performance year and subject to the standard deferral arrangements. Unvested deferred EIP conditional rights remain in the plan subject to the original vesting dates and malus provisions. A pro-rata number of LTI conditional rights, reflecting the portion of the three year performance period the executive was in service, remain in the plan subject to the original performance and vesting conditions. Legacy LTI awards generally remain in the plan subject to the original performance and vesting conditions; however, the People & Remuneration Committee has discretion to vest these awards. Legacy QIS-DEA awards generally remain in the plan subject to the original vesting conditions.	
Treatment of Incentives – Voluntary termination:	All unvested incentives are forfeited.	
Post-employment restraints	12 months non-compete and non-solicitation	Six months non-compete and non-solicitation

1 Performance overview
2 Business review
3 Governance
4 Directors' Report
5 Financial Report
6 Other information

4. EXECUTIVE REMUNERATION TABLES

4.1 Statutory remuneration disclosures

The following table provides details of the remuneration of QBE's executives as determined by reference to applicable Australian Accounting Standards (AASB) for the financial year ended 31 December 2018. Remuneration has been converted to US dollars using the average rate of exchange for the relevant year.

		SHORT-TERM EMPLOYMENT BENEFITS			POST EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYEE BENEFITS	SHARE BASED PAYMENTS		
EXECUTIVES	YEAR	BASE SALARY US$000	OTHER[1] US$000	EIP CASH[2] US$000	SUPERANNUATION US$000	LEAVE ACCRUALS[3] US$000	CONDITIONAL RIGHTS[4] US$000	TERMINATION BENEFITS[5] US$000	TOTAL US$000
Patrick Regan	2018	1,494	350	686	–	–	1,452	–	3,982
	2017	1,226	116	861	–	(19)	792	–	2,976
Vivek Bhatia[6]	2018	802	765	674	15	50	720	–	3,026
	2017	–	–	–	–	–	–	–	–
Jason Brown	2018	657	124	352	15	(6)	340	–	1,482
	2017	587	80	140	8	38	156	–	1,009
Russell Johnston	2018	900	23	647	22	–	567	–	2,159
	2017	900	21	264	21	–	235	–	1,441
Richard Pryce	2018	955	147	1,156	–	–	1,159	–	3,417
	2017	922	142	705	–	–	653	–	2,422
Liam Buckley[6]	2018	242	1	126	7	1	49	–	426
	2017	197	1	37	4	3	29	–	271
Peter Grewal[6]	2018	272	178	173	8	19	419	–	1,069
	2017	–	–	–	–	–	–	–	–
David McMillan	2018	933	186	743	–	–	372	–	2,234
	2017	297	99	74	–	–	34	–	504
Margaret Murphy	2018	548	26	372	15	2	406	–	1,369
	2017	565	186	130	10	4	92	–	987
Inder Singh[6]	2018	632	31	486	13	(26)	306	–	1,442
	2017	–	–	–	–	–	–	–	–
Former executives									
Michael Ford[7]	2018	252	15	–	7	6	166	1,078	1,524
	2017	306	693	70	8	26	287	–	1,390
Total	2018	7,687	1,846	5,415	102	46	5,956	1,078	22,130
	2017[8]	5,000	1,338	2,281	51	52	2,278	–	11,000

1 "Other" includes provision of motor vehicles, health insurance, spouse travel, staff insurance discount benefits received during the year, life assurance and personal accident insurance and the applicable taxes thereon. It also includes the deemed value of interest-free share loans, tax accruals in respect of remuneration and other one-off expenses. For Vivek Bhatia, this includes a cash payment of $746,871 (A$1,000,000) on commencement to compensate for incentives forfeited in ceasing his previous employment to join QBE.

2 EIP Cash is payable in March 2019 for performance in 2018.

3 Includes the movement in annual leave and long service leave provisions during the year.

4 The fair value at grant date of conditional rights is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. The fair value of each conditional right is recognised evenly over the service period ending at vesting date. Where an award will no longer vest, the related accounting charge for any non-market component is reversed in full and the reversal is included in the table above. Details of grants of conditional rights are provided in section 4.2 of the Remuneration Report. The adjustment made to Pat Regan's deferred 2017 EIP equity award in 2018 is included in the 2018 calculation.

