



# Focused on our customers

Corporate governance statement 2020  
**Insurance Australia Group Limited**

This release has been authorised by the Board of Insurance Australia Group Limited, 7 August 2020

ABN 60 090 739 923

# Governance at IAG

At IAG, we believe good governance is essential. It is the framework under which we operate our business to deliver on our purpose and our strategy. At IAG, this framework includes:

- our **focus on our customers** through our policies, procedures, models, programs and forums;
- the way we apply our 'Spirit' and Code of Ethics & Conduct to guide our people to **behave legally and ethically**;
- the many policies and practices we have in place, and activities we encourage (such as community activity), to create a **culture** which enables our people to be their best and deliver world-leading customer experiences;
- the **role** we map out for **our Board and our leaders**;
- our **remuneration policies and practices**;
- our **risk management framework**, policies and practices;
- the way **we report** to all our stakeholders, including our shareholders, the ASX and our people; and
- our **continuous improvement approach**, including our commitment to examine and strengthen all aspects of our governance.



## We are a purpose-led company

From our origins in the 1920s as the insurance business of the National Roads and Motorists' Association (NRMA), to our CGU Insurance and NZ businesses, which have provided insurance services for over 160 years, IAG has a long and proud history of building trusted relationships with our customers and communities.

We are the largest general insurer in Australia and New Zealand, with more than 8.5 million customers. We understand the importance of our role in our customers' lives and to the broader community and are guided by our purpose to make your world a safer place.

Our purpose drives us to continually improve our understanding of our customers, so we can provide world-leading customer experiences, and make communities safer and more resilient for the future.

Contributing to society and helping to address important issues for our communities are core to our role as an insurer and go to the heart of our purpose of making your world a safer place. Our purpose drives us to work collaboratively with the community to understand, reduce and manage or avoid risk, and to improve preparedness and build resilience. This achieves better outcomes for the community and ultimately results in fewer claims and lower costs for our business.

By broadening our approach from helping individual customers who have suffered loss, to mitigating the risk of loss for people in the wider community, we believe that our purpose enables us to become a more sustainable business over the long term and deliver stronger and more consistent benefits for our shareholders and those who depend on us.

## Strategy and strategic priorities

IAG's strategy focuses our people to achieve a successful, sustainable company that can deliver on our purpose to make your world a safer place.

We have three broad strategic priorities: customer, simplification and agility. We are focused on developing a deeper and better understanding of our customers; building a lean and efficient insurance business supported by a streamlined operating platform; and creating an agile adaptable workforce distinguished by innovation, speed and execution skills.

Our strategy's 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 more value for our organisation by better understanding and responding to their needs over their lifetimes.

We are increasing our focus on longer-term growth through better customer engagement. This includes extending our strategic partnerships to offer products and services that are adjacent to our insurance business, enabling us to 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 and to introduce new customers to our organisation.

Our strategic priorities and progress in delivering our strategy have positioned us strongly in an uncertain operating environment arising from the COVID-19 pandemic. Having a simpler more streamlined operating platform, resilient and adaptable people and enhanced data, digital, analytics and artificial intelligence, brand and innovation skills have helped us support our customers even as delivery of our products and services was shaped by the pandemic.

# 1. We are committed to understanding our customers' needs so that we can deliver world-leading customer experiences

## Customer policies and programs

We have a range of policies and procedures that guide us in our delivery of world-leading customer experiences. For example, under our Customer Equity Framework, we recently established a Family and Domestic Violence Policy in Australia aimed at ensuring our staff are equipped to deal with customers experiencing family and domestic violence.

We have a number of programs that help improve our understanding of the needs of our customers today and how they might change in the future to inform this:

- We carry out detailed segmentation that explores customer needs and behaviours;
- We have active customer research panels in Australia and New Zealand to provide feedback and guidance on new products, services and customer experiences;
- We use our customer principles, known as the **HEART principles** to assess every aspect of the design of our products and customer experiences. We put both our customer and people experience at the heart of who we are and what we do as an organisation;
- Our **Customer Connection Program** connects our people to our customers' worlds, through experiential events, workshops and storytelling. This program has been expanded to include digitally enabled virtual sessions;
- We have developed a **Customer Journey** plan operating across Australia and New Zealand, with teams dedicated to understanding customer needs and continually finding ways to apply innovation to the customer experience;
- Our company-wide **Heartbeat** program provides real-time customer feedback on the quality of experience our customers have with us;
- We have a team of practitioners who apply **Behavioural Science** to better understand drivers of consumer decision-making and behaviour, predict the decisions consumers are likely to make and change/influence behaviour in the best interests of the consumer; and
- Our **Listen Learn Act Framework** ensures our people hear our customers' voices. By reviewing and discussing what customers tell us and prioritising opportunities across the customer journey, we are continually improving our customer experience.

We use this knowledge obtained during these processes to create products and refine our processes to better meet customers' expectations.

We also have programs to provide our Board with information about our customer focus and capture broader consumer insights, including through our Board customer connections sessions.

## Board reporting

We have agreed company-wide measures of **customer health** which are discussed regularly at Board meetings. Each quarter, this report considers a different perspective to provide the Board with a deeper, more extensive review of the health of our customer base. These deep dives include analysis of areas such as customer complaints, call centre operations, value drivers and customer feedback.

