



## 2019 AGM transcript

**Elizabeth Bryan:** Good morning, ladies and gentlemen. Welcome to the Insurance Australia Group Limited 2019 Annual General Meeting. My name is Elizabeth Bryan and I'm the Chairman of your company. I'm looking forward to our conversations during the course of this AGM. The company secretary has informed me that a quorum is present and I therefore declare the meeting open.

### Welcome to Country

In February this year, IAG was very proud to release its third reconciliation action plan. Our plan is at an elevated level which is the highest possible level that we can operate on. In keeping with the commitments we made in our reconciliation action plan, we're delighted to invite Aunty Donna Ingram to officially welcome us to her land, the Gadigal country.

Aunty Donna was born and raised in Sydney on Gadigal land and her Aboriginal family connections are the Wiradjuri of Central West NSW. Aunty Donna is proud to be a cultural representative for the local Aboriginal community in Sydney. She has worked in Aboriginal affairs, government and community organisations in Sydney for the past 35 years, mostly in education. Aunty Donna.

**Aunty Donna Ingram:** Good morning, ladies and gentlemen. It's my great pleasure to be here with permission from my elders to offer you welcome to country for IAG's Annual General Meeting for 2019. A traditional welcome to country offers the visitor permission to be on the land, but more importantly offers the visitor protection whilst on the land. It makes me proud to represent my community in this important cultural protocol. It shows respect for and recognition to the unique position for Aboriginal and Torres Strait Islanders in Australian culture and history.

We're gathered on the land of the Gadigal who are one of 29 clans of the Eora Nation, which is bordered by the Hawkesbury, the Georges and the Nepean Rivers. I'm an Aboriginal woman who proudly identifies with the Wiradjuri nation through my family connections through a town called Cowra in Central West NSW. I was born on Gadigal land and I've had the privilege to live, work and raise my four children on this land for most of my life. My family has grown and I'm now a proud grandmother to Aaliyah, Lakoda, Elijah, Kelyla with Baby Jake recently joining the family.

My wish for my grandchildren is to grow up happy and healthy in a society that respects their culture and offers them equal opportunities in life free from racism and discrimination. I'd like to acknowledge the Gadigal, their spirits and ancestors who will always remain with the land Mother Earth. I thank them for their ongoing custodianship and for allowing us to gather on their land today for this important meeting. I'm also proud to be part of the oldest living culture in the world, the Aboriginal culture of Australia with a unique and distinct heritage, cultures and identities.

I pay my respect to say our elders both past and present. We must never forget the sacrifice by our leaders to create a better future for Aboriginal people. I do this as a reminder and as a tribute to elders and those who have gone before us to fight for land rights, justice and equity for our communities.

I extend my respects to Aboriginal and Torres Strait Islander people from all clans and nations who are present this morning. I also recognise our non-Aboriginal sisters and brothers who walk beside us to contribute to a safer society.

I now offer you a warm and sincere welcome to the land of the Gadigal of the Eora Nation. Wish you a safe stay on the land and safe travel from the land. On behalf of my community and the Gadigal, I wish you a successful and productive day at this year's AGM to highlight your achievements over the past year that contribute to IAG's purpose of working collaboratively with the community to understand, reduce and avoid risk and build resilience and preparedness. I apologise that I'm unable to stay to hear about these successes but I hope you all have a fantastic day.

In closing, we remember that this is, was and always will be Aboriginal land. Thanks, everyone. And like I said, have a great day.

**Elizabeth Bryan:** Thank you, Aunty Donna. Let me begin the formal part of our meeting today by introducing my colleagues on the Board to you. On the stage with me, from my far left are George Savvides, Michelle Tredenick, Duncan Boyle who is the Chairman of our Risk Committee, Tom Pockett who is the Chairman of our Audit Committee, Sevil Mistry who is our Company Secretary and, on my right, starting from the beginning and moving out is Peter Harmer, the Managing Director and Chief Executive Officer, Helen Nugent, Jon Nicholson, Chairman of our People and Remuneration Committee. Sheila McGregor and Hugh Fletcher.

Mr Andrew Yates representing the company's auditor, KPMG is here, as is our share registry, Computershare and our legal adviser Herbert Smith Freehills. We're also joined by the members of the IAG's executive team who are sitting down the front.

I'd also like to welcome shareholders who are viewing this meeting via the webcast.

Before we begin there are some house-keeping matters that I'd like to mention. As a courtesy to all attending today, please ensure that all mobile phones are either turned off or sent to silent mode during the meeting, especially all my colleagues on the Board. Those of you who are entitled to vote at this AGM were given a keypad and a data card as you came into the auditorium. The key pad will be used to record your voting intentions on each resolution put to the meeting. An instruction slide will be shown on the screen when you're asked to vote and attendance will be also available to assist you.

If you're unable to remain for the whole meeting and vote on each resolution, you will be able to register your voting intentions on a voting card on the desk located just outside the ballroom.

Let me thank all those shareholders who took the time to send a question to the company before the AGM.

We have responded to many of these questions and in the addresses that will be delivered by me and by our CEO, Peter Harmer, we have also published responses to the most frequently asked questions on our website. We will, of course, provide time for further questions as we move through our business today.

I now declare the polls to be open.

Before we commence the formal part of the meeting, I would like to say a few words, and then I will ask Peter to provide a more detailed review of our operating performance and our strategy, and an update on the group's outlook for the current financial year. So I will now deliver my chairman's address.

## Chairman's address

This financial year included the last several months of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The Royal Commission has been followed by widespread public discussion on the roles of companies and early moves by Australia's major corporate regulators to signal the priorities and proposed activities that will shape their response.

My Chairman's Review at the beginning of our 2019 annual review set out the Board's reactions to this debate in quite some detail. I'm not going to go back through that detail this morning but let me recap very briefly.

First of all, the Board welcomes conversations about broadening corporations' focus to ensure we fully consider the interests of all our stakeholders, including customers, shareholders, employees and the communities that we work amongst. We believe that a balanced focus on all these stakeholders will make our companies stronger, more sustainable and more successful in the long term.

The Board also welcomes the focus on six ethical principles that Commissioner Hayne suggests should inform the conduct of financial service entities. These are obey the law, do not mislead or deceive, act fairly, provide services that are fit for purpose, deliver services with reasonable care and skill, and when acting for another, act in the best interest of that other. We wholeheartedly support these principles and we believe that we are well positioned to meet them.

Our confidence stems from the important role our core business of general insurance plays in supporting individuals and communities and the caring way our people provide our products and services.

In the last six months, we have seen a much stronger focus on regulation that is affecting business now and will continue to affect us into the future. Responding to this new regulatory environment is a work in progress for IAG, as it is for most large companies. As always, your Board will work cooperatively with our regulators to bring about changes that are best for both our industry, our company and all our stakeholders.

Two areas that are featuring heavily in the current corporate debate, led by our regulator APRA, are firstly the impact of climate change on businesses and secondly, remuneration structure and outcomes. These are also subjects that you have shown interest in. We will discuss these subjects later in the meeting but let me say a few words about the Board's perspective on each subject now.

### Climate change

First, climate change. Those of you who have been coming to our AGMs over the years will know that IAG has taken a strong, public stance on both the perils on climate change and the need to act to mitigate its effects. This is not surprising as a large part of our business involves Insuring our customers against loss from weather events. We acknowledge that shareholders also have legitimate concerns about climate change. And we recognise these are reflected, partly, in the resolutions from Market Forces on today's agenda.

We share those concerns which go to the heart of our business as an insurer. We see first-hand the devastating impact that a changing climate has on our customers and on our communities.

Our focus on climate change goes to the heart of our purpose to make your world a safer place.

To address the risks that arise from changing climate, we work with local communities and with all levels of government to mitigate the risks of extreme weather events, to increase preparation before an event and to build resilience to help speed up recovery after an event.

Like many of the world's leading organisations, and almost all of its governments, we have committed to play our part to deliver on the Paris Agreement and to limit climate change to two degrees above the pre-industrial levels.

We are a member of several local and global organisations which deal with climate change and its impacts.

We have used our knowledge of risk to instigate the establishment and ongoing work of the Australian Business Round Table for Disaster Resilience & Safer Communities, and its equivalent in New Zealand called Resilient New Zealand.

We have science-based carbon emission reduction targets for our operations, consistent with the commitments of the Paris Agreement.

In 2019, IAG reduced greenhouse gas emissions by 22.6%, which exceeded our target to reduce carbon emissions by 20% by 2020. IAG has also been carbon neutral since 2012.

## **Investment portfolio**

Let me now explain how our approach to our investment portfolio also supports our climate change objectives. Under our investment mandates, we no longer invest in companies which are predominantly engaged in mining thermal coal. We have investment processes for our equity portfolio that exclude or restrict investment in high-risk companies with poor climate change risk management. And we support companies which are improving their performance by reducing their carbon risk and investing in renewables.

Our process has reduced the carbon footprint of our equity portfolio by 60% since 2017. At the end of June 2019, our exposure to companies that we assess as making the largest contributions to climate change was just 0.13%, or \$15 million out of our \$11 billion investment portfolio. We believe these businesses which we have invested in are managing their environmental impact to transition to a low-carbon future. Moving to a low-carbon future must involve transitions by many companies, and we want to support these transitions.

We also continue to invest in and support the green bond market. At the end of June this year, we held \$79 million in green, social bonds. In 2018, we made a \$50 million commitment to a low-carbon portfolio, which is financing the operation of solar and wind generation assets. We continue to review and refine our investment criteria by including assessing and using ESG research, engaging with other like-minded investors and counterparties and participating in organisations like the UN-supported principles for responsible investing.

## **Underwriting**

We also manage climate change through our underwriting process. For many years, IAG has had minimal underwriting exposure to entities that mainly are in the business of extracting fossil fuels or power-generation using fossil fuels. We have committed to ceasing any residual underwriting in these types of companies by 2023.

One exception to this is our decision to continue to underwrite worker's compensation insurance, irrespective of the climate intensity of the industry involved.

This approach reflects our belief that everyone needs to be protected at work and it's aligned to our purpose of making your world a safer place.

Last year, IAG's annual gross written premium relating to all mining and fossil fuel power-generation, including worker's compensation in these areas, was less than 0.1% of the total premium IAG wrote in that period. We provide updates on our climate-related investment exposure through the scorecards related to our climate action plan and by reporting aligned with TCFD recommendations.

We have a specialist natural peril's team and our experts are increasingly sharing their knowledge. Our goal is to help as many organisations as possible understand the impact of extreme weather events.

Next week, the team will launch research that explores the global science of climate change and the implications of extreme weather events in Australia. They are also working to bring about amendments to planning approvals and building codes to address the impact of changing weather. We are not standing still on this important issue of climate change.

