



BOARD CHARTER

PURPOSE OF CHARTER

1. This Board Charter sets out the role, structure, composition and responsibilities of the Board of Insurance Australia Group Limited (IAG or the Group).
2. The composition, structure and conduct of the Board is also governed by IAG's Constitution, the Corporations Act, Prudential Standards made under the Insurance Act, the Australian Securities Exchange's Listing Rules and general law.

ROLE OF BOARD

3. The Board's principal role is to govern, rather than manage, IAG, by ensuring that there is a proper governance framework in place to promote and protect IAG's interests for the benefit of its stakeholders.
4. The Directors represent and serve the interests of the stakeholders and collectively oversee and appraise the strategies, policies and performance of IAG, having due regard to its role in the community.
5. The Board has established Committees to assist it in exercising its authority, including the responsibilities set out in this Charter.
6. The Board will determine the terms of reference, membership and composition of Board Committees including the standing Board Committees:
 - Audit Committee;
 - Risk Committee;
 - People and Remuneration Committee (PARC); and
 - Nomination Committee.

STRUCTURE AND COMPOSITION

7. The size of the Board will be determined in accordance with IAG's Constitution. The Board will have regard to the minimum number of Directors required by the Australian Prudential Regulatory Authority (APRA) Prudential Standards.
8. The Board must be comprised of a majority of independent Non-Executive Directors at all times.
9. The Directors present and eligible to vote at Board meetings will include a majority of Non-Executive Directors.
10. The Board will appoint the Chair of IAG's Board. The Chair must be an independent Non-Executive Director.
11. The Board will determine whether each Director is independent in accordance with the Standards approved by the Board for assessing a Director as independent.

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12. Non-Executive Directors will be required to confirm their independence periodically while they remain in office.
 13. The Board will monitor dealings in securities and declarations of interest by Directors.
 14. The Non-Executive Directors will meet for private discussion as required.

BOARD PERFORMANCE AND RENEWAL

15. The Board will review the performance, including the efficiency and effectiveness, of the Board and each Director annually.
16. The Board will review its size and composition at least annually and at any time it considers the appointment, re-appointment or removal of a Director, with a view to ensuring that, among other things, it remains open to new ideas and independent thinking, while retaining adequate expertise.
17. In undertaking a review in accordance with paragraph 20, the Board will consider any matter it considers appropriate, including:
 - the results of its annual review referred to in paragraph 19;
 - IAG's strategy;
 - the nature and size of the Group and the complexity of its business; and
 - the tenure of each Director and whether that tenure could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of IAG.
18. All Non-Executive Directors are required under IAG's Constitution to retire as a Director by rotation at least once every three years after each election by IAG shareholders.
19. The maximum tenure for a Non-Executive Director shall be ten years, although, taking into account the matters in paragraph 20 and any other matter the Board considers relevant, the Board has the discretion to invite a Non-Executive Director to stand for an additional term which may take their total tenure beyond 10 years.
20. The terms of appointment of Non-Executive Directors, and a statement of responsibilities, are set out in letters of appointment for each Non-Executive Director, including the Chairman.

BOARD DELEGATION TO THE CHIEF EXECUTIVE OFFICER

21. The Board has delegated responsibility for the overall management and profit performance of IAG, including all the day-to-day operations and administration of IAG, to the Group Chief Executive Officer (CEO). The CEO is principally responsible for:
 - developing, with the Board, implementing and monitoring the strategic and financial plans of IAG;
 - the efficient and effective operation of IAG;
 - fostering a culture that rewards performance, integrity, respect and a considered sense of urgency;
 - ensuring the ongoing development, implementation and monitoring of IAG's risk management and internal controls frameworks;
 - ensuring the Board is provided with relevant accurate and clear information in a timely manner to promote effective decision-making; and
 - ensuring all material matters affecting IAG are brought to the Board's attention.
22. The CEO manages IAG in accordance with the policies, budget, corporate plan, and strategies approved by the Board, and has the power to manage IAG, subject to the limits set out in the CEO Delegated Authority Limits in Appendix A.

CONFLICT OF INTEREST MANAGEMENT

23. The Board will manage conflicts of interest as described in the Board Policy on Conflicts of Interest Management appended to this Charter as Attachment A.

