

QBE Insurance Group Limited

Non-executive Directors' Nomination, Performance Evaluation and Tenure Guidelines

These guidelines deal with:

1. nomination of Non-executive Directors (NEDs);
2. performance expectations of NEDs;
3. review of NEDs' performance, including the Chairman's and Deputy Chairman's; and
4. NEDs' tenure.

1 Nomination of NEDs

The Board believes that its composition, including selection, appointment, renewal and retirement of members, to be of such importance that it is the role of the Board as a whole to consider.

The Board also believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

As a result, all Directors are members of the Nomination Committee. The charter of the Nomination Committee is available in the corporate governance section of QBE's website – www.qbe.com.

The Board considers that a diverse range of skills, knowledge, experience, age, gender and place of residence is required in order to effectively govern the company.

The Board should be of a size and composition that is conducive to making decisions efficiently in the best interests of the company as a whole. The size of the Board should be limited.

The Board has a skills matrix covering the competencies and experience of each member. When the need for a new Director is identified, the required experience and competencies of the new Director are defined in the context of this matrix and any gaps that exist. Generally a list of potential candidates is identified based on these skills.

Candidates are assessed against the required skills and on their qualifications, backgrounds and personal qualities. In addition, candidates are sought who have insurance or other financial services experience, a proven track record in creating shareholder value, utmost integrity, a commitment to corporate governance, the required time for the position, a strategic mindset, a preparedness to constructively question management and an independence of mind.

The Chairman or any other Director may suggest an individual for appointment as a NED. If a Director other than the Chairman wishes to suggest an individual, all suggestions should first be discussed with the Chairman, who depending upon suitability will then consult with other Directors. Alternatively, the Chairman may put forward a candidate. In all cases, the Chairman may engage a consultant at QBE's cost. The Chairman will make any nomination at an appropriate Board meeting.

All Directors, both executive and non-executive, must approve the appointment of a NED.

2 Performance expectations of NEDs

The role of NEDs is to guide and monitor management in its conduct of QBE's business.

QBE expects a NED to:

- contribute effectively to the Board's deliberations and thereby QBE's overall direction;
- develop a broad and ongoing knowledge of QBE and the major issues affecting QBE;
- stay up-to-date with matters of a material nature affecting the insurance industry and the wider financial services sector;
- maintain a high level of integrity;
- have good interpersonal skills (ie work well in a group, including listening, being tactful and communicating their views succinctly); and
- provide sufficient time to QBE.

In addition, a NED should have skills in:

- deciding strategy;
- understanding accounting principles and practices relevant to QBE;
- understanding legal issues which affect QBE;
- risk management; and
- achieving change.

Further details on the NEDs' role are set out in Schedule 1.

3 Review of NEDs' performance

(a) General

The Chairman oversees the performance of the Board, its committees and each Director. The Board regularly reviews its performance. The Chairman reports the overall result to the Board and it is discussed by all Directors. Recommendations for either improvement or increased focus are agreed and then implemented.

The review procedure includes written answers and questions from the Chairman completed confidentially by each Director as well as interviews with the Chairman. This procedure is a precursor to other Directors determining whether to support, via the notice of meeting, a NED for re-election at an AGM.

The review procedure may be facilitated by a consultant and incorporate feedback from senior management.

All Directors, other than the relevant Director, must approve the resolution for election of a Non-executive Director in a notice of meeting.

Each Non-executive Director will provide information on himself or herself for the explanatory note in a notice of meeting including a resolution for election.

(b) Particular

As part of this procedure, the Chairman considers the performance expectations of NEDs above as well as:

- whether a NED demonstrates the required skills for their role; and
- attendance and participation at Board and committee meetings.

(c) Chairman

The Chairman's role is described in Schedule 2.

Each year, the NEDs (other than the Chairman) and the Chief Executive Officer will consider the Chairman's performance. This review will be facilitated by a NED agreed between the NEDs, who will discuss it with the Chairman.

The main aim of the review is to decide whether the Chairman should continue as such and, if yes, on what basis.

When the Chairman has been appointed during his or her second or third term on the Board, he or she may be asked to stay for an additional term to enable a productive period in the role. The likely timing of the Chief Executive Officer leaving will also be taken into account in the Chairman's tenure.

The Chairman is elected by the rest of the Board and must be prepared to step down when his or her colleagues believe it is time to do so. The preferred time for the Chairman to stay in the role is considered regularly by the other Directors.

(d) Deputy Chairman

The Deputy Chairman's role is described in schedule 3.

