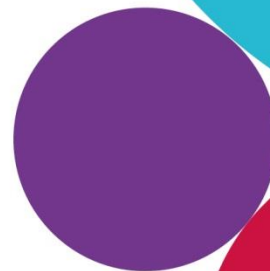
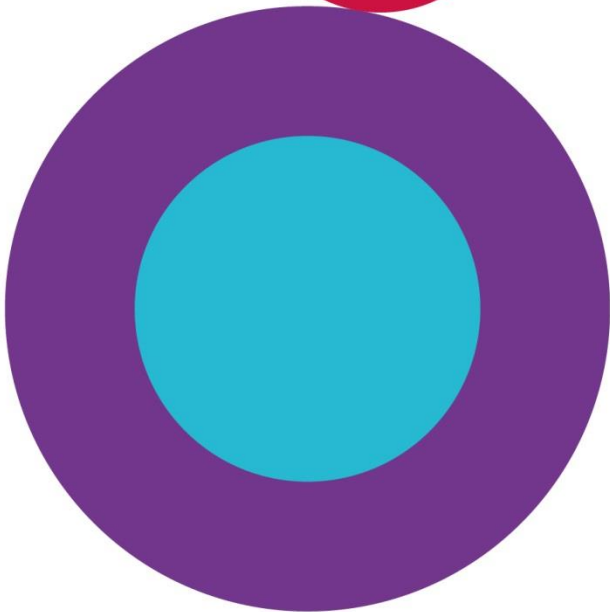
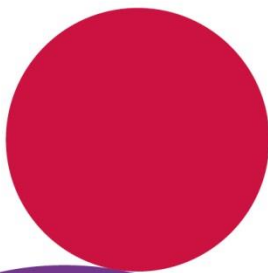
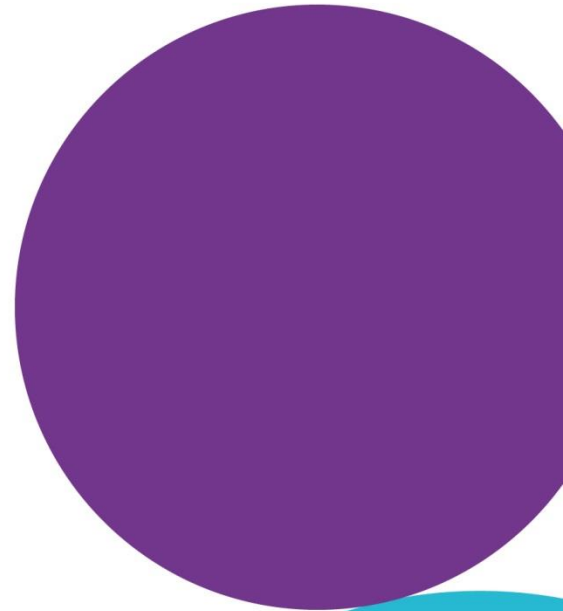




2017
Corporate Governance
Statement



Insurance Australia Group Limited's approach to corporate governance

Insurance Australia Group Limited (IAG, the Group, or the Company) is committed to attaining the highest level of corporate governance to help ensure the future sustainability of the organisation and to create long term value for its shareholders.

We believe satisfied customers, more resilient communities, and the passion of our people and partners are at the heart of superior performance and integral in delivering strong returns for our shareholders. We will use our influence and role as a major investor, purchaser and employer for the good of everyone. We will balance competing demands using our purpose – to make your world a safer place – as a guide in making the right decisions.

Our corporate governance practices are also influenced by the legislative and regulatory environments in which we operate because sound regulatory regimes are required to assist with the stability and sustainability of general insurance.

We actively engage with governments, regulators, industry and professional groups to help ensure that our interests, and those of our stakeholders, are properly considered in any proposals to improve corporate governance, general insurance regulatory and prudential regimes, and insurance industry practices. Our objective is to ensure regulation enhances competition, protects consumers, encourages efficiency and promotes and sustains public confidence in general insurers and their products.

We actively participate in the debate to improve Australia's corporate governance regime by making submissions to Federal and State government committees, reviews and inquiries, and regulators about new legislation, particularly where it affects the general insurance industry. As part of our commitment to open and transparent communication, all the public submissions we make to Australian governments are available in the News & Events area of our website (www.iag.com.au). We have also contributed to changes to the New Zealand regulatory and legislative framework.

While we do not make direct donations to any political party, we do engage in the democratic process by participating in lunches, dinners, conferences or other events with political parties and IAG representatives make a financial contribution to attend some of these functions. Consistent with Australian legislative requirements, we disclose all political contributions made to political parties and these are displayed on the Australian Electoral Commission website.

IAG representatives participate in forums, working parties and committees of domestic and overseas insurance industry associations, as well as accounting, actuarial and legal professional bodies, to help formulate responses to proposals to improve corporate governance, prudential and financial reporting standards and practices relevant to the general insurance industry.

Our main corporate governance and other policies are available in the About Us area of our website (www.iag.com.au), along with IAG Board and Board Committee charters.

