

Chairman's review

In a year dominated by discussions about the impact and importance of a company's culture, I have reflected frequently on the extent to which our purpose shapes our culture. Being dedicated to and aligned behind a meaningful purpose helps us focus on the needs of our customers, and support them and society more broadly.



Elizabeth Bryan AM
Chairman



**We make
your world
a safer place**

Our purpose guides our work and helps us form meaningful relationships

Our purpose provides all of us who work here with a profound sense of pride and accomplishment. It guides our advocacy and efforts before disasters to mitigate their effects, and our work afterwards to help people and communities recover.

It perfectly describes the core role our people play when they help customers who have lost property after a major event. For example, we had 55 customers who lost their homes in the devastating bushfires at Tathra, New South Wales, in March this year. Our people were on the ground within days to begin assessments and start clean-ups. Our purpose lies behind the national and state-based partnerships we have with the Australian Red Cross and the New South Wales and Queensland State Emergency Services to build safer and more resilient communities. I talked about these partnerships last year and I am pleased to report we continued to invest in further developing these long-term relationships this year. With the Australian Red Cross, we have co-created the Get Prepared app to guide people to take simple steps to prepare their own emergency plans on their smartphones. Get Prepared is a key part of the Red Cross' ambitious plan to help three million Australians to prepare for and recover from an emergency by 2020. This target received a boost in July when the app was included in the Resilient Sydney pack launched by Sydney City Council.

We continue working with the New South Wales State Emergency Service to identify new locations for ongoing practical trials of the DipStik flood monitoring device we featured in last year's annual review.

Our purpose is also evident when we apply our shared value principles to make a positive impact that may ultimately help our own business by improving community connections and resilience, reducing risk and – possibly – claims. The effectiveness of this approach is demonstrated in the collaborative community partnerships we are forming in the Blacktown local government area in western Sydney.

One of these projects, Catalysr is partnering with our CGU brand to support local leaders in refugee and migrant communities to establish their own businesses and provide employment. Catalysr's success supports CGU research released in January 2018

that found migrant small business owners make a significant contribution to our economy, including the creation of thousands of new jobs. We know from our Good 'Hoods project that helping people into work reduces community isolation, improves wellbeing and contributes to stronger and more resilient communities.

Our purpose has also guided us to form significant national and international relationships with organisations similarly committed to making the world safer.

At a national level in Australia and New Zealand, we remain committed to the Australian Business Roundtable for Disaster Resilience & Safer Communities we founded, and to Resilient New Zealand. This year, we had the satisfaction of seeing our calls for increased funding for mitigation adopted by governments at Federal and State levels.

Internationally, we are active members of the United Nations Environment Programme – Finance Initiative. We were honoured to help bring the organisation to Australia for the first time in July this year for an event dedicated to laying the groundwork for creating Australian and New Zealand roadmaps to finance a resilient and sustainable economy. The conference concluded with more than 300 finance sector organisations with \$10 trillion in assets under management releasing a Joint Statement in Support of a Sustainable Financial System for Australia and New Zealand. We are proud to be involved at the start of this important journey to make our financial systems more resilient to environmental and social stress, less affected by the impact of climate change, and aligned to global goals such as the Sustainable Development Goals.

We are participating in a new era for business culture

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry underway in Australia this year has exposed instances where business has failed to meet community expectations. As a result, the wider community is looking at business culture much more critically.

Business reputation generally has taken something of a battering in recent times, affected by tales of bad corporate behaviour across a range of industries, coupled with widening income disparities.



The increased focus on business culture is likely to hasten companies' move away from focusing on narrow, profit-generating roles towards really embracing their wider responsibilities to society. To succeed in this new era, companies will have to fully embrace trust and respect, and people and culture – long the cornerstones of good governance and leadership.

With the 160-year-plus heritage we have through some of our brands, our beginning as a mutual organisation through the NRMA, and our purpose, we are already well advanced on this journey. We also benefit enormously from the views and contributions of the many senior leaders of major community organisations who participate in our Consumer Advisory Board and our Ethics Committee.

Culture will be a key factor in our response to community expectations and I am pleased with the steps IAG is taking to embed a culture that provides new ways of engaging people, and winning and retaining trust and respect.

Supported by our Leading@IAG framework and a focus on diversity, IAG is introducing new technology into the workplace, moving away from old hierarchical structures, encouraging accountability and increasing the speed of decision making right down into the organisation.

I commend all those who work at IAG for the enthusiasm with which they are embracing these sometimes radical changes. Their efforts received a significant boost in June this year with the company's move to new offices at Darling Park in Sydney, providing a range of open working spaces that encourage collaboration and connectedness for everyone.

Board guidance remains key

While legislation, regulation and codes influence individual and corporate behaviour, they do not ultimately control it. Increasingly, however, boards are expected to. Reputation, stakeholder management and business conduct remain a focus for our directors, and we believe these are key to the long-term success of our company.

We are well served by the experience, skills and perspectives of the directors who make up the Board, and this year we were delighted to further strengthen the Board's skillset with the appointment of two new directors, Michelle Tredenick and Sheila McGregor, in March.

I am grateful for the support of my fellow directors. The responsibilities and workloads of all boards – including IAG's – have risen considerably following recent major changes in our industries and I thank directors for their ongoing contribution.

Sharing the results of our success

The focused efforts of management and all the people at IAG delivered gross written premium of \$11,647 million, net profit after tax of \$923 million, cash earnings of \$1,034 million and cash return on equity of 15.6%, slightly above our target of 15%.

These returns mean that IAG can continue to invest in developing our people and the products and experiences that attract and retain our customers, and support our communities. Importantly, we can also share these sound returns with our shareholders, via a fully franked final dividend of 20.0 cents per share, to be paid on 27 September 2018. The dividend takes the full year payment to 34.0 cents per share, a payout ratio of 77.9% consistent with our increased dividend payout policy of 60 – 80% of cash earnings for the full year.

On behalf of the Board, I congratulate Peter and his leadership team on the work they are doing to embed a culture of purpose and trust in IAG, and recognise the achievements of everyone who works here in embracing this so enthusiastically. I also acknowledge the ongoing support of all our shareholders who enable us to continue our important work.

Our purpose helps align our culture, values and strategy. It also tells the story of who we are, what we are here to do and how we will do it. This story allows all those who have a stake in our operations to know what we are trying to do, to believe we can do it, and to trust that their interests will be fairly and respectfully managed.

IAG's purpose provides us with the opportunity to tell extraordinary stories. We look forward to sharing many more of these with you as IAG brings its purpose to life and plays a wider role in our society.