



## 2018 a “Year of Change”, will the remedies cure the patient?

(Amended 27/4/2019)

<b>Company/ASX Code</b>	QBE Insurance Group Limited (QBE)
<b>AGM date</b>	<b>Thursday 9 May 2019</b>
<b>Time and location</b>	10am The Westin Sydney Ballrooms 3&4, 1 Martin Place Sydney.
<b>Registry</b>	Computershare
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Ian Graves
<b>Pre-AGM Meeting?</b>	Yes, with Remuneration Chairman Stephen Fitzgerald

<b>Item 1</b>	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

### Summary of ASA Position

Last year was notable for the amount of change that was undertaken. Divestment of Businesses, that were not seen as core to QBE’s repositioning; Installing new Group Management Team; Restructure of Regions, along with, a number of retrenchments; Appointments with some key appointments being external.

As part of the remedial action undertaken to simplify and reposition the Group.

This involved more selective underwriting along with increased pricing to better reflect the risk.

So, the results, although a significant improvement on FY17, need to further improve and become consistent before a successful recovery can be claimed.

### Financial performance

Although QBE had a welcome return to profit, with dividend being nearly twice that of FY 2017 the TSR was (0.9%). As a result of a weakening in the share price to \$10.10 at year end. This after a further buyback of 31m shares.

### Key Board or senior management changes

During FY18 there were four new appointments to the Group Executive, two being external appointments.

As well there were a number of other senior appointments made in the Operating divisions

### Summary

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
As at FYE)				
NPAT (\$m)	390	(1,249)	844	693
UPAT (\$m)	420	(228)	833	807
Share price (\$)	10.10	10.68	12.42	12.59

Dividend (cents)	50	26	.4	50
TSR (%)	(0.9)	(8.9)	5.3	15.2
EPS (cents)	29	(91.5)	61	50.3
CEO total remuneration, actual (US\$m)	2,919	2,773	4.199	3.169
CEO total remuneration actual (A\$m)	3,905	3,604	5.277	N/A

For 2018, the CEO's total actual remuneration (AUD) was **46 times** the Australian Full-time Adult Average Weekly Total Earnings of \$85,831. (Based on the annualised, May 2018 data from the Australian Bureau Statistics.)

<b>Item 2</b>	<b>Adoption of Remuneration Report</b>
<b>ASA Vote</b>	For

### Summary of ASA Position

At both the 2017 and 2018 AGM's ASA voted against the Remuneration Report because of it being a combined incentive plan without a Long-Term vesting period. Having performance measured only over one year. As well the non-financial measures lacked sufficient rigour.

After the first strike in 2018 the Board has reverted to the more traditional Remuneration framework of:

- 30% Fixed Remuneration
- 40% Short term incentive (50 % cash & 50% Equity)
- 30% Long-term incentive.
- STI performance measures are,
  - Group Cash ROE 25%
  - Group, COR 40%
  - Personal Strategic Performance objectives 35%, performance period 1 year. Deferral period 1- 2 years
- LTI performance measures
  - Average Group ROE over 3 years 50%
  - RTSR 50% with two independent peer groups and performance period 3 years.
  - With a deferral period of 3-5 years.

These changes, were implemented for the KMPs from 1/1/19, commencing for all other staff from 31/12/19

CEO Remuneration 2018	Actual USD m	Pay Mix Actual Outcome	Maximum Opportunity USD m
Fixed	1,494,000	30	1,494,000
EIP Cash	686,000	14	1,046,000
Equity	2,745,000	56	4,183,000
Total	4,925,000	100	6,733,000

Although two new appointments received sign-on benefits, that are stated to be unconditional however the payments are only made to reimburse for the benefits forgone from their previous employment. The payments have been based on their previous employers vesting and the value has been discounted to the value of the likely hood of them vesting. As well as discounted on a pro rata basis to reflect the period of employment with QBE. They vest in March each year to align with the normal vesting of QBE's Executives.

To further support QBE's position, they instanced the external employment in 2017 of the Group Chief Operating Officer, who had already resigned from his previous employer, and did not receive a sign on benefit.

As a result of the changes already made to the Executives remuneration and the explanation for the sign on benefits, ASA supports the report and will vote all undirected proxies in favour of the resolution.

<b>Item 3</b>	<b>Approval the grant of conditional rights under the 2018 Executive Incentive Plan to the Group CEO Patrick Regan</b>
<b>ASA Vote</b>	Against

**Summary of ASA Position**

This grant is for 302,005 Conditional rights under the Executive Incentive Plan, with an initial value of A\$3,676,000 at market value of \$12.17 per conditional right

Last year we opposed the Remuneration Plan from which these rights accrue from.