Our **Consumer Advisory Board** is a forum which meets up to five times a year to engage with industry leaders and senior representatives of consumer organisations. It is led and chaired by our Chief Executive Officer (CEO) and regularly attended by Board members, and provides an opportunity for genuine and constructive dialogue about general insurance, customer service, consumer protection and issues of significance in general insurance.

The Consumer Advisory Board includes representatives from CHOICE, the Consumer Action Law Centre, The Brotherhood of St Laurence, the Good Shepherd Australia New Zealand, the Financial Rights Legal Centre, the University of Technology Sydney and the NSW Council of Social Service.

Key issues under consideration at the forum are underinsurance, the impacts of major events such as climate change and COVID-19 on consumers, privacy and data.

## 2. We drive ethical and legal behaviour

We take ethical, responsible and legal decision-making very seriously. Through our Code of Ethics & Conduct, our policies, procedures and practices, we hold our people accountable for ensuring decisions and actions meet our compliance obligations as well as our ethical values.

### 2.1 Creating a “safe to speak up” culture

To support our commitment to behave legally and ethically, we encourage – and expect – our people to speak up when things are not right. Creating an environment where people trust and care about the company and each other supports ethical decision making, reduces potential incidents and breaches, creates better experiences for our customers and drives continuous improvement.

Employees and others who identify that something isn't right are encouraged to report incidents through the relevant internal channel or speak to their line manager. However, we know there may be times when people would prefer to speak up anonymously, so we also provide an independent whistleblower reporting line which is maintained 24 hours a day, seven days a week.

### 2.2 Our Social and Environmental Policy

To deliver on our purpose to make your world a safer place and to maintain the trust that enables us to succeed in today's operating environment, we must manage our performance on social and environmental issues.

Our Social & Environmental Policy provides a framework for identifying and managing our direct and indirect social and environmental impacts. The Policy outlines our commitments on topical issues and defines our approach to continuous improvement in our social and environmental performance. It reflects our recognition of our social and environmental responsibilities, as well as our safer communities approach – where we seek to create commercial value alongside positive societal outcomes (see Section 6.4 below for more details).

### 2.3 Our Spirit

Our Spirit captures the essence of what it means to work at IAG. It sets out the behaviours we will demonstrate as we serve our customers, partners, communities, shareholders and each other.



## 2.4 Our Code of Ethics & Conduct

Our ethical principles are set out in our Code of Ethics & Conduct (the Code). The Code applies to all our Directors, officers, employees and contractors for all entities for which we have majority ownership.

The Code provides our people with principles and a framework to make informed business decisions and to act on them with integrity. This means that when our stakeholders interact with us, they should feel assured that we will act in a responsible, ethical, transparent and honest way.

Our Code of Ethics & Conduct starts with our purpose and sets out the expectation that we will act to make the world safer for our customers, our communities and our people. It then goes on to provide specific guidance on how to make the right decision and do the right thing.

Culture plays a significant role in the way a business operates and performs, and we are committed to creating a culture that supports ethical and responsible decision-making for our people and our customers. We continue to build trust in our organisation by being authentic in the way we communicate and in the way we run our business.

### IAG's Ethics Committee

IAG's Ethics Committee, chaired by renowned ethicist Dr Simon Longstaff (Executive Director, The Ethics Centre), was established as an advisory body in 2017. Since then, the Ethics Committee has been invaluable in helping us navigate key ethical issues, including those related to the development of IAG's Product Design Principles and IAG's key partner frameworks. Ethics Committee members Dr Longstaff and Ms Samantha Mostyn provide a valuable external perspective and offer support and provide advice to management on key ethical challenges. Members of the Board regularly attend Ethics Committee meetings. We expect to engage further with the Ethics Committee over coming months as we work through societal and regulator concerns about various issues including the role and accessibility of insurance.

## 2.5 We prioritise compliance with all relevant laws and regulations

We have systems, frameworks and processes in place to manage compliance with relevant laws and regulations, including an independent risk and compliance division, policies and processes, reporting and incident management procedures, and training programs.

Our Code of Ethics & Conduct sets out IAG's appetite in respect to bribery and corruption (namely, it is not tolerated) which supports the Group Fraud and Corruption Control Framework. A standalone Group Anti-Bribery and Corruption Policy is in the process of being finalised as at the date of publication of this Corporate Governance Statement. When approved, the Policy will augment existing policies and procedures, covering acceptance of gifts or benefits, and the disclosure and management of conflicts of interest.

To help ensure there is a fair market for our securities, we have a Security Trading Policy. This Policy reinforces the fact that all Directors, employees and contractors are responsible for exercising care when trading in IAG's securities. We use the Policy and appropriate controls to require designated people who are covered by the Policy to only trade IAG securities in defined circumstances.

The Code and IAG policies for Australia and New Zealand are available in the About Us area of our website ([www.iag.com.au](http://www.iag.com.au)).

### 3. We value the role our culture plays in our approach to governance

We believe having a strong culture where we live our purpose supports us to create an environment where our people can be their best and are inspired to deliver great experiences for our customers and stakeholders. Critical to this is creating a truly diverse and inclusive environment that represents the diverse communities and customers we serve and ensures that all our people feel they are able to contribute and bring their true selves to work.

