

In addition, the Company has granted deeds of indemnity to certain current and former directors and secretaries and members of senior management of the Company and its subsidiaries and associated companies. Under these deeds, the Company indemnifies, to the maximum extent permitted by the law, the former or current directors or secretaries or members of senior management against liabilities incurred by the person in the relevant capacity. The indemnity does not apply where the liability is owed to the Company or any of its subsidiaries or associated companies, or (in general terms) where the liability arises out of a lack of good faith, wilful misconduct, gross negligence, reckless misbehaviour or fraud. Under each deed, the Company is also required to maintain and pay the premiums on a contract of insurance covering the current or former directors or members of senior management against liabilities incurred in respect of the relevant office except as precluded by law. The insurance must be maintained until the seventh anniversary after the date when the relevant person ceases to hold office. Disclosure of the insurance premiums and the nature of liabilities covered by such insurance is prohibited by the relevant contract of insurance.

## ENVIRONMENTAL REGULATION

The IAG Group's operations are subject to environmental regulations under either Commonwealth or State legislation. These regulations do not have a significant impact on the IAG Group's operations. The board of directors believes that the IAG Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the IAG Group.

## REMUNERATION REPORT—AUDITED

This report outlines IAG's remuneration policies and practices and provides details of the remuneration of the IAG directors (including the chief executive officer (CEO)) and the senior executives having the greatest authority and responsibility for planning, directing and controlling the activities of the IAG Group. This group is known as IAG key management personnel (KMP).

The Company's non-executive directors are specifically required to be included as KMP in accordance with the AASB 124 Related Party Disclosures. However, the non-executive directors are not part of 'management'.

This report provides the disclosures which meet the remuneration reporting requirements of the Corporations Act 2001 and AASB 124. The term remuneration used in this report has the same meaning as compensation as prescribed in AASB 124.

## NOMINATION, REMUNERATION & SUSTAINABILITY COMMITTEE

The role and responsibilities of the Nomination, Remuneration & Sustainability Committee (Committee or NRSC) are set out in the Committee's charter which is available at [www.iag.com.au](http://www.iag.com.au). The key responsibilities of the NRSC in relation to remuneration are to:

- provide assurance to the board relating to the effectiveness, integrity and compliance of the Company's remuneration policies and practices; and
- ensure the overall remuneration policy and approach fits the strategic goals of IAG.

The CEO, group executive—strategy, people & reputation and head of performance & reward regularly attend Committee meetings and assist the Committee in its deliberations.

The Committee receives reports from Egan Associates, Mercer, PricewaterhouseCoopers (PwC) and various other consultants on remuneration for executives and directors.

### A. EXECUTIVES

#### I. Executive remuneration policy

IAG's approach to executive remuneration is to ensure that IAG can attract and retain the best people and reward performance in line with returns delivered to shareholders. Building and retaining a high quality management team will enable IAG to achieve superior long term performance.

The principles that underpin IAG's approach to executive remuneration are that:

- the remuneration offering is sufficiently competitive to attract and retain a high calibre executive team;
- remuneration practices are consistent with IAG's values;
- the mix of fixed and variable remuneration reflects the impact of each executive position on IAG's short term and long term results;
- reward outcomes are significantly differentiated based on performance;
- remuneration practices will help drive business objectives and motivate employees to perform at the highest level; and
- measures of performance are based on a balanced scorecard with a focus on the delivery of sustainable value to IAG's shareholders.

IAG aims to set base pay around the median of the market. Total reward outcomes (which include short and long term incentives) may be at the 75th percentile or above depending on individual performance and IAG's results. For Australian based executives, market positioning is determined by reference to a number of comparator groups, including the largest 50 companies in the S&P/ASX 100 Index and financial services companies that are among the largest 50 companies in the S&P/ASX 100 Index. Relevant local market comparator groups are used for executives located overseas.

## II. Significant changes related to executive remuneration

### a. REMUNERATION STRUCTURE AND POLICY

The Executive Performance Rights (EPRs) Plan has replaced the Performance Award Rights (PARs) Plan as IAG's long term incentive plan. It is designed to link the reward of executives to IAG's longer term performance and the returns shareholders receive. The EPRs Plan has two performance hurdles—return on equity (ROE) and relative total shareholder return (TSR). ROE is measured relative to IAG's weighted average cost of capital (WACC). ROE is directly linked to IAG's financial performance whilst relative TSR is a measure of the relative return IAG delivers to its shareholders compared to other entities in the S&P/ASX 100 Index. Instead of quarterly performance hurdle testing which occurs under the PARs Plan, the EPRs Plan has only one test for the ROE component and three tests, 12 months apart, for the TSR component. The long term incentive plan has also been restricted to the most senior group of executives.

A minimum IAG shareholding requirement for the executive team was introduced in August 2007. In accordance with this policy, the CEO is required to accumulate and maintain a minimum IAG shareholding equivalent in value to two years of base salary by September 2010. Other senior executives are required to accumulate and maintain a minimum IAG shareholding equivalent in value to one year of base salary by September 2010.

### b. EXECUTIVE TEAM CHANGES FOR THE NEXT FINANCIAL YEAR

On 9 July 2008, IAG announced a change to the executive team effective from the end of August 2008. The changes are:

- NB Hawkins has been appointed to the role of Chief Financial Officer;
- LC Murphy has been appointed to the role of Group Executive, Corporate Office;
- I Foy has been appointed to the role of CEO, NZ; and
- AM Coleman, J van der Schalk and G Venardos will leave the IAG Group on 29 August 2008 and CF McLoughlin will leave the IAG Group on a date to be agreed.

The remuneration details in section VI.a are only in respect of remuneration for services provided during the current financial year.