BOARD RESPONSIBILITIES

The Board is responsible for the overall oversight of IAG, and specifically:

STRATEGY

24. Drive the strategic direction of IAG by setting goals and policies, and approve Group strategies and the Corporate Plan annually.
25. Approve significant corporate initiatives including major acquisitions, projects and divestments.
26. Set and review IAG's risk appetite and approve the risk management strategy and risk appetite statement.
27. Set standards for and monitor governance practices (including appropriate standards of ethical behaviour, corporate governance, and social and environmental responsibility).
28. Approve Group policies or delegate responsibility to a Board Committee to approve certain Group policies.
29. Approve the Group Balance Scorecard.
30. Provide advice and counsel to senior management.

BOARD GOVERNANCE

31. Select appropriate candidates for the Board and recommend to IAG's shareholders the election or removal of Directors.
32. Develop and review policy in relation to Director tenure and Board size, composition and renewal.
33. Undertake an independent review of the performance, composition and size of the Board every three years.
34. Develop and implement succession planning for IAG's Non-Executive Directors.

SHARED VALUE & SUSTAINABILITY

35. Review and monitor implementation of IAG's shared value and sustainability strategy.
36. Monitor the performance of shared value initiatives to create safer, stronger and more confident communities, as well as sustainability aspects under the areas of customer, workforce, community and environment.
37. Review external reporting on shared value and sustainability strategies and initiatives, specifically within the IAG Annual Review.

CEO SUCCESSION & EXECUTIVE REMUNERATION

38. Select, appoint and determine the terms of appointment and, regularly evaluate the performance of, and, if necessary, replace the CEO.

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39. Approve the appointment and where appropriate, removal of the Group Chief Financial Officer (CFO) and the Company Secretary.
 40. Ratify the selection, appointment and the terms of appointment of Executives that report directly to the CEO.
 41. Set the remuneration of the CEO, CFO, Group Executives and the remuneration of any other person determined by the PARC whose activities may affect the financial soundness of the company.
 42. Review CEO succession planning.
 43. Monitor Management's performance and the exercise of the Board's delegated authority.

FINANCIAL, RISK, AUDIT, ACTUARIAL & REINSURANCE

44. Select, appoint and monitor the performance of the external auditors.
45. Monitor financial performance and reporting.
46. Approve IAG's budget annually.
47. Set policies for and approve dividends payable to shareholders.
48. Approve capital management transactions, including return of capital, allotment of new capital and capital raising transactions, to ensure that IAG's capital structure is optimal.
49. Approve the reporting on the internal capital adequacy assessment process to be made to APRA.
50. Approve IAG's half year and full year Financial Reports and IAG's Annual Report.
51. Approve IAG's annual Insurance Liabilities Valuation Report.
52. Monitor all key risk and compliance areas by ensuring the implementation of a suitable risk management and internal controls framework and, at least annually, receive a report from the Risk Committee on the effectiveness of the Group's Risk Management Framework.
53. Approve the annual declaration on risk management to APRA.
54. Approve reinsurance renewal strategies and the implementation of reinsurance renewal programmes.
55. Approve the Group's investment objectives and strategy.
56. Maintain an open dialogue with regulators and be available to meet with regulators as required.

CHAIR'S RESPONSIBILITIES

57. Provide appropriate leadership to the Board and IAG.
58. Take all reasonable steps to ensure that the Board discharges its role.
59. Maintain an open dialogue with the CEO, and, as appropriate, provide support and counsel the CEO to facilitate the effective discharge of his/her duties and responsibilities.
60. Facilitate the effective organisation and work of the Board.

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61. Approve the agendas for each Board meeting and shareholder meetings.
 62. Facilitate open dialogue and communication between Board members and the CEO and the Executive team.
 63. Be available to meet with APRA on request.
 64. Preside at Board and shareholder general meetings.

AUDITOR AND ACTUARY ACCESS TO THE BOARD

65. The Auditor and Appointed Actuary have free and unfettered access to the Board, and at least annually, the Board will meet with the Auditor and the Appointed Actuary without Management personnel being present.

COMPANY SECRETARY

66. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.
67. All Directors have unfettered access to the Company Secretary and the Company Secretary has unfettered access to Directors.

REVIEW OF CHARTER

68. The Board will review this Charter and the Charters of Board Committees every three years to ensure they remain consistent with the Board's objectives and responsibilities, and relevant standards of corporate governance.

APPENDIX A

CHARTER OF CHIEF EXECUTIVE OFFICER DELEGATED AUTHORITY LIMITS

Board delegation of authority to CEO

The Board has delegated to the Group Chief Executive Officer (CEO) the overall management and profit performance of IAG, including all the day-to-day operations and administration of IAG.

The CEO manages IAG in accordance with the policies, budget, corporate plan and strategies approved by the Board, and has the power to manage IAG, subject to the delegated authority limits (CEO Limits) set out in this IAG Board Charter, which may be amended by the Board from time to time.