#### 3.1 Diversity, Inclusion and Belonging

Our Diversity, Inclusion and Belonging approach outlines what we believe in and stand for. Our approach recognises that we need to build diversity, inclusion and belonging into everything we do. While we take a broad view, three areas receive targeted attention: flexibility, equity and accessibility.

**Flexibility** – We provide a range of flexible working options for our people using our MyFlex program which considers when, where and how people work. Options include part-time work, job sharing, variable hours, working from home and compressed working weeks. We continue to invest in flexible working initiatives and technologies, including our Switch program that enables our contact centre employees to change their working times and hours online to suit how and when they wish to work.

Our long-term focus on flexibility meant that IAG was in a strong position when COVID-19 affected our traditional ways of working, enabling IAG to transition 98% of the workforce to work remotely within a very short timeframe.

Unfortunately, due to COVID-19, IAG was unable to run the Kids@IAG program in the April 2020 and June/July 2020 school holidays. We look forward to Kids@IAG returning when it is safe to do so.

**Equity** – We focus on equity rather than equality. For example, we are committed to supporting gender equity through our Game Changers program. The Game Changers program is designed to build a pipeline of talented female leaders through developing their Strategic, Commercial and Financial Acumen capability, providing personalised leadership feedback, mentoring support and expanding their internal network and personal profile across IAG.

Throughout the reporting period, IAG maintained its support of Indigenous communities in Australia and New Zealand through our Indigenous Engagement Strategy. In Australia we continued to implement our Elevate Reconciliation Action Plan. In New Zealand, we provided internships for the not-for-profit organisation TupuToa, which connects Maori and Pasifika graduates with employers and we have also provided scholarships for several school-leaving students through the First Foundation Scholarship.

**Accessibility** – We have made progress in our Accessibility journey, partnering with the Australian Network on Disability to understand how we can make the world a safer place for our people and customers with access needs.

So far, we have welcomed 17 interns through the Stepping Into program, mentored nine job seekers through Pace Mentoring and hosted an industry Roundtable on accessibility in partnership with the Australian Network on Disability.

We are now focused on addressing accessibility barriers for both our people and our customers in Australia and New Zealand. This includes improving processes to attract and bring onboard employees who may live with disability; improve workplace adjustment processes to more effectively accommodate our people with accessibility requirements; and continue the journey of improving digital accessibility for our employees and customers.



As part of our partnership with the Australian Network on Disability, IAG hosts interns through the Stepping Into program, a paid internship scheme that matches talented university students with a disability with roles in leading Australian businesses. One of our interns, Fathema Anwar (photographed above left with Claire Ledder, Executive Manager, Commercial & Partnering) describes her internship with IAG as ... “the most accommodating, flexible, rich culture and everything that I ever needed to expand my horizon in terms of my career”.

### 3.2 Diversity, Inclusion and Belonging targets

In accordance with our Diversity Policy, the People and Remuneration Committee endorsed a target for women to hold 40% of senior leadership roles by 2020. We define Senior Leadership roles as our Group Executive, Executive General Managers and the reporting level below. As at 30 June 2020, women held 40.72% of Senior Leadership roles across IAG. More broadly, women represent 58.27% of our total workforce. We are committed to making further progress towards achieving our target for women in Senior Leadership roles and are pleased to have set our target of 50% Women in Senior Leadership roles across IAG by 2023.

Further information on IAG's gender diversity is available in IAG's Workplace Gender Equality Report, which is available in the Diversity, Inclusion and Belonging area of our website ([www.iag.com.au](http://www.iag.com.au)).

As part of our Elevate Reconciliation Action Plan, we have made a commitment to increase Aboriginal and Torres Strait Islander employment to 2% of our Australian workforce by December 2021 and 3% by 2023. Our Elevate Reconciliation Action Plan commitments provide a strong pathway to help us achieve our target.

### 3.3 Community activities

Our safer communities activities focus on three key areas where we believe we can make a meaningful difference:

- **Disaster risk reduction and climate change** – enabling communities in Australia and New Zealand to better prepare for and respond to natural hazards and climate change. Our priorities include:
  - continuing to play a leadership role in the delivery of the Australian Business Roundtable for Disaster Resilience & Safer Communities;

- delivering and reporting against our Climate Action Plan and Scorecard; and disclosing our climate governance, strategy and risk management in our climate-related disclosure; and
- supporting communities to respond to and recover from major disasters, including bushfires, flood and hail, through our partnerships with the New South Wales SES, Australian Red Cross and GIVIT.

- **Community connection and resilience** – building safer and more connected communities that have the capacity to grow and thrive by partnering, accelerating the role of resilience in business and taking a community-led approach. This includes making community investments through the NRMA Insurance Safer Homes Fund to respond to the impacts of the devastating Bushfires and COVID-19. Our \$4 million investment also supports the Full Stop Foundation and Lifeline to address family and domestic violence and mental health issues in our communities.
- **Responsible and ethical business** – setting the standard for exceeding the expectations of our customers and the community. This includes:
  - launching IAG's Supplier Code of Conduct which outlines our expectations of our suppliers in environmental, social and governance issues; and
  - implementing IAG's Financial Inclusion Action Plan, which is designed to make insurance in Australia more accessible.

Our Good 'Hoods program partners directly with local communities to find, support and grow community-led initiatives which help build resilience to specific local challenges.