### III. Executive remuneration structure

POLICY	HOW DELIVERED	DETAILS
<p><b>BASE SALARY</b></p> <p>Base salary is targeted at the median of the market. Unless there has been significant change in job responsibility, increases in base salary generally do not exceed external market movements.</p>	<ul style="list-style-type: none"> <li>■ Paid in cash.</li> <li>■ Reviewed annually.</li> </ul>	<p>Includes all components that make up an executive's salary. Components include cash, salary sacrifice items such as superannuation, cars or parking and any related taxes.</p> <p>Base salary is determined by a review of job size, internal relativities and market benchmarking. Mercer provides advice on job responsibility and market benchmarking. The comparator groups for market benchmarking are the largest 50 companies in the S&amp;P/ASX 100 Index and the financial services companies that are among the largest 50 companies in the S&amp;P/ASX 100 Index.</p>
<p><b>SUPERANNUATION</b></p> <p>Contribution rates are consistent with the contribution provided to other employees of IAG in the country in which the executive is based.</p>	<ul style="list-style-type: none"> <li>■ Paid in accordance with legislative requirements.</li> <li>■ For Australian executives, superannuation is capped at the concessional contribution limits.</li> </ul>	
<p><b>SHORT TERM INCENTIVES</b></p> <p>Short term incentives (STI) are used to motivate and reward performance typically over a one year period.</p> <p>Payments are based on both IAG's performance and achievement of individual goals.</p> <p>The STI payment recognises individual high performance.</p> <p>No maximum amounts are set.</p>	<p>Annually, a proportion of STI is paid as cash and a proportion of STI is paid as deferred award rights (DARs) which is referred to as 'deferred STI' later in this report.</p> <p>DARs are rights over issued shares held by a trustee.</p> <p>If an executive remains employed by the IAG Group, the DARs will become exercisable in tranches as follows:</p> <ul style="list-style-type: none"> <li>■ 50% (after year 1);</li> <li>■ 30% (after year 2); and</li> <li>■ 20% (after year 3).</li> </ul>	<p>IAG uses a balanced scorecard for setting goals and measuring performance. This ensures that assessment of performance is viewed holistically and assists the development of sustainable business that meets the performance expectations of IAG shareholders, stakeholders and the communities in which it conducts its business.</p> <p>At the commencement of each financial year, financial and non financial goals are set for each executive. The goals set are stretch goals and are designed to encourage executives to strive for exceptional performance.</p> <p>Financial performance determines 50% of the STI outcome, with the remainder dependent on the achievement of objectives relating to business operations, customer, people (employee engagement, turnover and productivity), risk and community.</p> <p>Financial performance includes the IAG Group financial targets (growth in net written premium and ROE) as well as specific business unit financial targets.</p> <p>At the end of the financial year the amount of any incentive payment is determined based on measured achievement against those goals and a review of the executive's overall performance by the CEO and NRSC. The chairman reviews the performance of the CEO and makes a recommendation to the board in relation to any incentive payment for the CEO. The chairman and board have an overriding discretion to determine STI payments and will only approve payments when the goals are achieved in the context of the IAG Group's strategy and risk appetite (eg risk of ruin parameters and business mix) as approved by the board.</p> <p>Section IV.a ('At risk' remuneration—short term) details the link between IAG's performance and STI outcomes for executives.</p>
<p><b>LONG TERM INCENTIVES</b></p> <p>EPRs are awarded to executives to strengthen the alignment between the interests of executives and shareholders.</p> <p>The EPRs Plan has replaced the PARs Plan as IAG's executive long term incentive plan.</p>	<p>Under the EPRs Plan, awards are made annually in the form of rights over issued shares held by a trustee that vest, subject to the performance conditions, as follows:</p> <ul style="list-style-type: none"> <li>■ 50% are subject to a relative TSR hurdle (entities in the S&amp;P/ASX 100 Index), measured on the 3rd, 4th and 5th anniversary of the base date; and</li> <li>■ 50% are subject to a ROE hurdle, measured after three financial years.</li> </ul> <p>Awards that do not vest, lapse.</p>	<p>EPR grants are based on an assessment of performance, leadership capability and strategic input.</p> <p>Section IV.b ('At risk' remuneration—long term) details the link between return to shareholders and long term incentives (LTI) reward for executives.</p>

#### IV. Relationship between executive reward and IAG's performance

A significant component of executive remuneration is 'at risk' which ensures a direct link between IAG's performance and reward for executives. For further details of the percentage of 'at risk' remuneration, refer to section VII.

##### a. 'AT RISK' REMUNERATION—SHORT TERM

The payment of STI is directly linked to IAG's performance over the previous year based on a balanced scorecard of measures, which includes a measure of the profitability and growth in IAG's core business.

The following table is a summary of key financial goals that are used to assess performance at the IAG Group level for the 2007/2008 year:

CATEGORY	GOAL	REASON CHOSEN	METHOD OF ASSESSMENT	OUTCOME
Financial	Return on equity	Measures the profitability of the core business of IAG	Comparison of achievement against target	Not met
Financial	Growth in net written premium	Measures the 'top line' growth of IAG's business	Comparison of achievement against target	Partially met*

\* Where a goal is partially met, there has been improvement in performance but the stretch goal has not been met.

Note, in addition to the IAG Group level financial goals, specific financial goals that measure profitability and growth are set for each business unit. Achievement of these goals directly impacts the STI paid to the executive who leads the business unit.

The methods of assessment have been selected as they can be objectively measured and verified.

Actual STI payments made to executives for the year ended 30 June 2008 reflect the degree of achievement against the IAG Group financial goals and the degree of achievement against each individual executive's goals.

##### b. 'AT RISK' REMUNERATION—LONG TERM

The use of share based remuneration creates a direct link between return to shareholders and executive reward. To strengthen alignment between the interests of executives and those of shareholders, a significant portion of executive remuneration is delivered in the form of rights over IAG shares. Note 28 of the financial statements sets out further details of the DARs Plan, EPRs Plan and PARs Plan.

###### i. DARs Plan

DARs are rights over issued shares held by a trustee. The rights are granted at no cost to the executives and may be exercised for a nominal price at a future date determined by the board. Generally, DARs only vest and can be exercised, if the executive remains employed with the IAG Group.

###### ii. EPRs Plan

The EPRs Plan has replaced the PARs Plan as IAG's executive long term incentive plan.

EPRs are rights over issued shares held by a trustee. The rights are granted at no cost to executives and will be exercised at no cost if the performance hurdles related to IAG's TSR and normalised ROE are met.

Details of the terms of allocations made to executives under the EPRs Plan are summarised below:

			EPRs PLAN 2007/2008—SERIES 1	
		TSR		Normalised ROE
Grant date		29/10/2007		29/10/2007
		29/11/2007		29/11/2007
		13/03/2008		13/03/2008
Base date		30 September 2007		n/a
Performance period definition		3–5 years from grant date		1 July 2007–30 June 2010
IAG share price at base date (\$)		5.31		n/a
Performance hurdle test schedule		3rd, 4th and 5th anniversary of the base date	One test following board approval of financial results for period ending 30 June 2010	
First day test		30/09/2010		30/06/2010
Last day test		30/09/2012		30/06/2010
Performance hurdle achievement		n/a		n/a
Last exercise date (continuing employees only)		29/10/2017		29/10/2017
		29/11/2017		29/11/2017
		13/03/2018		13/03/2018

The table below applies to the EPRs Plan disclosed above:

	TSR PERFORMANCE HURDLE (50% OF TOTAL ALLOCATION)	ROE PERFORMANCE HURDLE (50% OF TOTAL ALLOCATION)
Performance condition	IAG TSR compared to a peer group of companies. The peer group comprises the entities in the S&P/ASX 100 Index with such inclusions and exclusions as the board may determine.	ROE relative to IAG's WACC. Normalised ROE is measured for each six month period during the performance period. The average of these six monthly measurements is compared to IAG's WACC. There is one test date.
Vesting schedule	<50th percentile—0% vesting = 50th percentile—50% vesting >=75th percentile—100% vesting The percentage of EPRs which vest and become exercisable increases proportionately where IAG's performance ranks between the 50th and 75th percentile.	NORMALISED ROE PERFORMANCE SCALE >1.6 x WACC 100% vests =1.5 x WACC 80% vests =1.4 x WACC 50% vests =1.3 x WACC 20% vests <1.3 x WACC 0% vests

#### Performance hurdle testing

The total allocation is separated into two equal portions. Each portion has a separate performance hurdle.

#### TSR PERFORMANCE HURDLE (50% OF TOTAL ALLOCATION)

The performance hurdle is tested on the 3rd, 4th and 5th anniversary of the base date. On each test day, the TSR performance hurdle is measured from the base date to the test date, which means that any period of poor TSR performance following the base date is always included in the TSR measurement. The TSR portion of the allocation vests on a test day if IAG's TSR is at or above the 50th percentile of the peer group of companies with vesting increasing on subsequent test days only if the TSR ranking has improved. This approach to performance hurdle testing ensures that executives strive to deliver TSR performance over the full five year period.