5 "Termination benefits" includes apportioned fixed remuneration, and related benefits if applicable, paid for the balance of the notice period to the termination date, EIP cash awards from the date of ceasing to be a KMP to the date of termination, the accelerated accounting charge or reversal of equity vesting or cancellation and other termination payments.

6 Vivek Bhatia, Liam Buckley, Peter Grewal and Inder Singh were all KMP for part of the year during 2018.

7 Michael Ford's termination benefit includes apportioned fixed remuneration and related benefits from the date of ceasing to be KMP to the end of his notice period $674,428 (A$903,005), a payment for extending his post-employment restraint $238,999 (A$320,000), movement in annual leave and long service leave provisions during the year $93,646 (A$125,385), career management services and legal fees $21,977 (A$29,426) and future accounting charges on unvested equity brought forward to 2018 due to termination $49,115 (A$65,760).

8 The 2017 totals above are not the same as those disclosed in the 2017 Remuneration Report because of changes in KMP. This includes part year disclosure for Liam Buckley and David McMillan in 2017 based on commencement dates.

4.2 Conditional rights movements

Equity awards at QBE are granted in the form of conditional rights. A conditional right is a promise by QBE to acquire or issue one fully paid ordinary QBE Insurance Group Limited share where certain conditions are met.

The table below details conditional rights provided under the terms of the EIP, the STI plan and LTI plan (which ceased new awards from 1 January 2017) and, the QBE Incentive Scheme (QIS) (which ceased new awards from 1 January 2014) and contractual arrangements. LTI conditional rights are subject to future performance hurdles as detailed in section 4.6 of the Remuneration Report.

Conditional rights under the EIP for the 2018 performance year will be granted in March 2019.

2018	BALANCE AT 1 JAN 2018 NUMBER	GRANTED NUMBER[1]	VALUE AT GRANT DATE US$000[2]	VESTED AND EXERCISED NUMBER	VALUE AT VESTING DATE US$000	FORFEITED / LAPSED NUMBER	NOTIONAL DIVIDENDS ATTACHING NUMBER	BALANCE AT 31 DEC 2018 NUMBER[3]
Patrick Regan	581,339	122,537	944	(52,052)	389	(215,770)	10,600	446,654
Vivek Bhatia	–	82,421	672	–	–	–	2,002	84,423
Jason Brown	156,768	26,614	205	(25,805)	192	(56,852)	2,446	103,171
Liam Buckley	14,317	12,501	96	(9,490)	71	–	72	17,400
Peter Grewal	–	93,071	672	–	–	–	1,872	94,943
Russell Johnston	171,878	49,490	381	(11,671)	86	(17,838)	4,665	196,524
David McMillan	–	14,890	115	–	–	–	360	15,250
Margaret Murphy	32,049	97,369	750	(2,551)	19	–	3,082	129,949
Richard Pryce	416,373	141,509	1,090	(69,528)	519	(145,183)	8,335	351,506
Inder Singh	94,489	37,760	291	(12,836)	96	(35,400)	2,045	86,058
Former executives								
Michael Ford	48,031	13,345	103	(48,031)	366	–	–	13,345

1 On commencement of employment, Vivek Bhatia and Peter Grewal were granted conditional rights as compensation for incentives forfeited on ceasing their previous employment to join QBE. The awards comprised two tranches of conditional rights, with vesting on 1 March 2019 and 1 March 2020 subject to service conditions. Margaret Murphy was granted a special conditional rights grant on 5 March 2018 aligned to the delivery of the culture and capability build required as part of the transformation program. The award comprised one tranche of conditional rights, with vesting on 4 March 2021 subject to performance and service conditions.
2 The value at grant date is calculated in accordance with AASB 2 *Share-based Payment.*
3 For Liam Buckley and Michael Ford this represents the balance at 1 July 2018 and 11 April 2018 respectively, the dates they ceased to be a KMP.

4. EXECUTIVE REMUNERATION TABLES

4.3 Valuation of conditional rights outstanding at 31 December 2018

The table below details the conditional rights issued affecting remuneration of executives in the previous, current or future reporting periods.

