

REMUNERATION REPORT

LETTER FROM THE PEOPLE AND REMUNERATION COMMITTEE CHAIRMAN

Dear Shareholder

IAG is pleased to present its Remuneration Report for the year ended 30 June 2016.

The People and Remuneration Committee (PARC) reaffirms its commitment to delivering remuneration outcomes that reflect both business performance and shareholder returns, as well as ensuring IAG is able to continue to attract and retain high quality executives.

Throughout the year the business strategy has evolved, and remuneration frameworks continue to support the changing needs of the business. The overall organisation results are reflected in the remuneration outcomes received by Executives.

The following table provides a summary of some key highlights for the year ended 30 June 2016:

CURRENT YEAR HIGHLIGHTS	SUMMARY
A new leadership team was appointed	In November 2015, Peter Harmer was appointed as Group CEO and in December 2015 Peter appointed his new Executive team.
Fixed pay supports IAG's remuneration principles	<p>The fixed pay for the newly appointed Executive team reflects their experience in the relevant roles, as well as internal and external benchmarks. This supports key principles underpinning IAG's remuneration framework of aligning remuneration to the incumbent's skill and experience, internal relativities of IAG's Executive team and external roles to remain market competitive.</p> <p>As a result of difficult market conditions, it was determined by PARC in August 2015 that no fixed pay increases would be provided to our Executive team over the 2016 financial year other than where there was a change in role.</p>
Short term performance was sound	<p>In the 2016 financial year, IAG undertook significant changes designed to set up the organisation for continuous growth and profitability into the future. Whilst these changes impacted leadership teams, operating models and organisational structures, IAG's short term business performance remained sound. The business maintained a stable market position, continued to perform well at an underlying level and IAG has received some notable recognition for its leadership in the industry.</p> <p>Reflective of the business' short term performance, the average Short Term Incentive (STI) payment was 67% of the maximum achievable for the Executive team.</p>
IAG focuses Executives on being Closer, Braver, Faster	<p>The IAG Spirit was introduced in the current financial year and encompasses what is important to IAG; how we serve our customers, partners, shareholders, communities and each other. The IAG Spirit is measured through an individual's commitment and demonstrated behaviour to display IAG's core values of Closer, Braver, Faster.</p> <p>To align Executive behaviours with the IAG Spirit, eligibility for a STI payment is now dependent on demonstrating the IAG Spirit.</p>
IAG delivers sustained long term performance	IAG once again achieved strong returns, with full vesting of the Return on Equity (ROE) portion of the LTI. IAG ranked at the 52nd percentile of its peer group and achieved 54% vesting of the Total Shareholder Return (TSR) component of the Long Term Incentive (LTI).
ROE vesting schedule adjusted to align to market practice	A review was conducted during the 2016 financial year to assess the appropriateness of our LTI performance hurdles. The review confirmed that TSR and ROE continue to appropriately align Executives with IAG's three to four year aspirations, and consequently the current performance hurdles will remain in place for the 2016 LTI awards. The PARC has determined that a more detailed review of the ROE hurdle will take place prior to the 2017 awards to ensure it continues to drive the desired outcomes for shareholders.
Shareholder interests are aligned through a mandatory shareholding requirement	As part of IAG's philosophy of aligning the interests of Executive and Non Executive Directors (NEDs) with those of shareholders, all Executive and NEDs are required to hold a proportion of their remuneration as IAG shares. All Executives and NEDs who were required to meet their mandatory shareholding requirement at 30 June 2016 have done so.
Review of Balanced Scorecard for the 2017 financial year	IAG is currently undertaking a review of its Executive Remuneration Framework. As part of this review, the incorporation of a Net Promoter Score (NPS) into the balanced scorecard is currently under consideration. A NPS measure focuses Executives' efforts on earning and sustaining loyal customers and vocal promoters of the business, by nurturing a business culture which IAG customers can believe in and rely upon.

IAG is committed to ensuring the Remuneration Report presents executive remuneration in a consistent, concise and simple manner, as well as complying with the Corporations Act 2001. As in previous years, in this report the Company voluntarily discloses the actual remuneration received by Executives, in addition to meeting our statutory reporting obligations.

The People and Remuneration Committee are confident that IAG's remuneration framework supports the Group's financial and strategic goals now and into the future.

Yours sincerely

A handwritten signature in black ink, appearing to read "Elizabeth Bryan". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Elizabeth Bryan AM
Chairman - People and Remuneration Committee

CONTENTS	PAGE
A Key management personnel covered in this report	17
B 2016 snapshot	18
C Executive remuneration governance	20
D Executive remuneration structure	21
E Linking the Group's performance and reward	23
F Executive employment agreements	26
G Statutory remuneration disclosure requirements	27
H Non-Executive Director remuneration	30
I Related party interests	32
J Key terms and definitions	33

A. KEY MANAGEMENT PERSONNEL COVERED IN THIS REPORT

This report sets out the remuneration details of IAG's KMP as listed below:

NAME	POSITION	TERM AS KMP ^(a)
Executives		
Peter Harmer ^(b)	Managing Director and Chief Executive Officer	Full year
Julie Batch	Chief Customer Officer	From 8 December 2015
Chris Bertuch	Group General Counsel & Company Secretary	From 8 December 2015
Ben Bessell	Chief Executive, Australian Business Division	Full year
Duncan Brain	Chief Executive, Asia	Full year
David Harrington	Group Executive, Office of the CEO	From 8 December 2015
Nicholas Hawkins	Chief Financial Officer	Full year
Jacki Johnson ^(c)	Group Executive, People, Performance & Reputation	Full year
Anthony Justice	Chief Executive, Australian Consumer Division	From 8 December 2015
Mark Milliner	Chief Operating Officer	From 27 April 2016
Craig Olsen	Chief Executive, New Zealand	From 1 January 2016
Claire Rawlins	Group Executive, Digital & Technology	From 8 December 2015
Clayton Whipp	Chief Risk Officer	Full year
Executives who ceased as key management personnel		
Michael Wilkins	Managing Director and Chief Executive Officer	Ceased 16 November 2015
Andy Cornish ^(d)	Acting Chief Operating Officer	Ceased 27 April 2016
Alex Harrison	Chief Executive, Enterprise Operations	Ceased 31 August 2015
Leona Murphy	Chief Strategy Officer	Ceased 31 December 2015
Non-Executive Directors		
Elizabeth Bryan ^(e)	Chairman, Independent Non-Executive Director	Full year
Alison Deans	Independent Non-Executive Director	Full year
Hugh Fletcher	Independent Non-Executive Director	Full year
Raymond Lim	Independent Non-Executive Director	Full year
Jonathan Nicholson	Independent Non-Executive Director	From 1 September 2015
Tom Pockett	Independent Non-Executive Director	Full year
Philip Twyman	Independent Non-Executive Director	Full year
Non-Executive Directors who ceased as key management personnel		
Brian Schwartz	Chairman, Independent Non-Executive Director	Ceased 31 March 2016
Yasmin Allen	Independent Non-Executive Director	Ceased 30 September 2015

- (a) All remuneration is disclosed from the date the individual was appointed as a KMP (ie. their contract commencement date) to the date of cessation.
- (b) Peter Harmer held the position of Chief Digital Officer until 31 July 2015, then Chief Executive IAG Labs until 16 November 2015. He commenced as Managing Director and Chief Executive Officer on 16 November 2015.
- (c) Jacki Johnson held the position of Chief Executive, New Zealand until 31 December 2015. She commenced as Group Executive, People, Performance and Reputation on 1 January 2016.
- (d) Andy Cornish held the position of Chief Executive Personal Insurance up to 8 December 2015 and acting Chief Operations Officer until 27 April 2016. He ceased employment on 1 July 2016. His termination benefits are disclosed in the current financial year.
- (e) Elizabeth Bryan held the position of Deputy Chairman from 5 December 2014 until 31 March 2016, when she commenced as Chairman.

Key terms that are used throughout the report are defined in detail in section J key terms and definitions.

B. 2016 SNAPSHOT

I. Actual remuneration received by Executives

For remuneration details provided in accordance with the Accounting Standards refer to section G Statutory remuneration disclosure requirements.