#### ROE PERFORMANCE HURDLE (50% OF TOTAL ALLOCATION)

The normalised ROE hurdle is measured relative to IAG's WACC. Normalised ROE is measured for each six month period during the three financial years over which the performance hurdle is measured. There is only one test date for the ROE portion of the EPRs. For any of the ROE portion of EPRs to be exercisable, the ROE (the average of the six monthly normalised ROE measurements over the three financial years) must reach at least 1.3 times WACC.

#### Vesting of EPRs—change of control

Under the EPRs Plan the board has discretion to determine if and when EPRs vest in a change of control situation. In exercising this discretion the board would consider issues such as the objectives of the EPRs Plan and the circumstances surrounding the proposed change of control.

#### iii. PARs Plan

The PARs Plan has been replaced by the EPRs Plan to deliver LTI. No further allocations will be made under the PARs Plan.

PARs are rights over issued shares held by a trustee. The rights are granted at no cost to executives and may be exercised for a nominal price if a performance hurdle related to IAG's TSR is met.

Details of the terms of allocations made to executives under the PARs Plan, including those allocations that at the date of this report are partially exercisable or not exercisable, are summarised below:

	PARs PLAN 2002/2003 SERIES 1	PARs PLAN 2003/2004 SERIES 2	PARs PLAN 2004/2005 SERIES 3	PARs PLAN 2005/2006 SERIES 4	PARs PLAN 2006/2007 SERIES 5
Grant date	24/12/2002	22/09/2003 10/12/2003 26/03/2004	17/09/2004 30/11/2004	19/09/2005 30/11/2005 22/03/2006	19/12/2006 13/03/2007
Performance period definition <sup>(i)</sup>	3–5 years from grant date	3–5 years from base date <sup>(ii)</sup>	3–5 years from base date <sup>(ii)</sup>	3–5 years from base date	3–5 years from base date
IAG share price at base date (\$)	2.92	3.90	5.08	5.87	5.29
Performance hurdle test schedule	Quarterly—last trading day of each calendar quarter in performance period	Quarterly—last trading day of each calendar quarter in performance period	Quarterly—last trading day of each calendar quarter in performance period	Quarterly—last trading day of each calendar quarter in performance period	Quarterly—last trading day of each calendar quarter in performance period
First day test	30/12/2005	29/09/2006	28/09/2007	30/09/2008	30/09/2009
Last day test	28/09/2007	30/06/2008	30/06/2009	30/06/2010	30/09/2011
Performance hurdle achievement	Partially achieved, 56% of PARs are exercisable and remaining 44% lapsed	Not achieved	Not achieved	n/a	n/a
Last exercise date (continuing employees only)	24/12/2012	22/09/2013 10/12/2013 26/03/2014	17/09/2014 30/11/2014	19/09/2015 30/11/2015 22/03/2016	19/12/2016 13/03/2017

(i) The performance period will be shortened if the employee ceases employment with the IAG Group due to redundancy or in other special circumstances.

(ii) The base date is the date which is the second trading day after the date on which IAG's financial results for the 12 month period ending on the 30 June that immediately precedes the grant date are announced to the Australian Securities Exchange (ASX).

The table below applies to all the PARs Plan disclosed above:

TSR performance condition	IAG TSR compared to a peer group of companies. The peer group comprises the companies in the S&P/ASX 100 Index with such inclusions and exclusions as the board may determine.
Vesting schedule	<p>&lt;50th percentile—0% vesting                      =50th percentile—50% vesting                      &gt;=75th percentile—100% vesting</p> <p>The percentage of PARs which vest and become exercisable increases proportionately where IAG's performance ranks between the 50th and 75th percentile.</p>

### Performance hurdle testing

The performance hurdle is tested quarterly during the period that is between three and five years from the base date. On each test day, the TSR performance hurdle is measured from the base date to the test date, which means that any period of poor TSR performance following the base date is always included in the TSR measurement. PARs vest on a test day if IAG's TSR is at or above the 50th percentile of the peer group of companies with vesting increasing on subsequent test days only if the TSR ranking has improved. This approach to performance hurdle testing ensures that executives strive to deliver TSR performance over the full five year period.

### Vesting of PARs—change of control

Under the PARs Plan the board has discretion to determine if and when PARs vest in a change of control situation. In exercising this discretion the board would consider issues such as the objectives of the PARs Plan and the circumstances surrounding the proposed change of control.

### Restrictions on dealing in IAG securities

In addition to legal requirements that prevent any person from dealing in IAG securities when in possession of undisclosed price sensitive information, the board has implemented a policy that prohibits directors, executives and other designated senior managers from:

- dealing in IAG securities when in possession of price sensitive information;
- short term or speculative trading in IAG securities;
- transactions that limit economic risk associated with unvested entitlements to IAG securities (including EPRs, PARs and DARs); and
- any trading in IAG securities without prior approval of the NRSC.

The following table outlines the returns delivered to IAG shareholders since 30 June 2002:

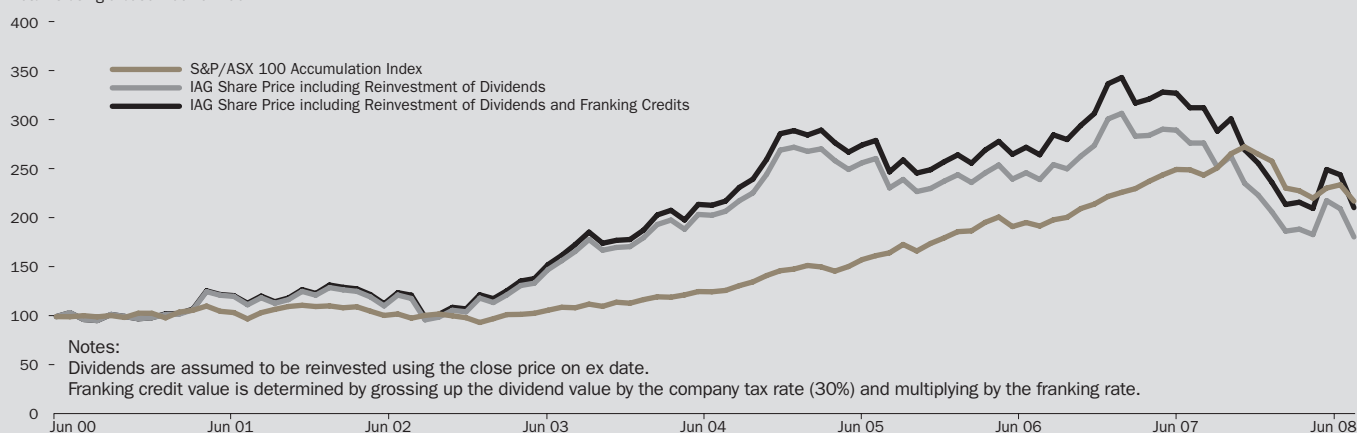
	YEAR ENDED 30 JUNE 2002	YEAR ENDED 30 JUNE 2003	YEAR ENDED 30 JUNE 2004	YEAR ENDED 30 JUNE 2005	YEAR ENDED 30 JUNE 2006	YEAR ENDED 30 JUNE 2007	YEAR ENDED 30 JUNE 2008
Closing share price (\$)	3.15	3.40	5.00	6.01	5.35	5.70	<b>3.47</b>
Dividends paid (cents)	10.50	11.50	22.00	26.50	42.00	29.50	<b>22.50</b>
Earnings per share (cents) <sup>(i)</sup>	(1.78)	8.65	37.87	49.31	47.66	32.79	<b>(14.29)</b>
Normalised net profit after tax (\$ million) <sup>(i), (ii)</sup>	337	441	552	614	550	522	<b>290</b>

(i) All amounts post 2005 have been measured under current Australian Accounting Standards (AASBs) which became applicable for years commencing on or after 1 January 2005. All amounts prior to 2005 were measured under previous AASBs.