	GRANT	GRANT DATE	PERFORMANCE PERIOD START DATE	EXERCISE DATE	CONDITIONAL RIGHTS AT 31 DEC 2018 NUMBER[1]	MAXIMUM VALUE OF AWARD TO VEST[2]	FAIR VALUE PER CONDITIONAL RIGHT A$[3] GROUP ROE	TSR	SHARE PRICE	TIME
Patrick Regan	2016 LTI	1-Mar-16	1-Jan-16	2019-2021	247,198	2,227,258	11.13	6.89		
	Special	1-Mar-16	1-Jan-16	28-Feb-19	45,829	225,937			4.93	
	2016 STI	6-Mar-17	1-Jan-16	5-Mar-19	28,110	352,499				12.54
	2017 EIP	5-Mar-18	1-Jan-17	2019-2022	125,517	1,294,080				10.31
Vivek Bhatia	Special	1-Feb-18	1-Feb-18	2019-2020	84,423	921,899				10.92
Jason Brown	2013 DEA	4-Mar-14	4-Mar-14	3-Mar-19	12,000	152,160				12.68
	2016 LTI	1-Mar-16	1-Jan-16	2019-2021	54,079	462,378	10.94	6.16		
	2016 STI	6-Mar-17	1-Jan-16	5-Mar-19	9,834	123,318				12.54
	2017 EIP	5-Mar-18	1-Jan-17	2019-2022	27,258	281,030				10.31
Liam Buckley	2016 STI	6-Mar-17	1-Jan-16	5-Mar-19	4,847	60,781				12.54
	2017 EIP	5-Mar-18	1-Jan-17	2019-2022	12,553	129,421				10.31
Peter Grewal	Special	1-Jul-18	1-Jul-18	2019-2020	94,943	918,099				9.67
Russell Johnston	Special	2-May-16	2-May-16	15-Mar-19	18,271	204,818	11.21			
	2016 LTI	31-Aug-16	2-May-16	2019-2021	115,603	912,114	9.97	5.81		
	2016 STI	6-Mar-17	1-Jan-16	5-Mar-19	11,956	149,928				12.54
	2017 EIP	5-Mar-18	1-Jan-17	2019-2022	50,694	522,655				10.31
David McMillan	2017 EIP	5-Mar-18	1-Jan-17	2019-2022	15,250	157,228				10.31
Margaret Murphy	2016 LTI	10-Oct-16	1-Oct-16	2019-2021	27,602	197,906	9.72	4.62		
	2016 STI	6-Mar-17	1-Jan-16	5-Mar-19	2,614	32,780				12.54
	2017 EIP	5-Mar-18	1-Jan-17	2019-2022	25,220	260,018				10.31
	Special	5-Mar-18	5-Mar-18	4-Mar-21	74,513	768,229				10.31
Richard Pryce	2013 DEA	4-Mar-14	4-Mar-14	3-Mar-19	22,648	287,177				12.68
	2016 LTI	1-Mar-16	1-Jan-16	2019-2021	163,637	1,399,104	10.94	6.16		
	2016 STI	6-Mar-17	1-Jan-16	5-Mar-19	20,276	254,261				12.54
	2017 EIP	5-Mar-18	1-Jan-17	2019-2022	144,945	1,494,383				10.31
Inder Singh	2016 LTI	1-Mar-16	1-Jan-16	2019-2021	40,562	346,810	10.94	6.16		
	2016 STI	6-Mar-17	1-Jan-16	5-Mar-19	6,816	85,473				12.54
	2017 EIP	5-Mar-18	1-Jan-17	2019-2022	38,680	398,791				10.31
Former executives										
Michael Ford	2017 EIP	5-Mar-18	1-Jan-17	2019-2022	13,345	137,587				10.31

1 Includes original grant of conditional rights and notional dividends. For Liam Buckley and Michael Ford this represents the number of conditional rights at 1 July 2018 and 11 April 2018 respectively, on ceasing to be a KMP.
2 Following the measurement of the 2016 LTI performance hurdles, the grant will not vest and all tranches will lapse in March 2019.
3 The fair value of conditional rights at grant date is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. The fair value of each conditional right is recognised evenly over the service period ending at vesting date.

4.4 Executive shareholdings

The table below details movements during the year in the number of ordinary shares in QBE held by executives, including their personally related parties.

