

Bringing our purpose to life with our people and in the community

At IAG, meeting community expectations and maintaining the trust of our customers remains paramount. The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the Royal Commission) has highlighted instances where businesses have fallen below these standards.

Business ethics is a key point of public concern and it is understandable that our stakeholders identified trust, customer experience and organisational culture as leading priorities for them.

In this review, we believe it is important to outline how we are continuously aiming to both improve our business and ensure we are doing the right thing by our customers. This includes our approach to addressing ethical expectations and practices (page 16), our organisational culture (page 15) and our efforts to provide purpose-led products and partnerships that address key concerns for our customers and our communities (pages 17 and 18).

IAG has a clear purpose: to make your world a safer place. Our purpose is at the heart of our strategy to achieve world-leading customer experiences, and to operate with simplicity, scalability and agility. To help us execute our strategy and maintain our purpose, we developed a shared value framework that supports the creation of safer, stronger and more confident communities. This framework guides our customer and community facing initiatives, with our efforts delivered through four priority areas that manage material business risks and realise potential opportunities:

1. Using our purpose to create meaning for our people and support our performance

Continuing to strengthen people and culture programs to drive alignment with IAG's purpose, increase agility and build readiness for the future of work.

2. Acting responsibly to build and maintain trust

Remaining committed to operating transparently and ethically. Ensuring our actions build a foundation of trust by addressing social and environmental issues important to our stakeholders.

3. Embedding our purpose through shared value innovation and supply chain management

Building on this foundation by developing and adapting products, services and business models that deliver commercial, customer and community advantage.

4. Building safe, confident and connected communities

Looking beyond our own business model by collaborating with partners to tackle systemic issues that affect community resilience and our business. By addressing risk exposure, community preparedness, insurance access, and insurance affordability, we aim to achieve our mutual objectives – to make communities safer and more resilient so they can thrive.

Sustainable governance and alignment to the United Nations Sustainable Development Goals

We have strong governance structures that shape how we manage issues key to our business. Our Board has overarching responsibility for shared value and sustainability, with our internal Shared Value Advisory Council providing advice and input on our approach and supporting the Group Executive People, Performance and Reputation in recommendations to the Group Leadership Team. We also have a Customer Advisory Board to keep abreast of our customers' needs while our Ethics Committee considers ethical perspectives in the way we engage with our customers and partners. Details can be found on our website.

Increasingly, the social and environmental challenges faced by communities, countries and regions affect businesses and influence commercial success. IAG supports the international commitment to the United Nations' 17 Sustainable Development Goals (SDGs) to advance economic, social and environmental prosperity. We acknowledge the SDGs can only be achieved if business, government and society work together. While our work on safer communities and risk transfer through insurance can support many of the SDGs, we recognise and prioritise those where we can make the biggest difference:

- **Decent Work and Economic Growth** – recognising insurance is a service that helps communities to thrive and recover from adversity. The need for wide access to insurance is explicitly called out in Target 8.10.
- **Industry, Innovation and Infrastructure** – ensuring we play our role in supporting investment in resilient infrastructure, innovation and supporting technological progress to finding lasting solutions to both economic and environmental challenges.
- **Sustainable Cities and Communities** – using our expertise and partnerships to deliver resilient and sustainable communities and infrastructure.
- **Climate Action** – given IAG's central role of helping customers transfer the risk stemming from weather-related natural perils.



Our people

Using our purpose to create meaning for our people and support our performance

Overview: We are focused on creating a workplace where our people are aligned to and support our purpose and have the skills and capability to respond quickly to the evolving needs of our customers, and the changing nature of work. Our Leading@IAG program provides the system of work to support this throughout IAG. Using our purpose to guide our decisions helps us create a culture where customers can trust that we will deliver on our promise to them, and our people experience meaningful and purposeful work. There have been calls for a broad-based cultural shift within the financial sector and we acknowledge culture is pivotal to ensure we meet community expectations.

Building agility through Leading@IAG

Our Leading@IAG system of work sets clear expectations about the skills and behaviours we expect from our people, at every level of our organisation. Leading@IAG helps our leaders link purpose and strategy to the design of their systems of work and roles, and helps them identify talent and manage people's performance.