(ii) Normalised net profit is determined by excluding the amortisation and impairment charges of intangible assets and goodwill and substituting actual investment earnings on equity holders' funds with long term returns.

IAG's share price performance from the period since IAG's listing in August 2000 is shown in the following graph:

Returns using a base index of 100



## V. Service agreements

All service agreements for executives are unlimited in term but may be terminated by written notice from either party or by IAG making a payment in lieu of notice. The service agreements outline the components of remuneration paid to executives and require the remuneration of executives to be reviewed annually. The service agreements do not require IAG to increase base salary, pay a STI or offer a LTI in any given year. N Utley's service agreement, which was in force prior to the acquisition of the Equity Insurance Group, provides for an annual base salary adjustment based on the movement in the Retail Prices Index in the UK.

NAME	NOTICE PERIOD —COMPANY	NOTICE PERIOD —EMPLOYEE	TERMINATION PROVISIONS	ADDITIONAL PAYMENT IF IAG INVOKES A RESTRAINT CLAUSE
MJ Wilkins	12 months	6 months	12 months base salary, plus payment for annual leave, long service leave and STI that would have accrued for 12 months had termination not occurred.	6 months base salary
JP Breheny	12 months	3 months	12 months base salary	–
AM Coleman	12 months	3 months	12 months base salary	6 months base salary
NB Hawkins	12 months	3 months	12 months base salary	–
JS Johnson	12 months	3 months	12 months base salary	–
CF McLoughlin	12 months	3 months	12 months base salary	–
LC Murphy	12 months	3 months	12 months base salary	–
N Utley	12 months	12 months	12 months base salary, plus payment for the value of benefits (excluding STI) that would have accrued for 12 months had termination not occurred.	–
J van der Schalk	12 months	3 months	12 months base salary	6 months base salary
G Venardos	12 months	3 months	12 months base salary	6 months base salary
DG West	12 months	3 months	12 months base salary	–

Executives are employed by Insurance Australia Group Services Pty Limited, except for:

- NB Hawkins who is employed by IAG New Zealand Limited; and
- N Utley who is employed by Equity Insurance Management Limited.

### a. RETRENCHMENT

In the event of retrenchment, the executives listed above (except for N Utley) are entitled to the greater of:

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

For N Utley, the retrenchment payment is in accordance with the termination provisions specified in the table above.

### b. COMPANY RETRENCHMENT POLICY

On retrenchment, employees with less than 25 years service will receive:

- at least eight weeks notice or payment in lieu of notice (calculated on the employee's base salary); and
- three weeks base salary for each year of continuous service to a maximum of 75 weeks base salary.

The minimum benefit that can be received is 11 weeks base salary and the maximum benefit that can be received is 83 weeks base salary.

On retrenchment, employees with 25 or more years of service or who are over 45 years of age will receive:

- at least 12 weeks notice or payment in lieu of notice (calculated on the employee's base salary); and
- three weeks base salary for each year of continuous service to a maximum of 75 weeks base salary.

The minimum benefit that can be received is 15 weeks base salary and the maximum benefit that can be received is 87 weeks base salary.

### c. TERMINATION OF EMPLOYMENT WITHOUT NOTICE AND WITHOUT PAYMENT IN LIEU OF NOTICE

The employment of the executives may be terminated without notice or payment in lieu of notice in some circumstances.

Generally, this could occur where the executive:

- is charged with a criminal offence that is capable of bringing 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 Company.

### d. TERMINATION OF EMPLOYMENT WITH NOTICE OR PAYMENT IN LIEU OF NOTICE

The employment of the executives may be terminated at any time by the Company with notice or payment in lieu of notice.

The amount of notice the Company must provide or the payment in lieu of notice is specified above.

## VI. Remuneration details

### a. REMUNERATION OF EXECUTIVES FOR THE IAG GROUP

	SHORT TERM EMPLOYMENT BENEFITS		EMPLOYMENT BENEFITS		POST EMPLOYMENT BENEFITS	OTHER LONG TERM EMPLOYMENT BENEFITS	TERMINATION BENEFITS	SHARE BASED PAYMENT		TOTAL
	Base salary <sup>(1)</sup> \$000	STI <sup>(2)</sup> \$000	Other <sup>(3)</sup> \$000	Super-annuation <sup>(4)</sup> \$000	Retirement benefits \$000	Long service leave accruals <sup>(5)</sup> \$000	\$000	Value of deferred 2007 STI granted as DARs <sup>(6)</sup> \$000	Value of DARs/EPRs/PARs/shares granted <sup>(7),(8)</sup> \$000	\$000
Executives (including executive director)										
MJ Wilkins, Chief Executive Officer and Managing Director, KMP since 26 November 2007 <sup>(i)</sup>										
<b>2008</b>	<b>857</b>	<b>395</b>	–	<b>78</b>	–	<b>4</b>	–	–	<b>133</b>	<b>1,467</b>
JP Breheny, Chief Executive Officer, Asia										
<b>2008</b>	<b>736</b>	<b>226</b>	–	<b>89</b>	–	<b>6</b>	–	<b>115</b>	<b>261</b>	<b>1,433</b>
2007	667	349	175	85	–	5	–	–	137	1,418
NB Hawkins, Chief Executive Officer, IAG New Zealand										
<b>2008</b>	<b>648</b>	<b>137</b>	<b>57</b>	<b>89</b>	–	<b>10</b>	–	<b>115</b>	<b>303</b>	<b>1,359</b>
2007	647	351	45	84	–	10	–	–	174	1,311
JS Johnson, Chief Executive Officer, eVentures										
<b>2008</b>	<b>726</b>	<b>280</b>	–	<b>50</b>	–	<b>13</b>	–	<b>138</b>	<b>232</b>	<b>1,439</b>
2007	715	356	–	84	–	15	–	–	116	1,286
LC Murphy, Group Executive, Business Services, KMP since 3 December 2007 <sup>(i)</sup>										
<b>2008</b>	<b>270</b>	<b>145</b>	–	<b>35</b>	–	<b>1</b>	–	–	<b>18</b>	<b>469</b>
N Utley, Chief Executive Officer, United Kingdom, KMP since 9 January 2007										
<b>2008</b>	<b>978</b>	<b>590</b>	–	<b>127</b>	–	–	–	<b>90</b>	<b>202</b>	<b>1,987</b>
2007	549	262	–	68	–	–	–	–	15	894
DG West, Chief Executive Officer, CGU, KMP since 29 January 2008 <sup>(i)</sup>										
<b>2008</b>	<b>358</b>	<b>229</b>	–	<b>43</b>	–	<b>2</b>	–	–	<b>20</b>	<b>652</b>
AM Coleman, Chief Risk Officer and Group Actuary <sup>(ii)</sup>										
<b>2008</b>	<b>713</b>	<b>538</b>	–	<b>93</b>	–	<b>17</b>	–	<b>134</b>	<b>395</b>	<b>1,890</b>
2007	639	431	–	89	–	16	–	–	264	1,439
CF McLoughlin, Group Executive, Strategy, People & Reputation <sup>(ii)</sup>										
<b>2008</b>	<b>699</b>	<b>421</b>	–	<b>50</b>	–	<b>8</b>	–	<b>100</b>	<b>233</b>	<b>1,511</b>
2007	541	318	–	71	–	5	–	–	116	1,051
J van der Schalk, Chief Executive Officer, Asset Management and Reinsurance <sup>(ii)</sup>										
<b>2008</b>	<b>634</b>	<b>360</b>	–	<b>50</b>	–	<b>10</b>	–	<b>69</b>	<b>267</b>	<b>1,390</b>
2007	659	327	–	81	–	27	–	–	146	1,240
G Venardos, Group Chief Financial Officer <sup>(ii)</sup>										
<b>2008</b>	<b>826</b>	<b>594</b>	–	<b>100</b>	–	<b>27</b>	–	<b>149</b>	<b>464</b>	<b>2,160</b>
2007	782	480	–	98	–	21	–	–	305	1,686
Executives who ceased as key management personnel <sup>(iii)</sup>										
MJ Hawker, former Chief Executive Officer and Managing Director, KMP until 26 May 2008										
<b>2008</b>	<b>1,561</b>	<b>1,565</b>	–	<b>45</b>	–	<b>(77)</b>	<b>1,939</b>	<b>174</b>	<b>(1,446)</b>	<b>3,761</b>
2007	1,297	722	–	174	–	24	–	–	1,381	3,598
DA Issa, former Chief Executive Officer, Direct Insurance, KMP until 4 July 2008										
<b>2008</b>	<b>858</b>	<b>784</b>	–	<b>50</b>	–	<b>45</b>	<b>1,075</b>	<b>142</b>	<b>405</b>	<b>3,359</b>
2007	701	456	–	94	–	12	–	–	251	1,514
SJ Mostyn, former Group Executive, Culture & Reputation, KMP until 15 October 2007										
<b>2008</b>	<b>155</b>	<b>112</b>	–	<b>21</b>	–	<b>2</b>	–	<b>32</b>	<b>87</b>	<b>409</b>
2007	553	301	–	73	–	10	–	–	227	1,164
MJ Pirone, former Chief Executive Officer, CGU, KMP until 29 January 2008										
<b>2008</b>	<b>806</b>	<b>580</b>	–	<b>50</b>	–	<b>29</b>	<b>725</b>	<b>119</b>	<b>408</b>	<b>2,717</b>
2007	719	444	–	91	–	24	–	–	268	1,546
P Connell, only KMP for the period from 29 September 2006 to 20 February 2007										
2007	253	162	–	24	–	–	–	–	14	453