The CEO has authority to sub-delegate any such power and authority to Senior Management as he sees fit from time to time, subject to the CEO Limits below. The CEO retains responsibility for the exercise of any delegated authority that is given to Senior Management.

Accountability and monitoring

The CEO is accountable to the Board for the exercise of the delegated authority from the Board within the CEO Limits.

The Board and its committees will monitor the actions, decisions and conduct of the CEO and the performance of IAG to ensure that they comply with the CEO Limits.

The Board will agree with the CEO the information and reports to be provided to enable the Board and its committees to be informed of material developments and progress in relation to the areas below and to demonstrate that the actions, decisions and conduct of the CEO are within the CEO Limits:

- the development and implementation of the strategic, budget and other financial plans of IAG;
- the financial condition of IAG;
- events, transactions or matters that may have a material impact on IAG and its corporate reputation;
- the efficient and effective operation of IAG;
- the ongoing development, implementation and monitoring of IAG's risk management and internal controls frameworks;
- relationships and interaction with regulators;
- the fostering of IAG's culture in line with IAG's Purpose and Spirit
- development of, and succession planning for, the Group Executive team.

CEO delegated authority limits

- The CEO must not engage in or cause any activity or behaviour that would be contrary to policies approved by the Board, including IAG's corporate governance, and commonly accepted business and community standards.
- The CEO will not allow decisions to be made or activities undertaken without first assessing the safety and health of IAG's employees, their impact on customers, the environment and the communities within which IAG operates.
- The CEO will not allow decisions to be made in relation to operating and capital expenditure, capital management and risk accumulation without assessing their impact on IAG's customers, reputation, assets, financial condition and risk appetite.
- The CEO has authority below the financial limits and within other limits set out in IAG's

Group Financial Delegations and Authorities Policy.

- The CEO will make decisions and approve activities to achieve IAG's corporate, budget, other financial plans and strategies in conformance with the Board approved risk appetite consistent with IAG's Risk Management and Reinsurance Management Strategies.

Appendix B

Board Policy on Management of Conflicts of Interest

Purpose & Scope

This policy describes how the Boards of Insurance Australia Group Limited (**IAGL**) and Insurance Australia Limited (**IAL**) manage any actual, apparent or potential Conflict. The objective of the policy is to allow the Directors on each Board to discharge their duties and responsibilities and for the Boards to operate effectively in those circumstances.

To the extent IAGL and IAL have Directors in common there is the potential for Conflicts to arise where IAGL and IAL are both involved or have an interest in the same transaction or circumstance (for example, in intragroup arrangements such as intercompany loans, reinsurance and dividend payments).

This policy applies to the Boards of IAGL and IAL, however, the principles contained within this policy may be used by other subsidiary Boards to manage any conflicts which may arise.

Summary of the duties of directors

The Directors of IAG and each of its subsidiaries owe various statutory, common law and fiduciary duties to the relevant company. Directors have a duty to:

- exercise due care and diligence;
- exercise his or her powers and discharge his or her duties in good faith and in the best interests of the respective company and for a proper purpose;
- not use their position or company's information to gain advantage for themselves or another person (sections 182 and 183). In this context "another person" would usually include another company, however the basic principle that directors and officers must act in the best interests of the company does not prevent an officer from engaging in an activity that would benefit an entity within the same corporate group, as the benefit accruing to the company may be direct or indirect; and
- disclose and manage any conflicts of interest.

Additionally, under the Insurance Act 1973 (Cth), directors of general insurers have primary responsibility for protecting the interests of policyholders.

What is a Conflict?

A Conflict may involve conflicting interests, conflicting duties or a combination of both.

Conflict of Interest: refers to a situation where a Director has (or others may perceive the Director to have) a material personal interest in a matter that is in conflict with the interests of the Company. The Director has a duty to disclose the personal interest to the other Directors on the Board.

The material personal interest may be held directly or indirectly (through a spouse, sibling or parent) by the Director.

There are a number of exceptions where a material personal interest need not be disclosed in accordance with s191(2) of the Corporations Act. See Appendix 1 for a list of the exceptions.

Conflict of Duty: arises when a Director is required to fulfil two or more roles that may be in conflict with each other, and can be actual, potential or perceived conflicts of duty. In practical terms, a Director's duty to act for one entity may conflict with or reduce their ability to perform their duty to another entity.