Encouraging an effective and engaging culture



The consistency and alignment that flow from Leading@IAG help increase the level of trust within the organisation and contribute to a more engaging, agile and effective culture.

We believe building deeper, more trust-based relationships with each other helps us ensure that our culture supports our business to meet the needs and expectations of our people, our customers and the community.

We want our workplace to be characterised by a greater degree of collaboration, ethical behaviour, diversity in our people and a strong sense of belonging. These cultural aspirations were integral to the design of our new Sydney office in Darling Park. An activity-based working environment helps us work more effectively, so we can better serve our customers.

We monitor our culture using an organisation-wide employee net promoter score that measures advocacy and agility indicators. The advocacy measure reflects how likely people are to recommend IAG as a good place to work. Agility indicators help us understand our people's experience at IAG and that contributes to innovation, speed and delivery.

This year, our rolling six-monthly employee net promoter score improved from -29 to -2 by 30 June 2018. The negative result reflects a variety of factors, including uncertainty following internal restructures and the subsequent need to embed new structures, roles and ways of working but this is improving. Our goal is to reach +20 by 2020.

We use a culture dashboard to measure shifts in engagement across every team, every two months and our leaders' annual performance outcomes are linked to these results.

A key contributor to our culture is the extent to which our people feel they belong so we have a specific focus on diversity, inclusion and belonging: greater diversity helps us to be agile and innovative, while greater inclusion increases connection and understanding. We have set targets for key areas, including the percentage of senior management roles held by women, and the percentage of employees who are Indigenous. Our targets and this year's results are set out on page 19.

Focusing on our people's safety

Our 2020 Work Health & Safety Strategy prioritises psychological and physical health, flexible and mobile workforces, security and managing emergencies. This year, we focused our efforts on increasing mental health awareness.

We use the internationally-recognised measure of lost time injury frequency rate to measure how we are performing, and our targets and results are set out on page 19. We also review measures that may help us predict future issues. These include use of our Employee Assistance Program; hazard and incident reporting and follow-up; and compliance with the safety and wellbeing training that is compulsory for all new employees, and repeated by all people managers.

Discussion: Preparing our workforce for the future

Workforce design helps us focus on having the right skills, experience and capability now and into the future. Workforce insights and analytics help us anticipate the future demands for skills within our organisation, and consider how technology will affect the ways our customers live, how and where our people prefer to work, and future types of work. We are also gaining greater clarity on the skills that are aligned to our strategic aspirations and our purpose.

These insights are informing our Future ME initiative to help us prepare our people to transition to a new world of work.

We know we must evolve our business if we are to provide exceptional customer experiences in the future. This means the skills and capabilities we require in our people will also continue to change. While technology, automation and global partnering will affect some roles, they will also create new opportunities. Adaptability, cognition, data, digital and design are some of the critical skills we will need to evolve our future workforce.

Our Future ME program incorporates practical steps to help people prepare for the future of work. We are trying to take a proactive approach by building our people's awareness of the future of work, providing greater clarity on skillsets that are aligned to our strategic objectives and supporting people to develop these capabilities for use either within or outside IAG. We believe Future ME empowers our people to plan ahead and gives them a degree of control over their future.

We also acknowledge we can create greater development opportunities by connecting our people to skilled volunteering with our community partners. We see alignment between the skills being developed through these programs and future of work capabilities and requirements.

Our responsibility

Acting responsibly to build and maintain trust

Overview: We are operating in a complex environment where community expectations of business conduct and ethics are increasingly clear. Consumers have greater access than ever before to information about business behaviour and they, along with regulators and consumer advocates, are sending a clear signal about what is acceptable. Effectively addressing social and environmental issues to build and maintain trust in IAG is more important than ever and we accept that we have a responsibility to act. Actions this year included a continued focus on listening to customer views and considering ethics through our Consumer Advisory Board and Ethics Committee, formalising our Climate Action Plan, and setting science-based emissions targets for our operations.

Maintaining trust through ethical business practices

Government inquiries, regulator reviews and the Royal Commission have highlighted misalignment between community expectations and business practices. Assessing our business through the community expectations lens is crucial because it provides us with the opportunity to understand what is important and valuable to our customers.