(i) For an executive who was newly appointed to the executive team during a financial year, the remuneration information provided in the table above relates to the period from the date of their appointment as KMP to 30 June. The balances are calculated based on the proportion of the year that they were KMP.

(ii) As part of the IAG restructure announced on 9 July 2008, NB Hawkins and LC Murphy will take on the Chief Financial Officer and Group Executive, Corporate Office roles, respectively, whilst AM Coleman, CF McLoughlin, J van der Schalk and G Venardos will cease to be KMP from the end of August 2008 when the new executive team structure is effective. The remuneration details in the table above are only in respect of remuneration for services provided during the current financial year.

(iii) For any executives who ceased as KMP during a financial year, the remuneration information provided in the table above relates only to the period that they were KMP.

Refer to section VI.b for details of notes 1 to 8 referencing in the above table in section VI.a.

b. DETAILS OF NOTES 1 TO 8

USED IN THE TABLES IN SECTION VI.a

- (1) Base salary represents amounts paid in cash and the value of non monetary benefits such as cars and parking and annual leave accruals, as determined in accordance with AASB 119 Employee Benefits.
- (2) STI to be settled for the current performance period accrual and prior performance periods over or under accruals. Executives may elect to receive some of their STI in the form of IAG shares rather than cash through participation in the Bonus Equity Share Plan which is valued in accordance with the market value of IAG shares at grant date.
- (3) NB Hawkins received an accommodation allowance in NZ. In 2007, JP Breheny received a special payment which was only payable after completion of 12 months service with the IAG Group.
- (4) Superannuation represents the employer's contributions. Refer note 29 for details of how this plan operates.
- (5) Long service leave accruals as determined in accordance with AASB 119 Employee Benefits.
- (6) The deferred 2007 STI is granted as DARs and an allocated portion of unvested DARs is included in the total remuneration disclosure above. DARs are valued using a Black Scholes valuation model. The deferred 2008 STI will be granted in next financial year and therefore, no value was included in the table above.
- (7) An allocated portion of unvested EPRs (new rights issued in 2008), DARs and PARs is included in the total remuneration disclosure above. The year ended 30 June 2008 value included shares issued under a one off share allocation (refer to section VIII.a for further details).

To determine the EPRs and PARs values the Monte Carlo simulation methodology model has been applied. The valuation takes into account the exercise price of the EPRs and PARs, life of the EPRs and PARs, current price of IAG shares, expected volatility of the IAG share price, expected dividends, risk free interest rate, the performance of the 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. DARs are valued using a Black Scholes valuation model.

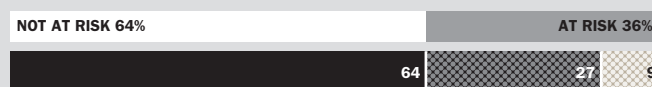
- (8) The year ended 30 June 2008 included a reversal adjustment on lapsed rights which was recognised as share based remuneration for services provided since date of grant in prior periods. These rights lapsed on MJ Hawker's ceasing employment with the IAG Group.

VII. At risk remuneration

Total remuneration for executives is comprised of 'at risk' and 'not at risk' remuneration. Base salary and superannuation are 'not at risk', while STI and share based remuneration provided through the DARs, EPRs and PARs Plans are 'at risk'.

a. DETAILS OF TOTAL REMUNERATION THAT IS 'AT RISK'

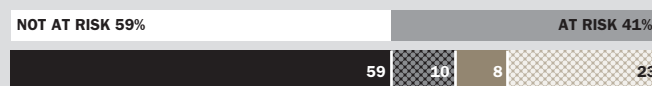
MJ Wilkins



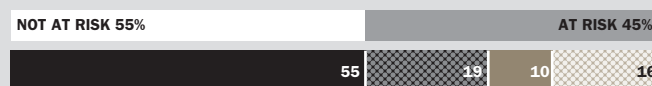
JP Breheny



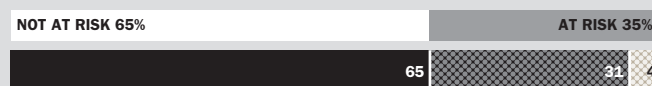
NB Hawkins



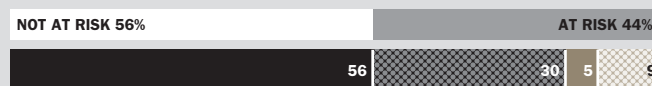
JS Johnson



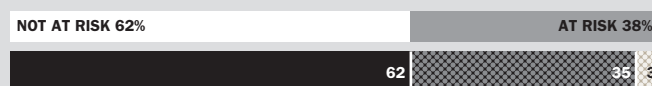
LC Murphy



N Utley



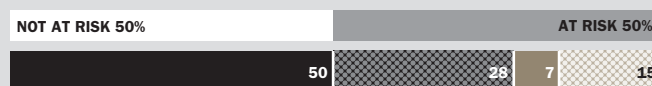
DG West



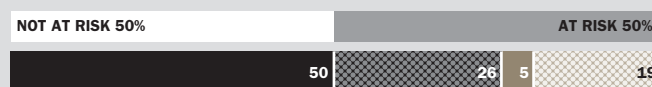
AM Coleman



CF McLoughlin



J van der Schalk



G Venardos



● Fixed pay (%)    ⊗ Cash STI (%)    ● Deferred STI (%)    ⊗ LTI (%)

