

2014 AGM SHAREHOLDERS' QUESTIONS & COMMENTS



IAG encouraged shareholders to ask questions of, or make comments to, the Board and management in advance of the 2014 Annual General Meeting (AGM), via a form included with the 2014 Notice of Meeting and online through the investor voting website. As the owners of IAG, shareholders' views are important and this initiative is designed to promote shareholder participation.

Around 130 shareholders sent us questions and comments, dealing with a range of subjects. The Chairman and Chief Executive Officer sought to respond to the majority of these during their addresses to the AGM. A summary of the themes raised most frequently follows, along with IAG's responses.

Executive remuneration

- **How does the remuneration structure align Executives' interests with those of shareholders and link pay to performance?**
- **Why did executives receive significant salary increases this year?**

Our executive remuneration framework has been constant for a number of years, and the allocation of executive remuneration between fixed pay, Short Term Incentives and Long Term Incentives has remained consistent, year-on-year.

The Board believes strongly that the fundamental driver for Executive remuneration should be long term financial performance that generates value for IAG shareholders.

To achieve this outcome, we have a remuneration structure for the Group CEO and the Executive team that comprises a mix of fixed pay, consisting of salary and superannuation, and at risk remuneration.

Over two-thirds of Executive remuneration is "at risk" to align remuneration with longer-term financial performance and shareholder interests.

IAG's performance over the long term and in particular in the last year has been strong, with a record cash profit, robust margins and excellent shareholder returns. In line with this, total value of remuneration Executives have received has increased in recent years, largely due to an increase in the value of the Long Term Incentive that has vested.

IAG exceeded the two long term financial targets of cash return on equity and relative total shareholder return, each of which is used as the measure for 50% of the Long Term Incentive plan.

The value of Long Term Incentive, or LTI, that vested during the 2014 financial year is significantly higher than that in previous years as a result of:

- full vesting of the portion of the LTI plan that is subject to the cash Return on Equity hurdle, for the first time;
- full vesting of the portion of the LTI plan that is subject to the Total Shareholder Return hurdle tested in the financial year, including additional vesting through retesting of the Total Shareholder Return portion of prior grants; and
- the significant increase in share price since the LTI that vested this year

	<p>was granted. Shareholders have also seen a pleasing increase in the value of their holdings as a result of this share price gain.</p> <p>This year, the Board asked an external independent advisor to review our executive remuneration framework, including the Long Term Incentive plan.</p> <p>The review confirmed that the long term targets of Return on Equity and Total Shareholder Return are appropriate targets for Executives and are sufficiently challenging through the insurance cycle to drive the achievement of IAG's strategy and deliver strong returns for shareholders.</p> <p>As a result, we have not proposed any significant changes to the executive remuneration structure.</p> <p>We believe it attracts quality people and rewards superior organisational performance, and that this benefits of all of us who have an interest in the success of our company.</p>
<p>Dividend payments</p>	<ul style="list-style-type: none"> ■ Can I use my dividend to buy more IAG ordinary shares? <p>Yes. IAG conducts a Dividend Reinvestment Plan which is a convenient and cost effective way to increase your investment without having to appoint a broker or pay fees.</p> <p>Information on the plan is available in the Shareholder Centre of our website. This also contains links to the plan booklet, and application form.</p>
<p>Shareholder discounts</p>	<ul style="list-style-type: none"> ■ Why don't shareholders get discounts on their policies? <p>We offer discounts to customers for loyalty and for multiple policies. Shareholders receive dividends and as shareholders hopefully you are also customers.</p>