We have been working with Blacktown City Council by partnering on tree planting programs aimed to mitigate the impacts of urban heat caused by climate change. Building on the success of the Cool Streets program we supported in financial year 2019, this year we partnered in its Tree-rific Playground project. This involved planting 100 trees to provide shade to 10 playgrounds. The trees were mostly native species including Eucalyptus and Melaleucas. Urban heat impacts from climate change are a significant issue in the Blacktown area and trees provide shade and cooling as well as a habitat for native birds and wildlife.



## 4. Our leaders are the custodians of our purpose and our customers' experience

We believe that good governance starts with the right 'tone from the top'.

### Tone from the top

Our Board and Group Leadership Team define and promote our purpose-led culture which provides a guide to decision making across all levels of the organisation, encouraging a focus on our customers in everything we do.

This starts with our Board and our Group Leadership Team, led by our Chairman, Elizabeth Bryan AM and our CEO, Peter Harmer, and Deputy CEO, Nick Hawkins. Together, they lead our people in our efforts to 'make your world a safer place' and to deliver industry leading customer experiences.



**Elizabeth Bryan AM**  
Appointed December 2014



**Peter Harmer**  
Appointed November 2015



**Jonathan (Jon) Nicholson**  
Appointed September 2015



**Tom Pockett**  
Appointed January 2015



**Simon Allen**  
Appointed November 2019



**Dr Helen Nugent AO**  
Appointed December 2016



**George Savvides AM**  
Appointed June 2019



**Duncan Boyle**  
Appointed December 2016



**Sheila McGregor**  
Appointed March 2018



**Michelle Tredenick**  
Appointed March 2018

### 4.1 Our Board oversees our performance

Our Board's primary role is to ensure there is a proper governance framework in place to promote and protect our interests for the benefit of our stakeholders. To achieve this, the Board oversees and appraises the company's strategy, policies and performance, through the lens of our purpose.

The role of the Board and the matters expressly reserved for the Board and delegated to management are set out in the Board Charter.

### 4.2 Our directors' skills guide our success

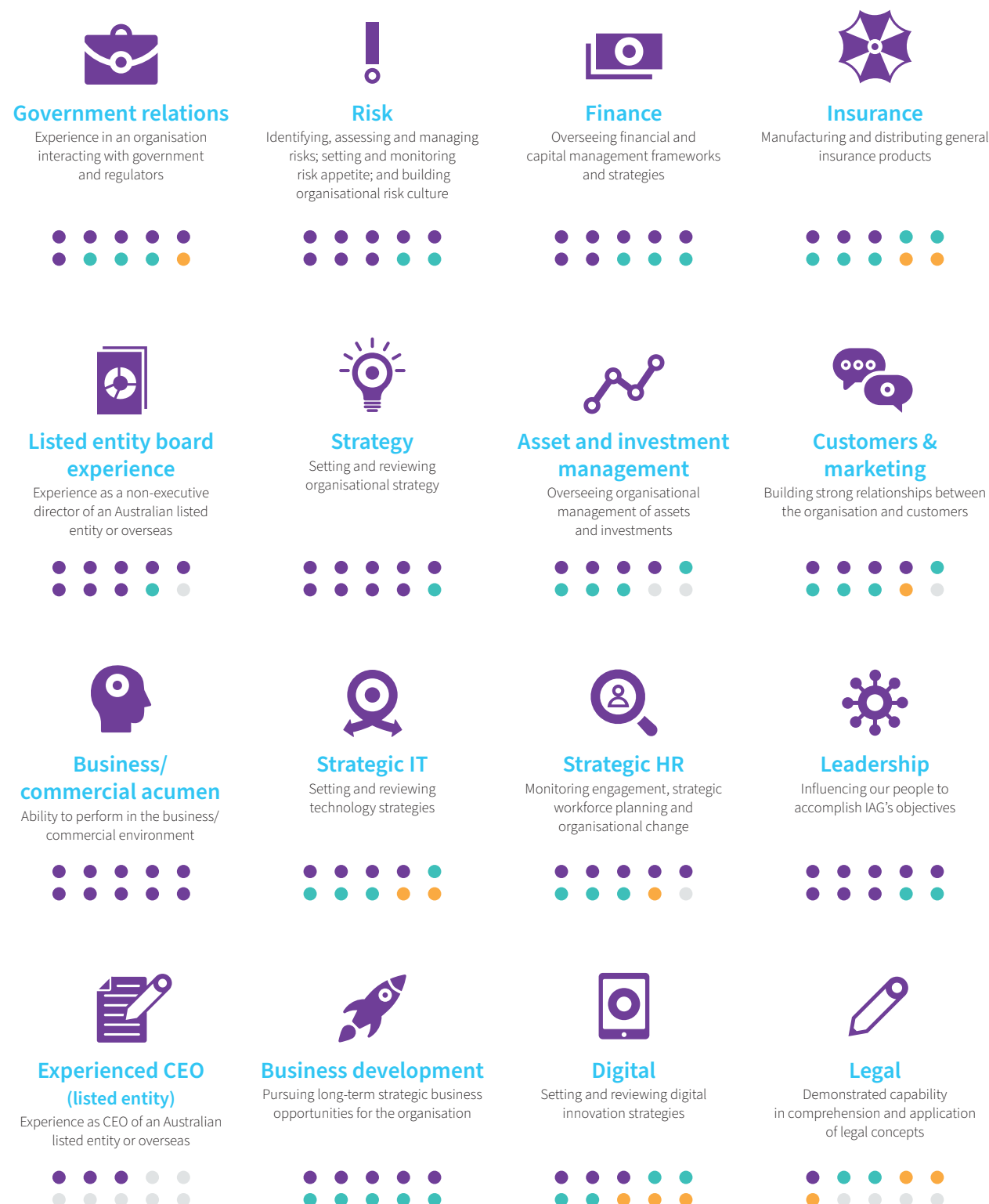
The qualifications and experience of each director are set out on pages 1 – 4 of the 2020 annual report.

