

iaag

Let's talk

A black and white photograph of a young girl with dark hair tied back, wearing a light-colored hoodie and leggings, kneeling in a garden. She is holding a large plastic watering can and pouring water onto a small, newly planted sapling. The background shows other plants and a wooden fence. The image is partially obscured by a large white curved shape on the left side of the page.

Notice of Meeting 2019
Insurance Australia Group Limited

ABN 60 090 739 923

Dear shareholder

I am pleased to invite you to attend the 2019 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 NSW 2000 on Friday, 25 October 2019, commencing at 9.30am (Sydney time). A map with directions to the venue appears on page 12 of this booklet.

At the Meeting, you will be able to vote on the:

- adoption of the Remuneration Report as set out on pages 19 to 41 of the 2019 Annual Report;
- allocation of Deferred Award Rights and Executive Performance Rights to Mr Peter Harmer, Managing Director and Chief Executive Officer;
- election of a new Non-Executive Director, Mr George Savvides, who has been appointed to the Board of Directors of IAG (**Board**) since we met last year and offers himself for election;
- re-election of Non-Executive Directors, Dr Helen Nugent and Mr Tom Pockett, who are retiring by rotation in accordance with the Company's constitution (**Constitution**) and are offering themselves for re-election; and
- refreshment of our capacity to issue shares following our issue of medium term notes in March 2019.

The items of business to be considered at the Meeting also include two resolutions requisitioned by shareholders (Resolutions 7(a) and 7(b)). The Board respects the rights of shareholders to put forward resolutions. However, the Board does not consider the requisitioned resolutions to be in IAG's best interests and recommends that shareholders vote against these resolutions for the reasons set out on pages 9 to 10.

If you are unable to attend the Meeting in person, you may vote directly or appoint a proxy to act for you. You can also submit written questions about the items of business before the AGM. Mr Harmer or I will address frequently asked questions at the Meeting.

You can vote directly, appoint a proxy or submit a written question electronically at www.investorvote.com.au or by completing and returning the enclosed voting form, or shareholder question form. See page 4 for more details.

The entire AGM will be webcast live at www.iag.com.au/shareholder-centre/annual-meetings. An archive of the webcast will be available on our website shortly after the Meeting.

Finally, I note that one of our Non-Executive Directors, Mr Hugh Fletcher, will be retiring from the Board at the end of the AGM. On behalf of the Board, I sincerely thank Hugh for his long and dedicated service, and substantial contribution, to IAG.

I look forward to seeing you at the AGM.

Yours sincerely

A handwritten signature in black ink that reads "Elizabeth Bryan". The signature is written in a cursive, flowing style.

Elizabeth Bryan AM
Chairman

Ordinary and special business

Resolutions 1 to 6 are SUPPORTED by the Directors and the Chairman intends to vote undirected proxies in favour of these resolutions.

Ordinary 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 2019.

Adoption of Remuneration Report

Resolution 1

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

“That the Remuneration Report for the year ended 30 June 2019 be adopted.”

Allocation of share rights to Mr Peter Harmer, Managing Director and Chief Executive Officer

Resolution 2

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

“That approval is given to allocate to the Managing Director and CEO (CEO), Mr Peter Harmer, Deferred Award Rights (DARs) and Executive Performance Rights (EPRs) in accordance with the terms of the DAR and EPR plans and as described in the explanatory notes.”

Election and re-election of Directors

Resolution 3

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

“To elect as a Non-Executive Director, Mr George Savvides, who has been appointed to the Board since the last AGM and offers himself for election.”

Resolution 4

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

“To re-elect as a Non-Executive Director, Dr Helen Marion Nugent, who retires by rotation in accordance with the Constitution and, being eligible, offers herself for re-election.”

Resolution 5

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

“To re-elect as a Non-Executive Director, Mr Thomas William Pockett, who retires by rotation in accordance with the Constitution and, being eligible, offers himself for re-election.”

Special business

Refresh capacity to issue securities

Resolution 6

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

“For the purposes of ASX Listing Rule 7.4 and all other purposes, shareholders ratify the issue of 45,000 subordinated medium term notes on the terms and conditions set out in the Information Memorandum and Pricing Supplement released to the ASX on 28 March 2019 and summarised in the explanatory notes.”

Resolutions 7(a) and 7(b) are NOT SUPPORTED by the Directors and the Chairman intends to vote undirected proxies against these resolutions.

Proposal promoted by Market Forces and requisitioned by a group of shareholders

Resolution 7

(a) To consider, and if thought fit, pass the following resolution as a special resolution:

“To insert into the Company's constitution, the following new clause 10.3A:

Advisory resolutions

The Company in general meeting may, by ordinary resolution, express an opinion or request information about the way in which a power of the Company partially or exclusively vested in the Directors has been or should be exercised. However, such a resolution must relate to an issue of material financial relevance and cannot either advocate action which would violate any law or relate to any personal claim or grievance. Such a resolution is advisory only and does not bind the Directors or the Company.”

Note: This resolution is proposed as a special resolution and requires approval of 75% of votes cast by shareholders entitled to vote on the resolution.

(b) To consider, and if thought fit, pass the following resolution as an ordinary resolution:

“Shareholders request that the Company disclose measurable and verifiable short-, medium- and long-term targets to reduce investment exposure to fossil fuel (oil, gas, coal) assets, along with plans and progress to achieve the targets set. These targets should be consistent with the Paris Agreement's goal of limiting the increase in global average temperatures to well below 2°C above pre-industrial levels and pursuing efforts to limit the increase to 1.5°C. This information should be published annually, starting with the Financial Year 2020 investor report.”

