Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2015

Your directors present their report on QBE Insurance Group Limited and the entities it controlled at the end of, or during, the year ended 31 December 2015.

Directors

The following directors held office during the whole of the financial year and up to the date of this report:

Marty Becker (Chairman)
Stephen Fitzgerald
John M Green (Deputy Chairman)
Margaret Leung
John Neal
Sir Brian Pomeroy
Patrick Regan
Jann Skinner

Mr John Graf was a director from the beginning of the financial year until his retirement on 31 December 2015.

Details of the directors and their qualifications are provided on pages 50 and 51.

Consolidated results

	STATUTORY RESULT		ADJUSTMENTS		ADJUSTED RESULT [1]	
	2015 US$M	2014 US$M	2015 US$M	2014 US$M	2015 US$M	2014 US$M
Gross written premium	**15,092**	16,332	**310**	388	**14,782**	15,944
Gross earned premium revenue	**14,922**	16,521	**316**	236	**14,606**	16,285
Net earned premium	**12,314**	14,084	**101**	(126)	**12,213**	14,210
Net claims expense	**(7,434)**	(8,900)	**(126)**	(3)	**(7,308)**	(8,897)
Net commission	**(2,114)**	(2,363)	**2**	(14)	**(2,116)**	(2,349)
Underwriting and other expenses	**(2,137)**	(2,274)	**(79)**	(38)	**(2,058)**	(2,236)
Underwriting result	**629**	547	**(102)**	(181)	**731**	728
Net investment income on policyholders' funds	**402**	527	**34**	57	**368**	470
Insurance profit	**1,031**	1,074	**(68)**	(124)	**1,099**	1,198
Net investment income on shareholders' funds	**263**	287	**24**	35	**239**	252
Financing and other costs	**(244)**	(297)	**–**	–	**(244)**	(297)
Losses on sale of entities	**(2)**	(17)	**(2)**	–	**–**	(17)
Share of net profits of associates	**–**	1	**–**	–	**–**	1
Amortisation and impairment of intangibles	**(95)**	(117)	**–**	(2)	**(95)**	(115)
Profit before income tax	**953**	931	**(46)**	(91)	**999**	1,022
Income tax expense (credit)	**(260)**	(182)	**(74)**	32	**(186)**	(214)
Profit after income tax	**693**	749	**(120)**	(59)	**813**	808
Net profit attributable to non-controlling interests	**(6)**	(7)	**–**	–	**(6)**	(7)
Net profit after income tax	**687**	742	**(120)**	(59)	**807**	801

1 The non-IFRS financial information contained within this table has not been audited.

Result

Net profit after tax for the year to 31 December 2015 was $687 million, compared with a net profit of $742 million last year. The underwriting result was a profit of $629 million compared with $547 million last year, reflecting a combined operating ratio of 94.9% compared with 96.1%.

On 24 February 2015, QBE published the Group's FY15 target combined operating ratio of 94% – 95% and a target insurance profit margin of 8.5% – 10%. To assist comparison of our 2015 performance against these targets, the result in the table above has been adjusted to exclude the following material items which were not in our targets:

- our Argentine workers' compensation business was designated as held for sale in the financial statements at 31 December 2014, with the sale completed on 10 August 2015, realising a loss of $58 million after reclassification of foreign exchange losses of $53 million from the foreign currency translation reserve. The results of this business were explicitly excluded from our published targets and are excluded from both the 2014 and 2015 adjusted results in the table above to assist year on year comparability;
- the Australian and US agency businesses were held for sale at 31 December 2014, with the respective transactions completed in early 2015, realising a gain of $142 million;
- our North American Mortgage & Lender Services (M&LS) business was sold on 1 October 2015, realising an overall loss of $133 million. This loss includes a write down of deferred acquisition costs of $41 million; and
- gains on other individually non-material disposals during the year.

Details of these transactions are set out in note 7.1 to the financial statements.

Adjusted net earned premium of $12,213 million was down 14% compared with last year, and down 6% on a constant currency basis. The decrease reflects higher reinsurance expense due to the increased cost of the Group's enhanced large individual risk and catastrophe claims aggregate protection and additional crop quota share reinsurance to reduce the volatility in our crop result.

The Group's adjusted underwriting result was a profit of $731 million compared with a profit of $728 million last year, reflecting a combined operating ratio of 94.0% compared with 94.9%.The result benefited from a significant improvement in the net claims ratio (59.8% compared with 62.7%), partially offset by an increase in the combined commission and expense ratio (34.2% compared with 32.2%) primarily caused by the reduction in net earned premium and the sale of the Australian and US agencies.

Adjusted net investment income of $607 million was down compared with $722 million last year, reflecting the impacts of recent investment market volatility, widening credit spreads and foreign exchange movements (principally the strengthening of the US dollar). Prior year investment income benefited from unrealised gains on fixed income securities due to the narrowing of credit spreads.

The adjusted tax rate was 19% of net profit, down slightly from 21% last year, reflecting the mix of corporate tax rates in the countries in which QBE operates.

Dividends

The directors are pleased to announce a final dividend of 30 Australian cents per share, up from the final dividend of 22 Australian cents per share last year. The dividend will be franked at 100%. The total dividend payout is A$685 million, or around 56% of full year cash profit, compared with A$492 million for 2014, or around 49% of cash profit.

Our objective is to deliver a stable and growing dividend to our shareholders. As announced at the half year, the Board has reviewed the dividend policy and will increase the maximum dividend payout ratio to 65% of cash profits commencing with the 2016 interim dividend.

Activities

The principal activities of QBE during the year were underwriting general insurance and reinsurance risks, management of Lloyd's syndicates and investment management.

Presentation currency

The Group has presented this Financial Report in US dollars because a significant proportion of its underwriting activity is denominated in US dollars. The US dollar is also the currency which is widely understood by the global insurance industry, international investors and analysts.

Operating and financial review

Information on the Group's business strategies and prospects (including the results of those operations) and financial position of the Group is set on pages 4 to 47 of this Annual Report. These pages also deal with the Group's business strategies and prospects for future financial years.

Outstanding claims provision

The net central estimate of outstanding claims is determined by the Group Chief Actuary after consultation with internal and external actuaries. The assessment takes into account the statistical analysis of past claims, allowance for claims incurred but not reported, reinsurance and other recoveries and future interest and inflation factors.

As in previous years, the directors consider that substantial risk margins are required over the actuarial central estimate to mitigate the potential for uncertainty in the central estimate. The probability of adequacy of the outstanding claims provision at 31 December 2015 was 89.0% compared with 88.7% last year. The Australian Prudential Regulation Authority (APRA) prudential standards provide a capital credit for outstanding claims in excess of a probability of adequacy of 75%.

Group indemnities

Article 78 of the company's constitution provides that the company indemnifies past and present directors, secretaries or other officers against any liability incurred by that person as a director, secretary or other officer of the company or its subsidiaries. The indemnity does not apply to any liability (excluding legal costs):

- owed to the company or a related body corporate (e.g. breach of directors' duties);
- for a pecuniary penalty under section 1317G or a compensation order under sections 1317H or 1317HA the *Corporations Act 2001* (or a similar provision of the corresponding legislation in another jurisdiction); or
- that is owed to someone other than the company or a related body corporate and which did not arise out of conduct in good faith.

The indemnity extends to legal costs other than where:

- in civil proceedings, one or more of the above exclusions apply;
- in criminal proceedings, the person is found guilty;
- the person is liable in proceedings brought by the Australian Securities and Investments Commission (ASIC), a corresponding regulator in another jurisdiction or a liquidator (unless as part of the investigation before proceedings are commenced); or
- the court does not grant relief after an application under the *Corporations Act 2001* or corresponding legislation in another jurisdiction.

In addition, a deed exists between the company and each director which includes an indemnity in similar terms to article 78 of the company's constitution.

Directors' and officers' insurance

QBE pays a premium each year in respect of a contract insuring directors, secretaries, senior managers and employees of the Group together with any natural person who is either a trustee or a member of a policy committee for a superannuation plan established for the benefit of the Group's employees against liabilities past, present or future. The officers of the Group covered by the insurance contract include the directors listed on pages 50 and 51, the Group Company Secretary, Carolyn Scobie, and Deputy Company Secretary, Peter Smiles.

In accordance with normal commercial practice, disclosure of the amount of premium payable under, and the nature of liabilities covered by, the insurance contract is prohibited by a confidentiality clause in the contract.

No such insurance cover has been provided for the benefit of any external auditor of the Group.

Significant changes

There were no significant changes in the Group's state of affairs during the financial year other than as disclosed in this Annual Report.

Likely developments and expected results of operations

Likely developments in the Group's operations in future financial years and the expected results of those operations have been included in the review of operations on pages 4 to 47 of this Annual Report.

Events after balance date

The directors are not aware of any matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect, the Group's operations, the results of those operations and the Group's state of affairs in future financial years.

Material business risks

As a global insurance and reinsurance business, QBE is subject to a substantial variety of business risks. The Board believes that effective management of these risks is critical to delivering value for QBE's stakeholders. It is QBE's policy to adopt a rigorous approach to managing risk throughout the Group. Risk management is a continuous process and an integral part of QBE's governance structure, QBE's broader business processes and, most importantly, QBE's culture.

Some of the material business risks that QBE faces include strategic risk, insurance risk, credit risk, market risk, liquidity risk and operational risk. Explanations of these risks and their mitigations are set out in more detail in note 4 to the financial statements which we recommend you read. Further details of how QBE manages risk are set out in the Chief Risk Officer's Report, on pages 48 to 49 of this Annual Report, and the section of the Corporate Governance Statement addressing ASX CGC Principle 7: Recognise and Manage Risk.

The Corporate Governance Statement is available on the QBE website at www.qbe.com.

The Group makes judgements and estimates in respect of the reported amounts of certain assets and liabilities, the most significant of which are in relation to the determination of the outstanding claims provision, the application of the liability adequacy test and the valuation of deferred tax assets and goodwill in North American Operations. More detail of each of these is included in notes 2.3, 2.5.1, 6.2 and 7.2 respectively, which we recommend you read.

Meetings of directors

	FULL MEETINGS OF DIRECTORS [1]	MEETINGS OF NON-EXECUTIVE DIRECTORS	MEETINGS OF COMMITTEES					
			AUDIT	INVESTMENT	REMUNERATION	RISK & CAPITAL	NOMINATION	SUB-COMMITTEES [2]
Number of meetings held	9	6	6	4	4	6	5	5
Number attended								
Marty Becker	9	6	6	4	4	6	5	2
Stephen Fitzgerald	8	6	–	4	–	6	5	–
John Graf	9	6	–	4	4	5	5	–
John M Green	9	6	–	4	4	6	5	2
Margaret Leung	9	6	6	–	4	–	5	–
John Neal [3]	9	–	–	–	–	–	–	2
Sir Brian Pomeroy	9	6	6	–	–	6	5	3
Patrick Regan [3]	9	–	–	–	–	–	–	3
Jann Skinner	9	6	6	–	4	–	5	5

1 Included meetings in the UK and the US.
2 Ad hoc committees of the Board were convened during the year in relation to the financial results and reporting matters. Members of the ad hoc committees attended all meetings they were required to attend.
3 Messrs Neal and Regan attended Audit, Investment and Risk & Capital Committee meetings by invitation, not being members of these committees. Mr Neal also attended Remuneration Committee meetings by invitation, not being a member of that Committee.