### **Executive remuneration**

So let me now move to the subject of remuneration, which is consistently a cornerstone in all annual general meetings.

Our goal is to align executive pay with the interests of our customers, communities and shareholders. To do this, we assess both financial and nonfinancial performance. We also include a risk assessment and behavioural gateway. Our approach ensures results are delivered in a way that is sustainable and benefits all IAG stakeholders.

Executives receive a combination of fixed pay, short-term incentives and long-term incentives. We reviewed fixed pay in the 2019 financial year and determined that executive fixed pay levels are appropriate. As a result, fixed pay will not change for the 2020 financial year.

Short-term incentive outcomes consider the financial and nonfinancial performance of the company and the performance of the individual executive. This year's outcomes reflected the further improvement in underlying business performance. Payments under our short-term incentive range from 47% to 72% of the maximum achievable and they averaged 60%.

Our long-term incentive plan rewards long-term performance and it has two hurdles - cash return on equity and relative total shareholder return. As I foreshadowed in last year's annual general meeting, this year we reviewed the cash return on equity hurdle. We considered the impact of monetary policies on the global costs of capital. Our changing capital base and the need to ensure the hurdle is sufficiently stretching.

We have now increased the vesting range for this hurdle from 1.4 to 1.9 times the weighted average cost of capital for future returns. We're confident this change will embed an appropriate level of stretch in the measure.

To align the interests of nonexecutive directors and executives with shareholders, we continue to require them to hold a significant number of IAG shares after a set period. All those who are required to meet this requirement did so.

## Results

I'm pleased to say that IAG has again managed its business successfully to provide shareholders with strong returns. We achieved gross written premium of just over \$12 billion. We achieved net profit after tax of over \$1 billion. And we achieved cash earnings of just over \$930 million. This results in a cash return on equity of 14.4% which was within touching distance of our target of 15%.

Shareholders have shared in our success throughout, through a final dividend of 20 cents per share paid on 30 September, which brought the full-year ordinary dividend to 32 cents per share. Peter will provide some more details about our performance shortly.

## The Board

Let me now turn to our Board. This meeting heralds a change in our Board with the retirement of our long-serving director, Hugh Fletcher. Hugh has served as a director since 2007 and has helped transform our business into the one you see today. He has also served as chairman of IAG New Zealand since 2003 and he's retiring from that role as well. On behalf of all shareholders, thank you, Hugh, for your untiring service to IAG. We wish all the very, very best for your future.

As part of our ongoing process of board renewal, we appointed George Savvides to the Board in June. I look forward to introducing him to you shortly when we reach the resolution on his election.

Before we move to the business of the meeting, I want to acknowledge the efforts of everyone who works at IAG and to thank my fellow directors for their support. Your contribution is helping to ensure our company continues to meet the expectations of everyone who relies on us.

So I now invite our Managing Director and Chief Executive Officer, Peter Harmer, to provide us with an overview of our performance. Peter.

## CEO's presentation

**Peter Harmer:** Good morning, ladies and gentlemen. I'm delighted to add my welcome to Elizabeth's and very proud to provide you with this update on our company's performance.

We achieved a very pleasing result for the 2019 financial year, highlighting the ongoing underlying improvement in our business. As ever, this performance speaks to the strength of our brands and the incredible passion and commitment of our people which has been tested at times in a year of reasonably high perils activity, particularly here in Sydney.

Overall, gross written premium grew by just over 3%, largely from increased prices, supplemented by favourable foreign exchange translation effect in New Zealand. Like for like premium growth across the group was close to 4%.

Our underlining insurance margin continued the improvement we recorded last year, increasing to 16.6%. At the reported margin level, that improvement in underlying performance was outweighed by claim costs from natural disasters, credit spread movements and significantly lower prior period reserve releases.

Net profit after tax of \$1,076 million was over 16 % higher than in the 2018 financial year because it included an over \$200 million profit on the sale of our Thailand operations which was completed at the end of August 2018.

At IAG, our purpose is to make your world a safer place for our customers, our shareholders, our employees, our partners and the communities that we serve. We believe our purpose will enable us to become a more sustainable business over the long term and deliver stronger and more consistent returns for our shareholders.

Our strategy is to optimise our core insurance business and create future growth options by making customers feel safer on the road, in their homes and at work. Our results demonstrate that our strategy, based around the three priorities of customer, simplification and agility, is achieving robust operational and financial performance.

Crucially, this places us in a strong position to increase our focus on customer engagement and growth and I will tell you some of the things that we're doing on this front.

This year, we are focused on how we might grow customer engagement and pursue longer term growth opportunities. Our customer labs team continued to digitise our home and motor claim processes. We can now increasingly personalise the experiences that we offer customers and connect them to more products and services. One development means that customers can now track motor repairs by SMS updates which has proved very popular.

We continue to move our data to the cloud, accessing the associated benefits around speed, efficiency and flexibility in customer decision making.

We're now taking significant step to say build out new businesses that complement our core insurance offering. This involves accelerated investment in the data, artificial intelligence and innovation capabilities that we've been establishing in customer labs for some years now.

We have already translated our investment into new business opportunities in the transport space, with our recent investment in the Carbar digital car trading platform.

In the aftermath of the royal commission there is a bigger focus on customers and the experiences they have with companies. We are well prepared for this. This year we enhanced several of the frameworks that guide our relationships with our customers.

We know our products must be fit for purpose, clearly described and affordable. We must also deliver them in a way that achieves our purpose, to make our customers' worlds safer. We know that customers who claim on their policies may be contacting us when they're at their most vulnerable. It's critical that we treat them with empathy and care and I'm so proud of the extent to which our people consistently demonstrate how much they do care, on the ground after an event or on the phone helping our customers with their claims.

We've also made considerable progress with our simplification initiatives which have enabled our customer focus. Targeted activities have been outsourced to our operational partners and are now very much business as usual. We have largely consolidated our claims system and the emphasis is now on decommissioning redundant systems.

This year, we will begin to tackle the consolidation of our policy administration systems, a much more complex and lengthier task than for claims.

We've also been busy refining our enhanced repair model. We now have majority ownership of a number of rapid repair motor workshops. We will expand the model more broadly across Australia and New Zealand in the coming year. And I'm pleased to advise that RACV is one of our partners in this initiative.

We've also simplified our operational profile. Asia is one aspect of this and just last week we took another significant step when we agreed the sale of our 26% interest in SBI General Insurance in India.

Our underwriting agency interests in Australia are another area we've simplified, divesting several businesses which are noncore and which are better owned by other parties.

Under our agility priority, we have continued to roll out employee programs that clarify people's roles and their accountabilities and build their capacity to participate in our work force of the future.

We've also been actively implementing measures that increase workforce flexibility. We launched an online shift management tool across all our large contact centres allowing employees to quickly and easily change their rosters to accommodate their life needs.

And our kids@IAG program is now into its fifth year, providing a free school holiday care program for the children of our employees over an expanded number of locations. Our most recent program we entertained nearly 600 children across six separate locations.

We provide a range of flexible working options for our people and estimate that up to 70% of our workforce now works flexibly.

So all in all, it's been another busy year, and we have a similarly broad list of priorities in the year ahead, as we continue to look at ways to strengthen our relationships with our customers and the company's future growth prospects as a whole.

At last year's AGM, we showcased our climate action plan and introduced a scorecard that assigns direct accountability for climate change objectives to our senior executives. Since last year's meeting we've published two climate action plan score cards with updates on our progress against the targets and deadlines we set.

Some of the highlights include increased disclosure in our 2019 annual reports aligned to the TCFD framework, our leadership in establishing the Australian Sustainable Finance Initiative which has significant climate considerations, and the 22% reduction in our emissions since the 2018 financial year.

We continue to broaden our approach from helping individual customers who have suffered loss to mitigating the risk of loss for people in the wider community. In that context, we welcomed last week's increase in the emergency response fund from \$150 million to \$200 million with bipartisan support for the extra \$50 million to be dedicated to disaster mitigation and preparedness initiatives.

We support first responders such as the State Emergency Services to provide immediate assistance to customers who are affected by an event, and we continue to work with communities to assist them to become more resilient. The Get Prepared app we developed in conjunction with the Australian Red Cross is another way we are helping people to think ahead about how they can prepare for and respond to emergencies. We are delighted that Red Cross representatives are with us in the foyer today to demonstrate how easy it is to use the app, so please make time to see them so you can be prepared for the coming storm and bushfire season.

We are also contributing to the Australian Federal Government's National Disaster Risk Reduction Program and are working through the Climate Leaders Coalition in New Zealand to ensure businesses are adapting and building resilience to the impact of climate change.

## Outlook

I would like to touch briefly on the outlook for this year. We are guiding to a reported margin range of 16% to 18%. And while this is the same guidance we had for the 2019 financial year, it is of a much higher quality. It includes substantial improvement in our underlying performance, much of it derived from our simplification program, some offset from higher regulatory compliance costs and a reduction in reserve release expectations. Overall, our guidance represents another step up in our underlying profitability.

So in summary, we've had another very satisfactory year. We put a plan in place three years ago and I'm very pleased with the progress that we're making against that plan. Our focus has been on doing the simple things very well and it is delivering results. We have strengthened the business from a customer perspective and from an employee brand perspective. We have good momentum, and I'm looking forward to further progress in this current financial year. I will now return you to Elizabeth.

## Business of the meeting

**Elizabeth Bryan:** Thank you, Peter. The notice convening this meeting has been sent to all shareholders. There are seven items of business before the company's AGM this morning and these are set out in the notice of meeting. If you have individual matters that you wish to raise, please raise them with one of the NRMA insurance representatives at the information desk in the foyer.

The only items of business to come before the meeting today will be those specified in the notice of meeting. Shareholders will have an opportunity to ask questions about and to make comments on the business before the meeting. I ask speakers to confine their questions and comments to the particular item of business that's being discussed at the time they ask the questions. To allow all shareholders at today's meeting a reasonable opportunity to be heard, I ask that speakers restrict themselves to no more than two questions when they're invited to speak.

If you would like to ask a question about an item of business, please press the microphone button on your handset and you will be placed in a queue. When I call on you to ask your question, please move to the microphone in the aisle that's nearest to you and speak to the meeting.

In the interests of efficiency, I am going to follow a very good suggestion we had from a shareholder on the floor of this meeting last year, which was to call speakers two at a time so we can move between speakers more quickly.

Only attendees who are issued with a handset and a data card are entitled to speak on the business before the meeting. If you require assistance, please raise your hand and an attendant will come to you.

Before we move to the business of the meeting, I confirm that the minutes of the last annual general meeting of shareholders held on 26 October 2018 have been approved and were signed by me as Chairman of that meeting. The minutes are available for inspection by shareholders at the information desk in the foyer.