Note: Resolution 7(b) is an advisory resolution and may only be properly considered at the Meeting if Resolution 7(a) is passed by special resolution. This resolution will not be put to the Meeting if Resolution 7(a) is not passed.

About voting

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 the items of business before the AGM. This means the shareholder does not then need to attend the AGM or appoint a proxy. To do this, shareholders should mark either "For", "Against" or "Abstain" for each item of business on the voting form.

Please note that a shareholder who has cast a direct vote may still attend the AGM. However, by doing so, the shareholder will automatically cancel their direct vote unless the shareholder instructs us or our share registrar, Computershare Investor Services Pty Limited (**Computershare**), not to cancel their direct vote.

Proxy

A shareholder who is entitled to attend and vote at the AGM has a right to appoint a proxy to attend and vote for them. The proxy need not be a shareholder and may be a corporation.

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 a proxy appointment does not specify the proportion or number of a shareholder's votes that the 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. Any directed proxies that are not voted on a poll at the Meeting will automatically default to the Chairman, who will vote those proxies as directed.

Corporate Representative

A corporate shareholder or proxy may appoint a person as its corporate representative. The appointment must comply with section 250D of the Corporations Act. The form to make this appointment can be downloaded from the Computershare website at www.investorcentre.com under the information tab "Downloadable Forms". The representative should bring to the AGM evidence of his or her appointment.

Appointing the Chairman as your proxy

A shareholder may appoint the Chairman as their proxy.

If a shareholder appoints the Chairman of the Meeting as proxy and does not direct the Chairman of the Meeting how to vote, or if the Chairman is appointed as a proxy by default, the shareholder will be expressly authorising the Chairman to vote as she sees fit on each resolution, even though the resolution may relate to the remuneration of a member of our key management personnel (**KMP**).

The Chairman of the Meeting intends to vote available proxies:

- (a) in favour of Resolutions 1 to 6; and
- (b) against Resolutions 7(a) and 7(b).

KMP voting restrictions

Under the Corporations Act, voting restrictions apply to our KMP and a closely related party for Resolutions 1 and 2. The term "closely related party" in relation to a member of our KMP includes a spouse, dependent and certain other close family members, as well as any companies controlled by the KMP.

If you appoint a member of our KMP (other than the Chairman of the Meeting) or any of their closely related parties as your proxy, 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 those resolutions, that person will not be permitted to vote, and will not vote, your proxy on those resolutions. Please refer to the explanatory notes for more details.

How to vote and voting deadlines

To be valid, direct votes, voting forms and proxies must be received by Computershare in Sydney **before 9.30am (Sydney time) on Wednesday, 23 October 2019 (Voting Deadline)**.

Voting forms, proxies or electronic voting instructions may be submitted:

- as a direct vote at www.investorvote.com.au. You will need information shown on your voting form to vote directly;
- 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 3, 60 Carrington Street, Sydney NSW 2000.

Intermediaries with access to Intermediary Online through Computershare should lodge their votes through www.intermediaryonline.com.

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

C. Shareholders eligible to vote

As determined by the Board, only shareholders who hold ordinary shares in the Company as at 7.00pm (Sydney time) on Wednesday, 23 October 2019 will be eligible to vote at the AGM.

Dated in Sydney on 10 September 2019.

By order of the Board.



Sejil Mistry
Company Secretary

More information

The following explanatory notes explain the items of business to be considered at the 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 of Meeting.

Receipt of financial statements and reports

During this item of business, we will provide a reasonable opportunity for shareholders to comment, and ask questions, on our financial statements and reports and on our business, operations and management. There will also be an opportunity to ask questions of our auditor.

Resolution 1: Adoption of the Remuneration Report

The Remuneration Report includes information regarding:

- our remuneration policy, practices and strategy; and
- the structure of KMP remuneration arrangements, and details on how we seek to align senior executive remuneration with the interests of all our stakeholders, including our customers, the community and shareholders.

The Board is confident that IAG's remuneration policies are in line with governance requirements and continue to support the Company's financial and strategic goals, which ultimately benefit all our stakeholders.

The 2019 Remuneration Report can be found on pages 19 to 41 of the 2019 Annual Report and on our website at www.iag.com.au/results-and-reports.

Shareholders will be given the opportunity to ask questions about, and to make comments on, the Remuneration Report at the AGM.

The vote on this resolution is advisory only and does not bind the Company or the Directors. However, the Board will take the outcome of the vote into consideration when reviewing our remuneration policies and practices.

Voting exclusion statement

The Company will disregard any votes cast on Resolution 1:

- by or on behalf of a member of the KMP whose remuneration is disclosed in the Remuneration Report (and their closely related parties) in any capacity; and
- as proxy by a person who is a KMP at the date of the Meeting (and their closely related parties),

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

- in accordance with a direction on the voting form; or
- by the Chairman of the Meeting in accordance with an express authorisation on the voting form to vote undirected proxies as she sees fit even though Resolution 1 is connected with the remuneration of KMP.

Board recommendation

The Directors recommend that shareholders vote in favour of Resolution 1. The Chairman of the Meeting intends to vote available proxies in favour of this resolution.

Resolution 2: Allocation of share rights to Mr Peter Harmer, CEO

It is proposed that Mr Peter Harmer, CEO, be granted securities as follows:

- Deferred Award Rights (**DARs**) – under IAG's short term incentive (**STI**) plan – to reward achievement of a mix of financial and non-financial targets. DARs are the deferred portion of the STI awarded for the financial year ended 30 June 2019; and
- Executive Performance Rights (**EPRs**) – under IAG's long term incentive (**LTI**) plan – subject to performance hurdles designed to drive performance over four years and to strengthen the alignment between Mr Harmer's interests, IAG's economic sustainability and the long-term interests of shareholders.