## b. SHORT TERM INCENTIVES

The portion of the STI that either vested or was forfeited during the year cannot be determined as no maximum or target amount is set. Executives may be paid a STI based on IAG's performance and their own performance. The amount of STI paid to an executive is recommended by the CEO and approved by the NRSC. The amount of STI paid to the CEO is recommended by the NRSC and approved by the board.

## c. SHARE BASED REMUNERATION

No DARs, EPRs or PARs became exercisable during the year ended 30 June 2008. PARs series 1 reached the end of the performance hurdle testing period and 44% of those PARs, being PARs that had not become exercisable, lapsed on 24 December 2007. No DARs, EPRs or PARs (other than PARs series 1) lapsed during the year.

It is not practical to provide an estimate of the maximum possible total value of share based remuneration that may vest in future years for any EPRs, DARs or PARs issued up to 30 June 2008 because the value is directly linked to:

- the future IAG share price at the time of vesting; and
- with respect to EPRs and PARs, the future TSR performance of IAG and companies in the S&P/ASX 100 Index. The minimum possible total value of share based remuneration is zero.

## VIII. Share based remuneration—share allocation, DARs, EPRs, PARs and PSRs

### a. SHARE ALLOCATION

During the year, the board approved an ex gratia grant of shares to 70 employees. The board made this grant following a PwC review of IAG's executive remuneration arrangements in 2007. PwC found that the approach to determining IAG's peer group for PARs granted in December 2002 was not consistent with market practice. If the peer group was determined in accordance with market practice, IAG's ranking in the peer group was substantially higher. The board made an ex gratia grant of shares to recognise this issue.

The total number of shares granted was 407,552 and the cost of acquiring the shares on market was \$1,494,702.

The total value allocated to each KMP is included in item f of this section.

### b. DARs

#### i. Details of DARs granted

The IAG Group has issued DARs to the executives during the financial year for nil consideration. Each executive who participates in the DARs Plan becomes eligible to receive one ordinary IAG share per DAR, by paying the exercise price of \$1 per tranche of DARs exercised, subject to continuing employment with the IAG Group for a period as determined by the board.

	GRANT DATE	DATE FIRST EXERCISABLE	LAST EXPIRY DATE	VALUE PER DAR AT GRANT DATE \$	DARs GRANTED DURING THE YEAR NUMBER
<b>2008</b>					
MJ Wilkins	—	—	—	—	—
JP Breheny	27/09/2007	01/07/2008	27/09/2017	4.82	47,900
AM Coleman	27/09/2007	01/07/2008	27/09/2017	4.82	55,700
NB Hawkins	27/09/2007	01/07/2008	27/09/2017	4.82	47,900
JS Johnson	27/09/2007	01/07/2008	27/09/2017	4.82	57,100
CF McLoughlin	27/09/2007	01/07/2008	27/09/2017	4.82	41,500
LC Murphy	—	—	—	—	—
N Utley	27/09/2007	01/07/2008	27/09/2017	4.82	37,500
J van der Schalk	27/09/2007	01/07/2008	27/09/2017	4.82	28,600
G Venardos	27/09/2007	01/07/2008	27/09/2017	4.82	61,900
DG West	—	—	—	—	—
EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL					
MJ Hawker	27/09/2007	01/07/2008	27/09/2017	4.82	144,500
DA Issa	27/09/2007	01/07/2008	27/09/2017	4.82	73,800
SJ Mostyn	27/09/2007	01/07/2008	27/09/2017	4.82	45,400
MJ Pirone	27/09/2007	01/07/2008	27/09/2017	4.82	61,500
					<b>703,300</b>

#### ii. Details of DARs vested and exercised

There were no DARs vested and exercised during the financial year.

## c. EPRs

### i. Details of EPRs granted

The EPRs Plan replaced the PARs Plan as IAG's new executive long term incentive plan. The IAG Group issued EPRs to the executives during the financial year for nil consideration. Each executive who participates in the plan becomes eligible to receive an ordinary share per EPR at no exercise price, subject to specific performance hurdles being met. Refer to section IV.b for details of the performance hurdles.

EPR allocations are divided equally into two allocations, the TSR and ROE allocation. Each allocation has two vesting conditions with the first vesting condition being, continued employment with the IAG Group. Under the TSR allocation, the second vesting condition is a market related performance hurdle based on a comparison of IAG's TSR with the TSR of a peer group of entities in the S&P/ASX 100 Index. Under the ROE allocation, the second vesting condition is based on IAG's normalised ROE (refer to note 28 of the financial statements for further details).

ii. EPRs subject to TSR performance hurdle

	GRANT DATE	DATE FIRST EXERCISABLE	LAST EXPIRY DATE	VALUE PER EPR AT GRANT DATE \$	EPRs GRANTED DURING THE YEAR NUMBER
<b>2008</b>					
MJ Wilkins	29/11/2007	30/09/2010	29/11/2017	2.35	125,000
JP Breheny	29/10/2007	30/09/2010	29/10/2017	2.87	49,250
AM Coleman	29/10/2007	30/09/2010	29/10/2017	2.87	51,500
NB Hawkins	29/10/2007	30/09/2010	29/10/2017	2.87	48,000
JS Johnson	29/10/2007	30/09/2010	29/10/2017	2.87	49,750
CF McLoughlin	29/10/2007	30/09/2010	29/10/2017	2.87	48,000
LC Murphy	29/10/2007	30/09/2010	29/10/2017	2.87	17,500
N Utley	29/10/2007	30/09/2010	29/10/2017	2.87	71,750
J van der Schalk	29/10/2007	30/09/2010	29/10/2017	2.87	47,500
G Venardos	29/10/2007	30/09/2010	29/10/2017	2.87	56,750
DG West	13/03/2008	30/09/2010	13/03/2018	1.63	50,000
EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL					
MJ Hawker	29/10/2007	30/09/2010	29/10/2017	2.87	175,000
DA Issa	29/10/2007	30/09/2010	29/10/2017	2.87	58,500
SJ Mostyn	29/10/2007	30/09/2010	29/10/2017	2.87	14,250
MJ Pirone	29/10/2007	30/09/2010	29/10/2017	2.87	51,500
					<b>914,250</b>

