

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014.

Directors

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

Marty Becker (Chairman)
John Graf
John M Green
Margaret Leung
John Neal

Ms Belinda Hutchinson AM was a director from the beginning of the financial year until her retirement on 31 March 2014. Mr Duncan Boyle and Ms Isabel Hudson were directors from the beginning of the financial year until their retirement on 31 December 2014.

Sir Brian Pomeroy was appointed to the Board as a director on 1 June 2014. Ms Jann Skinner, Mr Stephen Fitzgerald and Mr Patrick Regan were appointed to the Board as directors on 1 October 2014. Messrs Fitzgerald and Regan, Sir Brian Pomeroy and Ms Skinner offer themselves for election at the annual general meeting (AGM).

Mr Marty Becker was appointed Chairman of the Board on 1 April 2014.

Details of the directors and their qualifications are provided on pages 62 and 63.

Consolidated results

	2014 US\$M	2013 US\$M
Gross written premium	16,332	17,975
Unearned premium movement	189	(86)
Gross earned premium revenue	16,521	17,889
Outward reinsurance premium	(2,480)	(2,347)
Deferred reinsurance premium movement	43	(146)
Outward reinsurance premium expense	(2,437)	(2,493)
Net earned premium	14,084	15,396
Net claims expense	(8,900)	(9,931)
Net commission	(2,363)	(2,580)
Underwriting and other expenses	(2,274)	(2,544)
Underwriting result	547	341
Net investment income on policyholders' funds	527	500
Insurance profit	1,074	841
Net investment income on shareholders' funds	270	301
Financing and other costs	(297)	(345)
Share of net profits of associates	1	–
Amortisation and impairment of intangibles	(117)	(1,245)
Profit (loss) before income tax	931	(448)
Income tax (expense) credit	(182)	204
Profit (loss) after income tax	749	(244)
Net profit attributable to non-controlling interests	(7)	(10)
Net profit (loss) after income tax	742	(254)

Result

Net profit after tax for the year to 31 December 2014 was \$742 million, compared with a net loss of \$254 million last year, with the current year result benefiting from a significantly improved underwriting result in our North American Operations and the non-recurrence of the substantial North American goodwill impairment and accelerated amortisation charges recognised in 2013.

Net investment income of \$797 million was broadly in line with \$801 million last year. Our increased allocation to growth assets combined with narrowing credit spreads supported the achievement of an investment return that was broadly in line with expectations.

Dividends

The directors announce a final dividend of 22 Australian cents per share, up from the final dividend of 12 Australian cents per share last year. The dividend will be franked at 100%. The total dividend payout is A\$492 million compared with A\$394 million in 2013. Consistent with the capital initiatives announced at the half year, the Board elected to remove the 1% discount on the Group's dividend reinvestment plans.

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 6 to 27 and 30 to 51 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, 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 2014 was 88.7% compared with 90.7% 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 115 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 controlled entities. The indemnity does not apply to any liability (excluding legal costs):

- owed to the company or its controlled entities (e.g. breach of directors' duties);
- for a pecuniary penalty or compensation order under the *Corporations Act 2001*; or
- which did not arise out of conduct in good faith.

The indemnity extends to legal costs other than where:

- in civil proceedings, an exclusion above applies;
- in criminal proceedings, the person is found guilty;
- the person is liable for civil remedies in proceedings brought by the Australian Securities and Investments Commission, 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 that the person acted honestly and having regard to all the circumstances ought fairly to be excused for negligence, default, breach of trust or breach of duty in civil proceedings.

In addition, a deed exists between the company and each director which includes an indemnity in similar terms to article 115 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 62 and 63, the secretary, Peter Horton, and deputy 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.

Directors' Report CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2014

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 30 to 51 of this Annual Report.

Events after balance sheet date

On 2 February 2015, three North American agencies were sold for cash consideration of \$217 million, with the potential of a further \$83 million over the next five years, contingent on the achievement of specified performance criteria.

On 16 February 2015, QBE announced the sale of three Australian agencies for a cash consideration of A\$290 million, with the potential for an adjustment to an amount in the range of A\$232 million to \$348 million, contingent on the achievement of specified performance criteria. The sale is expected to complete in late March 2015.

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 5 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 in the Annual Report and the section of the Corporate Governance Statement addressing ASX CGC Principle 7: Recognise and Manage Risk which is located in the Corporate Governance section of the QBE website at www.qbe.com.

Commentary on significant judgements and estimates affecting the 31 December results and balance sheet is included in note 4 to the financial statements.

Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth, State or Territory legislation.

Meetings of directors

	FULL MEETINGS OF DIRECTORS ¹	MEETINGS OF NON-EXECUTIVE DIRECTORS	MEETINGS OF COMMITTEES ²			
			AUDIT	INVESTMENT	REMUNERATION	RISK & CAPITAL
Number of meetings held	11	7	7	5	4	6
Number attended						
Marty Becker	11	7	5	4	3	6
Duncan Boyle (retired 31 December 2014)	10	7	7	—	4	—
Stephen Fitzgerald (appointed 1 October 2014)	2	1	—	2	—	1
John Graf	11	7	—	5	1	5
John M Green	11	7	—	3	4	6
Isabel Hudson (retired 31 December 2014)	11	7	7	—	4	—
Belinda Hutchinson AM (retired 31 March 2014)	3	2	2	1	1	1
Margaret Leung	10	7	6	—	3	2
John Neal ³	11	—	—	—	—	—
Sir Brian Pomeroy (appointed 1 June 2014)	7	4	5	—	—	4
Patrick Regan ⁴ (appointed 1 October 2014)	2	—	—	—	—	—
Jann Skinner (appointed 1 October 2014)	2	1	1	—	—	1

1 Included meetings in the UK and the US and one day meetings of a delegation from the Board in Hong Kong and Buenos Aires.

2 The composition of each committee has varied at different points during the year, hence directors were not required to attend every committee meeting.

3 Mr Neal attended Audit, Investment, Remuneration and Risk & Capital Committee meetings by invitation, not being a member of these committees.

4 Mr Regan attended Audit, Investment and Risk & Capital Committee meetings by invitation, not being a member of these committees.

The Nomination Committee agenda is discussed at full meetings of the Board.

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 2012 to 24 February 2015, the directors also served as directors of the following listed entities:

	POSITION	DATE APPOINTED	DATE CEASED
Duncan Boyle Stockland Trust Group	Director	7 August 2007	–
John M Green WorleyParsons	Director	11 October 2002	–
Isabel Hudson BT Group plc	Director	1 November 2014	–
Phoenix Group Holdings plc	Director	18 February 2010	–
Margaret Leung China Construction Bank	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 62 to 63 of this report.

Qualifications and experience of company secretaries

Peter Horton BA LLB

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

Peter Smiles LLB, MBA, ACIS

Peter Smiles is Deputy Company Secretary of QBE Insurance Group Limited and a company secretary of various QBE subsidiaries in Australia. He has 23 years of insurance experience, which includes 16 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.

Directors' interests and benefits

(A) Ordinary share capital

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

DIRECTOR	2014 NUMBER	2013 NUMBER
Marty Becker	67,736	45,000
Stephen Fitzgerald	–	n/a
John Graf	29,600	29,600
John M Green	37,258	37,258
Margaret Leung	286	–
John Neal	202,981	170,662
Sir Brian Pomeroy	828	n/a
Patrick Regan	118,960	n/a
Jann Skinner	20,000	n/a

(B) Options and conditional rights

At the date of this report, John Neal had 62,741 (2013 104,697) options over ordinary shares of the company and 458,285 (2013 288,305) conditional rights to ordinary shares of the company and Patrick Regan had 732,930 (2013 nil) conditional rights to ordinary shares of the company. Details of the schemes under which these options and rights are granted are provided in the Remuneration Report and in note 26 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.

(C) Loans to directors and executives

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

Remuneration Report

To our shareholders

On behalf of the Board, I am pleased to present the QBE Remuneration Report for 2014, my first as Chairman of the Remuneration Committee. The Board is committed to presenting this important information in a manner that is easily understood and transparent to all shareholders.

Key changes made to the executive remuneration framework

As reported last year, in 2014, we introduced a new executive remuneration framework with the objective of strengthening the alignment of our remuneration structures and our ONE QBE vision, values and strategy. The new framework is more performance-based and significantly re-weighted to the longer term. There is stronger alignment to shareholder interests through the use of financial targets for both short-term incentives (STI) and long-term incentives (LTI) that are tied to business plans and published targets.

While we are pleased overall with the effectiveness of the new remuneration structure after its first year of operation, in reviewing the structure against our remuneration principles (shown in section 4(B) of the Remuneration Report), we felt that we also needed to better balance the retention and motivational aspects of the incentive schemes for employees while maintaining the strong alignment to performance and shareholder outcomes. As a result, for 2015, we have refined the LTI vesting schedule for the Group ROE performance measure so that vesting commences earlier (i.e. on achieving 80% of the three year business plan compared with 95% for the 2014 LTI grant) but with a lower vesting outcome (i.e. at 20%, compared to with 50% for the 2014 LTI grant).

2014 performance and remuneration

Overall, performance in 2014 was broadly in line with guidance provided in our mid-year update. Our Group statutory return on equity (ROE) of 6.9% was a significant improvement compared with 2013, particularly given the significant reduction in risk-free rates used to discount our outstanding claims which adversely impacted the ROE by 2.4%. In other words, had risk-free rates remained steady in 2014, the Group's statutory ROE would have been 9.3% all other things being equal. Given that risk-free rates are largely determined by the fiscal policies of governments in our major trading markets and outside of the influence of management, the Remuneration Committee made the decision to adjust the ROE for STI purposes by 50% of the effect of the movement in risk-free rates. This approach was also applied to the divisional STI calculations and will be consistently applied in future years, including instances when the risk-free rate movement has a beneficial impact on ROE.

The resultant ROE for 2014 STI purposes was 8.1%, above the threshold level of 7.0% for STI to vest. This meant that STI awards were made to the Group CEO and Group head office executives for the first time since 2010.

The first tranche of deferred equity awards for the 2010 performance year reached the three year vesting date in March 2014. Notably, awards held by employees in the Americas 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. While this was a difficult decision and understandably disappointing for participants, it is further demonstration of the strong and appropriate alignment of executive remuneration with shareholder outcomes at QBE.

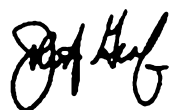
Group statutory ROE targets for 2015

The Group ROE target range that will apply for the 2015 STI plan is 6.0% to 13.8% with on-target performance, determined in the context of the 2015 business plan, set at 8.8%. This compares with the range for the 2014 STI plan of 7.0% to 15.3%.

The reduction in the Group ROE target range from 2014 reflects the lower interest rate environment, the adverse effect on margins as a result of the weakening Australian dollar and the recent sale of agency businesses in the US and Australia.

The Group ROE target range to apply for the 2015 LTI grant is 7.7% to 11.6% (2014 12.1% to 15.2%).

In closing, I would like to take the opportunity to acknowledge the work done by our outgoing Chairman of the Remuneration Committee, Isabel Hudson. Isabel's work in improving transparency and strengthening the link between executive remuneration and shareholder outcomes has helped us create a clearer and more contemporary remuneration framework across QBE.