Why is shareholder approval being sought?

Under the ASX Listing Rules, shareholder approval is required for an issue of IAG securities to Directors. Approval is not required where the underlying shares to satisfy the vesting of any DARs or EPRs are purchased on-market. This is what IAG does. Accordingly, although we are not required to do so, we are seeking shareholder approval as a matter of good governance.

Background

Under Mr Harmer's employment agreement with the Company, his remuneration includes:

- fixed pay (base salary plus superannuation);
- an STI entitlement payable in cash;
- a 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.

The cash STI, DARs and EPRs are "at risk". DARs are only awarded if Mr Harmer meets the targets necessary to earn an STI. Similarly, EPRs only vest if the applicable performance hurdles are met. Both DARs and EPRs are designed to align Mr Harmer's interests with those of shareholders.

As a senior executive, Mr Harmer has received DARs and EPRs since joining IAG in 2010 and, in his capacity as CEO, he continues to be eligible to participate in the plans that award DARs and EPRs.

No loan has been, or is intended to be, given by the Company to Mr Harmer in relation to the proposed grants of DARs or EPRs.

Mr Harmer is the only Executive Director of the Company and therefore is the only Director eligible to participate in the DAR and EPR plans. Mr Harmer was granted 75,700 DARs and 377,000 EPRs in November 2018 pursuant to shareholder approval obtained at the 2018 Annual General Meeting. The DARs were granted for nil consideration and with a nominal exercise price of \$1 for the exercise of each allocation. The EPRs were granted for nil consideration with a nil exercise price.

An overview of these plans is provided below and full details (including information in relation to performance hurdles) can be found at www.iag.com.au/shareholder-centre/annual-meetings.

Details of securities issued to the CEO under the STI and LTI plans are published in the Company's Annual Report.

Explanatory notes

Proposed deferred STI arrangements – DARs

Consistent with current STI arrangements, the Board has set a maximum annual STI entitlement for Mr Harmer 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 50% of any STI that is awarded will be paid as cash and the remaining 50% will 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 Harmer's interests with those of shareholders. DARs will only vest for Mr Harmer if he remains employed with the Company on the test date and meets the conditions required for vesting.

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

How many DARs will be granted to Mr Harmer?

Subject to Resolution 2 being approved, the Board has determined that Mr Harmer will be granted a maximum number of 90,300 DARs.

That number was calculated using the following formula:

$$D = (STI \times Z) / S$$

Where:

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

STI = the dollar amount of the Mr Harmer's STI award for the financial year ended 30 June 2019 as determined by the Board, being \$1,418,191;

Z = the proportion of the STI that the Board has determined will be deferred and offered as an award of DARs (currently 50%); and

S = the volume weighted average share price of IAG shares over the 30 calendar days up to 30 June 2019, being \$7.85642.

If Resolution 2 is approved, the DARs will be granted to Mr Harmer on or after 1 November 2019 but within two months of the Meeting. The Board has determined that the DARs to be granted to Mr Harmer will vest as follows:

- 50% on the second trading day after the release of the Company's 2020 annual results; and
- 50% on the second trading day after the release of the Company's 2021 annual results.

Proposed LTI arrangements – EPRs

Mr Harmer is provided an LTI award in the form of EPRs. Each EPR is a right to acquire an ordinary share in the Company (or a cash amount equivalent to the value of an ordinary share in the Company, as determined by the Board), subject to meeting applicable performance hurdles.

If Resolution 2 is approved, EPRs will be granted to Mr Harmer as soon as practicable on or after 1 November 2019 but, in any event, within 12 months of the Meeting (**November 2019 LTI grant**).

The performance hurdles that must be met before EPRs become exercisable 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.

The performance hurdles relevant to the November 2019 LTI grant are:

- Total Shareholder Return 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 measured relative to IAG's Weighted Average Cost of Capital (**WACC**). This hurdle will apply to 50% of the grant of EPRs.

Each of these hurdles is measured over a four year period and discussed in further detail below:

• Total Shareholder Return

Total Shareholder Return is measured against that of the top 50 industrial companies within the S&P/ASX 100 Index (**Peer Group**). Industrial companies are defined by Standard & Poor's as being all companies excluding those defined as being in the Energy sector (GICS Tier 1) and the Metals & Mining industry (GICS Tier 3). Companies which are no longer part of the index at the end of the performance period (e.g. due to acquisition or delisting) may be removed from the Peer Group.

The proportion of EPRs in the Total Shareholder Return component of the November 2019 LTI grant that may vest is determined in accordance with the following table (subject to the discretion of the Board):

IAG TSR Ranking relative to Peer Group (for 50% of the LTI award)	Percentage of EPRs in the TSR component of the LTI award to vest
Less than the 50th percentile	0%
Between the 50th and 75th percentile	pro-rata vesting (on a straight line basis) between 50-100%
75th percentile or greater	100%

• Cash Return on Equity

Cash Return on Equity is measured relative to IAG's WACC. As foreshadowed at the 2018 Annual General Meeting, a review of the Cash Return on Equity hurdle was completed during the year considering factors such as IAG's evolving business strategy, market practice, changes to IAG's capital base and historic and projected Cash Return on Equity performance. As a result of this review, the vesting range of 1.2-1.6 times WACC applying to LTI awards in previous years has been increased to 1.4-1.9 times WACC for the November 2019 LTI grant and any future awards. It is expected that this change may result in lower vesting outcomes for executives.