For the financial year ended 30 June 2017, we have complied with the Australian Securities Exchange Corporate Governance Council (ASXCGC) Principles and Recommendations (3rd edition). Details of our compliance with the individual principles are set out below.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

1.1 THE BOARD

The Board is responsible for protecting the interests of shareholders and policyholders and for the performance, operation and affairs of IAG. The Board's principal role is to provide leadership and to govern, rather than manage, IAG. The Board represents and serves the interests of the shareholders and policyholders, collectively overseeing and appraising strategies, policies and the performance of IAG.

The Board is responsible for oversight of IAG, including:

- driving and monitoring the strategic direction of IAG and approving Group strategies and the Corporate Plan annually;
- approving significant corporate initiatives including major acquisitions, divestments and capital management transactions;
- setting IAG's risk appetite and approving the risk management strategy and risk appetite statement;
- selecting appropriate Board candidates and recommending to IAG shareholders the election, re-election or removal of Non-Executive Directors;
- appointing the Chairman, and evaluating Board processes, the performance of the Board as a whole, and the contributions of individual Non-Executive Directors;
- overseeing the integrity of IAG's accounting and reporting systems, including the external audit process;
- reviewing and approving IAG's remuneration policies and framework;
- monitoring management's performance and the exercise of the Board's delegated authority;
- appointing, evaluating regularly and, if necessary, replacing the Chief Executive Officer (CEO);
- reviewing Non-Executive Director, CEO, Chief Financial Officer (CFO) and senior management succession planning; and
- setting standards for and ensuring that proper governance practices (including appropriate standards of ethical behaviour, corporate governance, work health & safety, social and environmental responsibility) are adhered to at all times.

These responsibilities are explained in more detail in the Board Charter which is available in the About Us area of our website (www.iag.com.au).

1.2 THE CEO

The Board has delegated to the CEO responsibility for the overall management and profit performance of IAG, including all day-to-day operations and administration. The CEO is responsible for:

- the efficient and effective operation of IAG;
- fostering a culture that supports ethical principles and achieves our purpose to make your world a safer place in everything we do;
- ensuring the ongoing development, implementation and monitoring of IAG's risk management strategy and internal controls framework;
- ensuring the Board is provided with timely, accurate and clear information that supports effective decision making; and
- ensuring all material matters affecting IAG are brought to the Board's attention.

The CEO manages IAG in accordance with the policies, budget, corporate plan, strategies and risk appetite approved by the Board, subject to the limits set out in the Charter of CEO Delegated Authority Limits attached to the Board Charter.

1.3 APPOINTMENT OF DIRECTORS

The Board assesses the skills it requires to competently discharge its duties, taking into account IAG's performance, financial position and strategic direction. This assessment also includes the specific knowledge, skills and experience that one or more of the Non-Executive Directors must possess.

The Board assesses candidates for appointment to the Board, either when a vacancy arises or if it considers that the Board would benefit from the services of a new Director. Particular attention is given to the mix of skills, experience, diversity and expertise of existing Directors and how the candidate's competencies will complement and balance these qualities. External consultants are also engaged, as required, to assist with candidate identification. All nominated candidates for Board positions undergo appropriate background checks, including IAG's Fit & Proper assessment, before being appointed to the Board. Any Director appointed during the year to fill a casual vacancy or as an addition to the existing Directors must stand for election at the next annual general meeting (AGM).

The notice of AGM provides the appointment date and biographical details, including the relevant qualifications and experience and details of any other directorships held, of any new Non-Executive Directors and Non-Executive Directors seeking election or re-election. The Board discloses all information relevant to a decision on whether or not to elect or re-elect a Director in the notice of AGM and advises shareholders of whether it supports the election or re-election of each Non-Executive Director.

1.4 APPOINTMENT TERMS

Formal appointment letters have been issued to and signed by each Non-Executive Director, including the Chairman, to help them understand the role of the Board at IAG. The letters formally document the basis of each Non-Executive Director's appointment, including:

- the role of the Board and of Non-Executive Directors;
- corporate governance principles followed by IAG;
- that the Chairman and the majority of the Non-Executive Directors are independent of the management of IAG;
- the right of Non-Executive Directors to obtain independent professional financial and legal advice, at the Company's expense, to assist them to efficiently discharge their duties;
- the right of access to management and IAG records;
- the indemnity and insurance arrangements available;
- the measures used, and the processes to be applied, by the Board to assess the individual performance of Non-Executive Directors (details of which are set out in section 1.7 below);
- the term of their appointment and remuneration including superannuation rights;
- the circumstances that would cause a Non-Executive Director's position to become vacant;
- the confidentiality of Board papers and presentations to the Board; and
- the requirement that Non-Executive Directors abide by IAG's Code of Ethics and Conduct, Continuous Disclosure and Security Trading Policies.

Employment agreements for the CEO and Group Leadership Team (GLT) are for unlimited appointment terms but may be terminated by written notice by either party. Details of these employment agreements are outlined in the Remuneration Report within the 2017 annual report. This is available in the Results & Reports area of our website (www.iag.com.au).

1.5 COMPANY SECRETARY

The Company Secretary is responsible to the Board for ensuring compliance with Board and Board Committee procedures and providing advice and counsel to the Board on the Company's constitution, corporate governance and other matters.