We already have a number of mechanisms in place to help us do this. Our Consumer Advisory Board gives us insights from key consumer groups and our Ethics Committee provides ethical guidance on customer and partner engagement. Our Product Design Principles guide IAG's employees when developing, selling, distributing or communicating about IAG products. The principles help us evaluate whether our products are meeting customer needs and offering them fair value. These support our well established underwriting, governance and regulatory compliance processes.

In past years, ASIC raised concerns about insurers selling add-on insurance through motor vehicle dealers. The industry has agreed to pay money back to customers who bought this insurance. IAG is paying \$39.5 million to 64,187 Swann Insurance customers and we are working with ASIC to complete this program. So far, we have paid out more than half of this amount.

We know that these products did not deliver the value they should have for many customers. We did not get it right in this instance. IAG has since sold its Swann Insurance motor vehicle distribution rights and no longer sells add-on insurance through motor vehicle dealers. We will also be making a community benefit payment from unclaimed amounts and that payment has been approved by ASIC.

We understand the importance of meeting community expectations and believe the Royal Commission provides us with a valuable opportunity to listen, learn and make any necessary improvements to our business to help ensure we do the right thing by our customers.

Taking action on climate change

Reducing carbon emissions is increasingly urgent to avoid the effect of catastrophic climate change and potential longer term commercial impacts. IAG began implementing a three-year Climate Action Plan this financial year and publicly launched this

in July 2018. We are committed to assessing and disclosing risks and opportunities that are aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD):

Governance: Accountability and oversight for IAG's Climate Action Plan, including our approach to disclosure, sits with the Board and Group Leadership Team¹.

Strategy: We consider climate change in our strategy setting process. Our strategy is resilient to short term climate change risks due to our use of risk-based pricing, reinsurance and the ability to annually adjust premiums. We recognise there are medium and longer term strategic considerations from increasing frequency and severity of natural peril events and associated increases in claim costs. We have commenced transitional and physical risk assessments using climate scenarios to inform improved business outcomes. We are also investigating further product and service opportunities that support adaptation and emission reductions, in addition to the existing fuel-efficient vehicle pricing benefit provided through our NRMA Insurance and NZI brands.

Risk management: IAG considers climate-related risks through our Enterprise Risk Profile, supported by our Risk Management Framework and Risk Management Strategy. In the 2018 financial year, we commenced an assessment of physical and transitional risks. We continue to work with leading climate researchers on the trends and impacts of extreme weather events. The first phase modelled different climate futures informing how much, and in what locations, extreme weather may affect claim events and ultimately home insurance cost. Our risk assessments, scenario analysis and disclosure will also be informed by our participation in a global pilot led by the UNEP FI Principles for Sustainable Insurance (PSI).

Metrics and targets: IAG has been climate neutral since 2012 and achieved our absolute carbon emissions reduction target of 10% ahead of our 2020 commitment. We recently set science-based targets for our scope 1 and 2 emissions for a 20% reduction by 2020 and a 95% reduction by 2050². See page 19 for details.

Expanded TCFD disclosure

We will provide expanded TCFD disclosure by the end of the 2019 financial year. This will be informed by our participation in the global PSI Pilot on TCFD, which commenced in August 2018. This disclosure will consider the most appropriate analysis of the physical and transitional risks faced by IAG in various global warming scenarios, and their financial implications for us.

¹ Information on our corporate governance can be found on our website: <https://www.iag.com.au/about-us/corporate-governance>

² Details of our targets and emission footprints are also available on our website and in our FY18 data summary and glossary of terms.

Our purpose

Embedding our purpose through shared value innovation

Overview: Applying shared value as a business model supports connections between our business objectives and our purpose, to make the world a safer place. This year, we continued to build commercially viable solutions that make individuals and communities safer, stronger and more confident. We also increased our focus on inclusive products and services that work for all our customers. Our partnership with the innovative Airtasker helped us incorporate shared value into the gig economy.