The proportion of EPRs in the Cash Return on Equity component of the November 2019 LTI grant that may vest is determined in accordance with the following table (subject to the discretion of the Board):

Cash Return on Equity relative to WACC (for 50% of the LTI award)	Percentage of EPRs in the Cash Return on Equity component of the LTI award to vest
Cash Return on Equity < 1.4 times WACC	0%
Cash Return on Equity = 1.4 times WACC	20%
Cash Return on Equity is between 1.4 times WACC and 1.9 times WACC	pro-rata vesting (on a straight line basis) between 20% and 100%
Cash Return on Equity ≥ 1.9 times WACC	100%

EPRs will be granted at no cost to Mr Harmer and may be exercised at no cost if the performance hurdles are met. The Board retains the discretion to adjust any unvested EPRs downwards if it decides it is prudent to do so.

Explanatory notes

How many EPRs will be granted to Mr Harmer?

Subject to Resolution 2 being approved, the Board has determined that Mr Harmer will be granted a maximum number of 399,100 EPRs.

That number was calculated using the following formula:

$$E = (1.65 \times F) / S$$

Where:

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

F = the dollar value of Mr Harmer's fixed pay at the time of grant; and

S = the volume weighted average share price of IAG shares on the 30 calendar days up to 30 June 2019, being \$7.85642.

Cessation of employment and potential adjustments

If Mr Harmer ceases employment with the Company due to retirement, redundancy, death, or total and permanent disablement or with the approval of the Board:

- the Board may determine that:
 - his DARs continue to become exercisable on their scheduled vesting date; and/or
 - his DARs become exercisable on an earlier date; and/or
 - some or all of his DARs lapse; and
- he will retain his EPRs which will continue to be subject to the same performance hurdles.

If Mr Harmer resigns from the Company or his employment with the Company is terminated by the Company giving notice:

- the Board may determine that:
 - his DARs become exercisable at an earlier date; and/or
 - some or all of his DARs lapse; and
- his unvested EPRs lapse on the date his employment ceases, unless the Board exercises its discretion and allows Mr Harmer to retain his EPRs. Where the Board exercises that discretion, Mr Harmer's EPRs will continue to be subject to the same performance hurdles.

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

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

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

Voting exclusion statement

The Company will disregard any votes cast on Resolution 2:

- in favour of Resolution 2 by Mr Harmer or any of his associates, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a KMP at the date of the Meeting (and their closely related parties),

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

- in accordance with a direction on the voting form; or
- by the Chairman of the Meeting in accordance with an express authorisation on the voting form to vote undirected proxies as she sees fit even though Resolution 2 is connected with the remuneration of KMP.

Board recommendation

The Directors (other than Mr Harmer) recommend that you vote in favour of Resolution 2. The Chairman of the Meeting intends to vote available proxies in favour of this resolution.

Resolution 3: Election of Mr George Savvides



Mr George Savvides was appointed a Director of IAG on 12 June 2019 and is a member of the People and Remuneration Committee, Risk Committee and Nomination Committee.

Insurance industry experience

Mr Savvides has extensive executive experience, serving as Chief Executive Officer of Medibank (2002-2016), and Sigma Company (now Sigma Healthcare) (1996-2001).

Other business and market experience

Mr Savvides is a Non-Executive Director of New Zealand listed entity, Ryman Healthcare. He is also a Non-Executive Chairman of Next Science and Deputy Chairman of the Special Broadcasting Service Corporation (SBS).

Mr Savvides is a former Non-Executive Director of Kings Transport and Non-Executive Chairman of Macquarie University Hospital. He served for 18 years on the Board of World Vision Australia, including six years as Chairman until his 2018 retirement.

Directorships of other listed companies held in the past three years:

- Ryman Healthcare Limited, since 2013; and
- Next Science Limited, since 2018.

Board recommendation

The Directors (other than Mr Savvides) recommend that you vote in favour of Resolution 3.

The Chairman of the Meeting intends to vote available proxies in favour of this resolution.

Resolution 4: Re-election of Dr Helen Nugent



Dr Helen Nugent was appointed a Director of IAG on 23 December 2016. She is a member of the Audit Committee, Nomination Committee and Risk Committee.

Insurance industry experience

Previously, Dr Nugent was Chairman of Swiss Re (Australia) and Swiss Re (Life and Health) Australia, and a Non-Executive Director of Mercantile Mutual.

Other business and market experience

In the financial services sector, Dr Nugent was the Chairman of Veda Group and Funds SA (along with Swiss Re), as well as a Non-Executive Director of Macquarie Group for 15 years and the State Bank of New South Wales. Dr Nugent also served on Westpac Banking Corporation's executive team as Director of Strategy, and prior to that specialised in the financial services sector as a partner at McKinsey & Company.

Her experience as a Non-Executive Director extends to the energy sector. Currently, she is Chairman of Ausgrid.

In the arts sector, Dr Nugent is the Chairman of the National Portrait Gallery.

Dr Nugent has been Chancellor of Bond University and President of Cranbrook School, as well as having been a member of the Bradley Review into tertiary education.

Dr Nugent is also currently Chairman of the National Disability Insurance Agency and a member of the Board of the Garvan Institute for Medical Research.

Explanatory notes

Directorships of other listed companies held in the past three years:

- Origin Energy Limited (2003-2017).

Board recommendation

The Directors (other than Dr Nugent) recommend that you vote in favour of Resolution 4.