TABLE 1 - ACTUAL REMUNERATION RECEIVED IN 2016 AND 2015

NAME	FINANCIAL YEAR	FIXED PAY \$000	OTHER	TERMINATION BENEFITS \$000 (2)	CASH STI \$000	DEFERRED STI	LTI VESTED \$000 (4)	TOTAL ACTUAL REMUNERATION RECEIVED \$000
			BENEFITS AND LEAVE ACCRUALS \$000 (1)			VESTED \$000 (3)		
EXECUTIVES								
Peter Harmer	2016	1,460	70	-	905	311	1,428	4,174
	2015	1,012	(23)	-	473	432	2,152	4,046
Julie Batch	2016	343	34	-	153	-	-	530
Chris Bertuch	2016	400	33	-	138	-	-	571
Ben Bessell	2016	686	31	-	271	83	161	1,232
	2015	123	(7)	-	65	-	-	181
Duncan Brain	2016	934	261	-	532	154	273	2,154
	2015	921	263	-	469	210	429	2,292
David Harrington	2016	346	33	-	160	-	-	539
Nicholas Hawkins	2016	1,026	(48)	-	593	318	1,428	3,317
	2015	1,012	56	-	603	463	2,198	4,332
Jacki Johnson ⁽⁵⁾	2016	1,053	92	-	585	252	1,286	3,268
	2015	1,096	(43)	-	418	398	1,949	3,818
Anthony Justice	2016	372	(6)	-	156	-	-	522
Mark Milliner	2016	181	20	-	-	-	-	201
Craig Olsen ⁽⁶⁾	2016	330	36	-	124	-	-	490
Claire Rawlins	2016	341	32	-	152	-	-	525
Clayton Whipp	2016	784	64	-	415	117	243	1,623
	2015	755	64	-	341	211	367	1,738
EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL								
Michael Wilkins	2016	808	(46)	1,060	1,197	792	3,580	7,391
	2015	2,112	232	-	1,314	1,232	5,514	10,404
Andy Cornish	2016	875	49	1,086	887	256	1,486	4,639
	2015	1,052	93	-	602	469	2,290	4,506
Alex Harrison	2016	145	(6)	782	-	128	260	1,309
	2015	849	51	-	611	192	397	2,100
Leona Murphy	2016	466	52	808	410	261	1,286	3,283
	2015	910	38	-	505	411	1,981	3,845

(1) Further details are provided in table 8 in section G Statutory remuneration disclosure requirements.

(2) Includes payment in lieu of notice, redundancy payment and outplacement services.

(3) The deferred STI vesting on 1 September 2015 was valued using the five day weighted average share price \$5.14 (1 September 2014: \$6.49).

(4) The LTI vested was valued using the five day weighted average share price at vesting date was \$5.50 for awards vested on 24 August 2015 and \$4.84 for awards vested on 30 September 2015 (20 August 2014: \$6.27; 30 September 2014: \$6.18).

(5) Remuneration for Jacki Johnson between 1 July 2015 and 1 January 2016 was determined in New Zealand dollars. Full year remuneration is reported in Australian dollars.

(6) Remuneration for Craig Olsen was determined in New Zealand dollars and reported in Australian dollars.

There were no fixed pay increases for Executives during the 2016 financial year except for newly appointed Executives to recognise the increased responsibilities associated with their new roles.

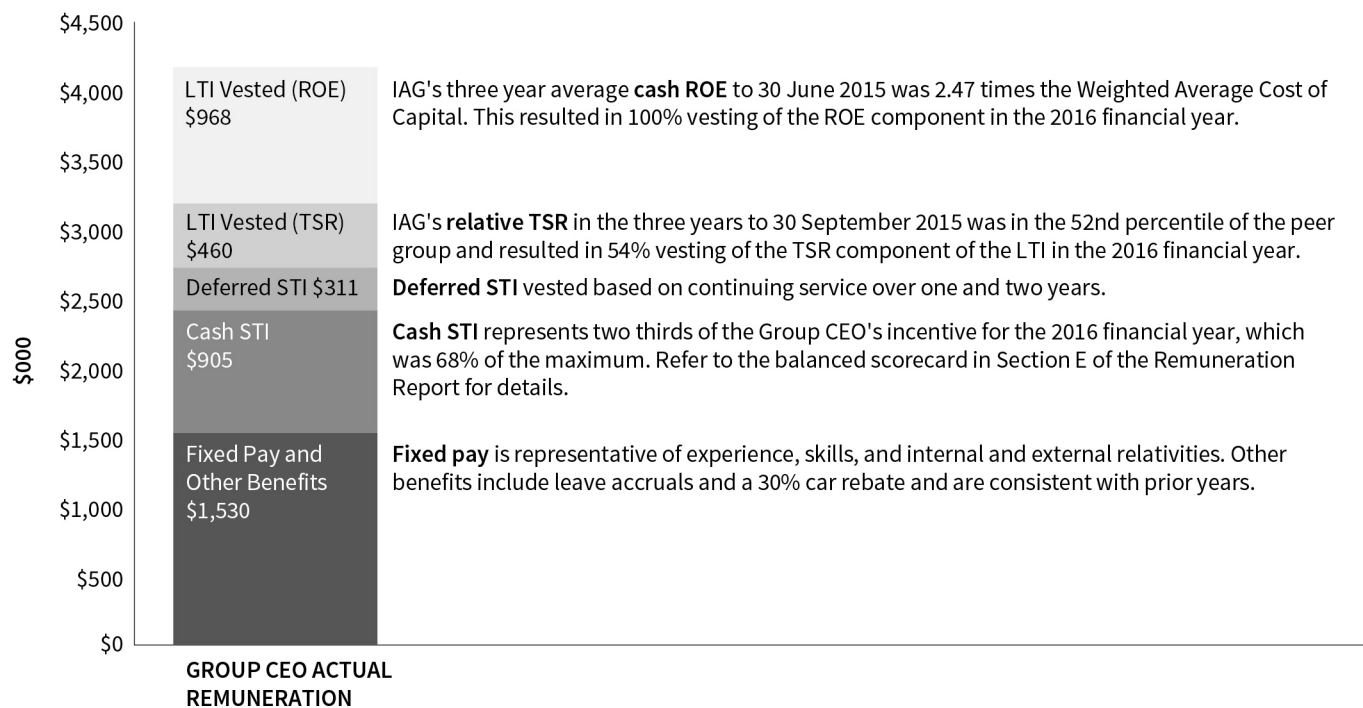
II. Group CEO remuneration explained

Actual remuneration received is based on the Group’s performance over a number of different time periods and is linked explicitly to the performance hurdles and timeframes over which they are achieved.

Using the current Group CEO’s remuneration as an example, actual remuneration received has reduced this year from previous years, given the number of rights vested was lower this year than in prior years. This was due to reduced share price movement, TSR performance and no retests occurring for the TSR hurdle.

The following graph illustrates the current Group CEO’s remuneration, broken down into the components of his remuneration plan.

GROUP CEO FY16 PERFORMANCE AND ACTUAL REMUNERATION OUTCOMES



C. EXECUTIVE REMUNERATION GOVERNANCE

BOARD

Ensures the Group remuneration framework is aligned to the short and long term interests of IAG and its shareholders. Independently considers recommendations made by the PARC before making executive remuneration decisions.

PARC

Ensures the remuneration policies and practices support the delivery of IAG's strategic goals.

Advises the Board on:

- Group remuneration policy and its effectiveness
- Executive remuneration and contract terms
- IAG Non-Executive Director (NED) remuneration.

Approves:

- Exceptions to policy
- Equity-based plans
- Target market positioning
- Annual remuneration reporting
- Subsidiary board NED Remuneration.

EXTERNAL REMUNERATION CONSULTANTS

The PARC engages remuneration consultants to provide advice that assists the Board in making remuneration decisions.

MANAGEMENT

The Group CEO recommends Executive team remuneration and contract terms to the Board.

Executives may attend PARC meetings, by invitation, to assist the Committee in its deliberations and provide updates on people related strategy and initiatives.

I. Remuneration guiding principles

IAG's remuneration practices have been designed to achieve the following objectives, being to:

- align remuneration with the interests of IAG's shareholders;
- motivate employees to achieve superior and sustainable performance and discourage underperformance;
- retain market competitiveness to attract and retain high quality people;
- clearly communicate the remuneration policy; and
- encourage constructive behaviours and prudent risk taking that support long term financial soundness.

II. Use of remuneration consultants

The PARC engaged EY remuneration consultants to provide KMP remuneration benchmarking. The remuneration data provided was used as an input to the remuneration decisions by the Board only. No remuneration recommendations, as defined by the Corporations Act 2001, were provided by EY. The Board considered the data provided, together with other factors, in setting Executives' remuneration.