Making our roads and homes safer



We conduct research at our IAG Research Centre and share the results with manufacturers. This helps to improve car design in areas like anti-theft security, crash safety and whiplash reduction through head restraint design. In 2018, the IAG Research Centre broadened its focus on emerging issues affecting vehicles and mobility, such as the development of autonomous vehicles. In partnership with the National Motor Vehicle Theft Reduction Council we created a program to look at cyber security and vehicle theft.

Distracted driving has been shown to significantly increase the chance of crashing and the NRMA Safer Journeys app was developed to address this. Users score points for not touching their phone and get rewards for doing this consistently. See the website for more details: <https://saferjourneys.com.au/>.

IAG has a history of helping people understand risks at home with initiatives like Safer Homes, Need2Know and First Place virtual reality that were covered in this review last year. This year, we engaged a group of NRMA Insurance customers to pilot Safety Hub – an app designed to build awareness around common risks and help people deal with them safely. For example, damaged flexi hoses are a leading cause of water damage in homes in Australia. Safety Hub alerts people to check if they have a flexi hose, helps them find a qualified person to repair it, and rewards them for doing so.

Discussion: Balancing disruptive opportunities while staying true to our purpose

The markets we operate in are increasingly affected by disruptive forces like automation, the gig economy and insurtech. We need to embrace these forces to remain competitive and continue to provide customers with the experiences they expect. Sometimes, these changes also introduce new risks. We will navigate through these challenges by keeping our purpose in mind when designing strategy, keeping communities safer and our economy resilient.

To achieve the balance required, innovators from inside and outside our business are working together to reimagine how we design and deliver insurance so that we can make our markets more sustainable and resilient as they change.

Following on from our ShareCover insurance for the sharing economy, our recent investment in Airtasker demonstrates our customer-led innovation strategy in action. With more than two million Australians using the Airtasker platform, our partnership will help us to understand emerging insurance needs and explore what type of protection the sharing economy requires to thrive.

Responding to the needs of all our customers



Our commitment to customer equity delivers on our purpose and is aligned with our ambition to create world-leading experiences for all customers, regardless of age, gender identity, sexual orientation, mental and physical abilities, culture, language or financial situation.

In Australia, we developed a Customer Inclusion Program to continue to remove barriers that prevent customers from fully experiencing our products and services. This year, we delivered employee compliance training on Mental Health and Domestic & Family Violence; removed blanket exclusions on travel policies; and participated in awareness-building events including the White Ribbon Walk and R U OK? Day.

Demonstrating our purpose in claims servicing and managing our supply chain

Partnering with like-minded suppliers

Our Supplier Governance Framework enables us to assess risks across our global supply chain and use increasingly sophisticated tools to manage performance. We have established systems to pull real-time data from more than 500,000 sources to monitor risk exposure across our global supply chain, and engaged Made In A Free World to help us monitor human rights across our network. In 2019, we will continue these initiatives, focusing on modern slavery and climate change.

Positive impacts through our supply chain

We promoted diversity and talent by supporting the Women in Collision award with Australasian Paint & Panel magazine and the Future Leaders award with the National Collision Repairer magazine. Our environmental accreditation program, EcoSmash, helps repairers comply with good environmental practices. In 2018, we built on the program's impact by developing a monitoring framework. We now require top level compliance for all new exclusive repairers and are introducing minimum requirements for partner repairers.

In 2018, IAG supported Indigenous enterprises by continuing to partner with Supply Nation. We are proud to now be working with 18 Indigenous suppliers, surpassing our original target of 12 by December 2018. While our impact has expanded, several engagements were one-off events. Our new Reconciliation Action Plan, launching in 2019, will expand our Indigenous supplier engagement and find opportunities for longer-term relationships.

Our communities

Building safe, confident and connected communities

Overview: Our extensive community and customer engagement continues to highlight the importance of reconnecting local communities to support their resilience and our business success. Our collaboration ranges from international programs such as the United Nations Environment Programme – Finance Initiative, to national partnerships like the Australian Red Cross, to state and local level activities through partners and programs such as State Emergency Services and 100 Resilient Cities. At an industry level, we partnered with others to better understand issues important to our business.

