

8 September 2014

Manager, Company Announcements Office  
ASX Limited  
Level 4, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam,

**INSURANCE AUSTRALIA GROUP LIMITED ("IAG")**

**Notice of Annual General Meeting 2014**

Please find attached IAG's 2014 Notice of Annual General Meeting and Voting Form.

Mailing of the above documents to shareholders commenced today. Copies of these documents will be available at IAG's website <http://www.iag.com.au/shareholder/agm/>

Yours sincerely



Chris Bertuch  
**Group General Counsel & Company Secretary**

For personal use only

# THE MEETING

**THE ANNUAL GENERAL MEETING** will be held on Thursday 30 October 2014 at the Wesley Conference Centre, 220 Pitt Street, Sydney, starting at 10.00am.



# WHERE WE'LL BE

IAG's 2014 annual general meeting will be held on Thursday, 30 October 2014 from 10.00am at the Wesley Conference Centre, 220 Pitt Street, Sydney. It will be webcast at [www.iag.com.au/shareholder/agm](http://www.iag.com.au/shareholder/agm).

## GETTING THERE

### TRAIN

The closest train station is Town Hall (all suburban lines). For information about train times, please call 131 500.

### BUS

Some State Transit buses stop along George Street outside the Queen Victoria Building. For more information about bus routes and timetables, please call 131 500.

### PARKING

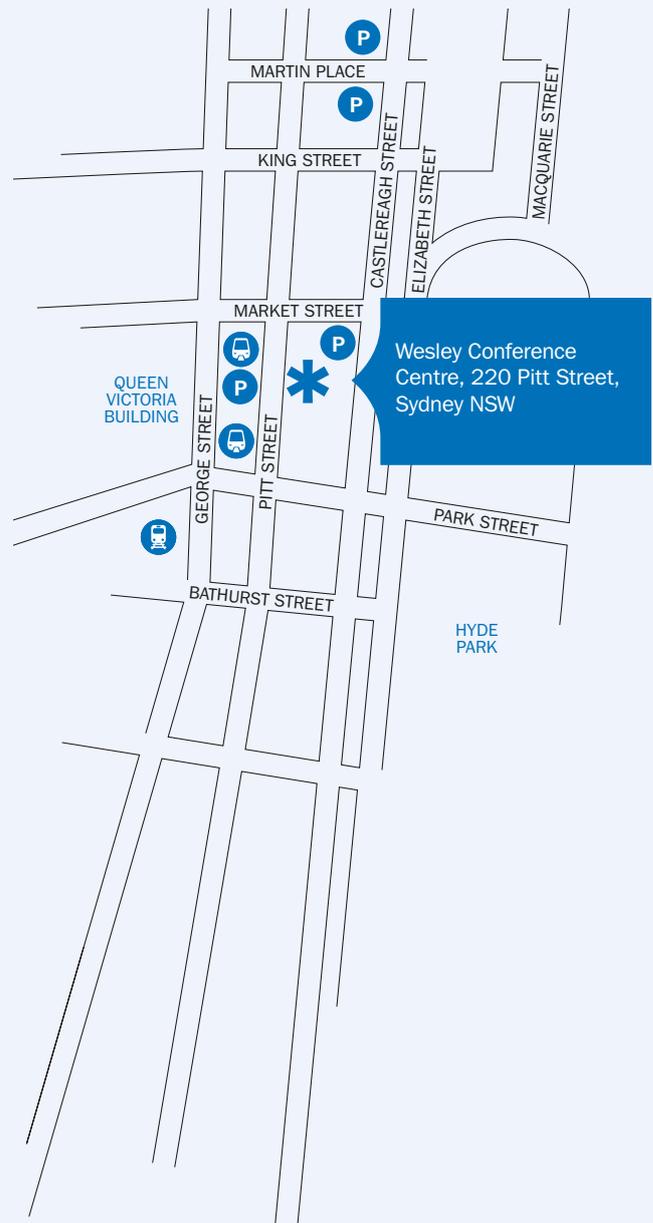
The closest parking station is Secure Parking situated beneath the Piccadilly Shopping Centre; entry is via 137 Castlereagh Street, Sydney.

## INFORMATION ABOUT IAG

You can read about IAG's performance for the 2014 financial year in its summary annual review and detailed annual report, which are available by contacting our share registry or by visiting [www.iag.com.au](http://www.iag.com.au).

## FURTHER INFORMATION

If you would like any further information regarding the AGM, please contact the Company's share registry on 1300 360 688 if calling from within Australia, or +61 (0)3 9415 4210 from outside Australia, or visit the IAG website at [www.iag.com.au/shareholder/agm](http://www.iag.com.au/shareholder/agm).



# DEAR SHAREHOLDER

I am pleased to invite you to attend the 2014 Annual General Meeting (“AGM” or “meeting”) of Insurance Australia Group Limited (“IAG” or the “Company”).



The AGM will be held at the Wesley Conference Centre, 220 Pitt Street, Sydney on Thursday, 30 October 2014, commencing at 10.00am. A map with directions to the venue appears on the inside front cover of this booklet.

The following pages contain details on the items of business that you have the opportunity to vote on, as well as explanatory notes and voting procedures.

At this year’s AGM you will have the opportunity to vote on:

- the adoption of the remuneration report as set out on pages 26 to 47 of the 2014 annual report;
- the allocation of share rights in the form of Deferred Award Rights and Executive Performance Rights to Michael Wilkins, Managing Director and Chief Executive Officer.

Shares allocated under the Deferred Award Rights and Executive Performance Rights Plans will continue to be bought on-market. Accordingly, the Company is not required to seek this approval however it has decided to do so in the interests of transparency, shareholder engagement and good governance;

- the re-election of three Directors, Yasmin Allen, Hugh Fletcher and Philip Twyman. They are retiring by rotation in accordance with the Company’s Constitution and are offering themselves for re-election;
- the election of a new Director, Michael Carlin, who wishes to stand for election as a Director; and
- resolutions to refresh IAG’s capacity to issue new securities following the issue of securities in December 2013 and March 2014.

If you are unable to attend the AGM in person, you may vote directly or appoint a proxy to act on your behalf. You may register voting instructions electronically at [www.investorvote.com.au](http://www.investorvote.com.au) or complete and return the enclosed voting form using the pre-addressed envelope provided.