Further meetings occurred during the year, including meetings of the Chairman and Group Chief Executive Officer and meetings of the directors with management. From time to time, directors attend meetings of committees of which they are not currently members.

Directorships of listed companies held by the members of the Board

From 1 January 2013 to 23 February 2016, the directors also served as directors of the following listed entities:

	POSITION	DATE APPOINTED	DATE CEASED
John M Green			
WorleyParsons	Director	11 October 2002	–
Margaret Leung			
China Construction Bank Corporation	Director	12 December 2013	–
Chong Hing Bank Limited	Director and Deputy Chairman	14 February 2014	–
First Pacific Company Limited	Director	21 December 2012	–
Hong Kong Exchanges and Clearing Limited	Director	24 April 2013	–
Li & Fung Ltd	Director	1 April 2013	–
Sun Hung Kai Properties Limited	Director	1 March 2013	–

Qualifications and experience of directors

The qualifications and experience of each director are set out on pages 50 to 51 of this Annual Report.

Qualifications and experience of company secretaries

Carolyn Scobie, BA, LLB, MA, AGIA and ACIS
Ms Scobie commenced in the role of Group General Counsel in January 2016 and was formally appointed as Group Company Secretary on 18 February 2016. Prior to joining QBE, Ms Scobie was Group General Counsel at the ASX-listed multinational Goodman Group for 17 years, where she ran a multi-disciplinary legal team working on matters across 16 countries and over 800 entities. Ms Scobie has extensive experience in compliance, regulatory matters, litigation and managing the complexity of multiple jurisdictions.

Peter Smiles, LLB, MBA, AGIA and ACIS
Mr Smiles is Deputy Company Secretary of QBE Insurance Group Limited and a company secretary of various QBE subsidiaries in Australia. He has 24 years of insurance experience, which includes 17 years as a corporate lawyer. Prior to commencing employment with QBE in 2002, Mr Smiles worked for the NRMA Insurance Group in various corporate roles. In addition to his current company secretarial duties, he acts as a corporate lawyer advising QBE Group head office departments and Asia Pacific offices.

Peter Horton, BA, LLB
Mr Horton was Group General Counsel and Company Secretary of QBE Insurance Group Limited from June 2014 until December 2015. Mr Horton joined QBE from Woolworths Limited where he performed a similar role. His previous experience includes the retail, mining and petroleum sectors.

Directors' interests and benefits

Ordinary share capital
Directors' relevant interests in the ordinary share capital of the company at the date of this report are as follows:

DIRECTOR	2015 NUMBER	2014 NUMBER
Marty Becker	**80,243**	67,736
Stephen Fitzgerald	**32,147**	–
John M Green	**37,258**	37,258
Margaret Leung	**6,464**	286
John Neal	**234,998**	202,981
Sir Brian Pomeroy	**6,662**	828
Patrick Regan	**388,979**	118,960
Jann Skinner	**25,000**	20,000

Options and conditional rights
At the date of this report, John Neal had 825,252 (2014 458,285) conditional rights to ordinary shares of the company and Patrick Regan had 697,843 (2014 732,930) conditional rights to ordinary shares of the company. Following the cancellation or forfeiture of remaining options during 2015, no executives hold options at the date of this report. Details of the schemes under which options and rights are granted are provided in the Remuneration Report and in note 8.4 to the financial statements.

The names of all persons who currently hold options granted under the Employee Share and Option Plan (the Plan) and conditional rights to ordinary shares of the company are entered in the registers kept by the company pursuant to section 168 of the *Corporations Act 2001* and the registers may be inspected free of charge.

Loans to directors and executives
Information on loans to directors and executives is set out in the Remuneration Report.

Environmental regulation

The Group is not currently required to report under any significant environmental regulations under either Commonwealth, State or Territory legislation.

Remuneration Report

To our shareholders

On behalf of the Board, I present QBE's Remuneration Report for 2015, my first as Chairman of the Remuneration Committee.

2015 performance and remuneration

We are pleased QBE has delivered an adjusted underwriting result at the better end of our target range and an insurance profit margin towards the middle of our range. QBE continues to focus on improving performance, predictability and transforming the underlying quality of everything we do.

We are alert to the macro backdrop to investment markets since late 2015 and the disappointing impact this has had on QBE's share price. The Group CEO has initiated that neither he, nor the KMPs, nor other senior executives will accept any fixed pay review for the 2016 year.

In determining the payments for Short-Term Incentives (STI) for 2015, we have made two adjustments to the ROE component.

First, consistent with last year, we reversed 50% of the effect of the actual discount rate movement versus our budget assumptions. This decreased the ROE outcome for management by 0.2%.

Second, we exclude the impact (up or down) of acquisitions or disposals which were not included in our original budget. Accordingly, the sale of the Agency businesses during 2015, being included in our 2015 budget and thus STI target, required no ROE adjustment. However the sales of our Argentine workers' compensation business and our US lender placed insurer were not included in our 2015 budget. With our half-year results announced in August, we confirmed our Group targets for underwriting result and insurance margin excluded those two businesses, and consistent with that we have adjusted the ROE measure for STI for their impact. This increased the ROE outcome for management by 1.6%.

Consequently, the Group ROE outcome for STI purposes was 7.8% compared to the statutory 6.4%.

The Group CEO and Group CFO were very mindful of the impact on shareholders of the recent share price volatility, as was the Remuneration Committee. Consequently, it was agreed to defer a further 30% of their 2015 STI awards, which would otherwise be payable in cash, into conditional rights over QBE shares. These are subject to an additional performance condition that QBE shares trade at A$13.00 or more over a consecutive three-month period during the vesting period of the next three years.

Remuneration structure

In 2013, we reviewed the framework to better align it with all of our stakeholders and our ONE QBE vision, values and strategy. We are generally satisfied these objectives are being met, but in the context of the evolving operating environment, regulatory change, and the progression of our strategy to deliver operational excellence and profitable growth, we are taking another look at it to make sure our framework remains fit for purpose. Any changes will only take effect for 2017 and we will set them out in next year's remuneration report.

Group statutory ROE targets for 2016

Each year we set Group ROE targets for STI and LTI purposes that reflect the Group's business plan and the operating environment. We anticipate that both global pricing and investment markets will remain challenging this year and accordingly our focus will be on maintaining underwriting discipline and exercising strict cost control, while continuing to invest in our strategic growth and operational initiatives. The Group ROE target range for 2016 STI is 5.0% to 12.0%, with on-target performance set at 8.5%, and for the 2016 LTI grant (being the three-year average return) the target range is 7.0% to 10.6%.

In closing, I wish to acknowledge the contribution of our outgoing Chairman of the Remuneration Committee, John Graf.

John M Green
Chairman, Remuneration Committee
Group Deputy Chairman

Remuneration Report contents

Remuneration Report CONTINUED

1. INTRODUCTION

Overview

This Remuneration Report sets out QBE's remuneration framework and provides detail of remuneration outcomes for key management personnel (KMP) for 2015 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 2015 Remuneration Report has been prepared and audited in accordance with the disclosure requirements of the Corporations Act 2001.

1.1 Key management personnel

NAME	POSITION	COUNTRY OF RESIDENCE	TERM AS KMP IN 2015
Executives			
John Neal	Group Chief Executive Officer Executive Director	Australia	Full year
Jason Brown	Group Chief Risk Officer	Australia	Full year
David Duclos	Chief Executive Officer, North American Operations	United States of America	Full year
Mike Emmett	Group Executive Officer, Operations	Australia	Full year
Colin Fagen [1]	Group Chief Strategy Officer	Australia	Full year
David Fried	Chief Executive Officer, Emerging Markets	Hong Kong	Full year
Tim Plant [2]	Chief Executive Officer, Australian & New Zealand Operations	Australia	Part year
Richard Pryce	Chief Executive Officer, European Operations	United Kingdom	Full year
Patrick Regan	Group Chief Financial Officer Executive Director	Australia	Full year
Jenni Smith	Group Executive Officer, People and Communications	Australia	Full year
Non-executive directors			
Marty Becker	Chairman, Non-executive director	United States of America	Full year
Stephen Fitzgerald	Non-executive director	United Kingdom	Full year
John Graf [3]	Non-executive director	United States of America	Full year
John M Green	Deputy Chairman, Non-executive director	Australia	Full year
Margaret Leung	Non-executive director	Hong Kong	Full year
Sir Brian Pomeroy	Non-executive director	United Kingdom	Full year
Jann Skinner	Non-executive director	Australia	Full year

1 Colin Fagen became the Group Chief Strategy Officer on 18 August 2015. Prior to that he was the Chief Executive Officer, Australian & New Zealand Operations.

2 Tim Plant became the Chief Executive Officer, Australian & New Zealand Operations on 18 August 2015.

3 John Graf retired on 31 December 2015.

2. SUMMARY OF REMUNERATION OUTCOMES FOR 2015

2.1 Remuneration and incentive outcomes in 2015

This section provides a summary of the remuneration outcomes for executives and non-executive directors for 2015. Further details of remuneration outcomes are found in section 6 of the Remuneration Report.

