

## INDEPENDENT ASSURANCE STATEMENT

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To the Board of Directors, Management and Stakeholders of Insurance Australia Group Limited:

Insurance Australia Group Limited (IAG) commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of the non financial statements within the *IAG Annual Review 2008* (the Review) and the on-line content of IAG's website *About IAG* and *Sustainable Performance*. The Review and on-line content presents IAG's sustainability performance over the period July 2007 to June 2008. IAG was responsible for the preparation of the Review and on-line content. As an independent assurer of the report, the responsibility of Net Balance is to the IAG Board and Executive alone in accordance with the terms of reference agreed with them. Other stakeholders should perform their own due diligence before taking any action as a result of this statement.

### **Assurance Standard**

The assurance was undertaken in accordance with the *AA1000 Assurance Standard*, which is based on the following principles:

- **Materiality:** Does the organisation use a process to determine the material issues, including an evaluation of the relevance and importance of the issue? Does the Report provide information about the organisation's sustainability management and performance required by its stakeholders for them to be able to make informed judgements, decisions and actions?
- **Completeness:** To what extent can the organisation identify and understand the material aspects of its sustainability performance? Is this done in a fair (information is easy to understand, can be compared and is reliable) and balanced manner (including both favourable and unfavourable information)?
- **Responsiveness:** Does the organisation have in place a process to prioritise issues for response? Has the organisation responded appropriately to the concerns and expectations of its stakeholders and adequately communicated those responses within the report? Is this information being provided in a timely manner? Does the organisation allocate adequate resources to enable it to meet its policy and standards commitments?

### **Assurance Objectives**

The objective of the assurance process is to provide stakeholders of IAG with an independent opinion on the quality of the Review and on-line content. This is confirmed through verification of the claims made, and a review of the organisation's underlying systems, processes and competencies that support the report with respect to the principles of materiality, completeness and responsiveness. Ensuring continuous improvement in data management systems and associated reporting processes is also a complementary objective.

### **Assurance Process**

The assurance engagement was undertaken between February and October 2008. The process involved:

- A review of the processes used by IAG to engage with its stakeholders and the outcomes of the external and internal stakeholder engagement undertaken during the reporting period. This included independent engagement through telephone interviews with internal/external stakeholders to understand the material issues raised by stakeholders and to assess responsiveness of the organisation to stakeholder concerns.
- A review of IAG's key sustainability strategies, policies, objectives, management systems, measurement and reporting procedures and background documentation.
- Interviews with key staff responsible for information contained within the Report to ascertain their views, understanding and response to material sustainable development issues faced by the business.
- A series of interviews with key personnel responsible for collating and writing various parts of the report to substantiate the veracity of selected claims.
- An overview of the embeddedness of key economic, environmental and social policies within the business.
- An independent materiality check using the five-part materiality test, including a comparison of IAG against its industry peers, a review of selected external media coverage, and an assessment of compliance performance.
- A review of the report for any significant anomalies, particularly in relation to significant claims as well as trends in data.
- Examination of the aggregation and/or derivation of, and underlying evidence for, over 115 selected data points and statements made in the report.

In addition, Net Balance will review any changes to the *About IAG* and *Sustainable Performance* sections of the website on a quarterly basis to verify content that has been updated to reflect changes in the business during the quarter. This process may result in unverified content being included on the website for a short period time. Where necessary, this assurance statement will be updated to reflect the outcomes of the quarterly reviews.

### **Assurance Level and Limitations**

The level of assurance provided is moderate as defined by the scope and methodology described in this assurance statement. The assurance focussed on systems and activities of IAG during the reporting period, with the following exceptions:

- The scope of work did not involve verification of financial data, other than that relating to environmental, social or broader economic performance.

### **Our Independence**

Net Balance was not responsible for preparation of any part of the Report. Our team's independence was ensured by selecting an assurance team that had no other involvement with IAG during the reporting period that could impair the team's independence or objectivity. However, Net Balance did undertake some independent stakeholder engagement as part of the assurance process and also completed a Global Reporting Initiative (GRI) G3 Application level check for the 2008 Report. These projects were complementary to the assurance function and did not impact upon the team's independence or objectivity.

