

## INDEPENDENT ASSURANCE STATEMENT

To the Board of Directors, Executive Team 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 Business Sustainability section of the IAG Annual Review 2009 (the Review) and the online content of its About IAG and Business Sustainability sections of the website documented as a pdf (the Online Content). The Review and Online Content present IAG's sustainability performance over the period 1 July 2008 to 30 June 2009. IAG was responsible for the preparation of the Review and Online Content and this statement represents the assurance provider's independent opinion. Net Balance's responsibility in performing its assurance activities is to the Board and Executive Team of IAG alone and 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 and Objectives

The assurance was undertaken in accordance with the AA1000 Assurance Standard (AA1000AS (2008)). Assurance undertaken using this standard provides a comprehensive way of ensuring an organisation is responsible for its management, performance and reporting of sustainability issues. This is achieved through evaluation of the organisation's adherence to the AA1000 AccountAbility Principles (2008) and by reviewing the accuracy and quality of disclosed sustainability performance information.

The AA1000 Accountability Principles (2008) against which IAG's processes are assessed include:

**Inclusivity:** An assessment is made as to whether the organisation has included stakeholders in developing and achieving an accountable and strategic response to sustainability.

**Materiality:** An assessment is made as to whether the organisation has included in its report the material information required by its stakeholders to be able to make informed judgements, decisions and actions.

**Responsiveness:** An assessment is made as to whether the organisation has responded to stakeholder concerns, policies and relevant standards and adequately communicated these in its report.

### Assurance Type and Scope

Net Balance provided Type 2 assurance in accordance with the AA1000AS (2008). This involved an assessment of the organisation's adherence to the AA1000 AccountAbility Principles (2008) and an assessment of the accuracy and quality of the reported sustainability performance information.

The review of adherence to the principles was undertaken using the criteria outlined in the AA1000 Assurance Principles Standard (2008), while assessment of the accuracy and quality of sustainability performance information was undertaken using IAG's indicator protocols and the Global Reporting Initiative's (GRI) G3 principles of quality.

### 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 covered the Review and Online Content and 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.
- The assurance provider's involvement with stakeholder engagement was limited to reviewing external and internal stakeholder engagement processes and outcomes.
- Only the IAG Corporate Office was visited as part of this assurance engagement with any site data being reviewed remotely.

### Assurance Methodology

The assurance engagement was undertaken between June and September 2009, and the process involved:

- Development of a materiality register using the five-part materiality test, including a comparison of IAG against its peers, a risk review, a review of selected Australian media, a policy review and review of stakeholder feedback.
- Senior management interviews to assess the effectiveness of the policies, procedures and frameworks in place to manage sustainability within the organisation.
- A review of the processes used by IAG to engage with its stakeholders and the outcomes of external and internal stakeholder engagement undertaken during the reporting period in order to understand the nature of material issues raised by stakeholders.
- A review of IAG's key sustainability strategies, policies, objectives, management systems, measurement and reporting procedures, background documentation and data collection and reporting procedures.
- Interviews with key staff responsible for the Review and Online Content to ascertain their views, understanding and response to material sustainability issues faced by the business.
- A series of interviews with key personnel responsible for collating and writing various parts of the Review and Online Content in order to substantiate the veracity of selected claims.
- A review of the Review and Online Content 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 95 selected data points and statements made in the Review and Online Content and evaluation of these against IAG's indicator protocols and the GRI G3 principles of quality.
- Collecting and evaluating evidence to support the assurance work undertaken.
- A GRI application level check.

### Our Independence

Net Balance was not responsible for preparation of any part of the Review or Online Content. Net Balance confirms that we are not aware of any issue that could impair our objectivity in relation to this assurance engagement.

### Our Competency

The IAG assurance engagement was carried out by an experienced team of professionals led by a Lead Sustainability Assurance Practitioner (Lead CSAP), accredited by the International Register of Certified Auditors UK (IRCA UK). The project included consultants with expertise in environmental, social and economic performance measurement across a range of industry sectors. Net Balance is a global leader in the use of Accountability's AA1000AS, having undertaken over 50 assurance engagements in Australia over 2007 and 2008.

### Findings and Conclusions

#### Adherence to AA1000 Principles

**Inclusivity:** IAG has demonstrated a commitment to be accountable to its stakeholders. IAG has comprehensive and continuous processes in place both at the Group and Business Unit level for communicating with stakeholders, as well as actively seeking and incorporating stakeholder feedback into strategic planning. IAG's stakeholder engagement is guided by an overarching stakeholder engagement framework which is used to identify stakeholder groups and develop appropriate engagement strategies. Engagement with shareholders, government and regulators, and industry bodies is carried out at the Group level, while individual businesses are responsible for engaging with their own stakeholders including customers, suppliers and employees.

**Materiality:** IAG has multiple processes in place to determine material issues. The Review and Online Content were found to be in alignment with the outcomes of these processes and, as such, appropriately addressed IAG's environmental, social and economic material issues. In addition, the Review and Online Content were found to provide balanced information about IAG's sustainability management performance.

**Responsiveness:** IAG was found to be responsive to stakeholder concerns and expectations. This was clearly demonstrated through the range of formal and informal engagement and communication mechanisms established with various types of stakeholders. IAG has in place appropriate management systems and policies that govern the way that it responds to stakeholders. These systems, together with the strong emphasis which IAG Management places on stakeholder engagement, ensure that IAG is able to provide timely and accessible responses to its stakeholders through a range of communication channels. One example of the way that IAG has effectively responding to its stakeholders is in developing the Buzz, an online insurance offering that was developed directly in response to stakeholder feedback.

#### **Reliability of Performance Information**

Based on the scope of the assurance process, the following was observed with regard to performance information:

- The findings of the assurance engagement provide confidence in the systems and processes used for managing and reporting sustainability performance information.
- The level of accuracy of sustainability performance information 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 sustainability performance disclosures presented within the Review and Online Content appropriately reflect environmental, social and economic performance achieved during the period.
- The GRI application level check found that the Review and Online Content were classified as B+.

Overall, it is Net Balance's opinion that the information presented within the Review and Online Content is fair and accurate and that these documents are a reliable account of IAG's sustainability performance during the reporting period.

#### **The Way Forward**

For a number of years, IAG has been driving awareness of the potential impacts of climate change because of the link that these have to the number of claims IAG receives. In the past year, however, IAG has recognised that it is time to place a stronger focus on adaptation and mitigation strategies. As part of this shift, IAG has developed divisional greenhouse gas emission reduction targets. These targets will be integral in working towards significantly reducing IAG's greenhouse gas emissions. Over the next 12 months, Net Balance recommends that IAG reviews its climate change mitigation strategy, which to date has been driven by IAG's intention to become carbon neutral. By developing adaptation and mitigation strategies which reflect the latest climate change policy, IAG will ensure that it is better placed to address emerging risks and opportunities from climate change.

Overall, it has been found that IAG has strong processes in place for collecting sustainability performance information and that the Review and Online Content appropriately address IAG's environmental, social and economic material issues. To ensure that IAG continues to improve, Net Balance has provided recommendations and suggestions with regard the management and reporting of community contributions and health and safety data, and for the disclosure of performance targets. These have been outlined in a more detailed report presented to IAG's Executive Team.

On behalf of the assurance team  
22 September 2009  
Melbourne, Australia



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