John Graf

Chairman, Remuneration Committee

Contents

1. Introduction	72
(A) Key management personnel	
2. Summary of remuneration outcomes for 2014	73
(A) Remuneration and incentive outcomes in 2014	
(B) Realised 2014 remuneration	
3. Remuneration governance	75
(A) Role of the Remuneration Committee	
(B) Use of remuneration consultants	
(C) Risk management	
4. 2014 remuneration explained	76
(A) Executive remuneration strategy and framework	
(B) Our remuneration principles	
(C) Remuneration framework and link to business strategy	
(D) Keeping executives' and shareholders' interests aligned	
5. Executive remuneration outcomes for 2014	83
(A) How did QBE's performance affect remuneration in 2014?	
(B) Measuring performance	
(C) Long-term company performance and incentive outcomes	
6. Remuneration in detail	86
(A) Statutory remuneration disclosures	
(B) Former executives	
(C) Equity-based remuneration	
(D) Conditional rights	
(E) Options	
(F) Employment agreements	
7. Non-executive directors' remuneration	90
(A) Remuneration philosophy	
(B) Fee structure and components	
(C) Other benefits	
(D) Remuneration details for non-executive directors	
8. Appendix	92
(A) Terms used in this report	
(B) Legacy equity schemes	
(C) Valuation of conditional rights and options	
(D) Key management personnel – equity instruments	
(E) Shareholdings	
(F) Key management personnel – loans	

Remuneration Report CONTINUED

1. Introduction

QBE's remuneration strategy is designed to provide market competitive remuneration that motivates and retains our executives, aligned with the creation of sustained shareholder value. This report sets out the remuneration arrangements for all key management personnel (KMP) in 2014 and their alignment with QBE's performance. The information presented in the 2014 Remuneration Report has been prepared and audited in accordance with the disclosure requirements of the Corporations Act 2001.

(A) Key management personnel

NAME	POSITION	COUNTRY OF RESIDENCE	TERM AS KMP IN 2014
Current executives			
John Neal	Group Chief Executive Officer	Australia	1 January – 31 December
Jason Brown	Group Chief Risk Officer	Australia	21 March – 31 December
David Duclos	Chief Executive Officer, North American Operations	United States of America	1 January – 31 December
Mike Emmett	Group Executive Officer, Operations	Australia	13 January – 31 December
Colin Fagen	Chief Executive Officer, Australian & New Zealand Operations	Australia	1 January – 31 December
David Fried	Chief Executive Officer, Emerging Markets	Hong Kong	1 January – 31 December
Richard Pryce	Chief Executive Officer, European Operations	United Kingdom	1 January – 31 December
Patrick Regan ¹	Group Chief Financial Officer Executive Director	Australia	2 June – 31 December
Jenni Smith	Group Executive Officer, People and Communications	Australia	1 January – 31 December
Former executives			
Neil Drabsch ²	Group Chief Financial Officer	Australia	1 January – 6 June
Jose Sojo ³	Chief Executive Officer, Latin American Operations	Argentina	1 January – 15 August
George Thwaites ⁴	Group Chief Risk Officer	Australia	1 January – 21 March
Non-executive directors			
Marty Becker ⁵	Chairman, Non-executive director	United States of America	1 January – 31 December
Stephen Fitzgerald	Non-executive director	United Kingdom	1 October – 31 December
John Graf	Non-executive director	United States of America	1 January – 31 December
John M Green ⁶	Non-executive director	Australia	1 January – 31 December
Margaret Leung	Non-executive director	Hong Kong	1 January – 31 December
Sir Brian Pomeroy	Non-executive director	United Kingdom	1 June – 31 December
Jann Skinner	Non-executive director	Australia	1 October – 31 December
Former non-executive directors			
Duncan Boyle ⁷	Deputy Chairman, Non-executive director	Australia	1 January – 31 December
Isabel Hudson ⁸	Non-executive director	United Kingdom	1 January – 31 December
Belinda Hutchinson AM ⁹	Non-executive director	Australia	1 January – 31 March

¹ Patrick Regan became an executive director on 1 October 2014.

² Neil Drabsch ceased being a KMP on 6 June 2014. He remains a full-time employee until his retirement becomes effective on 28 February 2015.

³ Jose Sojo ceased being a KMP on 15 August 2014. In accordance with his notice period, his termination date was 31 December 2014.

⁴ George Thwaites ceased being a KMP on 21 March 2014. He remains a QBE employee.

⁵ Marty Becker became Chairman on 31 March 2014.

⁶ John Green became Deputy Chairman on 1 January 2015.

⁷ Duncan Boyle became Deputy Chairman on 1 April 2014 and retired on 31 December 2014.

⁸ Isabel Hudson retired on 31 December 2014.

⁹ Belinda Hutchinson retired on 31 March 2014.

2. Summary of remuneration outcomes for 2014

(A) Remuneration and incentive outcomes in 2014

Remuneration outcomes continue to be closely aligned to shareholder outcomes as demonstrated in the summary of remuneration outcomes for executives in 2014 below.

COMPONENT	2014 OUTCOMES
Fixed remuneration	<ul style="list-style-type: none"> Fixed remuneration of the Group CEO was unchanged for 2014 at A\$2,100,000. Effective 1 April 2015, the fixed remuneration of the Group CEO will increase by 4.8% to A\$2,200,000. This will be the first increase since his appointment in August 2012. Colin Fagen, David Fried, Richard Pryce and Jenni Smith received fixed remuneration increases on 1 April 2014 of 8.4%, 3.9%, 3.0%, and 4.0% respectively to improve their competitiveness against their market peers. There was no increase to the fixed remuneration of Dave Duclos or Group Executives who are either new to the role or departed in 2014. David Fried received a 30% increase in base salary from \$675,000 to \$880,000 in recognition of the significant additional responsibilities of the role and to ensure internal relativity with the other divisional CEOs following his appointment as Chief Executive Officer, Emerging Markets. Importantly, in bringing these two regions together under David's leadership, we see significant strategic opportunities for organic and inorganic growth in the two regions. With the exception of the Group CEO and Group CFO, Australian-based employees and executives received an additional 0.25% increase to their fixed remuneration effective 1 July 2014 as a result of the superannuation guarantee rate increasing from 9.25% to 9.5%. Increases to other executives for 2015 will generally be in line with wage inflation except for a small number of cases where a larger increase is needed to ensure market competitiveness. More information on our approach to benchmarking fixed remuneration is outlined in section 4(C) of the Remuneration Report.
STI	<ul style="list-style-type: none"> The Group ROE for 2014 was 8.1%, above the 7% threshold required for the Group component of STI to vest. This includes the adjustment for STI purposes of 50% of the effect of the movement in risk-free rates. This adjustment recognises that such movements in risk-free rates are outside of the influence of management. Based on this and the Board's assessment of the Group CEO's performance against his balanced scorecard, an STI of A\$1,307,000 (or 31.1% of maximum opportunity) was awarded to the Group CEO, his first since being appointed to the role. 50% of the award will be paid in cash in March 2015 with the balance deferred as conditional rights which will vest in two tranches in March 2016 and March 2017, subject to service and malus provisions. STI awards were made to Group head office executives for the first time since 2010. With the exception of North American Operations and Latin American Operations, all divisions met or exceeded the minimum level of financial performance for the divisional component of their STI awards to vest. The average STI awarded to executives, other than the Group CEO, was 39.1% of the maximum opportunity, of which 33% is deferred in the form of conditional rights. Details of STI outcomes for executives are included in the remuneration tables in sections 5(A) and 6(A) of the Remuneration Report.
LTI	<ul style="list-style-type: none"> LTI grants were made in 2014 in accordance with the new remuneration mix for executives. The performance and vesting conditions are summarised in section 4(C) of the Remuneration Report. For 2015, the Board has recommended for shareholders' approval an increase in the LTI opportunity for the Group CEO from 150% to 200% of fixed remuneration. This reflects the Board's intention to position the Group CEO's total remuneration at market median through an appropriate weighting to long-term incentives, providing strong alignment to shareholders.
Legacy schemes	<ul style="list-style-type: none"> The first tranche of conditional rights in respect of the 2010 Deferred Equity Award (DEA) vested during the year following the completion of the three year vesting period. The second tranche of 2010 DEA is due to vest in March 2016, subject to service and malus provisions. 2010 DEA conditional rights held by employees in the Americas (including the former CEO, Latin American Operations) 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.

Remuneration Report CONTINUED

COMPONENT	2014 OUTCOMES
Other payments	<ul style="list-style-type: none"> Patrick Regan was compensated for incentives forfeited on ceasing his previous employment to join QBE. The payment was determined by applying a discount of 36% to the A\$13,300,000 face value of forfeited incentives from Mr Regan's previous employment to take into account the likelihood of the incentives vesting. The form and vesting schedule of the additional payments is also consistent with the forfeited incentives as follows: <ul style="list-style-type: none"> Mr Regan received a cash payment of A\$1,350,000 on commencement with QBE. Mr Regan was also entitled to a second cash payment of A\$1,350,000 however, he salary sacrificed this payment to purchase 118,960 QBE shares on 20 August 2014 at their then market value. Mr Regan was granted 516,474 conditional rights to QBE shares with a face value of A\$5,800,000 on 20 August 2014. Vesting of these conditional rights is subject to service conditions with 50% of the award vesting on 1 March 2015; 25% of the award on 1 March 2016; and 25% of the award on 1 March 2017. Costs of \$37,000 associated with the relocation of Mr Regan from London to Sydney were met by QBE.
Non-executive director fees	<ul style="list-style-type: none"> No change was made to the base fees of the Chairman or non-executive directors during 2014. The base fee for the Deputy Chairman was increased by 10% to A\$222,000. Although there was no general review of fee levels, the travel allowance for Marty Becker was increased by 50% to A\$62,000 to reflect the additional travel time of the Chairman. Superannuation entitlements to non-executive directors increased from 9.25% to 9.5% on 1 July 2014 in line with the increase in the superannuation guarantee rate. Total fees paid to non-executive directors in 2014 were A\$3,076,000 (2013: A\$2,775,000). The total remuneration pool available to non-executive directors remained at A\$3,300,000 per annum for 2014 as approved by shareholders at the 2013 AGM. For 2015, the Board has recommended for shareholders' approval an increase in the pool to A\$3,500,000. This will enable the Group to attract and retain non-executive directors with the appropriate experience, expertise, skills and diversity to oversee the Group's business and strategic direction. There will be a general review of directors' fees during 2015, the first since 2012. Further detail on non-executive director remuneration is provided in section 7 of the Remuneration Report.

(B) Realised 2014 remuneration

The table below sets out total remuneration realised by executives in office at 31 December 2014, including the accrued STI cash award for the 2014 financial year and the value of any deferred equity awards and conditional rights that vested during the year. The value of these conditional rights has been calculated using the closing share price on the vesting date.

Remuneration details in accordance with Australian Accounting Standards for current and former executives are contained in sections 6(A) and 6(B) of the Remuneration Report.

	REMUNERATION EARNED IN 2014			DEFERRED EQUITY OUTCOMES IN 2014	TOTAL REMUNERATION REALISED IN 2014
	FIXED REMUNERATION US\$000	STI CASH ¹ US\$000	OTHER ² US\$000	CONDITIONAL RIGHTS VESTED ³ US\$000	
CURRENT EXECUTIVES					
John Neal	1,883	586	122	315	2,906
Jason Brown	438	147	7	47	639
David Duclos	1,013	222	25	—	1,260
Mike Emmett ⁴	777	260	12	—	1,049
Colin Fagen	879	596	98	63	1,636
David Fried	727	236	703	—	1,666
Richard Pryce ⁵	1,143	870	183	382	2,578
Patrick Regan	829	339	2,502	—	3,670
Jenni Smith	649	214	73	64	1,000

1 The STI cash amount is payable in March 2015 in respect of performance in 2014. For further details, refer to section 5(A) 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 John Neal, this includes the provision of a life assurance policy (including fringe benefits tax (FBT)) of \$24,000. For David Fried, this includes expatriate benefits consisting of foreign taxes of \$25,000, housing allowance of \$334,000, education assistance of \$26,000 and a cost of living adjustment of \$173,000. For Patrick Regan, this includes a cash payment of \$1,211,000 (A\$1,350,000) on commencement with QBE, and a second cash payment of \$1,211,000 (A\$1,350,000) which he salary sacrificed to purchase 118,960 QBE shares on 20 August 2014 at their market value. For further details, refer to section 2(A) of the Remuneration Report.