iii. EPRs subject to the ROE performance hurdle

<b>2008</b>					
MJ Wilkins	29/11/2007	30/06/2010	29/11/2017	3.68	125,000
JP Breheny	29/10/2007	30/06/2010	29/10/2017	4.31	49,250
AM Coleman	29/10/2007	30/06/2010	29/10/2017	4.31	51,500
NB Hawkins	29/10/2007	30/06/2010	29/10/2017	4.31	48,000
JS Johnson	29/10/2007	30/06/2010	29/10/2017	4.31	49,750
CF McLoughlin	29/10/2007	30/06/2010	29/10/2017	4.31	48,000
LC Murphy	29/10/2007	30/06/2010	29/10/2017	4.31	17,500
N Utley	29/10/2007	30/06/2010	29/10/2017	4.31	71,750
J van der Schalk	29/10/2007	30/06/2010	29/10/2017	4.31	47,500
G Venardos	29/10/2007	30/06/2010	29/10/2017	4.31	56,750
DG West	13/03/2008	30/06/2010	13/03/2018	2.71	50,000
EXECUTIVES WHO CEASED AS KEY MANAGEMENT PERSONNEL					
MJ Hawker	29/10/2007	30/06/2010	29/10/2017	4.31	175,000
DA Issa	29/10/2007	30/06/2010	29/10/2017	4.31	58,500
SJ Mostyn	29/10/2007	30/06/2010	29/10/2017	4.31	14,250
MJ Pirone	29/10/2007	30/06/2010	29/10/2017	4.31	51,500
					<b>914,250</b>

iv. Details of EPRs vested and exercised

There were no EPRs vested and exercised during the financial year.

d. PARs

i. Details of PARs granted

The PARs Plan was replaced by the EPRs Plan which is now the executive long term incentive plan. No PARs were granted during the financial year.

ii. Details of PARs vested and exercised

There were no PARs vested and exercised during the financial year.

e. PSRs

The Performance Share Rights (PSRs) Plan was closed for issuing further PSRs from the financial year ended 30 June 2003.

During the year ended 30 June 2008, J van der Schalk exercised 40,000 PSRs. \$1 per tranche of PSRs is payable to exercise. Nil remains unpaid per issued share acquired. For each PSR exercised, one new IAG ordinary share was issued.

#### f. ANALYSIS OF MOVEMENTS IN SHARE BASED REMUNERATION

Following is a summary of the movement during the financial year, by value, of all types of share based remuneration, including DARs, EPRs, PARs, PSRs and the one off share allocation, for each executive:

	TOTAL VALUE OF DARs AND EPRs GRANTED <sup>(i)</sup> \$000	TOTAL VALUE OF DARs, EPRs, PARs AND PSRs EXERCISED <sup>(ii)</sup> \$000	TOTAL VALUE OF SHARE ALLOCATION <sup>(iii)</sup> \$000	TOTAL VALUE DARs, EPRs AND PARs THAT LAPSED <sup>(iv)</sup> \$000
<b>2008</b>				
MJ Wilkins	754	-	-	-
JP Breheny	584	-	-	-
AM Coleman	638	-	70	(223)
NB Hawkins	576	-	51	(162)
JS Johnson	632	-	8	(25)
CF McLoughlin	545	-	-	-
LC Murphy	126	-	-	-
N Utley	696	-	-	-
J van der Schalk	479	132	29	(94)
G Venardos	706	-	92	(275)
DG West	217	-	-	-
	<b>5,953</b>	<b>132</b>	<b>250</b>	<b>(779)</b>
<i>Executives who ceased as key management personnel</i>				
MJ Hawker	495	-	231	(7,493)
DA Issa	191	-	61	(248)
SJ Mostyn	74	-	59	(188)
MJ Pirone	165	-	61	(239)
	<b>925</b>	<b>-</b>	<b>412</b>	<b>(8,168)</b>

(i) The value of DARs and EPRs granted in the year is the fair value of the DARs and EPRs at grant date using Black Scholes and Monte Carlo simulation models respectively. The total value of the DARs and EPRs granted is included in the table above. This amount is allocated to remuneration over the expected vesting period (ie in years 30 June 2008 to 30 June 2012).

(ii) 40,000 PSRs that vested in a prior period were exercised in the financial year. The value of PSRs exercised is based on the market value of IAG shares at date of exercise. \$1 was paid by J van der Schalk to exercise these PSRs. No other PARs, DARs or EPRs were vested and therefore, exercisable during the financial year.

(iii) The value of the share allocation is based on the cost of acquiring the IAG shares on market for allocating to the executives who were eligible to receive this once off share allocation.

(iv) Rights lapsed during the financial year included 44% of PARs series 1 and rights lapsed upon KMP ceasing employment with the IAG Group. PARs series 1 are valued at the market value of IAG shares at the last date of performance hurdle testing. MJ Hawker's lapsed PARs, DARs and EPRs and DA Issa's and MJ Pirone's lapsed DARs were valued based on the market value of IAG shares at 30 June 2008.

Related parties of executives cannot participate in the EPRs, DARs, PARs or PSRs Plans.

## B. NON-EXECUTIVE DIRECTORS

### 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
- consistent with IAG's values.

### II. Remuneration structure

Non-executive director remuneration consists of three components, they are:

- board fees (payable as cash and IAG shares);
- subsidiary board and committee fees; and
- superannuation.

The aggregate limit of remuneration is approved by shareholders and is currently \$2,750,000 per annum. The aggregate annual remuneration is inclusive of employer superannuation contributions paid by IAG on behalf of non-executive directors.

#### a. IAG BOARD AND COMMITTEE FEES

BOARD/COMMITTEE	ROLE	FEE
IAG Board	Chairman	\$450,000
	Director	\$150,000
IAG Audit Committee	Chairman	\$36,000
	Member	\$18,000
IAG Risk Management & Compliance Committee	Chairman	\$36,000
	Member	\$18,000
IAG Nomination, Remuneration & Sustainability Committee	Chairman	\$32,500
	Member	\$16,250

#### b. NON-EXECUTIVE DIRECTORS' SHARE PLAN

The board has agreed that each non-executive director should take a minimum of 20% and up to a maximum of 90% of their annual board fee (at the time shares are allocated), on a fee sacrifice basis, in the form of IAG shares provided under the Non-Executive Directors' Share Plan, which was approved by shareholders on 13 November 2002. IAG shares are purchased by a trustee on market and allocated to directors in December each year. Non-executive directors may elect to restrict the disposal of these shares for a minimum period of one year and up to 10 years or until the director retires. No other share based remuneration is available to non-executive directors.

#### c. SUPERANNUATION

IAG pays superannuation contributions on director's fees into a superannuation fund nominated by the director. Directors' fees and superannuation contributions are paid monthly.

IAG has a Non-Executive Directors' Expenses Policy. Under this policy IAG reimburses expenses reasonably incurred by directors in connection with the discharge of their duties.

#### d. NON-EXECUTIVE DIRECTORS' SERVICE ON SUBSIDIARY BOARDS

A summary of non-executive directors' service on subsidiary boards and the fees payable is set out in the following table:

DIRECTOR	SUBSIDIARY	CAPACITY	ANNUAL FEE
JA Strong	Insurance Manufacturers of Australia Pty Limited	Chairman	\$195,000
PM Colebatch	IAG UK Holdings Limited	Chairman	\$100,497 <sup>(i)</sup>
HA Fletcher	IAG New Zealand Limited	Chairman	\$89,916 <sup>(ii)</sup>
ND Hamilton	Mutual Community General Insurance Proprietary Limited	Chairman	\$25,000
YA Allen	Mutual Community General Insurance Proprietary Limited	Director	\$16,250

(i) This amount was paid in British pound and has been converted to Australian dollar using the average exchange rate for the year.