The AGM will be webcast live and may be viewed at [www.iag.com.au/shareholder/agsm](http://www.iag.com.au/shareholder/agsm). An archive of the webcast will be made available on the site shortly after the AGM concludes.

A shareholder who is entitled to vote at the AGM may also submit written questions for the Company or the Company’s external auditor in advance of the AGM. Questions should be about the business of the Company or the content of the 2014 annual report. A shareholder question form is enclosed for your convenience and this form can be returned with your voting form in the pre-addressed envelope provided. You can also submit questions online at [www.investorvote.com.au](http://www.investorvote.com.au).

Alternatively you may lodge both your voting form and shareholder question form by fax to +61 (0)3 9473 2555 or hand deliver both forms to our share registry in Sydney at the address shown on page 5.

I look forward to seeing you at the AGM.

Yours sincerely

A handwritten signature in blue ink that reads "Brian Schwartz". The signature is written in a cursive, flowing style.

**BRIAN SCHWARTZ AM**  
CHAIRMAN

# ITEMS OF BUSINESS

## RECEIPT OF FINANCIAL STATEMENTS AND REPORTS

To receive and consider the Company's financial statements and reports for the financial year ended 30 June 2014.

## ADOPTION OF REMUNERATION REPORT

### RESOLUTION 1

To consider and, if thought fit, pass the following Resolution as an ordinary Resolution:

"That the Company's remuneration report for the financial year ended 30 June 2014 be adopted."

#### NOTES:

- This Resolution is advisory only and does not bind the Company or the Directors.
- The Directors will consider the outcome of the vote and comments made by shareholders on the remuneration report at the meeting when reviewing the Company's remuneration policies.

## ALLOCATION OF SHARE RIGHTS TO MICHAEL WILKINS, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER (CEO)

### RESOLUTION 2

To consider, and if thought fit, pass the following ordinary Resolution:

"That approval is given to allocate to the CEO, Michael Wilkins, Deferred Award Rights (DARs) and Executive Performance Rights (EPRs) in accordance with the DAR and EPR Plan terms and as described in the Explanatory Notes accompanying the 2014 Notice of Meeting."

#### NOTE:

- As shares allocated under the DAR and EPR Plan terms are bought on-market, the Company is not required to seek this approval. However, in the interests of transparency, shareholder engagement and good governance, the Company has decided to seek shareholder approval for equity-based allocations to the CEO.

## ELECTION OF DIRECTORS

### RESOLUTIONS 3, 4 & 5

To re-elect as Directors Yasmin Allen, Hugh Fletcher and Philip Twyman who retire by rotation in accordance with the Company's Constitution and, being eligible, offer themselves for re-election. The Chairman and other Directors intend to vote open proxies given to them "For" the re-election of Yasmin Allen, Hugh Fletcher and Philip Twyman.

### RESOLUTION 6

To elect as Director Michael Carlin. The Chairman and other Directors intend to vote open proxies given to them "Against" the election of Michael Carlin.

## REFRESH CAPACITY TO ISSUE NEW SECURITIES

### RESOLUTION 7

To consider and, if thought fit, pass the following ordinary Resolution:

"For the purposes of Australian Securities Exchange (ASX) Listing Rule 7.4 and all other purposes, approval is given for the issue of 219,378,428 ordinary shares by way of an institutional share placement as described in the Explanatory Notes accompanying the 2014 Notice of Meeting."

### RESOLUTION 8

To consider and, if thought fit, pass the following ordinary Resolution:

"For the purposes of Australian Securities Exchange (ASX) Listing Rule 7.4 and all other purposes, approval is given for the issue of 35,000 subordinated floating rate medium term notes and the ordinary shares to be issued on conversion of these notes as described in the Explanatory Notes accompanying the 2014 Notice of Meeting."

# HOW TO VOTE

## A. VOTING OPTIONS

### IN PERSON

Shareholders may vote by attending the AGM and casting their votes in person.

### DIRECT

A direct vote allows shareholders to vote on Resolutions considered at the AGM by lodging their votes with the Company prior to the AGM, without the need for the shareholder to attend the AGM or appoint a proxy.

You must mark either "For", "Against" or "Abstain" for each item of business on the voting form for a valid direct vote to be recorded on that item.

Please note that a shareholder who has cast a direct vote may attend the AGM; however, their attendance and registration cancels the direct vote unless the shareholder instructs the Company or the share registry otherwise.

### PROXY

A shareholder who is entitled to attend and cast a vote at the AGM has a right to appoint a proxy to attend and vote instead of the shareholder. The proxy need not be a shareholder of the Company and may be a corporation (and any corporation so appointed may then nominate an individual to exercise its powers at the meeting). A shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise.

If the proxy appointments do not specify the proportion or number of the shareholder's votes that each proxy may exercise, each proxy may exercise up to half of the shareholder's votes.

Shareholders can direct their proxy how to vote by following the instructions on the voting form and are encouraged to do so. Shareholders appointing a proxy should also take note of the instructions under "Voting Exclusions" set out below.

If a shareholder appoints the Chairman of the meeting or another Director as proxy and does not direct the Chairman of the meeting or the Director on how to vote they will:

- vote all available proxies in favour of each Resolution, other than Resolution 6; and
- vote all available proxies against Resolution 6.

## VOTING EXCLUSIONS

Certain voting exclusions apply to Resolutions 1, 2, 7, and 8, details of which are set out in the Explanatory Notes for the relevant Resolutions within this 2014 Notice of Meeting.

The key management personnel of the Company and their closely related parties (as defined under the Corporations Act 2001 which includes their spouses, dependants and companies that they control) (**Closely Related Parties**) will not be able to vote your proxy on Resolutions 1 or 2 unless you direct them how to vote on the voting form.

If you appoint the Chairman of the meeting as your proxy or if the Chairman of the meeting is appointed as your proxy by default, and you do not mark any of the voting boxes on the voting form for Resolutions 1 and 2, by signing and returning the voting form you will be giving the Chairman of the meeting your express authority to vote your undirected proxy as he sees fit.