Each year, the Chairman will consider the Deputy Chairman's performance.

The main aim of the review is to decide whether the Deputy Chairman should continue as such and, if yes, on what basis.

The Deputy Chairman is elected by the rest of the Board and must be prepared to step down when his or her colleagues believe it is time to do so. The preferred time for the Deputy Chairman to stay in the role will be considered regularly by the other Directors.

4 NED tenure

QBE's constitution provides that no Director, except the Chief Executive Officer, shall hold office for a continuous period in excess of three years or past the third AGM following a Director's appointment, whichever is the longer, without submission for re-election at the next AGM.

Under QBE's constitution, there is no maximum fixed term or retirement age for NEDs.

QBE is committed to revitalising the Board and adding new competencies as required.

As a general guide, the Board has agreed that a NED's term should be approximately 10 years.

However, this term may be extended for reasons such as Board or committee chairmanship, providing continuity or a particular capability of a NED.

QBE may change, replace or temporarily withdraw these guidelines at any time, on an individual or collective basis.

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Schedule 1

Non-executive Directors' role

The NEDs' role recognises QBE's circumstances and the NEDs' responsibilities within QBE.

QBE's circumstances

QBE is a holding company listed on the Australian Securities Exchange (ASX) and is an ASX top 20 company. QBE has around 157,000 registered shareholders. Most shareholders, by number of shares, are institutions rather than employees or retail shareholders. QBE operates in 43 countries with over 17,000 employees. About 75% of QBE's business is outside Australia. QBE has five main insurance divisions, namely Australian and New Zealand Operations, Asia Pacific Operations, European Operations, Latin America Operations and North America Operations. Each division has its own chief executive and other management.

QBE also has a Group Investments function, again with its own management.

These circumstances indicate that the Board must delegate to management to conduct QBE's business.

NEDs' responsibilities

NEDs are selected to give QBE collectively a suitable range of qualifications and backgrounds. A NED is not expected to act as an expert, or to assume any of management's responsibilities.

The general responsibilities of each NED are to:

- provide an independent perspective to the overall running of QBE;
- constructively challenge management and advisers;
- critically review information from management and advisers against their knowledge of QBE and general business affairs;
- ask questions where required; and
- either avoid or minimise any conflicts of interest with QBE.

Schedule 2

Chairman's role

The Chairman's role is to:

- provide leadership to the Board, including presiding at Board and shareholders' meetings of QBE;
- take reasonable steps to ensure that the Board as a whole discharges its role, including facilitating effective discussion at board meetings;
- facilitate the evaluation of Board, individual Director and committee performance annually;
- encourage the contribution and development of individual Directors, including counselling them on any areas which would help improve their and the Board's performance, together with considering the time required from a Director to fully participate as such and whether a Director is contributing such time;
- consider necessary and desirable competencies of Directors;

- review Board and committee membership so they provide the right balance of skills together with continuity versus a fresh approach;
- maintain a NEDs' re-election schedule;
- lead the search for new Directors;
- ensure the Board and committee charters relevant to QBE's circumstances;
- maintain an open dialogue with the Chief Executive Officer, agreeing his annual performance criteria and, as appropriate, mentoring the Chief Executive Officer to facilitate the effective discharge of responsibilities;
- in consultation with the Chief Executive Officer and the Company Secretary, set agendas for each Board meeting and meetings of shareholders, including areas of focus for the Board together with the nature and extent of board papers and other information;
- promote good communication between the NEDs and the Chief Executive Officer, by serving as a primary link to provide continuity between Board and committee meetings;
- promote good communication between committee Chairmen and the Group Executive together with other senior management, working through the Chief Executive Officer;
- foster useful inter-action between the Board and the non-executive directors of QBE's main insurance subsidiaries;
- present QBE's views to shareholders and other stakeholders as required;
- approve matters beyond the Chief Executive Officer's delegated authority that should not be delayed until a scheduled Board or committee meeting; and
- perform such other duties as the Board may delegate.

Schedule 3

Deputy Chairman's role

The Deputy Chairman's role is to:

- carry out the Chairman's role where the Chairman has a conflict of interest or is otherwise absent;
- serve as a trusted intermediary for Board members for any material concerns regarding the Chairman, including the Chairman's relationship with the Chief Executive Officer;
- provide a liaison between senior management and NEDs where the Chairman has a conflict of interest, is otherwise absent or is not properly carrying out the Chairman's role;
- be available to shareholders should their approaching the Chairman be inappropriate;
- act as a sounding board for the Chairman on NED issues; and
- perform such other duties as the Board may delegate.