2018	INTEREST IN SHARES AT 1 JAN 2018[1] NUMBER	DIVIDENDS REINVESTED NUMBER	CONDITIONAL RIGHTS VESTED NUMBER	SHARES PURCHASED / (SOLD)[2] NUMBER	INTEREST IN SHARES AT 31 DEC 2018[3] NUMBER	INTEREST IN SHARES AT 31 DEC 2018 SUBJECT TO NON-RECOURSE LOANS NUMBER
Patrick Regan	754,378	16,708	52,052	–	823,138	–
Vivek Bhatia	–	–	–	–	–	–
Jason Brown	101,235	3,072	25,805	–	130,112	2,565
Liam Buckley	7,857	–	9,490	–	17,347	–
Peter Grewal	–	–	–	–	–	–
Russell Johnston	82,423	598	11,671	(4,477)	90,215	–
David McMillan	–	–	–	16,570	16,570	–
Margaret Murphy	–	62	2,551	–	2,613	–
Richard Pryce	117,275	1,892	69,528	(32,786)	155,909	–
Inder Singh	673	329	12,836	–	13,838	–
Former executives						
Michael Ford	–	–	48,031	–	48,031	–

1 For Patrick Regan this includes the value of 118,960 shares purchased by him in 2014 through the salary sacrifice of a cash payment made on commencement with QBE. As disclosed in the 2014 Remuneration Report, this payment was to compensate for incentives forfeited on ceasing his previous employment to join QBE.
2 For Russell Johnston and Richard Pryce, the shares sold were to meet withholding tax obligations upon the vesting of conditional rights.
3 For Liam Buckley and Michael Ford this represents the interest in shares at 1 July 2018 and 11 April 2018 respectively, the dates they ceased to be a KMP.

4.5 Loans

Prior to 20 June 2005, non-recourse loans were provided by the Group to KMP for the purchase of shares in QBE. All non-recourse loans are due to be paid within 10 days of ceasing employment.

Under AASB 2 *Share-based Payment*, non-recourse loans and the related shares are derecognised and are instead treated as options.

2018	BALANCE AT 1 JAN 2018 A$000	LOANS MADE IN THE YEAR A$000	REPAYMENTS A$000	BALANCE AT 31 DEC 2018 A$000	INTEREST NOT CHARGED A$000[1]	HIGHEST BALANCE IN THE PERIOD A$000
Jason Brown	3	–	–	3	–	3

1 Deemed value of interest not charged for the period as KMP.

4. EXECUTIVE REMUNERATION TABLES

4.6 Legacy equity schemes

The information below summarises QBE's legacy incentive plans.

Short-term incentive plan (STI) – until 31 December 2016

The STI plan was a short-term, at-risk reward structure comprised of cash and deferred equity awards. It was replaced by the EIP for 2017 and 2018 but remains in use for all employees below executive level. 67% is delivered in cash (50% in the case of the Group CEO) and 33% is deferred as conditional rights to fully paid ordinary QBE shares (50% in the case of the Group CEO).

The conditional rights were deferred in two equal tranches – 50% on the first anniversary of the award and the other 50% on the second anniversary of the award. STI outcomes were subject to the achievement of multiple performance measures over the one year performance period including the Group's ROE target; individual performance ratings; and, for divisional staff, divisional return on allocated capital targets.

Long-term incentive plan (LTI) – until 31 December 2016

The LTI plan comprised an award of conditional rights to fully-paid shares without payment by the executive. On achievement of the performance measures (at the end of the three year performance period), conditional rights vest in three tranches as follows:

- 33% at the end of the three year performance period;
- 33% on the first anniversary of the end of the performance period; and
- 34% on the second anniversary of the end of the performance period.

Vesting is subject to two equally weighted performance conditions over a three year performance period including the achievement of Group ROE performance targets and the performance of the Group's relative total shareholder return (TSR).

The relative TSR comparator group consisted of companies in the Dow Jones Insurance Titans Index group adjusted for those with most relevance to QBE's business operations. The comparator group for the 2016 LTI award was Allstate Corp (US), Allianz SE-Reg (Germany), American International Group (US), Assicurazoni Generali (Italy), Aviva Plc (UK), AXA – SA (France), Chubb Corp (US), IAG Ltd (Australia), RSA Group (UK), Suncorp Group Ltd (Australia), The Hartford (US), The Travellers Cos Inc (US), QBE Insurance Group Ltd (Australia) and Zurich Insurance Group (Switzerland).