The Chairman of the Meeting intends to vote available proxies in favour of this resolution.

Resolution 5: Re-election of Mr Tom Pockett



Mr Tom Pockett was appointed a Director of IAG on 1 January 2015. He is Chairman of the Audit Committee and a member of the Risk Committee and Nomination Committee.

Insurance industry experience

Mr Pockett brings broad commercial, strategic and financial expertise to the Board. Mr Pockett is Chairman and Non-Executive Director of Stockland Group, Chairman and Non-Executive Director of Autosports Group Limited, and Deputy Chair and a Director of Sunnyfield Independence Association and of O'Connell Street Associates. He previously spent over 11 years as Chief Financial Officer and over seven years as Finance Director with Woolworths Limited and retired from these roles in February 2014 and July 2014 respectively. Mr Pockett has also held senior finance roles at Commonwealth Bank, Lend Lease Corporation and Deloitte.

Directorships of other listed companies held in the past three years:

- Autosports Group Limited, since 2016; and
- Stockland Group, since 2014.

Board recommendation

The Directors (other than Mr Pockett) recommend that you vote in favour of Resolution 5. The Chairman of the Meeting intends to vote available proxies in favour of this resolution.

Resolution 6: Refresh capacity to issue securities

Background

Under ASX Listing Rule 7.1, IAG cannot, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the start of that 12 month period (**15% Limit**).

ASX Listing Rule 7.4 sets out an exception to Listing Rule 7.1. It provides that where a company in a general meeting ratifies a previous issue of securities made under ASX Listing Rule 7.1, those securities will be deemed to have been issued with shareholder approval for the purpose of ASX Listing Rule 7.1.

On 28 March 2019 (**Issue Date**), IAG issued 45,000 subordinated medium term notes (**Notes**) for a total consideration of \$450 million. The Notes are convertible into ordinary shares in certain circumstances (summarised below). Because of this, the number of shares into which the Notes can be converted must be included in the calculation of the 15% Limit. On this basis, Resolution 6 seeks ratification of the issue of the Notes.

Why did we issue the Notes?

The Notes were issued as part of our capital management strategy. The proceeds from the Notes are intended to be used for general corporate purposes including the early refinancing of IAG's Reset Exchangeable Securities (**RES**) that we currently expect to redeem in December 2019.

What will be the effect of passing Resolution 6?

If Resolution 6 is passed, we will have the flexibility to issue equity securities in the future up to the 15% Limit, without the need to obtain prior shareholder approval. This will increase our financial flexibility although a decision to issue more securities would only be made by the Board if it considered it would be in the best interests of the Company to do so.

If Resolution 6 is not passed by shareholders, the number of ordinary shares into which the Notes are convertible will be taken into account when determining the remaining number of securities which can be issued at any time up to 28 March 2020 in accordance with Listing Rule 7.1.

ASX has provided confirmation to IAG that for the purposes of calculating the number of Notes that may be issued within IAG's

15% Limit, the number of ordinary shares taken to be issued on the conversion of Notes should be calculated by notionally converting the Notes into ordinary shares based on the average volume weighted average price for the 20 business days prior to the relevant issue date of Notes, and the conversion discount specified in the relevant pricing supplement for the issue of the Notes (**Notional Conversion Price**). The Notional Conversion Price is \$7.71. Accordingly, for the purpose of determining the amount of IAG's 15% Limit used by the \$450 million Notes issue, the Notes are notionally converted into 58.4 million ordinary shares (which represents approximately 2.5% of the aggregate number of ordinary shares currently on issue in IAG).

Additional information

The following additional information is provided:

a) The number of securities issued

The total number of Notes issued was 45,000.

b) The price at which the securities were issued

\$10,000 per Note, being its face value and issue price.

c) The terms of the securities

- A term of 26 years maturing on 15 June 2045 unless converted or redeemed earlier, as summarised below.
- Interest is payable quarterly at a floating rate equal to the 3 months bank bill swap rate (**BBSW**) plus a margin of 2.35% per annum, which payment may be deferred in certain circumstances.
- IAG may redeem the Notes at face value between years 6 and 7 (that is, 15 June 2025 to 15 June 2026) and at any time for certain tax and regulatory events (in each case subject to prior written approval of the Australian Prudential Regulation Authority (**APRA**)).
- The Notes are convertible into fully paid ordinary shares in IAG (**Ordinary Shares**) on each interest payment date on and from 15 June 2028 (year 9).
- If APRA determines IAG to be non-viable, the Notes may, and in most cases must, convert into Ordinary Shares or, if conversion does not occur when required, the Notes will be written off.
- The number of Ordinary Shares received by holders on conversion will be based on a volume-weighted average price (**VWAP**) over a certain period, less a discount of 1%.

Explanatory notes

- The number of Ordinary Shares to be issued on conversion will be capped at a maximum number calculated in accordance with the following formula:

$$\text{Maximum conversion number} = \frac{\text{Face value}}{\text{(Issue Date VWAP x relevant fraction)}}$$

The relevant fraction is 50% for conversion at the holder's option and 20% for conversion on non-viability.

- The Notes qualify as Tier 2 Capital under APRA's capital adequacy framework for general insurers.

For further detail, see the Information Memorandum dated 4 March 2019 and Pricing Supplement dated 21 March 2019 released to the ASX on 28 March 2019.

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

The Notes were issued to institutional investors.

e) The use of the funds raised

The proceeds from the issue of the Notes are intended to be used for IAG's general corporate purposes including the early refinancing of IAG's Reset Exchangeable Securities (**RES**) that we currently expect to redeem in December 2019.