### **Our Capacity**

The assurance was carried out by a multi-disciplinary team of sustainability specialists, comprising individuals with expertise in environmental, social and economic performance measurement. Net Balance is a global leader in the use of the *AA1000 Assurance Standard*. The assurance team has collectively undertaken over 80 assurance engagements in Australia over the past 10 years and is led by a Lead Sustainability Assurance Practitioner (Lead CSAP), accredited by the International Register of Certified Auditors UK (IRCA UK).

### **Our Opinion**

Based on the scope of the assurance process, the following represents the assurance provider's opinion:

- The findings of the assurance engagement provide confidence in the information contained within the Review and on-line content. The level of data accuracy was found to be within acceptable limits. Data trails selected were easily identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data.
- The statements made in the report appropriately reflect environmental, social and economic performance achieved during the period.
- All errors noted by the assurance provider were satisfactorily addressed by IAG prior to finalising the report.

Overall, the assurance provider is satisfied that the Review and on-line content are an appropriate representation of IAG's sustainability performance during the reporting period.

### **Conclusions**

**Materiality:** It was found that IAG has a robust process in place for identifying material issues. Environmental, social and broader economic issues that are material to stakeholders and peers have been adequately addressed and communicated within the Review and on-line content. During the reporting period, IAG held internal stakeholder workshops to identify environmental, social and broader economic issues of interest to them. Net Balance found the report appropriately addresses IAG's environmental, social and economic material issues and was cross-checked by Net Balance using the five part materiality test. This examined compliance performance, issues identified in the media, policy-related performance and peer-based norms.

- **Completeness:** IAG has effective systems in place to measure, monitor and manage sustainability issues. Net Balance found that the team responsible for managing sustainability was competent and had a good understanding of the material aspects of IAG's sustainability performance. However, as a measure of continuous improvement, Net Balance identified a number of areas that could be improved. Firstly, IAG requires an improved process for checking statements and data internally to reduce the number of misinterpretation errors. Secondly, the roles and responsibilities for data analysis and reporting need to be more clearly articulated and implemented. This will help limit the role of Group Audit and Assurance to an internal audit function and assign more responsibility to data owners to provide accurate and timely data. This would be particularly beneficial for New Zealand reported data. This may also allow time for Group Audit to perform a review of statements being made, extending their role beyond checking data alone. Overall, Net Balance felt that the information presented was a fair representation of IAG's sustainability performance and that the information was presented in a balanced manner.

**Responsiveness:** IAG actively engages with customers, industry groups, government and the communities in which they operate to identify material issues. Whilst engagement is a strong point for

IAG, Net Balance recommends IAG could further improve by incorporating a discussion of the process for stakeholder engagement and how they have addressed responses from stakeholders into future sustainability reporting. A review of key policies, targets and indicators and an assessment of the extent to which these are implemented found that IAG is allocating adequate resources to enable it to meet its policy and standards commitments.

### ***The Way Forward***

It was found that IAG has a sound process in place for collecting sustainability performance information and the Review and on-line content appropriately address IAG's environmental, social and economic material issues. To ensure that IAG continues to improve, Net Balance has provided detailed recommendations and suggested improvements in an assurance report provided to IAG management. Some key recommendations outlined in the report include more detailed discussion on IAG's strategy to become carbon neutral, more clearly outlining performance indicators and targets and reporting the outcomes of stakeholder engagement and how the material issues identified by stakeholders have been addressed in the report. Furthermore, it is envisaged that some difficulties experienced in verification as a result of staff changes will improve next year.

Overall, IAG has implemented a range of sustainability programs which span across the breadth of the organisation's direct operational control and extend to the indirect influence that IAG has on its suppliers and members. The breadth and depth of these sustainability activities indicates that sustainability is now beginning to be embedded within the organisation.

On behalf of the assurance team  
13<sup>th</sup> January 2009  
Melbourne, Australia



Terence Jeyaretnam  
Director, Net Balance & Lead CSAP (IRCA UK)