

GOVERNANCE AND STAKEHOLDER ENGAGEMENT

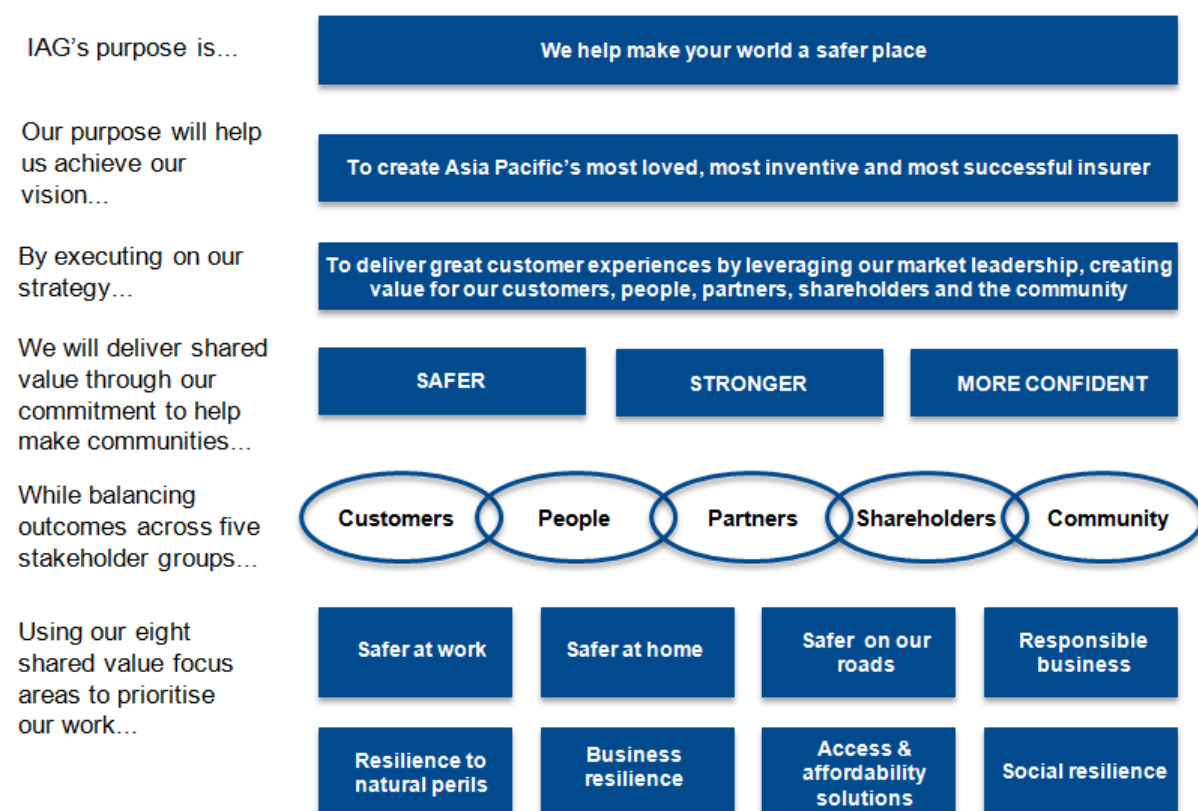
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We identify the issues, risks and opportunities that are most material to our businesses and stakeholders from a wide range of sources, particularly from our ongoing engagement with stakeholders. This informs our strategy, how we manage our business on a day-to-day basis and drives the content of our reporting. What we learn from our stakeholders helps us understand what issues matter most, and discover emerging trends which may influence our business and the communities that we operate in longer-term. How we respond to these issues and opportunities is critical to IAG’s ongoing success.

Governing for sustainable outcomes

Our governance systems are central to our corporate sustainability and a necessary foundation to achieve our corporate strategy. The structures, organisational purpose, vision, values, principles, frameworks and policies that we have established define our decision making and the boundaries for managing our operations sustainably.

Our shared value approach is integrated within our organisational strategy and outlined below:



While responsibility for adhering to our governance and risk management system resides at every level of the organisation, IAG’s Board has overarching responsibility for monitoring the development, implementation and reporting of IAG’s approach to the proactive management of risk. Day-to-day management of IAG’s strategy sits within the Group Strategy team, reporting through to the Chief Strategy Officer.