(ii) This amount was paid in NZ dollar and has been converted to Australian dollar using the average exchange rate for the year.

### III. Performance

Directors' performance is subject to evaluation by the chairman at least every two years, by discussion between the chairman and the individual director. In these discussions, the individual directors also evaluate the chairman's performance. Performance measures for directors considered by the chairman and board include:

- 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 the additional role as chairman; and
- input regarding regulatory, industry and social developments surrounding the business.

The NRSC has responsibility for coordinating the board's review of the chairman's performance.

#### IV. Remuneration details

	SHORT TERM BENEFITS		EMPLOYMENT BENEFITS	POST	OTHER	TERMINATION BENEFITS	SHARE BASED	TOTAL
	IAG Board fees received as cash \$000	Other boards and committees fees \$000		RETIREMENT BENEFITS	LONG TERM EMPLOYMENT BENEFITS		PAYMENT	
			Super-annuation \$000	Retirement benefits \$000	\$000	\$000	IAG Board fees received as IAG shares \$000	\$000
JA Strong								
<b>2008</b>	<b>238</b>	<b>195</b>	<b>58</b>	–	–	–	<b>213</b>	<b>704</b>
2007	201	172	50	–	–	–	189	612
YA Allen								
<b>2008</b>	<b>128</b>	<b>66</b>	<b>13</b>	–	–	–	<b>28</b>	<b>235</b>
2007	105	37	15	–	–	–	25	182
PM Colebatch, appointed 1 January 2007								
<b>2008</b>	<b>79</b>	<b>115</b>	<b>15</b>	–	–	–	<b>71</b>	<b>280</b>
2007	33	48	6	–	–	–	33	120
HA Fletcher, appointed 1 September 2007								
<b>2008</b>	<b>46</b>	<b>90</b>	<b>13</b>	–	–	–	<b>79</b>	<b>228</b>
ND Hamilton								
<b>2008</b>	<b>27</b>	<b>43</b>	<b>13</b>	–	–	–	<b>128</b>	<b>211</b>
2007	17	55	17	–	–	–	113	202
A Hynes, appointed 1 September 2007								
<b>2008</b>	<b>108</b>	<b>14</b>	<b>12</b>	–	–	–	<b>18</b>	<b>152</b>
RA Ross								
<b>2008</b>	<b>79</b>	<b>52</b>	<b>18</b>	–	–	–	<b>71</b>	<b>220</b>
2007	67	49	16	–	–	–	63	195
BM Schwartz								
<b>2008</b>	<b>112</b>	<b>50</b>	<b>13</b>	–	–	–	<b>43</b>	<b>218</b>
2007	92	51	16	–	–	–	38	197
DIRECTORS RETIRED DURING THE YEAR								
JF Astbury, director until 31 August 2007								
<b>2008</b>	<b>17</b>	<b>8</b>	<b>3</b>	<b>184</b>	–	–	<b>4</b>	<b>216</b>
2007	105	54	17	–	–	–	25	201
GA Cousins, director until 31 August 2007								
<b>2008</b>	<b>17</b>	<b>3</b>	<b>2</b>	<b>169</b>	–	–	<b>4</b>	<b>195</b>
2007	105	16	13	–	–	–	25	159

#### V. Retirement benefits

IAG decided to freeze the operation of the non-executive director retirement benefit scheme adopted by IAG in 2001 with effect from 1 September 2003.

The terms of the retirement benefits scheme provided for:

- any non-executive director of IAG who had completed five years continuous service with IAG (including service with any subsidiaries) at the date of retirement, a retirement benefit equivalent to the last three years directors' fees, employer superannuation contributions, committee fees and fees for extra services received from IAG and its subsidiaries;
- a pro rata retirement benefit for non-executive directors who have completed at least three years service but less than five years service at the date of their retirement, based on a specified formula; and
- no retirement benefit to be paid to a non-executive director who had served for a period of less than three years.

IAG determined that the frozen retirement benefits would be calculated as follows:

- non-executive directors joining the board from 1 September 2003 would have no retirement benefit;
- for each non-executive director as at 31 August 2003 who had served a minimum of three years, the retirement benefit was assessed as if they had retired at 31 August 2003; and
- for a non-executive director with less than three years of service at 31 August 2003, a retirement benefit was assessed as if they had three years of service as at that date, and then reduced on a pro rata basis based on their uncompleted period of service as a proportion of three years. The retirement benefit was not subsequently payable to such a non-executive director if they had less than three years of service as a non-executive director at the date of their retirement.

Retirement benefits of \$184,000 and \$169,000 were paid to JF Astbury and GA Cousins respectively, following their retirement from the board on 31 August 2007.

The following table sets out the frozen retirement benefits of the remaining directors who held office on 31 August 2003 and who have continued in office since then:

DIRECTOR	RETIREMENT BENEFIT	
	\$000	
JA Strong	295	
ND Hamilton*	248	
RA Ross*	232	

\* ND Hamilton and RA Ross have decided to retire before the next annual general meeting in November 2008. Their retirement benefits were accrued in the financial year ending 30 June 2008.

On retirement, directors may also be entitled to be paid a benefit from their company funded superannuation. Such a benefit would be in addition to the director's frozen retirement benefit.

### C. OTHER BENEFITS

Remuneration does not include premiums paid by IAG for an insurance contract covering current and former directors' and executives' liabilities and legal expenses incurred in respect of the relevant office, as the insurance policies do not specify premiums paid in respect of individual directors and executives and the terms of contract specifically prohibit the disclosure of the premium paid. Insurance products provided by the IAG Group are also available to all directors and executives on the same terms and conditions available to other employees.

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

### A. HOLDING OF ORDINARY SHARES

	FOR SECTION 205G OF THE CORPORATIONS ACT 2001	
	Shares held directly <sup>(i)</sup>	Shares held indirectly <sup>(ii)</sup>
JA Strong	12,575	283,940
YA Allen	–	19,521
PM Colebatch	–	27,132
HA Fletcher	–	51,126
ND Hamilton	5,900	147,203
A Hynes	–	17,752
RA Ross	102,803	88,243
BM Schwartz	246	27,663
P Twyman	–	15,000
MJ Wilkins	–	100,000

(i) 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. Trading in IAG shares is covered by the restrictions which limit the ability of an IAG director to trade in the shares of the IAG Group where they are in a position to be aware, or are aware, of price sensitive information.

(ii) These 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 Corporation Act 2001.

### B. HOLDING OF RESET PREFERENCE SHARES

No director and their related parties had any interest in RPS at reporting date.

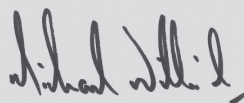
### C. HOLDING OF RESET EXCHANGEABLE SECURITIES

No director and their related parties had any interest in reset exchangeable securities of IAG Finance (New Zealand) Limited at reporting date.

### ROUNDING OF AMOUNTS

Unless otherwise stated, amount 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 class order 98/100 dated 10 July 1998 issued by the Australian Securities & Investments Commission. All rounding has been conducted in accordance with that class order.

Signed at Sydney this 22nd day of August 2008 in accordance with a resolution of the directors:



**Michael Wilkins**  
Director