III. Adjustment policy

Each year, the Board assesses whether variable remuneration under the Deferred Award Rights (DAR) and Executive Performance Rights (EPR) Plans needs to be adjusted to:

- protect the financial soundness of IAG or an operating segment;
- respond to significant unexpected or unintended consequences that were not foreseen by the Board; or
- respond to other circumstances where the Board determines that an adjustment is necessary, including circumstances where behaviour does not align with a desired risk culture, to ensure that an inappropriate reward outcome does not occur.

In the year ended 30 June 2016, this investigation did not reveal any requirement for the Board to adjust remuneration.

IV. Mandatory shareholding requirement

The Group CEO is required to accumulate and hold IAG ordinary shares with a value of two times their base salary, and the Executive team one times their respective base salaries. Executives have four financial years from their date of appointment as an Executive to meet their requirement. Holdings are assessed annually at the end of each financial year, using the closing share price at 30 June and the Executive's base salary from four years prior. The shareholding includes Executives' directly held shares and rights vested and unexercised as at 30 June, for entities controlled, jointly controlled or significantly influenced by the Executive. Shares held by the Executives' domestic partner and dependants are not included in the mandatory shareholding requirement calculation. All Executives appointed prior to 30 June 2012 met the mandatory shareholding requirement at 30 June 2016.

D. EXECUTIVE REMUNERATION STRUCTURE

I. Summary of remuneration components

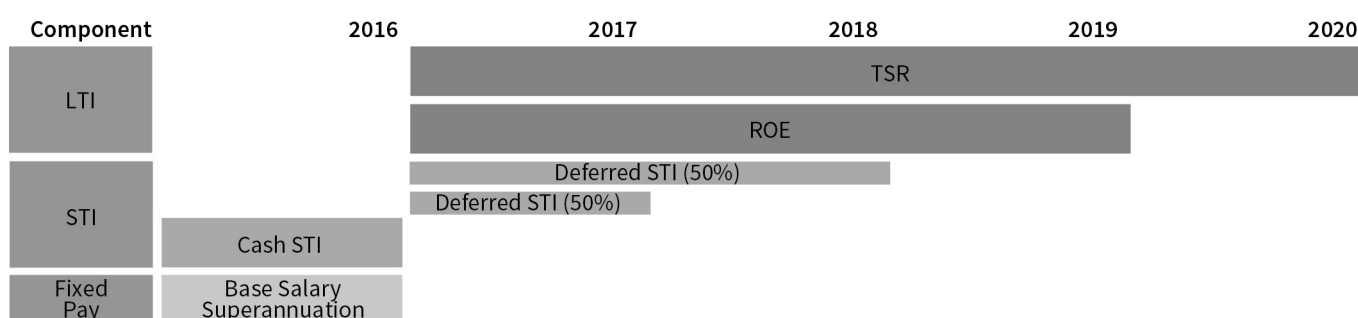
The table below outlines the remuneration components and the strategic objective of each component:

TABLE 2 - REMUNERATION COMPONENTS

COMPONENT	MEASURE	STRATEGIC OBJECTIVE
LTI	TSR 50%	TSR provides a direct link between Executive reward and shareholder return by measuring the value created for shareholders through the appreciation of the share price and the value of dividends.
	ROE 50%	ROE provides evidence of company profitability and is linked to shareholder return. IAG uses ROE as a key measure of the efficiency of the Group's financial performance.
STI	Balanced scorecard	Financial and non-financial measures provide a balance between rewarding the achievement of financial targets and non-financial objectives that drive the execution of IAG's strategy and future growth.
Fixed pay	Position description	Fixed pay is market competitive based on the roles' experience, skills, internal relativities of the Executive team and market pay levels of similar external roles. Fixed pay for Australian based Executives is determined by reference to peer groups, including financial services companies in the S&P/ASX 50 Index and companies that are of similar size to IAG. Relevant local market peer groups are referenced for overseas based Executives.

The remuneration components are structured to reward Executives across different timeframes. The graph below shows the remuneration components and the periods over which performance is assessed:

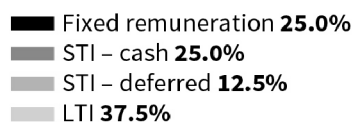
REMUNERATION COMPONENT TIMEFRAMES



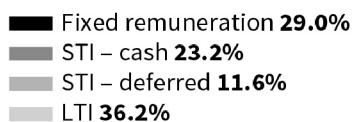
II. Potential remuneration mix

Total potential remuneration for Executives comprises a mix of fixed pay and maximum potential at-risk remuneration (STI and LTI). The mix, shown in the graph below, is designed to pay Executives competitively based on their performance, while providing strong governance to protect the financial soundness of the business and shareholders' interests.

POTENTIAL GROUP CEO REMUNERATION MIX



AVERAGE POTENTIAL EXECUTIVE TEAM MEMBER REMUNERATION MIX



Notes:

- Potential remuneration is based on current remuneration at 30 June 2016. STI and LTI are based on maximum opportunities.

III. At-Risk remuneration

The Board strongly believes that the fundamental driver for executive remuneration should be long term financial performance that generates value for IAG shareholders. The Board further recognises that executive remuneration is guided by regulation and market forces and it regularly reviews IAG's executive remuneration to ensure IAG uses at-risk remuneration components to achieve its remuneration and performance objectives.

a. Cash and deferred short term incentive (STI)

Cash and deferred STI is the at-risk remuneration designed to motivate and reward for performance in the financial year. The graph below shows the maximum STI potential, the gateway and the measures that drive the STI outcome for the 2016 financial year:

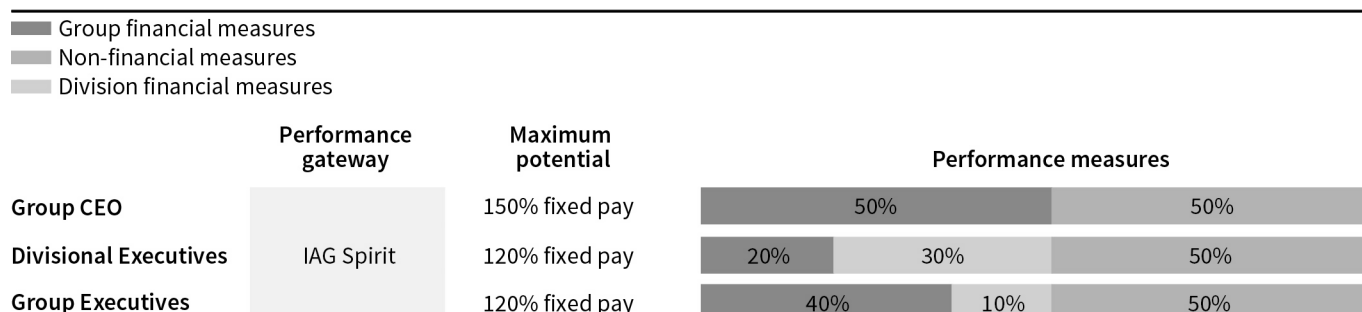


TABLE 3 - STI PLAN

Performance gateway	The IAG Spirit describes what is important to IAG; how we serve our customers, partners, shareholders, communities and each other. Eligibility for a STI payment is dependent on demonstrating the IAG Spirit. The IAG Spirit is measured through an individual's commitment and demonstrated behaviour to display IAG's core values of Closer, Braver, Faster. Therefore, if Executives do not demonstrate the behaviours within the IAG Spirit, they will not be eligible for a STI payment. The IAG Spirit gateway is designed to highlight the link between demonstrating the IAG Spirit and the achievement of performance outcomes.
Performance measures and evaluation	<p>Performance is measured against a balanced scorecard that uses both financial and non-financial goals (the balanced scorecard is discussed in more detail in table 5). The Group CEO's STI is recommended by the PARC based on their balanced scorecard performance and is approved by the Board.</p> <p>The amount of STI paid to members of the Executive team is recommended by the Group CEO to the PARC based on the Executive team members' balanced scorecard performance and subsequently recommended by the PARC for approval by the Board. The Board may apply discretion in determining the STI outcomes to ensure they appropriately reflect an Executive's performance.</p>
Instrument	Two-thirds of the STI is paid as cash, with the remaining one third deferred in the form of Deferred Award Rights (DAR) that vest equally over two years.
Key terms of the deferred STI	Deferred STI is issued in the form of DAR, which are rights over IAG ordinary shares. They are issued to Executives during the financial year at no cost, to the value of their deferred STI amount. The number of DAR issued is calculated based on the price of an IAG ordinary share at 30 June before the grant date. Executives who participate in this plan become eligible to receive one IAG ordinary share per DAR by paying an exercise price of \$1 per tranche of DAR exercised, subject to their continuing employment with the Group for a period determined by the Board. No dividend is paid or payable for any unvested or vested and unexercised DAR.
Forfeiture conditions	The Board retains the discretion to adjust downwards the unvested portion of any awards. DAR will be forfeited if the Executive resigns before the vesting date. When an Executive ceases employment in special circumstances, such as redundancy, any unvested rights may be retained on cessation of employment, subject to Board discretion.

b. Long term incentive (LTI)

LTI grants are determined annually by the Board. The grants are provided in the form of Executive Performance Rights (EPR) with measures aligned to the Group's strategic financial targets. The maximum value of EPR that can be granted to the Group CEO and Executive team members under the LTI plan is 150% and 125% of fixed pay respectively.