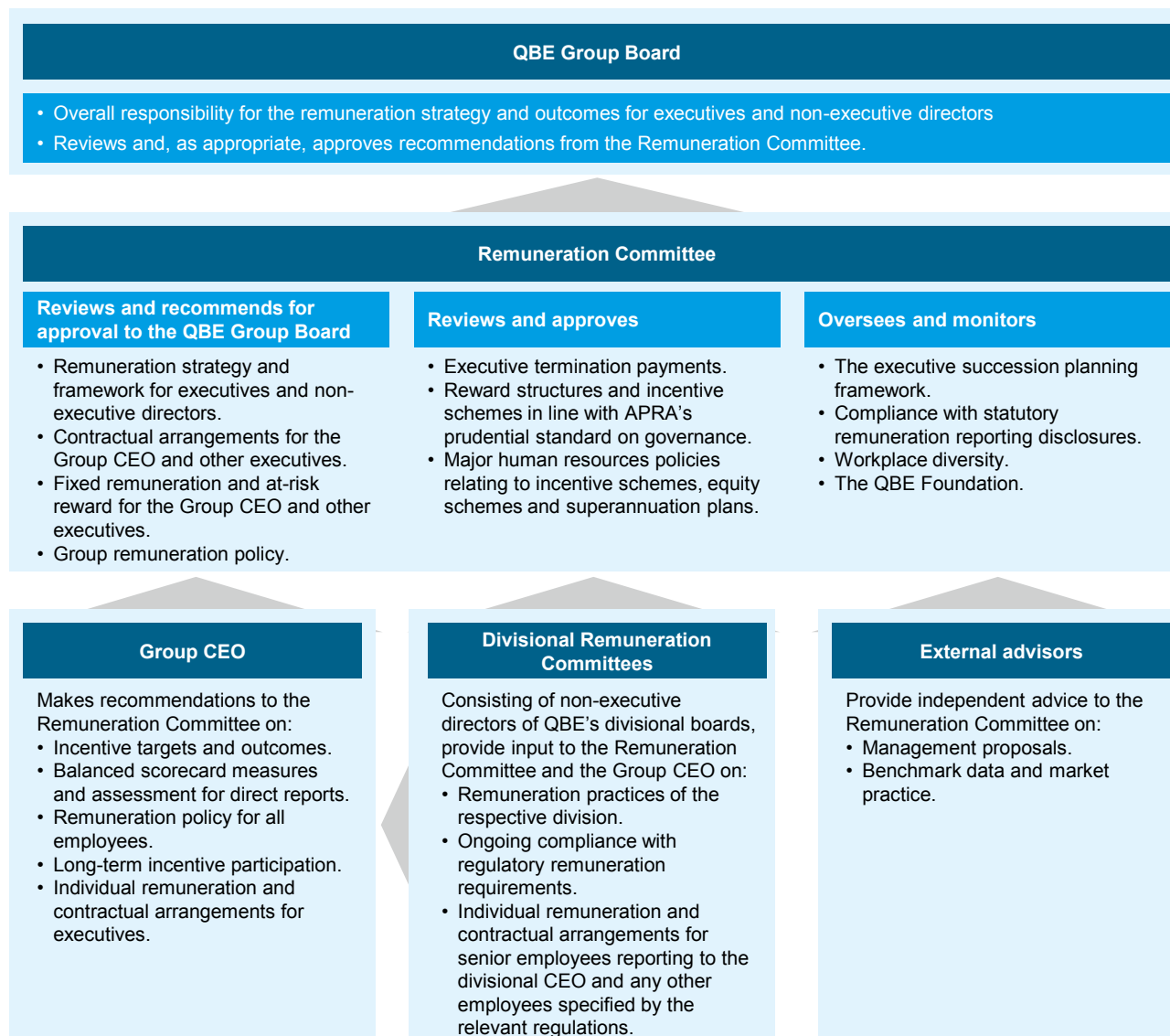
3 The value of conditional rights has been determined by reference to the closing share price on the relevant vesting date.

4 In addition, in 2014, Mike Emmett was awarded a completion bonus of \$365,000 in accordance with a contractual entitlement from his previous role as Group Head of Operational Transformation.

5 On 1 September 2012, prior to his appointment as Chief Executive Officer, European Operations, Richard Pryce was granted 33,530 conditional rights which vested during the year.

3. Remuneration governance

QBE's remuneration governance framework is set out below:



(A) Role of the Remuneration Committee

The Remuneration Committee, consisting of independent directors only, has overall governance responsibility for executive remuneration structures and outcomes to ensure that remuneration frameworks are aligned with robust risk management practices and strong guiding principles. The Remuneration Committee annually 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.

In addition, the Remuneration Committee monitors the remuneration and incentive scheme structures for employees of APRA regulated entities (such as risk and financial control employees) in accordance with its prudential standard on governance CPS 510.

Further details on the role and scope of the Remuneration Committee are set out in the QBE Remuneration Committee charter (published on www.qbe.com).

Remuneration Report CONTINUED

(B) 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. The Committee is satisfied that the advice provided by FIT during 2014 was provided free from undue influence by QBE executives.

The cost of advice and assistance provided by FIT in 2014 was \$103,000 (£62,000).

During 2014, management requested reports on market practice and benchmarking on total remuneration from PricewaterhouseCoopers and other sources. No recommendations in relation to the remuneration of KMP were provided as part of this engagement.

(C) 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. 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.

4. 2014 remuneration explained

(A) Executive remuneration strategy and framework

QBE's remuneration strategy is designed to provide market competitive remuneration that motivates and retains our executives, aligned with the creation of sustained shareholder value. Our executive remuneration structure comprises a mix of fixed and at-risk remuneration reflecting a balance of short and long-term incentives. The 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. An overview of the remuneration components and their link to strategy is provided below. Further detail on each remuneration component is provided throughout this section.

(B) Our remuneration principles

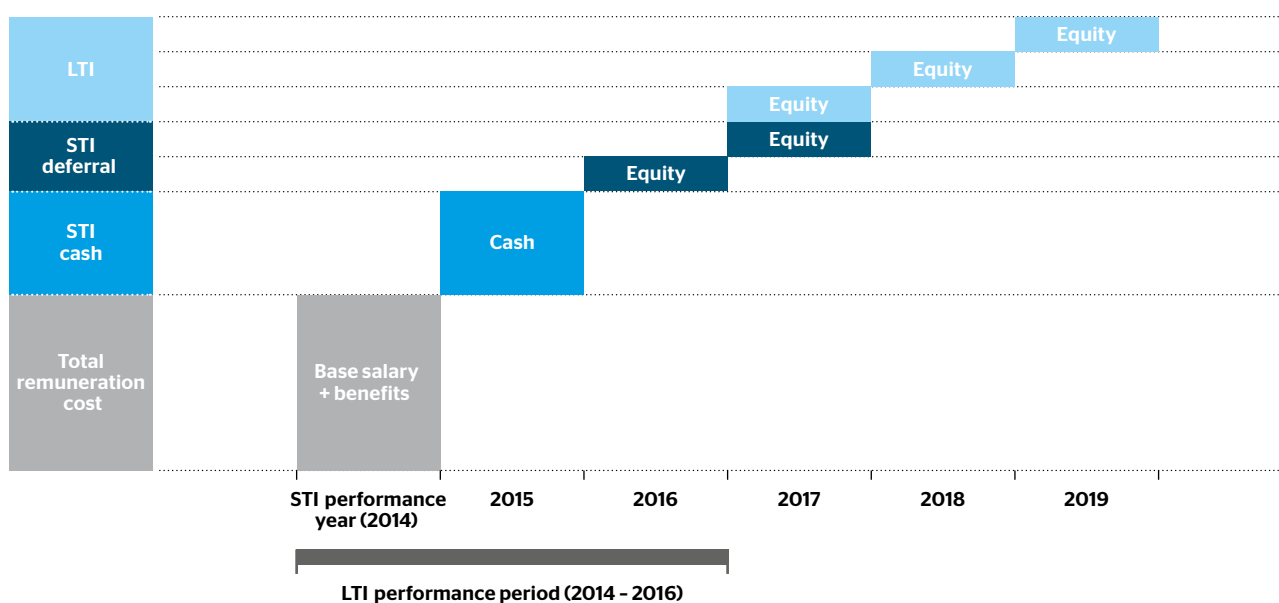
Our remuneration principles have been developed to promote robust risk management practices and are applied effectively to manage remuneration across the Group. Our principles are summarised below.

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.

(C) Remuneration framework and link to business strategy

Component		Design	Purpose and link to strategy
Fixed remuneration	Total remuneration cost (TRC) and guaranteed annual benefits	<ul style="list-style-type: none"> Base (cash) salary, superannuation and packaged benefits and associated taxes. 	<ul style="list-style-type: none"> Retention and attraction – market competitive, benchmarked against an ASX30 peer group and a global insurers peer group. Positioned at a level that reflects the contribution and value to the Group. Recognises capability, expertise and performance of the executive. Designed to provide a predictable “base” level of remuneration.
	STI cash	<ul style="list-style-type: none"> An award for meeting annual business plans aimed at delivering our longer term strategic plan. 67% of any STI awarded delivered in cash (50% in the case of the Group CEO). 	<ul style="list-style-type: none"> Rewards and motivates achievement of annual business plans. Financial targets based on Group (ROE) and divisional (RoAC) performance, gives clear alignment to shareholders. The balanced scorecard of individual KPIs considers a broader view of performance and specific strategic priorities.
At-risk remuneration	STI deferred	<ul style="list-style-type: none"> 33% of any STI award deferred as conditional rights to QBE shares (50% in the case of the Group CEO). 	<ul style="list-style-type: none"> 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.
	LTI	<ul style="list-style-type: none"> A deferred equity award of conditional rights, subject to two performance conditions measured over a three year performance period; with vesting phased over five years. 	<ul style="list-style-type: none"> Rewards longer-term performance. Performance measures (Group statutory return on equity and relative total shareholder return) provide significant linkage to global performance and strategic goals, and are key investor metrics aligning the LTI framework with shareholder value. Retention and shareholder alignment – executives are exposed to the performance of QBE shares over five years.

The diagram below illustrates the payment profile of the 2014 total remuneration framework.

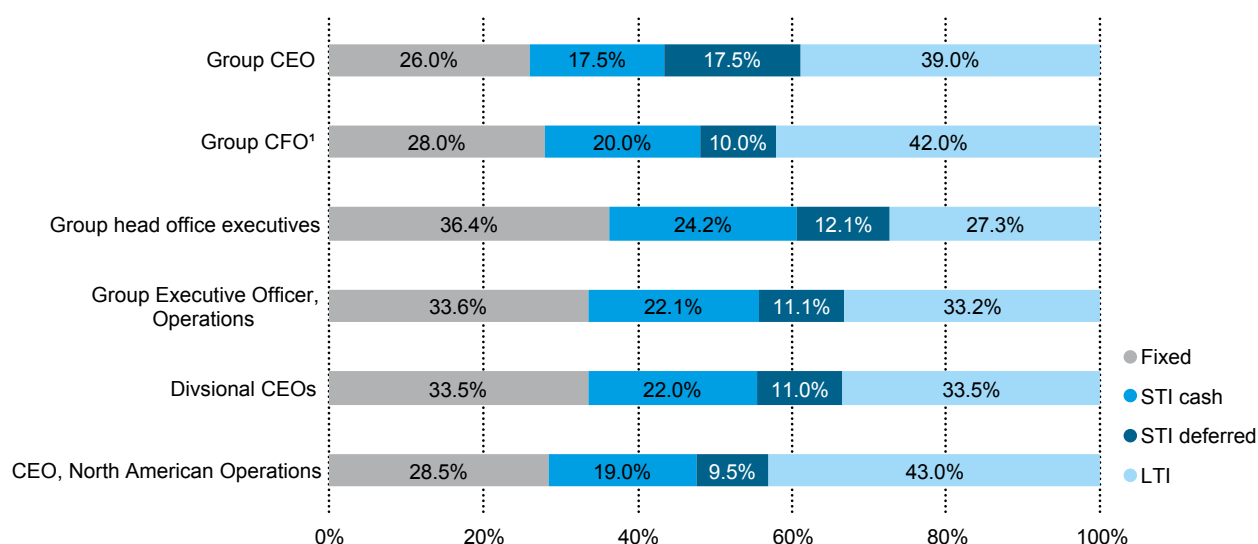


Remuneration Report CONTINUED

Target remuneration mix

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, enhancing alignment with the delivery of our long-term strategy and shareholder interests.