COMPONENT	2015 OUTCOMES
Fixed remuneration	• Fixed remuneration of the Group CEO increased by 4.8% to A$2,200,000 effective 1 April 2015. This was the first increase since his appointment in August 2012. • All executives, with the exception of David Duclos, received fixed remuneration increases (between 3.0% and 7.4%) on 1 April 2015 to improve their competitiveness against their market peers. • Colin Fagen received a further 25% increase in fixed remuneration from A$1,040,000 to A$1,300,000 on promotion to the newly established role of Group Chief Strategy Officer on 18 August 2015. • There are no budgeted fixed remuneration increases to the Group CEO, executives and other senior leaders for 2016.
Short-term incentive (STI)	• The Group ROE for STI purposes was 7.8%, above the 6.0% threshold required for the Group component of STI to vest. • Based on this and the Board's assessment of the Group CEO's performance against his balanced scorecard, an STI of A$2,199,953 (or 50.0% of maximum opportunity) was awarded to the Group CEO. 50% of the Group CEO's STI is deferred in the form of conditional rights vesting in two equal tranches over 2 years subject to services conditions and malus provisions. • The average STI awarded to executives, other than the Group CEO, was 57.9% of the maximum opportunity, 33% of which is deferred in the form of conditional rights. • The Group CEO and Group CFO have agreed to defer a further 30% of their 2015 STI award for a three year period and subject to an additional performance condition. For further detail, refer to section 4.4 of the Remuneration Report. • Maximum STI opportunity for the Group CFO increased from165% to 180% on becoming an executive director. The maximum STI opportunity for the CEO, North American Operations increased from 150% to 180% to improve alignment and competitiveness of his remuneration with the US market. • For 2015, the STI performance measures for the Group Chief Risk Officer and the Group Chief Strategy Officer were re-weighted to 50% Group ROE and 50% individual key performance indicators (KPIs) to reflect the specific priorities of their roles. For 2016, the STI performance measures for the Group Chief Strategy Officer will revert to 80% Group ROE and 20% individual KPIs.
Long-term incentive (LTI)	• LTI grants were made in 2015 in accordance with the target remuneration mix for each executive.
Other payments	• Jason Brown and Mike Emmett were awarded a one-off grant of 25,000 conditional rights in March 2015 and August 2015 respectively to recognise their contribution and additional responsibilities in their respective roles. These awards are subject to Group ROE performance conditions measured annually over three performance years and the achievement of key performance indicators in their balanced scorecard. • On 20 August 2014, Patrick Regan was granted conditional rights as compensation for incentives forfeited on ceasing his previous employment to join QBE. The award comprised three tranches of conditional rights subject to service conditions. The first tranche of the award vested in March 2015. • Richard Pryce's 2012 award of conditional rights, made in 2013, vested in March 2015.
Legacy schemes	• Conditional rights in respect of the 2009 Deferred Compensation Plan (DCP) vested during the year following completion of the five year vesting period. • The first tranche of conditional rights in respect of the 2011 Deferred Equity Award (DEA) vested during the year following the completion of the three year vesting period with the exception of awards in Latin American Operations which were cancelled prior to vesting following the decision by the Remuneration Committee to apply malus due to the subsequent material adverse deterioration of the ROE on which the awards were originally made. • There was no scheduled performance testing point for legacy LTI grants during the year.
Non-executive director fees	• Total amount paid to non-executive directors in 2015 was A$2,957,000 (2014: A$3,076,000). • An inflation increase of 3.0% to non-executive director fees was effective 1 April 2015. This was the first increase since 2012. • The travel allowance was extended to Australian-based directors to reflect the time spent travelling outside of Australia to Board meetings and other Board commitments. • Total remuneration pool available to non-executive directors was increased from A$3,300,000 to A$3,500,000 following approval at the 2015 AGM.

2.2 Realised 2015 remuneration

Overview

QBE is required to disclose actual remuneration outcomes in the financial period under review. The values reported include the accrued STI cash award for the 2015 financial year and the value of any equity awards that vested during the year. The value of vested equity awards has been calculated using the closing share price on the vesting date.

The figures in this table are different from those shown in the statutory table in section 6.1 of the Remuneration Report. For example, the statutory table includes an apportioned accounting value for all unvested equity held during the year, which remains subject to performance and service conditions and consequently may or may not ultimately vest.

The table below sets out the actual value of the remuneration realised by executives in 2015.

	REMUNERATION EARNED IN 2015			DEFERRED EQUITY OUTCOME IN 2015	
EXECUTIVES	FIXED REMUNERATION US$000	STI CASH [1] US$000	OTHER [2] US$000	CONDITIONAL RIGHTS VESTED [3] US$000	TOTAL REMUNERATION REALISED IN 2015 US$000
John Neal	1,631	330	66	259	2,286
Jason Brown	515	310	65	36	926
David Duclos	1,014	729	28	–	1,771
Mike Emmett	692	339	55	–	1,086
Colin Fagen	858	465	97	52	1,472
David Fried	912	501	1,243	–	2,656
Tim Plant	279	140	10	–	429
Richard Pryce	1,085	985	166	342	2,578
Patrick Regan	1,190	412	25	2,550	4,177
Jenni Smith	570	279	51	118	1,018

1 The STI cash amount in respect of performance in 2015 is payable in March 2016. For further details, refer to section 4.4 of the Remuneration Report.

2 "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, the movement in annual leave and long-service leave provisions, tax payments and other one-off expenses. For David Fried, this also includes expatriate benefits including a housing allowance, education assistance, a cost of living adjustment and associated taxes thereon.

3 The value of conditional rights has been determined by reference to the closing share price on the relevant vesting date. For Patrick Regan this includes the first tranche of conditional rights granted on 20 August 2014 which vested on 1 March 2015. For further details, refer to section 6.3.3 of the Remuneration Report.

3. DETAILED REMUNERATION OUTCOMES FOR 2015

Overview

This section explains the link between our reward framework and the key financial profit drivers that encourage achievement of Group business plans and create long-term shareholder value.

The incentive structure and financial targets are approved annually by the Remuneration Committee. ROE and total shareholder return (TSR) are the primary measures for at-risk remuneration purposes. Achievement of these targets demonstrates the alignment between financial performance over time and incentive awards for Group executives.

3.1 The impact of QBE's 2015 performance on remuneration

The table below shows 2015 Group ROE and divisional return on allocated capital (RoAC) performance for executive incentive purposes.

	ROE / ROAC PERFORMANCE				
	NORTH AMERICAN OPERATIONS	EUROPEAN OPERATIONS	AUSTRALIAN & NEW ZEALAND OPERATIONS	EMERGING MARKETS	GROUP
Performance	5.6%	14.6%	16.0%	12.4%	7.8%
% achievement of target	93.2%	150.0%	75.4%	76.6%	70.0%

The table below shows the performance and total 2015 STI outcomes (both the cash and deferred portions) achieved by executives for the period to 31 December 2015.

	PERFORMANCE AS A % OF TARGET				TARGET STI	ACTUAL STI OUTCOME [1]			
EXECUTIVES	GROUP ROE %	DIVISIONAL ROAC %	BALANCED SCORECARD %	TOTAL STI OUTCOME %	% OF FIXED REMUNERATION %	% OF FIXED REMUNERATION %	TOTAL US$000	STI CASH US$000	STI DEFERRED US$000
Group head office									
John Neal	70.0%	N/A	95.0%	75.0%	133.3%	100.0%	1,651	330	1,321
Jason Brown	70.0%	N/A	106.3%	88.1%	100.0%	88.1%	463	310	153
Patrick Regan	70.0%	N/A	106.3%	77.2%	120.0%	92.7%	1,113	412	701
Mike Emmett	70.0%	N/A	82.5%	72.5%	100.0%	72.5%	506	339	167
Colin Fagen [2]	70.0%	75.4%	100.0%	81.4%	100.0%	81.4%	694	465	229
Jenni Smith	70.0%	N/A	80.0%	72.0%	100.0%	72.0%	416	279	137
Divisional									
David Duclos	70.0%	93.2%	106.3%	88.8%	120.0%	106.6%	1,088	729	359
David Fried	70.0%	76.6%	106.3%	80.6%	100.0%	80.6%	748	501	247
Tim Plant [3]	70.0%	75.4%	100.0%	78.7%	100.0%	78.7%	209	140	69
Richard Pryce	70.0%	150.0%	109.4%	117.9%	100.0%	117.9%	1,470	985	485

1 The STI award is calculated as a percentage of fixed remuneration as at 31 December 2015.
2 The STI award for Colin Fagen has been determined on a pro-rata basis reflecting the proportion of the year in his role as CEO, Australian & New Zealand Operations and Group Chief Strategy Officer.
3 The STI award for Tim Plant reflects the proportion of 2015 he was in the role of CEO, Australian & New Zealand Operations.

3.2 Measuring performance

Overview

All executives have 20% of their STI outcome determined with reference to individual KPIs (50% for the Group Chief Strategy Officer, Colin Fagen and the Group Chief Risk Officer, Jason Brown reflecting the specific priorities of their roles). A balanced scorecard of individual KPIs is used to ensure that a broader view of performance and specific strategic priorities is considered when assessing performance and incentive outcomes.

The balanced scorecard is aligned with QBE's business plans and measures objectives which support the elements of QBE's value creation model.

The balanced scorecard for each executive is reviewed by the Remuneration Committee to ensure it is appropriate. The table below sets out a summary of the key objectives for the Group Chief Executive Officer for 2015. The objectives for other executives are consistent.

VALUE CREATION COMPONENT	2015 OBJECTIVES	OUTCOME	COMMENTS
Strategic management	• Refresh purpose, vision and strategy	• On target	• Refreshed purpose and vision • Implemented strategic growth and cost initiatives
Profitable growth and diversification	• Implement new product line and geographic opportunities	• Below target	• Progress made on a number of bespoke growth initiatives • Remediation of underperforming businesses resulted in reduced growth written premiums
Leadership in our core business	• Drive leadership in core businesses • Progress strategic growth initiatives • Increase gross written premium from major trading partners	• On target	• Progressed initiatives to drive growth over the next five years • Disposed of Mortgage & Lender Services business, US and Australian agencies, and Argentine workers' compensation business • Remediation of businesses in Latin and North America • Improved retention in intermediated business • Continued growth in Emerging Markets despite remediation activity in Latin America and market conditions in Asia Pacific
Operational excellence – global reach and scale	• Strengthen reinsurance program • Continue operational transformation	• On target	• Initiatives in train to achieve savings in 2016 and beyond including claims and further leverage of GSSC. Finance transformation program underway • Cash expenses on plan • Enhanced reinsurance structures • Progress made in transforming operating model to ONE QBE global approach
Financial strength and flexibility	• Demonstrate improvements in risk, capital and investment management	• Above target	• Standard & Poor's, AM Best and Fitch revised ratings outlook from negative to stable. Moody's rating upgraded from Baa2 to Baa1 • Share price outperformed peers in 2015
World class talent and leadership	• Implement global talent framework • Improve employee engagement • Implement against diversity and inclusion commitments	• Above target	• Diversity and inclusion integrated into leadership programs • Underwriting and technical academies developed • Significantly strengthened talent and succession pools through strategic diverse hires and proactive management of female priority talent pools • Improved engagement scores

How performance translated to remuneration outcomes

For 2015, the Board approved a balanced scorecard outcome of 19% for the Group CEO, being 95% of target opportunity and 63.3% of the maximum opportunity. The balanced scorecard outcomes of the other executives are detailed in section 3.1 of the Remuneration Report.

3.3 Long-term company performance and incentive outcomes

The following table shows KPIs of the Group over the last five years.

FINANCIAL RESULTS		2015	2014	2013	2012	2011
Combined operating ratio	%	**94.9**	96.1	97.8	97.1	96.8
Profitability measures						
Net profit (loss) after income tax (NPAT)	US$M	**687**	742	(254)	761	704
Diluted earnings per share	US cents	**49.8**	55.8	(22.8)	61.6	61.3
Weighted average risk-free discount rate [1]	%	**1.6**	1.4	2.2	1.6	2.0
Net investment yield	%	**2.5**	2.7	2.6	4.1	2.9
Return on equity						
Return on average shareholders' funds [2]	%	**6.4**	6.9	(2.3)	7.0	6.8
Return to shareholders						
Dividend per share	Australian cents	**50**	37	32	50	87
Share price at 31 December	A$ per share	**12.59**	11.21	11.51	10.90	12.95
Underwriting profit	US$M	**629**	547	341	453	494
Total Shareholder Return [3]	%	**15.24**	(0.37)	7.72	(11.44)	(22.62)

1 Excludes the Argentine peso.
2 Group statutory ROE is the basis used to measure performance for STI and for LTI awards.
3 Total Shareholder Return is a performance measure for LTI.