If you appoint as your proxy any other member of the Company's key management personnel (including the other Directors of the Company) or any of their Closely Related Parties, you are encouraged to direct that person how to vote on Resolutions 1 and 2. If you do not direct that person how to vote on these Resolutions, that person will not be entitled to vote, and will not vote, your proxy on those Resolutions.

## DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the meeting will automatically default to the Chairman of the meeting, who is required to vote those proxies as directed.

## HOW TO VOTE DIRECTLY OR BY PROXY

To be valid, voting forms, proxies or electronic voting instructions must be received by the Company's share registry, **Computershare Investor Services Pty Limited, (Computershare) in Sydney before 10.00am (Sydney time) on Tuesday, 28 October 2014 (Voting Deadline)**.

Voting forms may be submitted:

- online at [www.investorvote.com.au](http://www.investorvote.com.au). You will need information shown on your voting form to register your vote online;
- by post in the pre-addressed envelope provided. Please allow sufficient time for the form to reach Computershare, Sydney, by the Voting Deadline;
- by facsimile to Computershare on +61 (0)3 9473 2555; or
- by hand delivery to Computershare, Level 4, 60 Carrington Street, Sydney, NSW 2000.

Intermediaries with access to Intermediary Online through Computershare should lodge their votes through [www.intermediaryonline.com](http://www.intermediaryonline.com)

## B. CORPORATE REPRESENTATIVES

A corporate shareholder wishing to appoint a person to act as its representative at the AGM may do so by providing that person with:

- a letter, certificate or form authorising him or her as the corporate shareholder's representative, executed in accordance with the corporate shareholder's Constitution; or
- a copy of the Resolution appointing the representative, certified by a secretary or Director of the corporate shareholder.

A form may be obtained from the Computershare website at [www.investorcentre.com](http://www.investorcentre.com) under the information tab "Downloadable Forms".

## C. POWER OF ATTORNEY

If a shareholder has appointed an attorney to attend and vote at the AGM, or if the voting form is signed by an attorney, the power of attorney (or a certified copy of the power of attorney) must be received by Computershare by the Voting Deadline, unless this document has been previously lodged with the Company's share registry for notation.

Powers of attorney may be submitted by post or by hand delivery to Computershare at the addresses shown above.

## D. SHAREHOLDERS ELIGIBLE TO VOTE

As determined by the Board of Directors of IAG (**Board**), only persons who hold ordinary shares in the Company as at 7.00pm (Sydney time) on Tuesday, 28 October 2014 will be eligible to vote at the AGM.

Dated in Sydney on 22 August 2014.

By order of the Board.



**CHRIS BERTUCH**  
GROUP GENERAL COUNSEL  
& COMPANY SECRETARY

# MORE INFORMATION

The following Explanatory Notes explain the items of business to be considered at IAG's 2014 AGM and form part of the Notice of Meeting. The Explanatory Notes are set out in the order of the items in the Notice of Meeting and should be read with the notice.

## RECEIPT OF FINANCIAL STATEMENTS AND REPORTS

The financial results for the year ended 30 June 2014 are set out in the Company's 2014 Annual Report sent to those shareholders who elected to receive it by post or email. The annual report is available online at [www.iag.com.au/results](http://www.iag.com.au/results).

## Why are the financial reports being presented to shareholders?

It is a requirement under the Corporations Act 2001 to present the financial report, Directors' report, and auditor's report of the Company and the consolidated entity at the AGM.

Shareholders will be given a reasonable opportunity at the AGM to ask questions and make comments on the financial report and other reports and on the business operations and management of the Company.

## Questions for the auditor

During discussion of this item, the Company's auditor will be present and will answer relevant questions.

If you would like to submit a written question to the Company's auditor, please write your question on the shareholder question form provided. The form can be mailed in the pre-addressed envelope provided or sent by fax to +61 (0)3 9473 2555. Questions may also be lodged as part of the online voting process.

Questions for the auditor (either written or at the meeting) must relate to:

- the preparation and content of the auditor's report or the conduct of the audit (including the independence of the auditor); or
- the accounting policies adopted by the Company in relation to the preparation of its financial statements.

A list of qualifying written questions received will be made available at the AGM. Please note that all written questions to the auditor must be received **no later than 5.00pm Thursday, 23 October 2014**.

## RESOLUTION 1

### ADOPTION OF THE REMUNERATION REPORT

This Resolution is advisory only and does not bind the Company or the Directors. However, the Directors will actively consider the outcome of the vote and comments made by shareholders on the remuneration report at the meeting when reviewing the Company's remuneration policies.

### REMUNERATION OVERVIEW

The Board presents the Remuneration Report to shareholders for consideration and adoption. The Remuneration Report contains information about IAG's remuneration policy and practices. It also sets out the remuneration arrangements for key management personnel, including the Non-Executive Directors, the Managing Director and CEO and Group Executives.

The Remuneration Report, which is part of the 2014 Annual Report, can be found on the Company's website at [www.iag.com.au/shareholder/agsm](http://www.iag.com.au/shareholder/agsm).

IAG's remuneration practices have been designed to:

- align remuneration with the interests of IAG's shareholders by actively focusing on short to long term goals;
- motivate employees to achieve superior and sustainable performance and discourage underperformance;
- remain market competitive to attract and retain high quality people;
- be clearly understood and valued; and
- encourage constructive behaviours and prudent risk taking that support long term financial soundness.

The Board is confident that IAG's remuneration policies are in line with governance requirements and continue to support the Group's financial and strategic goals, which ultimately benefit shareholders, customers, employees and the community.

Shareholders will be given the opportunity to ask questions and to make comments on the remuneration report at the AGM.

### VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on Resolution 1:

- by or on behalf of a member of the key management personnel whose remuneration is disclosed in the remuneration report or any Closely Related Parties of those persons; or
- as a proxy by a member of the key management personnel or any of their Closely Related Parties,

unless the vote is cast by a person as a proxy entitled to vote on Resolution 1:

- in accordance with a direction as to how to vote on the voting form; or
- by the Chairman of the meeting pursuant to an express authorisation on the voting form, to vote as he sees fit.

If you choose to appoint as your proxy a member of the key management personnel (other than the Chairman of the meeting) or one of their Closely Related Parties, you are encouraged to direct your proxy how to vote on Resolution 1 by marking either "For", "Against" or "Abstain" on the voting form.