The Company Secretary is also responsible for the timely dispatch of Board and Board Committee papers and the accurate recording in the minutes of business discussed at the Board and Board Committee meetings.

The Company Secretary also assists with the induction and ongoing professional development of Directors. The qualifications and experience of IAG's Company Secretary are set out in the Directors' Report within the 2017 annual report. This is available in the Results & Reports area of our website (www.iag.com.au). All Directors have unfettered access to the Company Secretary and the appointment and removal of the Company Secretary is decided by the Board.

1.6 DIVERSITY, INCLUSION AND BELONGING

Diversity, Inclusion and Belonging is a key enabler of IAG's strategy and supports our ability to achieve our purpose of making your world a safer place. Diversity of thought enhances our ability to innovate, creates greater representation and understanding of the communities we serve, and supports our customer focus.

Diversity activity

Our focus on diversity encompasses our employees, customers and partners and communities, and has three main areas:

- Flexibility – we consider flexibility a business tool, focused on flexible work which boosts the performance of individuals and teams and removes barriers to workforce participation.
- Equity – we focus on equity rather than equality. Equality focuses on creating the same starting line. Equity has the goal of providing everyone with the full range of opportunities and benefits – the same finish line. This includes creating opportunities and removing barriers.
- Accessibility – we are committed to creating a diverse and accessible work environment across IAG. This includes improving accessibility, inclusion and support for all our customers and people, and helping to change attitudes towards people with disability in our broader community.

Key activities undertaken this year include:

- Updating our supporting infrastructure with:
 - The creation of Employee Network Resource Groups (ENRGs), which are groups run by and for IAG employees, forming communities of support for members identifying with a particular area of focus, and their allies, to effect positive change.
 - The creation of the Diversity Network Advisory, comprising executive leaders from a number of areas across the business, as well as the chairs of our ENRGs.
 - Appointment of a Senior Manager for Diversity, Inclusion and Belonging.
 - Appointment of a Customer Inclusion Manager.
- Continuing initiatives to address broader diversity and inclusion segments, including CareerTrackers Indigenous Internship Program (for Indigenous university students) and CareerSeekers New Australian Internship Program (for asylum seekers and refugees who aspire to obtain professional employment).
- Partnering with the Australian Network on Disability on the High Growth Jobs, Talented Candidates program.
- Continuing partnerships with Out for Australia, Pride in Diversity and Move in May, supporting the LGBTQ+ community.
- Completing diversity and inclusion reporting including the Workplace Gender Equality Agency (WGEA) gender pay gap report and the Australian Workplace Equality Index (AWEI) and submissions for diversity related ANZIF awards.
- Piloting a number of flexibility initiatives including work from home trials in a number of our Australian call centres.

- Continuing our commitment to support Indigenous communities through the launch of our second Reconciliation Action Plan (RAP), a Stretch RAP. We will continue to partner with our five primary RAP partners – CareerTrackers, Jawun, NPY Women’s Council, the Australian Indigenous Mentoring Experience and Supply Nation – to work toward our RAP vision of being a leading organisation in contributing to the empowerment of Aboriginal and Torres-Strait Islander peoples, businesses and communities.

Customer Inclusion

Our Diversity, Inclusion and Belonging activity also considers the impacts of customer inclusion and barriers that prevent our customers from fully accessing our products and services. These barriers include:

- Culture, including language and religion.
- Age and life stage.
- Gender, including gender identity and sexual orientation.
- Accessibility, including physical disability, hearing and sight impairment, mental illness, financial literacy and digital access.
- Social issues, including domestic and family violence, trauma and vulnerability, affordability and financial hardship.

We consider Customer Inclusion work through the following lenses:

- Removing barriers through systemic improvements and capability uplift.
- Improving our systems, processes, policies and capability to create market leading customer service.
- Identifying and exploring new market opportunities in previous unidentified or untapped areas of insurance.

Diversity, Inclusion and Belonging – Targets

IAG has made a commitment that women will hold 38% of our Senior Leadership roles across the Company by 2020. We also have specific geographical targets:

- Australia and New Zealand – 40%
- Asia – 30%

As at 30 June 2017, 34% of Senior Leadership roles across IAG group were held by women. We are committed to making further progress to achieve these targets and have a number of activities underway to support our work.

1.7 MEASURING THE PERFORMANCE OF NON-EXECUTIVE DIRECTORS

The Board reviews its performance, composition, size and succession annually, and conducts an independent review of these matters at least every three years with the assistance of an independent external board performance expert (Formal Review). A Formal Review of the Board and each Non-Executive Director (including the Chairman) was conducted in 2016. The Formal Review process involved the completion of questionnaires by Non-Executive Directors and members of the GLT; interviews with the independent expert; the collation of results; and discussion with individual Non-Executive Directors and the Board as a whole led by the Chairman. The People and Remuneration Committee (PARC) is responsible for coordinating the Board’s review of the Chairman’s performance.

Measures of a Non-Executive Director’s performance include:

- contribution to Board teamwork;
- contribution to debates on significant issues and proposals;
- advice and assistance given to management;
- input regarding regulatory, industry and social developments surrounding the business; and
- in the case of the Chairman’s performance, the fulfilment of the additional role as Chairman.