## Receipt of the financial statements

We will now move to the first item of business, receipt of the financial statements. This item is not subject to a vote and therefore does not require the use of your handsets for voting, although you may use them to register to ask questions.

The company's financial statements for the year ended 30 June 2019, the Directors' report and the auditor's report on the financial statements are before the meeting. A copy of these statements and reports was published in the 2019 annual report and sent to those shareholders who requested copies. Shareholders have also had the opportunity to view the statements and reports on the company's website.

The purpose of this item is to provide an opportunity for shareholders to ask questions and to make comments about the company's performance, operations and management. All questions to the auditor should in the first instance be addressed to me as Chairman, and if appropriate, I will ask Andrew to address the meeting.

For those who may want to say something on remuneration, please bear in mind we have a separate item of business on the remuneration report.

So the floor is now open for comments or questions on the financial statements and the reports. Anyone who wishes to speak in relation to this item, please register your interest by pressing the microphone symbol on your handset and wait until I call you.

At that time, please move to the microphone in the aisle nearest to you and ask your question. I will also call the name of the next speaker so that person can move into position as well.

So before we move to questions and answers, let me invite Peter to re-join me at the lectern.

Alright, so, I can see the people who have pressed their buttons to ask questions on the screen in front of me, so if I'm peering over the edge that's what I'm looking at. The first name on the list is Abbott Cove Pty Ltd and the second name for the second question is Dr Sally Stockbridge.

**Michael Straskos (shareholder):** Madam Chair, I'm asking a very simple question. Now, under gross written premium from five years ago it was \$11.4 billion and then \$11.3, \$11.4, \$11.6, \$12 but two lines down is reinsurance premium. It's \$1.1, \$3.1, \$3.1, \$3.8, \$4.7 billion. Now, I ask what is the company doing to reduce the risk of the reinsurance premium increasing more and what is the reinsurance premium for this year currently? On that there's a secondary question, how inelastic do you see your business in terms of price of premium?

**Elizabeth Bryan:** Thank you very much. Those questions are a very good start for me because they're deep insurance technical questions and it's exactly for that reason that I have my colleague standing so close to me: Peter?

**Peter Harmer:** Again, thank you for your question. Our reinsurance premium comprises primarily two components. One is a premium in respect to what we call our catastrophe reinsurance program which protects the company against a large single event, for example, the kind of events we saw earlier this decade with the earthquakes in Canterbury.

Over recent years, though, we have also introduced what we call quota share reinsurance and now 32.5% of our business is quota shared. What that means is we pass 32.5 cents of every dollar to a small panel of reinsurers. In return, they pay us 32.5% of all of our claims, 32.5% of all of our administration expenses and then on top of that, they pay us an exchange commission. And if the business runs well, and it usually does, we then are entitled to claim a profit commission as well.

The quota share insurance has become a very important tool in the way in which we manage our capital base. It's enabled us to protect ourselves further from a major catastrophe event that might in fact exceed the limit of our catastrophe reinsurance program and it has reduced earnings volatility which I'm sure you've seen in the consistency of our results over the last number of years.

**Michael Straskos (shareholder):** What about the inelasticity or elasticity of customers?

**Peter Harmer:** We work very hard on ensuring that we contain price increases to the barest minimum. Reinsurance over the last number of years, our catastrophe reinsurance program has been quite stable as and we look forward into the next period, we don't expect any material movements in reinsurance and therefore reinsurance won't be a contributing factor to any price increases that need to be applied.

**Michael Straskos (shareholder):** That's not the question. That's not the answer to the question.

**Peter Harmer:** Then maybe I could have your question again.

**Michael Straskos (shareholder):** Well, I will rephrase it. If you put the price of your premiums up 10%, how many percent reduction in the numbers of people insuring do you expect?

**Peter Harmer:** I don't have those stats specifically but the one thing I will say is that our customer retention rates are very stable and are very high by industry standards. In commercial business, they range from low- to mid-80s and in personal lines from high-80s to low-90s.

**Michael Straskos (shareholder):** That still hasn't answered the question.

**Elizabeth Bryan:** Luckily I'm trained in economics; I do understand elasticity of demand and supply. I'm just looking down to our front bench here to see if they're nodding or shaking heads. Do we have pure elasticity numbers on price responses at any general level across our customers or is it inappropriate to spread it across such a different base?

So we've handed the microphone to Mark Milner who runs the Australian Insurance Business.

**Mark Milliner:** I think what we see with pricing and elasticity curves for our customers as we move price around, is there's some movement but it's never purely elastic. So if we put up prices significantly, say in your example, 10%, Michael, then we'd probably see a 10% reduction in the number of customers. And it also goes the other way, if we put prices down, it's not purely elastic. If we put it down 3% we don't pick up 3% of customers either.

I think that's partly or predominantly because people don't always buy on price, they are buying on other features around the products that we sell, including how well we service our customers, the certainty we give them around the products and paying claims. So it's not perfect but certainly if we move prices up we do see retention rates drop marginally.

**Elizabeth Bryan:** Thank you very much, Mark. If I could answer the question another way: we don't run our business as a price-based commodity business. We go to enormous trouble to make sure that there are other things that are valued by our customers. The way we service them, the extra things that we do, the other benefits of being part of our some of our larger brands. I think that's why you've got a slightly startled reaction from the executives here.

People might be able to talk to you after the meeting, but thank you for the question. I have Dr Stockbridge waiting for the next question over here. And could I ask the next speaker, which is Eduardo Sapozka to come to the next microphone. Dr Stockbridge, thank you very much for waiting.

**Dr Stockbridge (shareholder):** Thank you. I've been a long-term shareholder since the shares were floated on the stock exchange. But this is the first time I've been to an AGM for IAG and I came along today because of the, for me, the absolutely most pressing issue, apart from fairness of coverage and forth in the insurance field, is what is going to happen in relation to climate change. So my question addresses that.

Though you did give a very good overview in your initial statement, and it does actually relate a little bit to your previous question.

So my question is about the survival of the insurance industry in its current form, specifically in relation to peril payout and the increasing occurrence of extreme events. The graph on IAG perils over time is increasing in terms of the problems for reinsurance and also speaks to the issue of the possibility of increasing premiums.

So, increasing premiums and reinsurance coverage could help mitigate some of the impact of the severity and continuation of extreme weather events, but if this trend continues as it most likely will for the next few decades, we could be looking at a death spiral for insurance companies. That's just a projection, obviously. You can't increase premiums forever and expect people to keep paying them.

Two questions: can you confirm the natural peril payouts are going up as a proportion of real earned premium; and how does IAG plan to keep its head above water in the insurance business with all of these big picture trends pushing it down?

**Elizabeth Bryan:** Thank you very much. Thank you for your concern about climate change, for your concern about our industry and our company and perhaps I can eradicate the word death spiral out of your statement. We certainly don't think that we're facing anything like that.

When we talk - you're right. As risk goes up, and if you look at our industry, pure and simple, we price for risk so that's absolutely correct. But there are a lot of other mitigating factors there and those who have come to the meetings over the last several years will have heard us talk endlessly about risk mitigation. So that's getting in before the weather event arrives and making sure that things, simple, simple little things like clean gutters, we're all aware of that, but the building codes are right. That where people build is OK. Floodplans are tricky. And that - and that goes right back up the stream of lobbying our whole society to tighten up and bring about things in a proper fashion that mitigates against these risks.

So there's two forces that are working there. Trying to make people safer, if a peril hits, and that's a huge, huge part of our work, and an enormous part of what we talked to you about. Then there's the actual protection that we offer and I think that was what you were focusing on. And then there's the work that Peter mentioned in his address to you about after a peril has happened and working with the community to help it recover.

So it's a much more nuanced step. We are not looking at this leading to uninsurable areas in Australia. We're not looking to going out of business and it is a concerning issue if you just do a straight extrapolation but there are many, many forces that come into play and they're in play now.

Peter has had time to think up some more concrete responses and examples. Perhaps, Peter, you can add to what I've said.

**Peter Harmer:** Thank you. Your question really speaks to one of the challenges we identified back in 2012 and we have been seeing, prior to that, and since then, a continuing increase in the percentage of claims that relate specifically to natural peril events, weather events. You will note from prior reports that our natural perils exposure continues to climb and that is a function of a few things.

Firstly, there are the natural inflationary impact on sums insured, which increases the amount of claims.

Secondly, more of the population is gravitating towards natural peril-prone areas of the country and thirdly, yes, to your point we're certainly seeing more mid-level severity events that are causing problems for our customers and show up in our claims line as well.

Again, you're quite right, we cannot continue to cope with that by increasing premiums. We will hit an affordability ceiling at some point, if we haven't already in some parts of the country. That's why we formed in 2012 the Australian business round table for disaster resilience and safer communities. There is a lot that we can do by investing in mitigation assets right now. And we've had some good success over the last number of years in lobbying the Federal Government and also State Governments around the kind of investments that need to be made. The weir down at Hay that has protected Hay from flooding, the work that's been done in central Queensland around Roma and Charleville are examples.

We also work with James Cook University, along with other insurers, to try and better understand how we can improve building standards to prevent cyclone damage. One thing we do know, of course, or at least our modelling tells us, is that over the coming years, whilst cyclone intensity will increase - will decrease, frequency may well increase and that will create greater rain depressions that travel further south and further inland perhaps threatening areas that haven't been threatened before. That might be a 20 to 30-year sort of story but we're trying to get on the front foot now and work with local governments and State Governments to make sure the planning approval process takes into account these increasing risks.

The question you raise is a very serious one that confronts the entire industry.

**Dr Stockbridge (shareholder):** Thank you, and thank you for talking about the planning approvals because we've seen in recent articles in the Guardian, for example, how planning approval systems have broken down completely in areas like the Shoalhaven and the Central Coast of NSW and that creates further hazards for insurance companies as well.

**Peter Harmer:** It does indeed. Thank you for your question.

**Elizabeth Bryan:** OK. So Mr Sapozha is at his microphone and could Ms Natasha Lee get set up for the next question.

**Eduardo Sapozha (shareholder):** Thank you, chairman. In IAG's climate action plan released about a year ago, one of the objectives is shift investments to companies that have a lower exposure to climate-related risks or a forward-looking strategy to manage these risks. Could you please explain how lower exposure to climate-related risks and forward-looking strategies to manage these risks are defined and measured?

**Peter Harmer:** Thank you for your question, Eduardo. We rely reasonably heavily on the MSCI index and fund managers to understand what it is those companies are doing in terms of trying to transition from a carbon intensive world to a lower emission world.

**Eduardo Sapozha (shareholder):** I'm just asking for some, you know, agreements on the terms. It's just a matter of, you know, transparency and accountability just to have common definitions, common targets that are publicly available and understandable.