The diagram below shows the remuneration mix for 2014, assuming on-target performance.



¹ Represents the target remuneration mix for Patrick Regan. The target remuneration mix for Neil Drabsch was 33.5% fixed, 26.5% STI cash, 6.5% STI deferred and 33.5% LTI.

2014 maximum incentive opportunity

The table below shows the 2014 maximum incentive opportunity.

EXECUTIVES	2014 INCENTIVE OPPORTUNITY AS A % OF FIXED REMUNERATION		
	MAXIMUM STI %	MAXIMUM LTI %	MAXIMUM INCENTIVE %
Group CEO	200	150	350
Group CFO ¹	165	150	315
Group head office executives ²	150	75	225
Group Executive Officer, Operations	150	50	200
Divisional CEOs	150	100	250
CEO, North American Operations	150	150	300

¹ Represents the maximum incentive opportunity for Patrick Regan. For Neil Drabsch, the maximum incentive opportunity was 250% (consisting of 150% for STI and 100% for LTI).

² For George Thwaites, the maximum incentive opportunity was 150%, all in respect of STI.

Fixed remuneration

Key details of fixed remuneration are outlined below.

COMPONENT	DETAILS						
Description	<p>Fixed remuneration consists of TRC and additional annual benefits.</p> <p>TRC consists of base (cash) salary, superannuation/pension and packaged benefits and associated taxes.</p> <p>Additional annual benefits may include health insurance, life assurance, personal accident insurance, car allowances, expatriate benefits and the applicable taxes thereon.</p> <p>Excludes deemed interest on employee share loans and long service leave accruals.</p> <p>Delivered in accordance with terms and conditions of employment.</p>						
Determining fixed remuneration levels	<p>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.</p> <p>To assess 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.</p> <p>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.</p> <p>Overseas-based executives or roles that have a global reach are compared with a peer group consisting of global insurers. In 2014, the peer group of companies used for remuneration benchmarking purposes is set out in the table below.</p> <table> <tr> <th>PEER GROUP</th><th>DESCRIPTION</th></tr> <tr> <td>ASX30 peer group</td><td> <p>Excludes infrastructure trusts and companies domiciled overseas.</p> <p>The financial services company sub-peer group is determined based on the industry classification listed on the ASX and includes commercial banks and insurers.</p> <p>The sub-peer group of global companies in the ASX30 is determined based on the global complexity of the organisation using the following criteria:</p> <ul style="list-style-type: none"> 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> <p>Consists of large global insurance companies in the Dow Jones Insurance Titans Index excluding the following primary industries: asset management and custody banks, life and health insurance, reinsurance and insurance brokers.</p> <p>RSA and Hartford are included in this peer group, given their similarities to QBE.</p> </td></tr> </table>	PEER GROUP	DESCRIPTION	ASX30 peer group	<p>Excludes infrastructure trusts and companies domiciled overseas.</p> <p>The financial services company sub-peer group is determined based on the industry classification listed on the ASX and includes commercial banks and insurers.</p> <p>The sub-peer group of global companies in the ASX30 is determined based on the global complexity of the organisation using the following criteria:</p> <ul style="list-style-type: none"> companies with greater than 25% revenue from overseas; and companies operating in greater than two geographic locations. 	Global insurance peer group	<p>Consists of large global insurance companies in the Dow Jones Insurance Titans Index excluding the following primary industries: asset management and custody banks, life and health insurance, reinsurance and insurance brokers.</p> <p>RSA and Hartford are included in this peer group, given their similarities to QBE.</p>
PEER GROUP	DESCRIPTION						
ASX30 peer group	<p>Excludes infrastructure trusts and companies domiciled overseas.</p> <p>The financial services company sub-peer group is determined based on the industry classification listed on the ASX and includes commercial banks and insurers.</p> <p>The sub-peer group of global companies in the ASX30 is determined based on the global complexity of the organisation using the following criteria:</p> <ul style="list-style-type: none"> companies with greater than 25% revenue from overseas; and companies operating in greater than two geographic locations. 						
Global insurance peer group	<p>Consists of large global insurance companies in the Dow Jones Insurance Titans Index excluding the following primary industries: asset management and custody banks, life and health insurance, reinsurance and insurance brokers.</p> <p>RSA and Hartford are included in this peer group, given their similarities to QBE.</p>						

Short-term incentive

STI awards made in 2014 are summarised in the table in section 5(A) of the Remuneration Report. Key details of the STI plan are outlined below.

COMPONENT	DETAILS
Description	<p>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. Performance is measured over a 12 month period.</p>
Performance measures and rationale	<p>STI outcomes are based on executives' performance against Group statutory ROE, divisional RoAC in the case of divisional executives and individual performance against a balanced scorecard of KPIs relevant to each executive's role.</p> <p>Group statutory ROE is calculated as statutory consolidated net profit after tax as a percentage of average shareholders' funds. Statutory ROE was selected as it is a strong measure of value created for shareholders and is transparent.</p> <p>RoAC is calculated as the divisional management-basis profit divided by allocated capital, as determined by the Group's economic capital model.</p> <p>The Group statutory ROE and divisional RoAC are adjusted for STI purposes by 50% of the effect of movements in risk-free rates during the year, which are outside of the influence of management.</p> <p>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.</p> <p>The STI rules provide suitable discretion to the Remuneration Committee to adjust any formulaic outcome to ensure STI awards appropriately reflect performance.</p>

Remuneration Report CONTINUED

COMPONENT	DETAILS																																
	The following table details the weighting of the performance measures for the STI.																																
	<table><tr><th>ROLE</th><th>GROUP ROE</th><th>DIVISIONAL ROAC</th><th>BALANCED SCORECARD</th></tr><tr><td>Group CEO & GHO Execs ¹</td><td>80%</td><td>0%</td><td>20%</td></tr><tr><td>Divisional CEOs</td><td>30%</td><td>50%</td><td>20%</td></tr></table>	ROLE	GROUP ROE	DIVISIONAL ROAC	BALANCED SCORECARD	Group CEO & GHO Execs ¹	80%	0%	20%	Divisional CEOs	30%	50%	20%																				
	ROLE	GROUP ROE	DIVISIONAL ROAC	BALANCED SCORECARD																													
	Group CEO & GHO Execs ¹	80%	0%	20%																													
Divisional CEOs	30%	50%	20%																														
1 The weighting of performance measures for Neil Drabsch was 60% Group ROE and 40% balanced scorecard to reflect specific priorities for him following his decision to defer his retirement by 12 months.																																	
Financial performance targets	<p>The table below shows the 2014 Group and divisional financial performance targets for 2014. The different ROE/RoAC targets reflect market factors.</p> <table><tr><th></th><th>THRESHOLD</th><th>TARGET</th><th>SUPERIOR</th></tr><tr><td>Group ROE</td><td>7.0%</td><td>10.3%</td><td>15.3%</td></tr><tr><td>Divisional RoAC</td><td></td><td></td><td></td></tr><tr><td> Asia Pacific Operations</td><td>13.6%</td><td>18.6%</td><td>23.6%</td></tr><tr><td> Australian & New Zealand Operations</td><td>14.4%</td><td>19.4%</td><td>24.4%</td></tr><tr><td> European Operations</td><td>7.5%</td><td>12.0%</td><td>17.0%</td></tr><tr><td> Latin American Operations</td><td>19.2%</td><td>24.2%</td><td>29.2%</td></tr><tr><td> North American Operations</td><td>6.5%</td><td>9.8%</td><td>14.8%</td></tr></table>		THRESHOLD	TARGET	SUPERIOR	Group ROE	7.0%	10.3%	15.3%	Divisional RoAC				Asia Pacific Operations	13.6%	18.6%	23.6%	Australian & New Zealand Operations	14.4%	19.4%	24.4%	European Operations	7.5%	12.0%	17.0%	Latin American Operations	19.2%	24.2%	29.2%	North American Operations	6.5%	9.8%	14.8%
	THRESHOLD	TARGET	SUPERIOR																														
Group ROE	7.0%	10.3%	15.3%																														
Divisional RoAC																																	
Asia Pacific Operations	13.6%	18.6%	23.6%																														
Australian & New Zealand Operations	14.4%	19.4%	24.4%																														
European Operations	7.5%	12.0%	17.0%																														
Latin American Operations	19.2%	24.2%	29.2%																														
North American Operations	6.5%	9.8%	14.8%																														
Vesting schedule	<p>The STI vesting schedule is outlined below:</p> <table><tr><th></th><th>THRESHOLD</th><th>TARGET</th><th>SUPERIOR</th></tr><tr><td>% of STI opportunity achieved</td><td>0%</td><td>100%</td><td>150%</td></tr></table>		THRESHOLD	TARGET	SUPERIOR	% of STI opportunity achieved	0%	100%	150%																								
	THRESHOLD	TARGET	SUPERIOR																														
% of STI opportunity achieved	0%	100%	150%																														
Instrument	<p>67% of any STI award delivered in cash (50% in the case of the Group CEO).</p> <p>33% of any STI award deferred as conditional rights to QBE shares (50% in the case of the Group CEO).</p> <p>For Neil Drabsch, 67% of the Group ROE component and 100% of the balanced scorecard component is delivered in cash, with the balance deferred as conditional rights to QBE shares.</p>																																
Deferred STI mechanics	<p>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.</p> <p>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.</p> <p>Notional dividends accrue during the deferral period.</p>																																
Leaver provisions	<p>“Good leaver” provisions (e.g. retirement, redundancy, ill health, injury) will apply such that:</p> <ul style="list-style-type: none">• 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.• On voluntary termination, dismissal or termination due to poor performance, all awards are forfeited.																																
Malus provision	<p>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(D) of the Remuneration Report for more details on malus.</p>																																

Long term-incentive

LTI awards made in 2014 are summarised in the table in section 6(D) of the Remuneration Report. Key details of the LTI plan are outlined below.