TABLE 4 - LTI PLAN

	RETURN ON EQUITY (ROE)	RELATIVE TOTAL SHAREHOLDER RETURN (TSR)
Description	ROE - 50% weighting	TSR - 50% weighting
	Cash return on equity is measured relative to the Group's WACC.	Total shareholder return is measured against that of the top 50 industrials within the S&P/ASX 100 Index.
Testing	The ROE portion of the LTI is tested from 1 July of the grant year to 30 June three years later.	The TSR portion of the LTI is tested four years after 30 September of the grant year with no additional opportunity for retesting. TSR granted prior to July 2013 is tested after three years and then again at four years and five years. Retesting was removed from subsequent grants of EPR.
Vesting	0% vesting <1.2 x WACC 20% vesting at 1.2 x WACC 100% vesting at 1.6 x WACC with straight line vesting in between.	0% vesting if <50th percentile of index group 50% vesting if aligned to 50th percentile of index group 100% vesting if aligned to 75th percentile of index group with straight line vesting in between.
Instrument	Rights granted after 1 July 2013 may be settled with either IAG ordinary shares or with cash if performance hurdles are achieved, as determined by the Board. Rights granted prior to 1 July 2013 are settled with IAG ordinary shares.	
Key terms of the LTI	The number of EPR issued is calculated based on the share price of an IAG ordinary share at 30 June. EPR granted during the year will not vest and have no value to the Executive unless the performance hurdles are achieved. No dividend is paid or payable for any unvested or vested and unexercised EPR.	
Forfeiture conditions	Under the terms of the LTI, if an Executive ceases employment with the Group voluntarily before the performance hurdles are tested, the unvested EPR will generally lapse. In cases where the Executive acts fraudulently or dishonestly or is in breach of his or her obligations to the Group, the unvested EPR will lapse.	

E. LINKING THE GROUP'S PERFORMANCE AND REWARD

I. Linking IAG's short term performance and short term reward

The table below provides a summary of key balanced scorecard objectives and outcomes for the Group for the year ended 30 June 2016. The objectives are agreed with the Board at the beginning of each financial year and are designed to stretch the Executives to deliver sustainable value for shareholders.

TABLE 5 - BALANCED SCORECARD OBJECTIVES AND PERFORMANCE REQUIREMENTS

CATEGORY	OBJECTIVE	WEIGHTING	RESULT	OUTCOME
Financial measures	Return on risk based capital	15%	Met	The Group sets targets to achieve a return on its risk based capital that requires outperformance through the cycle. This return reflects how effectively IAG uses its capital and is directly aligned to the Group's strategic target of achieving a ROE of 1.5 times the weighted average cost of capital. In the current financial year, the Group reported a return on risk based capital that was aligned to budget.
	Profitable growth	10%	Did not meet	To grow profitably and create value for shareholders, IAG continues to develop our products, markets and customer base. In the current financial year, GWP increased for the Australian Consumer Division and Asia, but was below anticipated in the Australian Business Division and New Zealand.
	Operating cost efficiencies	15%	Exceeded	IAG successfully achieved its operating cost efficiencies by focusing on simplifying and streamlining our business and delivering on our synergy commitments.

CATEGORY	OBJECTIVE	WEIGHTING	RESULT	OUTCOME
	Secure position in chosen markets	10%	Met	Across the Group, IAG's market position remained stable. While facing a challenging market, IAG was able to maintain market position in three of the four markets.
Non-financial measures	IAG is the insurer of choice	10%	Met	IAG remains committed to our customers and delivering exceptional experiences. This has been reflected in maintaining our strong Net Promoter Scores across both the Australian Consumer Division and New Zealand businesses, proving our customers continue to be advocates for IAG's brands.
	IAG sets the market benchmark	10%	Exceeded	While the Australian Business Division Partner Advocacy score has remained stable, CGU Insurance has received notable recognition from external sources including being voted Insurer of the Year by Insurance Business magazine and winning the NIBA General Insurer of the Year Award.
	IAG makes communities safer, stronger and more confident	5%	Exceeded	IAG is focused on making communities safer, stronger and more confident by investing in partnerships, programs and projects that create shared value for IAG and the community. Over the year, IAG received a number of awards and external recognition for our responsible business and sustainability practices, which cover aspects relating to our Governance and Ethics as well as Social and Environmental performance. We have continued to focus on initiatives that support indigenous programs, corporate sustainability and community disaster resilience.
	IAG attracts and nurtures talent, is agile, flexible and a safe place to work	10%	Did not meet	The organisational culture has not reached the constructive level we aspire to. The 2016 financial year was a time of change: we announced a new operating model, set up different ways of working, and introduced simplification initiatives which impacted our people. However, during this time, IAG continued to drive organisational improvement across safety, agility, flexibility, diversity and inclusion, including continued progress on meeting our target of 38% women in senior management roles by 2020 and positive workplace health and safety performance improvement in Australia and New Zealand. This sets us up well to drive a more constructive culture into the future.
	Execute FY16-FY18 strategic priorities	5%	Met	IAG's strategic priorities focus the business on delivering initiatives that are the most important for our organisation. We successfully progressed our current financial year strategic priorities, including developing and leveraging deep customer insights and accelerating IAG's digital transformation.
	Effectively govern and manage risk	5%	Met	Strategies have been developed to further uplift IAG's Risk Management Framework to manage key organisational risks. Risk management practices contribute strongly to strategic and operational decision making. Overall effectiveness of Risk Management at IAG is supported by external validation.
	Build capability and agility for future value	5%	Exceeded	IAG remains dedicated to building capability and agility that will set the foundation for future success. This includes launching six new ventures (including Sharecover and InsureLite); building Human Centred Design capability and embedding it across all product development and innovation projects; and establishing enterprise-wide customer and digital functions through our Customer Labs and Digital Labs teams.

II. STI outcomes for the year ended 30 June 2016

STI payments made to Executives for the year ended 30 June 2016 are set out below, and were based on achievement against the balanced scorecard measures described in table 5. In line with the overall performance, the STI awarded to Executives are, on average, slightly higher than last year.

TABLE 6 - ACTUAL STI OUTCOMES FOR THE YEAR ENDED 30 JUNE 2016

	MAXIMUM STI OPPORTUNITY		ACTUAL STI OUTCOME		CASH STI OUTCOME	DEFERRED STI OUTCOME
	(% of fixed pay) ^(a)	(% of maximum) ^(b)	(% of fixed pay)	(2/3 OF OUTCOME)	(1/3 OF OUTCOME)	
				(% of fixed pay)	(% of fixed pay)	(% of fixed pay)
Peter Harmer	139 %	68 %	94 %	63 %	31 %	
Julie Batch	103 %	70 %	72 %	48 %	24 %	
Chris Bertuch	103 %	55 %	56 %	38 %	18 %	
Ben Bessell	120 %	50 %	60 %	40 %	20 %	
Duncan Brain	120 %	72 %	86 %	58 %	28 %	
David Harrington	103 %	70 %	72 %	48 %	24 %	
Nicholas Hawkins	120 %	73 %	88 %	58 %	30 %	
Jacki Johnson	120 %	67 %	80 %	54 %	26 %	
Anthony Justice	103 %	74 %	76 %	51 %	25 %	
Mark Milliner	120 %	- %	- %	- %	- %	
Craig Olsen	100 %	68 %	68 %	45 %	23 %	
Claire Rawlins	101 %	73 %	74 %	49 %	25 %	
Clayton Whipp	120 %	67 %	80 %	54 %	26 %	

(a) Executives who had a change in role during the year have their incentive opportunity pro-rated between their prior role and their current role. Therefore, the STI opportunity is less than 150% of fixed pay for Peter Harmer and less than 120% of fixed pay for the newly appointed Executive team members.