How performance translated to remuneration outcomes

Our 2011 to 2015 net investment income and net profit after tax were significantly impacted by lower risk-free rates, reflecting governments' fiscal policy in our major trading markets in response to ongoing economic volatility. In 2012 and 2013, results were impacted by adverse prior accident year claims development and the write-down of intangibles and other assets being held by our North American Operations following the strategic review of that business in 2013.

Following North American Operations' poor underwriting performance in 2012 and 2013, net profit after tax for the years ended 31 December 2014 and 2015 benefited from significant improvements in the underwriting result of that division. The Group's 2015 result benefited from a strong crop result, an increase in the Group's aggregate positive prior accident year claims development and recoveries under the Group's enhanced aggregate reinsurance protection.

Incentive outcomes for executives reflect this performance with no short-term incentives awarded to Group head office executives for 2011 to 2013 (with the exception of a pro-rata award paid to former Group CEO, Frank O'Halloran, on termination in 2012 based on the 30 June 2012 results and in accordance with the QIS rules).

Performance against five year Group ROE and combined operating ratio targets in respect of outstanding LTI awards made in 2011, 2012 and 2013 is tracking below the level required for these awards to vest, though five year diluted EPS targets may be met if future business plans are achieved. With respect to the 2014 LTI award and with one year remaining of the three year performance period, performance against Group ROE and RTSR is below the level required for any awards to vest. Group ROE and RTSR performance conditions for 2015 LTI awards are still in the early stages of the performance period.

4. 2015 REMUNERATION EXPLAINED

Overview

QBE's remuneration strategy is designed to provide market competitive remuneration that motivates and retains QBE's executives, aligned with the creation of sustained shareholder value. QBE's executive remuneration structure comprises a mix of fixed and at-risk remuneration reflecting a balance of short and long-term incentives. This section provides an overview of the remuneration components and their link to strategy.

4.1 QBE's remuneration principles

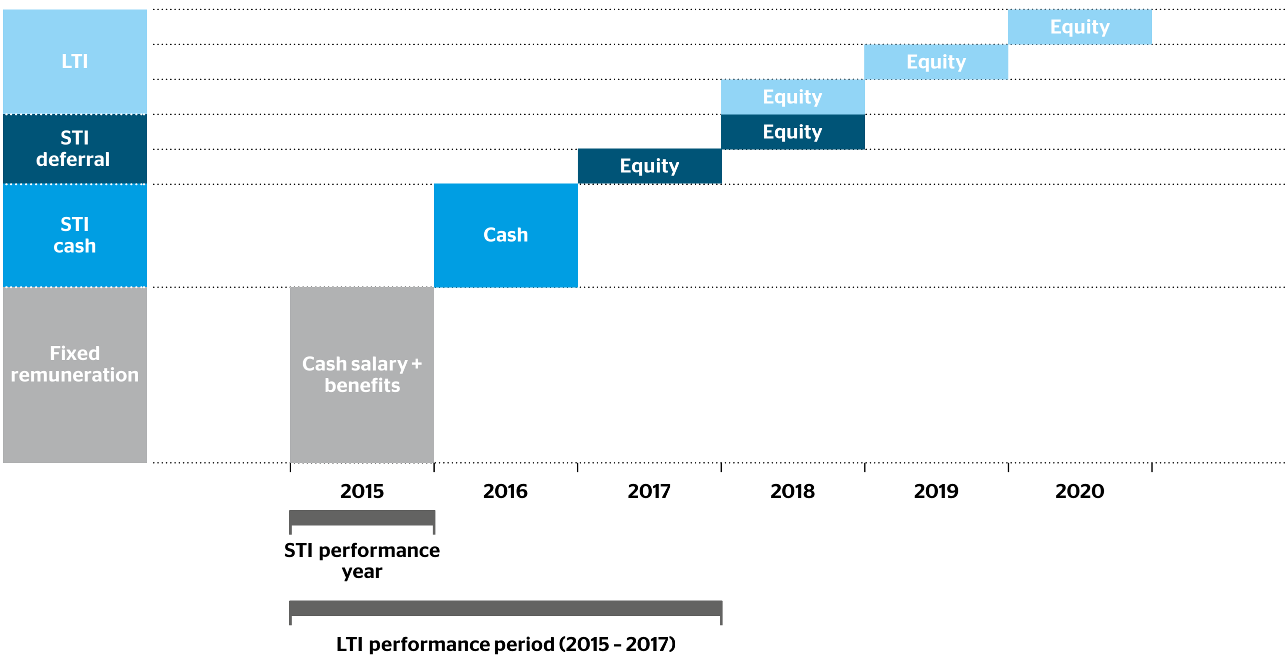
Overview

QBE's remuneration principles have been developed to promote robust risk management practices to manage remuneration across the Group. These are summarised below.

Reflect ONE QBE	Simple	At-risk reward methodology that is easily understood by internal stakeholders and transparent to external shareholders.
	Linked to strategy	Incentive performance measures that provide significant alignment and linkage to QBE's key strategic priorities.
	Globally competitive	A common global remuneration design that provides flexibility to calibrate local financial targets, enabling QBE to compete in key markets.
	Motivating	At-risk reward schemes that combine "stretch" targets and performance measures linked to statutory disclosures and business plans, providing transparency and motivating participants.
	Shareholder aligned	Delivery of equity awards with financial measures linked to key investor metrics and significant levels of deferral that align reward arrangements to shareholder interests. Executive minimum shareholding requirements further link their interests to those of shareholders.

4.2 Remuneration framework

The diagram below illustrates the payment profile of the 2015 total remuneration framework. This does not include the one-off arrangement for the Group CEO and Group CFO where they agreed to replace a portion of the cash component of their STI with further conditional rights.



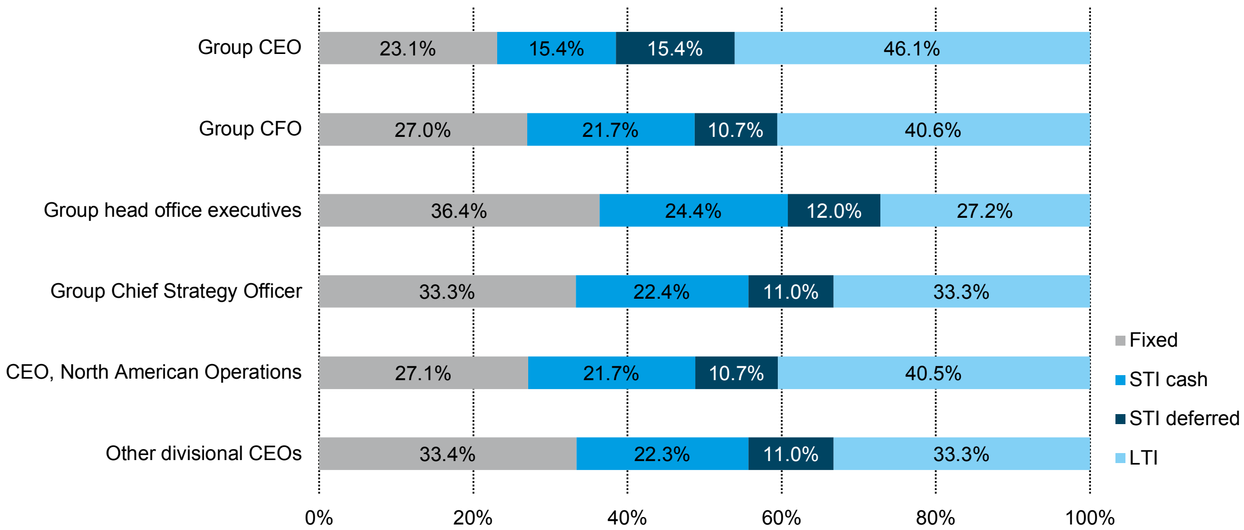
4.2.1 Target remuneration mix

Overview

QBE's remuneration mix is designed to remunerate executives competitively and provide reward for achievement of the Group's performance targets, whilst providing strong governance to protect the financial soundness of the Group and shareholders' interests.

The mix of total remuneration is reflective of an executive's ability to influence QBE's financial results, therefore the range is varied. The mix between short-term cash, deferred STI and LTI is focused towards the longer term time horizon, enhancing alignment with the delivery of QBE's long-term strategy and shareholders' interests.

The diagram below shows the remuneration mix for 2015, assuming on-target performance.



4.2.2 2015 maximum incentive opportunity

The table below shows the 2015 maximum incentive opportunity for executives. In the case of STI, this is 150% of target opportunity.

	2015 INCENTIVE OPPORTUNITY AS A % OF FIXED REMUNERATION		
EXECUTIVES	MAXIMUM STI %	MAXIMUM LTI %	MAXIMUM INCENTIVE %
Group CEO	200	200	400
Group CFO	180	150	330
Group head office executives	150	75	225
Group Chief Strategy Officer	150	125	275
Divisional CEOs	150	100	250
CEO, North American Operations	180	150	330

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4.3 Fixed remuneration

The table below outlines the key details of executives' fixed remuneration.

<table>
<tr><th>COMPONENT</th><th colspan="2">DETAILS</th></tr>
<tr><td>Description</td><td colspan="2">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 and the applicable taxes thereon.
Excludes deemed interest on employee share loans and long service leave accruals.
Delivered in accordance with terms and conditions of employment.</td></tr>
<tr><td rowspan="4">Determining fixed remuneration levels</td><td colspan="2">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 Remuneration Committee considers market data and published recognised 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 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 in 2015 is set out in the table below:</td></tr>
<tr><td>PEER GROUP</td><td>DESCRIPTION</td></tr>
<tr><td>ASX30 peer group</td><td>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 ASX30 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.</td></tr>
<tr><td>Global insurance peer group</td><td>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.</td></tr>
<tr><td>Purpose and link to strategy</td><td colspan="2">Fixed remuneration is benchmarked against an ASX30 peer group and a global insurance peer group to ensure market competitiveness for the purpose of attracting and retaining executives, with reference to the following factors:
• positioned at a level that reflects the contribution and value to the Group;
• recognises capability, expertise and performance of the executive; and
• designed to provide a predictable "base" level of remuneration.</td></tr>
</table>

4.4 Short-term incentives

The table below outlines the key details of the STI plan. STI awards made in 2015 are summarised in section 3.1 of the Remuneration Report.

COMPONENT	DETAILS
Description	The STI 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. For executives in the United Kingdom, the deferred award is in the form of zero exercise price options (ZEPOs). Performance is measured over a 12 month period.
Performance measures and rationale	STI outcomes are based on performance against Group statutory ROE and divisional RoAC targets in the case of divisional executives, as well as individual performance against a balanced scorecard of KPIs relevant to each executive's role. Group statutory ROE is calculated as statutory consolidated net profit after tax as a percentage of average shareholders'

Remuneration Report CONTINUED

COMPONENT	DETAILS
	funds. Statutory ROE was selected as it is transparent and a strong measure of value created for shareholders.

RoAC is calculated as the divisional management-basis profit divided by allocated capital, as determined by the Group's economic capital model.