Voting exclusion statement

In accordance with ASX Listing Rule 14.11, the Company will disregard any votes cast in favour of Resolution 6 by or on behalf of any persons who participated in the issue of the Notes (or their associates), unless the vote is cast as a proxy for a person entitled to vote on Resolution 6:

- in accordance with a direction on the voting form; or
- by the Chairman of the Meeting in accordance with an express authorisation on the voting form to vote undirected proxies as she sees fit.

ASX has granted a waiver from ASX Listing Rule 14.11.1 to the extent necessary to permit the Company to count votes cast on Resolution 6 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 Notes 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 Notes, nor are they an associate

of a person who participated in the issue of Notes;

- the beneficiaries direct the Nominee Holders to vote for or against the resolution; and
- the Nominee Holders do not exercise discretion in casting a vote on behalf of the beneficiaries.

Board recommendation

The Directors recommend that you vote in favour of Resolution 6.

The Chairman of the Meeting intends to vote available proxies in favour of this resolution.

Resolution 7: Proposal promoted by Market Forces and requisitioned by a group of shareholders

Background

A group of 118 shareholders, holding less than 0.017% of the shares on issue in the Company, has proposed two resolutions pursuant to section 249N of the Corporations Act. This group has also requested that the supporting statements set out in Appendix 1 and Appendix 2 (on pages 10 to 11) of this Notice of Meeting be provided to shareholders.

The Directors recommend that you vote against Resolutions 7(a) and 7(b) for the reasons set out below.

Resolution 7(a): Special resolution to amend the Company's Constitution

Resolution 7(a) proposes a new provision in the Company's Constitution to enable shareholders, by ordinary resolution, to express an opinion or request information about the way in which a power of the Company, partially or exclusively vested in the Directors, has been or should be, exercised.

The Board respects the rights of shareholders to seek to amend the Company's Constitution, however, the Board does not consider this resolution to be in the best interests of shareholders for the following reasons:

- The power to manage the business of the Company is conferred upon the Board by the Constitution. It is not appropriate or practical for the Board's power to manage the Company to be potentially compromised by advisory resolutions promoted by narrow shareholder interest groups which fail to consider the interests of all IAG's stakeholders. It is important for the

Board to be able to exercise its powers in relation to the business and affairs of the Company having regard to its stakeholders and the interests of its shareholders as a whole.

- Shareholders already have multiple avenues to express an opinion or request information about the Company.

IAG has an active investor relations program which provides shareholders with a number of ways to ask questions and make comments about IAG, including through:

- giving shareholders the right to ask questions or make comments regarding any aspect of the Company's business as part of the discussion on Resolution 1 in the Notice of Meeting, or at any other time. A question form is provided with this Notice of Meeting to encourage shareholders to submit questions in advance of the AGM;
- pre-AGM meetings with our largest shareholders and the major governance and advisory bodies;
- post-results meetings with domestic and offshore institutional investors every six months; and
- periodic presentations on our strategy or specific aspects of our business, as appropriate. One recent initiative was a webcast Q&A session with IAG's Chief Financial Officer for retail shareholders.

For the above reasons, the Board considers that the proposed resolution does not improve the ability of shareholders as a whole to be heard and, to the contrary, could lead to confusion and impede the ability of the Board to exercise its powers in the best interest of shareholders as a whole.

Resolution 7(b): Disclosure of targets to reduce investment exposure to fossil fuel assets

Resolution 7(b) is an advisory resolution proposing that IAG disclose measurable targets to reduce investment exposure to fossil fuel assets, consistent with the goal of the Paris Agreement to limit the increase in global average temperatures to well below 2°C above pre-industrial levels. The resolution also proposes that IAG disclose its plans and progress towards achieving these targets on an annual basis, starting with the 2019-20 Annual Report.

Resolution 7(b) will only be put to the Meeting if Resolution 7(a) is passed by special resolution.

Explanatory notes

The Directors do not consider this resolution to be in the best interests of shareholders for the following reasons:

a) IAG is committed to investing responsibly and has reduced its investment exposure to fossil fuel assets to a very low level

IAG has been a signatory to the United Nations-supported Principles for Responsible Investment since 2008.

IAG is also a founding member of the Australian Sustainable Finance Initiative, which is a cross-industry collaboration established to enable the financial services sector to contribute more systematically to the transition to a more resilient and sustainable economy, consistent with global goals including the Paris Agreement on climate change and the United Nations Sustainable Development Goals.

IAG's investment portfolio has very limited exposure to higher risk companies with the largest contribution to climate change, which represent 0.13% of our investment assets at 30 June 2019, down from 0.43% two years ago. When constructing our investment portfolio, we take into account, and balance, environmental, social and governance (ESG) considerations against our commercial investment criteria and strategy.

As outlined in our Climate Action Plan, we are working to leverage our investment potential to support a transition to a low carbon economy or develop infrastructure that can reduce the risks (and premium costs) faced by the community. Since 2017, we have moved our equities holdings away from companies with the highest exposure to, and poor strategies to manage, ESG factors, including climate-related risks. IAG continues to review and refine its approach to investment through its commitments under our Climate Action Plan.

Given IAG has very limited investment exposure to fossil fuel assets, has actively reduced that exposure and has a demonstrated commitment to responsible investment, the Board considers that setting fossil fuel investment reduction targets presents little or no benefit and is not in the best interests of shareholders.

b) IAG has made significant progress towards its climate action targets and provides regular climate-related disclosures

In FY18, IAG set science-based carbon emission reduction targets for our operations consistent with

commitments in the Paris Agreement on climate change. In FY19, IAG reduced greenhouse gas emissions by 22.6%, which is on track to exceed our target of a 20% reduction in carbon emissions by 2020. IAG has also been carbon neutral since 2012.