A Conflict exists whether it is actual, potential or perceived:

- an actual conflict is one where there is a current conflict between a Director's duties as a board director, and their other duties or interests.
- a potential conflict arises where a Director has other duties or interests that could conflict with their duties as a board director. This refers to circumstances where it is foreseeable that a conflict may arise in future and steps should be taken now to avoid or mitigate that future risk.

- a perceived conflict can exist where the public or a third party could form the view that a Director's duty or interest could improperly influence the performance of their duties as a Director, now or in the future. A perceived conflict of interest can arise from avoiding personal losses, as well as gaining personal advantage, whether financial or otherwise.

Key Principles

- All perceived or actual Conflicts must be identified, notified, managed and monitored in accordance with this Policy.
- Each regulated entity must maintain sufficient capital to meet regulatory requirements on a stand-alone basis.
- Each Group entity outsources certain corporate functions to other Group entities (e.g. IAL outsources asset management to IAG Asset Management Limited). All intragroup agreements (i.e. related party transactions) must have business sign-off on behalf of each party by separate members of management and separate legal sign-off to ensure that different representatives deal with issues in relation to each party (for example, an intercompany loan agreement between IAGL and IAL). If a related party transaction is not on arms-length terms, Management must be able to demonstrate to the Board, and the Board must be satisfied, that the arrangement is in the best interests of each party to the relevant agreement, having regard to the solvency of each entity and the best interests of IAGL.
- To minimise the risk that the Directors are placed in a position of conflict:
 - (a) any issues in relation to a particular company that may give rise to a conflict will, to the extent possible, be resolved by the key management representatives with the assistance of their separate legal advisers;
 - (b) Management must bring any potential conflict to the attention of Directors, with an explanation as to how the conflict will be managed; and
 - (c) any confidential information relating to an issue affecting a company will be quarantined at the management level until the issue is resolved.
- Dealings between a Group insurer and IAGL (and between the insurer and other IAG subsidiaries or associates) are conducted having due regard to interests of the respective entities, including in the case of Group insurers, policyholders.
- In any dealing with a third party, the relevant Group entity dealing with the third party is clearly identified.
- In the unlikely event an actual conflict arises (which is likely to apply only in circumstances of the possible insolvency of one entity) steps may be taken to designate roles. This may involve the splitting of the relevant Board or Board(s) to separately represent the interests of each entity.

Identifying and Managing Conflicts

Generally, there are three mechanisms for managing conflicts of interest:

- (a) **disclosing** – all Directors have an obligation to disclose to the Board any Conflicts. It is each Director's responsibility to ensure that any perceived or actual Conflicts are fully disclosed to ensure the relevant entity (through its non-conflicted Directors) can adopt the appropriate course of action to avoid or manage the Conflict;
- (b) **avoiding** - where it is not possible to manage a conflict, it should be avoided, this may involve the conflicted Director standing aside from both sides of a transaction and being excused from consideration of or decision on the relevant matter or, if the whole Board is conflicted, specific Directors being designated to represent the respective interests of each entity (Split Board) under the procedure described below and outlined in Appendix 2; and
- (c) **controlling** – there are instances where Conflicts are capable of being managed with appropriate controls being put in place. In such instances the Conflict should be carefully monitored to ensure that it continues to be appropriately managed or that its status has not altered in any way to cause the Board to reassess how the Conflict should be managed.

Operation of a “Split Board”

In circumstances where an IAGL Director is also a Director of an IAGL subsidiary (such as IAL), there is potential for conflicting duties to each entity, for example between the Director's duty to protect the interests of shareholders and the duty to protect the interests of policy holders.

Where all the Directors of a Board are in a position of Conflict, the Board will not be able to act in a matter. In this circumstance, the Board may follow the procedure set out in Appendix 2 of this Policy to allow it to manage the Conflict.

Recording Conflicts

All papers and other information being brought to any Board for consideration must, to the extent possible, identify any potential Conflict. All such Conflicts and any Conflict disclosed by any Director must be appropriately recorded in the Board minutes and in the Conflicts Register of the relevant entity. The Board Services team maintains the Conflicts Register to manage the recording, assessment and monitoring of Conflicts identified by Directors or the Board.

When a Director becomes aware of (or anticipates) a Conflict, the Director must immediately inform the Chairman, Company Secretary or Deputy Company Secretary. The Chairman will make a determination of the Conflict and the Board will be informed of the Conflict.

Voting

Clauses 12.17 – 12.25 of the IAGL Constitution (Appendix 3) sets out the requirements for dealing with Director Interests. These clauses are mirrored in the subsidiary constitutions of the Group. In circumstances where a Director discloses a material personal interest the requirements of the Constitution on voting and quorum must be followed.