Non-Executive Directors evaluate the Chairman’s performance annually. The Boards and Committees of key operating subsidiaries also regularly review their own performance.

1.8 PERFORMANCE ASSESSMENT OF CEO AND GROUP LEADERSHIP TEAM

A Group Balanced Scorecard comprised of financial and non-financial goals for IAG is approved by the Board at the start of the financial year. The Group Balanced Scorecard is intended to drive progress towards achieving the Group’s business strategy. The GLT is collectively accountable for delivering Group Balanced Scorecard outcomes. The goals within the Group Balanced Scorecard are stretch goals and are designed to encourage the GLT to strive for exceptional performance, while ensuring IAG’s long term financial soundness. For the GLT, individual performance is assessed based on his or her contribution to Group Balanced Scorecard outcomes.

At the end of each financial year, the CEO completes a formal review of the performance of each member of the GLT based on his or her contribution to achieving Group Balanced Scorecard outcomes, as well demonstrating the IAG spirit, of Closer, Braver and Faster. Assessment methods allow performance to be objectively measured and verified. Performance assessments are reviewed by the PARC and approved by the Board, and are considered in determining any short term incentive payments.

The Board determines the financial and non-financial goals of the CEO, and evaluates his performance, using the same approach as described for the GLT. Further detail on the short and long term incentives for the CEO and the GLT is set out in the Remuneration Report within the 2017 annual report.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 NOMINATION COMMITTEE

The Nomination Committee currently comprises all the Non-Executive Directors as well as the Managing Director and CEO, Peter Harmer.

The role of the Nomination Committee is to support the Board in fulfilling its statutory and fiduciary responsibilities by ensuring that there are appropriate processes for Board renewal and succession; assessment of Board and Director performance; and Director induction and continuing education programs. All members of the Nomination Committee have the skills and experience necessary to fulfil their role on the Committee. Director’s qualifications and experience are shown in their biographies in the Directors’ Report within the 2017 annual report.

The Nomination Committee assesses director candidates and makes recommendations to the Board for appointments either when a vacancy arises or if the Nomination Committee considers that the Board would benefit from the services of a new Director.

The Board has adopted a framework for effective Director selection and Board succession to help ensure that the Board’s skills, competencies and knowledge match IAG’s strategic objectives. Some key tenets of the framework are:

- determining the skills, competencies, behaviours and experience required for an effective Board and the nature and measurement of these competencies;
- the Board should demonstrate diversity in age, personality, gender, work and life experience and comprise people who think differently to each other and have diverse backgrounds; and
- the adoption of a formal approach to Director selection and a systematic and strategic approach for Board succession.

The Nomination Committee also reviews all Directors submitting themselves for election and re-election at an AGM, prior to consideration by the Board.

The Nomination Committee met twice during the reporting period. Member attendance at each meeting is shown in the Directors’ Report within the 2017 annual report.

The Nomination Committee Charter includes details of the Committee’s responsibilities and is available in the About Us area of our website (www.iag.com.au).

2.2 BOARD SKILLS MATRIX 2017

The Board currently comprises eight independent Non-Executive Directors, and an Executive Director, Peter Harmer, IAG’s Managing Director and CEO.

The Board’s policy is to help ensure that the Board comprises Directors who collectively have the relevant experience, knowledge, diversity and skills required for IAG. This takes into account IAG’s current size, market position, complexity and strategic focus. In reviewing its composition, skills and requirements for Director succession, the Board is also mindful of the corporate governance practices and requirements for Directors.

The skills, competencies and composition of the Board are regularly reviewed to ensure that the Board continues to have an appropriate mix of skills, knowledge, diversity and experience and to identify any gaps or opportunities to enhance Board skills. A comprehensive review of Board skills was undertaken in July 2016. The review focused on differentiating the key skills collectively required by the Board and ensuring those skills align to IAG’s current strategic direction and its operational and risk environments. This resulted in the addition of leadership skills as a core competency of the Board.

THE CORE COMPETENCIES AND EXPERIENCE REQUIRED, AND COLLECTIVELY POSSESSED, BY THE BOARD ARE IN THE AREAS OF:



ADDITIONAL SKILLS AND COMPETENCIES IDENTIFIED FOR AND COLLECTIVELY POSSESSED BY THE NUMBER OF DIRECTORS:

	1	2	3	4	5	6	7	8	9
EXPERIENCED CEO (LISTED ENTITY)									
EXPERIENCED BOARD/COMMITTEE CHAIRPERSON (LISTED ENTITY)									
GOVERNMENT RELATIONS									
ASSET & INVESTMENT MANAGEMENT									
STRATEGIC IT									

2.3 BOARD OF DIRECTORS

Directors are expected to continue as Directors only for so long as they have the confidence of their fellow Board members and the confidence of IAG's shareholders.