IAG also manages climate risk through its underwriting process. IAG has committed to cease underwriting entities predominantly in the business of extracting fossil fuels and power generation using fossil fuels by 2023. In alignment with its purpose to make your world a safer place, IAG has committed to underwrite workers' compensation insurance irrespective of the climate intensity of the industry of work as we believe everyone needs to be protected at work. As at 30 June 2019, IAG's annual gross written premium (GWP) relating to all mining and fossil fuel power generation (including workers' compensation in these areas) was less than \$10 million, which equates to less than 0.1% of the total GWP written by IAG in FY19.

IAG's strategic commitments are set out in its Climate Action Plan, which has five key areas of focus:

- **Think big** – ensuring IAG leads on the right issues and builds the right relationships to enable climate action;
- **Prepare our people** – so that we can apply the depth of experience of people from across our business to support climate action;
- **Reduce our emissions** – to ensure IAG plays its role in emissions reduction;
- **Invest responsibly** – to ensure our investment activity aligns to IAG's purpose and appropriately addresses ESG and climate change considerations; and
- **Rethink risk** – to ensure IAG's products, systems and partnerships help customers, businesses and communities to make a smooth transition to whatever the future brings.

Our Climate Action Plan is a comprehensive, goal-oriented strategy to tackle climate action through to the 2021 financial year and includes a scorecard outlining Group Executive accountability. IAG reports on progress towards achieving the commitments in its Climate Action Plan every six months. Since 2018, IAG has also commenced the expansion of our climate change-related disclosure to facilitate the phased introduction of the recommendations

of the Taskforce on Climate-related Financial Disclosures (TCFD). Relevant climate change-related disclosures were included in the 2019 Annual Report. Further information on IAG's climate risk-related targets and key metrics are available in the Safer Communities section of the IAG website (<https://www.iag.com.au/climate-related-disclosure-2019>).

Board recommendation

The Directors recommend that you vote against Resolutions 7(a) and 7(b). The Chairman of the Meeting intends to vote available proxies against these resolutions.

Appendix 1

The contents of Appendix 1 and Appendix 2 have been provided by Market Forces and are not endorsed by the Board.

Supporting Statement provided by Market Forces in relation to Resolution 7(a)

Shareholder resolutions are a healthy part of corporate democracy in many jurisdictions other than Australia. For example, in the UK shareholders can consider resolutions seeking to explicitly direct the conduct of the board. In the US, New Zealand and Canada shareholders can consider resolutions seeking to advise their board as to how it should act. As a matter of practice, typically, unless the board permits it, Australian shareholders cannot follow the example of their UK, US, New Zealand or Canadian cousins in this respect.

A board of Directors is a steward for shareholders and accountability for the discharge of that stewardship is essential to long-term corporate prosperity.

In rare situations the appropriate course of action for shareholders dissatisfied with the conduct of board members is to seek to remove them. But in many situations such a personality-focused approach is unproductive and unwarranted. In those situations a better course of action is to formally and publicly allow shareholders the opportunity at shareholder meetings such as the AGM to alert board members that the shareholders seek more information or favour a particular approach to corporate policy.

The constitution of IAG is not conducive to the right of shareholders to place resolutions on the agenda of a shareholder meeting.

In our view, this is contrary to the long-term interests of IAG, the IAG Board and all IAG shareholders.

Passage of this resolution – to amend the IAG constitution – will simply put IAG in a similar position in regard to shareholder resolutions as any listed company in the UK, US, Canada or New Zealand.

We encourage shareholders to vote in favour of this resolution.

Appendix 2

Supporting Statement provided by Market Forces in relation to Resolution 7(b)

This resolution is proposed in order to protect the long-term interests of the Company, noting that:

- a) Climate change is already impacting our Company's profitability and any increase in global warming enhances the risk profile of climate change impacts to our financial health;
- b) A primary driver of global warming is the fossil fuel industry (coal, oil and gas), which our Company is exposed to through its investments;
- c) Our competitors, domestically and in other markets, are taking steps to reduce fossil fuel investments; and
- d) IAG states it has "an ambition to be a regional leader in tackling climate change". However, to be a credible public proponent for action that mitigates and builds resilience to climate change impacts, IAG must have its own house in order.

Shareholder value at risk

Anyone searching for evidence that climate change is impacting IAG's bottom line need look no further than our provisioning for natural perils. In the current investor report, IAG has set the natural peril allowance at \$641 million for financial year 2020, an increase of 314% since 2006.

However, even these allowance increases have been insufficient to prevent the destruction of shareholder capital. IAG has under-provisioned for natural perils 11 times in the last 14 years, amounting to a \$1.14 billion loss since 2006¹. In FY19 natural perils amounted to 10.8% of IAG's net earned premium, up from 7.2% in 2018.²

The losses incurred by IAG on natural perils, exacerbated by global warming, are a direct hit to the shareholder capital invested in this Company, and present fundamental risks to our industry's ability to operate. According to Tom Herbstein of Cambridge University's insurance project ClimateWise, "climate change fundamentally challenges the existing insurance business model because it is rendering actuary analysis in many places obsolete."³

In 2018 IAG⁴ (and the NZ Reserve Bank⁵) warned the effects of climate change will render huge swathes of the globe uninsurable. The same warning was made specifically for Townsville after its record-breaking floods in February 2019,⁶ on which our Company has clearly taken a direct financial hit. According to Munich Re, during the three decades to 2012 Australian weather-related insurance losses rose fourfold.⁷ The trend is clear. Without significant and urgent action in both climate change mitigation and adaptation, IAG will lose an increasing number of customers due to the unaffordability of insurance, combined with less predictable but increasing overall natural peril claims.