COMPONENT	DETAILS																																			
Description	<p>The LTI plan consists of an award of conditional rights to QBE shares. Conditional rights are awarded at no cost to the executive.</p> <p>For the Group CEO and Group CFO, the 2015 award will be subject to shareholder approval with the terms set out in the 2015 Notice of Annual General Meeting.</p>																																			
Performance measures	<p>Vesting is subject to two performance conditions measured over a three year performance period:</p> <ol style="list-style-type: none">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	<p>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.</p>																																			
Vesting schedules	<p>Group ROE</p> <p>The Group ROE portion vesting schedule is outlined below:</p> <table><tr><th>ROE PERFORMANCE</th><th>PERCENTAGE OF CONDITIONAL RIGHTS IN THE ROE TRANCHE TO VEST</th></tr><tr><td>Below 12.1%</td><td>0%</td></tr><tr><td>At 12.1%</td><td>50%</td></tr><tr><td>Between 12.1% and 15.2%</td><td>Straight line between 50% and 100%</td></tr><tr><td>At or above 15.2%</td><td>100%</td></tr></table> <p>The Remuneration Committee has used and will continue to use discretion when assessing the extent to which the 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 risk-free rate over the performance period from that assumed when setting the target. This acknowledges that QBE's results are heavily influenced by movements in risk-free rates that are beyond the influence of participants.</p> <p>Relative Total Shareholder Return</p> <p>The RTSR vesting schedule is outline below:</p> <table><tr><th>QBE RTSR RANKING RELATIVE TO THE COMPARATOR GROUP</th><th>PERCENTAGE OF CONDITIONAL RIGHTS IN THE RTSR TRANCHE TO VEST</th></tr><tr><td>Less than the 50th percentile</td><td>0%</td></tr><tr><td>At the 50th percentile</td><td>50%</td></tr><tr><td>Between the 50th and the 75th percentile</td><td>Straight line between 50% and 100%</td></tr><tr><td>75th percentile or greater</td><td>100%</td></tr></table> <p>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 2014 LTI award is set out below:</p> <table><tr><td>• ACE Ltd (US)</td><td>• Aviva Plc (UK)</td><td>• Suncorp Group Ltd (Australia)</td></tr><tr><td>• Allstate Corp (US)</td><td>• AXA – SA (France)</td><td>• The Hartford (US)</td></tr><tr><td>• Allianz SE-Reg (Germany)</td><td>• Chubb Corp (US)</td><td>• The Travellers Cos Inc (US)</td></tr><tr><td>• American International Group (US)</td><td>• IAG Ltd (Australia)</td><td>• QBE Insurance Group Ltd (Australia)</td></tr><tr><td>• Assicurazoni Generali (Italy)</td><td>• RSA Group (UK)</td><td>• Zurich Insurance Group (Switzerland)</td></tr></table>	ROE PERFORMANCE	PERCENTAGE OF CONDITIONAL RIGHTS IN THE ROE TRANCHE TO VEST	Below 12.1%	0%	At 12.1%	50%	Between 12.1% and 15.2%	Straight line between 50% and 100%	At or above 15.2%	100%	QBE RTSR RANKING RELATIVE TO THE COMPARATOR GROUP	PERCENTAGE OF CONDITIONAL RIGHTS IN THE RTSR TRANCHE TO VEST	Less than the 50 th percentile	0%	At the 50 th percentile	50%	Between the 50 th and the 75 th percentile	Straight line between 50% and 100%	75 th percentile or greater	100%	• ACE Ltd (US)	• Aviva Plc (UK)	• Suncorp Group Ltd (Australia)	• Allstate Corp (US)	• AXA – SA (France)	• The Hartford (US)	• Allianz SE-Reg (Germany)	• Chubb Corp (US)	• The Travellers Cos Inc (US)	• American International Group (US)	• IAG Ltd (Australia)	• QBE Insurance Group Ltd (Australia)	• Assicurazoni Generali (Italy)	• RSA Group (UK)	• Zurich Insurance Group (Switzerland)
ROE PERFORMANCE	PERCENTAGE OF CONDITIONAL RIGHTS IN THE ROE TRANCHE TO VEST																																			
Below 12.1%	0%																																			
At 12.1%	50%																																			
Between 12.1% and 15.2%	Straight line between 50% and 100%																																			
At or above 15.2%	100%																																			
QBE RTSR RANKING RELATIVE TO THE COMPARATOR GROUP	PERCENTAGE OF CONDITIONAL RIGHTS IN THE RTSR TRANCHE TO VEST																																			
Less than the 50 th percentile	0%																																			
At the 50 th percentile	50%																																			
Between the 50 th and the 75 th percentile	Straight line between 50% and 100%																																			
75 th percentile or greater	100%																																			
• ACE Ltd (US)	• Aviva Plc (UK)	• Suncorp Group Ltd (Australia)																																		
• Allstate Corp (US)	• AXA – SA (France)	• The Hartford (US)																																		
• Allianz SE-Reg (Germany)	• Chubb Corp (US)	• The Travellers Cos Inc (US)																																		
• American International Group (US)	• IAG Ltd (Australia)	• QBE Insurance Group Ltd (Australia)																																		
• Assicurazoni Generali (Italy)	• RSA Group (UK)	• Zurich Insurance Group (Switzerland)																																		
Vesting of LTI	<p>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.</p> <table><tr><th>TRANCHE</th><th>VESTING DATE</th><th>PORTION OF ELIGIBLE CONDITIONAL RIGHTS TO VEST</th></tr><tr><td>1</td><td>End of the three year performance period</td><td>33%</td></tr><tr><td>2</td><td>First anniversary of the end of the performance period</td><td>33%</td></tr><tr><td>3</td><td>Second anniversary of the end of the performance period</td><td>34%</td></tr></table> <p>“Good leaver” provisions (e.g. retirement, redundancy, ill health, injury) will apply such that a pro-rata amount of LTI conditional rights remain subject to the original performance and vesting conditions.</p> <p>Notional dividends accrue during the vesting period.</p>	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%																							
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%																																		
Malus	<p>LTI is subject to malus provisions such that awards may be either forfeited or reduced at the discretion of the Remuneration Committee.</p>																																			

Remuneration Report CONTINUED

(D) Keeping executives' and shareholders' interests aligned

Minimum shareholding

In keeping with our remuneration philosophy to align at-risk reward with the achievement of returns for shareholders in terms of dividends and growth in share price, an executive minimum shareholding requirement was introduced from 31 March 2008.

The minimum shareholding requirement 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 holding is to be maintained (taking into account annual changes in fixed remuneration levels) for as long as they remain employed by QBE. New executives are required to build their shareholding over a three year period after becoming an executive. As at 31 March 2014, the minimum shareholding requirement was met by all current executives.

Equity counting towards the minimum requirement includes all unvested conditional rights not subject to a future performance condition. For the 2014 test, the following dual calculation method was applied:

- all 'issued shares' – using the closing share price as at 1 April 2014; 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 2014.

If an executive does not meet the minimum shareholding as at the annual review date, QBE may impose a restriction on the sale of any further equity grants. Individual executives' requirements are recalculated annually to consider fixed remuneration increases and changes in the share price or exchange rates.

The total shareholding investment of executives is shown in the table in section 8(E) of the Remuneration Report.

Malus

From 2010, the Remuneration Committee introduced a discretionary "clawback" provision to enable unvested equity awards to be reduced (including to zero) during the retention period for any material adverse development which results in the ROE or RoAC used to determine the original grant being overstated. "Material" at Group level is defined as profit for the relevant financial year being overstated by 10% or more. For divisions, a material adverse development is defined as profit for the relevant accident year being overstated by 20% or more. This clawback applies during the vesting period of QIS-DEA and LTI awards granted in March 2011 and March 2012.

In considering whether to exercise discretion to reduce unvested awards under the QIS-DEA and LTI, the Remuneration Committee will consider the quantum of the reduction in profit. This consideration will usually be made using audited financial statements. Clawback may also occur if the relevant ROE is affected by fraud.

In 2013, the "clawback" provision was modified and renamed "malus" to more accurately reflect the function of the provision, which is to reduce the amount of an unvested award (including to zero) in certain circumstances during the retention period rather than require the repayment of an award once it has vested and been paid.

The revised malus provision broadens the circumstances in which the Remuneration Committee can either forfeit or reduce the amount of an unvested award to include not only when a material adverse development has occurred, but also if the participant has engaged in fraudulent conduct, acted with recklessness or wilful indifference, withheld information from QBE or QBE has suffered significant reputational harm or significant unexpected financial loss. This better 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 only permitted during designated trading windows. A policy exists stating 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.qbe.com/investor/information/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 2014, the proportion of shares and unvested conditional rights and options held in a QBE employee share plan is 1.84%. This is significantly less than the maximum of 10% over a 10 year period allowed under the plan rules.

5. Executive remuneration outcomes for 2014

Our reward framework is directly linked to the key financial profit drivers that encourage achievement of Group business plans and create shareholder value over the long-term.

(A) How did QBE's performance affect remuneration in 2014?

The incentive structure and financial targets are approved annually by the Remuneration Committee. The achievement of ROE and TSR outcomes have been the primary measures for at-risk remuneration purposes, demonstrating an alignment of profit growth over time and incentive awards for Group executives.

The table below shows Group ROE and divisional RoAC performance for incentive purposes for 2014.

	ROE / ROAC PERFORMANCE					GROUP
	NORTH AMERICAN OPERATIONS	EUROPEAN OPERATIONS	AUSTRALIAN & NEW ZEALAND OPERATIONS	ASIA PACIFIC OPERATIONS	LATIN AMERICAN OPERATIONS	
Performance	3.0%	15.5%	22.4%	15.1%	(15.7)%	8.1%
% achievement of target	–	135.0%	130.0%	30.0%	–	33.3%

The table below shows the performance and total 2014 STI outcomes (both the cash and deferred portions) achieved by Group executives as at 31 December 2014.

CURRENT EXECUTIVES	PERFORMANCE AS A % OF TARGET			TARGET STI		ACTUAL STI OUTCOME ¹			
	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	33.3%	N/A	100.0%	46.7%	133.0%	62.2%	1,172	586	586
Jason Brown ²	33.3%	N/A	106.3%	55.7%	100.0%	47.9%	219	147	72
Patrick Regan ²	33.3%	N/A	115.0%	56.7%	110.0%	62.3%	506	339	167
Mike Emmett ^{2,3}	33.3%	N/A	115.0%	49.7%	100.0%	49.7%	389	260	129
Jenni Smith	33.3%	N/A	110.0%	48.7%	100.0%	48.7%	319	214	105
Divisional									
David Duclos	33.3%	0.0%	112.5%	32.5%	100.0%	32.5%	332	222	110
Colin Fagen	33.3%	130.0%	120.0%	99.0%	100.0%	99.0%	890	596	294
David Fried	33.3%	30.0%	103.0%	45.6%	100.0%	45.6%	353	236	117
Richard Pryce	33.3%	135.0%	110.0%	99.5%	100.0%	99.5%	1,299	870	429

¹ The STI award is calculated as a percentage of fixed remuneration as at 31 December 2014, except for David Fried for whom fixed remuneration is calculated using his fixed remuneration as CEO, Asia Pacific Operations up to 14 August and his fixed remuneration as CEO, Emerging Markets from 15 August 2014.

² The STI awards for Jason Brown, Patrick Regan and Mike Emmett reflects the portion of 2014 they were in their role.

³ In addition, in 2014, Mike Emmett was awarded a completion bonus of \$365,000 in accordance with a contractual entitlement from his previous role as Group Head of Operational Transformation.

Remuneration Report CONTINUED

(B) Measuring performance

In 2014, QBE introduced a balanced scorecard of individual key performance indicators (KPIs) to ensure that a broader view of performance and specific strategic priorities are considered when assessing performance and incentive outcomes. All executives have 20% of their STI outcome determined with reference to individual KPIs (40% for the former Group CFO, Neil Drabsch reflecting the specific priorities set for him following his agreement to defer his retirement by 12 months).

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

The balanced scorecard for each executive is reviewed by the Remuneration Committee to ensure they are appropriate. The table below sets out a summary of the key objectives for the Group Chief Executive Officer for 2014. The objectives for other executives are consistent.