(b) The proportion of STI forfeited is derived by subtracting the actual % of maximum received from 100% and was 33% on average for the year ended 30 June 2016 (compared to 39% in 2015).

III. Linking the Group's long term performance and long term reward

Details of LTI vested during the year are set out below:

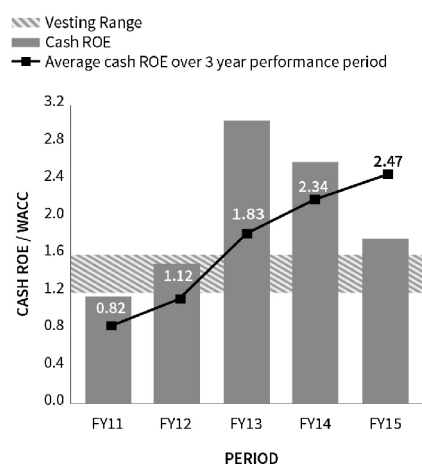
ROE – 100% vesting

For the performance period ended 30 June 2015, the average cash ROE was 2.47 times WACC. This resulted in full vesting of the ROE portion of the 2012/2013 Series 5 EPR. This strong cash ROE performance has similarly been reflected in the dividend provided to shareholders

TSR – 54% vesting

For the performance period ended 30 September 2015, IAG's TSR was ranked at the 52nd percentile of its peer group. This ranking translates to 54% vesting of the TSR portion of the 2012/2013 EPR. A retest will occur on 30 September 2016.

IAG HISTORICAL CASH ROE / WACC FOR THE LTI PLAN



The following table shows the returns IAG delivered to its shareholders for the last five financial years for a range of measures.

TABLE 7 - HISTORICAL ANALYSIS OF SHAREHOLDER RETURN ON LTI

	YEAR ENDED 30 JUNE 2012	YEAR ENDED 30 JUNE 2013	YEAR ENDED 30 JUNE 2014	YEAR ENDED 30 JUNE 2015	YEAR ENDED 30 JUNE 2016
Closing share price (\$)	3.48	5.44	5.84	5.58	5.45
Dividend paid per ordinary share (cents)	17.00	36.00	39.00	29.00	36.00
Basic earnings per share (cents)	10.01	37.57	56.09	31.22	25.79
Cash ROE (%)	13.3	25.3	23.0	15.3	13.0
ROE to WACC outcome for EPR Plan	1.12	1.83	2.34	2.47	2.00
TSR for the financial year (%)*	5.3	59.2	15.6	1.8	4.3

* This represents the TSR performance measured for the 12 months from 1 July to 30 June.

F. EXECUTIVE EMPLOYMENT AGREEMENTS

All employment agreements for Executives are for unlimited terms but may be terminated by written notice from either party or by IAG making a payment in lieu of notice. The employment agreements outline the components of remuneration paid to each Executive and require annual review of Executives' remuneration, although the agreements do not require IAG to increase base salary, pay STI or offer an LTI in any given year.

All Executive contracts have a 12 month notice period from the relevant company for termination and the Executives must provide six months' notice, with the exception of Nicholas Hawkins who has an employee notice period of three months. Executives are employed by Insurance Australia Group Services Pty Limited, except for Craig Olsen who is employed by IAG New Zealand Limited.

I. Retrenchment

In the event of retrenchment, Executives (except for Craig Olsen) are entitled to the greater of:

- the written notice period or payment in lieu of notice as provided in their employment agreement; or
- the retrenchment benefits due under the company retrenchment policy.

For Executives based in Australia, the minimum benefit under the retrenchment policy is 11 weeks of base salary with a maximum benefit of 87 weeks of base salary. The maximum benefit is payable to employees with service of 25 years or more.

For Craig Olsen, the retrenchment payment is 12 months of fixed pay.

II. Termination of employment without notice and without payment in lieu of notice

The employment of an Executive may be terminated without notice and without payment in lieu of notice in some circumstances.

Generally, this could occur where the Executive:

- is charged with a criminal offence that could bring the organisation into disrepute;
- is declared bankrupt;
- breaches a provision of their employment agreement;
- is guilty of serious and wilful misconduct; or
- unreasonably fails to comply with any material and lawful direction given by the relevant company.

III. Termination of employment with notice or payment in lieu of notice

The employment of an Executive may be terminated at any time by the relevant company with 12 months notice or payment in lieu of notice. Payment in lieu of notice will be calculated based on fixed pay. If an Executive terminates voluntarily they are required to provide six months' notice, with the exception of Nicholas Hawkins who is required to provide three months' notice.

Subject to the relevant legislation in the various jurisdictions, termination provisions may include the payment of annual leave and/or long service leave for the Executives.

IV. Retired and Retrenched Executives

All termination benefits provided to retired and retrenched Executives were consistent with IAG's termination policy as disclosed in the Remuneration Report and did not exceed the level that would require shareholder approval under the Corporations Act 2001 (Terminations Cap).

Details of the payments received by retired and retrenched Executives are outlined below:

	Michael Wilkins Retirement \$000 (1)	Andy Cornish Retrenchment \$000 (2)	Alex Harrison Retrenchment \$000 (2)	Leona Murphy Retrenchment \$000 (3)
Termination benefits	2,257	816	565	923
Other benefits	-	270	217	295
Total benefits	2,257	1,086	782	1,218

(1) Termination benefits for Michael Wilkins include payment in lieu of notice and STI payment made ahead of the annual payment date.

(2) Termination benefits for Andy Cornish and Alex Harrison include contractual payments in lieu of notice that were above the redundancy entitlements required by the relevant statutes, and outplacement services. Other benefits include payment in lieu of notice and redundancy payments aligned to statutory entitlements.

(3) Termination benefits for Leona Murphy include contractual payment in lieu of notice that was above the redundancy entitlements required by the relevant statutes, and STI payment made ahead of the regular annual payment date. Other benefits include payment in lieu of notice and redundancy payment aligned to statutory entitlements.

G. STATUTORY REMUNERATION DISCLOSURE REQUIREMENTS

I. Total remuneration for Executives

Statutory remuneration details for Executives as required by Australian Accounting Standards are set out below:

TABLE 8 - STATUTORY REMUNERATION DETAILS (EXECUTIVES)

	SHORT TERM EMPLOYMENT BENEFITS			POST EMPLOYMENT BENEFITS	OTHER LONG TERM EMPLOYMENT BENEFITS	TERMINATION BENEFITS	SUB-TOTAL	SHARE-BASED PAYMENT		TOTAL	AT-RISK REMUNERATION PAID
	Base salary	Cash STI	Leave accruals and other benefits	Superannuation	Long service leave accruals			Value of deferred STI	Value of rights granted		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	as a % of total reward
	(1)	(2)	(3)	(4)	(5)	(6)		(7)	(8)		%
EXECUTIVES											
Peter Harmer											
2016	1,425	905	16	35	54	-	2,435	313	1,016	3,764	59
2015	977	473	(37)	35	14	-	1,462	341	1,032	2,835	65
Julie Batch											
2016	326	153	16	17	18	-	530	110	171	811	54
Chris Bertuch											
2016	380	138	25	20	8	-	571	131	195	897	52
Ben Bessell											
2016	656	271	(5)	30	36	-	988	86	156	1,230	42
2015	116	65	(10)	7	3	-	181	-	-	181	36
Duncan Brain											
2016	899	532	245	35	16	-	1,727	815	719	3,261	63
2015	886	469	243	35	20	-	1,653	167	534	2,354	50
David Harrington											
2016	326	160	29	20	4	-	539	96	163	798	53
Nicholas Hawkins											
2016	996	593	(35)	30	(13)	-	1,571	341	977	2,889	66
2015	982	603	68	30	(12)	-	1,671	353	1,007	3,031	65
Jacki Johnson ⁽⁹⁾											
2016	1,025	585	78	28	14	-	1,730	258	957	2,945	61
2015	1,096	418	(50)	-	7	-	1,471	287	940	2,698	61
Anthony Justice											
2016	355	156	(17)	17	11	-	522	64	76	662	45
Mark Milliner											
2016	176	-	19	5	1	-	201	-	-	201	-
Craig Olsen ⁽¹⁰⁾											
2016	330	124	36	-	-	-	490	75	130	695	47
Claire Rawlins											
2016	321	152	30	20	2	-	525	-	21	546	32
Clayton Whipp											
2016	749	415	48	35	16	-	1,263	184	321	1,768	52
2015	720	341	29	35	35	-	1,160	138	208	1,506	46