The Board has a tenure policy for Non-Executive Directors to help ensure the Board comprises Directors who collectively have the

relevant experience and skills required and assist in maintaining the independence of the Board. The policy, among other things, provides a standard tenure for a Non-Executive Director of up to 10 years, although the Board has the discretion to invite Non-Executive Directors to stand for an additional term which may take their total tenure beyond 10 years. Details of the current Non-Executive Directors' tenure are shown below:

INDEPENDENT NON-EXECUTIVE DIRECTORS	TERM IN OFFICE AT IAG (AT THE DATE OF THIS STATEMENT)
Elizabeth Bryan (Chairman)	2 years and 7 months
Thomas Pockett	2 years and 6 months
Helen Nugent	7 months
Philip Twyman	9 years
Hugh Fletcher	9 years and 10 months
Alison Deans	4 years and 5 months
Jonathan Nicholson	1 year and 10 months
Duncan Boyle	7 months

The names of Directors in office at the date of this statement, their year of appointment, experience, expertise and biographical details are set out in the Directors' Report within the 2017 annual report.

Potential conflicts of interests

The Board has adopted a policy on managing conflicts of interest and duties. Directors are required to disclose all their interests on an ongoing basis and, in particular, are required to disclose interests that could conflict with IAG's interests. Where the Board is required to approve a transaction or arrangement with an organisation in which a Director has an interest, the relevant Director must disclose his or her interest and abstain from voting, unless the Board determines otherwise. That Director will also be excluded from receiving any papers about the conflicted transaction or arrangement. Directors with potential conflicts do not serve on any Board Committees that are appointed to oversee the implementation of transactions or arrangements.

2.4 DIRECTOR INDEPENDENCE

The Board has determined that it must comprise a majority of independent Non-Executive Directors and that the Chairman must be an independent Non-Executive Director. The Non-Executive Directors are free of any business or other relationship that could materially interfere with the independent exercise of their judgement. All current Non-Executive Directors have confirmed their continued independence.

The Board determines whether each Non-Executive Director is independent using the principles outlined in its Charter.

2.5 THE CHAIRMAN

The Chairman is an independent Non-Executive Director and is responsible for ensuring the Board fulfils its responsibilities to IAG and stakeholders. The Chairman provides leadership to the Board and promotes constructive and respectful relations between Directors and between the Board and management. The Chairman presides at Board and general meetings of IAG.

2.6 NON-EXECUTIVE DIRECTOR INDUCTION, EDUCATION AND TRAINING

We encourage continuing professional education for each of our Directors. All Directors are expected to remain up-to-date about issues affecting IAG, the general insurance industry and their duties as Directors. Directors participate in ongoing education activities, including with local and overseas experts in particular fields, which are relevant to IAG's operations.

New Non-Executive Directors have access to an induction program to introduce the GLT and details of IAG's businesses. Induction includes individual meetings with the CEO, members of the GLT and senior management.

Workshops are conducted, as required, to further Non-Executive Directors' education on topics which include reinsurance, capital, risk management and investment management, with specific education sessions held from time-to-time on topics such as cyber security and Asia's geopolitics. Directors have unfettered access to members of the GLT and the external auditor and are encouraged to meet with the GLT to further their knowledge and understanding of the organisation.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

IAG takes ethical and responsible decision making very seriously. We expect our employees and Directors to do the same, as they are all accountable for ensuring that their behaviours, decisions and choices are:

- in accordance with all laws and regulations of the countries in which IAG operates; and
- consistent with the Group's ethical principles as set out in IAG's Code of Ethics and Conduct (Code) and the policies and standards that relate directly to their duties.

The Code has been developed to provide all our officers, employees and contractors with principles and a framework to make good, informed business decisions and to act on them with integrity. This means that when our stakeholders interact with us, they should feel assured that we will act in a responsible, ethical, transparent and honest way, wherever we operate.

The Code applies to all Non-Executive Directors, Group officers, employees and contractors for all entities where IAG has majority ownership or which are otherwise to be considered IAG subsidiaries.

We are acutely aware of the important role culture plays in how a business operates, and performs. We believe that we have a very effective and caring culture and have taken steps this year to ensure this assessment is correct. Mindful of wider community discussions about corporate culture, we have appointed renowned ethicist, Dr Simon Longstaff (Executive Director, Ethics Centre), to lead the IAG Ethics Committee and provide a valuable external perspective.

The Code and IAG policies for Australia and New Zealand are available in the About Us area of our website (www.iag.com.au).

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 AUDIT COMMITTEE

Our financial reporting is overseen by the Audit Committee, which comprises five Non-Executive Directors: Thomas Pockett (Chairman), Duncan Boyle, Alison Deans, Helen Nugent and Philip Twyman. All members of the Audit Committee have sufficient skill, experience and technical expertise, as shown in their biographies in the Directors' Report within the 2017 annual report, to ensure that the Committee understands the Group's business, financial, accounting and risk requirements.

The main role of the Audit Committee is to assist the Board in fulfilling its statutory and fiduciary responsibilities by monitoring:

- the integrity of IAG and subsidiary external and internal financial reporting, including compliance with applicable laws, regulations and other requirements in relation to external financial reporting;
- the provision of high quality financial and non-financial information to Directors and management that reflects a true and fair view of the Company performance and can be relied on by them to make informed decisions;
- tax and financial risks; and
- the independence of the Auditor, Group General Manager, Internal Audit, Group Actuary and the Global External Peer Review Actuary and ensuring that independence is safeguarded.