The balanced scorecard comprises financial and non-financial KPIs relevant to each executive's role which are aligned to the QBE value creation model. Executive performance against the balanced scorecard is evaluated annually by the Group CEO and by the Chairman in respect of the Group CEO, through formal business review assessments.

The STI rules provide suitable discretion to the Remuneration Committee to adjust any formulaic outcome to ensure STI awards appropriately reflect performance. For 2015, the Remuneration Committee has agreed to make adjustments for:

- the effect of the sale of the Mortgage & Lender Services and Argentine workers' compensation businesses; and
- consistent with the principle adopted for 2014, 50% of the effect of movements in discount rates during the year. This acknowledges that QBE's results are heavily impacted by movements in discount rates that are beyond the influence of management.

The following table details the weighting of the performance measures for the STI.

ROLE	GROUP ROE	DIVISIONAL ROAC	BALANCED SCORECARD
Group CEO, Group CFO and Group head office executives	80%	0%	20%
Group Chief Strategy Officer and Group Chief Risk Officer	50%	0%	50%
Divisional CEOs	30%	50%	20%

Financial performance targets

The table below shows the 2015 Group and divisional financial performance targets for 2015. The ROE/RoAC targets reflect market factors in each division.

	THRESHOLD %	TARGET %	SUPERIOR %
Group ROE	6.0%	8.8%	13.8%
Divisional RoAC			
Australian and New Zealand Operations	12.4%	17.4%	22.4%
Emerging Markets	6.6%	14.6%	22.6%
European Operations	4.1%	9.1%	14.1%
North American Operations	1.0%	6.0%	12.0%

Vesting schedule

The STI vesting schedule is outlined below:

	THRESHOLD	TARGET	SUPERIOR
% of STI opportunity achieved	15%	100%	150%

Instrument and deferral mechanics

67% of any STI award is delivered in cash (50% in the case of the Group CEO); and

33% of any STI award is deferred as conditional rights to QBE shares (50% in the case of the Group CEO).

Deferred STI vests in two tranches – 50% on the first anniversary of the award and the other 50% on the second anniversary of the award. Vesting is subject to service conditions and malus provisions during the deferral period.

For the 2015 STI award, the Group CEO and Group CFO have agreed to replace a portion of the cash component of their STI award with further deferred conditional rights making up 30% of their total award. Vesting of these conditional rights is subject to service conditions as well as the QBE share price being at least A$13.00 for a consecutive three-month period during the three year vesting period. This means that the cash component of the Group CEO's 2015 STI award will reduce from 50% to 20%, and for the Group CFO, from 67% to 37%.

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.

Notional dividends accrue during the deferral period.

Leaver provisions

"Good leaver" provisions (e.g. retirement, redundancy, ill health, injury) will apply such that:

- STI opportunity is reduced to a pro-rata amount to reflect the proportion of the performance year in service;
- deferred awards remain in the plan subject to the original vesting conditions; and
- on voluntary termination, dismissal or termination due to poor performance, all awards are forfeited.

Malus provision

STI deferral is subject to malus provisions, enabling awards to be either forfeited or reduced at the discretion of the Remuneration Committee. See section 4.6 of the Remuneration Report for more details on malus.

Purpose and link to strategy

STI cash

- Rewards and motivates achievement of annual business plans.
- Financial targets based on Group (ROE) and divisional (RoAC) performance give clear alignment to shareholders.

COMPONENT	DETAILS
	• The balanced scorecard of individual KPIs considers a broader view of performance and specific strategic priorities. **STI deferred** • Rewards sustainable performance. • Encourages longer-term focus and risk management. • Retention and shareholder alignment – executives are exposed to the performance of QBE shares over two years.

4.5 Long-term incentives

The table below outlines the key details of the LTI plan. LTI awards made in 2015 are summarised in section 6.3.2 of the Remuneration Report.

COMPONENT	DETAILS
Description	The LTI plan consists of an award of conditional rights to QBE shares. For executives in the United Kingdom, the LTI award is in the form of ZEPOs. Conditional rights (and ZEPOs) are awarded at no cost to the executive. LTI awards for the Group CEO and Group CFO are subject to shareholder approval at the Annual General Meeting.
Performance measures	Vesting is subject to two performance conditions measured over a three year performance period: 1. Average Group statutory ROE over three years – for 50% of the award. 2. Relative total shareholder return (RTSR) – for 50% of the award.
LTI allocation	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.
Vesting schedules	**Group ROE** The Group ROE portion vesting schedule for 2015 awards is outlined below:

ROE PERFORMANCE	PERCENTAGE OF CONDITIONAL RIGHTS IN THE ROE TRANCHE TO VEST
Below 7.7%	0%
At 7.7%	20%
Between 7.7% and 11.6%	Straight line between 20% and 100%
At or above 11.6%	100%

The Remuneration Committee may use, and intends to use, discretion when assessing the extent to which the Group statutory ROE performance target has been met, to adjust the vesting outcome upwards or downwards in circumstances where there has been a material variance in the discount rate over the performance period from that assumed when setting the target. This acknowledges that QBE's results are heavily influenced by movements in discount rates that are beyond the influence of participants.

Relative Total Shareholder Return
The RTSR vesting schedule is outlined below:

QBE RTSR RANKING RELATIVE TO THE COMPARATOR GROUP	PERCENTAGE OF CONDITIONAL RIGHTS IN THE RTSR TRANCHE TO VEST
Less than the 50th percentile	0%
At the 50th percentile	50%
Between the 50th and the 75th percentile	Straight line between 50% and 100%
75th percentile or greater	100%

The RTSR comparator group will generally consist 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 2015 LTI award is: ACE Ltd (US), 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).

COMPONENT	DETAILS
Vesting of LTI	Following assessment of performance measures at the end of the three year performance period, conditional rights will vest in three tranches as set out in the table below, subject to service conditions and malus provisions.

TRANCHE	VESTING DATE	PORTION OF ELIGIBLE CONDITIONAL RIGHTS TO VEST
1	End of the three year performance period	33%
2	First anniversary of the end of the performance period	33%
3	Second anniversary of the end of the performance period	34%

COMPONENT	DETAILS
Vesting of LTI (continued)	"Good leaver" provisions (e.g. retirement, redundancy, ill health, injury) will apply such that a pro-rata amount (applied over the three year performance period) of LTI conditional rights remain subject to the original performance and vesting conditions. Notional dividends accrue during the vesting period.
Malus	LTI is subject to malus provisions such that awards may be either forfeited or reduced at the discretion of the Remuneration Committee.

4.6 Keeping executives' and shareholders' interests aligned

QBE has a number of practices which ensure executives' interests are aligned with those of QBE's shareholders.

COMPONENT	DETAILS
Minimum shareholding	The minimum shareholding requirement (MSR) encourages executives to build their shareholding and ensures they have significant exposure to QBE's share price and, by doing so, confirms their long-term interests are aligned with shareholders. Under the requirement, all executives must accumulate a minimum vested shareholding in QBE equivalent to one year's fixed remuneration and 1.5 times fixed remuneration for the Group CEO by 31 March each year. This minimum holding is to be maintained for as long as the executive remains employed by QBE. New executives are required to build their shareholding over a three year period after becoming an executive. For the 2015 test, the following components were included in the calculation: • all 'issued shares' – using the closing share price as at 1 April 2015; and • all unvested conditional rights without a performance condition – using the greater of the cost at grant price and the closing share price as at 1 April 2015. If an executive does not meet the minimum shareholding at the annual review date, QBE may impose a restriction on the future sale of any equity grants. Individual executive requirements are recalculated annually to consider fixed remuneration increases and changes in the share price or exchange rates. The total shareholding investment of executives against the MSR at the 2015 test date (31 March 2015) is shown in the table in section 8.4 of the Remuneration Report.
Malus	The "malus" provision gives the 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.
Treatment of conditional rights on a change in control of QBE	In accordance with the STI and LTI rules, a change in control is defined as either a scheme of arrangement that has been approved by QBE's shareholders or a bidder has 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 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.

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. As at 31 December 2015, the proportion of shares and unvested conditional rights and options held in a QBE employee share plan is 1.74%. This is significantly less than the maximum of 10% over a 10 year period allowed under the plan rules.

5. REMUNERATION GOVERNANCE

QBE has a robust remuneration governance framework overseen by the QBE Group Board.

QBE Group Board

- Overall responsibility for the remuneration strategy and outcomes for executives and non-executive directors
- Reviews and, as appropriate, approves recommendations from the Remuneration Committee.

Remuneration Committee

Reviews and recommends for approval to the QBE Group Board

- Remuneration strategy and framework for executives and non-executive directors.
- Contractual arrangements for the Group CEO and other executives.
- Fixed remuneration and at-risk reward for the Group CEO and other executives.
- Group remuneration policy.

Reviews and approves

- Executive termination payments.
- Reward structures and incentive schemes in line with APRA's prudential standard on governance.
- Major human resources policies relating to incentive schemes, equity schemes and superannuation plans.

Oversees and monitors

- The executive succession planning framework.
- Compliance with statutory remuneration reporting disclosures.
- Diversity and inclusion.
- The QBE Foundation.

Group CEO

Makes recommendations to the Remuneration Committee on:

- Incentive targets and outcomes.
- Balanced scorecard measures and assessment for direct reports.
- Remuneration policy for all employees.
- Long-term incentive participation.
- Individual remuneration and contractual arrangements for executives.

Divisional Remuneration Committees

Consisting of non-executive directors of QBE's divisional boards, provide input to the Remuneration Committee and the Group CEO on:

- Remuneration practices of the respective division.
- Ongoing compliance with regulatory remuneration requirements.
- Individual remuneration and contractual arrangements for senior employees reporting to the divisional CEO and any other employees specified by the relevant regulations.

External advisors

Provide independent advice to the Remuneration Committee on:

- Management proposals.
- Benchmark data and market practice.

5.1 Role of the Remuneration Committee

The Remuneration Committee, consisting only of independent directors, has the highest level of governance responsibility for executive remuneration structures and outcomes to ensure that remuneration frameworks are aligned with robust risk management practices and strong guiding principles. On an annual basis, the Remuneration Committee reviews the Group's remuneration policy to ensure that fixed remuneration is appropriately positioned relative to the market and that at-risk rewards remain linked to QBE's financial targets, investment performance targets and strategic business objectives.

Further details on the role and scope of the Remuneration Committee are set out in the QBE Remuneration Committee charter (available from www.group.qbe.com/corporate-governance/background-documents).

5.2 Use of remuneration consultants

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 Remuneration Committee.

The 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 in regard to their remuneration recommendations, the Remuneration Committee and the Board are satisfied that the advice provided by FIT during 2015 was provided free from undue influence.

The cost of advice and assistance provided by FIT in 2015 was $66,000 (£43,000).

During 2015, management requested reports on market practice and benchmarking on total remuneration from PwC and other sources. No recommendations in relation to the remuneration of KMP were provided as part of these engagements.