VALUE CREATION COMPONENT	2014 OBJECTIVES	OUTCOME	COMMENTS
Profitable growth and diversification	<ul style="list-style-type: none"> Develop long-term opportunities and drive growth in Asia Pacific and Latin America Identify and progress major new business opportunities 	<ul style="list-style-type: none"> Slightly below target 	<ul style="list-style-type: none"> Asia Pacific growth strategy on track Latin America results impacted by adverse prior accident year development in workers' compensation portfolio
Leadership in our core business	<ul style="list-style-type: none"> Achieve profitable growth in line with corporate ambition Manage potential M&A activity and non-core or underperforming businesses in line with business strategy 	<ul style="list-style-type: none"> Slightly below target 	<ul style="list-style-type: none"> Opportunities for growth limited in challenging markets Strong progress on sale of Australian and US agency businesses
Operational excellence – global reach and scale	<ul style="list-style-type: none"> Continue operational transformation Continue to improve reinsurance program Achieve major trading partner growth and profitability targets Global Operating Model objectives 	<ul style="list-style-type: none"> At target 	<ul style="list-style-type: none"> Solid delivery of transformation objectives for expense management and procurement strategy Delivered improved reinsurance structure Continued to develop strong relationships with major trading partners. No growth in GWP achieved Established Global Operating Model. Implementation in progress
Financial strength and flexibility	<ul style="list-style-type: none"> Demonstrate improvements in risk, capital and investment management 	<ul style="list-style-type: none"> Above target 	<ul style="list-style-type: none"> Maintained Standard & Poor's A+ and A.M. Best A insurer financial strength rating Strong progress made against revised capital benchmarks
World class talent and leadership	<ul style="list-style-type: none"> Demonstrate QBE values Continue to develop mentoring and leadership programs Improve employee engagement Continue to develop diversity and inclusion plans Support talent framework and succession planning 	<ul style="list-style-type: none"> At target 	<ul style="list-style-type: none"> Leadership initiatives on track Achieved targets of 20% of senior executive positions held by women across all divisions and exceeded target of 25% in Group head office Employee engagement results below desired level

For 2014, the Board approved a balanced scorecard outcome of 20% for the Group CEO, being two thirds of the maximum opportunity.

(C) Long-term company performance and incentive outcomes

The following table shows key performance indicators of the Group over the last five years.

FINANCIAL RESULTS		2014	2013	2012	2011	2010
Combined operating ratio	%	96.1	97.8	97.1	96.8	89.7
Profitability measures						
Net profit (loss) after income tax (NPAT)	US\$M	742	(254)	761	704	1,278
Diluted earnings per share	cents	55.8	(22.8)	61.6	61.3	119.6
Weighted average risk-free discount rate ¹	%	1.4	2.2	1.6	2.0	3.2
Net investment yield	%	2.7	2.6	4.1	2.9	2.8
Return on equity						
Return on average shareholders' funds ²	%	6.9	(2.3)	7.0	6.8	13.1
Return to shareholders						
Dividend per share	Australian cents	37	32	50	87	128
Share price at 31 December	A\$ per share	11.21	11.51	10.90	12.95	18.15
Underwriting profit	US\$M	547	341	453	494	1,168
Total Shareholder Return ³	%	(0.37)	7.72	(11.44)	(22.62)	(24.11)

¹ Excludes the Argentine peso.

² Group statutory ROE is a performance measure for STI from 2014 and for LTI awards.

³ Total Shareholder Return is a performance measure for LTI from 2014.

Our 2010 to 2013 net investment income and net profit after tax was 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 with the write-down of intangibles and other assets being held by our North American Operations following the strategic review of that business in 2013. Net profit after tax for the year to 31 December 2014 has benefited from a significantly improved underwriting result in our North American Operations.

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.

Group ROE and RTSR performance conditions for 2014 LTI awards are still in the early stages of the performance period.

Remuneration Report CONTINUED

6. Remuneration in detail

(A) Statutory remuneration disclosures

The following table provides details of the remuneration of QBE's executives as determined by reference to applicable Australian Accounting Standards for the financial year ended 31 December 2014. Remuneration has been converted to US dollars using the cumulative average rate of exchange for the relevant year.

EXECUTIVES	YEAR	SHORT-TERM EMPLOYMENT BENEFITS			POST EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYEE BENEFITS	SHARE-BASED PAYMENTS ¹		TERMINATION BENEFITS ⁵ US\$000	TOTAL US\$000
		BASE SALARY US\$000	OTHER ² US\$000	STI CASH ³ US\$000	SUPERANNUATION US\$000	LEAVE ACCRUALS ⁴ US\$000	CONDITIONAL RIGHTS US\$000	OPTIONS US\$000		
Group head office										
John Neal	2014	1,883	122	586	—	—	731	5	—	3,327
	2013	2,011	82	—	—	(40)	816	36	—	2,905
Jason Brown	2014	421	7	147	17	1	177	—	—	770
	2013	—	—	—	—	—	—	—	—	—
Mike Emmett ⁶	2014	760	27	260	17	(15)	284	—	—	1,333
	2013	—	—	—	—	—	—	—	—	—
Patrick Regan	2014	829	2,483	339	—	19	3,042	—	—	6,712
	2013	—	—	—	—	—	—	—	—	—
Jenni Smith	2014	632	30	214	17	43	232	2	—	1,170
	2013	656	32	—	17	28	99	14	—	846
Divisional										
David Duclos	2014	1,000	17	222	21	—	768	—	—	2,028
	2013	733	16	1,000	41	23	179	—	—	1,992
Colin Fagen	2014	862	136	596	17	(38)	740	1	—	2,314
	2013	862	39	1,107	17	(13)	256	6	—	2,274
David Fried	2014	714	694	236	21	—	498	—	—	2,163
	2013	477	1,915	273	13	16	204	—	—	2,898
Richard Pryce	2014	1,143	183	870	—	—	451	—	—	2,647
	2013	267	161	128	—	4	205	—	—	765
Former executives										
Neil Drabsch	2014	452	75	248	—	26	256	2	2,370	3,429
	2013	1,031	159	—	17	85	277	29	—	1,598
Jose Sojo	2014	392	17	—	—	(10)	121	1	(330)	191
	2013	575	24	134	—	12	177	7	—	929
George Thwaites	2014	143	3	43	—	(6)	21	—	—	204
	2013	639	21	—	17	62	98	13	—	850
Total 2014	2014	9,231	3,794	3,761	110	20	7,321	11	2,040	26,288
Total 2013 ⁷	2013	7,251	2,449	2,642	122	177	2,311	105	—	15,057

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 the section 8 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 John Neal this includes the provision of a life assurance policy (including FBT) of \$24,000. For Patrick Regan this includes a cash payment of \$1,211,000 (A\$1,350,000) on commencement with QBE, a second cash payment of \$1,211,000 (A\$1,350,000) which he salary sacrificed to purchase 118,960 QBE shares on 20 August 2014 at their market value. For further details, refer to section 2(A) of the Remuneration Report. For David Fried, this includes expatriate benefits consisting of foreign taxes of \$25,000, housing allowance of \$334,000, education assistance of \$26,000 and a cost of living adjustment of \$173,000.

3 Cash STI is payable in March 2015 for performance in 2014.

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

5 Termination benefits in respect of Neil Drabsch and Jose Sojo include apportioned fixed remuneration paid for the balance of the notice period to the termination date and STI cash awards from the date of ceasing to be KMP to the date of termination, as well as the accelerated accounting charge or reversal of equity vesting or cancellation. Details are set out in more detail in the table in section 6(B) of the Remuneration Report.

6 In addition to the amounts included in the table above, in 2014 Mike Emmett was awarded a completion bonus of \$365,000 in accordance with a contractual entitlement from his previous role as Group Head of Operational Transformation.

7 Comparative information is provided for executives who were also disclosed in QBE's 2013 Remuneration Report. As a result, the 2013 totals above are not the same as those disclosed in the 2013 Remuneration Report.

(B) Former executives

The following table provides further detail on the remuneration of executives who ceased employment during the financial year ended 31 December 2014, as determined under applicable Australian Accounting Standards.

FORMER EXECUTIVES	APPORTIONED FIXED REMUNERATION TO TERMINATION DATE ¹ US\$000	STI CASH ² US\$000	STI DEFERRED ³ US\$000	ACCELERATED ACCOUNTING CHARGE – CONDITIONAL RIGHTS & OPTIONS ⁴ US\$000	TOTAL ⁵ US\$000
Neil Drabsch ⁶	862	328	–	1,180	2,370
Jose Sojo ⁷	170	–	–	(500)	(330)

- 1 Apportioned fixed remuneration from the date of ceasing to be KMP to the date of termination of employment.
- 2 Apportioned STI cash payment from the date of ceasing to be KMP to the date of termination of employment.
- 3 Apportioned STI deferred payment from the date of ceasing to be KMP to the date of termination of employment.
- 4 Accounting charge accelerated or reversed due to termination.
- 5 Amounts have been converted to US dollars using the average rate of exchange for the 2014 year.
- 6 Neil Drabsch ceased being a KMP on 6 June 2014. He remains a full-time employee until his retirement becomes effective on 28 February 2015.
- 7 Jose Sojo ceased being a KMP on 15 August 2014. In accordance with his notice period, his termination date was effective on 31 December 2014.

(C) Equity-based remuneration

Executive investment in QBE as at 31 January 2015

The table below shows the investment exposure of QBE's current executives as at 31 January 2015. Amounts in the table include relevant interests but do not include interests attributable to personally related parties.

CURRENT EXECUTIVES	ORDINARY SHARES NUMBER	CONDITIONAL RIGHTS NUMBER	TOTAL POTENTIAL SHARES IN QBE AT 31 JAN 2015 NUMBER	VALUE OF POTENTIAL SHARES IN QBE AT 31 JAN 2015 US\$000	COST TO REPAY SHARE LOANS US\$000	NET INVESTMENT IN QBE AT 31 JAN 2015 ¹ US\$000
Group head office						
John Neal	202,981	458,285	661,266	5,462	–	5,462
Jason Brown	33,667	78,348	112,015	925	(110)	815
Mike Emmett	–	93,326	93,326	771	–	771
Patrick Regan	118,960	732,930	851,890	7,037	–	7,037
Jenni Smith	33,287	83,223	116,510	962	–	962
Divisional						
David Duclos	–	284,225	284,225	2,348	–	2,348
Colin Fagen	81,186	239,791	320,977	2,651	(401)	2,250
David Fried	–	163,187	163,187	1,348	–	1,348
Richard Pryce	31,949	232,230	264,179	2,182	–	2,182

- 1 The closing share price at 31 January 2015 was A\$10.61 (\$8.26 using the 31 January 2015 closing rate of exchange).

(D) Conditional rights

Deferred equity awards

Details of conditional rights provided as remuneration to executives during 2014 under the terms of the 2013 QIS-DEA or contractual arrangements as set out below. When exercisable, each conditional right is convertible into one ordinary share in QBE.

CURRENT 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	–	–	27,807	315	–	–
Jason Brown	20,176	229	4,102	47	–	–
Mike Emmett	36,410	414	–	–	–	–
Jenni Smith	–	–	5,631	64	–	–
Divisional						
David Duclos	70,666	804	–	–	–	–
Colin Fagen	72,736	827	5,544	63	–	–
David Fried	19,276	219	–	–	–	–
Richard Pryce	38,078	433	33,530	382	–	–
Former executives						
Neil Drabsch	–	–	46,577	534	–	–
Jose Sojo	9,440	107	–	–	67,019	682
George Thwaites	–	–	5,704	65	–	–

Remuneration Report CONTINUED

Long-term incentive plan

Details of conditional rights provided as remuneration to executives during 2014 under the terms of the 2014 LTI plan are set out below. LTI conditional rights are subject to future performance hurdles as detailed in section 4(C) of the Remuneration Report. When exercisable, each conditional right is convertible into one ordinary share in QBE.