**Elizabeth Bryan:** OK, I'm sure we have that information. Peter and I don't have it here but I'm looking at Nick Hawkins, who is our CFO. If he could speak to you after the meeting, he will have, by then, got those definitions and how it works and it's something that very happy to make available to you and happy to make publicly available. I understand the intent of your question. It's a good one.

**Eduardo Sapozza (shareholder):** Thank you. The 2019 climate-related disclosure that IAG put out a couple of months ago, shows both the carbon footprint and the exposure to undefined higher risk companies in IAG's equity portfolio has been falling for the last two years. What's stopping these measures from going back up?

**Elizabeth Bryan:** What's stopping from going back up (are) the policies and the guidelines that we run internally that are focused at achieving the reduction that you're observing in our data. So that - so pulling those numbers - lowering those numbers is part and parcel of how our rules and our procedures in the organisation work and there's no reason that I would expect them to go up.

**Eduardo Sapozza (shareholder):** Yeah, I'm just wondering, and maybe asking for some formalised targets so that we could also be aware, similar to what I asked before, you know, transparency and accountability because there were not set targets.

**Elizabeth Bryan:** I provided a target in the information I gave you in my Chairman's address earlier on. They'll just get that for me in a minute. Any other targets and things, Peter?

**Peter Harmer:** I think there is a constraint built into the mandates that we give to fund managers. You might see that number move around slightly but it won't move around materially. I think as we've said before, we consider it important to support companies that are genuinely committed in transitioning from a carbon intensive footprint to one that is less so.

**Eduardo Sapozza (shareholder):** Is IAG's intense to see these exposures continue to fall and if so, until what point?

**Elizabeth Bryan:** Exposures are already very low, so I gave you numbers that were less than 0.1%. I think on one of those numbers I said that by 2023 we would expect that to be zero. It's just a matter of the process of exiting these things. Sometimes they're locked in for time periods that are inappropriate to break, but zero is where we're looking to go.

**Eduardo Sapozza (shareholder):** That's great to hear. Thank you, chairman.

**Elizabeth Bryan:** So I have Ms Lee and the next person after that is Ian Graves.

**Natasha Lee (shareholder):** Thank you, Madam chair. Hello to the Board. I've got a finance question. Your financing costs have increased from \$82 million to \$94 million but the amount of the liabilities has increased by a smaller percentage and I know that the percentages don't always reflect the true situation, but on rough calculations it looks like the costs of your finances has sort of gone up from 4.2 to 4.5%. Is there a reason for the disproportionate finance costs on your debt and does having the New Zealand dollar convertible notes impact on that because of exchange rates?

**Elizabeth Bryan:** It's an interesting question and Peter and I have mutually decided to deflect that straight down to our Chief Financial Officer, who if he can't answer that is in deep trouble.

**Nick Hawkins, Chief Financial Officer:** Good morning, everybody. No, there's nothing unusual that's happening in financing costs. We do have some movements up and down during a period on the levels of debt. So the financing cost does move around a little bit in relation to dollars, mainly driven by the quantum that we have. You will see that over the last three or four years the quantum of our sort of debt has moved around probably by \$300 or \$400 million and that's driven some variations in the interest costs that we're paying on that financing. But sort of overall, as a general theme, sort of as an interest rate percentage, we would be paying sort of lower today than we were three or four years ago.

So the theme as a percentage of interest costs would have come down. Sometimes it's hard to tell year-on-year because we just disclose the end-of-year balances rather than the movements of the debt portfolio during the year. And I don't think the New Zealand currency impact would be very modest generally in that discussion.

**Natasha Lee (shareholder):** Thanks. A second question, sort of climate change-related. I noted that your natural perils, the net losses were increasing. Given the principles of shared risks on insurance and competitive pressures, whilst an assessment would be made on regions rather than individual properties, what degree is there cross-subsidisation in the overall property market for the less risky versus the more risky, or at risk? It's a relative term of who is at more risk. So is there cross-subsidisation happening in premium costs?

**Elizabeth Bryan:** So that's a question on our pricing policy but also, the nature of insurance is pooled funds. So it's part and parcel of what we do. It will be in the mix somewhere. But the pricing, Peter?

**Peter Harmer:** Over time, our approach is to charge an appropriate premium for each individual risk that we take on. From year-to-year, there will be variations, just based on the weather events that occur in different parts of the country.

One of the things that we are - whilst as Elizabeth said, the very nature of insurance is that the premiums of the many pay for the losses of the few. What we don't want to do is have large-scale cross-subsidisation across our business. We try to price very specifically to the risk and as I said, bearing in mind that there is a degree of volatility that we try to manage over time.

**Natasha Lee (shareholder):** OK, thank you very much.

**Elizabeth Bryan:** Thank you. So our next question is from Mr Graves and would Mr Ken Thompson be able to come to the microphone.

**Ian Graves (shareholder):** Thank you, chairman. My name's Ian Graves and I'm representing the Australian Shareholders Association. We hold 3.6 million proxies, equivalent to about the 16th largest shareholder.

My question's about the expense savings that have been achieved from the simplification program, specifically the offshore activities when you're transferring business to outsourcing offshore. Could you please explain who these partners are and which countries they are located and what services they provide any other insurance companies and also what services have been offshored as well as what has been the customer feedback and how are they monitored.

**Elizabeth Bryan:** OK. So we will attempt to recall those details for you in a minute. All of our offshoring is done with large, established, reputable companies that provide, most of the time, higher levels of service from their scale and their technology that we would be able to provide in a Australia.

So when we look at our offshoring, we look at it through a number of lenses, but the lens of better being able to service our customers is actually one of the prime drivers.

Now, Peter, do you have a list or memory?

**Peter Harmer:** Yes, I do. I have both.

**Elizabeth Bryan:** He's good, isn't it he?

**Peter Harmer:** Thank you for your question. We have three principal offshore partners, or I should say operational partners. The first is EXL, who have operations here in Australia, but also India, the Philippines and in South Africa. The second is WNS who have operations in the Philippines and India, and the third is CCI, who is operations from Durbin, South Africa.

The services they provide for us are primarily things like accounts payable and receivable, claims lodgment and some other support services. In all three cases those firms do, in fact, transact with other insurance companies from all over the world. I mean, we benefit enormously from the experience that they bring to our table around how we might think about simplifying some of our processes, how we might actually improve customer experience through things like automation and robotics.

In relation to your question around the customer experience, we measure customer experience through our partners the same way we measure for our onshore operations and I'm very pleased to say that we are very, very pleased with the outcomes that we're getting in terms of customer experience.

**Ian Graves (shareholder):** Thank you. There's just one more question. How is the customer's personal data protected?

**Peter Harmer:** So the data is stored in Australia. It's stored in secure sites and there is no outside data sharing allowed. We have extensive security layers in terms of physical and cyber entry and exit. No electronic devices or writing materials are allowed inside those premises. We have an annual audit by our cyber-crime security officer which is then in turn audited by Deloitte. We also do a biannual insurance review that ensures we are completely compliant with the privacy requirements.

I think our privacy arrangements are in pretty good shape, Mr Graves.

**Ian Graves (shareholder):** Thank you very much. Thank you, chairman.

**Elizabeth Bryan:** Thank you. So I'm going to turn to Mr Thompson and could Mr Brian Gates come to the microphone, please.

**Ken Thompson (shareholder):** Good morning. I'm a former deputy commissioner with Fire and Rescue NSW. I'm also a founding member of the United Nations committee for disaster management. I'm here as a proxy for Mr Peter Penn. I've seen the catastrophic effects first hand of human-induced climate change nationally and internationally. The future projections by the United Nations intergovernmental panel on climate change terrify me, quite frankly. Based on the chairperson's introduction, I'm sure all of you feel pretty much the same way.

My question is, does IAG own any shares in companies that are working to expand the thermal coal industry or tar sands unconventional gas or any company that is undermining the Paris agreement by expanding fossil fuel production and/or use?

**Elizabeth Bryan:** I think we can give you a nice, clear no on that answer, on that question. We've been working to ensure that that's the case and I'm getting confirmation from the front row here that we don't own any stocks in those companies.

**Ken Thompson (shareholder):** Just one supplementary question to that. Is there anything in your policies that would prevent you investing in those types of industries in future years?

**Elizabeth Bryan:** Yes, there is. We're out of those industries because our policies say we don't invest there.

**Ken Thompson (shareholder):** Ken Thompson (shareholder): Lovely. Thank you very much.

**Elizabeth Bryan:** So Mr Gates, and could Edward Waldering also come to the microphone?

**Peter Harmer:** I think Mr Nagy is trying to register a requirement to ask a question on his machine but it's not working. So can someone assist him? Please, Mr Gates.

**Brian Gates (shareholder):** Thank you. There's been discussions recently by the insurance company council and of certain insurance companies about introducing red zones where areas prone to constant natural disasters are refused insurance or the insurance be prohibitive. I wonder what would IAG's stance be on this - in this scene?

**Elizabeth Bryan:** We work - I'll get Peter to give you some detailed answers on that but we work very, very hard to make sure there aren't red zones and so we work with government, we work with industry, we work with all sorts of things. Our whole purpose, I keep saying, is to make your world a safer place and if we can't insure, we can't meet our purpose.

So areas where you start to get concerns about that are areas that we have a lot of focus on and Peter has been very deeply involved in the issues and the discussions that are going on around northern Australia at the moment. Peter.

**Peter Harmer:** Thank you. Mr Gates, some companies in Australia - some insurance companies in Australia, they red-line above places like the tropic of Capricorn. So what that means is they won't accept any business north of the Tropic of Capricorn. We don't do that, as our chairman said. It would be completely inconsistent with our purpose.

We do also, of course, look to price the risk according to the exposures that we feel we're taking on. In some cases, for example, with the introduction of mandatory flood cover, and through some of our products in recent years, we capped the premium to ensure it did not become unaffordable. I think as we've already said today, the best way to ensure that insurance stays accessible and affordable for high-risk areas is to continue to pressure government to make the necessary investments to actually reduce the exposures in the first place.

**Brian Gates (shareholder):** Thank you.

**Elizabeth Bryan:** Thank you for that question. So the next questioner is Mr Robert Black and then after that Ms Helen Beetle.

**Robert Black (shareholder):** Good morning, chair. As a long-term shareholder and retired person, I live on dividends and franking credits. Are the franking credits likely to increase back to 100% and also, is the Board considering – with the sale of all these noncore businesses, are we likely to see any form of capital management in the next year?

**Elizabeth Bryan:** So on the fully franked dividends, that depends on the distribution of our business and at the moment I can't see a path to 100% any time soon. And on the capital management issue, we constantly have that under review and, yes, you're right, we have sold some assets. It's not finished yet. Management hasn't made an announcement of it. But the philosophy of the company and when we have excess capital to our needs we return it to our shareholders. So I can give you hope on the second question, quite strong hope, not much on the first.