5.3 Risk management

The Remuneration Committee works closely with Group Risk to ensure that any risk associated with remuneration arrangements is managed within the Group's risk management framework. Risk oversight policies exist within the remuneration governance framework to ensure executives cannot unduly influence a decision that could materially impact their own incentive outcome. In addition, The Group Chief Risk Officer attends the Remuneration Committee annually to report on executive risk behaviours.

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 risk taking is well managed, strong governance structures are in place and high ethical standards are maintained. These policies are communicated to all employees throughout the Group.

6. REMUNERATION IN DETAIL

6.1 Statutory remuneration disclosures

Overview

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 2015. 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 [1]		
EXECUTIVES	YEAR	BASE SALARY US$000	OTHER [2] US$000	STI CASH [3] US$000	SUPERANNUATION US$000	LEAVE ACCRUALS [4] US$000	CONDITIONAL RIGHTS [5] US$000	OPTIONS US$000	TOTAL US$000
Group head office									
John Neal	**2015**	**1,631**	**79**	**330**	**–**	**(13)**	**1,232**	**–**	**3,259**
	2014	1,883	122	586	–	–	731	5	3,327
Jason Brown	**2015**	**501**	**39**	**310**	**14**	**26**	**377**	**–**	**1,267**
	2014	421	7	147	17	1	177	–	770
Mike Emmett	**2015**	**678**	**31**	**339**	**14**	**24**	**449**	**–**	**1,535**
	2014	760	27	260	17	(15)	284	–	1,333
Colin Fagen	**2015**	**844**	**40**	**465**	**14**	**57**	**708**	**–**	**2,128**
	2014	862	136	596	17	(38)	740	1	2,314
Patrick Regan	**2015**	**1,190**	**34**	**412**	**–**	**(9)**	**2,155**	**–**	**3,782**
	2014	829	2,483	339	–	19	3,042	–	6,712
Jenni Smith	**2015**	**556**	**23**	**279**	**14**	**28**	**224**	**–**	**1,124**
	2014	632	30	214	17	43	232	2	1,170
Divisional									
David Duclos	**2015**	**1,000**	**19**	**729**	**23**	**–**	**826**	**–**	**2,597**
	2014	1,000	17	222	21	–	768	–	2,028
David Fried	**2015**	**899**	**1,235**	**501**	**21**	**–**	**573**	**–**	**3,229**
	2014	714	694	236	21	–	498	–	2,163
Tim Plant	**2015**	**270**	**20**	**140**	**9**	**(10)**	**318**	**–**	**747**
	2014	–	–	–	–	–	–	–	–
Richard Pryce	**2015**	**1,085**	**166**	**985**	**–**	**–**	**775**	**–**	**3,011**
	2014	1,143	183	870	–	–	451	–	2,647
Total 2015	**2015**	**8,654**	**1,686**	**4,490**	**109**	**103**	**7,637**	**–**	**22,679**
Total 2014 [6]	2014	8,244	3,699	3,470	110	10	6,923	8	22,464

1 The fair value at grant date of options and conditional rights is calculated using a binomial model. The fair value of each option and conditional right is recognised evenly over the service period ending at vesting date. Details of grants of conditional rights and options are provided in sections 6.3 and 6.4 of the Remuneration Report.

2 "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 payments and other one-off expenses. For David Fried, this also includes expatriate benefits including a housing allowance, education assistance, a cost of living adjustment and associated taxes thereon. The lower amount in 2014 is due to David Fried receiving a one-off tax benefit as a result of his relocation from Singapore to Hong Kong.

3 Cash STI is payable in March 2016 for performance in 2015.

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

5 For Patrick Regan this includes the conditional rights granted on 20 August 2014. For further details, refer to section 6.3.3 of the Remuneration Report.

6 Comparative information is only provided for executives who were disclosed in QBE's 2014 Remuneration Report. The 2014 totals above are not the same as those disclosed in the 2014 Remuneration Report because of changes in KMP.

6.2 Equity-based remuneration

6.2.1 Executive investment in QBE as at 31 January 2016

The table below shows the investment exposure of QBE's executives as at 31 January 2016. Amounts in the table include relevant interests but do not include interests attributable to personally related parties.

EXECUTIVES	ORDINARY SHARES NUMBER	CONDITIONAL RIGHTS NUMBER	TOTAL POTENTIAL SHARES IN QBE AT 31 JAN 2016 NUMBER	VALUE OF POTENTIAL SHARES IN QBE AT 31 JAN 2016 US$000	COST TO REPAY SHARE LOANS US$000	NET INVESTMENT IN QBE AT 31 JAN 2016[1] US$000
Group head office						
John Neal	234,998	825,252	1,060,250	8,167	–	8,167
Jason Brown	38,552	154,651	193,203	1,488	(2)	1,486
Mike Emmett	–	190,804	190,804	1,470	–	1,470
Colin Fagen	78,585	353,743	432,328	3,330	(189)	3,141
Patrick Regan	388,979	697,843	1,086,822	8,372	–	8,372
Jenni Smith	30,762	130,226	160,988	1,240	–	1,240
Divisional						
David Duclos	–	472,915	472,915	3,643	–	3,643
David Fried	–	277,661	277,661	2,139	–	2,139
Tim Plant	4,945	163,189	168,134	1,295	–	1,295
Richard Pryce	50,570	378,364	428,934	3,304	–	3,304

1 The closing share price at 31 January 2016 was A$10.88 ($7.70 using the 31 January 2016 closing rate of exchange).

6.3 Conditional rights

Overview

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

6.3.1 Deferred equity awards

The table below details conditional rights provided under the terms of the STI Plan, QBE Incentive Scheme (QIS) (which ceased from 1 January 2014) and contractual arrangements. Further details are provided in sections 4.4 and 8.1 of the Remuneration Report.

EXECUTIVES	CONDITIONAL RIGHTS GRANTED IN THE YEAR NUMBER	VALUE OF CONDITIONAL RIGHTS AT GRANT DATE US$000	CONDITIONAL RIGHTS VESTED AND EXERCISED IN THE YEAR NUMBER	VALUE OF CONDITIONAL RIGHTS AT VESTING DATE US$000	CONDITIONAL RIGHTS CANCELLED IN THE YEAR NUMBER	VALUE OF CONDITIONAL RIGHTS AT CANCELLATION DATE US$000
Group head office						
John Neal	51,729	501	26,557	259	–	–
Jason Brown	8,596	75	3,683	36	–	–
Mike Emmett	11,709	102	–	–	–	–
Colin Fagen	25,932	226	5,351	52	–	–
Patrick Regan	14,732	143	–	–	–	–
Jenni Smith	9,306	81	12,086	118	–	–
Divisional						
David Duclos	11,100	97	–	–	–	–
David Fried	11,807	103	–	–	–	–
Tim Plant	13,882	121	–	–	–	–
Richard Pryce	40,772	356	34,293	342	–	–

6.3.2 Long-term incentive plan

The table below details conditional rights provided under the terms of the LTI plan. LTI conditional rights are subject to future performance hurdles as detailed in section 4.5 of the Remuneration Report.

EXECUTIVES	CONDITIONAL RIGHTS GRANTED IN THE YEAR NUMBER	VALUE OF CONDITIONAL RIGHTS AT GRANT DATE [1] US$000	CONDITIONAL RIGHTS VESTED AND EXERCISED IN THE YEAR NUMBER	VALUE OF CONDITIONAL RIGHTS AT VESTING DATE US$000	CONDITIONAL RIGHTS CANCELLED IN THE YEAR NUMBER	VALUE OF CONDITIONAL RIGHTS AT CANCELLATION DATE US$000
Group head office						
John Neal [2]	348,377	2,908	–	–	–	–
Jason Brown	41,568	340	–	–	–	–
Mike Emmett	55,226	451	–	–	–	–
Colin Fagen	82,344	673	–	–	–	–
Patrick Regan [2]	190,024	1,586	–	–	–	–
Jenni Smith	45,724	374	–	–	–	–
Divisional						
David Duclos	162,846	1,331	–	–	–	–
David Fried	94,005	768	–	–	–	–
Tim Plant	47,232	386	–	–	–	–
Richard Pryce	127,861	1,045	–	–	–	–

1 The value at grant date is calculated in accordance with AASB 2 *Share-based Payment*.

2 Granted following shareholder approval at the 2015 AGM.

6.3.3 Future-performance conditional rights

The table below details conditional rights provided as remuneration to executives during 2015.

EXECUTIVES	CONDITIONAL RIGHTS GRANTED IN THE YEAR NUMBER	VALUE OF CONDITIONAL RIGHTS AT GRANT DATE US$000	CONDITIONAL RIGHTS VESTED AND EXERCISED IN THE YEAR NUMBER	VALUE OF CONDITIONAL RIGHTS AT VESTING DATE US$000	CONDITIONAL RIGHTS CANCELLED IN THE YEAR NUMBER	VALUE OF CONDITIONAL RIGHTS AT CANCELLATION DATE US$000
Jason Brown [1]	25,000	237	–	–	–	–
Mike Emmett [1]	25,000	264	–	–	–	–
John Neal [2]	–	–	–	–	32,313	325
Patrick Regan [3]	–	–	261,601	2,550	–	–

1 Jason Brown and Mike Emmett were awarded a one-off grant of 25,000 conditional rights in March 2015 and August 2015 respectively to recognise their contribution and additional responsibilities in their respective roles. These awards are subject to Group ROE performance conditions measured annually over three performance years and the achievement of key performance indicators in their balanced scorecard.

2 On 5 April 2012, John Neal was granted an appointment performance incentive of 90,000 conditional rights. The award comprised three tranches of 30,000 conditional rights, relating to 2012, 2013 and 2014 respectively. The conditional rights for each of the three years were to vest in April 2015 if vesting conditions were met, which included QBE achieving a minimum ROE target for the relevant year. The minimum ROE target for 2014 was not met therefore the third tranche of conditional rights (and associated notional dividends) lapsed in April 2015.

3 On 20 August 2014, Patrick Regan was granted conditional rights as compensation for incentives forfeited on ceasing his previous employment to join QBE. The award comprised three tranches of conditional rights subject to service conditions. The first tranche of the award vested on 1 March 2015.

6.4 Options

Options were provided to executives under the legacy DCP until March 2010. The table below details options vested, lapsed or cancelled during the year.

With the options that lapsed and were cancelled during 2015, there are now no executives who hold options.

	OPTIONS VESTED IN THE YEAR NUMBER	OPTIONS LAPSED/CANCELLED IN THE YEAR NUMBER
Group head office		
John Neal	–	104,697
Jason Brown	–	12,091
Jenni Smith	–	40,757
Colin Fagen	–	17,569

6.5 Employment agreements

The table below summarises the material terms of the employment agreements 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	EXECUTIVES AFFECTED	CONDITIONS
Duration of contract	All	Permanent full-time employment contract until notice given by either party.
Notice to be provided by executive or QBE	All	Notice period is 12 months for John Neal. Other executives' notice periods are six months. QBE may elect to make a payment in lieu of notice.
Treatment of incentives on involuntary termination	All	**On termination with cause or for poor performance** All unvested incentives are forfeited. **On termination without cause** For STI 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 STI 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 Remuneration Committee has discretion to vest these awards. Legacy QIS-DEA awards generally remain in the plan subject to the original vesting conditions. 50% of QIS-DEA awards in 2010, 2011 and 2012 may vest at the time of termination at the discretion of the Remuneration Committee.
Treatment of incentives on voluntary termination	All	All unvested incentives are forfeited.
Deferred bonus	John Neal	Three weeks' fixed remuneration for each year of service capped at 12 months' fixed remuneration on termination if not due to resignation, termination without notice, poor performance, or serious misconduct.
Post-employment restraints	John Neal	12 month non-compete and non-solicitation.
	All others	Six month non-compete and non-solicitation.