## Board skills matrix

The Board has nine independent Non-executive Directors and an Executive Director, Peter Harmer, our CEO. Its composition reflects our size, market position, complexity and strategic focus.

The Board regularly reviews its competencies and composition to ensure it:

- manages Director succession;
- continues to have an appropriate mix of skills, knowledge, experience, independence and diversity; and
- identifies any gaps or opportunities to enhance its skills, in each case, having regard to our operations and strategy.



Each dot represents one director; skill levels are defined as High ●, Medium ● or Low ●.

## 4.3 Board Committees help the Board fulfil its responsibilities

The Board has four Committees to help it fulfil its statutory and fiduciary responsibilities.

|                                                 |                                                                                                                                                                |
|-------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Audit Committee</b>                          | Tom Pockett (Chair), Duncan Boyle, Sheila McGregor and Helen Nugent AO                                                                                         |
|                                                 | Assists the Board by monitoring audit matters, financial reporting, tax and financial risks                                                                    |
| <b>Risk Committee</b>                           | Duncan Boyle (Chair), Simon Allen, Elizabeth Bryan AM, Sheila McGregor, Jon Nicholson, Helen Nugent AO, Tom Pockett, George Savvides AM and Michelle Tredenick |
|                                                 | Assists the Board to fulfil its risk management and compliance responsibilities                                                                                |
| <b>People and Remuneration Committee (PARC)</b> | Jon Nicholson (Chair), Simon Allen, Duncan Boyle, George Savvides AM and Michelle Tredenick                                                                    |
|                                                 | Assists the Board to fulfil its people, culture and remuneration responsibilities                                                                              |
| <b>Nomination Committee</b>                     | Elizabeth Bryan AM (Chair) and the full Board                                                                                                                  |
|                                                 | Assists the Board to address Board succession and appointment issues                                                                                           |

The number of times the Board and each Board Committee met and attendance at those meetings is set out on page 5 of the 2020 annual report.

The Board and Board Committee Charters are available in the Corporate Governance area of our website ([www.iag.com.au](http://www.iag.com.au)).

## 4.4 The role of the Chairman

Our Chairman, Elizabeth Bryan AM, is an independent Non-executive Director who is responsible for leading the Board to ensure it fulfils its responsibilities to all stakeholders. She provides the key link between Directors, and between the Board and management. Her role includes presiding over the Board, the Nomination Committee and general meetings. She attends all other Board Committee meetings in an ex-officio capacity. She also chairs the meetings of our joint venture with RACV, Insurance Manufacturers of Australia Pty Limited, and regularly attends Board and Committee meetings of our New Zealand subsidiaries IAG (NZ) Holdings Limited and IAG New Zealand Limited.

## 4.5 The role of the CEO

Peter Harmer is IAG's Chief Executive Officer and Managing Director. He manages our businesses subject to the Board's reserved powers and in line with the policies, budget, corporate plan, strategies and risk appetite they set. The Board has delegated to the CEO responsibility for our overall management and profit performance, including all day-to-day operations and administration of our company.

As well as being responsible for our day-to-day operations, the CEO, together with the Board, has a primary role to ensure appropriate governance frameworks are in place across the business. He also keeps the Board informed with timely, accurate and clear information to support effective decision making and ensures that all material matters relevant to the Board are brought to the Board's attention.

## 4.6 The role of the Company Secretaries

Our Company Secretaries are responsible to the Board for ensuring compliance with the procedures it sets. They provide the Board with advice and counsel on the company's constitution, corporate governance and other matters. They are also accountable to the Board, through the Chairman, on everything to do with the proper functioning of the Board.

The Company Secretaries ensure the timely distribution of Board and Board Committee papers and the accurate recording in the minutes of the business discussed at Board and Board Committee meetings. They also assist with the induction and ongoing professional development of Directors and all Directors have unfettered access to them. The appointment and removal of Company Secretaries is determined by the Board.

## 4.7 Our Group Leadership Team

The Board delegates responsibility for the company's day-to-day operations and administration to the CEO, who leads the Group Leadership Team. This team ensures our effective and efficient operation and is responsible for implementing all governance frameworks, including those in relation to risk management and internal controls. It also provides the Board with accurate and timely information to support its decision-making processes.

## 4.8 Succession planning and appointing Directors

Our Board is committed to bringing together the best possible combination of individuals so it can serve our shareholders, customers and the community, now and into the future.

It regularly assesses the skills it requires to competently discharge its duties, considering our performance, financial position and strategic direction. The Board uses its Skills Matrix (set out in Section 4.2 above) to identify the specific knowledge, skills and experience that Directors must possess.