The Audit Committee provides prior endorsement to the Board on the appointment, reappointment, removal and remuneration of the Auditor, and the rotation of the audit engagement partner, and assesses total fees paid for all non-auditor services provided by the Auditor.

The Audit Committee is also empowered as the Audit Committee of IAG's Australian insurance subsidiaries, with the exception of Insurance Manufacturers of Australia Pty Limited and those entities that have established their own Audit Committees. In addition, the Audit

Committee acts as the Audit Committee for IAG Finance (New Zealand) Limited, a company with securities listed on the ASX.

The Audit Committee met four times during the reporting period and member attendance at each meeting is shown in the Directors' Report within the 2017 annual report.

The Audit Committee Charter includes details of the Committee's responsibilities and is available in the About Us area of our website (www.iag.com.au).

4.2 ASSURANCES

The CEO, CFO and Chief Risk Officer (CRO) have assured the Board that the annual declaration provided in accordance with section 295A of the Corporations Act 2001 (Cth) is founded on a sound system of risk management and internal controls and that the system is operating effectively in all material respects in relation to financial reporting risks.

4.3 EXTERNAL AUDITOR

The external Auditor attends the AGM and is available to answer shareholders' questions on the conduct of the audit, the preparation and content of the Auditor's Report, the accounting policies adopted and auditor independence.

IAG also engages an external Auditor to provide independent assurance over IAG's annual non-financial reporting. The Independent Assurance Statement can be found in the Shared Value area of our website (www.iag.com.au).

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

We have a Continuous Disclosure Policy to reinforce our commitment to continuous disclosure, as well as our employees' responsibilities regarding inside information.

Our Continuous Disclosure Policy includes a protocol outlining how information is released to the public and provides examples of what could constitute inside information. The Policy is available in the About Us area of our website (www.iag.com.au).

We are committed to timely, factual and balanced disclosure to ensure investors are informed of all material developments for the Group. Announcements are prepared to ensure they do not omit material information and are expressed in a clear and objective manner to allow investors to assess the impact of information when they make investment decisions.

All material, price sensitive announcements are subject to a sign-off process at senior levels within IAG before they are released to the ASX.

We have established policies to ensure we comply with the ASX Listing Rules' disclosure requirements and to help ensure senior executives are accountable for that compliance.

In accordance with our Continuous Disclosure Policy, we are committed to ensuring all investors have access to information on our financial performance. We post on our website all investor and media material released to the ASX, including:

- annual and interim reports;
- investor and media releases and presentations of half year and full year results;
- webcasts of CEO and CFO presentations at half year and full year results announcements;
- notices of general meetings and explanatory material;
- the Chairman's and CEO's addresses to the AGM;
- investor and media releases and presentations on divestments and acquisitions;
- investor and media presentations given at investor strategy sessions and other one-off events; and
- all other information released to the market.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 INFORMATION AND GOVERNANCE

We maintain a comprehensive website at www.iag.com.au to provide our shareholders with information about IAG, including our Corporate Governance policies. The website also provides detailed biographies of Board members and the GLT.

The website has a separate Shareholder Centre to provide share price history, dividend payments made on IAG ordinary and preference shares by year and links to IAG public offers and proposals. Shareholders are also able to access details of their holdings of IAG securities through the Shareholder Centre.

These features are actively promoted to all shareholders on dividend payment statements and in AGM materials.

6.2 INVESTOR RELATIONS PROGRAM

Shareholders and investors can raise any issues or concerns at any time by contacting the Company by email at investor.relations@iag.com.au. Alternatively, shareholders and investors can write to the Chairman or Company Secretary at Insurance Australia Group Limited, Level 26, 388 George Street, Sydney NSW 2000, Australia.

6.3 PARTICIPATION AT GENERAL MEETINGS

Shareholders are encouraged to attend the AGM and ask questions of the Chairman and the Board. IAG adopts best practice in the drafting of notices for general meetings and other communications to help ensure that they are honest, accurate, informative and not misleading. All AGM material is made available in the Shareholder Centre area of our website (www.iag.com.au).

We offer our shareholders and authorised intermediaries such as custodians online proxy and direct voting to facilitate lodgement of their votes on resolutions put to general meetings. We also webcast the AGM live for viewing by shareholders and other interested parties; an archived file of the meeting video is made available shortly after the completion of the meeting.

6.4 ELECTRONIC COMMUNICATIONS

We actively encourage shareholders to embrace the benefits of electronic communications. As at 31 July 2017, 30.13% of our shareholders had registered their email address to receive notices that the annual and interim reports, annual reviews, dividend advices and holding balance statements are available on our website.

We also maintain an email alert system to advise investors, beneficial owners and any other interested parties when important media releases, financial announcements, presentations and annual reports are released to the market through the ASX.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Managing risk is central to the sustainability of our business, our purpose and our creation of shareholder value and is integral to delivering our strategy and decision making. We do not seek to avoid all risks, but do aim to optimally manage risks. Our Risk Management Framework (RMF) uses an enterprise approach to risk and is a core part of our governance structure, providing the processes for identifying, assessing, managing and reporting risk.

7.1 RISK COMMITTEE

IAG has a Risk Committee to assist the Board in fulfilling their risk management and compliance responsibilities and is supported in its oversight of risk by a series of Executive and Regional risk and governance forums.