	SHORT TERM EMPLOYMENT BENEFITS		POST EMPLOYMENT BENEFITS	OTHER LONG TERM EMPLOYMENT BENEFITS	TERMINATION BENEFITS	SUB-TOTAL	SHARE-BASED PAYMENT		TOTAL	AT-RISK REMUNERATION PAID	
	Base salary	Cash STI	Leave accruals and other benefits	Superannuation	Long service leave accruals		Value of deferred STI	Value of rights granted		as a % of Total Reward	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	%	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)			
EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL											
Michael Wilkins											
2016	801	1,197	144	7	(190)	1,060	3,019	1,383	3,898	8,300	78
2015	2,093	1,314	188	19	44	-	3,658	898	2,525	7,081	67
Andy Cornish											
2016	846	887	29	29	20	1,086	2,897	505	2,421	5,823	65
2015	1,017	602	73	35	20	-	1,747	307	1,048	3,102	63
Alex Harrison											
2016	139	-	(31)	6	25	782	921	126	769	1,816	49
2015	819	611	29	30	22	-	1,511	144	308	1,963	54
Leona Murphy											
2016	450	410	21	16	31	808	1,736	484	2,121	4,341	69
2015	880	505	20	30	18	-	1,453	298	907	2,658	64

- (1) Base salary includes amounts paid in cash plus the portion of the Company's superannuation contribution that is paid as cash instead of being paid into superannuation plus salary sacrifice items such as cars and parking, as determined in accordance with AASB 119 Employee Benefits.
- (2) Cash STI represents the amount to be settled in cash in relation to the financial year from 1 July 2015 to 30 June 2016.
- (3) This column includes leave accruals, 30% tax rebate on car allowances for certain KMP who have salary sacrifice arrangements on cars and other short term employment benefits as agreed and provided under specific conditions. Other benefits provided under specific conditions for KMP are provided as follows: Duncan Brain: accommodation allowances, airfares for home visits and medical insurance.
- (4) Superannuation represents the employer's contributions.
- (5) Long service leave accruals as determined in accordance with AASB 119.
- (6) Termination benefits include payment in lieu of notice, redundancy entitlements and outplacement services (where provided).
- (7) The deferred STI is granted as DAR and is valued using the Black-Scholes valuation model. An allocated portion of unvested DAR for financial years prior to 30 June 2015 is included in the total remuneration disclosure above. The deferred STI for the year ended 30 June 2016 will be granted in the next financial year, so no value was included in the current financial year's total remuneration.
- (8) This value represents the allocated portion of unvested EPR. To determine the EPR values the Monte Carlo simulation (for the TSR performance hurdle) and Black-Scholes valuation (for the ROE performance hurdle) models have been applied. The valuation takes into account the exercise price of the EPR, life of the EPR, price of IAG ordinary shares as at 30 June, expected volatility of the IAG share price, expected dividends, risk free interest rate, performance of shares in the peer group of companies, early exercise and non-transferability and turnover which is assumed to be zero for an individual's remuneration calculation.
- (9) Remuneration for Jacki Johnson for the period 1 July 2015 to 1 January 2016 was determined in New Zealand dollars and reported in Australian dollars.
- (10) Remuneration for Craig Olsen was determined in New Zealand dollars and reported in Australian dollars.

II. Movement in equity plans within the financial year

Changes in each Executive's holding of DAR and EPR during the financial year are set out below. The DAR granted during the year reflect the deferred portion of the STI outcome for the year ended 30 June 2015. The EPR granted during the year ended 30 June 2016 were in relation to the LTI plan.

TABLE 9 - MOVEMENT IN POTENTIAL VALUE OF DAR AND EPR FOR THE YEAR ENDED 30 JUNE 2016⁽⁴⁾

		RIGHTS ON ISSUE 1 JULY (2)	RIGHTS GRANTED DURING THE YEAR (3)	RIGHTS EXERCISED DURING THE YEAR (4)	RIGHTS ON ISSUE 30 JUNE	RIGHTS VESTED DURING THE YEAR	RIGHTS VESTED AND EXERCISABLE 30 JUNE
		Number	Number Value (\$000)	Number Value (\$000)	Number	Number	Number
EXECUTIVES							
Peter Harmer	DAR	90,600	42,500	220 (60,450)	331 72,650	60,450	-
	EPR	799,200	370,200	1,343 (271,117)	1,485 898,283	271,117	-
Julie Batch	DAR	48,050	-	- (18,600)	102 29,450	18,600	-
	EPR	162,800	54,400	197 (40,271)	221 176,929	40,271	-
Chris Bertuch	DAR	33,950	-	-	- 33,950	-	-
	EPR	138,545	64,500	234	- 203,045	-	-
Ben Bessell	DAR	22,550	16,500	85 (16,200)	89 22,850	16,200	-
	EPR	101,100	108,600	394 (10,000)	55 199,700	30,569	20,569
Duncan Brain	DAR	47,700	400,600	2,074 (29,950)	164 418,350	29,950	-
	EPR	474,200	207,000	751 (51,821)	284 629,379	51,821	-
David Harrington	DAR	29,450	-	-	- 29,450	-	-
	EPR	130,191	52,300	190	- 182,491	-	-
Nicholas Hawkins	DAR	93,150	54,000	280 (61,800)	338 85,350	61,800	-
	EPR	799,200	227,400	825 (271,117)	1,485 755,483	271,117	-
Jacki Johnson	DAR	73,300	37,500	194 (49,100)	269 61,700	49,100	-
	EPR	756,700	244,500	887 (244,167)	1,337 757,033	244,167	-
Anthony Justice	DAR	20,600	-	-	- 20,600	-	-
	EPR	57,500	65,300	237	- 122,800	-	-
Mark Milliner ⁽⁵⁾	DAR	-	-	-	-	-	-
	EPR	-	-	-	-	-	-
Craig Olsen	DAR	34,000	-	- (13,650)	75 20,350	13,650	-
	EPR	115,000	62,600	227 (22,638)	124 154,962	22,638	-
Claire Rawlins	DAR	-	-	-	-	-	-
	EPR	-	75,500	274	- 75,500	-	-
Clayton Whipp	DAR	34,650	53,200	274 (22,700)	124 65,150	22,700	-
	EPR	178,900	173,700	630 (46,046)	252 306,554	46,046	-
EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL							
Michael Wilkins	DAR	230,950	117,800	610 (154,050)	844 194,700	154,050	-
	EPR	2,002,500	-	- (679,448)	3,720 1,323,052	679,448	-
Andy Cornish	DAR	70,750	54,000	280 (49,900)	273 74,850	49,900	-
	EPR	831,400	236,500	858 (282,128)	1,545 785,772	282,128	-
Alex Harrison	DAR	37,600	-	-	- 37,600	-	-
	EPR	290,300	-	-	- 290,300	32,050	32,050
Leona Murphy	DAR	75,250	45,300	235 (50,850)	278 69,700	50,850	-
	EPR	719,500	204,700	743 (244,090)	1,337 680,110	244,090	-

(1) There were no rights that lapsed or were forfeited but not yet lapsed during the year.

(2) Opening number of rights on issue represents the balance as at the date of appointment as KMP or 1 July 2015.

(3) The value of the DAR granted during the year is the fair value at grant date calculated using the Black-Scholes valuation model. The value of the annual DAR granted on 2 November 2015 and 31 March 2016 was \$5.18 and \$5.25 respectively. This amount is allocated to remuneration over years ending 30 June 2016 to 30 June 2018. Additional DAR grants of 358,500 to Duncan Brain and 22,600 to Clay Whipp were granted on 2 November 2015 have an expiry date of 2 November 2022 and are exercisable on 20 December 2017 and 1 September 2018 respectively. The value of the 358,500 DAR granted was \$4.97 and this amount is allocated to remuneration over years ending 30 June 2016 to 30 June 2018. The value of the 22,600 DAR granted was \$4.76. This amount is allocated to remuneration over the years ending 30 June 2016 to 30 June 2019. The value of the ROE portion of the EPR granted on 2 November 2015 and 31 March 2016 is the fair value at grant date, calculated using the Black-Scholes valuation model, which was \$4.84 and \$4.80 respectively. The value of the TSR portion of the EPR granted on 2 November 2015 and 31 March 2016 is the fair value at grant date, calculated using the Monte Carlo simulation, which was \$2.42 and \$2.35 respectively. The ROE portion of the EPR grants is first exercisable after the performance period concludes on 30 June 2018. The TSR portion of the EPR is first exercisable on 30 September 2019. The amount is allocated to remuneration over the years ending 30 June 2016 to 30 June 2020.

