

INSURANCE AUSTRALIA GROUP LIMITED BOARD CHARTER

1. PURPOSE OF CHARTER

- a. The Board Charter sets out the role, structure, composition and responsibilities of the Board of Insurance Australia Group Limited (IAG).
- b. 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 Stock Exchange's Listing Rules and general law.

2. ROLE OF BOARD

- a. 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.
- b. The directors represent and serve the interests of the shareholders and collectively oversee and appraise the strategies, policies and performance of IAG having due regard to its role in the community.
- c. The obligations of the directors are also set out in the Corporations Act and general law.
- d. The Board will determine the terms of reference, membership and composition of Board Committees including the standing Board Committees:
 - Audit, Risk Management & Compliance Committee; and
 - Nomination, Remuneration & Sustainability Committee (NRSC).
- e. The Board will consider the impact of the operations of IAG entities on those IAG entities regulated by the Australian Prudential Regulation Authority (APRA).

3. STRUCTURE AND COMPOSITION

Structure and Composition

- a. The IAG Constitution provides for a minimum of three directors and a maximum of twelve or less directors as determined by the directors from time to time. The directors have determined that

for the present the maximum number of directors is eight. The Board currently comprises seven non-executive directors and one executive director.

- b. The Board has determined that the Board must be comprised of a majority of independent non-executive directors at all times.
- c. The Board will appoint the Chairman of IAG's Board. The Chairman must be an independent non-executive director.
- d. The Board will determine whether each director is independent in accordance with the standards at Attachment A.
- e. Non-executive directors will be required to confirm their independence periodically while they remain in office.
- f. The Board will monitor dealings in securities and declarations of interest by directors.
- g. The Board will review its size and composition at least annually. In reviewing the size and composition of the Board, directors will consider, among other things:
 - the nature, size and complexity of IAG; and
 - the efficiency and effectiveness of the Board, balancing the need to have sufficient skills and expertise to fulfil the needs of the Board and all of its Committees, with the need to maintain a Board size where all Directors can participate and contribute.
- h. The non-executive directors will meet for private discussion as required.

Board Performance

- i. The Nomination, Remuneration & Sustainability Committee will conduct a review of the Board's performance, composition and size at least annually.
- j. Each director's performance is subject to evaluation by the Chairman at least annually, by discussion between the Chairman and the director. Individual directors will also evaluate the Chairman's performance annually. Measures of a director's performance will include:
 - demonstration of the required expertise for the role;
 - contribution of the director to Board teamwork;

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

Tenure of Directors

- k. All directors are expected to continue as directors only for so long as they have the confidence of their fellow Board members and the confidence of IAG shareholders.
- l. 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.
- m. It is the policy of the Board that the maximum tenure for a non-executive director shall be ten years.
- n. 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.

4. RESPONSIBILITIES

- a. 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 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 by the Board; and
 - ensuring all material matters affecting IAG are brought to the Board's attention.
- b. 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 Charter of CEO Delegated Authority Limits at Attachment B.
- c. The Board is responsible for oversight of IAG, and specifically:
- driving the strategic direction of IAG by setting goals and policies, and approving IAG Group strategies and Corporate Plan annually;
 - approval of significant corporate initiatives including major acquisitions, projects and divestments;
 - setting IAG's risk appetite;
 - selecting appropriate candidates for the Board and recommending to IAG's shareholders the election or removal of directors;
 - evaluating Board processes and performance of the Board as a whole and contributions to that by individual directors;
 - selecting, appointing and determining the terms of appointment and, regularly evaluating the performance of, and, if necessary, replacing the Chief Executive Officer (CEO);
 - approval of the appointment and, where appropriate, removal of the Group Chief Financial Officer (CFO), Group Actuary and the Company Secretary;
 - ratify the selection, appointment and the terms of appointment of executives that report directly to the CEO;
 - Set the remuneration of the CEO, CFO, executives that report directly to the CEO and the remuneration of any other person determined by the NRSC whose activities may affect the financial soundness of the Company;
 - review of CEO, CFO and senior management succession planning;