Our governance processes are reviewed as required to ensure they remain relevant for the environments in which we operate, take account of any issues that are material for our businesses and continue to support the businesses to achieve sustainable outcomes.

The IAG Board is responsible for all aspects of sustainability (and shared value). This is explicitly stated in the IAG Board Charter and includes monitoring and performance of sustainability under the areas of customer, workforce, community and environment.

In 2014 we established a cross functional Shared Value Advisory Council, an internal body to provide advice and input to shape, guide and monitor IAG's approach to shared value and sustainability. The Council is comprised of General Manager and Senior Manager representatives of business units and functions where the representative is sufficiently empowered to shape decisions, agree actions and ensure delivery of shared value strategy within their business unit/function or where their role affects IAG's overall shared value performance.

How we engage with our stakeholders

Gaining an understanding of the issues that matter requires continual, meaningful engagement with our stakeholders. This is undertaken in many different ways, at all levels of the Group and on an ongoing basis. Feedback is instrumental in shaping how we manage all facets of our business. A summary of key engagement mechanisms include:

Retail customers: daily interaction when customers buy, renew or claim on an insurance policy, with informal and formal channels for employees to capture customer insights; advocacy surveys and focus groups; detractor call backs and complaints channels ensuring all complaints are heard, managed and escalated as appropriate; human centred design capability being used to co-create improved experiences together with our customers.

Insurance intermediaries and brokers: dialogue via dedicated Business Relationship Managers and Sales & Service Centres, aligned by a sophisticated Broker Segmentation model, including both State & National accountabilities; CGU Broker Channel Management driven through our CRM capability, Salesforce; Customer & Broker Experience & Advocacy program, to continuously measure performance and sentiment.

Employees: both formal and informal channels including an annual Culture Survey; team, senior manager and divisional meetings; focus groups; regular performance feedback and career planning sessions (mandatory twice yearly performance appraisals); feedback channels including a dedicated helpline for issues including discrimination; intranet mailbox for reporting and managing compliance incidents.

Investment community: regular formal surveys, investor briefings for all results and other major corporate announcements (also webcast via our website); half yearly investor roadshows and individual meetings throughout the year; online shareholder centre; annual reports and AGMs (also webcast), responses to all investor inquiries via a dedicated Investor Relations team.

Suppliers: formal channels including structured industry engagement processes; contract re-negotiation; quarterly performance reports; monthly meetings. Informal channels include ad-hoc queries and day-to-day contact.

Government and regulators: formal channels including participation in parliamentary inquiries and consultation processes; participation in industry forums; individual meetings; working parties; and informal channels including responding to government and regulatory inquiries via dedicated government and industry affairs teams.

Media: regular formal surveys and benchmarking; briefings; individual meetings; responding to queries; securing external speaking and profiling opportunities.

Broader community: research with non-customers; specific stakeholder meetings on emerging issues or proposed activities; media analysis; local branch engagements; partnerships with community organisations / not-for-profits; volunteering and regular community events and awards.

Non-government and industry organisations: actively involved with organisations including Insurance Council of Australia, Business Council of Australia, Insurance Council of New Zealand, Asialink, Geneva Association and the United Nations Environment Programme Finance Initiative and rating agencies.

Identifying the issues that matter to our businesses and stakeholders

Each of our businesses is responsible for identifying the issues, risks and opportunities that need to be managed. The issues are identified through a range of stakeholder engagement, strategic planning, risk assessment and benchmarking activities. Taking stakeholder views into account is critical to us understanding all of the impacts we have as an organisation, and how we can best manage them to drive business and social value.

We undertook an extensive review and stakeholder engagement in 2014 to inform the development of our shared value strategy. This involved reviews of existing internal CSR, sustainability and philanthropy strategies as well as peer and competitor activity in shared value. It also included analysis of customer and stakeholder views and input from teams across each IAG division. We hosted cross functional workshops to develop a draft Group Shared Value framework and prioritise areas of focus. We then engaged 70 senior leaders from across the organisation, including Executive Committee members, as well as the Shared Value Advisory Council in the finalisation of our strategy.

IAG's governance mechanisms (for example our risk management framework) help inform the strategic planning process. Through risk profiling and ongoing trend analysis, information is collected and reported to the Executive and IAG Board and used to update our strategy.