Legacy long-term incentive plan (Legacy LTI) – until 31 December 2013

The Legacy LTI plan comprised an award of conditional rights to fully-paid shares without payment by the executive, subject to a five year tenure hurdle, with vesting contingent upon the achievement of two equally weighted future performance hurdles which included a hurdle based on QBE's diluted EPS increasing by a compound average of 7.5% per annum over the five year vesting period; and QBE's average statutory ROE and COR being in the top 10% of the top 50 largest global insurers and reinsurers as measured by net earned premium for the five year vesting period. Conditional rights were granted as a maximum percentage of fixed remuneration ranging from 50% for the Group CEO, 25% for the Group CFO and 15% for Group and divisional executives.

QBE incentive scheme (QIS) – until 31 December 2013

The QBE Incentive Scheme (QIS) was a short-term, at-risk reward structure comprised of cash and deferred equity awards (QIS-DEA). It came into effect from 1 January 2010 and was applicable to deferred equity awards made in the period March 2011 to March 2014. Half of the conditional rights vest after three years and the remaining half after five years. During the period from the date of the QIS grant to the vesting date of the conditional rights, further conditional rights are issued under the Bonus Share Plan to reflect dividends paid on ordinary shares of QBE. The shares issued pursuant to the conditional rights are issued without payment being made by the recipient (i.e. at a nil exercise price).

5. NON-EXECUTIVE DIRECTOR REMUNERATION

OVERVIEW

The following section contains information on the approach to non-executive director remuneration, the fees, other benefits and shareholdings.

5.1 Remuneration philosophy

Non-executive director remuneration reflects QBE's desire to attract, motivate and retain experienced independent directors and to ensure their active participation in the Group's affairs for the purposes of corporate governance, regulatory compliance and other matters. QBE aims to provide a level of remuneration for non-executive directors comparable with its peers, which include multinational financial institutions. The Board reviews surveys published by independent remuneration consultants and other public information to ensure that fee levels are appropriate. The remuneration arrangements of non-executive directors are distinct and separate from the executives. Non-executive directors do not have formal service agreements.

5.2 Fee structure and components

The aggregate amount approved by shareholders at the 2017 AGM was A$4,000,000 per annum.

The total amount paid to non-executive directors in 2018 was A$3,536,000 (2017 A$3,568,000).

Under the current fee framework, non-executive directors receive a base fee expressed in Australian dollars. In addition, a non-executive director (other than the Chairman) may receive further fees for chairmanship or membership of a board committee.

No changes were made to non-executive remuneration during 2018 and none are proposed for 2019.

The non-executive director fee structure for 2017 and 2018 is shown in the table below.

ROLE	CHAIRMAN FEE	DEPUTY CHAIRMAN FEE	MEMBER FEE
Board	A$663,000	A$229,000	A$208,000
Committee	A$50,000	–	A$27,000

5.3 Other benefits

Non-executive directors do not receive any performance-based remuneration such as cash incentives or equity awards. Under QBE's constitution, non-executive directors are entitled to be reimbursed for all travel and related expenses properly incurred in connection with the business of QBE. All non-executive directors receive an annual cash travel allowance of A$42,750 (A$64,000 for the Chairman) in addition to fees for the time involved in travelling to Board meetings and other Board commitments.

Superannuation

QBE pays superannuation to Australian-based non-executive directors in accordance with Australian superannuation guarantee legislation. Overseas-based non-executive directors receive the cash equivalent amount in addition to their fees.

5.4 Minimum shareholding requirement

With effect from 1 April 2014, a non-executive director MSR was introduced for the Group Board. Under this requirement, non-executive directors have five years to build a minimum shareholding equal to 100% of annual base fees.

To assist current and new non-executive directors in meeting the requirement, a Director Share Acquisition Plan (DSAP) was established with effect from 1 June 2014. The DSAP allows non-executive directors to sacrifice a portion of their pre-tax director fees to acquire QBE shares. Where the MSR has not been met, non-executive directors are required to sacrifice a mandatory minimum amount of 20% of pre-tax fees into the DSAP until the minimum shareholding is achieved. Shares acquired in this way are not subject to performance targets, as they are acquired in place of cash payments.

Directors' shareholdings are shown in section 5.5 of the Remuneration Report. All non-executive directors have met the MSR as at 31 December 2018.

5. NON-EXECUTIVE DIRECTOR REMUNERATION

5.5 Non-executive director shareholdings

The table below details movements during the year in the number of ordinary shares in QBE held by the non-executive directors, including their personally related parties.