CURRENT EXECUTIVES	CONDITIONAL RIGHTS GRANTED IN THE YEAR NUMBER	VALUE OF CONDITIONAL RIGHTS AT GRANT DATE ¹ US\$000	CONDITIONAL RIGHTS CANCELLED IN THE YEAR NUMBER	VALUE OF CONDITIONAL RIGHTS AT CANCELLATION DATE US\$000
Group head office				
John Neal ²	248,423	2,825	—	—
Jason Brown	38,446	437	—	—
Mike Emmett	33,712	383	—	—
Patrick Regan	207,035	1,987	—	—
Jenni Smith	41,507	472	—	—
Divisional				
David Duclos	135,204	1,537	—	—
Colin Fagen	72,737	827	—	—
David Fried	59,219	673	—	—
Richard Pryce	113,462	1,290	—	—
Former executives				
Neil Drabsch	94,637	1,076	—	—
Jose Sojo	50,792	578	57,534	578

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

² Granted following shareholder approval at the 2014 AGM.

Future performance conditional rights

Details of conditional rights to ordinary shares in QBE provided as remuneration to executives during 2014 are set out below. When exercisable, each conditional right is convertible into one ordinary share of the company.

CURRENT 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
John Neal ¹	—	—	—	—	60,823	668
Patrick Regan ²	516,474	4,956	—	—	—	—

¹ On 1 January 2011, John Neal was granted 25,000 conditional rights following his appointment to CEO, Global Underwriting. The underwriting target over the three year vesting period has not been met therefore the conditional rights lapsed in 2014.

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, with each tranche relating to one of the years from 2012 to 2014. The conditional rights for each of the three years may vest in April 2015 if vesting conditions are met, which include QBE achieving a minimum ROE target for the relevant year. The minimum ROE targets for the 2012 and 2013 tranches were not met and as a result these tranches of conditional rights (and associated dividends) lapsed in 2013 and 2014 respectively. The minimum ROE target for 2014 has also not been met and the third tranche of conditional rights (and associated notional dividends) will lapse in 2015.

² On 20 August 2014, Patrick Regan was granted conditional rights as compensation for incentives forfeited on ceasing his previous employment to join QBE. Further details are provided in section 2(A) of the Remuneration Report.

(E) Options

Details of options provided as remuneration to executives are set out below. When exercisable, each option is convertible into one ordinary share in QBE. Options vested in 2014 were earned under the legacy DCP terms for the 2008 performance year and were granted in March 2009. No options were granted or exercised in the current year.

	OPTIONS VESTED IN THE YEAR NUMBER	OPTIONS LAPSED/CANCELLED IN THE YEAR NUMBER
Group head office		
John Neal	62,741	41,956
Jason Brown	6,877	5,214
Jenni Smith	24,611	16,146
Divisional		
Colin Fagen	9,993	7,576
Former executives		
Neil Drabsch	51,144	35,169
Jose Sojo	14,094	4,792
George Thwaites	23,113	14,516

(F) Employment agreements

The terms and conditions of employment of each executive reflect market conditions at the time of their contract negotiation on appointment and subsequently. The material terms of the employment agreements for the current executives are summarised in the table below and are subject to applicable law.

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. LTI awards in prior years generally remain in the plan subject to the original performance and vesting conditions, though 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.
Payment for past services	John Neal	Three weeks' fixed remuneration for each year of service capped at 12 months' fixed remuneration on termination if not a "bad leaver".
Post-employment restraints	John Neal	12 month non-compete and non-solicitation.
	All others	Six month non-compete and non-solicitation.

Remuneration Report CONTINUED

7. Non-executive directors' remuneration

(A) 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.

(B) Fee structure and components

The aggregate amount approved by shareholders at the 2013 AGM was A\$3,300,000 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 increase of 10% was made to the base fees of the Deputy Chairman to A\$222,000. No change was made to the base fees of the Chairman or other directors.

Active committees in 2014 were as follows:

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

The non-executive director fee structure for 2014 and 2013 is shown in the table below. Fees paid to the Chairman and other non-executive directors will next be reviewed with effect from 1 April 2015.

FEE FRAMEWORK	2014 A\$000	2013 A\$000
Chairman base fee	644	644
Deputy Chairman base fee	222	N/A
Non-executive director base fee	202	202
Committee chairman base fee	49	49
Committee membership fee	27	27

(C) Other benefits

Non-executive directors do not receive any performance-based remuneration such as cash incentives or equity awards. Under the company's constitution, non-executive directors are entitled to be reimbursed for all travel and related expenses properly incurred in connection with the business of the company. Non-executive directors based overseas receive an annual cash travel allowance in addition to fees for the time involved in coming to Australia.

The travel allowance for Marty Becker was increased by 50% to A\$62,000 given his additional travel requirements on becoming Chairman.

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.

Superannuation entitlements to non-executive directors increased from 9.25% to 9.5% on 1 July 2014 in line with the increase in the superannuation guarantee rate.

Other retirement benefits

Non-executive directors previously received a retirement allowance based on their period of service. The allowance was limited to the aggregate of the director's fees in the last three years of service, subject to a minimum of 10 years' service. Where service was less than 10 years, a pro-rata amount was paid. With effect from 31 December 2003, the Board terminated the retirement allowance to non-executive directors. Accrued retirement benefits at 31 December 2003 are preserved until retirement and are subject to an annual increase equal to the average five year Australian government bond rate. Shareholders approved an increase in non-executive directors' remuneration, and the company's constitution was amended at the 2004 AGM to recognise this change.

With the retirement of Belinda Hutchinson on 31 March 2014, there are no longer any non-executive directors with a retirement allowance.

Minimum shareholding requirement

With effect from 1 April 2014, a non-executive director minimum shareholding requirement was introduced for Group Board directors. 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(E) of the Remuneration Report.

(D) Remuneration details for non-executive directors

Details of the nature and amount of each component of the remuneration of our non-executive directors for the year ended 31 December 2014 are set out in the table below:

	YEAR	SHORT-TERM EMPLOYMENT BENEFITS		POST EMPLOYMENT BENEFITS			TOTAL ⁴ US\$000
		FEES ¹ US\$000	OTHER ² US\$000	SUPERANNUATION - SGC ³ US\$000	SUPERANNUATION - OTHER US\$000	RETIREMENT BENEFITS US\$000	
Non-executive directors							
Marty Becker	2014	584	–	4	–	–	588
	2013	117	–	1	–	–	118
Stephen Fitzgerald	2014	72	–	3	1	–	76
	2013	–	–	–	–	–	–
John Graf ⁵	2014	385	–	5	–	–	390
	2013	335	–	2	–	–	337
John M Green	2014	266	–	16	9	–	291
	2013	292	–	16	10	–	318
Margaret Leung	2014	288	–	3	–	–	291
	2013	112	–	2	–	–	114
Sir Brian Pomeroy ⁶	2014	263	–	–	–	–	263
	2013	–	–	–	–	–	–
Jann Skinner ⁷	2014	88	–	7	1	–	96
	2013	–	–	–	–	–	–
Former non-executive directors							
Duncan Boyle	2014	262	1	16	8	–	287
	2013	266	1	16	8	–	291
Isabel Hudson	2014	305	–	13	–	–	318
	2013	329	–	4	–	–	333
Belinda Hutchinson AM	2014	142	–	4	9	3	158
	2013	650	–	16	9	10	685
Total	2014	2,655	1	71	28	3	2,758
	2013	2,101	1	57	27	10	2,196

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.

- Isabel Hudson and Sir Brian Pomeroy are UK residents, John Graf is a resident of the US, Margaret Leung is a resident of Hong Kong and Stephen Fitzgerald is based in the UK. They each receive an annual travel allowance of \$37,000 (A\$42,000). Marty Becker is a resident of the US and received an annual equivalent travel allowance of \$37,000 (A\$42,000) for the period 1 January to 31 March 2014 and \$56,000 (A\$62,000) for the period 1 April to 31 December 2014.
- Isabel Hudson, Sir Brian Pomeroy, John Graf, Marty Becker and Margaret Leung receive additional fees of 9.25% for the period 1 January to 30 June 2014 and 9.5% from 1 July to 31 December 2014, 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 Duncan Boyle received staff insurance discounts during the year.

³ Duncan Boyle, John Green, Belinda Hutchinson and Jann Skinner are Australian residents. Superannuation is calculated as 9.25% of fees for the period 1 January to 30 June 2014 and 9.5% of fees from 1 July to 31 December 2014. 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.

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

⁵ Includes fees of \$78,000 for his role as a non-executive director on subsidiary boards in QBE North American Operations to 31 July 2014.

⁶ Includes fees of \$87,000 for his role as a non-executive director on subsidiary boards in QBE European Operations to 31 October 2014.

⁷ Includes fees and superannuation of \$31,000 and \$3,000 respectively for her role as a non-executive director on subsidiary boards in QBE Australian & New Zealand Operations.

Remuneration Report CONTINUED

8. Appendix

(A) Terms used in this report

TERM	DEFINITION
Combined operating ratio (COR)	Refer to the glossary of insurance terms.
Deferred Compensation Plan (DCP)	A legacy remuneration arrangement granting equity benefits which ceased from 1 January 2010.
Diluted earnings per share	Refer to note 25 to the financial statements.
Executives	Key management personnel other than non-executive directors.
Key management personnel (KMP)	<p>Accounting standards require disclosure of the remuneration of directors (executive and non-executive) and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. This group is collectively defined as key management personnel.</p> <p>AASB 124: Related Party Disclosures specifically requires that non-executive directors are included as key management personnel even though they are not part of QBE's management. The individuals included in section 1(A) of the Remuneration Report were considered key management personnel for either the full reporting period or part thereof because they are members of the Group Executive, being the management body responsible for the Group's strategy and operation. The term is generally used in the report to refer to executives only, as appropriate.</p>
Legacy Long-Term Incentive Plan (LTI)	<p>A legacy remuneration arrangement which ceased from 1 January 2014.</p> <p>The at-risk reward structure that grants equity awards subject to a five year vesting period and performance hurdles. Applies to LTI equity awards granted in March 2011, March 2012 and March 2013. Details are provided in section 8(B) of the Remuneration Report.</p>
Long-Term Incentive Plan (LTI)	The at-risk reward structure that grants equity awards subject to a three year vesting period and performance hurdles. Applies to LTI equity awards granted in March 2014, March 2012 and March 2013. Details are provided in section 4(C) of the Remuneration Report.
QBE Incentive Scheme (QIS)	<p>A legacy remuneration arrangement which ceased from 1 January 2014.</p> <p>The at-risk reward structure that comprises cash awards and deferred equity awards effective from 1 January 2010 to 31 December 2013. Details are provided in section 8(B) of the Remuneration Report.</p>
Return on allocated capital (RoAC)	Divisional net profit after tax (NPAT) on a management basis as a percentage of opening allocated capital. This is the key performance measure used to determine incentives for divisional KMP.
Relative total shareholder return (RTSR)	RTSR is the change in share price plus dividends paid and any capital returns measured over the three year performance period (i.e. total return of a shareholders' investment) compared with companies in the peer group (presented as a percentile rank).
Short-Term Incentive Plan (STI)	The at-risk reward structure that comprises cash awards and deferred equity awards effective from 1 January 2014. Details are provided in section 4(C) of the Remuneration Report.
Statutory return on equity (statutory ROE)	<p>NPAT on an AIFRS basis as a percentage of average shareholders' funds. Alternatively referred to as return on average shareholders' funds. It is used to determine the achievement of incentives under the Group's STI and LTI framework. This will also be a key performance measure for short-term and long-term incentives of all executives from 2014.</p> <p>For incentive purposes the ROE is adjusted for 50% of the effect of the movement in risk-free rates.</p>