IAG's Risk Committee comprises five Non-Executive Directors: Philip Twyman (Chairman), Duncan Boyle, Hugh Fletcher, Thomas Pockett and Jonathan Nicholson. Ms Bryan attends all Risk Committee meetings in an *ex-officio* capacity. All members of the Risk Committee have relevant experience as shown in their biographies in the Directors' Report within the 2017 annual report.

The Risk Committee's purpose is to:

- provide oversight of material risks to which IAG is exposed and the adequacy and effectiveness of IAG's risk management strategy (Group RMS) and control systems;
- monitor IAG's compliance with the Group RMS, Group Reinsurance Risk Management Strategy (Group REMS) and other governance and risk related IAG's policies identified in the Group RMS;
- ensure effective operation of compliance systems, having regard to the requirements of applicable laws, regulations, industry codes, listing authorities' rules and IAG's policies and frameworks;
- oversee IAG's governance frameworks; and
- safeguard the independence of the CRO, Chief Actuary and the risk and compliance functions.

The Risk Committee met four times during the reporting period and member attendance at each meeting can be found in the Directors' Report within the 2017 annual report. The Risk Committee Charter includes the Committee's responsibilities and operations and is available in the About Us area of our website (www.iag.com.au).

7.2 REVIEW RISK MANAGEMENT FRAMEWORK

The Board is responsible for setting the Group RMS. The Risk Committee assists the Board in fulfilling its risk management responsibilities. The Risk Committee reviews the RMF at least annually to ensure that it continues to be sound. The review was conducted for the financial year ended 30 June 2017.

The Risk Committee recommends the Group RMS and other key risk documents (e.g. Group REMS and the risk appetite statement and selected IAG policies) to the Board for approval annually. It also satisfies itself as to the contents of the annual APRA Risk Management declaration. The Board receives information on risk matters of particular significance and regular updates from the Chairman of the Risk Committee.

The CRO and risk function provide regular reports to the Risk Committee on the operation of the Group RMS, the status of key risks, risk and compliance incidents and risk framework changes. Divisional risk and compliance functions also report regularly to the CRO or divisional risk committees.

The Risk Committee considers IAG's enterprise risk profile, risk appetite and core risk documents on an annual basis. In addition, the GLT is required to attend and report to the Risk Committee on the operation of the risk management frameworks embedded in their respective business divisions.

IAG operates a “Three Lines of Defence” approach to risk management. The first line is operational management (risk owners), who own and manage their risks. The second line (risk advisers) is typically the risk management and compliance functions, and the third line is the independent audit functions.

Members of the GLT are responsible for managing risks faced by their division, including embedding risk management processes and culture, by:

- providing the mandate and commitment to risk management (i.e. set the risk management tone at the top);
- ensuring their division complies with the Group RMS requirements, Board approved policies and all applicable regulatory/legal requirements;
- embedding divisional risk owner responsibilities;
- ensuring there are divisional/regional risk teams have resources appropriate to the nature, scale and diversity of the Division and have the necessary standing and support;
- using risk management processes as part of key decision making;
- ensuring the business operates within the Group/divisional risk appetite;
- regularly receiving and considering risk management reports; and
- promoting and reinforcing the Group’s proactive risk management culture.

Risk culture and behaviours are the foundation for appropriate risk management, governance and business sustainability. Conducting business in a manner aligned with IAG’s purpose is a core goal. Conduct related matters and risks are managed through our enterprise approach to risk and associated practices.

7.3 INTERNAL AUDIT FUNCTION

The Board has established our Group Internal Audit function as a key component of our governance framework. The Group Internal Audit function evaluates the effectiveness of internal controls, governance processes and overall risk management, via its independent and objective review program. Its role is to:

- provide assurance to the Audit Committee and Board that IAG’s financial and operational controls designed to manage the Group’s risks and regulatory obligations, and achieve its objectives, are operating in an efficient, effective and ethical manner; and
- assist management in improving IAG’s business performance.

The Group General Manager, Internal Audit, reports functionally to the Audit Committee and administratively to the CRO, and has direct access to the CEO and the Audit Committee.

7.4 ECONOMIC, ENVIRONMENTAL AND SOCIAL SUSTAINABILITY RISK

As a general insurer operating in Australia, New Zealand and throughout Asia, IAG is exposed to economic, environmental and social sustainability risks and opportunities. Our Board has overarching responsibility for economic, environmental and social risk management. This includes overseeing the development and implementation of IAG’s approach to managing risk that drives sustainable outcomes, and how effectively we respond to stakeholders.

Economic, environmental and social sustainability risks are identified and managed as part of the Group’s risk management framework as overseen by the Board. Through risk profiling and ongoing trend analysis, we collect information on these risks and use it to report to the GLT and the Board, and update our strategy at appropriate intervals.

A cross-functional Shared Value Advisory Council (SVAC) was established in 2014 to fulfill the role of a sustainability committee for IAG and provide advice and input to the organisation’s approach to shared

value, sustainability and broader community activity. The SVAC also acts as a forum to identify and respond to environmental and social risks. The SVAC meets at least three-monthly, is chaired by the CEO, and is comprised of Senior Leaders from across the business, including the GLT member for People, Performance and Reputation and the Chief Customer Officer.