2018	INTEREST IN SHARES AT 1 JAN 2018 NUMBER	DIVIDENDS REINVESTED NUMBER	CONDITIONAL RIGHTS VESTED NUMBER	SHARES PURCHASED / (SOLD) NUMBER	INTEREST IN SHARES AT 31 DEC 2018 NUMBER
Marty Becker	125,973	–	–	11,012	136,985
Stephen Fitzgerald	42,973	–	–	5,505	48,478
John M Green	37,258	–	–	–	37,258
Kathryn Lisson	16,333	–	–	6,964	23,297
Sir Brian Pomeroy	17,009	–	–	5,288	22,297
Jann Skinner	45,000	–	–	5,000	50,000
Rolf Tolle	34,158	299	–	5,302	39,759
Michael Wilkins	21,722	–	–	3,385	25,107

5.6 Remuneration details for non-executive directors

The table below details the nature and amount of each component of the remuneration of QBE's current non-executive directors. Remuneration has been converted to US dollars using the average rate of exchange for the relevant year.

		SHORT-TERM EMPLOYMENT BENEFITS		POST EMPLOYMENT BENEFITS		
NON-EXECUTIVE DIRECTOR	YEAR	FEES[1] US$000	OTHER US$000	SUPERANNUATION – SGC[2] US$000	SUPERANNUATION – OTHER US$000	TOTAL US$000
Marty Becker	**2018**	**595**	**–**	**–**	**–**	**595**
	2017	610	–	–	–	610
Stephen Fitzgerald	**2018**	**302**	**–**	**–**	**–**	**302**
	2017	298	–	–	–	298
John M Green	**2018**	**310**	**–**	**15**	**14**	**339**
	2017	329	–	8	23	360
Kathryn Lisson	**2018**	**268**	**–**	**–**	**–**	**268**
	2017	275	–	–	–	275
Sir Brian Pomeroy	**2018**	**290**	**–**	**–**	**–**	**290**
	2017	275	–	–	–	275
Jann Skinner[3]	**2018**	**261**	**–**	**15**	**10**	**286**
	2017	272	–	10	16	298
Rolf Tolle	**2018**	**290**	**–**	**–**	**–**	**290**
	2017	278	–	–	–	278
Michael Wilkins	**2018**	**248**	**–**	**15**	**8**	**271**
	2017	254	–	18	6	278
Total	**2018**	**2,564**	**–**	**45**	**32**	**2,641**
	2017[4]	2,591	–	36	45	2,672

1 Travel allowances, additional fees in lieu of superannuation in Australia and amounts sacrificed in relation to the DSAP are included in directors' fees.
- Marty Becker, Stephen Fitzgerald, Kathryn Lisson, Sir Brian Pomeroy and Rolf Tolle receive additional fees of 9.5% in lieu of superannuation in Australia.
- Marty Becker, Stephen Fitzgerald, Kathryn Lisson, Sir Brian Pomeroy, Rolf Tolle and Michael Wilkins all participate in the DSAP.

2 John Green, Jann Skinner and Michael Wilkins are Australian residents. Superannuation is calculated as 9.5% of fees. Superannuation in excess of the statutory minimum may be taken as additional cash fees or in the form of superannuation contributions at the option of the director.

3 Includes fees for the period on a subsidiary board during 2018.

4 Comparative information only provided for non-executive directors who were disclosed in QBE's 2017 Remuneration Report. The 2017 totals above are not the same as those disclosed in the 2017 Remuneration Report because of changes in non-executive directors.

Directors' Report continued

FOR THE YEAR ENDED 31 DECEMBER 2018

Auditor

PricewaterhouseCoopers, Chartered Accountants, continue in office in accordance with section 327B of the *Corporations Act 2001*.

Non-audit services

During the year, PricewaterhouseCoopers performed certain other services in addition to statutory duties.

The Board, on the advice of the Audit Committee, has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are also satisfied that the provision of non-audit services by the auditor, as set out in note 8.7 to the financial statements, did not compromise the auditor independence requirements of the *Corporations Act 2001*.

A copy of the auditor's independence declaration required under section 307C of the *Corporations Act 2001* is set out on page 84.

Details of amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services are provided in note 8.7 to the financial statements.

Rounding of amounts

The company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.* Amounts have been rounded off in the Directors' Report to the nearest million dollars or, in certain cases, to the nearest thousand dollars in accordance with that instrument.

Signed in SYDNEY this 25th day of February 2019 in accordance with a resolution of the directors.

W. Marston Becker
Director

Patrick Regan
Director