**Robert Black (shareholder):** Thank you.

**Elizabeth Bryan:** So we have Helen Beetle and then the next person is Mr Reginald Mu.

**Helen Beetle (shareholder):** I tried to obtain the following information by writing to Computershare, no reply. Then I tried to obtain it from the IAG website and the ATO website and I couldn't find it. How do I calculate capital gains tax on the consolidated shares that I obtained through consolidation? And also, what was the ATO's special ruling on these consolidated shares absorbed by IAG.

**Elizabeth Bryan:** OK, I think possibly they're very specific questions. Could I ask Nick Hawkins to come and find you. He will certainly give you the information, the detailed information. Hopefully along with some hints about where to find it in the future. Thank you. Mr Mu?

**Reginald Mu (shareholder):** Good morning, Ms Bryan and Mr Harmer and everybody. In your early report about the remuneration and fixed pay, priced short and long-term incentive. I'd like to know how do you define long-term incentive? My concern is that position may be - the person may stay there for too long and not being replaced by the fresh blood with new idea. How will you address the problems that particular person not being replaced and just to stay there and pass the use by date and to get the long-term incentive.

**Peter Harmer:** I think Mr Mu might be talking about me.

**Elizabeth Bryan:** Listen carefully to my response, Peter, see if you come up in at it. That's a very good question. At these meetings we always have a question about the long-term incentive and there's been a great deal of shareholder concern over the many years that I've been in this business to make sure that it didn't vest too early – was really long-term.

You raise a very interesting other side of the story. We have been moving our long-term incentives. I think when I arrived here they were about three years, Peter. They're running out to four now. If people have used their used by date, it's the job of the management and it's the job of the Board in oversighting the management to make sure that we don't allow that to happen and there's many ways that that objective can be achieved. And so I think in this company, it's not really an issue that we have people who can't undertake their roles anymore, who are in a position to determine that they will stay just for their long-term incentive. There are many ways of handling it.

**Reginald Mu (shareholder):** Thank you.

**Elizabeth Bryan:** So Mr Joe Nagy and Mr David Wilcher.

**Joe Nagy (shareholder):** Thanks very much, chair. As you know, I'm a financial analyst from the banking industry, and two of you are from the banking industry. You know the questions are sometimes pretty rough. I want to make sure even though my questions may be seen as that, I am in favour of IAG and I support IAG. Nevertheless, IAG's profit attributable to IAG shareholders from continuing operations has fallen 8% from \$947 million to \$871 million in 2019. So the problem is competitive advantage.

The problem you also have is because you're successful, and like most businesses that are successful you run into periods of complacency and a lack of change. That's my concern, which I hope you will address.

What can IAG do? How can it get a competitive advantage? Well, there's one solution. That's the use of modern technology, digital technology and artificial intelligence. I don't know if the Board understands this. I didn't understand it a while ago but I do understand it now and if you don't understand it look at IBM on your Internet and you will see what they're spending on it.

I would like to hear next time we come here you're doing that because you're going to get terrific advantages from it because your profits will grow, your customers will like you better, loyalty will increase.

My second question has got to do with your exiting Thailand, Indonesia and Vietnam. I want to know whether basically this is because of your problem or problems with Swann Insurance, which you discussed before.

I want to also ask that these products were seen by ASIC as a very low value and almost junk insurance. One question is were you onboard when these products were being sold? If so, why? And the most important question is who in the world analysed Swann Insurance to pick this up that was happening. When I was in Citibank before we went into IAC, we did not look at their loan portfolio and we got bombarded. I hope this hasn't happened to you and you walked into something like this with a lot of garbage in there. Thank you.

**Elizabeth Bryan:** I'm always glad when you lead with that question about how you like the company. Just gives me some slight comfort for what comes after.

So I've got three questions here. Let me start with your very accurate and wise comments about the use of digital technology. You are right, it will define the shape of our industry as we go forward. Digital technology, you mentioned artificial intelligence, you're right.

We are aware of that and we work very, very diligently in making our company ready to be able to use it. We're a company that grew by acquisition and we have many, many different systems that don't necessarily talk to each other. So for all companies, big companies that are making the transition into digital technologies, you first of all have to sort out your home platforms so you have enough of them who are able to interact with digital technology.

So we have an enormous piece of work that's been going on for a number of years now and is making very good progress in simplifying our systems. It was a major initiative of Peter and his executive team a few years ago to get this happening and the Board recently had a look at it all and is very pleased with the progress. So we're moving, we're moving appropriately.

We are quite aware of the speed and the impact that these new technologies will have. We recently took a trip through the large technology companies in China. It is truly terrifying when you see all of this up and out there. So I think, like all Australian companies, we have to move in this direction and that was - we agree with you. All I can say is we're working on it, we're in process with it, we're simplifying our systems and in our area that looks forward into the technologies we have people who are very knowledgeable about which technologies are going to have the major impact on insurance and how they're working their way through the systems.

The second question about our exit from Thailand, Indonesia and Vietnam and did that have anything to do with Swann, absolutely not. No connection at all. I think we have had those exit processes in place before the royal commission even started.

The third one, which was a question about Swann, and how we got into it, Swann was a company that was bought in the '50s, so some long time ago. It was, as I've said to you before, a very small part of our business and it was kept in an independent organisation, a wholly-owned subsidiary but nevertheless run at arm's length from the company. We have learnt a very, very strong lesson on that.

No matter how small a part of your business, you actually don't let businesses run over there.

So Peter and his management team identified some concerns with Swann and with add-on insurance. It was widely canvassed in the UK. They were aware of it all, they looked around our business. They identified it and before the Royal Commission we had already exited from the add-on business, or pretty much exited from the add-on insurance business and we had sold Swann to a specialist provider.

It was a business that was not big enough for us to bring into our kind of main system and concern.

So that's our story on Swann. We're going to be talking about Swann for many years to come. It's going to leave a kind of long legacy.

**Joe Nagy (shareholder):** Just one quick question. \$1 billion was put into this, I thought that was IAG, you're telling me it's not IAG. Can you confirm that?

**Elizabeth Bryan:** Sorry, the \$1 billion into what?

**Joe Nagy (shareholder):** As a result of compensation to those people who have lost money.

**Elizabeth Bryan:** That number has been mentioned in connection with the class action that we're currently facing on Swann. Where it came from is a billion dollars is the gross written premium of Swan over the last ten years. That's how the number got into the conversation. What it exactly means, not sure. I've got nods from my questioner, nods from our CEO and I keep a close eye on the CFO down there. So we're done on that.

**David Wilcher (shareholder):** Good morning. It's a simple question, a couple of years ago or a year ago you returned money to the shareholders, capital and I think it was capital. Why didn't the Board go to the market and buy the shares off the market rather than return the capital to the shareholders? Reduce the capital. It made everything very awkward.

**Elizabeth Bryan:** We thought the shareholders might actually quite enjoy the money.

**David Wilcher (shareholder):** They probably do but they reduced - it would have been so simple to do it the other way.

**Elizabeth Bryan:** But then the shareholders wouldn't have got their money.

**David Wilcher (shareholder):** Well, that may be right. On the other hand, it was better the other way. I'll leave it with you.

**Elizabeth Bryan:** So next time we don't give any money to the shareholders I'll call you up to help me explain that.

**Elizabeth Bryan:** Mr Edward Walgen.

**Edward Walgen (shareholder):** Thank you, I unfortunately was one of the people that you had a bit of a problem when Mr Nagy came up. I got pulled off the list.

**Elizabeth Bryan:** That's why [I'm] standing here feeling confused.

**Edward Walgen (shareholder):** You understand there's a bit of a problem, but I was going to allow Mr Nagy to go before me, but anyway. I apologise to the people at home but I've got a major issue coming in today's meeting. We've been checked four times to get into this room. Once upstairs, once downstairs to get anything, you get a thing outside and then we've got to then use these.

I think you've overdone it in the security and whoever suggested your security today needs a kick under the pants and probably needs to get the sack, because we've had this before where we've had check at the top, check down the bottom, check to come into the room. I don't think who has advising you has done a good job.

Now my issue, my major issue. You had the five points [from] Mr Hayne up there. I got the general impression from something you said, I might be wrong, but I got the impression this was something you were working towards.

**Elizabeth Bryan:** No, no.

**Edward Walgen (shareholder):** Thank you very much. Because I think every single point up there was something every company should have been doing before the Hayne Commission. All that Hayne did was enumerate what should have been done. Every company should have been working towards all of those points. Acting honourably, obeying the law. If you're acting as a trustee you should have been acting in the best interests of whoever you were trustee for. I just say to the Board and yourself, and everybody in this room, those points are everybody's points and until we emphasise that very, very importantly, we have a number of companies around who aren't working that way.

**Elizabeth Bryan:** I couldn't agree with you more strongly.

**Edward Walgen (shareholder):** So take it to your other companies if it's not happening in your company, I'd either get off or get it changed. So I leave that point with you, Madam Chair.

**Elizabeth Bryan:** Thank you. Mr Strakos.

**Michael Straskos (shareholder):** Madam Chair, contrary to the previous questioner, I want to know why you're conducting share buy-backs because I consider it a waste of the company's money. And if you want to reduce the number of shareholders you can do it at the stroke of a pen for minimum cost and reduce the number of shares on offer by 10%. It doesn't even come into the rounding numbers in your portfolio of accounts.

I see you've had two share buy-backs from the numbers. One starting this year and one two years ago.

**Elizabeth Bryan:** I don't think - I'm looking at Nick, have we done share buy-backs? Why don't you take a mic, Nick? All we're trying to do is when we get excess capital that we don't need, it's our policy to find the most efficient, effective way to return it to the shareholders.

**Michael Straskos (shareholder):** Just put it in the dividend. Jeez.

**Elizabeth Bryan:** Sometimes that's not the most effective way and if you do that, you get very, very lumpy dividends.

**Michael Straskos (shareholder):** Doesn't worry me.

**Elizabeth Bryan:** Doesn't worry you?

**Michael Straskos (shareholder):** No. Money coming to me is always happy.

**Elizabeth Bryan:** You never quite satisfy everyone with the method you use to return money to shareholders. You've just got to try and find the most efficient and effective and least costly method. Are we done?

**Michael Straskos (shareholder):** Yes, thanks.

**Elizabeth Bryan:** Thank you. So my queue has now reduced to zero. So thank you very, very much for your comments. And your questions and the nice mood in the room.

Before we move on to the items of business that are subject to a shareholder vote, let me remind you that we will conduct a poll for each resolution. I believe this is the fairest way for us to proceed.

I have received a report of the results of the direct and proxy voting instructions received for each item of business and I have accepted the recommended results.