A global approach to sustainable finance and risk management

In July 2018, IAG worked with NAB, Responsible Investment Association of Australia, Investor Group on Climate Change, Principles for Responsible Investment and the United Nations Environment Programme – Finance Initiative to host the Financing a Resilient and Sustainable Economy conference in Sydney. We are now helping to develop a regional plan for Australia and New Zealand, focused on creating sustainable finance solutions that support progress against the United Nations Sustainable Development Goals.

Building a resilience movement

Confident communities

In 2018, we continued to grow our local community partnerships through our Good 'Hoods program. While we initially set out to partner with five communities, we found making meaningful impact takes time. We have now focused our efforts on:

- co-creating a framework with the Blacktown community to improve economic inclusion; increase community connection; and reduce the impact of severe weather events; and
- partnering on a community-led planning framework and supporting resilience initiatives in Murrindindi, a region we have supported since the 2009 Black Saturday bush fires.

National, regional and local partners

Our NRMA Insurance partnership with both the New South Wales and Queensland State Emergency Services aims to improve community understanding of storm and flood risk, to reduce potential impacts. For example, almost nine in ten people who saw our storm preparedness campaign took mitigating action. We also continued to trial the DipStik flood-warning device – a flashing beacon that warns motorists not to drive through flood-prone locations and communicates with emergency services – in six flood-prone areas of Australia.

Research indicates that while 80% of Australians believe preparing for an emergency is important, fewer than 20% prepare.

Community investment by type – 2018



¹ This reflects the contribution by the business to the IAG Foundation, and includes matched funding for employee workplace giving.

Through our 10-year partnership with the Australian Red Cross we co-created and launched the Get Prepared smartphone app. The app provides an easy way to prepare for emergencies, such as identifying tasks, and lets you digitally share your plan. A study conducted with a cohort of users showed that 63% increased their awareness of potential risks in their local area and 56% felt more prepared than they did before using the app.

We are also supporting the 100 Resilient Cities strategies in Sydney and Melbourne. This includes partnering with the City of Sydney to target 100,000 downloads of the Get Prepared app in the city.

Industry-specific partnerships

We also collaborate to better understand topics relevant to our business. This year, we supported the waste industry through a forum with the Environment Protection Authority, fire brigades, government, regulators and insurers. This investigated best practice operating standards, risk management and contingency planning. We entered a 10-year partnership with iMOVE Australia to get insights into the future of smart, connected transport and continued to work with Suncorp and James Cook University Cyclone Testing Centre to understand the cost of claims and community resilience after cyclones. We also worked with the US National Centre for Atmospheric Research, a global leader in climate modelling, to better understand how climate change will affect our region.

Discussion: Partnering to amplify community impact



In 2017, CGU partnered with Catalysr, Australia's first start-up incubator for refugee and migrant entrepreneurs in Blacktown. The program was built on the knowledge that many refugees and migrants are skilled and highly motivated, but face unique barriers to entering the workforce. CGU's support has been critical in helping Catalysr to empower 'migrapreneurs', bring more business ideas to life, and to evolve and scale the program. A 2018 report by CGU estimated that refugee and migrant small business owners could create 200,000 new jobs in the next five to ten years.