### WHAT DO THE DIRECTORS RECOMMEND?

The Directors recommend that you vote "For" the Resolution. The Chairman intends to vote available proxies given to him "For" the adoption of the remuneration report.

## RESOLUTION 2

### ALLOCATION OF SHARE RIGHTS TO MICHAEL WILKINS, CEO

Shareholder approval is being sought to grant the following to Mr Michael Wilkins, the CEO of the Company:

- Deferred Award Rights (DARs) – under IAG’s short term incentive (STI) plan, to reward achievement against a mix of financial and non-financial targets. DARs are the deferred portion of the STI awarded for the financial year ended 30 June 2014; and
- Executive Performance Rights (EPRs) – under IAG’s long term incentive (LTI) plan, to drive performance over three to four years and to strengthen the alignment between the interests of executives and shareholders, subject to performance hurdles. EPRs constitute Mr Wilkins’ proposed LTI grant for the financial year ending 30 June 2015.

### WHY IS SHAREHOLDER APPROVAL BEING SOUGHT?

Shares allocated under the Company’s DARs and EPRs Plans to satisfy vested grants of DARs and EPRs will continue to be bought on-market.

Accordingly, the Company is not required to seek this approval. However in the interests of transparency, shareholder engagement and good governance, the Company has decided to seek shareholder approval for equity-based allocations to the CEO.

### BACKGROUND

Under Mr Wilkins’ employment agreement with the Company, his remuneration includes:

- Fixed Pay (salary plus superannuation);
- STI entitlement payable in cash;
- deferred STI entitlement in the form of DARs which vest in tranches over a period of two years; and
- an LTI entitlement provided in the form of EPRs.

Mr Wilkins is the only Executive Director of the Company and therefore is the only Director eligible to participate in the incentive plans.

No loan has been or is intended to be given by the Company to Mr Wilkins in relation to proposed grants of the DARs or EPRs described in this Resolution.

The cash STI, deferred STI (DARs) and LTI (EPRs) entitlements are “at risk”. DARs are only awarded if Mr Wilkins meets the targets necessary to earn an STI. Similarly, EPRs only vest subject to the satisfaction of performance hurdles. Both DARs and EPRs are designed to align Mr Wilkins’ interests with those of shareholders.

An overview of these plans is provided below and full details can be found at [www.iag.com.au/shareholder/agm](http://www.iag.com.au/shareholder/agm).

As a senior executive, Mr Wilkins has participated in the DAR and EPR Plans since joining the Company in 2007 and, in his capacity as CEO, continues to be eligible to participate. Shareholders last approved the issue of securities under incentive plans to Mr Wilkins at the 2013 AGM.

Details of any securities issued to Directors under the incentive plans will be published in the annual report.

### PROPOSED DEFERRED STI ARRANGEMENTS – DARs

Consistent with current STI arrangements, the Board has set a maximum annual STI entitlement for Mr Wilkins at 150% of his Fixed Pay. The actual STI payment made, if any, is determined by the Board based on achievement of a mix of financial and non-financial targets and an overall assessment of performance by the Board.

The Board has currently determined that two-thirds ( $\frac{2}{3}$ ) of any STI that is awarded will be paid as cash and the remaining one-third ( $\frac{1}{3}$ ) should be deferred for up to two years. The deferred amount is provided as a grant of DARs. Deferring a portion of STI into DARs is designed to provide a retention incentive and align Mr Wilkins’ interests to those of shareholders.

Each DAR is an option to acquire an ordinary IAG share. DARs are granted for nil consideration and a nominal exercise price of \$1 is payable for the exercise of each allocation of DARs.

The acquisition price for the DARs is not based on the market price of IAG shares.

### HOW MANY DARs WILL BE GRANTED TO MR WILKINS?

The award of DARs will be determined based on the value of STI awarded with respect to the previous financial year.

The formula used to calculate the number of DARs is as follows:

$$D = (\text{STI} \times Z) / S$$

Where:

D = the number of DARs to be offered rounded up to the nearest 100.

STI = the dollar amount of the STI determined by the Board with respect to the financial year ended 30 June 2014.

Z = the proportion of the STI that the Board has determined will be deferred and offered as an award of DARs (currently determined at  $\frac{1}{3}$ ).

S = the closing price of IAG shares on the last trading day of the financial year ended 30 June 2014, being \$5.84.

Subject to shareholder approval, the Board has determined that the DARs to be granted to Mr Wilkins under this approval will be a maximum of 153,800.

If Resolution 2 is approved, the allocation of DARs will be granted to Mr Wilkins within two months of the meeting. The Board has determined that the DARs to be granted to Mr Wilkins will vest as follows:

- 50% on 1 September 2015; and
- 50% on 1 September 2016.

### SUMMARY OF THE DARs PLAN

Under the terms of the DARs, if Mr Wilkins ceases employment due to retirement, redundancy, death, total and permanent disablement or with the approval of the Board, the Board may determine that:

- DARs continue to become exercisable on their scheduled vesting date; and/or
- DARs become exercisable at an earlier date; and/or
- some DARs should lapse.

Where employment is terminated by the Company giving notice, the early exercise of DARs is permitted unless the Board determines, for whatever reason, that some or all of the DARs should lapse.

If Mr Wilkins ceases employment due to resignation, any DARs that have not vested and become exercisable for shares lapse on the date employment ceases.

The early exercise of DARs may be permitted by the Board in other circumstances, such as a takeover or scheme of arrangement of IAG.

Mr Wilkins’ entitlement to shares through the exercise of DARs may be adjusted to take account of capital reconstructions and bonus issues.

The Board retains the discretion to adjust any unvested DARs downwards if it decides it is prudent to do so.

## PROPOSED LTI ARRANGEMENTS – EPRs

An LTI is provided in the form of EPRs. The performance hurdles that must be met before EPRs become exercisable for shares create a direct link between the remuneration paid to executives and IAG's strategic financial objectives. In the Board's view this supports IAG's economic sustainability and is in the long term interests of shareholders.

Each EPR is an option to acquire an ordinary IAG share (or cash, as determined by the Board). The proposed grant of EPRs to the CEO will be granted at no cost to Mr Wilkins and may be exercised at no cost if performance hurdles are met. The acquisition price for EPRs is not based on the market price of IAG shares.