(4) Rights vested on or before 1 September 2015 and exercised during the financial year. The value of the rights exercised is based on the weighted average share price which was \$5.48 for the year ended 30 June 2016.

(5) Mark Milliner will receive 150,000 DAR in November 2016 as compensation for incentives foregone on leaving his previous employer.

III. LTI awards outstanding during the year ended 30 June 2016

Details of outstanding LTI awards made to Executives in the year ended 30 June 2016 are shown in the table below:

TABLE 10 - LTI AWARDS OUTSTANDING DURING THE YEAR ENDED 30 JUNE 2016

AWARD	GRANT DATE	BASE DATE	FIRST TEST DATE	LAST TEST DATE	PERFORMANCE HURDLE ACHIEVEMENT	LAST EXERCISE DATE
2015/2016 Series 6 - TSR ^(a)	31/03/2016	30/09/2015	30/09/2019		N/A	31/03/2023
2015/2016 Series 6 - ROE ^(a)	31/03/2016	01/07/2015	30/06/2018		N/A	31/03/2023
2015/2016 Series 6 - TSR ^(a)	02/11/2015	30/09/2015	30/09/2019		N/A	02/11/2022
2015/2016 Series 6 - ROE ^(a)	02/11/2015	01/07/2015	30/06/2018		N/A	02/11/2022
2014/2015 Series 6 - TSR ^(a)	03/11/2014	30/09/2014	30/09/2018		N/A	03/11/2021
2014/2015 Series 6 - ROE ^(a)	03/11/2014	01/07/2014	30/06/2017		N/A	03/11/2021
2013/2014 Series 6 - TSR ^(a)	01/11/2013	30/09/2013	30/09/2017		N/A	01/11/2020
2013/2014 Series 6 - ROE ^{(a)(b)}	01/11/2013	01/07/2013	30/06/2016		N/A	01/11/2020
2012/2013 Series 5 - TSR	26/10/2012	30/09/2012	30/09/2015	30/09/2017	54%	26/10/2019
2012/2013 Series 5 - ROE	26/10/2012	01/07/2012	30/06/2015		100%	26/10/2019

(a) Terms and conditions for EPR Plan 2013/2014, 2014/2015 and 2015/2016 are the same, therefore they are all referred to as Series 6.

(b) The cash ROE portion of EPR Plan 2013/2014 has been tested and is expected to vest in full. Vesting details will be included in the Remuneration Report for the year ending 30 June 2017.

H. NON-EXECUTIVE DIRECTOR REMUNERATION

I. Remuneration policy

The principles that underpin IAG's approach to remuneration for Non-Executive Directors are that remuneration should:

- be sufficiently competitive to attract and retain a high calibre of Non-Executive Director; and
- create alignment between the interests of Non-Executive Directors and shareholders through the mandatory shareholding requirement.

II. Remuneration structure

Non-Executive Director remuneration has two components:

- Board fees (paid as cash and superannuation); and
- subsidiary board and Committee fees.

a. CHANGES TO NON-EXECUTIVE REMUNERATION DURING THE YEAR ENDED 30 JUNE 2016

In August 2015, the Board approved maintaining Board fees at the current level, aligning to the approach taken for Executive fixed pay. The Board approved a Committee fee increase of 22.25% for all Committees except the Nominations Committee, to align fees with the market. The aggregate limit of Board fees approved by shareholders at the Annual General Meeting in October 2013 remains unchanged at \$3,500,000 per annum.

The figures shown below are inclusive of superannuation. Directors can elect the portion of fees contributed into their nominated superannuation fund, provided minimum legislated contribution levels are met.

TABLE 11 - BOARD AND COMMITTEE FEES

BOARD/COMMITTEE	YEAR	ROLE	
		CHAIRMAN	DIRECTOR
Board	2016	\$565,800	\$188,600
	2015	\$565,800	\$188,600
Audit Committee	2016	\$50,000	\$25,000
	2015	\$40,900	\$20,450
Risk Committee	2016	\$50,000	\$25,000
	2015	\$40,900	\$20,450
People and Remuneration Committee	2016	\$50,000	\$25,000
	2015	\$40,900	\$20,450
Nominations Committee*	2016	N/A	\$10,000
	2015	N/A	\$10,000

* The Chair of the Nominations Committee is also the Chairman of the Company, therefore no Chair fee is applicable.

b. SUBSIDIARY BOARD AND COMMITTEE FEES

A summary of Non-Executive Directors' service on subsidiary boards and the fees paid is set out below:

TABLE 12 - FEES FOR NON-EXECUTIVE DIRECTORS' SERVICE ON SUBSIDIARY BOARDS

DIRECTOR	SUBSIDIARY	CAPACITY	ANNUAL FEE
Elizabeth Bryan	Insurance Manufacturers of Australia Pty Limited	Chairman	\$247,000
Hugh Fletcher*	IAG New Zealand Limited	Chairman	\$137,936

* This amount was paid to Hugh Fletcher in New Zealand dollars and reported in Australian dollars.

III. Board performance

The Board conducts a review of its performance, composition, size and succession planning at least every three years with assistance from external experts (Formal Review). A Formal Review of the Board and each Non-Executive Director (including the Chairman), with assistance and input from an independent board performance expert, was conducted in 2016. The Formal Review process involves the completion of questionnaires by Non-Executive Directors and the Executive team; 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 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.

IV. Total remuneration details

Details of total remuneration for Non-Executive Directors on the Board for the year ended 30 June 2016 are set out below:

TABLE 13 - STATUTORY REMUNERATION DETAILS (NON-EXECUTIVE DIRECTORS)

	SHORT TERM EMPLOYMENT BENEFITS		POST-EMPLOYMENT BENEFITS	OTHER LONG TERM EMPLOYMENT BENEFITS	TERMINATION BENEFITS	SHARE BASED PAYMENT	TOTAL
	IAG Board fees received as cash	Other Boards and Committee fees	Superannuation	Retirement benefits			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
NON-EXECUTIVE DIRECTORS							
Elizabeth Bryan							
2016	276	111	19	-	-	-	406
2015	99	6	10	-	-	-	115
Alison Deans							
2016	172	28	19	-	-	-	219
2015	173	37	19	-	-	-	229
Hugh Fletcher							
2016	172	184	21	-	-	-	377
2015	172	177	20	-	-	-	369
Raymond Lim							
2016	172	23	19	-	-	-	214
2015	172	19	18	-	-	-	209
Jonathan Nicholson ^(a)							
2016	145	36	14	-	-	-	195
Tom Pockett							
2016	177	78	19	-	-	-	274
2015	86	-	8	-	-	-	94
Philip Twyman							
2016	177	82	19	-	-	-	278
2015	177	80	19	-	-	-	276
NON-EXECUTIVE DIRECTORS WHO CEASED AS KEY MANAGEMENT PERSONNEL							
Brian Schwartz							
2016	424	169	14	-	-	-	607
2015	568	226	19	-	-	-	813
Yasmin Allen							
2016	44	16	5	-	-	-	65
2015	178	84	19	-	-	-	281

(a) Director appointed part way through current financial year.

I. RELATED PARTY INTERESTS

In accordance with the Corporations Act Regulation 2M.3.03, the Remuneration Report includes disclosure of related parties.