7. NON-EXECUTIVE DIRECTOR REMUNERATION

7.1 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.

7.2 Fee structure and components

The aggregate amount approved by shareholders at the 2015 AGM was A$3,500,000 per annum.

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.

An inflationary increase of 3.0% to non-executive director fees was effective 1 April 2015. This was the first increase since 2012.

Active committees in 2015 were as follows:

- Audit Committee
- Investment Committee
- Remuneration Committee
- Risk and Capital Committee

The non-executive director fee structure for 2015 and 2014 is shown in the table below.

FEE FRAMEWORK	2015 A$000	2014 A$000
Chairman base fee	**663**	644
Deputy Chairman base fee	**229**	222
Non-executive director base fee	**208**	202
Committee chairman base fee	**50**	49
Committee membership fee	**27**	27

7.3 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. The travel allowance was increased by 3% during 2015 and extended to Australian based directors to reflect the time travelling outside of Australia and for consistency with overseas based directors.

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.

7.4 Minimum shareholding requirement

With effect from 1 April 2014, a non-executive director minimum shareholding requirement was introduced for the Group Board. Under this requirement, 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 minimum shareholding requirement has not been met, directors are required to sacrifice a mandatory minimum amount of 20% of pre-tax fees until the minimum shareholding is met. 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 8.4 of the Remuneration Report.

7.5 Remuneration details for non-executive directors

The table below details the nature and amount of each component of the remuneration of QBE's non-executive directors.

NON-EXECUTIVE DIRECTOR	YEAR	SHORT-TERM EMPLOYMENT BENEFITS FEES [1] US$000	SHORT-TERM EMPLOYMENT BENEFITS OTHER US$000	POST EMPLOYMENT BENEFITS SUPERANNUATION - SGC [2] US$000	POST EMPLOYMENT BENEFITS SUPERANNUATION - OTHER [3] US$000	TOTAL [4] US$000
Marty Becker	**2015**	**593**	**–**	**–**	**–**	**593**
	2014	584	–	4	–	588
Stephen Fitzgerald	**2015**	**256**	**–**	**5**	**7**	**268**
	2014	72	–	3	1	76
John Graf	**2015**	**285**	**–**	**4**	**–**	**289**
	2014	385	–	5	–	390
John M Green	**2015**	**272**	**–**	**14**	**12**	**298**
	2014	266	–	16	9	291
Margaret Leung	**2015**	**248**	**–**	**–**	**–**	**248**
	2014	288	–	3	–	291
Sir Brian Pomeroy	**2015**	**267**	**–**	**–**	**–**	**267**
	2014	263	–	–	–	263
Jann Skinner	**2015**	**234**	**–**	**14**	**8**	**256**
	2014	88	–	7	1	96
Total	**2015**	**2,155**	**–**	**37**	**27**	**2,219**
	2014	1,946	–	38	11	1,995

1 Travel allowances, additional fees in lieu of superannuation in Australia and amounts sacrificed in relation to the Director Share Acquisition Plan are included in directors' fees.
- Sir Brian Pomeroy, John Graf, Margaret Leung and Stephen Fitzgerald received a travel allowance of $30,000 (A$42,000) per annum from 1 January to 31 March 2015 and $31,000 (A$43,000) per annum from 1 April to 31 December 2015. John Green and Jann Skinner received a travel allowance of $31,000 (A$43,000) per annum from 1 April to 31 December 2015. Marty Becker received a travel allowance of $45,000 (A$62,000) per annum for the period 1 January to 31 March 2015 and $47,000 (A$64,000) per annum from 1 April to 31 December 2015.
- Sir Brian Pomeroy, John Graf, Marty Becker and Margaret Leung receive additional fees of 9.5% in lieu of superannuation in Australia.
- Stephen Fitzgerald was an Australian tax resident for a portion of the year and received superannuation contributions during this period. For the balance of the year, he was a non-resident and received additional fees of 9.5% in lieu of superannuation in Australia.
- Marty Becker, Margaret Leung, Sir Brian Pomeroy and Stephen Fitzgerald all participate in the Director Share Acquisition Plan.

2 John Green and Jann Skinner 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 For Jann Skinner, this includes fees and superannuation of $14,000 and $1,000 respectively for her role as a non-executive director on subsidiary boards in QBE Australian & New Zealand Operations to 20 February 2015.

4 Remuneration has been converted to US dollars using the average rate of exchange for the relevant year.

8. APPENDIX

8.1 Legacy equity schemes

The table below summarises QBE's legacy incentive plans.

EQUITY SCHEME	DESCRIPTION
LEGACY LONG-TERM INCENTIVE PLAN (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 future performance hurdles as follows: • 50% of the award granted will be contingent on QBE's diluted EPS increasing by a compound average of 7.5% per annum over the five year vesting period; and • 50% of the award granted will be contingent on QBE's average statutory ROE and combined operating ratio 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 cash and deferred equity awards (QIS-DEA). It came into effect from 1 January 2010 and was applicable to deferred equity awards made in March 2011 to March 2014. Under the QIS, the directors could approve the issue of conditional rights to shares to executives who achieved predetermined performance targets. The maximum deferred equity award was based on an amount which was the lesser of 80% of the cash award earned or 100% of fixed remuneration at 31 December, in each case for the financial year immediately prior to the year in which the cash award was paid. The deferred equity award was used as the basis for calculating the number of conditional rights as follows: • conditional rights to the value of 50% of the award converted to fully paid ordinary QBE shares after three years; and • conditional rights to the value of 50% of the award converted to fully paid ordinary QBE shares 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). The shares issued pursuant to the conditional rights vest only if the individual has remained in the Group's service throughout the vesting period. For awards made prior to 2012, the Remuneration Committee has the discretion to pay cash in lieu of shares in certain circumstances such as death, disability, redundancy or retirement if the individual is not subject to disciplinary proceedings or notice to terminate employment on that date. The extent of vesting of the conditional rights may be reduced (including to zero) for any material deterioration of the relevant entity's return on equity during the vesting period.

EQUITY SCHEME	DESCRIPTION
Deferred Compensation Plan (DCP)	
Until 31 December 2008 and applicable to awards granted in March 2009 and prior	For DCP awards made up to and including March 2009 in relation to financial performance in 2008 and prior years, KMP were provided with the opportunity to acquire equity in the form of conditional rights to fully paid shares without payment and options to subscribe for shares at market value at the grant date. The DCP award amount was restricted to the lesser of 66.67% of the STI award for that year or 100% of fixed remuneration or base (cash) salary as at 31 December in the financial year prior to the year in which the STI award was paid. This DCP award amount was used to acquire conditional rights to fully paid shares and options respectively as follows: • conditional rights to shares to the value of 60% of the DCP award, converted to shares after three years; and • options over ordinary shares to the value of 40% of the DCP award, with the resulting number multiplied by three, exercisable after five years (three years if in Group Investments). Interest-free personal recourse loans were available on terms permitted by the Employee Share and Option Plan to persons in the employment of QBE who held options under the DCP, to fund the exercise of the options. Interest-free personal recourse loans under the DCP ceased on 5 March 2015 after the final vesting of all incentives granted in March 2009.
From 1 January 2009 and applicable to awards granted in March 2010	For DCP awards made in March 2010 in respect of financial performance for 2009, executives received conditional rights to fully paid shares. The maximum DCP award was based on an amount which was the lesser of 80% of the STI award (previously 66.67%) in that year or 100% of fixed remuneration or base (cash) salary as at 31 December in the financial year prior to the year in which the STI award was paid. The maximum DCP award was used as the basis of calculating the number of conditional rights to fully paid shares as follows: • conditional rights to the value of 50% of the DCP award, converted to shares after three years; and • conditional rights to the value of 50% of the DCP award, converted to shares after five years. The vesting of the conditional rights is contingent on there being no material subsequent deterioration of the consolidated entity's ROE during the vesting period.
All awards	Conditional rights and any options relating to the achievement of profit targets in the financial year were granted in March of the following year. The share price upon which the allocation of conditional rights was calculated was the volume weighted average sale price of QBE shares over the five trading days on the ASX prior to the grant date. Notional dividends under the Bonus Share Plan are added to the number of conditional rights granted and are provided on vesting.

8.2 Valuation of conditional rights and options

8.2.1 Conditional rights

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

GRANT DATE	DATE EXERCISABLE	FAIR VALUE PER RIGHT AT GRANT DATE [1]
5 March 2010	4 March 2015	A$20.90
7 March 2011	6 March 2016	A$17.93
7 March 2012	6 March 2017	A$11.78
5 April 2012	4 April 2015	A$14.25
1 September 2012	1 March 2015	A$13.03
1 September 2012	1 March 2016	A$13.03
5 March 2013	4 March 2016	A$13.18
5 March 2013	4 March 2018	A$13.18
27 March 2013	26 March 2018	A$13.02
2 April 2013	1 April 2016	A$13.18
2 April 2013	1 April 2018	A$13.18
8 April 2013	7 April 2016	A$13.61
8 April 2013	7 April 2018	A$13.61
4 March 2014	3 March 2017	A$8.34
4 March 2014	3 March 2018	A$8.34
4 March 2014	3 March 2019	A$8.34
4 March 2014	3 March 2017	A$8.60
4 March 2014	3 March 2018	A$8.60
4 March 2014	3 March 2019	A$8.60
4 March 2014	3 March 2017	A$12.68
4 March 2014	3 March 2018	A$12.68
4 March 2014	3 March 2019	A$12.68
4 March 2014	3 March 2017	A$12.75
4 March 2014	3 March 2018	A$12.75
4 March 2014	3 March 2019	A$12.75
20 August 2014	3 March 2017	A$6.08
20 August 2014	3 March 2018	A$6.08
20 August 2014	3 March 2019	A$6.08
20 August 2014	3 March 2017	A$10.70
20 August 2014	3 March 2018	A$10.70
20 August 2014	3 March 2019	A$10.70
20 August 2014	1 March 2015	A$11.23
20 August 2014	1 March 2016	A$11.23
20 August 2014	1 March 2017	A$11.23
3 March 2015	2 March 2018	A$9.15
3 March 2015	2 March 2019	A$9.15
3 March 2015	2 March 2020	A$9.15
3 March 2015	2 March 2018	A$9.35
3 March 2015	2 March 2019	A$9.35
3 March 2015	2 March 2020	A$9.35
3 March 2015	2 March 2016	A$11.63
3 March 2015	2 March 2017	A$11.63
3 March 2015	2 March 2016	A$12.63
3 March 2015	2 March 2017	A$12.63
3 March 2015	2 March 2018	A$12.63
3 March 2015	2 March 2019	A$12.63
3 March 2015	2 March 2020	A$12.63
3 March 2015	2 March 2016	A$12.90
3 March 2015	2 March 2017	A$12.90
3 March 2015	2 March 2018	A$12.90
3 March 2015	2 March 2019	A$12.90
3 March 2015	2 March 2020	A$12.90
19 August 2015	2 March 2016	A$14.06
19 August 2015	2 March 2017	A$14.06
19 August 2015	2 March 2018	A$14.06

1 The fair value of conditional rights at grant date is calculated using a binomial model. The fair value of each conditional right is recognised evenly over the service period ending at vesting date. Details of grants of conditional rights are provided in section 6.3 of the Remuneration Report.