Performance hurdles are measured over a three to four year period.

The performance hurdles relevant to the grant will be:

- Total Shareholder Return (TSR) of IAG relative to a peer group of companies. This hurdle will apply to 50% of the grant of EPRs; and
- Cash Return on Equity (ROE) measured relative to IAG's weighted average cost of capital (WACC). This hurdle will apply to 50% of the grant of EPRs.

Further details of these performance hurdles are provided below.

## HOW MANY EPRs WILL BE GRANTED TO MR WILKINS?

Subject to shareholder approval being obtained, the number of EPRs to be awarded to Mr Wilkins in the financial year ending 30 June 2015 will be a maximum of 544,300.

The number of EPRs the Board will award has been calculated using the following formula:

$$E = (1.5 \times F) / S$$

Where:

E = the number of EPRs to be offered rounded up to the nearest 100.

F = the dollar value of Mr Wilkins' Fixed Pay at the time of grant.

S = the closing price of IAG shares on the last trading day of the financial year ended 30 June 2014, being \$5.84.

If Resolution 2 is approved, the EPRs will be granted to Mr Wilkins within two months of the meeting. The Board retains the discretion to adjust any unvested EPRs downwards if it decides it is prudent to do so.

## PERFORMANCE HURDLES

Each allocation of EPRs granted to Mr Wilkins will vest and become exercisable for shares in the future subject to performance hurdles being achieved. The total allocation of EPRs is separated into two equal portions, with each portion having a separate performance hurdle.

## TSR PERFORMANCE HURDLE (50% OF TOTAL ALLOCATION)

The test date for the TSR performance hurdle is 30 September 2018, being the fourth anniversary of the Base Date of 30 September 2014. The Board may also determine other test dates.

The three month volume weighted average price (up to and including the Base Date) of IAG shares and of the shares of other companies within the peer group is used as the starting share price for measuring TSR.

The peer group of companies is the top 50 industrial companies in the S&P/ASX 100 index at the Base Date, with such inclusions and exclusions as the Board may determine.

If, on the test date, IAG's TSR is at or above the 75th percentile of the peer group, all EPRs in the TSR allocation vest. 50% of EPRs in the TSR allocation vest if IAG's TSR is at the 50th percentile of the peer group. A sliding scale applies such that 50% plus an additional 2% of EPRs in the TSR allocation vest for each percentile ranking above the 50th percentile of the peer group. No EPRs vest if IAG's TSR is below the 50th percentile of the peer group.

If the TSR performance hurdle is not met or is only partially met when measured after four years, any of the TSR allocation of EPRs that do not vest and become exercisable for shares will lapse.

## ROE PERFORMANCE HURDLE (50% OF TOTAL ALLOCATION)

The ROE performance hurdle is measured over a period of three financial years from 1 July 2014 to 30 June 2017.

The ROE performance hurdle compares IAG's Cash ROE performance with IAG's WACC. ROE is measured for each six month period and compared to WACC for that period.

The Board approves the method used to measure ROE and WACC. The average of the six half yearly measurements over the three financial years must indicate that ROE is at least 1.2 times WACC for any of the ROE portion of the EPRs to vest and become exercisable for shares.

The vesting scale for EPRs in the ROE allocation is outlined below:

CASH ROE VS WACC	VESTING SCALE
ROE $\geq$ 1.6 x WACC	100% vests
ROE = 1.5 x WACC	80% vests
ROE = 1.4 x WACC	60% vests
ROE = 1.3 x WACC	40% vests
ROE = 1.2 x WACC	20% vests
ROE < 1.2 x WACC	0% vests

If the ROE performance hurdle is not met or is only partially met when measured after three financial years, any of the ROE allocation of EPRs that do not vest and become exercisable for shares will lapse.

## CESSATION OF EMPLOYMENT

Under the EPRs terms, EPRs may be retained if Mr Wilkins ceases employment due to retirement, redundancy, death, total and permanent disablement or with the approval of the Board. In these circumstances, EPRs may vest and become exercisable for shares if the performance hurdles are achieved in the ordinary course.

Where Mr Wilkins resigns or his employment is terminated by the Company giving notice, unvested EPRs lapse on the date employment ceases, unless the Board exercises its discretion and allows Mr Wilkins to retain EPRs that have been granted to him. In these circumstances, EPRs may vest and become exercisable for shares only if the performance hurdles are achieved in the ordinary course.

## EARLY VESTING OF EPRs

The early vesting (and exercise) of Mr Wilkins' EPRs for shares may be permitted by the Board in circumstances such as a takeover, scheme of arrangement or winding up of IAG.

## RECONSTRUCTION AND BONUS ISSUES

Mr Wilkins' entitlement to shares through the exercise of EPRs may be adjusted to take account of capital reconstructions and bonus issues.

## VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on Resolution 2:

- by Mr Wilkins or any of his associates;
- as a proxy by a member of the key management personnel or any of their Closely Related Parties,

unless the vote is cast as a proxy for a person entitled to vote on Resolution 2:

- in accordance with the directions on the voting form; or
- by the Chairman of the meeting pursuant to an express authorisation on the voting form to vote as he sees fit.

## WHAT DO THE DIRECTORS RECOMMEND?

The Directors (other than Michael Wilkins) recommend that you vote "For" the Resolution. The Chairman intends to vote available proxies given to him "For" the Resolution.

# ELECTION OF DIRECTORS

ASX Listing Rule 14.5 requires the Company to hold an election of Directors each year. The Constitution of the Company requires one third of eligible Directors to retire from office at each AGM.

ASX Listing Rule 14.4 and the Constitution require Directors appointed since the last AGM to stand for election at the following AGM.

## WHO IS STANDING FOR RE-ELECTION?

Yasmin Allen, Hugh Fletcher and Philip Twyman retire by rotation in accordance with the Company's Constitution and offer themselves for re-election.

## RESOLUTION 3



### YASMIN ALLEN BCom, FAICD

Yasmin Allen was appointed as a Director of IAG in November 2004. She is chairman of the IAG People and Remuneration Committee and a member of IAG's Audit Committee, Risk Committee and Nomination Committee. Yasmin served six years on the board of Export Finance and Insurance Corporation.