I. Movements in total number of ordinary shares held

The relevant interests of each key management personnel and their related parties in IAG ordinary shares are disclosed in the table below:

TABLE 14 - MOVEMENT IN TOTAL NUMBER OF ORDINARY SHARES HELD

	SHARES HELD AT 1 JULY Number	SHARES RECEIVED ON EXERCISE OF DAR Number	SHARES RECEIVED ON EXERCISE OF EPR Number	NET MOVEMENT OF SHARES DUE TO OTHER CHANGES ^(a) Number	TOTAL SHARES HELD AT 30 JUNE Number	SHARES HELD NOMINALLY AT 30 JUNE ^(b) Number
2016						
NON-EXECUTIVE DIRECTORS AND EXECUTIVES						
Elizabeth Bryan	31,409	-	-	1,316	32,725	32,725
Alison Deans	37,742	-	-	-	37,742	37,742
Hugh Fletcher	80,707	-	-	1,325	82,032	45,471
Raymond Lim	30,000	-	-	5,000	35,000	35,000
Jonathan Nicholson ^(c)	1,468	-	-	10,000	11,468	1,041
Tom Pockett	32,096	-	-	155	32,251	-
Philip Twyman	31,272	-	-	(15,750)	15,522	12,780
Peter Harmer	624,400	60,450	271,117	(300,000)	655,967	172,800
Julie Batch ^(c)	124,036	18,600	40,271	-	182,907	277
Chris Bertuch ^(c)	53,840	-	-	40	53,880	380
Ben Bessell	464	16,200	10,000	(26,200)	464	277
Duncan Brain	152,987	29,950	51,821	-	234,758	-
David Harrington ^(c)	1,227	-	-	160	1,387	789
Nicholas Hawkins	200,000	61,800	271,117	(312,917)	220,000	-
Jacki Johnson	1,299,493	49,100	244,167	(1,366,827)	225,933	225,933
Anthony Justice ^(c)	-	-	-	-	-	-
Mark Milliner ^(c)	-	-	-	-	-	-
Craig Olsen ^(c)	130,765	13,650	22,638	(43,650)	123,403	14,800
Claire Rawlins ^(c)	-	-	-	-	-	-
Clayton Whipp	32,381	22,700	46,046	187	101,314	1,378
NON-EXECUTIVE DIRECTORS AND EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL ^(d)						
Brian Schwartz	111,171	-	-	2,348	113,519	110,963
Yasmin Allen	41,753	-	-	-	41,753	40,087
Michael Wilkins	2,048,030	154,050	679,448	-	2,881,528	1,207,840
Andy Cornish	203,081	49,900	282,128	(185,000)	350,109	-
Alex Harrison	-	-	-	-	-	-
Leona Murphy	340,660	50,850	244,090	99	635,699	114,644

(a) Net movement of shares relates to acquisition and disposal transactions by the KMP and their related parties during the year.

(b) Shares nominally held are included in the column headed total shares held at 30 June and include those held by the KMP's related parties, inclusive of domestic partner, dependants and entities controlled, jointly controlled or significantly influenced by the KMP.

(c) Opening number of shares held represents the balance as at the date of appointment.

(d) Information on shares held is disclosed up to the date of cessation.

II. Movements in total number of convertible preference shares

Philip Twyman acquired 994 (2015-1,100) convertible preference shares during the year, indirectly holding a total of 5,109 shares as at 30 June 2016. No other key management personnel had any interest directly or nominally in convertible preference shares at any time during the financial year (2015-nil).

III. Movements in total number of reset exchangeable securities held

No key management personnel had any interest directly or nominally in reset exchangeable securities of IAG Finance (New Zealand) Limited at any time during the financial year (2015-nil).

J. KEY TERMS AND DEFINITIONS

The key terms and definitions used throughout this report are explained below:

TERM	DEFINITION
Actual remuneration	The dollar value of remuneration actually received by the Executives in the financial year. This is the sum of fixed pay plus the cash portion of the STI plus the value of DAR vested during the year plus the value of EPR vested during the year.
At-risk remuneration	Remuneration that is dependent on a combination of the financial performance of the Group, the Executives' performance against individual measures (financial and non-financial) and continuing employment. At-risk remuneration typically includes STI (cash and deferred remuneration) and LTI.
Balanced scorecard	The balanced scorecard sets out the objectives that have to be achieved to meet key strategic priorities of the organisation. All balanced scorecards use goals set against financial and non financial objectives. Achievement against these objectives is measured and this informs the Board's determination of STI outcomes.
Base salary	The cash component of fixed pay.
Cash return on equity (ROE)	Calculated as cash earnings divided by average total shareholders' equity during the financial year. Cash earnings is defined as net profit after tax attributable to IAG shareholders plus amortisation and impairment of acquired identifiable intangible assets and adjusted for unusual items after tax (non-recurring in nature). Cash ROE is used to calculate one half of the outcome in the LTI plan.
Cash STI	The two thirds portion of an Executive's STI outcome that is paid in the form of cash, following the end of year assessment and approval by the Board.
Deferred STI/Deferred Award Rights (DAR)	The one third portion of an Executive's STI that is deferred over a period of two years and awarded in the form of DAR.
Divisional Executives	The Executives with responsibility for managing a division, being the Chief Executive, Australian Consumer Division; Chief Executive, Australian Business Division; Chief Executive, New Zealand; and Chief Executive, Asia.
Executive team	The Divisional and Group Executives who form part of the Group Leadership Team.
Executives	The Group CEO and the Executive team.
Fixed Pay	Base salary plus superannuation. Individuals can determine the mix of base salary and superannuation they receive in line with legislative requirements.
Group CEO	IAG's Managing Director and Chief Executive Officer.
Group Executives	The Chief Financial Officer; Chief Operating Officer; Chief Risk Officer; Chief Customer Officer; Group Executive, Digital & Technology; Group Executive, Office of the CEO; Group General Counsel & Company Secretary; and Group Executive, People, Performance & Reputation.
IAG Spirit	The IAG Spirit, Closer, Braver, Faster is a set of statements that capture a shared view across IAG of how we work together, what we stand for and what makes us unique.
Key management personnel (KMP)	The Group CEO, the Executive team and the Board.
Long term incentive (LTI)/Executive Performance Rights (EPR)	A grant of rights in the form of EPR that is exercisable for IAG ordinary shares or cash between three and four years after the grant date if performance hurdles are achieved.
People and Remuneration Committee (PARC)	The Board committee which oversees IAG's remuneration practices.
Short term incentive (STI)	The part of annual at-risk remuneration that is designed to motivate and reward for annual performance. STI results are determined by performance against a balanced scorecard, based on goals which reflect financial and non-financial measures. For the Group CEO and the Executive team, one third of STI is deferred for a period of two years and two thirds is paid in cash in September.
Total shareholder return (TSR)	Used as one measure of Group performance over a period of time. TSR combines share price appreciation and dividends paid to show total return to shareholders, relative to that of other companies in the peer group. IAG uses relative TSR performance to calculate one half of the LTI outcome.
WACC	Weighted average cost of capital.

RELEVANT INTEREST OF EACH DIRECTOR AND THEIR RELATED PARTIES IN LISTED SECURITIES OF THE IAG GROUP IN ACCORDANCE WITH THE CORPORATIONS ACT 2001

HOLDINGS OF SHARES AND RESET EXCHANGEABLE SECURITIES FOR SECTION 205G OF THE CORPORATIONS ACT 2001

	Ordinary Shares		Convertible Preference Shares		Reset Exchangeable Securities	
	Held directly ^(a)	Held indirectly ^(b)	Held directly	Held indirectly	Held directly	Held indirectly
Elizabeth Bryan	-	32,725	-	-	-	-
Alison Deans	-	37,742	-	-	-	-
Hugh Fletcher	36,561	45,471	-	-	-	-
Raymond Lim	-	35,000	-	-	-	-
Jonathan Nicholson	10,427	1,041	-	-	-	-
Tom Pockett	32,251	-	-	-	-	-
Philip Twyman	2,742	12,780	-	5,109	-	-
Peter Harmer	483,167	172,800	-	-	-	-

(a) This represents the relevant interest of each Director in ordinary shares issued by the Company, as notified by the Directors to the ASX in accordance with section 205G of the Corporations Act 2001 until the date the financial report is signed. Trading in IAG shares is covered by the restrictions which limit the ability of an IAG Director to trade in the securities of the Group where they are in a position to be aware, or are aware, of price sensitive information.

(b) These IAG shares are held by the Director's related parties, inclusive of entities controlled, jointly controlled or significantly influenced by the Directors, as notified by the Directors to the ASX in accordance with section 205G of the Corporations Act 2001.

ROUNDING OF AMOUNTS

Unless otherwise stated, amounts in the financial report and Directors' Report have been rounded to the nearest million dollars. The Company is of a kind referred to in the ASIC Corporations Instrument 2016/191 dated 24 March 2016 issued by the Australian Securities & Investments Commission. All rounding has been conducted in accordance with that instrument.

This report meets the remuneration reporting requirements of the Corporations Act 2001 and Accounting Standard AASB 124 Related Party Disclosures. The term remuneration used in this report has the same meaning as compensation as prescribed in AASB 124.

Signed at Sydney this 19th day of August 2016 in accordance with a resolution of the Directors.



Peter Harmer
Director