The direct votes and proxy votes that we've already received will be combined with your votes in the meeting today and they will all be displayed on the screen at the close of the poll on each resolution.

Once the polls have been closed and the votes compiled, a report on the final results will be announced to the ASX and will be made available at IAG's website and at IAG's registered office.

### **Resolution 1: Adoption of the remuneration report**

The first resolution at this year's AGM is to consider the company's remuneration report for the year ended 30 June 2019. The report is set out on pages 19-41 of the company's annual general report and provides extensive disclosures of director and executive remuneration. I now invite a discussion of this report.

I haven't got any questioners coming through on the queue in front of me. Ah yes, I've got one waiting down there. If you would like to ask a question, come up to the microphone, if that machine is not working. No, OK.

Alright, let's move on then. So that concludes the discussion of Resolution 1. Please now register your vote by pressing the appropriate number on your keypad as shown on the screen.

So I'm now advised the votes have all been registered. I declare the poll closed on Resolution 1. Your votes have been added to the direct and proxy votes and the preliminary result is on the screen. Based on this result, the resolution has been carried.

### **Resolution 2: Allocation of share rights to Peter Harmer, CEO**

The second item of business today is the allocation of share rights to the company's managing director and chief executive officer, Peter Harmer. Approval is sought to allocate deferred award rights and executive performance rights to Mr Harmer. There is a detailed explanation of the deferred award rights and executive performance rights in the notice of meeting.

The purpose of these awards is to align Mr Harmer's remuneration with shareholders' interests. The deferred award rights are granted as part of the annual short-term incentive plan. The rights over shares which vest to Mr Harmer over a two-year period.

The executive performance rights are granted as a long-term incentive. These share rights may vest between three and four years after they're granted and only then if performance hurdles, which are closely aligned with value creation for shareholders are achieved. If the performance hurdles are not achieved, these rights will lapse.

The Board, other than Peter, recommends you vote in favour of this resolution. I now invite questions from the floor. Mr Edward Walgren.

**Edward Walgren (shareholder):** Thank you, madam Chair. I agree but I just have one minor adaptation. It says less than 50% between 50 and 75. I think it should be 51; 50 is not - 50 is an average, is not good enough; 51 should be where the pro rata would be. Just a minor point.

**Elizabeth Bryan:** Thank you. The Board's heard that and we'll note that view. So I have no other questions on the screen in front of me. So that concludes the discussion of Resolution 2. Please now register your vote by pressing the appropriate number on the key pad as shown on the screen.

I now declare the poll closed on resolution two. Your votes have been added to the direct and proxy votes and the preliminary result is on the screen behind me. Based on this result, the resolution has been carried.

This brings us to the election and re-election of directors. For the company to meet the requirements of the ASX listing rules and the company's constitution, one director who has been appointed to the Board since the last annual general meeting is offering himself for election. And two directors are retiring at this meeting by rotation, and are offering themselves for re-election.

A separate resolution will be put to you for each director.

### **Resolution 3: Election of George Savvides**

Resolution 3 is that George Savvides be elected as a director. I now invite George to address the meeting.

**George Savvides (Director):** Thank you, Chairman. Ladies and gentlemen, I joined the Board of IAG in June of this year, so this is the first time I stand for election at an AGM. I've also joined the Board's Risk Committee and the People and Remuneration Committee. I am a resident of Victoria, so before I joined the Board my engagement with IAG was as a customer of RACV Insurance. The RACV brand distributes IAG's short tail personal lines in Victoria. I am delighted to say that I've been a very happy customer of the service from RACV.

I bring to the Board 25 years' experience as a CEO across three companies, two of which I listed on the ASX through the IPO process. While my experience has predominantly been with healthcare companies, the 14 years I served as the CEO of Medibank Private has provided me with a deep understanding of insurance, brand positioning, customer acquisition and retention, claims management and underwriting risk.

I've been a non-executive director since 2016, when I retired from executive work, but I've sat on listed boards since 1999. I'm a qualified industrial engineer from the Uni of NSW and have an MBA from UTS and I'm a Fellow of the Australian Institute of Company Directors. Apart from my IAG board role, I'm a member of the board of the New Zealand listed company, Ryman Healthcare. I chair the ASX listed board of Next Science Limited. I'm the deputy chair of the public broadcast, SBS and I recently retired from several boards including the chairmanship of World Vision Australia.

In my short time on the IAG Board I've been impressed but the company's culture, its strong sense of purpose surrounding a safer world for its customers and the broader environment that surrounds them. It's an absolute honour and privilege to serve the Board of IAG and I'm grateful for your support. Thank you.

**Elizabeth Bryan:** Thank you, George, very much. The Board, other than George, recommends that you vote in favour of George's election to the Board. I now invite discussion on this resolution. I have two names, Ms Natasha Lee and Mr Joe Nagy.

**Natasha Lee (shareholder):** Thank you, Chair. The question for George is I noted his comment about being on the Medibank Private board previously. I'm also a Medibank Private shareholder but my experience with Medicare Private in terms of being a customer hasn't been very good in terms of the management of their processes.

I wanted to know what experiences have you learnt from that? I think the problems with Medibank Private seems to be an integration one which IAG is also going through and quite often I found when they issued my premium, the left hand didn't know what the right hand so I was getting premiums for different amounts covering the same period or sometimes they were just slightly different, like a few days' different. But the amount of the premium was substantially different. So, I wouldn't like to see IAG have these problems. So what experience and what skills can you bring to ensure that there is a smoother transition between the different systems so that they are all speaking and provide a good experience for customers.

**Elizabeth Bryan:** Ms Lee, I will let George respond in a minute. It's nice of you to want to have a conversation with him. This is an IAG Board meeting so I'm not going to try and encourage George to run back over the history of Medibank Private.

**Natasha Lee (shareholder):** It was about the experiences and the learnings which he can bring to IAG.

**Elizabeth Bryan:** So those matters that you mentioned are operational matters within IAG and they're run by the IAG management team. The Board does not get down to that level of managing our business but having said all of that, George, you have a couple of minutes but not long on Medibank.

**George Savvides (Director):** Well, I think on the topic of making sure the customer experience is a good one, especially in an environment where systems are changing quickly, I hope I can bring some experience to the IAG board that supports a positive journey in that area. I really shouldn't comment on a company that I was involved with over three years ago but I appreciate your comments. Thank you.

**Elizabeth Bryan:** So we have Mr Joe Nagy.

**Joe Nagy (shareholder):** Thank you, Madam Chair. My question is not critical of George. My question is a policy question directed towards you. Do you have a limit or does IAG have a limit on the number of directorships that your directors can hold, and I'm saying this on the basis of how much time is required, how much understanding is required, all that sort of stuff about IAG?

**Elizabeth Bryan:** We do. There's a very strong view in the investment community about not wishing to allow directors to have more boards than they can handle, and this Board certainly takes it into account as we assess our colleagues and as we support their re-candidature for positions.

We considered George's activities and we've observed George on the Board for some time and we were of the opinion that his other activities did not impinge and that he was a diligent, hard-working director who had plenty of time to do the extra work that he needed to do to familiarise himself with this company. So, the Board is very comfortable that George meets our criteria.

Mr Gregory Simoni.

**Gregory Simoni (shareholder):** Good morning, all. And through Madam Chair. On IAG's constitution and charter, a gatekeeper, botanist or bus driver may happen to be shareholders by sortition to the IAG Board, they, like Mr Savvides, could also apply sound methodology, as he's pointed out, the risk committee, identifying tax, financial risks, laws and/or regulations and internal and external financial reporting.

Gather advice from KPMG, Mr Harmer, global peer review actuaries and the manager of internal audit. So why can't a sortition beekeeper, bus driver, like Mr Savvides, not be in the best interests to serve on the Board of IAG?

**Elizabeth Bryan:** Thank you, Mr Simoni. I always really enjoy your questions. The wording is delightful. I'm not quite sure where you were coming from except to reiterate as I did to the previous questioner, that the Board has carefully had a look at George's background, his reputation, which is a very high one, his success in the previous jobs he's done, the depth of his understanding of the insurance industry, his integrity as an individual and we're very, very pleased to have the opportunity to invite him to work with us.

So, I think I've come to the end of that queue of questions. That concludes, therefore, the discussion on Resolution 3. Please now register your vote by pressing the appropriate number on your key pad. I now declare the poll closed on resolution three. Your votes have been added to the direct and proxy votes and the preliminary result is on the screen. Based on this result, the resolution has been carried. Congratulations, George.

#### **Resolution 4: Re-election of Helen Nugent**

I now turn to the resolution that Helen Nugent be re-elected as a director and invite Helen to address the meeting. Helen.

**Helen Nugent (Director):** Thank you, chairman. Good morning, ladies and gentlemen. It is a privilege to offer myself for re-election as a non-executive director of IAG.

I am absolutely committed to IAG's vision to make the world a safer place for its customers and for the broader community. At the same time, I fully support IAG's strong focus on managing risk and generating superior returns for you, our shareholders. Against that background, let me make five points in support of my re-election.

First, I have a relentless focus on the customer. As a Board, we have sought deeper understanding of the customer experience, where we're good and where we can improve. And personally, I've made repeated visits to IAG call centres which have been invaluable in deepening my understanding of IAG's customers' needs.

Second, I share IAG's commitment to making a difference to our communities. My understanding comes from my deep involvement in disability, in medical research, in the arts and previously in education.

Third, through my prior board involvements, I have a demonstrated track record of supporting management to both drive growth and to generate superior returns for shareholders, recognising that much of that, in future, will also come through our digital experiences. I see myself as playing a similar role at IAG. Fourth, I have extensive experience as a non-executive director over the past 20 years and that includes being in the insurance and financial services/sectors more broadly. This includes my having been chairman of Swiss Re Australia, of the Vida Group, of Funds SA and as a non-executive director of Macquarie Group and Mercantile Mutual. Prior to becoming a non-executive director, I served as director of strategy at Westpac Banking Corporation.

And finally, I'm committed to IAG's ongoing success. I have the time, the energy, and the dedication to work in your interest. I've attended all Board meetings and all meetings of committees where I am a member. In addition, I regularly attend other committee meetings as an observer, I actively participate in Board education sessions, I undertake site visits, including the China trip that Elizabeth mentioned earlier, and as well as participating in other subcommittees.

I thank you in advance for your support and I look forward to meeting as many of you as I possibly can after the AGM. Thank you.

**Elizabeth Bryan:** Thank you, Helen. The Board other than Helen recommends you vote in favour of Helen's re-election to the Board. I now invite questions from the floor. Mr Don White. And after Mr White has spoken, Mr Simoni.