IAG's current Climate Action Plan lacks clarity and transparency

IAG's climate action plan, released in October 2018, lists several objectives related to investments including:

- Shift investments to companies that have a lower exposure to climate-related risks or a forward-looking strategy to manage these risks; and
- Measure carbon intensity and include climate-related risks in the (ESG) risk management of our investments.

These objectives are wholly insufficient to provide assurance that IAG is managing climate risk exposure through its investments. Many of the terms are undefined and ambiguous, the degree of quality required in Company strategies is not articulated, and there is very little transparency afforded as to how these objectives would be implemented.

Setting targets to reduce investment exposure to coal, oil and gas, which reflect the transition required to meet the Paris Agreement climate goals, would allow shareholders to appreciate how IAG is managing its own exposure to transitional climate risk, while playing its part in mitigating future physical risk. At the same time, the Company would be able to call for strong action on climate change with credibility, knowing its own house is in order.

Currently, IAG is reporting a reduction of its carbon footprint and exposure to "higher risk" companies in its equity portfolio over the last two years.⁸ However, investors are currently unable to determine IAG's actual coal, oil and gas investment exposure, nor its expected trajectory, or what companies are captured by IAG's definition. This contrasts with IAG's peers, which have announced clear positions on, for example, exiting from all thermal coal investments. This resolution will inform investors how IAG's exposure to climate risk via its investment portfolio will be reduced over time.

Investor support is required

This resolution is intended to ensure IAG is acting sufficiently, within its sphere of influence, to manage and mitigate a risk already undermining the financial health of the Company, its customers and shareholders. It would afford the Company credibility among its peers and in the public domain when calling for action to be taken on climate change, and send an important market signal that an urgent transition to a low-carbon economy is necessary. This will serve to mitigate climate change and therefore the financial risks it poses to our Company.

We encourage shareholders to vote in favour of this resolution.

1 Comparison of natural peril allowances versus claims as disclosed in IAG annual financial reports, FY06-19

2 <https://www.iag.com.au/results-and-reports>

3 <https://www.bloomberg.com/news/articles/2017-11-13/big-insurers-brace-for-perilous-future-as-climate-risks-escalate>

4 <https://www.afr.com/business/insurance/climate-change-on-track-to-make-world-uninsurable-iag-20181115-h17xu5>

5 <https://www.stuff.co.nz/business/108931621/reserve-bank-voices-fears-climate-change-will-render-homes-uninsurable>

6 <https://www.insurancebusinessmag.com/au/news/breaking-news/climate-changedriven-flood-risk-could-make-townsville-homes-uninsurable-159513.aspx>

7 <https://www.smh.com.au/business/the-economy/australias-insurance-losses-to-climb-as-globewarms-munich-re-20121027-28bxa.html>

8 <https://www.iag.com.au/climate-related-disclosure-2019>



Shareholder information

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Online information

To view other information about IAG and to manage your shareholding online, visit www.iag.com.au. You can also register to receive email news alerts when IAG makes important announcements.

AUSTRALIA



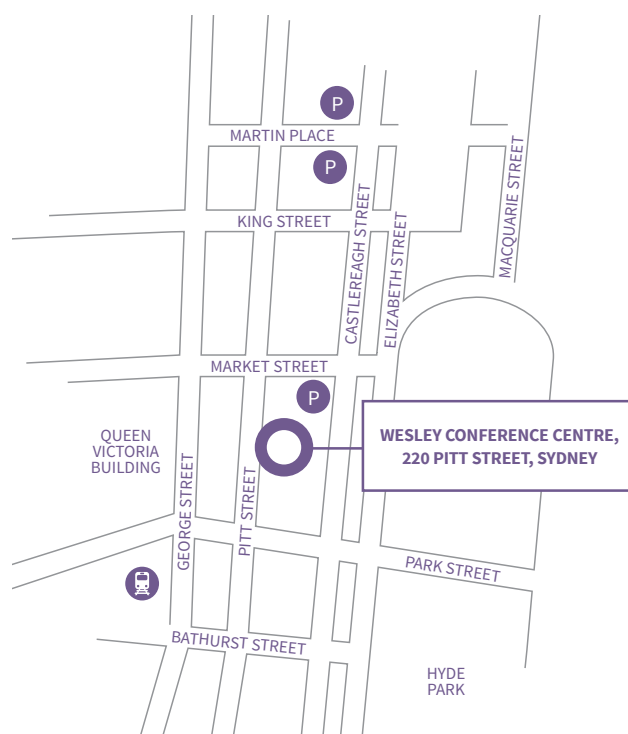
NEW ZEALAND



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 owns 100% of Insurance Australia Limited (IAL), the underwriter of general insurance products under the Coles Insurance brand. These products are distributed by Coles under an Authorised Representative Agreement with IAL.

IAG's 2019 AGM will be held on Friday, 25 October 2019 from 9.30am at the Wesley Conference Centre, 220 Pitt Street, Sydney. It will be webcast at www.iag.com.au/shareholder-centre/annual-meetings.



GETTING THERE

Train

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

Bus

For 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 2019 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.

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-centre/annual-meetings.