



QBE INSURANCE GROUP LIMITED

AUDIT COMMITTEE CHARTER

Nature of committee:	Audit Committee
Owner:	Company Secretary
Approval:	Board
Approval date:	June 2015
Status:	Final

1. Introduction

The Audit 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**”) financial reporting and risk management framework. In particular, the Committee will oversee and monitor the integrity of the Group’s financial reporting, including

- financial reporting to regulators and shareholders
- financial reporting risks
- accounting policies, practices and disclosures
- the scope and outcome of external and internal audit
- the adequacy and independence of the internal and external audit functions.

It is not intended the Committee should assume any of management’s responsibilities in these areas.

3. Composition

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

The Committee members between them must have accounting and financial expertise and have a sufficient understanding of the industries in which the Group operates.

5. 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 Company’s Chief Executive Officer (“**CEO**”), executives, Group Head of Internal Audit, Group Chief Actuary and other employees and external auditor 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.

6. Scope

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

Financial reporting

- Oversee applicable financial reporting, regulatory and professional accounting requirements.
- Review and assess, as applicable, the Group's:
 - annual audited financial statements and other public financial statements as applicable, including any disclosures, commentary and notes;
 - annual audited regulatory returns;
 - external auditor's reports;
 - Group Chief Actuary's reports; and
 - declarations to be made by directors, CEO and Chief Financial Officer ("**CFO**").
- Discuss with management and the external auditor significant financial and other reporting issues, judgements and findings made in connection with the preparation of the above noted reports and consider the adequacy of management's responses.
- Discuss with management and the external auditor judgements on the quality and appropriateness of accounting principles applied by the Company in financial reporting, including use of alternative disclosures and accounting policy treatment.
- Review and assess information from internal auditors that may affect the quality of the financial reports.
- Discuss with management and the external auditor any major financial risk exposures and the steps management has taken to monitor and control such exposures.
- Discuss with management and the external auditor any major issues as to the adequacy of the internal controls and any actions taken to address material control deficiencies in relation to financial reporting and regulatory compliance.
- Review with management and the external auditor the effect of regulatory and accounting initiatives and assess their impact on financial reports.
- Review the consistency of, or any major suggested changes to, auditing and accounting principles and practices and the methods used to account for significant or unusual transactions where different approaches are possible.

External audit

- Review the qualifications and experience of the external auditor and consider the independence (at least annually) and any potential conflicts of interest of the external auditor in the context of any policies issued by the Group and relevant regulatory requirements (including those set out in paragraphs 82, 94 to 102 (inclusive) of the Australian Prudential Regulatory Authority's Prudential Standard CPS 510 – Governance).
- Monitor the performance of the external auditor and oversee the relationship with the external auditor.
- Make recommendations to the Board for the appointment, reappointment or termination of the external auditor, the remuneration of the external auditor and the rotation of the audit engagement partner.
- If the Committee's recommendation to remove the external auditor from their position is agreed by the Board, the Committee must discuss the reasons for the external auditor's

removal with relevant regulators no later than 10 business days after the Board agrees with that recommendation.

- Review the scope of the external audit plan to ensure that it covers all material risks and relevant financial reporting and other regulatory requirements and agree the terms of engagement letter and fees for services provided.
- Review the findings of the audits and ensure that identified issues are being managed and rectified in an appropriate and timely manner.
- Discuss with the external auditor matters relating to the conduct of the audit, including any difficulties encountered in the course of the audit work, any restrictions on scope of activities or access to requested information and any significant disagreements with management.
- Monitor the provision of non-audit services by the external auditor in the context of the QBE Group policy on the provision of non-audit services.
- Periodically consult with the external auditor without the presence of management.

Internal audit

- Review the qualifications, experience and resources of the internal audit function and ensure that the internal function has the necessary authority to conduct its role in an effective and objective manner.
- Review the scope of the internal audit plan to ensure that it covers all material risks and relevant financial reporting and other regulatory requirements and monitor performance of the internal audit function against the plan.
- Review the findings of the audits and ensure that identified issues are being managed and rectified in an appropriate and timely manner.
- Monitor the provision of non-audit services by the internal audit function.
- Periodically consult with the internal auditors without the presence of management.
- Ensure that the internal audit function is operating within the framework of the QBE Group Internal Audit Charter as appropriate.
- Make recommendations to the Board for the appointment, reappointment, or termination of the appointment of the Group Head of Internal Audit.
- If the Committee's recommendation to remove the Group Head of Internal Audit from their position is agreed by the Board, the Committee must discuss the reasons for the Group Head of Internal Audit's removal with relevant regulators no later than 10 business days after the Board agrees with that recommendation.

Group Chief Actuary

- Review the qualifications and experience of the Group Chief Actuary and consider the independence and any potential conflicts of interest of the Group Chief Actuary in the context of any QBE Group and relevant regulatory requirements.
- Monitor the performance of the Group Chief Actuary.
- Periodically consult with the Group Chief Actuary without the presence of management.

Compliance with financial reporting and tax laws and regulations

- Review the effectiveness of the Group's systems, policies and processes for monitoring compliance with financial reporting and tax laws, regulations and other requirements and take reasonable steps to ensure that actions are in place to address any identified issues or non-compliance.

- Review and make recommendations to the Board in respect of the Group's compliance with financial reporting and tax laws and regulations.
- Consider the extent to which regulatory compliance matters have been taken into account in the preparation of financial statements.

Internal control

- Review the effectiveness of the Group's internal financial controls and processes.
- Review the effectiveness of the Group's processes for preventing and detecting financial crime such as fraud, bribery and corruption.

Whistleblowing

- Take reasonable steps to ensure that the Group has in place policies and procedures for employees to submit, confidentially, information about accounting, internal control, compliance, audit and other matters about which the employee has concerns. The Committee must also have a process for dealing with matters raised by employees under these policies.

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 Committee in a timely manner new or heightened risks for consideration by the Committee.

7. 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 the Group's financial reporting. However, the Committee is expected to make a recommendation to the Board on the annual audited financial statements and other public financial statements as applicable, including any disclosures, commentary and notes.

The Committee may approve audit-related policies and guidelines (not otherwise reserved for the Board or other Board Committees or not falling within the scope of management approval).

8. 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 the 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 external auditor, the Group Chief Actuary and Group Head of Internal Audit have a standing invitation to all meetings of the Committee. The CEO 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.

9. 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.

10. Access

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

Senior management, the heads of all risk management functions, the external auditor, Group Head of Internal Audit and Group Chief Actuary of the Company have free and unfettered access to the Committee and vice-versa.

The Group Head of Internal Audit has a reporting line and unfettered access to the Committee.

11. Review

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