8.2.2 Options

The table below details the options affecting remuneration of KMP in the previous, current or future reporting periods.

GRANT DATE	DATE EXERCISABLE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE [1]
6 March 2009	5 March 2014	6 March 2015	A$17.57	A$2.81

1 The fair value of options at grant date is calculated using a binomial model. The fair value of each option is recognised evenly over the service period ending at vesting date. Details of options vested, lapsed or cancelled are provided in section 6.4 of the Remuneration Report.

8.3 Equity instruments

8.3.1 QBE deferred equity plans – conditional rights

The table below details the movements in the number of conditional rights to ordinary shares in QBE provided as remuneration to the KMP and issued under the STI, QIS and DCP.

2015	BALANCE AT 1 JAN 2015 NUMBER	GRANTED IN THE YEAR NUMBER	NOTIONAL DIVIDENDS ATTACHING IN THE YEAR NUMBER	VESTED AND TRANSFERRED IN THE YEAR NUMBER	CANCELLED/ FORFEITED IN THE YEAR NUMBER	BALANCE AT 31 DEC 2015 NUMBER
Executive directors						
John Neal	54,301	51,729	2,559	(26,557)	–	82,032
Patrick Regan	–	14,732	474	–	–	15,206
Other key management personnel						
Jason Brown	39,028	8,596	1,413	(3,683)	–	45,354
David Duclos	145,949	11,100	5,056	–	–	162,105
Mike Emmett	58,850	11,709	2,272	–	–	72,831
Colin Fagen	149,549	25,932	5,473	(5,351)	–	175,603
David Fried	102,618	11,807	3,684	–	–	118,109
Tim Plant	51,535	13,882	2,104	–	–	67,521
Richard Pryce	116,190	40,772	3,948	(34,293)	–	126,617
Jenni Smith	17,845	9,306	485	(12,086)	–	15,550

8.3.2 Long-term incentive plans – conditional rights

The table below details the movements in the number of conditional rights to ordinary shares in QBE provided as remuneration to the KMP and issued under the LTI plan and legacy LTI plan. No conditional rights to ordinary shares in QBE were provided to KMP under any legacy schemes.

2015	BALANCE AT 1 JAN 2015 NUMBER	GRANTED IN THE YEAR NUMBER	NOTIONAL DIVIDENDS ATTACHING IN THE YEAR NUMBER	VESTED AND TRANSFERRED IN THE YEAR NUMBER	CANCELLED/ FORFEITED IN THE YEAR NUMBER	BALANCE AT 31 DEC 2015 NUMBER
Executive directors						
John Neal	371,671	348,377	23,172	–	–	743,220
Patrick Regan	209,731	190,024	12,866	–	–	412,621
Other key management personnel						
Jason Brown	39,320	41,568	2,606	–	–	83,494
David Duclos	138,276	162,846	9,688	–	–	310,810
Mike Emmett	34,476	55,226	2,886	–	–	92,588
Colin Fagen	90,242	82,344	5,554	–	–	178,140
David Fried	60,569	94,005	4,978	–	–	159,552
Tim Plant	45,452	47,232	2,984	–	–	95,668
Richard Pryce	116,040	127,861	7,846	–	–	251,747
Jenni Smith	65,378	45,724	3,574	–	–	114,676

None of these conditional rights were vested or exercisable at 31 December 2015.

8.3.3 Other – conditional rights

The table below details the movements in the number of conditional rights to ordinary shares in QBE provided as remuneration to KMP.

2015	BALANCE AT 1 JAN 2015 NUMBER	GRANTED IN THE YEAR NUMBER	NOTIONAL DIVIDENDS ATTACHING IN THE YEAR NUMBER	VESTED AND TRANSFERRED IN THE YEAR NUMBER	CANCELLED/ FORFEITED IN THE YEAR NUMBER	BALANCE AT 31 DEC 2015 NUMBER
Executive directors						
John Neal	32,313	–	–	–	(32,313)	–
Patrick Regan	523,199	–	8,418	(261,601)	–	270,016
Other key management personnel						
Jason Brown	–	25,000	803	–	–	25,803
Mike Emmett	–	25,000	385	–	–	25,385

8.3.4 QBE deferred equity plans – options

The table below details the movements in the number of DCP options over ordinary shares in QBE provided as remuneration to KMP.

2015	BALANCE AT 1 JAN 2015 NUMBER	CANCELLED/ FORFEITED IN THE YEAR NUMBER	BALANCE AT 31 DEC 2015 NUMBER	VESTED AND EXERCISABLE AT 31 DEC 2015 NUMBER	EXERCISE COST AT 31 DEC 2015 A$000
Executive director					
John Neal	104,697	(104,697)	–	–	–
Other key management personnel					
Jason Brown	12,091	(12,091)	–	–	–
Colin Fagen	17,569	(17,569)	–	–	–
Jenni Smith	40,757	(40,757)	–	–	–

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8.4 Shareholdings

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

2015	INTEREST IN SHARES AT 1 JAN 2015 NUMBER	CONDITIONAL RIGHTS VESTED NUMBER	SHARES PURCHASED (SOLD) NUMBER	DIVIDENDS REINVESTED IN THE YEAR NUMBER	INTEREST IN SHARES AT 31 DEC 2015 NUMBER	INTEREST IN SHARES AT 31 DEC 2015 SUBJECT TO NON-RECOURSE LOANS NUMBER
Non-executive directors						
Marty Becker	67,736	–	12,507	–	80,243	–
Stephen Fitzgerald	–	–	32,147	–	32,147	–
John Graf	29,600	–	–	–	29,600	–
John M Green	37,258	–	–	–	37,258	–
Margaret Leung	286	–	6,138	40	6,464	–
Sir Brian Pomeroy	828	–	5,834	–	6,662	–
Jann Skinner	20,000	–	5,000	–	25,000	–
Executive directors						
John Neal	202,981	26,557	(1,895)	7,355	234,998	–
Patrick Regan	118,960	261,601	–	8,418	388,979	–
Other key management personnel						
Jason Brown	33,167	3,683	–	1,202	38,052	2,276
David Duclos	–	–	–	–	–	–
Mike Emmett	–	–	–	–	–	–
Colin Fagen	71,250	5,351	498	1,080	78,179	18,175
David Fried	–	–	–	–	–	–
Tim Plant	5,829	–	–	93	5,922	–
Richard Pryce	31,949	34,293	(16,236)	564	50,570	–
Jenni Smith	33,287	12,086	(15,000)	389	30,762	–

The table below details the position of KMP against the minimum shareholding requirement.

2015	MINIMUM SHAREHOLDING REQUIREMENT A$000	INTEREST IN SHARES AT 31 MARCH 2015 A$000	UNVESTED CONDITIONAL RIGHTS WITHOUT PERFORMANCE CONDITIONS A$000	VALUE OF EMPLOYEE LOAN SHARES [1] A$000	TOTAL VALUE OF HOLDINGS A$000	MINIMUM SHAREHOLDING REQUIREMENT STATUS [2]
Non-executive directors						
Marty Becker	663	930	–	–	930	Met
Stephen Fitzgerald	208	327	–	–	327	Met
John Graf	208	379	–	–	379	Met
John M Green	229	775	–	–	775	Met
Margaret Leung	208	24	–	–	24	On track
Sir Brian Pomeroy	208	41	–	–	41	On track
Jann Skinner	208	338	–	–	338	Met
Executive directors						
John Neal	3,300	2,909	1,151	–	4,060	Met
Patrick Regan	1,600	4,867	2,985	–	7,853	Met
Other key management personnel						
Jason Brown	700	355	584	13	952	Met
David Duclos	1,339	–	2,028	–	2,028	Met
Mike Emmett	930	–	905	–	905	On track
Colin Fagen	1,040	706	2,218	173	3,097	Met
David Fried	1,216	–	1,527	–	1,527	Met
Tim Plant [3]	N/A	N/A	N/A	N/A	N/A	N/A
Richard Pryce	1,586	640	1,573	–	2,213	Met
Jenni Smith	770	388	221	–	609	Not met

1 Value at statement date less balance of loan owing.
2 This shows whether the MSR has been met as at 31 March 2015 using the closing share price on 1 April 2015 of A$12.79 or the value at purchase, if greater. Detailed information on the MSR is provided in sections 4.6 and 7.4 of the Remuneration Report.
3 Tim Plant was not a KMP at the 2015 test date (31 March 2015).

8.5 Loans

This section details the loans made by the Group to KMP. All recourse and non-recourse loans are due to be paid within 10 days of ceasing employment.

8.5.1 Personal recourse share loans

2015	BALANCE AT 1 JAN 2015 A$000	LOANS MADE IN THE YEAR A$000	REPAYMENTS A$000	BALANCE AT 31 DEC 2015 A$000	INTEREST NOT CHARGED A$000 [1]	HIGHEST BALANCE IN THE PERIOD A$000
Key management personnel						
Jason Brown	107	–	107	–	4	107
Colin Fagen	134	–	134	–	2	134

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

8.5.2 Non-recourse share loans

Prior to 20 June 2005, non-recourse loans were provided by the Group to KMP for the purchase of shares in QBE. Under AASB 2 *Share-based Payment*, non-recourse loans and the related shares are derecognised and are instead treated as options.

2015	BALANCE AT 1 JAN 2015 A$000	LOANS MADE IN THE YEAR A$000	REPAYMENTS A$000	BALANCE AT 31 DEC 2015 A$000	INTEREST NOT CHARGED A$000 [1]	HIGHEST BALANCE IN THE PERIOD A$000
Key management personnel						
Jason Brown	3	–	–	3	–	3
Colin Fagen	267	–	–	267	15	267

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

Directors' Report CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2015

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 its 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 90.

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 class order 98/100 dated 10 July 1998 (as amended by class order 04/667 dated 15 July 2004) relating to the "rounding off" of amounts in the Directors' Report. 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 class order.

Signed in SYDNEY this 23rd day of February 2016 in accordance with a resolution of the directors.

W. Marston Becker **Director**	John Neal **Director**

Auditor's independence declaration for the year ended 31 December 2015

As lead auditor for the audit of QBE Insurance Group Limited for the year ended 31 December 2015, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of QBE Insurance Group Limited and the entities it controlled during the period.

RJ Clark
Partner, PricewaterhouseCoopers

Sydney
23 February 2016