



## **QBE INSURANCE GROUP LIMITED**

### **RISK AND CAPITAL COMMITTEE CHARTER**

|                             |                            |
|-----------------------------|----------------------------|
| <b>Nature of committee:</b> | Risk and Capital Committee |
| <b>Owner:</b>               | Company Secretary          |
| <b>Approval:</b>            | Board                      |
| <b>Approval date:</b>       | 7 December 2017            |
| <b>Status:</b>              | Final                      |

## 1. Introduction

The Risk and Capital Committee (“**Committee**”) is established by the Board of Directors (“**Board**”) of QBE Insurance Group Limited (“**Company**”).

## 2. Role

The role of the Committee is to support the Board in overseeing the effectiveness of the Company and its controlled entities (together, the “Group”) and how risks and capital are managed. This includes overseeing that current and future risks are identified, assessed and managed in line with risk appetite and ensuring<sup>1</sup> that adequate capital is maintained against the risks associated with business activities.

The Committee is also responsible for overseeing the effectiveness of QBE Group’s risk and capital management frameworks in supporting the achievement of QBE’s strategic objectives and business plans and for overseeing QBE’s compliance with its obligations.

## 3. Composition

The Committee will be comprised of a minimum of three members and a maximum of six members as determined by the Board. All members must be non-executive directors. A majority of the members must be independent.

No alternates will be permitted unless agreed by the Committee Chairman at a meeting of the Committee.

The Chairman of the Committee will be an independent non-executive director who is not the Chairman of the Board. The Chairman of the Committee will be appointed by the Board.

A Company Secretary of the Board will act as Secretary to the Committee.

Composition of the Committee will be reviewed at least annually.

## 4. Authority

The Committee has the authority as delegated within this Charter to:

- investigate any activity within its Charter;
- obtain all information necessary for the performance of the Committee’s role as set out in this Charter;
- access the QBE Group Chief Executive Officer (“CEO”), Group Chief Risk Officer (“CRO”), Group Chief Financial Officer (“CFO”), executives and other employees, and any external parties as required for the performance of the Committee’s role as set out in this Charter, including to seek additional information and explanation during its meetings;
- appoint specialist independent third party advisers, legal, accounting or other consultants, to independently advise the Committee; and
- attend relevant external training courses after consent from the Chairman of the Company.

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<sup>1</sup> All references to the term “ensure” within this document to be interpreted as taking all reasonable steps and making all appropriate enquiries so that the Board can determine, to the best of its knowledge, that the stated matter has been properly addressed.

## 5. Scope

The Committee will review and recommend as required to the Board decisions arising from the following items:

### *Risk management*

- consider and recommend to the Board QBE Group's Risk Management Strategy (RMS) and supporting frameworks and risk policies. This includes considering and recommending to the Board QBE Group's risk appetite (and risk appetite statement), its alignment to business strategy and implementation at the Group and Divisional levels;
- assess the adequacy and appropriateness of QBE Group's organisational structure as it relates to risk and the sufficiency, independence and objectivity of the risk management function;
- review the key risks to QBE Group to ensure:
  - that all material key risks (including emerging risks) and the associated control frameworks have been appropriately identified and assessed;
  - these risks (including the outcomes from the stress and scenario testing process) are appropriately and adequately managed in accordance with risk appetite;
  - actions are identified to address any key issues or breaches; and
  - appropriate risk information is provided to support the Committee in this assessment;
- consider the adequacy of management's awareness, understanding and management of key risks and internal controls, and constructively challenge management's proposals and decisions on all aspects of risk management arising from QBE Group's activities;
- form a view as to the appropriateness of QBE's risk culture, considering themes and trends;
- overseeing the achievement of culture initiatives; and
- periodically consult with the CRO without the presence of management.

### *Capital adequacy*

- consider and recommend to the Board:
  - QBE Group's capital management framework;
  - Internal Capital Adequacy Assessment Process (ICAAP);
  - Economic Capital Model (ECM) and associated processes for capital management, including, capital targets and triggers;
- monitor the implementation of these processes and documents; and
- monitor the QBE Group Recovery Plan development and ongoing review.

### *Funding*

- consider and recommend to the Board:
  - the appropriate mix of debt and equity capital;
  - the performance of QBE Group's capital instruments; private placements and public subscription for capital;

- accounting standards and taxation laws relevant to differing types of capital instruments;
- capital market conditions;
- QBE Group's cost of capital;
- dividend policy;
- major financing covenants and events of default;
- capital initiatives; and
- suitable capital and balance sheet ratios given QBE Group's risk appetite.