**Don White (shareholder):** I might apologise, I should have asked this question before. It's nothing to do with what's happening just now but we're here for an AGM for the shareholders. I would say 80% of the shareholders are retirees. The time holding at 9:30 is really not acceptable to most of these people. Please try to make it a later date.

**Elizabeth Bryan:** OK. We will certainly think about that. You have my personal support and I will work in your interests for next year.

**Elizabeth Bryan:** Thank you for that. Mr Simoni followed by Mr Graves.

**Gregory Simoni (shareholder):** Thank you once again, Madam Chair. Dr Nugent has been a member of several committees, Audit, Nomination, People and Risk Committee. Now if we're going to focus on the Audit Committee and through the constitution and the charter that IAG have created, a mechanic, a medic, or a machinist may happen to be shareholders of IAG and by sortition to the Board and through reasoned methodology, by identifying material risks, risk management in control systems, gathering relevant information on these risks and identifying alternatives, weighing the evidence and reviewing IAG's group risk management reinsurance risk, and management strategy and other policies, rules and frameworks – why couldn't a mechanic, medic or machinist chosen through a process of sortitions achieve much or better unbiased and reasoned decisions as Dr Nugent?

**Elizabeth Bryan:** Well, possibly they may but we have the opportunity of having Dr Nugent on the Board. She makes major contribution to this Board and the Board would very much like you to support her re-election. Mr Graves.

**Ian Graves (shareholder):** Thank you, Chairman. My question is related to Dr Nugent's workload. Basically, there are a couple of positions that she holds I was just not sure how much time it took for her to discharge her duties. Now, she does mention that she's chair of the Ausgrid, and that's understandable.

The chair of National Portrait Gallery and the chair of the National Disability Agency, mainly about the chair of the National Disability Insurance Agency, how much time is involved with that and is that a paid or unpaid position?

**Elizabeth Bryan:** Helen, would you be able to speak to that?

**Helen Nugent (Director):** Sure. Thanks for your question. I really do understand it and it's a very good one.

Let me assure you, I will only take on a role if I have complete confidence in making a real difference to an organisation. That is true of the other boards, including the NDIA as well as IAG.

As I said earlier, I've given you a profile of what I've attended at IAG, I'm not going to go into that again.

In relation to my other boards, all but one is paid. The NDIA is paid but I can assure you each of those receives my absolutely full commitment and, frankly, I wouldn't be a director of any organisation, paid or unpaid, unless I was completely confident that I could discharge my responsibilities appropriately.

**Elizabeth Bryan:** Thank you, Helen.

**Ian Graves (shareholder):** How many hours a month would you be putting into these other board commitments?

**Helen Nugent (Director):** All I can say is I am able to fully discharge all my responsibilities. I work very hard. I think anyone who knows me would absolutely assure you I am completely diligent in terms of my activities. I know that - I understand your question, but by the same token, I can absolutely assure you that I have the time to discharge my responsibilities to all my boards, but particularly in this context to IAG.

**Ian Graves (shareholder):** Thank you, Chairman.

**Elizabeth Bryan:** Thank you Mr Graves. So that concludes the discussion on Resolution 4. Please now register your votes by pressing the appropriate number on your key pad. I now declare the poll closed on Resolution 4. Your votes have been added to the direct and proxy votes and the preliminary result is on the screen. Based on this result, the resolution has been carried. Congratulations, Helen.

## **Resolution 5: Re-election of Tom Pockett**

I now turn to the resolution that Tom Pockett be re-elected as a director. I invite Tom to address the meeting.

**Tom Pockett (Director):** Thanks, Chair. It's been a real privilege to serve as an IAG Board member since my election in 2015 and as Chairman of the Audit Committee over most of that time. I strongly believe in the role IAG plays in giving confidence to the community to go about their daily lives knowing that if things go wrong IAG is standing behind them assisting them through that crisis. IAG's commitment to this is simply expressed in our purpose of making your world a safer place.

It is this commitment and culture at IAG that assists our customers in managing and dealing with these risks that makes being a director on the IAG Board very rewarding.

Assuming I am re-elected today, I am very much looking forward to continuing to work with my fellow board members and the excellent team at IAG in continuing the journey to achieve this mission. I believe my experience as a senior executive and my roles on other boards has positioned me well for this very important responsibility.

In regard to my other boards, I am chair of Stockland, chair of Auto Sports and a non-executive director of a non for profit called Sunnyfield that supports people with intellectual disability. The last two organisations are quite small. My main time commitments are IAG and Stockland and I confirm to shareholders that I have no issues in committing the required time to execute fully my roles in both companies.

Given my executive experience in some of Australia's largest corporations, I am used to dealing with significant workloads and complexity. Thank you for your time today and I look forward to meeting some of you after the AGM. Thank you.

**Elizabeth Bryan:** Thank you, Tom. Again, the Board, other than Tom, recommends you vote in favour of Tom's election to the Board. I now invite discussions from the floor. I have Mr Nagy on my list.

**Joe Nagy (shareholder):** Again, this is a question not so much concerned with Tom Pockett but generally with the Board, and that has to do with conflicts of interest. Now, as a banker, former banker, we had to acknowledge the conflicts of interest and we had to exclude ourselves from loan decisions or whatever decisions. I'm wondering again if IAG has that process or policy in place. Thank you.

**Elizabeth Bryan:** We absolutely do. We keep a register, which the Board looks at every month - sorry, every Board meeting of everyone's associations and other involvements. We run a very strict policy in the boardroom that if there is anyone who has any kind of conflict of interest at all, they absent themselves from the boardroom and do not participate in the discussion and they will often not get a copy of the discussion paper that might be provided by management.

So, it's a very important issue. It's a very key part of good governance. We're alert to it and I believe have strong systems in place to manage it. Mr Simoni.

**Gregory Simoni (shareholder):** Thanks, again. Through Madam Chair again. Mr Pockett is a member of several committees but let's focus on the Nomination and committee process. A pensioner, a postman or a plumber, they may happen to be shareholders and in this room. By sortition to the IAG Board, through recent methodology, sortitioned pensioners, postmens and plumbers would not require a board recruitment strategy and therefore Nomination Committee would not have to exist as they do not belong to any corporate social group or have corporate social relationships. They can ask what IAG needs, gather and identify these needs and their alternatives and review, with management, courses of action. So you could elect more Tom Pocketts in the future or choose pensioners, postmans or plumbers and streamline many board processes. Thank you.

**Elizabeth Bryan:** Again, thank you very much. I like Ps, I think the Ps are good. The only thing I can offer in Tom's defence is that he's a surfer, occasionally.

**Tom Pockett (Director):** Doesn't rhyme with P.

**Elizabeth Bryan:** Doesn't rhyme with P, but it's getting close. So, thank you very much for that observation. So, Mr Nagy, have I got you on the list again?

**Joe Nagy (shareholder):** This is all your fault, Madam Chairman, you're making me think more about IAG. My question is, when you select these people up here, is there a particular need or a particular issue on which you base your selection? I'm thinking of these people here, they all bring various experiences, but how do you determine that and so forth?

**Elizabeth Bryan:** So, you determine that by looking at the mix of skills and experience you need on the board for a company and for a company in a particular stage of its development. So, as we're talking about Tom at the moment, Tom was the chief financial officer at Woolworths, very, very big job.

When I recruited Tom on to the Board, I was looking for someone who could run our Audit Committee and so Tom's experience in deep, deep understanding of the finances of very, very large organisation made him a perfect candidate for that. And I can guarantee to all of you that he runs a very, very tight ship on the Audit Committee and that is a very important role on a board.

So, I could go through each member of the Board and tell you what it is in their background that as you bring them together makes the broad experience that we've got. Don't ask me to.

**Joe Nagy (shareholder):** I find that interesting because he would have come from a business and industry and equates success to managing costs and revenues, fine margin. So, I'm really interested in how that came about. I won't ask him, but I think that's an interesting comment that you made.

**Elizabeth Bryan:** OK. Perhaps you can take it up over a cup of tea afterwards with Tom. That concludes the discussion on Resolution 5. So, if you wouldn't mind now, again, registering your vote by pressing the appropriate number on your key pad.

I now declare the poll closed on Resolution 5. Your votes have been added to the direct and proxy votes and the preliminary result is on the screen. Based on this result, the resolution has been carried. Congratulations, Tom.

## Special business of the meeting

### Resolution 6: Capacity to issue securities

This brings us to the special business section of this year's AGM. Resolution 6 seeks approval for the proposed refresh capacity to issue securities. The purpose of this item is to seek ratification of the issue of subordinated medium-term notes on March 28, 2019 as part of our capital management strategy.

Under the ASX listing rules, IAG cannot, subject to specific exceptions, issue or agree to issue more equity securities during any 12-month period than that which represents 15% of the number of fully paid ordinary securities on issue at the start of that 12-month period. Let me refer to that in shorthand as the 15% limit.

IAG is seeking to ratify this previous issue of securities to ensure that there is flexibility to issue securities in the future up to its 15% limit. There is a detailed explanation of the proposed refresh capacity to issue securities in the notice of meeting. I now invite discussions on this resolution. Mr Simoni.

**Gregory Simoni (shareholder):** Through Madam Chair again. Here we have an issue of securities that would be part of the remit of the risk and audit committee. Sortition board members, you know,

your pensioners, your barbers, your medics can identify compliance regulations liaising with independent order, group channel manager, internal order and global external review actuary to determine the material risk of IAG's businesses. If methodological processes are in place, can Madam Chair show why a sortition board of pensioners, barbers, medics can come to the same recommendation to refresh capacity to issue securities?

**Elizabeth Bryan:** Again, they might, or they might not. But this Board has come to the view that we would like to make sure, if we need to issue these securities in the next 12 months, we have the ability in the interests of company to do so. And to do that we need your support on this resolution. Helen Beetle and followed by Mr Michael Sukwicz.

**Helen Beetle (shareholder):** What's the difference between the securities and shares and will they be issued like a public float or how will they be issued?

**Elizabeth Bryan:** Nick's volunteering for this one, Helen. He's terrified I will get it wrong, is actually what he's doing.

**Nick Hawkins (Chief Financial Officer):** It's going well. Morning, again. At IAG, the nature of the type of debt instruments we issue always qualify for ratings and regulatory capital. The debt that we issue is a little bit different than the sort of the type of debt that we have in our households. Part of that is that there is an option, at our option, to convert it into an equity instrument, like an ordinary share at a later date.

We have to have that option in order for that debt instrument to qualify as rating and regulatory capital. Since we've been a public company, which is for the last 18 years, or 19 years, sorry, we've had these types of instruments in place and we've always repaid them and never converted them. This is an option that we've had that we've never used. It's not our intent to use this going forward either but because we have this option, it does take out some of the range in that 15%. Hence what we're doing today is asking the Board to refresh that capacity, even though it's not our intent to use it, back to that full 15%.

