



CEO's presentation to 2020 AGM

Mr Peter Harmer
Managing Director and CEO, Insurance Australia Group Limited

Slide 1 – Title slide

Slide 2 – FY20 results



When you consider the circumstances in which our business has had to operate these last 12 months, I believe our people have delivered some commendable results.

Our top line growth was in line with the guidance we gave at the beginning of the year.

However, we did experience an immensely challenging second half to the 2020 financial year, when the multiple bushfires, hailstorms, floods and wild weather were followed by the COVID-19 pandemic and disruption to our people, our customers and our suppliers, and the associated volatility in investment markets – all of which adversely affected our results.

In addition, we bolstered our reinsurance protection following heavy perils losses early in the calendar year, and this increased our reinsurance expense.

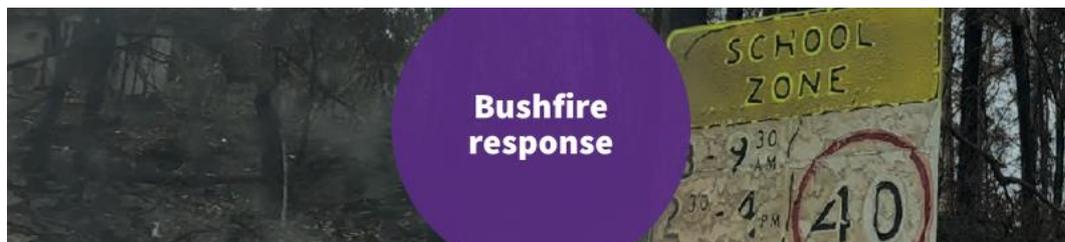
Our underlying margin softened in the second half, owing to these higher reinsurance costs, together with lower interest rates continuing to impact investment income, and a poorer performance from our commercial long tail classes in Australia.

At a reported insurance margin level, the difference versus pre-existing guidance was essentially down to adverse peril, reserving and credit spread effects.

The year also saw us successfully exit our investment in India, realising a post-tax profit of \$326 million in the process.

Unfortunately, partially offsetting that has been the customer refunds provision which we set up at the half. These issues stem from our review of pricing systems and processes as part of the implementation of our Customer Equity Framework, which is well-advanced although not yet complete.

Slide 3 – Bushfire response



Our customers

- Dedicated assessing and building teams ready to help as soon as it was safe to enter affected areas
- Claims teams at recovery centres in Queensland, New South Wales, Victoria and South Australia to help customers lodge claims, and provide emergency accommodation and financial assistance
- Extended call centre capacity
- Disaster response customer support program to provide customers with free and confidential counselling from experienced psychologists

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Our people

- Matched employee donations to our partners including the Australian Red Cross, GIVTT and registered charities providing disaster relief for a total of \$200,000
- Additional paid leave and extra counselling support for employees who are emergency service volunteers and supporting the disaster relief and recovery



The community

- Provided support via existing partnerships with the Australian Red Cross, NSW Rural Fire Service, NSW State Emergency Service and GIVTT
- NRMA Insurance helicopter used to spray fire retardant on homes and infrastructure in the line of fire, and for waterbombing
- Partner builders sourcing and using local trades and suppliers wherever possible, to get people back into their homes

When I look back over the year, I am especially proud of the way our people have risen to the challenges we have seen, maintaining a high level of commitment to our customers through the major weather events that I've already referred to,

The focus of our response to the unprecedented bushfires in particular, was on helping customers and communities so they could rebuild their homes, their businesses, and their lives. We provided practical, on-the-ground support for our customers, our people and for those helping affected communities.

Slide 4 – COVID-19 – comprehensive response

COVID-19 Comprehensive response

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Customers	Partners	Employees	Community
<ul style="list-style-type: none"> Deferred premium payments for home, motor and small business customers experiencing financial hardship Offered options such as policy changes, premium reductions, waived cancellation fees and waived/reduced excess fees Travel insurance refunds Free and confidential phone counselling service Accelerated employee training to help employees identify and assist customers experiencing vulnerability and financial hardship Customer Care Team established in New Zealand 	<ul style="list-style-type: none"> Reduced payment times for suppliers Working with supply chain partners to ensure customer support through claims process Introduced initiatives to support broker partners, including free counselling services, professional development and digital marketing campaign support 	<ul style="list-style-type: none"> 98% of staff working from home Up to 400 additional people employed locally in customer facing roles Provided one-off allowance to assist with expense of setting up a home workspace, and monthly allowance towards utility usage Extended employee flu vaccination program to employees' families 	<ul style="list-style-type: none"> \$4m community investment in organisations to address domestic violence and mental health In Australia, supported the Australian Red Cross' COVID CONNECT program - employees volunteering their time to call vulnerable people In New Zealand, IAG volunteers joined the Red Cross to pack parcels containing a range of essential items

This slide gives an indication of the breadth of action taken in our response to COVID-19.

