

Our strategy

At IAG, our purpose is to make your world a safer place: for our customers, partners, employees, shareholders and the communities 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.

We are focused on:

- building a lean, efficient and modular insurance operation through simplification;
- creating a customer-focused organisation with enhanced capabilities in data, digital, analytics and artificial intelligence, brand and innovation; and
- creating a more agile organisation.

Our simplification program is well advanced enabling us to increase our focus on customer engagement and growth. This includes extending our strategic partnerships to offer products and services that are adjacent to our insurance business, so we can make our customers and the community feel safer on the road, in their homes and at work.

We are also leveraging our assets – including our data, customer reach and brands – to launch and scale new businesses in markets that complement these adjacent products and services.

Our strategy goals are centred around building deeper engagement with our customers and growing the number of customers in our network of brands. We seek to create more value for our customers by making their world a safer place and to increase the lifetime value of our customer relationships.

Strategic targets

We are focused on delivering through the cycle financial targets of:

- cash return on equity 1.5 times weighted average cost of capital;
- a dividend payout of 60-80% of full year cash earnings; and
- a top quartile total shareholder return.

These financial targets are complemented by short term balanced scorecard objectives for the enterprise, including financial performance (including underlying profit, gross written

premium growth and operating costs), customer advocacy and growth, people engagement and leadership effectiveness, and our risk maturity performance.

Strategic priorities

We continue to have three key strategic priorities, supported by organisational capabilities, to deliver our strategy:

I. Customer – World-leading customer experiences:

- create a delivery platform that transforms customer experiences;
- better connect customers and automate processes, enabling us to reach more customers in a timely manner;
- develop an innovation approach which provides the ability to think differently and deliver quickly;
- embed cognitive capabilities and artificial intelligence that anticipate customers' needs; and
- use data to power decision making, allowing us to better understand our customers.

II. Simplification – Simplified, modular and lower cost operating model:

- reduce organisational complexity by consolidating technology platforms, harmonising products, simplifying processes and systems, and executing the technology strategy;
- leverage operational partners to optimise the operating model and drive scale economies across the value chain; and
- improve allocation and maximise use of the preferred repairer network to reduce average claim size.

III. Agility – An agile organisation distinguished by innovation, speed and execution skills:

- create a disciplined approach to our management and leadership, including building stronger role clarity and introducing agile ways of working;
- build a talent pipeline based on the skills required to deliver our strategy and help our people transition to the future of work; and
- be recognised as a purpose-led organisation that shapes our internal and external environment.

Our operational scorecard

Simplification well-advanced; increased future focus on customer engagement and growth

2019 activities

2020 priorities

 <p>Customer</p>	<ul style="list-style-type: none"> • Enhanced customer digital experiences via simpler motor and home claim processes • Adopted a customer journey design framework to deliver offerings and experiences accessible to all customers • Developed a real-time, interactive customer insights portal, providing our people with a deeper customer understanding 	<ul style="list-style-type: none"> • Meet changing customer needs by accelerating investment in data, artificial intelligence and innovation capabilities, to build out new businesses • Accelerate use of the public cloud to more fully access its benefits, allowing more rapid, efficient and flexible customer decisions • Apply behavioural science insights to future products to create value for customers and improve their safety
 <p>Simplification</p>	<ul style="list-style-type: none"> • Claims component of systems consolidation largely complete across Australia and New Zealand • Transition of targeted activities to offshore operational partners completed • Divestment of/exit from non-core businesses progressed 	<ul style="list-style-type: none"> • Decommissioning of redundant claims systems following technology platform consolidation • Commence execution of policy administration system consolidation • Geographic expansion of optimised repair model within Australia and New Zealand
 <p>Agility</p>	<ul style="list-style-type: none"> • Embedded Leading@IAG program, strengthening the connection of our purpose and strategy to individual accountability and performance • Continued deployment of Future ME program, enabling employees to build their knowledge and preparedness to participate in the workforce of the future 	<ul style="list-style-type: none"> • As part of MyFlex program, launch Switch shift management tool, enabling greater workforce flexibility in a cost-effective and customer-centric manner • Continued development of partnerships, products and shared value programs that drive safer communities and deliver on our purpose