By listening to our stakeholders' feedback, our businesses aim to get a deep understanding of the issues and risks that matter most to our stakeholders and identify emerging trends and opportunities. Issues, risks and opportunities are prioritised and we assign responsibility and accountability for developing a plan of action in response. Depending on the issue, actions might range from refining our policies and practices, to changing our strategy, forming new partnerships or introducing new products or services.

For example, in 2014 IAG responded to the evolving competitive frontier, as well as increasing stakeholder concern about the affordability of insurance, by establishing IAG Ventures, a small team within IAG designed to set up a capability for IAG to rapidly take opportunities into a small-scale in-market test environment. Working with a range of community and consumer advocacy groups, as well as government and business stakeholders, IAG has developed a range of insurance products that aim to address insurance affordability and changing customer needs, and has started launching these pilots into the market.

In July 2015, IAG's Venturing Team launched InsureLite into the Queensland market. InsureLite was designed to assist consumers who had withdrawn from or were considering withdrawing from the Home buildings Insurance market due to affordability constraints. The construct of the product is designed to provide consumers with an alternative to more traditional, full cover, buildings products.

Reporting the issues that matter

To ensure we report on the right topics in the right depth, we prioritise identified issues and opportunities ('aspects') based on an assessment of their importance to stakeholders, determined by levels of interest and concern; as well as an assessment of their business impact, in the context of our financial performance and strategy, the regulatory and competitive environment.

In April 2015 we held a cross functional materiality workshop to assess and prioritise our material aspects. Attendees included representatives from our insurance and operating divisions, as well as functions that align to external stakeholder groups (e.g., Customer Experience, Government & Industry Affairs, Media and Investor Relations). Whilst this was largely an internal process, we invited some external stakeholders to share their perspective on issues IAG should be addressing through its shared value strategy and reporting. Our materiality process was guided by the Global Reporting Initiative's (GRI) G4 Principles for Defining Report Content.

We aim to ensure our annual reporting presents the information our stakeholders consider to be relevant and material to our business. While some aspects may be relevant at a divisional level, they may not be considered material at a Group level. While all aspects are addressed by our businesses, our reports focus on Group level aspects, sharing both Group and divisional perspectives as appropriate.

The following table identifies our material aspects, applicable GRI G4 Aspects, and aligned with GRI G4 requirements, whether the primary impacts of the aspect occur within or outside of our business.

IAG Material Aspect	GRI Material Aspect	GRI Indicator	Boundary
Customer-centred	Customer Privacy	G4-PR8	Material outside of IAG, particularly for our customers
	Compliance	G4-PR9	
	Product and Service Labelling	G4-PR5	
Access and affordability	Local Communities	FS14	Material outside of IAG, particularly for our customers and the communities in which we operate
	Product and Service Labelling	G4-PR5	
	Product Portfolio	FS-7 Identified Omission	
Community resilience	Product Portfolio	FS-7 Identified Omission	Material inside and outside of IAG, particularly for the communities in which we operate and in light of our Shared Value strategy
	Local Communities	FS14	
Empowered Employees	Employment	G4-LA1	Material inside and outside of IAG, particularly for current and potential employees
	Occupational Health & Safety	G4-LA6	
	Training and Education	G4-LA11	
	Diversity and Equal Opportunity	G4-LA12	
	Equal Remuneration for Women and Men	G4-LA13	
	Non-discrimination	G4-HR3 Identified Omission	
Financial performance	Economic Performance	G4-EC1 G4-EC2	Material inside and outside of IAG, particularly for our employees and shareholders

We have combined detailed information about our material aspects and shared value strategy and achievements into the IAG Annual Review. Supplementary information including case studies and our Data Summary and Glossary of Terms can be found online at:

www.iag.com.au/shared-value/reports

Holding ourselves accountable

IAG's non-financial reporting continues to be developed in line with the Global Reporting Initiative (GRI) guidelines (including the Financial Services Sector Disclosures document). In 2015, IAG's annual reporting contains Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.

IAG chooses to have its reporting on material aspects and non-financial performance assured, and has sought independent assurance of the quantitative and qualitative sustainability information provided annually since its inaugural report in 2004. This year we engaged independent assurance provider Ernst & Young (EY) to assure selected Customer, Community, Workforce and Environment indicators. The report development process has also been assessed by EY against the GRI G4 Principles for Defining Report Content. Results of the assurance can be found in the assurance statement at www.iag.com.au/shared-value/reports.