### *Compliance*

- review the effectiveness of QBE Group's compliance framework, systems and controls for ensuring compliance with obligations (including legal and regulatory requirements and obligations, industry codes and business and ethical standards) other than financial reporting and tax (which are reviewed by the Audit Committee);
- receive reporting on the performance of compliance, including non-compliance and emerging issues, and ensuring management taking reasonable steps to ensure that actions are in place to address any identified issues or non-compliance;
- review the compliance culture (this may form part of its view on risk culture) and provide the Board direction on the expected conduct, ethics and behaviours expected across QBE (e.g. through the Code of Conduct);
- assess whether compliance teams are adequately resourced to manage compliance risk, have appropriate authority and sufficient resources and are independent;
- approve all frameworks, policies and other documentation as required by regulation;
- approve the annual compliance monitoring plan and any amendments to the plan; and
- consider annual regulatory reporting and submissions (including the RMS and Reinsurance Management Strategy with APRA).

### *Reinsurance*

- consider the risk tolerance set through the Insurance Concentration Risk Charge (ICRC);
- consider the appetite for catastrophes and individual risks net of reinsurance as part of the business planning process;
- consider the strategy and three year business plans in respect of budgeted and forecast reinsurance costs; and
- consider the information provided by management on QBE Group's reinsurance arrangements.

### *Business Continuity Management (BCM)*

- consider business continuity risks and controls as part of QBE Group's risk management framework.

### *Environmental, Social and Governance (ESG)*

- receive and consider reports relating to QBE Group's ESG responsibilities and performance; and

- review and make recommendations to the Board on external reporting relating to QBE Group's ESG responsibilities and performance.

#### *Other*

- Receive any material updates on any interactions with rating agencies with respect to QBE Group's risk and capital frameworks and capital held;
- consider other matters from a risk and capital management perspective as applicable, for example:
  - delegated authority for the CEO;
  - business plans;
  - material strategic business initiatives, including potential acquisitions or disposals;
  - major litigation; and
  - the resolution of significant risk exposures/events;
- review the performance and setting the objectives of the Group CRO and oversee and prior-endorse the appointment and removal of the Group CRO;
- if the Committee's recommendation to remove the Group CRO from their position is agreed by the Board, the Committee (or the Chairman of the Committee on behalf of the Committee) must discuss the reasons for the Group CRO removal with relevant regulators no later than 10 business days after the Board agrees with that recommendation; and
- consider any other matter relevant to fulfilling the Committee's role.

The Committee need not deal with every matter above.

Management is responsible for preparing and presenting to the Committee regular reports and other information on all matters about which the Committee should be informed. Management will also escalate to the Chairman of the Committee or the Committee in a timely manner material new or heightened risks for consideration by the Committee at its next meeting.

## **6. Reserved matters**

The Committee may make recommendations to the Board, based on its review and assessment, on any matter within its scope to support the Board in overseeing the effectiveness of QBE Group's risk and capital management frameworks.

The Committee may approve risk and capital-related policies and guidelines to support the operation of the risk and capital management frameworks (not otherwise reserved for the Board or other Board Committees or not falling within the scope of management approval).

## **7. Meetings**

The Committee will meet at least four times a year and more frequently as required. Meetings are to be scheduled such that they are generally held prior to meetings of the Board of the Company. Any Committee member or the Secretary may call a meeting.

A quorum for meetings will be two Committee members, including the Chairman unless otherwise specified in the Board Charter. Decisions will be made by a majority of directors present and voting.

All non-executive directors of the Board have a standing invitation to attend each meeting.

The CEO, the CRO and the CFO of the Company will each have a standing invitation to attend each meeting, subject to exclusion at the discretion of the Committee Chairman, as may be necessary from time to time. The Committee may invite executives, senior management or other persons as required from time to time.

A notice of each meeting confirming the date, time, venue and agenda will be forwarded to each member of the Committee prior to the date of the next meeting. The notice for members will include relevant supporting documentation for agenda items to be discussed.

## **8. Reporting**

The Secretary will prepare and circulate minutes of meetings of the Committee to all Committee members within a reasonable time after each meeting.

The Chairman will report to the Board as appropriate on matters reviewed and/or recommended and/or approved by the Committee and any other areas within the Committee's scope. All directors of the Board of the Company will receive a copy of the minutes of the Committee meetings and may request a copy of its papers.

## **9. Access**

The members of the Committee must be available upon reasonable notice to meet with relevant regulators if requested to do so.

The Committee, in carrying out its duties has unfettered access to Senior management, risk and financial control personnel, and other parties (internal and external).

The CRO has free and unfettered access to the Committee and to the Board and vice-versa.

## **10. Review**

The Committee will review this Charter every two years and recommend any proposed amendments to the Board for approval.