**Elizabeth Bryan:** Thank you, Nick. Mr Sukwicz.

**Michael Sukwicz (shareholder):** I find it slightly schizophrenic that the Board on one hand has a buy-back and then the next minute says we can issue more. The debt securities, if they are translated to shares, which is not always on but securities you don't have to have them translated to shares and I'm wondering why you bother?

**Elizabeth Bryan:** I think that's what Nick just said, that they don't translate to shares.

**Michael Sukwicz (shareholder):** He said they could. But why do you have to have that bit on the end, that you can put them – translate them to shares? I gather that is when you're not going to pay them back, you put them in as paper.

**Elizabeth Bryan:** So Nick?

**Nick Hawkins (Chief Financial Officer):** It's the nature of the type of instrument. In order for the instrument to qualify as rating and regulatory capital in the first place, it can't be a traditional debt instrument, it needs to have some sort of conversion for the company in order for us to be able to recognise it as ratings and regulatory capital. So, in fact, there are sort of rules around what we can issue that allow that type of instrument. So we're careful; this is an element of our capital structure. But the type of instrument that we've issued here is common amongst all large financial institutions in Australia.

**Michael Sukwicz (shareholder):** So, you're talking about Tier 1 capital?

**Nick Hawkins (Chief Financial Officer):** Tier 1 and Tier 2 capital, that's right.

**Michael Sukwicz (shareholder):** It wasn't obvious in your presentation.

**Elizabeth Bryan:** We'll get him clearer next time. Mr Robert Black.

**Robert Black (shareholder):** Thank you, again, Chair. Does this 15% include dividend reinvestments and can you tell us what percentage of the dividends in the company get re-invested?

**Elizabeth Bryan:** I'll stick with my one expert who has a reasonable batting average so far. Nick would you like to handle it?

**Nick Hawkins (Chief Financial Officer):** With dividend reinvestment, what we do is we neutralise that. Some companies with dividend reinvestment effectively are issuing new shares so the number of shares in total, post a dividend reinvestment plan, goes up. We don't do that at IAG. We neutralise that. So, then the portion of dividends that are subject to that dividend reinvestment, I think, are in the order of about 30% of the dividend that we pay.

**Elizabeth Bryan:** So, I don't have anyone else in the queue for questions so that concludes the discussion on Resolution 6. The Board recommends that you vote in favour of this resolution. So could you now, again, register your vote by pressing the appropriate number on your key pad as shown on the screen. I now declare the pole closed on Resolution 6. Your votes have been added to the direct and proxy votes and the preliminary result is on the screen. Based on this result, the resolution has been carried.

#### **Resolution 7: Proposal promoted by Market Force, requested by shareholder group**

So that now brings us to the final resolution of the AGM, resolution seven, which was requested by a group of shareholders. Resolution seven is in two parts: 7(a) is to amend the company's constitution and 7(b) requires IAG to disclose measurable targets to reduce exposure to fossil fuel assets.

7(b) will only be put to the meeting if 7(a) is passed. The Board has recommended that shareholders vote against these resolutions. We consider that rather than improve the ability of shareholders as a whole to be heard, resolution 7(a) could lead to confusion and impede the ability of the Board to exercise its powers in the best interests of shareholders as a whole. The Board believes that shareholders already have many opportunities to be heard. They can ask questions or make comments about any aspect of the company's business as part of the discussion on Resolution 1 at the AGM. They can use the question form we provide with notice of meeting, whether or not they can attend the meeting.

Earlier this year we offered retail shareholders the opportunity to participate in a web cast Q&A session with our chief financial officer. We also meet domestic and offshore institutional investors every six months after our results announcement. And we provide periodic presentations on our strategy or specific aspects of our business.

7(b) proposes that IAG disclose measurable targets to reduce its investment exposure to fossil fuel assets consistent with the Paris agreement, and that we disclose our plans and progress towards achieving these targets on an annual basis.

I hope my comments in my chairman's address earlier today showed that this is a subject that we are already working hard to address. IAG is committed to investing responsibly and we have reduced our investment exposure to fossil fuel asset to say a very low-level. We have made significant progress towards our climate action targets and we provide regular climate-related disclosures.

Our climate action plan is a comprehensive, goal-orientated strategy to tackle climate action and it includes a scorecard outlining group executive accountability. We report on progress towards achieving the commitments of the climate action plan every six months. Our latest report covers our performance for the 2019 financial year.

Since 2018, IAG has also expanded its climate change-related disclosure by following the recommendations of the TCFD. These climate change-related disclosures were included in our 2019 annual report.

Before we move to discuss these resolutions in detail, I welcome Pablo Brait of Market Forces who has joined our meeting today. We appreciate Pablo coming here today, and more generally, we applaud the visibility that his organisation is bringing to this very important issue.

We meet Market Forces representatives each year to discuss their concerns and provide updates on the action we're taking, and I expect this respectful relationship to continue. I now invite Pablo to move to microphone two to speak briefly to the resolution.

**Pablo Brait (Market Forces):** Thank you, Chair, for those words, and for the opportunity to speak. I will speak very briefly today in favour of the resolution calling on our company to put short, medium and long-term targets in place for reducing exposure to all fossil fuels in its investments.

The discussion's already been had about global warming and its existential threat to IAG so I won't elaborate on that. We've heard mention that peril pay-outs show an increasing trend over time, not just gross but as a proportion of net-earned premium and gross-written premium and this I think should be ringing loud alarm bells on the board, as it has for the investors that have supported this resolution.

Now insurance companies are responding to the effects of the climate crisis by refusing to insure high-risk areas, increasing premiums and this is progressively shrinking our available market. And this refusal to cover ever-growing high-risk areas, or pricing people out from being covered in these areas, is also increasing the risk that governments step in and regulate, which is another threat to our bottom line.

Now, for IAG to have credibility in its push to see government and other corporations do more to mitigate and to adapt to the climate crisis, we need to be doing our part by not making the problem worse. Now, the biggest drivers of global warming, as you would all know, are the coal, oil and gas industries. The science is clear that these industries need to be phased out as soon as possible and IAG's official policies, and public transparent policies need to demonstrate this.

Now, IAG already has a strong underwriting policy which will see it refused to underwrite any fossil fuel project by 2023. Investments, however, while the trends seem to be going in the right direction, there isn't enough information being provided for investors to truly understand IAG's fossil fuel exposure and therefore how it is managing its own exposure to transitional climate risk.

This means that investors are unable to determine IAG's actual coal and gas investment exposure nor its expected trajectory or what companies are captured by IAG's terms, terms like higher risk companies or most contribute to climate change, for example, remain undefined and the Chair's committed to publishing those definitions so I really am looking forward to that.

The objective to "shift investments to companies that have a lower exposure to climate-related risks or a forward-looking strategy to manage these risks" remain frustratingly vague.

So, the real-world outcome of this lack of transparency is that IAG very likely remains invested in company that is are actively undermining its own objectives on climate change and there's nothing in official policy public transparent policy, to ensure its exposure to these destructive companies won't go back up at any point.

Now earlier in response to one of the questions from a gentleman over there, the chairman said zero is where we're looking to go with regards to fossil fuel investments, so really what we're asking is for that, for that aim that was, you know, revealed and mentioned today, to be, I guess, put into official IAG policy.

So, to conclude, while IAG has taken some positive steps on fossil fuel exposure, particularly in underwriting, it's up to us investors to insist that it transparently and coherently deal with the risks present in its investment portfolio. Setting clear targets for reducing fossil fuel exposure in its investments would afford our company increased credibility among its peers and in the public domain when calling for action to be taken on the climate crisis and send an important signal to market that is an urgent transition to a low-carbon economy is necessary. Thank you.

**Elizabeth Bryan:** We're very happy to join in the applause for the comments that you have made and for the organisation that you've established and for the profile that it raises about this very, very important issue. So we will continue to work towards the level of transparency and black and whiteness that you're looking for in our policies and see if we can't get closer to what you're after.

### **Resolution 7(a): Special resolution to amend the Company's constitution**

So let me now move to resolution 7(a). Under this resolution, approval is sought to amend the company's constitution to enable shareholders by ordinary resolution to express an opinion or request information about the way in which a power of the company, partially or exclusively invested in the directors, has been or should be exercised. The Board respects the rights of shareholders to seek to amend the company's constitution, however, the Board does not consider this resolution to be in the best interests of shareholders. The Board recommends that you do not vote in favour of this resolution. I now invite discussions on this resolution.

The first two names on the list are Mr Simoni and Mr Joe Nagy.

**Gregory Simoni (shareholder):** Through Madam Chair again. So, if this is the election process that we've been party to today, the best to reflect anybody here having any skerrick of a chance of getting on the IAG Board plus a maintenance of the loyalty – of a loyalty to your own consciences, then can Madam Chair guarantee another institutional commission on widespread fraud and corruption will not be brought to light in her lifetime concerning Insurance Australia Group?

**Elizabeth Bryan:** I sincerely hope that that's the case. Unfortunately, I have as little control over the future as the rest of us and so no, I can't guarantee that. But I deeply hope that it's not the case and we are working very, very hard on this Board and in this management team to make sure that that's not necessary. Mr Nagy.

**Joe Nagy (shareholder):** On the few times that I strongly disagree with you and the Board and as a banker, I'm just amazed at this. I am amazed at this. The keyword here that you haven't mentioned is credibility. How credible will your decision be if you don't put your moniker on this thing? It's got to go there. It's as simple as that. Thank you.

**Elizabeth Bryan:** Thank you for that view. I don't have any other questions on my list. So that concludes the discussion on Resolution 7. The Board recommends that you do not vote in favour of this resolution. I therefore propose that we put the resolution to a vote. Please now register your vote by pressing the appropriate number on your keypad.

I now declare the poll closed on Resolution 7(a). Your votes have been added to the direct proxy votes and the preliminary result is on the screen. Based on this result, the resolution has not been carried.

### **Resolution 7(b): Disclosure of targets to reduce investment exposure to fossil fuel assets**

As I mentioned when I introduced this resolution, Resolution 7(b) was only to be put to the meeting if Resolution 7(a) was passed. As the resolution has not passed, we won't put 7(b) to the meeting. However, we appreciate a number of shareholders are interested in this subject so we will now display the direct and proxy votes submitted for Resolution 7(b). You are not required to lodge a vote on this resolution. It is for your information and interest only.

### **Conclusion**

As I indicated earlier, the final results of the polls will be provided to the ASX today and will be placed on the company's website and made available to - at the company's registered office.

On behalf of the Board of directors of the company, thank you very much for attending today's meeting and for contributing so well to the discussion of the business before the meeting.

I now declare that this meeting is closed, and I invite you to join the directors and management in the foyer where we have some refreshments available. Thank you.

*End of Transcript*