The Board also conducts ongoing succession planning to help it identify potential candidates to be Directors. The Board's Nomination Committee typically assesses candidates when a vacancy arises or if it considers that the Board would benefit from the services of a new Director. Any assessment considers the mix of skills, knowledge, experience, diversity and expertise of existing or departing Directors, and how a candidate's competencies will complement and balance these qualities. External consultants may also be engaged to help identify candidates.

All candidates for Board positions undergo appropriate background checks, including our Fit and Proper assessment, before they are appointed. Any Director appointed during the year must stand for election at the next annual general meeting, along with Non-executive Directors seeking re-election. Our constitution requires all Directors to retire by rotation at least once every three years after their election. Under the Board Charter, the maximum tenure for a Non-executive Director is 10 years, although the Board has the discretion to invite a Non-executive Director to stand for an additional term. All the information shareholders need to decide on whether to elect or re-elect a Director is set out in the notice of meeting for the annual general meeting.

New Directors are provided with a letter of appointment and participate in a comprehensive induction process. They meet key people within our business, visit key customer contact sites and receive a Director Induction Guide to help them understand the role of the Board, our corporate governance principles, and Directors' rights and obligations, including the requirement to follow our Code of Ethics & Conduct and our Continuous Disclosure Policy and Security Trading Policy.

### Understanding our customers

The Board members also regularly attend the Consumer Advisory Board and participate in customer connection experiences that directly relate to the customer insight reporting that is provided to the Board. This provides the Board with a broad range of customer experiences.

## 4.9 Evaluating Board, Committee and Director performance

We believe that superior Board performance underpins good governance and better outcomes for our customers and other stakeholders. The Board continuously reviews its performance to ensure it is operating above the level.

Consistent with industry best practice, the Board commissions a formal independent review of its performance annually.

The last independent review was completed in April 2020. The Board also conducts an annual assessment of the performance of each Board Committee against its Charter.

Each Director's performance is evaluated annually by the Chairman and the Chairman invites Directors to evaluate her performance. These assessments were undertaken during the reporting period.

## 4.10 Director independence

We believe Director independence contributes to good governance and delivers superior outcomes for all our stakeholders by encouraging constructive challenge of management.

The Board considers a Director is independent if he or she is free from any interest, position or relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of his or her independent judgement.

The Board has determined that it must comprise a majority of independent Non-executive Directors and that the Chairman must be an independent Non-executive Director.

All our Directors are assessed annually against formal standards to determine their independent status. Additional assessments are conducted more promptly if a Director considers their independent status has changed.

## 4.11 Director education and training

We provide our Directors with a program of ongoing education and training, which is typically aligned with the Board calendar. Each year we develop a Board Education and Engagement Program that provides the Board with formal education sessions, customer connection sessions, and other business and employee engagement opportunities.

During the 2020 financial year, Directors participated in education sessions on cyber security, and our technology strategy and architecture. Directors also had opportunities to engage with customers and business partners through visits to our customer call centres in Melbourne, Adelaide and Sydney.



Photographed at a Board Customer Connections session held in Adelaide in August 2019 were (L to R P) Luke Gallagher, Executive General Manager, Short Term Claims; Duncan Boyle and Sheila McGregor, IAG Directors; and Sejl Mistry, IAG Deputy Company Secretary.

We believe our Education and Engagement Program supports our efforts to achieve good governance by keeping our Directors up-to-date with the latest knowledge and information relevant to our business and strategy, and by ensuring they have regular contact with customers and our people beyond Board and shareholder meetings.

As a result of the COVID-19 pandemic we have held a number of virtual customer connection sessions to ensure that the Board continues to engage with customers.

## 5. We connect remuneration, culture and performance to reward outcomes that benefit our customers and other stakeholders

We believe our remuneration framework provides a mechanism for encouraging, and enforcing good governance.

### 5.1 Group remuneration and culture

We conducted an extensive review of our Remuneration Policy during 2019 to ensure it is effective and meets relevant regulatory requirements, including APRA CPS 510 Governance. The key principles underpinning our Remuneration Policy and our approach are that remuneration should:

- Support our purpose by focusing employees' behaviour and performance on:
  - delivering positive outcomes for customers and the community;
  - building the desired culture within IAG; and
  - generating value for our shareholders.
- Support the attraction and retention of talent with the capabilities and skills needed to drive business performance and deliver our strategy;
- Promote accountability and encourage behaviours that support effective risk management and IAG's long-term financial soundness;
- Reduce the risks of misconduct, regulatory and compliance breaches and other non-financial risks;
- Be simple to understand, deliver pay parity and outcomes that are fair and equitable; and
- Provide flexibility for different business requirements now and in the future.

Building strong connections with each other is key to creating a purpose-led corporate culture. We monitor changes in our employee advocacy scores and agility performance quarterly, and annual performance on these measures contributes to senior executives' variable remuneration outcomes. Our short term incentive plans also have a behavioural gateway, meaning that individuals who do not demonstrate appropriate behaviours in the way they achieve performance outcomes do not receive any short term incentive that year, regardless of their performance. To be eligible for a short term incentive, individuals are also required to satisfactorily complete compliance training courses which are designed to ensure participants know how to protect IAG's customers, operate in a fair and transparent manner, and are compliant with the appropriate regulations.

The Board retains overriding discretion to adjust all forms of variable pay (upwards, downwards and to zero). This discretion applies to both variable pay awards made in the current year and unvested awards from prior years. The Board's ability to apply discretion in this way serves to ensure reward outcomes appropriately reflect performance, including as it relates to risk management.