Training

Directors of IAG and each subsidiary or associate shall be provided with training on their responsibilities as directors that includes dealing with conflicts of interest.

Review and approval

IAG Legal & Board Services shall conduct an annual review of this Policy and make any recommendations to update the Policy to the IAG Risk Committee.

This Policy and all material changes to the Policy must be approved by the IAGL Board and the boards of each of the IAG subsidiaries.

Appendix 1 – s191(2) Corporations Act Exceptions to disclosing material personal interests:

A director does not have to give notice of an interest in the following circumstances:

- (1) The interest:
 - (a) arises because the [director](#) is a member of the company and is held in common with the other members of the company; or
 - (b) arises in relation to the [director's](#) remuneration as a [director](#) of the company; or
 - (c) relates to a contract the company is proposing to enter into that is subject to approval by the members and will not impose any obligation on the company if it is not approved by the members; or
 - (d) arises merely because the [director](#) is a guarantor or has given an indemnity or security for all or part of a loan (or proposed loan) to the company; or
 - (e) arises merely because the [director](#) has a right of subrogation in relation to a guarantee or indemnity referred to in subparagraph (iv); or
 - (f) relates to a contract that insures, or would insure, the [director](#) against liabilities the [director](#) incurs as an officer of the company (but only if the contract does not make the company or a related body corporate the insurer); or
 - (g) relates to any payment by the company or a related body corporate in respect of an indemnity permitted under [section 199A](#) or any contract relating to such an indemnity; or
 - (h) is in a contract, or proposed contract, with, or for the benefit of, or on behalf of, a related body corporate and arises merely because the [director](#) is a [director](#) of the related body corporate; or
- (2) the company is a proprietary company and the other directors are aware of the nature and extent of the interest and its relation to the affairs of the company; or
- (3) all the following conditions are satisfied:
 - (a) the [director](#) has already given notice of the nature and extent of the interest and its relation to the affairs of the company under [subsection \(1\)](#);
 - (b) if a person who was not a [director](#) of the company at the time when the notice under [subsection \(1\)](#) was given is appointed as a [director](#) of the company--the notice is given to that person;
 - (c) the nature or extent of the interest has not materially increased above that disclosed in the notice; or
- (4) the [director](#) has given a standing notice of the nature and extent of the interest under [section 192](#) and the notice is still effective in relation to the interest.

Appendix 2 – Spilt Board Procedure

The following conditions to be satisfied before the Directors may implement the Split Board Procedure:

- (1) Each of the entity Boards must have the same Directors;
- (2) the Directors believe in good faith that there is a Relevant Conflict, defined as an actual conflict between any two of the following:
 - (a) the directors' duties to entity 1 e.g. IAGL; and
 - (b) the directors' duties to entity 2 e.g. IAL.

and the Directors believe in good faith that the Split Board Procedure is in the best interests of:

- i. each entity;
- ii. the shareholders of the entity;
- iii. the policy holders (where relevant); and
- iv. and the IAG Group.

For the avoidance of doubt, the Chairman of each Board may, on behalf of the Board, obtain independent legal advice for the purposes of considering whether a Relevant Conflict exists and whether it is appropriate to invoke this Split Board Procedure.

If all of the conditions set out above are satisfied, the Chairman of each Board:

- (1) in the case of IAGL, shall request half the number of Directors on the IAGL Board, or a number nearest half, take leave of absence from that Board, so that they may act in the interests of the subsidiary Board with no continuing obligation as Directors of the IAGL Board for the duration of the Conflict;
- (2) in the case of other Group entities, shall request that all Directors who are also continuing Directors on the IAGL board take leave of absence from the relevant subsidiary Board, so that they may act in the interests of IAGL with no continuing obligation as Directors of the relevant subsidiary Board for the duration of the Conflict; and
- (3) may request directors on leave of absence to resume their duties as Directors of the relevant Board following resolution of the Conflict.

For the avoidance of doubt, the above does not require a Director to continue to participate on either the IAGL Board or a subsidiary Board (as applicable) with respect to the matter giving rise to the Relevant Conflict if that Director considered it would be contrary to their duties to do so.

The Directors on each Board must exercise a reasonable degree of care and diligence for the purposes of ensuring that the Board carries out its statutory and common law duties, including, where applicable the duty to consider the interests of policy holders.

In carrying out their duties, all Directors must ensure that they have:

- (1) discharged their duty to act in good faith in the best interests of the entity; and
- (2) not to be in breach of any duties imposed by law.