(B) Legacy equity schemes

EQUITY SCHEME	DESCRIPTION
Legacy Long-Term Incentive Plan (LTI) Until 31 December 2013	<p>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:</p> <ul style="list-style-type: none"> 50% of the award granted will be contingent on QBE's diluted EPS increasing by a compound average 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. <p>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.</p>
QBE Incentive Scheme (QIS) Until 31 December 2013	<p>The QBE Incentive Scheme (QIS) is a short term at-risk reward structure that comprises cash and deferred equity awards. It came into effect from 1 January 2010 and is applicable to deferred equity awards made in March 2011 to March 2014.</p> <p>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:</p> <ul style="list-style-type: none"> 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. <p>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 the company.</p> <p>The shares issued pursuant to the conditional rights are issued without payment being made by the recipient (i.e. at a nil exercise price).</p> <p>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.</p>
Deferred Compensation Plan (DCP) Until 31 December 2008 and applicable to awards granted in March 2009 and prior	<p>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.</p> <p>This DCP award amount was used to acquire conditional rights to fully paid shares and options respectively as follows:</p> <ul style="list-style-type: none"> 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). <p>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 hold options under the DCP, to fund the exercise of the options. Interest-free personal recourse loans under the DCP will cease by 5 March 2015 after the final vesting of all incentives granted in March 2009.</p>

Remuneration Report CONTINUED

EQUITY SCHEME	DESCRIPTION
From 1 January 2009 and applicable to awards granted in March 2010	<p data-bbox="549 387 1423 512">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 is 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 is paid.</p> <p data-bbox="549 526 1374 573">The maximum DCP award was used as the basis of calculating the number of conditional rights to fully paid shares as follows:</p> <ul data-bbox="564 589 1358 701" style="list-style-type: none"> • 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. <p data-bbox="549 716 1362 763">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.</p>
All awards	<p data-bbox="549 779 1406 826">Conditional rights and any options relating to the achievement of profit targets in the financial year were granted in March of the following year.</p> <p data-bbox="549 842 1414 943">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.</p>

(C) Valuation of conditional rights and options**Conditional rights**

Details of conditional rights issued affecting remuneration of key management personnel in the previous, current or future reporting periods are as follows:

GRANT DATE	DATE EXERCISABLE	FAIR VALUE PER RIGHT AT GRANT DATE ¹
5 March 2010	4 March 2015	A\$20.90
1 January 2011	1 January 2014	A\$18.44
7 March 2011	6 March 2014	A\$17.93
7 March 2011	6 March 2016	A\$17.93
7 March 2012	6 March 2015	A\$11.78
7 March 2012	6 March 2017	A\$11.78
5 April 2012	4 April 2015	A\$14.25
1 September 2012	1 March 2014	A\$13.03
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\$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\$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\$12.75
4 March 2014	3 March 2018	A\$12.75
4 March 2014	3 March 2019	A\$12.75
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
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
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	3 March 2017	A\$6.08
20 August 2014	3 March 2018	A\$6.08
20 August 2014	3 March 2019	A\$6.08

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 8(D) of the Remuneration Report.

Options

Options affecting remuneration of key management personnel in the previous, current or future reporting periods are as follows:

GRANT DATE	DATE EXERCISABLE	EXPIRY DATE	EXERCISE PRICE	VALUE PER OPTION AT GRANT DATE ¹
4 March 2008	4 March 2013	4 March 2014	A\$24.22	A\$4.63
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 grants of options are provided in section 8(D) of the Remuneration Report.

Remuneration Report CONTINUED

(D) Key management personnel – equity instruments

Conditional rights and options provided as remuneration

For additional details of equity instruments, conditional rights and options provided to key management personnel as remuneration and shares issued on the exercise of such instruments, together with the associated terms and conditions, refer to section 4(C) of the Remuneration Report.

QBE deferred equity plans – conditional rights

Details of the movements in the number of conditional rights to ordinary shares in the company provided as remuneration to the key management personnel and issued under the STI, QIS and DCP are provided below.

	BALANCE AT 1 JAN 2014 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 2014 NUMBER
2014						
Executive directors						
John Neal	80,901	–	1,207	(27,807)	–	54,301
Other key management personnel						
Jason Brown	22,085	20,176	869	(4,102)	–	39,028
David Duclos	72,037	70,666	3,246	–	–	145,949
Mike Emmett	21,132	36,410	1,308	–	–	58,850
Colin Fagen	79,032	72,736	3,325	(5,544)	–	149,549
David Fried	81,060	19,276	2,282	–	–	102,618
Richard Pryce	109,058	38,078	2,584	(33,530)	–	116,190
Jenni Smith	23,080	–	396	(5,631)	–	17,845
Former key management personnel						
Neil Drabsch	46,577	–	–	(46,577)	–	–
Jose Sojo	56,237	9,440	1,342	–	(67,019)	–
George Thwaites	22,889	–	391	(5,704)	–	17,576

None of these conditional rights were vested or exercisable at 31 December 2014.

Long term incentive plans – conditional rights

Details of the movements in the number of conditional rights to ordinary shares in the company provided as remuneration to the key management personnel and issued under the LTI plan and legacy LTI plan are provided below. No conditional rights to ordinary shares in the company were provided to key management personnel under the any legacy schemes.

	BALANCE AT 1 JAN 2014 NUMBER	GRANTED IN THE YEAR NUMBER	NOTIONAL DIVIDENDS ATTACHING IN THE YEAR NUMBER	CANCELLED/ FORFEITED IN THE YEAR NUMBER	BALANCE AT 31 DEC 2014 NUMBER
2014					
Executive directors					
John Neal	114,986	248,423	8,262	–	371,671
Patrick Regan	–	207,035	2,696	–	209,731
Other key management personnel					
Jason Brown	–	38,446	874	–	39,320
David Duclos	–	135,204	3,072	–	138,276
Mike Emmett	–	33,712	764	–	34,476
Colin Fagen	15,497	72,737	2,008	–	90,242
David Fried	–	59,219	1,350	–	60,569
Richard Pryce	–	113,462	2,578	–	116,040
Jenni Smith	22,415	41,507	1,456	–	65,378
Former key management personnel					
Neil Drabsch	59,946	94,637	3,515	–	158,098
Jose Sojo	5,464	50,792	1,278	(57,534)	–
George Thwaites	22,415	–	510	–	22,925

None of these conditional rights were vested or exercisable at 31 December 2014.

Other – conditional rights

Details of the movements in the number of conditional rights to ordinary shares in the company provided as remuneration to the key management personnel and issued under special circumstances are provided below.

	BALANCE AT 1 JAN 2014 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 2014 NUMBER
2014						
Executive directors						
John Neal	92,418	–	718	–	(60,823)	32,313
Patrick Regan	–	516,474	6,725	–	–	523,199

None of these conditional rights were vested or exercisable at 31 December 2014.

QBE deferred equity plans – options

Details of the movements in the number of DCP options over ordinary shares in the company provided as remuneration to the key management personnel are provided below.

	BALANCE AT 1 JAN 2014 NUMBER	CANCELLED/ FORFEITED IN THE YEAR NUMBER	BALANCE AT 31 DEC 2014 NUMBER	VESTED AND EXERCISABLE AT 31 DEC 2014 NUMBER	EXERCISE COST AT 31 DEC 2014 ¹ A\$000
2014					
Executive director					
John Neal	104,697	(41,956)	62,741	62,741	1,102
Other key management personnel					
Jason Brown	12,091	(5,214)	6,877	6,877	121
Colin Fagen	17,569	(7,576)	9,993	9,993	176
Jenni Smith	40,757	(16,146)	24,611	24,611	432
Former key management personnel					
Neil Drabsch	86,313	(35,169)	51,144	51,144	899
Jose Sojo	18,886	(4,792)	14,094	14,094	248
George Thwaites	37,629	(14,516)	23,113	23,113	406

1 All options are exercisable at A\$17.57.

(E) Shareholdings

The movements during the year in the number of ordinary shares in the company held by the key management personnel, including their personally related parties, are provided in the table below.

	INTEREST IN SHARES AT 1 JAN 2014 NUMBER	CONDITIONAL RIGHTS VESTED NUMBER	SHARES PURCHASED (SOLD) NUMBER	DIVIDENDS REINVESTED IN THE YEAR NUMBER	INTEREST IN SHARES AT 31 DEC 2014 NUMBER	INTEREST IN SHARES AT 31 DEC 2014 SUBJECT TO NON- RECOURSE LOANS NUMBER
2014						
Non-executive directors						
Marty Becker	45,000	–	22,736	–	67,736	–
John Graf	29,600	–	–	–	29,600	–
John M Green	37,258	–	–	–	37,258	–
Margaret Leung	–	–	286	–	286	–
Sir Brian Pomeroy	–	–	828	–	828	–
Jann Skinner ¹	20,000	–	–	–	20,000	–
Executive directors						
John Neal	170,657	27,807	–	4,517	202,981	–
Patrick Regan	–	–	118,960	–	118,960	–
Other key management personnel						
Jason Brown	27,364	4,102	1,485	716	33,667	2,205
Colin Fagen	73,434	5,544	1,485	723	81,186	17,609
Richard Pryce	15,261	33,530	(17,000)	158	31,949	–
Jenni Smith	62,656	5,631	(35,000)	–	33,287	–
Former key management personnel						
Duncan Boyle	19,019	–	–	–	19,019	–
Neil Drabsch	255,881	46,577	(67,549)	5,322	240,231	182,562
Isabel Hudson	11,737	–	–	–	11,737	–
Belinda Hutchinson AM	113,648	–	2,970	–	116,618	–
Jose Sojo	39,085	–	–	183	39,268	–
George Thwaites	45,300	5,704	1,485	825	53,314	9,880

1 Represents interest in shares on 1 October 2014, Jann Skinner's date of appointment as a non-executive director.

Remuneration Report CONTINUED

(F) Key management personnel – loans

Details of the loans made by the Group to key management personnel are set out below.

Personal recourse share loans

	BALANCE AT 1 JAN 2014 A\$000	LOANS MADE IN THE YEAR A\$000	REPAYMENTS A\$000	BALANCE AT 31 DEC 2014 A\$000	INTEREST NOT CHARGED ¹ A\$000	HIGHEST BALANCE IN THE PERIOD A\$000
2014						
Key management personnel						
Jason Brown	107	–	–	107	5	107
Colin Fagen	134	–	–	134	8	134
Former key management personnel						
George Thwaites	131	–	–	131	2	131

¹ Deemed value of interest not charged for the period as key management personnel.

Non-recourse share loans

Prior to 20 June 2005, non-recourse loans were provided by the Group to the executive director and other key management personnel for the purchase of shares in the company. Under Australian accounting standards, non-recourse loans and the related shares are derecognised and are instead treated as options.

	BALANCE AT 1 JAN 2014 A\$000	LOANS MADE IN THE YEAR A\$000	REPAYMENTS A\$000	BALANCE AT 31 DEC 2014 A\$000	INTEREST NOT CHARGED ¹ A\$000	HIGHEST BALANCE IN THE PERIOD A\$000
2014						
Key management personnel						
Jason Brown	3	–	–	3	–	3
Colin Fagen	267	–	–	267	16	267
Former key management personnel						
Neil Drabsch ²	1,926	–	–	1,926	52	1,926
George Thwaites	43	–	–	43	1	43

¹ Deemed value of interest not charged for the period as key management personnel.

² All recourse and non-recourse amounts are due to be paid within 10 days of ceasing employment.

Directors' Report CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2014

Auditor

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

Non-audit services

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

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, 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 30 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 100.

Details of amounts paid or payable to PricewaterhouseCoopers for audit and non-audit services are provided in note 30 to the financial statements.

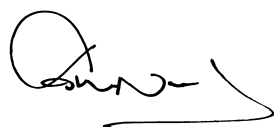
Rounding of amounts

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 24th day of February 2015 in accordance with a resolution of the directors.



W. Marston Becker
Director



John Neal
Director

Directors' Report CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2014

Auditor's independence declaration for the year ended 31 December 2014

As lead auditor for the audit of QBE Insurance Group Limited for the year ended 31 December 2014, 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
24 February 2015