Risk is an important factor in the way we assess senior executives' performance. Our risk lens considers how the executives discharge their accountabilities, their performance against individual goals, and how effectively they manage risk in achieving outcomes. The Board's Risk Committee also considers material risk events that emerged during the year, with the People and Remuneration Committee determining the size and nature of any remuneration adjustments that should apply. The Chief Risk Officer and Executive General Manager, Group Internal Audit both provide input to inform these assessments.

Senior executives receive a significant component of their remuneration in the form of IAG securities. Executives are prohibited from entering into transactions or arrangements which operate to limit or hedge the economic risk of their unvested entitlements to these IAG securities. Directors, the CEO and the Group Leadership Team are prohibited from entering into transactions or arrangements which operate to limit or hedge the economic risk of vested entitlements of securities that are subject to a holding lock.

Full details of our approach to executive and Director remuneration, and remuneration outcomes for the 2020 financial year, are set out in the remuneration report which is contained in the Directors' report on pages 24 – 46 of our 2020 annual report.

### 5.2 Executive employment arrangements

All our senior executives have written employment agreements, and we undertake background checks before employment offers are finalised.

### 5.3 Performance assessment – CEO and Group Leadership Team

The CEO's performance is assessed against a Group Balanced Scorecard. Group Leadership Team members have their performance assessed against the Group Balanced Scorecard objectives and individual goals. The Chief Risk Officer and Group General Counsel & Company Secretary both have a higher weighting of fixed remuneration than other executives to ensure the independence of their functions. Performance assessments were undertaken for the CEO and Group Leadership Team during the year.

Before determining final incentive payments, the Board assesses each executive's risk management performance, to ensure that incentives provided are appropriate.

## 6. We manage risk to safeguard our business, so we can support our customers and stakeholders

Understanding and managing risk is at the heart of our purpose and delivering our strategy.

We are focused on improving the way we manage risk and on ensuring our risk management framework remains appropriate given our evolving size, business mix and complexity, and that it is fully embedded in our business. We are adapting our risk management processes to align with rising community and stakeholder expectations, heightened regulatory focus, and our future strategy.

Superior risk culture and behaviours are the foundation for appropriate risk management, governance and business sustainability. Our core goal is to conduct our business in a way that is aligned with our purpose. We manage conduct related matters and risks through an enterprise-wide approach to risk and associated practices.

### 6.1 Our Risk Management Framework

The Board is responsible for setting our Risk Management Framework and Risk Management Strategy. It is assisted by the Risk Committee, which recommends the Risk Management Framework and Risk Management Strategy and other key risk documents (eg the Risk Appetite Statement, Reinsurance Management Strategy and selected IAG policies) to the Board for approval.

The Risk Committee also satisfies itself on the contents of the annual APRA Risk Management Declaration, including the disclosure of matters based on risk reviews conducted during the period.

The Board receives information on significant risk matters and regular updates from the Chairman of the Risk Committee. The Chief Risk Officer and risk function provide regular reports to the Risk Committee on the operation of the Risk Management Strategy, the status of key risks, risk and compliance incidents, and risk framework changes. The Risk Committee considers our enterprise risk profile, risk appetite and core risk documents annually, and during the reporting period reviewed the risk management framework to satisfy itself that it continues to be sound. In addition, members of the Group Leadership Team report to the Risk Committee on the operation of the risk management frameworks embedded in their respective business divisions.

#### Our approach to risk management has Three Lines of Defence:

- the First Line is our operational managers (risk owners), who own and manage their risks;
- the Second Line (risk advisers and risk specialists) is typically our risk management and compliance teams; and
- the Third Line is our independent audit team.

Members of the Group Leadership Team are responsible for managing risks faced by their business divisions and embedding risk management processes and culture by:

- setting the risk management tone and commitment at the top;
- ensuring their division complies with the requirements of the Risk Management Framework, Risk Management Strategy, Board approved policies and all applicable regulatory and legal requirements;
- embedding divisional risk owner responsibilities;
- ensuring there are divisional and regional risk teams that have resources appropriate to the nature, scale and diversity of the division, and the necessary standing and support;
- using risk management processes as part of key decision making;
- ensuring the business operates within our risk appetite;
- regularly receiving and considering risk management reports; and
- promoting and reinforcing our proactive risk management culture.

## 6.2 Group Internal Audit Function

Our Board established Group Internal Audit function is a key component of our governance framework and our Third Line of Defence.

Group Internal Audit evaluates and improves the effectiveness of internal controls, governance processes, and overall risk management. Its role is to:

- assure the Board that the financial and operational controls designed to manage our risks and achieve our objectives are operating in an efficient, effective and ethical manner; and
- assist management to improve our business performance.

For our Group Internal Audit function to be effective, it must be independent. The Executive General Manager, Internal Audit, reports functionally to the Audit Committee and administratively to the Acting Chief Financial Officer (CFO), and has direct access to the CEO and the rest of the Group Leadership Team.

## 6.3 Assurances

The CEO, Deputy CEO, and CFO have assured the Board that the annual declaration provided in accordance with section 295A of the *Corporations Act 2001 (Cth)* and the equivalent declaration provided at half year are founded on a sound system of risk management and internal controls, and that the system is operating effectively.