### OTHER BUSINESS AND MARKET EXPERIENCE

Yasmin has extensive experience in investment banking as an equities analyst and in senior management. She is currently a director of Cochlear Limited and chairman of its Audit Committee, chairman of Macquarie Specialised Asset Management, a national director of the Australian Institute of Company Directors, a director of the National Portrait Gallery and a member of the Salvation Army advisory board. Previous non-executive director roles include with Export Finance and Insurance Corporation and Film Australia.

Yasmin was formerly a vice president at Deutsche Bank AG, a director at ANZ Investment Bank in Australia and an associate director at James Capel UK Ltd (HSBC Group).

Directorships of other listed companies held in past three years:

- Cochlear Limited, since 2 August 2010.

### WHAT DO THE DIRECTORS RECOMMEND?

The Directors (other than Yasmin Allen) recommend that you vote "For" the Resolution.

## RESOLUTION 4



### HUGH FLETCHER BSc/BCom, MCom (Hons), MBA

Hugh was appointed as a Director of IAG in September 2007 and as a director of IAG New Zealand Limited in July 2003. He is a member of IAG's Audit Committee and Risk Committee. Hugh was formerly chairman (and independent director since December 1998) of New Zealand Insurance Limited and CGNU Australia.

### OTHER BUSINESS AND MARKET EXPERIENCE

Hugh is a non-executive director of Rubicon Limited and Vector Limited and a trustee of The University of Auckland Foundation. Hugh was formerly chief executive officer of Fletcher Challenge Limited, a New Zealand headquartered corporation with assets in the global building, energy, forestry and paper industries. He retired from an executive position in December 1997 after 28 years as an executive, 11 of which he served as chief executive.

Hugh is a former deputy chairman of the Reserve Bank of New Zealand, former member of the Asia Pacific Advisory Committee of the New York Stock Exchange, former non-executive director of Fletcher Building Limited, and has been involved as an executive and non-executive director in many countries in Asia, including China, India, Singapore, Indonesia, Malaysia and Thailand.

Directorships of other listed companies held in past three years:

- Rubicon Limited, since 23 March 2001;
- Vector Limited, since 25 May 2007;
- IAG Finance (New Zealand) Limited (a part of the Group), since 31 August 2008; and
- Fletcher Building Limited (2001 to 2012).

### WHAT DO THE DIRECTORS RECOMMEND?

The Directors (other than Hugh Fletcher) recommend that you vote "For" the Resolution.

## RESOLUTION 5



### PHILIP TWYMAN BSc, MBA, FAICD

Philip was appointed as a Director of IAG in July 2008. He is chairman of IAG's Risk Committee and a member of IAG's Audit Committee, and Nomination Committee.

### OTHER BUSINESS AND MARKET EXPERIENCE

Philip was formerly group executive director of Aviva plc, one of the world's largest insurance groups, based in London. He has also been chairman of Morley Fund Management and chief financial officer of General Accident plc, Aviva plc and AMP Group. While at Aviva plc and its predecessor groups between 1996 and 2004, Philip had executive responsibility for the Group's insurance operations in Asia, Australia, Europe and North America. He was also responsible for starting and nurturing new insurance businesses in China, India, Indonesia and Hong Kong. Overall, Philip has had over 20 years of both board and executive level general insurance experience.

Philip is on the board of Swiss Re (Australia). He was formerly an independent non-executive director of Perpetual Limited from 2004 to 2012, Medibank Private Limited from 2007 to 2012 and Insurance Manufacturers of Australia Pty Limited, a general insurance underwriting joint venture with RACV Limited, from April 2007 to July 2008.

Philip is also on the board Tokio Marine Management (Australasia) Pty Ltd.

Directorships of other listed companies held in past three years:

- Perpetual Limited, (2004 to 2012).

### WHAT DO THE DIRECTORS RECOMMEND?

The Directors (other than Philip Twyman) recommend that you vote "For" the Resolution.

## RESOLUTION 6



### WHO IS STANDING FOR ELECTION?

#### MICHAEL CARLIN BComm (Accy), CPA, MAICD

Michael Carlin has nominated for election as Director and has supplied the following statement:

Michael is an Accounting professional, with both public practice and commercial accounting experience across the full range of small and medium sized business structures. Recent industry involvement includes: Financial services; IT Services; manufacturing; construction; and wholesale distribution. Michael has a comprehensive skill-set that includes a passion for finding and resolving problems and issues in a business – whether they be accounting, IT, operations or management issues – using a structured, logical and pragmatic approach to problem solving and change.

### WHAT DO THE DIRECTORS RECOMMEND?

The Board's policy is to ensure that the Board comprises directors who collectively have the relevant experience, knowledge, diversity and skills required for the Company taking into account its current size, market position, complexity and strategic focus, and assist in maintaining the independence of the Board. In reviewing its composition and requirements for director succession, the Board is also mindful of the corporate governance practices and requirements for directors of general insurance companies.

The Chairman has met with Mr Carlin and the Board Nomination Committee has reviewed his nomination and experience. The Board is unanimously of the view that Mr Carlin's skills do not complement those of current Directors and that he does not have the skills and experience required to be a director of a large listed insurance group such as IAG.

Accordingly, each Director believes, for the reasons set out above, that it is not in the best interests of shareholders that Michael Carlin be elected and recommends that shareholders vote "Against" this Resolution.

## RESOLUTIONS 7 and 8

### REFRESH CAPACITY TO ISSUE NEW SECURITIES

On 23 December 2013, IAG issued 219,378,428 Fully Paid Ordinary Shares by way of an institutional share placement (**Placement Shares**) and on 19 March 2014 Insurance Australia Limited (IAL), a wholly owned subsidiary of IAG, issued 35,000 subordinated floating rate medium term notes (**Subordinated MTNs**) that are convertible into IAG Fully Paid Ordinary Shares at the option of holders on certain dates from 19 March 2022.

### WHY SHAREHOLDER APPROVAL IS BEING SOUGHT

Generally, under ASX Listing Rule 7.1, a company may, in any 12 month period, issue or agree to issue without the prior approval of shareholders, new equity securities of up to 15% of the number of shares on issue 12 months before the date of the issue of the new equity securities.