Our commitments

Progress against our commitments

Our objective	Our commitment	Measure	Progress update end of 2018 financial year
Make your world a safer place	Create safer, stronger and more confident communities through business, employee and community programs	% progress against shared value measure (SVM)	The SVM tracks community impact, employee involvement and business impact. Eight indicators feed into this measure including the perception of safety and resilience of people who interact with our programs, employee engagement with the Safer Communities work and customer advocacy scores. In financial year 2018, we recorded a baseline score of 52.9%. Status: ▲
	Reduce our lost-time injury frequency rate (LTIFR) annually	Number of lost-time injuries per one million hours worked	<ul style="list-style-type: none"> LTIFR in Australia continuously improved, reducing from 2.39 in 2017 to 2.10 by the end of the 2018 financial year (12% reduction)¹ our 2018 LTIFR target in New Zealand was 0.86 and we ended the year at 0.92. This deterioration relates to three LTI cases in 2017 and five cases in 2018 Status: ●
Realising the benefits of a diverse and inclusive workforce	Increase the number of women in senior management (WISM) to 40% in Australia and 50% in New Zealand by 2020	% women in senior management	WISM across IAG Group increased from 33.7% to 34.5% by the end of the 2018 financial year, including: <ul style="list-style-type: none"> a constant representation in Australia of 34.6% an increase in New Zealand from 37.8% to 40.4% an increase in Asia from 22.9% to 28.6% Status: ●
	Increase Aboriginal and Torres Strait Islander employment to represent 1.5% of the Australian workforce by November 2018	Number of Aboriginal and Torres Strait Islander employees	Aboriginal and Torres Strait Islander employees made up 0.96% of our workforce by the end of the 2018 financial year. Increasing this has been challenging due to retention and measurement systems. To continue to progress on this target we have made improvements to our governance and management systems. We will reset and publicise our targets in line with a new Reconciliation Action Plan in 2019. Status: ●
Continuous environmental improvement	Maintain carbon neutrality commitment	Carbon neutral status	We remain carbon neutral by purchasing offsets from projects in our markets that help us make communities safer and more resilient. Information is available on our website. Status: ●
	Long term emission reduction targets in line with our vision on climate change	Introduction of science-based emission targets for Scope 1 and 2 activities	We met our 2020 target for absolute reductions ahead of time so in 2018 we set new targets. We used science-based approaches to keep our emissions in line with our view to limit climate change to no more than 2°C from pre-industrial levels. Based on the models suitable for our business, our targets cover our scope 1 and 2 emissions, which in the 2018 financial year were 34,198 tonnes CO ₂ e. Status: ▲ <div style="float: right;"> <p>Our new targets for scope 1 and 2 emissions (tonnes CO₂e) are:</p> <ul style="list-style-type: none"> • 2020: 27,441 • 2025: 19,360 • 2030: 9,933 • 2050: 1,972 </div>
		Continuous improvement in overall emissions footprint	Our overall group GHG emissions at the end of the 2018 financial year showed little change compared to the start of the year – this was a result of decreasing emissions in our buildings and fleet being offset by increasing emissions from air travel. We see this as a temporary impact as our business partnering programs develop. We will continue to develop emission reduction initiatives across all of our emissions and through interactions with suppliers, investors and customers. Status: ●
Demonstrating leadership through our sphere of influence	Maintain an effective management system to manage and monitor environmental, social and governance risks in our supply chain and work with our partners to enhance social outcomes and resilience	<p>Maintenance of effective policies, processes and tools for risk management and monitoring</p> <p>Positive impacts on ESG topics via supply chain</p>	In 2018, IAG improved management system elements to execute policies and positions that were updated in 2017. This includes expanded due diligence processes and tools to manage our supplier-related risks and real-time media monitoring for adverse events related to material, high and medium risk suppliers. In the 2019 financial year, we will continue to work to embed forward-looking management and monitoring on key social issues and potential environmental, social and governance risks in our supply chain. Status: ●
	Increase the number of Aboriginal and Torres Strait Islander Supply Nation suppliers used across IAG to 12 (both Tier 1 and Tier 2) (by December 2018)	Number of Aboriginal and Torres Strait Islander suppliers	We continued to implement and maintain our plan to support the growth of Indigenous enterprise through selective procurement. With our partner Supply Nation, we surpassed our target and have engaged with 18 suppliers by the end of the 2018 financial year. We will reset and publicise our targets in line with a new Reconciliation Action Plan in the 2019 financial year. Status: ●
Affordable and transparent protection for all	Leverage customer insights, agile methods and a data-driven approach to develop and test solutions that respond to evolving customer needs and help enhance resilience and social inclusion	Number of products, services or innovative solutions launched	In 2018, we assigned accountability and ownership of access and affordability to an executive sponsor, and developed a suite of initiatives in our Customer Inclusion Program. Our work includes training our people to support customers at risk of mental illness and family violence, and exploring insurance products that best serve Indigenous Australians. Status: ●

For our commitments, the following symbols illustrate progress: ● Achieved ● Significant progress ● In progress ● Some progress ▲ New commitment

¹ Data presented to reflect the LTIFR as recorded at 30 June 2018. Each year we adjust LTIFR data to reflect LTIs substantiated after the original report date. The Australian LTIFR was restated from 1.84 to 2.39 for the period 1 July 2016 to 30 June 2017