## 6.4 Economic, environmental and social sustainability risks

We identify and manage economic, environmental and social sustainability risks as part of our enterprise-wide risk management framework. We use risk profiling and ongoing trend analysis to collect information on these risks and report back to the Group Leadership Team and the Board. We also use this information to update our strategy as appropriate.

The Safer Communities Steering Committee fulfils the role of a sustainability committee for IAG. This Committee is an internal governance body that supports the Group Leadership Team to make decisions on how we respond to sustainability risks. It meets at least quarterly, is chaired by the Group Executive, People, Performance and Reputation, and comprises senior leaders from across the business, including the Chief Strategy and Innovation Officer.

Climate change has been identified as a key enterprise risk and progress has been made in implementing and monitoring business controls and their effectiveness overseen by the Climate Risks and Opportunities Steering Committee (see IAG's FY20 Climate-related Disclosure for more information at [www.iag.com.au](http://www.iag.com.au)). Each year, we conduct a materiality assessment to help guide our safer communities and sustainability approach and ensure our reporting addresses the risks and opportunities that have the greatest importance to our stakeholders and our business.

Details of our material environmental and social sustainability risks, how we manage these risks, and information about our other safer communities and sustainability activities are set out in the 2020 Annual Review and Safer Communities Report and in the Safer Communities section of our website ([www.iag.com.au](http://www.iag.com.au)).

Further information on our economic, environment and social risks are set out in Section C of the Strategy and Risk Management section of the 2020 annual report.

Our Social & Environmental Policy and Public Policy Position on Climate Change are also available in the About Us section of our website ([www.iag.com.au](http://www.iag.com.au)) under Codes and policies.

## 7. We are committed to best practice disclosure and improving our shareholder engagement

### 7.1 Continuous Disclosure

Our ASX disclosure policy reflects our continuous disclosure obligations under the ASX Listing Rules, including the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Principles and Recommendations), and specifically Principles 5 (make timely and balanced disclosure) and 6 (respect the rights of security holders).

All results and other items that we release to the ASX are posted to our website ([www.iag.com.au](http://www.iag.com.au)). The website also includes:

- information about IAG's operations and Corporate Governance policies;
- a Shareholder Centre that has share price and dividend payment histories, and a link to our share registry where shareholders can manage their shareholdings; and
- details of our safer communities activities, including our Climate Action Plan and performance against our ESG commitments.

### 7.2 Other Shareholder Communications

We communicate with all our shareholders at least three times a year:

- our half year results announcement and any accompanying dividend payment;
- our full year results announcement and any accompanying dividend payment; and
- notice of our annual general meeting.

We actively encourage our shareholders to embrace the benefits of electronic communication. As at 8 July 2020, approximately 34% of shareholders were registered to receive notices electronically. Communications (including annual general meeting materials, dividend advice and holding balance statements) are available on our website.

We also maintain an email alert system that advises investors, beneficial owners and any other interested parties when important media releases, financial announcements, presentations and annual reports are released to the ASX.

We actively promote these features to all our shareholders on dividend payment statements and in annual general meeting materials.

### 7.3 Investor Relations Program

We have an active investor relations program that includes:

- post-results meetings with domestic and offshore institutional investors, which take place every six months;
- pre-AGM meetings with our largest shareholders and the major governance advisory bodies; and
- periodic presentations on our strategy or specific aspects of our business, as appropriate.

We continue to examine ways to more actively engage with our substantial retail shareholder base.

### 7.4 Annual General Meeting

We encourage shareholders to participate in the annual general meeting and ask questions of the Chairman and the Board. This year our annual general meeting will be held virtually. We are pleased to be able to provide our meeting this way to ensure that this important forum goes ahead, and that it is done safely for our shareholders and our people. We draft clear and informative meeting notices and other communications, and all our meeting materials are available in the Shareholder Centre area of our website.

Shareholder voting is conducted by a poll, consistent with the Principles and Recommendations.

The external auditor attends the annual general meeting.

We offer shareholders and their authorised intermediaries (such as custodians) online proxy and direct voting to make it easy for them to vote on resolutions put to general meetings. We also webcast the annual meeting live so it can be viewed by shareholders and other interested parties. An archived video of the meeting is available shortly after it concludes and we also provide a transcript of the complete meeting.



## 8. We review our approach to governance to continuously improve

Aiming for best practice across all elements of our governance enables us to sharpen our focus on delivering world-leading customer experiences and our strategy. To do this, we make sure our policies are consistent with existing governance rules and we embrace opportunities to examine our own approach to governance in the context of a changing socio-political environment.

We continue to review and incorporate opportunities to strengthen our approach to governance, responding to the changing social and regulatory environment.

### **We comply with the 3rd Edition ASX Principles and Recommendations**

For the financial year ended 30 June 2020, we have complied with the ASX Corporate Governance Principles and Recommendations (3rd Edition). Whilst we comply with the 3rd Edition we are also mostly compliant with the 4th Edition of the Corporate Governance Principles and Recommendations, and will be compliant for the next reporting period (which is when IAG must first report against the new edition). Details of our compliance are set out in this Corporate Governance Statement and in the Appendix 4G available at the Results and Reports area of our website ([www.iag.com.au](http://www.iag.com.au)). This Corporate Governance Statement is current as at 7 August 2020 and has been approved by our Board.