I don't propose to go through it in detail, but we quickly set up a COVID-19 Response Team to coordinate our response that prioritised the health and wellbeing of our people, our customers and our business partners, as well as the communities in which we operate.

We had 98% of our people across Australia and New Zealand working from home at the height of the pandemic in late March, and the vast majority continue to work this way. I am particularly proud that customer service levels held steady across the business, and the resilience of our business model has shone through. This has been a comprehensive response, and of course, it is ongoing

I also want to impress upon you that we are actively addressing not only the challenges, but also the opportunities that this current operating environment is creating for our core insurance business.

Slide 5 – Community support



Community support

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Supported Safer Homes through **\$4 million donation** to address family and domestic violence and mental health through **The Full Stop Foundation and Lifeline**

Established our **Family and Domestic Violence Policy** to ensure our people are equipped to deal with customers in Australia who are experiencing family and domestic violence

Given the scale of crises we have seen this year, we were pleased to extend our support beyond our customers and people into the broader community.

In Australia, we announced a community investment of \$4 million to address family and domestic violence and mental health through The Full Stop Foundation and Lifeline.

We continued to roll out our Customer Equity Framework this year with the establishment of our Family and Domestic Violence Policy to ensure our people are equipped to deal with customers in Australia who are experiencing family and domestic violence.

The policy is a key requirement of the General Insurance Code of Practice. It will be applied to our New Zealand business next financial year.

Slide 6 – Financial Inclusion Action Plan



Our **Financial Inclusion Action Plan** outlines actions we are taking for Customers (current and potential), Employees, Suppliers, Community & Partners in four areas:

Financial Inclusion Action Plan

 Products and services Provide fair, affordable and accessible products and services	 Financial capability Foster organisational culture to enhance financial capability of employees, customers and the community	 Understanding of financial vulnerability Investigate, advocate and collaborate for improved responses to financial vulnerability	 Economic security Remove barriers and provide opportunities for economic security, equality and growth
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This year has also seen IAG make progress in a range of important social, environmental and governance areas.

We joined the Financial Inclusion Action Plan program as part of our commitment to improve the economic security of Australians by making our products and services more accessible.

Access to insurance is important because it not only provides the financial protection to help people recover when the unexpected happens, but it provides certainty to enable people and businesses to take considered risks; this is going to be increasingly important as we all start the process of economic repair.

In putting together our plan, we considered what's important about making insurance accessible.

This led us to focus on how we can better identify and support people who may experience financial exclusion due to culture, language, gender, disability or other life circumstances.

Slide 7 – Climate Action Plan progress



The slide features a background image of solar panels under a blue sky. A purple circular graphic in the upper center contains the title and subtitle. Below this, three white rectangular boxes with icons and text describe key 2020 achievements.

Climate Action Plan progress

2020 highlights from our latest Climate Action Plan scorecard:

-  Met our FY20 science based CO₂e emissions reduction targets, with Scope 1 and Scope 2 emissions reduced by 20% since FY19 and 38% since FY18 (impacted by working from home during COVID but driven by existing programs of work to reduce our carbon emissions)
-  Completed climate disclosure in our 2020 annual reports, aligned to the Task force for Climate-related Financial Disclosures recommendations, outlining our assessment and management of physical and transition risks from climate change
-  Launched second *Severe Weather in a Changing Climate* report in collaboration with the US National Center for Atmospheric Research (NCAR). The report explores the global science of climate change and the implications for extreme weather events in Australia with a particular focus on how various natural perils will impact at a local geography level

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This year's extreme weather events triggered broader debate and even greater community concern over climate change and its impact.

We have made important contributions to climate change discussions and have supported action for more than 15 years, and this year was no exception.

Last year we worked with the US National Center for Atmospheric Research, and in December released a report calling for a national coordinated approach to combat the devastating impact of climate change. The report, *Severe Weather in a Changing Climate*, included the latest data on the state of the climate and predictions on future extreme weather events based on a range of warming global temperatures up to 3°C from pre-industrial times. It demonstrates that rising temperatures will lead to dramatic changes in the frequency and intensity of extreme weather in Australia; we released the second edition of the report last month.

