

Being a responsible business

Overview

Our objective is to behave responsibly and ethically and to set the standard for exceeding the expectations of our customers and the community.

We know that actions speak louder than words, so we are demonstrating our responsible business practices to our customers and the wider community by delivering on our purpose, to make your world a safer place.

We take seriously the findings from the Royal Commission which were delivered in February 2019. The Royal Commission identified where the sector did not live up to the expectations of the community, and where as a business we did not live up to the expectations of our customers.

Building trust

We are focused on building trust by demonstrating leadership. At a global level, IAG is a signatory to the voluntary principles-based frameworks of the United Nations Environment Programme – Finance Initiative (UNEP – FI), including the Principles for Sustainable Insurance and Principles for Responsible Investment.

In Australia, IAG co-chairs the Australian Sustainable Finance Initiative, that will develop and provide recommendations which aim to embed sustainability across Australian financial markets by mobilising capital and enhancing sustainability, resilience and the sustainability of the Australian financial system, ensuring better informed financial decision making by enhancing disclosures and transparency in financial markets and delivering a financial system that meets community and consumer expectations around sustainability.

Trust in our organisation and developing and maintaining a strong reputation are important to us as it is a reflection of the wider community's perception of how well we deliver on our purpose. A strong reputation supports stronger customer advocacy and increased sales, and enables us to attract the best people to work for us.

Over the past 12 months, the financial services industry has been subject to continued reputational pressure as a result of the Royal Commission. Each year, we work with the Reputation Institute to track our reputation with a representative sample of the Australian population through its RepTrak reputation tracker. This year, the survey showed a number of organisations in the financial services industry suffered reputational damage. In contrast, the reputation of IAG, and to a degree the general insurance industry, remained relatively stable. This stable reputation, alongside another successful year of meeting our commitments to the market, is a positive outcome for our business. However, we acknowledge there is always more we can do to grow and maintain the trust of our stakeholders.

Meeting customer and community expectations

In June 2019, the Australian Securities and Investments Commission released an industry-wide review of the design and sale of consumer credit insurance (CCI) products. It was found that these products were poor value and did not serve the needs of customers adequately. IAG had already recognised these concerns in 2015 and commenced, at that time, a strategic review of our CCI products and sales practices to ensure our products add value to customers. Throughout 2016 and 2017, we worked to develop new pricing structures and premium rates to provide further product improvements to try to continue to meet customer expectations.

Due to the small size of the portfolio in relation to other IAG products and the resources required to service the portfolio, a decision was made in May 2018 to withdraw CCI products from sale. Withdrawal commenced in June 2018 and concluded in February 2019.

We no longer write new CCI policies, but we recognise the long-term nature of the product (ie home mortgages) and are committed to continuing to provide services to customers who purchased these products.

We also know that the Swann Insurance add-on insurance products sold in the past may not have delivered the value they should have to some of our customers. IAG sold the Swann motor dealer distribution channel in 2016 and exited the motorcycle dealer business in 2017. Since our last annual review and safer communities report, we have implemented a successful remediation program refunding \$22.4 million to approximately 39,000 customers. Eligible customers are still able to contact us for remediation if required. We have recently been advised by ASIC that a portion of the Community Benefit Payment we have committed to pay as part of our remediation program will be directed to the Financial Counselling Foundation.

In addition to the remediation program, and to support ongoing product development and management, we have implemented a new Product Governance Framework. The framework ensures that IAG has appropriate mechanisms in place to identify when elements of a product may no longer align with our purpose and community and customer expectations. It includes the requirement for all products to be reviewed regularly against our newly defined set of Product Design Principles, and for corrective action to be taken where needed. The first full review of IAG's entire existing product suite against the Product Design Principles is due for completion in June 2020.

IAG also recognises the importance of understanding and responding to customer, consumer and community issues. We are committed to ensuring insights on current and emerging issues are considered by our business through our work with our Ethics Committee and Consumer Advisory Board.



Measuring social and business impact and value

IAG's Safer Communities Measure (formerly Shared Value Measure) supports decision making, and tracks our community impact reporting against our purpose. The Measure includes three key metrics: community impact, employee engagement and business impact. We have a Measure target of 70 for the 2020 financial year. The Measure score for 2019 is 58.31, slightly lower than the previous year score of 59.2. The reduction was driven by the introduction of larger-scale community preparedness initiatives, such as the Get Prepared app, which supported increased scale of reach but lower levels of resilience action. A review of the measure will be undertaken in the 2020 financial year to consider the implications of scale of reach versus direct action.