ASX Listing Rule 7.4 provides that an issue by a company of securities without shareholder approval under ASX Listing Rule 7.1 is treated as having been made with approval if the issue did not breach ASX Listing Rule 7.1 when it was made and the company's shareholders subsequently approve it.

The issue of the Securities did not breach ASX Listing Rule 7.1 and has not previously been approved by shareholders. The Company now seeks shareholder approval for the issue of the Securities pursuant to ASX Listing Rule 7.4.

The Subordinated MTNs would have, when issued, converted into 64,631,692 fully paid ordinary shares in IAG, if they converted to ordinary shares on the basis of the rate set by the terms, being an adjusted volume weighted average price of the Company's ordinary shares calculated over a period of twenty (20) business days prior to the date of issue, less a discount of 1%.

The effect of passing either or both of Resolutions 7 and 8 will be to refresh the Company's 15% capacity under ASX Listing Rule 7.1 so that its capacity would be the same as if the Securities had not been issued. Resolution 7 relates only to the Placement Shares, whereas Resolution 8 relates to the Subordinated MTNs. The resolutions, if passed, will increase the Company's financial flexibility in the future. Shareholders should however note that these 2 Resolutions are separate resolutions and each approval will refresh the Company's capacity to issue new securities to the extent its capacity was reduced by the issue of those Securities.

The Board does not currently intend to undertake any further issue of securities in the event that approvals are received from shareholders in respect of Resolutions 7 and 8. The Board will only decide to issue further securities if it considers it is in the best interests of the Company to do so.

If Resolution 7 is not passed by shareholders, the Company would, in calculating the number of securities the Company may issue without shareholder approval, need to deduct the Placement Shares. If Resolution 8 is not passed by shareholders, the Company would, in calculating the number of securities the Company may issue without shareholder approval, need to deduct the number of ordinary shares into which the Subordinated MTNs would exchange.

The following additional information is provided in connection with the approvals sought under Resolutions 7 and 8. These have been set out together for ease of reference as shareholders are likely to wish to consider these two Resolutions together:

### (a) The number of securities issued

The total number of securities issued was 219,378,428 Fully Paid Ordinary Shares for the institutional share placement and 35,000 Subordinated MTNs issued by IAL (treated as exchangeable into 64,631,692 ordinary shares in the Company).

### (b) The price at which the securities were issued

The Placement Shares were issued at \$5.47 per share and the Subordinated MTNs have a face value and issue price of \$10,000 per Subordinated MTN.

### (c) The terms of the securities

The Placement Shares rank equally in all respects from the issue date with the existing ordinary shares on issue. The terms of the Subordinated MTNs are as follows:

- they have a term of 26 years (maturing on 19 March 2040, unless earlier converted or redeemed as summarised below);
- interest is payable quarterly at a floating rate equal to the three month bank bill swap rate (BBSW) plus a margin of 2.80% per annum;
- IAL may redeem the securities at face value between years 5 and 6 and for certain tax and regulatory events (in each case subject to the Australian Prudential Regulation Authority's (APRA) prior written approval);
- the securities are convertible into IAG fully paid ordinary shares (**IAG Ordinary Shares**) at the option of holders on certain dates from year 8;

- if APRA determines IAG or IAL to be non-viable, the securities will convert into IAG Ordinary Shares or, if that is not possible, the securities will be written off;
- the number of IAG Ordinary Shares received on conversion will be based on a volume-weighted average price (VWAP) over a certain period, less a discount of 1%. The number of IAG Ordinary Shares will be capped at a maximum number set by reference to the VWAP of IAG Ordinary Shares at the issue date (50% of that VWAP for conversion at the holder's option and 20% of that VWAP for conversion on non-viability);
- IAL has an option to defer payment of interest in certain circumstances; and
- the securities qualify as Tier 2 Capital under APRA's capital adequacy framework for general insurers.

### (d) The names of the allottees or the basis on which the allottees were determined

The Placement Shares and Subordinated MTNs were issued to institutional and sophisticated investors based on applications received.

### (e) The use of the funds raised

The proceeds from the issue of the Placement Shares and Subordinated MTNs were used to partially fund IAG's acquisition of the Wesfarmers insurance underwriting businesses. This is the reason that the Explanatory Notes on these two Resolutions appear together.

### VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on Resolutions 7 and 8 by or on behalf of:

- any persons who participated in the issue of the Placement Shares or Subordinated MTNs; and
  - associates of those persons;
- unless the vote is cast by:
- a person as a proxy for a person entitled to vote in accordance with a direction on the voting form; or
  - the chairman of the AGM as proxy for a person who is entitled to vote, in accordance with a direction on the voting form to vote as the proxy decides.

ASX has granted a waiver from ASX Listing Rule 14.11 to the extent necessary to permit the Company to count votes cast on Resolutions 7 and 8 by persons who are acting solely in a fiduciary, nominee or custodial capacity (**Nominee Holders**) on behalf of beneficiaries who did not participate in the issue of the Placement Shares and Subordinated MTNs referred to in these Explanatory Notes. The waiver is subject to the following conditions:

- the beneficiaries provide written confirmation to the Nominee Holders that they did not participate in the issue of the Placement Shares or the Subordinated MTNs, nor are they an associate of a person who participated in the issues;
- the beneficiaries direct the Nominee Holders to vote for or against Resolutions 7 and 8; and
- the Nominee Holders do not exercise discretion in casting a vote on behalf of the beneficiaries.

### WHAT DO THE DIRECTORS RECOMMEND?

The Directors recommend that you vote "For" Resolutions 7 and 8.

### FURTHER INFORMATION

If you would like any further information regarding the AGM, please contact the Company's share registry on 1300 360 688 if calling from within Australia, +61 (0)3 9415 4210 from outside Australia, or visit the IAG website at [www.iag.com.au/results/aggm](http://www.iag.com.au/results/aggm).

only  
business  
For personal



AUSTRALIA



NEW ZEALAND



ASIA



100% owned unless indicated

- 1 IAG's short tail personal insurance products are distributed in Victoria under the RACV brand, via a distribution relationship and underwriting joint venture with RACV. These products are distributed by RACV and manufactured by Insurance Manufacturers of Australia Pty Limited (IMA), which is 70% owned by IAG and 30% owned by RACV.
- 2 IAG holds a 98.6% beneficial interest in Safety Insurance, based in Thailand, which trades under the Safety and NZI brands.
- 3 IAG owns 49% of the general insurance arm of Malaysian-based AmBank Group, AmGeneral Holdings Berhad (AmGeneral), which trades under the AmAssurance and Kurnia brands.
- 4 IAG owns 26% of SBI General Insurance Company, a joint venture with State Bank of India.
- 5 IAG owns 20% of Bohai Property Insurance Company Ltd, based in China.
- 6 IAG owns 63.17% of AAA Assurance Corporation, based in Vietnam.