Since last year's meeting, we have published two Climate Action Plan scorecards providing updates on our progress against the targets and deadlines that we set.

Slide 8 – being a responsible business

Being a responsible business

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Enhanced approach to, and governance of, responsible sourcing



Introduced a Group Procurement Policy



Developed our modern slavery program ahead of publishing IAG's first Modern Slavery Statement in financial year 2021



In collaboration with SAP Ariba, launched internal Diversity Marketplace, supporting suppliers to enable our people to make a positive impact on local communities by of under-represented backgrounds



Launched a Supplier Code of Conduct that sets out IAG's minimum expectations of suppliers in relation to environmental, social and governance issues, and describes our commitments in these areas

We released our Supplier Code of Conduct to convey our expectations of our suppliers in relation to Environmental, Social and Governance issues.

IAG cares about how our suppliers manage their operations and their supplier relationships, and we expect that the people and communities along our supply chain are not adversely impacted by the actions and decisions of our suppliers.

Working with our supply chain to ensure high social and environmental standards helps us build more resilience, and ultimately delivers a better experience to our customers.

Slide 9 – Our people



Our people

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Diversity targets



MET 2020 target for 40% women in senior management roles in Australia (**achieved 40.72%**)

New target
50% women in senior management roles by 2023

Safer workplaces



Lost-time injury frequency rates of 1.47 for Australia and **0.20** for New Zealand (within our stated targets of 1.47 and 0.86 respectively)

Reconciliation



RAP commitment for Aboriginal and Torres Strait employment to be **2% of workforce by 2021** and **3% by 2023** (Currently 1.05%)

We had a target to have women hold 40% of senior leadership roles across our company by 2020 and at 30 June 2020, women held 40.72% of senior management roles across IAG and constituted 58.27% of our workforce.

While we are delighted with our progress and achievement this year, we recognise we have further to go; that's why we have set ourselves the target to have women hold 50% of senior leadership roles by 2023.

We are also taking a number of steps to help us grow our representation of First Nations employees. We have established an IAG First Nations employee network group to create a greater sense of belonging and inclusivity for our First Nations people. And we have also committed to delivering an internal mentoring program for First Nations employees in 2021, to provide ongoing personal and professional support.

Slide 10: First quarter trading update



To close, I want to provide a brief update on our trading performance for the first quarter of this new financial year.

Given the unprecedented uncertainty that COVID-19 and its economic repercussions are creating, when we released our full year results in August, we advised that we will not be providing our traditional guidance measures for the 2021 financial year.

Instead, at appropriate times, we will provide updates on how the company is travelling, performance-wise. This is one of those times.

In the opening quarter, we have recorded low single digit gross written premium growth, despite incurring an adverse foreign currency translation effect from New Zealand.

Our insurance profit for the quarter reflects the seasonally low incidence of natural peril events in this period, while underlying profitability has been similar to that seen in the second half of the previous financial year.

Within our underlying insurance margin, combined COVID-19-related effects have been broadly neutral during this period, with some benefit from lower motor claims frequency offset by incremental expense and provisioning impacts.

And we continue to retain a strong capital position, well above our targeted benchmarks.

Despite the uncertainty confronting us, including that from COVID-19, we do face the future with the confidence that we have a resilient business which is in strong financial shape, and which is well-equipped to rise to the challenges presented by this current environment.

Farewell

As this is my final public event for IAG before I retire, I would like to take this opportunity to thank our Board, my Group Leadership Team and all those in IAG who I have had the pleasure of working with over the last five years as CEO.

Insurance is a vital part of our country's economic infrastructure. By protecting assets and livelihoods, we give people and businesses the confidence to plan ahead, to work to make things better.

That's why I'm incredibly proud to have served the industry for over four decades, and it has been an absolute privilege to lead IAG.

I am also incredibly proud to leave IAG with such a positive and reinforcing culture, that is totally committed to our Purpose of making your world a safer place.

I know the future will be bright for IAG – and I will be following the Company's progress with great interest, and, of course, supporting from the sidelines. Thank you.

I will now return you to Elizabeth

This release has been authorised by the Board of Insurance Australia Group Limited.

About IAG

IAG is the parent company of a general insurance group (the Group) with controlled operations in Australia and New Zealand. The Group's businesses underwrite over \$12 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI (Australia); and NZI, State, AMI and Lumley (New Zealand). IAG also has an interest in a general insurance joint venture in Malaysia. For further information, please visit www.iag.com.au.

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