Therefore, ASA will vote all undirected proxies against this resolution.

<b>Item 4</b>	<b>Approval the grant of conditional rights under the 2019 Executive Incentive Plan to the Group CEO Patrick Regan</b>
<b>ASA Vote</b>	For

**Summary of ASA Position**

This grant is for 345,055 Conditional Rights under the long-term incentive plan under the 2019 Incentive plan which we support. The grant has an initial value of the \$4,200,000 at market value of \$12.17 per conditional right.

As we support the 2019 the Remuneration Plan from which these rights accrue from.

Therefore, ASA will vote all undirected proxies for this resolution.

<b>Item 5(a)</b>	<b>Re-election of John Green as a Director</b>
<b>ASA Vote</b>	For

**Summary of ASA Position**

John was appointed a non-executive director in 2010. As well as being Deputy Chairman of the Board, he is also Chairman of the Investment and Operations & Technology Committees and a member of the People's & Remuneration, Risk & Capital, and Audit committees. He also chaired the Boards subcommittee.

His other directorships are Cyber Securities Cooperative Research Centre, and Challenger Limited. His previous directorships were Worley Parsons Limited, Executive Director Macquarie Group Limited. John complies with the QBE's minimum shareholding requirement (MSR) having a beneficial interest in 37,258S shares

ASA supports John's re-election and will vote all undirected proxies in favour of the resolution.

<b>Item 5(b)</b>	<b>Re-election of Rolf Toller as a Director</b>
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<b>ASA Vote</b>	For
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#### Summary of ASA

Rolfe was appointed a non-executive in 2016 is Chairman of the Risk & Capital Committee and People & Remuneration and Audit Committees.

His insurance industry experience has been in specialist underwriting and Reinsurance, He was also the first Franchise and Performance Director for Lloyds.

Currently he is a member of the Advisory Board of Wrisk Ltd. Previously he was a director of Beasley PLC and Beasley Furlough Ltd. Rolfe complies with QBE's (MSR) having a beneficial interest in 39,759 shares.

ASA supports Rolfe's re- election and will vote all undirected proxies in favour of this resolution

<b>Item 5(c)</b>	<b>Election of Fred Eppinger as a Director</b>
<b>ASA Vote</b>	For

#### Summary of ASA Position

Fred was appointed a non-executive director in 2019, and a member of the Risk & Capital and Operations & Technology committees. He has had more than 35 years' experience in the North American market in finance and strategic marketing,

Having been President and CEO of The Hanover Insurance Group for 23 years. Prior to that Executive Vice President Property & Casualty for Hartford Financial Services Group. Fred is a non-executive director of Centene Corp and Stewart Information Services Corporation.

Fred is a quality candidate and bring additional skills to the Board especially in the North American market.

ASA welcomes his election and will vote all undirected proxies in favour of this resolution

<b>Item 6</b>	<b>Conditional spill resolution</b>
<b>ASA Vote</b>	Against

#### Summary of ASA Position

At the 2018 AGM ASA voted against the remuneration report along with many other shareholders. As a result, QBE received a first strike against its Remuneration Plan. In ASA's opinion, a number of the votes were a protest at the Groups poor performance and not the report itself. This year ASA is supporting the remuneration Plan, consequently ASA will be voting all undirected proxies against this resolution.

<b>Item 7(a)</b>	<b>To amend the constitution</b>
<b>ASA Vote</b>	Against

#### Summary of ASA Position

##### Resolutions promoted by Market forces and Australian Ethical Investment

An activist group of shareholders with 0.22% of the shareholding. They are short term activist shareholders. The motion is to change the constitution "To insert into the company's constitution beneath 'Business of Annual and Other General Meetings' the following new sub-clause 32(c): "The company in general meeting may by ordinary resolution express an opinion or request information about the way in which a power of the company partially or exclusively vested in the directors has been or as be exercised.

It is ASA's opinion that this motion seeks to limit the Board's ability to act in the best interests of all stakeholders and has the potential to restrict the Board in discharging its duties.

ASA opposes this motion and will be voting all undirected proxies against this resolution.

<b>Item 7(b)</b>	<b>Amend Constitution to publish exposure reductions</b>
<b>ASA Vote</b>	Against

#### **Summary of ASA Position**

This amendment is the reason that the previous item 7(a) was proposed and shows the dangers of supporting the previous motion. Therefore, for the same reason as stated in the previous motion.

It is ASA's opinion that this motion seeks to direct the Boards to discharge duties that are not in the best interests of all stakeholders and could restrict the Board in discharging its other duties.

ASA opposes this motion and will be voting all undirected proxies against this resolution.

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