## NEED ASSISTANCE?

 **Phone:**  
1300 360 688 (inside Australia)  
+61 (0) 3 9415 4210 (outside Australia)

 **Questions:**  
Questions can be lodged on the form enclosed or online at [www.investorvote.com.au](http://www.investorvote.com.au)

 **Mail:**  
Share Registry  
Computershare Investor Services Pty Ltd  
GPO Box 242  
Melbourne Vic 3001 Australia

MR JOHN SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

 **YOUR VOTE IS IMPORTANT**  
For your vote to be valid, your voting instruction must be received by 10.00am (Sydney time) on Tuesday 28th October 2014.

# VOTING FORM

## HOW TO VOTE ON ITEMS OF BUSINESS

### Voting 100% of your holding:

You are able to vote directly or instruct your proxy how to vote by marking one of the boxes opposite each item of business. Your proxy may vote or abstain, to the extent permitted by law, as they choose if you do not mark a box on an item of business.

If you mark more than one box on an item of business your vote will be invalid on that item.

### Voting a portion of your holding:

You are able to indicate a portion of your voting rights directly, or instruct your proxy how to vote, by inserting a percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

### Appointing a second proxy:

You are entitled to appoint up to two proxies to attend a meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each overleaf.

**A proxy may be an individual or a body corporate, and need not be a securityholder of the Company.**

## SIGNING INSTRUCTIONS FOR POSTAL FORMS

**Individual:** The Voting Form must be signed by the securityholder or the securityholder's duly authorised attorney.

**Joint Holding:** The Voting Form must be signed by each of the joint securityholders personally or by their duly authorised attorneys.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

## ATTENDING THE MEETING

**Bring a copy of this form to assist registration.** If a representative of a corporate securityholder or corporate proxy is to attend the meeting you will need to provide a "Certificate of Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms" at the top of the page.

## VIEWING THE MEETING ON THE INTERNET

The Annual General Meeting will be webcast at [www.iag.com.au/shareholder/agm](http://www.iag.com.au/shareholder/agm) on 30th October 2014 from 10.00am (Sydney time). An archive of the meeting will be available shortly after the meeting.

## Documents may be lodged:

### VIA THE INTERNET

Use your computer or smartphone to vote online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access  
**Control Number: 123456**  
**SRN/HIN: I1234567890**  
**Postcode: 1234**  
For Intermediary Online subscribers (custodians) use [www.intermediaryonline.com](http://www.intermediaryonline.com)

### BY FAX

Please fax your completed form to (03) 9473 2555 within Australia or +61 (0) 3 9473 2555 if you are outside Australia.

### BY MAIL

Share Registry  
Computershare Investor Services Pty Ltd  
GPO Box 242  
Melbourne Vic 3001  
Australia

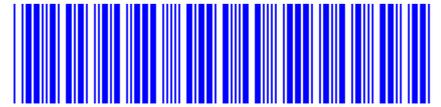
### IN PERSON

Share Registry  
Computershare Investor Services Pty Ltd  
Level 4, 60 Carrington Street  
Sydney NSW 2000  
Australia

 **PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential**

# VOTING FORM

MR JOHN SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



I 1234567890

I N D

Please mark  to indicate your directions

## STEP 1

### INDICATE HOW YOUR VOTE WILL BE CAST – Select one of the two options only

XX

At the Annual General Meeting of Insurance Australia Group Limited (“the Company”) to be held at Wesley Theatre, Wesley Conference Centre, 220 Pitt Street, Sydney on Thursday 30th October 2014 at 10.00am (Sydney time) and at any adjournment of that meeting I/we being members of the Company and entitled to vote direct the following:

1. VOTE DIRECTLY

OR

Record my/our votes strictly in accordance with the directions below.

For a valid Direct Vote to be recorded you must mark either FOR, AGAINST or ABSTAIN on each item.

2. APPOINT A PROXY TO VOTE ON YOUR BEHALF:

The Chairman of the Meeting OR

The name of the person or body corporate you are appointing if this person is someone other than the Chairman of the Meeting.

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, and to vote in accordance with the following directions (or, if no directions have been given, to the extent permitted by law, as the proxy sees fit).

**Chairman of the Meeting authorised to exercise proxies on remuneration related resolutions (Resolutions 1 and 2):** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman of the Meeting becomes my/our proxy by default) then by submitting this form, I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy on Resolutions 1 and 2 (except where I/we have indicated a different voting intention by marking the boxes in Step 2 below), even though Resolutions 1 and 2 are connected with the remuneration of the key management personnel of the Company.

## STEP 2

### ITEMS OF BUSINESS

Please mark “X” within the box to indicate your directions. If you mark the abstain box for a particular item, you are directing that your vote will not be counted on a poll and will not be included in the required majority.

**The Chairman of the Meeting intends to vote all available undirected proxies, FOR each resolution below, except for resolution 6 which the Chairman intends to vote all available undirected proxies AGAINST this resolution.** In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

	FOR	AGAINST	ABSTAIN
(1) To adopt the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(2) Allocation of share rights to Michael Wilkins, Managing Director & Chief Executive Officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(3) Re-election of Yasmin Allen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(4) Re-election of Hugh Fletcher	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(5) Re-election of Philip Twyman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(6) Election of Michael Carlin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(7) Refresh capacity to issue new securities (Placement Shares)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(8) Refresh capacity to issue new securities (Subordinated MTN's)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## SIGN

### SIGNATURE OF SECURITYHOLDER(S) This section must be completed.

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Contact

Name \_\_\_\_\_

Securityholder 2

Director

Daytime

Telephone \_\_\_\_\_

Securityholder 3

Director/Company Secretary

Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_

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