- setting standards for and ensuring that proper governance practices (including appropriate standards of ethical behaviour, corporate governance, social and environmental responsibility) are adhered to at all times;
- monitoring management's performance and the exercise of the Board's delegated authority;
- providing advice and counsel to senior management;
- selecting, appointing and monitoring the performance of the external auditors;
- monitoring financial performance and reporting;
- approval of IAG's budget annually;
- setting policies for and approve dividends payable to security holders;
- approval of capital management transactions, including return of capital, allotment of new capital and capital raising transactions to ensure that IAG's capital structure is optimal;
- approval of IAG's Half Year and Full Year financial reports and IAG's annual report;
- approval of IAG's annual Insurance Liabilities Valuation Report;
- monitoring all key risk areas by ensuring the implementation of a suitable risk management and internal controls framework;
- approval of reinsurance renewal strategies and the implementation of reinsurance renewal programmes;
- approval of the Group Remuneration Policy;
- approval of the Group's investment objectives and strategy;
- reviewing the adequacy of systems to comply with all laws and regulations which apply to IAG and its business;
- maintaining an open dialogue with regulators and being available to meet with regulators as required; and

- ensuring that all legal and commercial requirements are met in terms of proper reporting and disclosure.
- d. The Chairman is responsible for:
- providing appropriate leadership to the Board and IAG;
 - taking all reasonable steps to ensure that the Board discharges its role;
 - monitoring Board performance annually and facilitating the contribution and development of individual directors;
 - ensuring membership of the Board provides the right balance and is appropriate for IAG;
 - maintaining an open dialogue with the CEO, and, as appropriate, support and counsel to the CEO to facilitate the effective discharge of his/her duties and responsibilities;
 - facilitating the effective organisation and work of the Board;
 - in consultation with the directors, CEO and Company Secretary, set agendas for each Board meeting and meetings of Members;
 - facilitating open dialogue and communication between Board members and the CEO and the senior management team; and
 - presiding at Board and member general meetings of IAG.

5. AUDITOR AND ACTUARY ACCESS TO THE BOARD

At least annually, the Board will meet with the Auditor and the Group Actuary without management personnel being present.

6. REVIEW OF CHARTER

The Board will review this charter and the charters of Board committees annually to ensure they remain consistent with the Board's objectives and responsibilities, and relevant standards of corporate governance.

**INSURANCE AUSTRALIA GROUP LIMITED
Standards for Assessing a Director as independent**

The key principle underlying these standards is that an *independent director* a non-executive director who is free from any business or other association that could materially interfere with – or could reasonably be perceived to materially interfere with - the exercise of his/her independent judgement.

Independence will be taken to be met when a director is a non-executive director and:

- is not a substantial shareholder of IAG (a shareholder with 5% or more of the issued voting shares), or associated* directly with a substantial shareholder of IAG;
- has not within the last three years been employed as an executive of IAG or any of its subsidiaries (the “IAG Group”) or been a director after ceasing to hold any such employment;
- has not within the last three years been associated* with, or a principal of, a material professional adviser or material consultant to the IAG Group, nor an employee materially associated with the service provided;
- is not a material supplier or customer of the IAG Group, or an officer of or otherwise directly or indirectly associated* with a material supplier or customer;

(A relationship is material where the value of goods or services provided to the IAG Group in the past three years accounts for 5% or more of the consolidated gross revenue or consolidated expenses of either the IAG Group or the supplier/customer’s corporate group over that three year period).

- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of IAG (as determined by the Board in the case of each director); and
- is otherwise free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interest of IAG.

* The term “associated” in the above context denotes association as director, significant shareholder (directly or through family interests), partner, executive employee or material consultant.

Charter of Chief Executive Officer Delegated Authority Limits

Board delegation of authority to CEO

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

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 Charter.

The Board's delegated authority to the CEO is set out in the 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;

Accountability and Monitoring - *continued*

- 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 that rewards performance, integrity, respect and a considered sense of urgency; and
- development of and succession planning for senior management.

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.