A Reconciliation Action Plan (RAP) Steering Committee provides strategic advice, support and direction on IAG’s Indigenous Engagement strategy, including monitoring performance against commitments as outlined in IAG’s RAP and assisting with the internal advocacy and engagement of leaders across the business. The RAP Steering Committee meets three-monthly and is comprised of Senior Leaders from across the business, including three members of the GLT.

Economic, Environmental and Social Sustainability Risks are also identified through forums such as the Ethics Committee, Consumer Advisory Board, Diversity Network Advisory and Employee Network Resource Groups.

IAG is a signatory to several voluntary principles-based frameworks which inform the identification of risk and guide the integration of environmental, social and governance considerations into our business practices:

- We are a member of the United Nations Environment Program Finance Initiative (UNEP FI), with the GLT member for People, Performance and Reputation, Jacki Johnson, being a member of the UNEP FI Global Steering Committee;
- We are a signatory to the UNEP FI Principles for Sustainable Insurance (PSI), with IAG’s Chief Customer Officer, Julie Batch, being a member of the PSI Board; and
- We are a signatory to the UN Principles for Responsible Investment (PRI).

As a founding member of the Australian Business Roundtable for Disaster Resilience & Safer Communities and Resilient New Zealand, as well through our involvement with the 100 Resilient Cities Initiative, IAG is sharing its risk management expertise with government and communities to influence programs and policies to help make Australia, New Zealand the region more resilient to natural disasters. More information is available at www.australianbusinessroundtable.com.au and www.resilientnewzealand.co.nz.

We have in place a shared value framework that guides decision making and ensures we are creating value for both the community and our business. We believe we have a responsibility to support risk transfer through insurance and share our knowledge about risk to make communities Safer, Stronger and More Confident. We do this by promoting better understanding and reduction of risks at home, at work, on the road and in the natural environment. Our sustainability performance is managed within this framework and is supported by a number of policies and position statements.

Each year, we undertake a materiality assessment process to identify and prioritise risks and opportunities. The results of the assessment are used to inform our shared value and sustainability approach and ensure our reporting addresses the risks and opportunities that matter most to our stakeholders and our business.

Details of our material environmental and social sustainability risks, how we manage these risks and details of other shared value and sustainability activities are set out in the 2017 Annual Review & Sustainability Report and in the Shared Value area of our website (www.iag.com.au). Further information on our economic and social risk can be found in Note 3. Risk Management in the 2017 annual report.

Our Social & Environmental Policy and Public Policy Position on Climate Change are also available in the Shared Value area of our website (www.iag.com.au).

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 PEOPLE AND REMUNERATION COMMITTEE

The four members of PARC are Helen Nugent (Chairman), Alison Deans, Hugh Fletcher and Jon Nicholson. Elizabeth Bryan and Raymond Lim were both members until February 2017. Ms Bryan attends all PARC meetings in an *ex-officio* capacity.

The PARC assists the Board in fulfilling its statutory and fiduciary responsibilities by:

- monitoring the development and implementation of IAG's people and culture strategies;
- monitoring the development and implementation of IAG's work health and safety framework and strategies;
- reviewing succession plans for members of the GLT;
- providing assurance to the Board relating to the effectiveness, integrity and compliance with IAG's remuneration policies and practices;
- assessing whether the Group Remuneration Policy is effective and complies with regulatory requirements on remuneration, including those specified in the Corporations Act 2001 (Cth) and APRA's prudential standards;
- monitoring the appropriateness and relevance of the Group Reward Strategy and its approach to deliver the strategic goals of IAG; and
- overseeing Board composition of designated IAG subsidiary and associated companies.

The PARC is also empowered as the remuneration committee of IAG's subsidiaries that are authorised general insurers in Australia, except for Insurance Manufacturers of Australia Pty Limited, which has a separate remuneration committee. The PARC met four times during the reporting period and member attendance at each meeting is shown in the Directors' Report within the 2017 annual report.

Information about the PARC is set out in the PARC Charter which is available in the About Us area of our website (www.iag.com.au).

8.2 GROUP REMUNERATION POLICY

Details of remuneration policies for our Non-Executive Directors and the GLT are disclosed in the Remuneration Report in the 2017 annual report. The Remuneration Report describes how the pay for Non-Executive Directors and the GLT is structured, and includes details of the actual remuneration paid; the relationship to IAG's performance; and the process that allows the Board to adjust variable pay downward. The Remuneration Report also outlines IAG's minimum shareholding requirements for the GLT and Non-Executive Directors.

8.3 EQUITY BASED REMUNERATION

Our remuneration policy prohibits Non-Executive Directors and members of the GLT from entering into, varying or terminating transactions or arrangements which operate to limit the economic risk of their:

- unvested entitlements to IAG securities (such as Non-Executive Director Award Rights, Executive Performance Rights and Deferred Award Rights); and
- vested IAG securities which form part of their mandatory holding of IAG ordinary shares.

Details of our equity based remuneration policy for the CEO and the GLT are shown in the Remuneration Report in the 2017 annual report.