



Creating safer more resilient communities.

Annual Review and
Safer Communities Report 2021
Insurance Australia Group Limited

This release has been authorised by the Board of Insurance Australia Group Limited, 11 August 2021

ABN 60 090 739 923

2021 overview.

For detailed information about our FY21 results, visit the Results & Reports area of our website at www.iag.com.au and access financial statements, the investor report and management's results presentation.



IAG's FY21 results reflect sound underlying financial performance offset by a number of unusual items, resulting in a reported net loss after tax of \$427 million.

\$12,602m

Gross written premium
up 3.8% from FY20

\$747m

Cash earnings
up from \$279m in FY20

13.5%

Reported insurance margin
up 340 basis points from FY20

14.7%

Underlying insurance margin
down 130 basis points from FY20

12.0%

Cash return on equity
up from 4.5% in FY20

\$1,007m

Insurance profit
up 35.9% from FY20



One of our four strategic pillars is to grow with our customers, by delivering unparalleled personalised service when our customers need us the most.

~\$2.2tn

Assets insured
through our Australia and New Zealand businesses

\$8,081m

Claims paid
down from \$9,406m in FY20

Heartbeat scores¹

+53 AU

up from +49 in FY20

+43 NZ

down from +50 in FY20

Strategic Net Promoter Score (sNPS)²

+29 AU

up from +23 in FY20

+19 NZ

up from +18 in FY20

Contents

- 00 2021 overview
- 02 Chairman's review
- 04 CEO's review
- 06 Strategy
- 08 Operating performance: Direct Insurance Australia
- 09 Operating performance: Intermediated Insurance Australia
- 10 Operating performance: New Zealand
- 11 People
- 14 Materiality
- 15 Our approach
- 16 Climate change
- 18 Disaster resilience
- 20 Responsible and ethical business

- 21 IAG Community connection
- 22 Letter from the Chairman of the People and Remuneration Committee
- 23 Executive and Non-executive Director remuneration
- 24 Board of Directors
- 25 Board skills matrix
- 26 Group Leadership Team
- 27 Five-year financial summary
- 28 2021 annual report suite
- 28 Key dates
- 28 Shareholder information
- 29 KPMG assurance statement
- 29 Glossary



Connecting our people to purpose supports the role we play in safer and more resilient communities.

2,389 hrs

Volunteered by our people
down from 5,482 in FY20

\$13.4m

Community investment³
down from \$20.4m in FY20

- 1 The Heartbeat score is an internal measure of customer advocacy based on experiences customers have had with us. We obtain this information via surveys of our personal and business insurance customers who have had a recent interaction with IAG, either by telephone, visiting a branch or agency, or by having lodged or settled a claim. The Heartbeat figures as at June 2021 were calculated on a 12-month rolling average.
- 2 SNPS assesses the strength of the relationship customers have with IAG's insurance brands in Australia and New Zealand, based on their likelihood to recommend IAG to others. It is measured via monthly online surveys conducted anonymously with a representative sample of insurance buyers. All NPS/broker advocacy score information is reported on a 12-month rolling basis. The NZI broker score is the result of a company-led bi-monthly survey of brokers.
- 3 Our community investment is materially lower year-on-year due to higher than usual levels of community investment during FY20. Our volunteering hours were also down owing to the impact of COVID-19 and ongoing lockdowns in Australia and New Zealand, which made it challenging to continue to offer safe opportunities for our people and communities. More detail can be found in the Safer Communities section of this review.



We focus on enabling communities in Australia and New Zealand to better prepare for, adapt and respond to the impacts of natural hazards and climate change.

Carbon neutral

Since 2012

15% reduction

in scope 1 and 2 emissions year-on-year



Cover image

Our koala cover acknowledges the practical support that NRMA Insurance is providing to protect and promote the existence and safety of this vulnerable species. This includes financial and marketing support for the Port Macquarie Koala Hospital; a partnership commitment with Conservation Volunteers Australia; support for *The Lion's Share* which funds medical services and rehabilitation for injured wildlife and species-monitoring equipment for conservation workers and revegetation of habitat; and the installation of large-format signage on regional roads to encourage drivers to be aware of wildlife.

A mixed story.



Introduction

IAG's results for FY21 present a mixed story.

The businesses at the heart of IAG remain strong. Overall, the continuing hard work of our people to support Australian and New Zealand communities throughout a very challenging year, both as a result of COVID-19 and a series of natural disasters, has strengthened the company's underlying competitive position.

Over the last year, brand strength, customer numbers, customer satisfaction and digital take-up have all improved. Two of our three business units have done well, delivering an insurance profit (excluding unusual items) of around \$1 billion. Our people's commitment has remained strong, as has our capital position. We have a new CEO, leading to renewal and strengthening of the management team. As a result, IAG is well-placed to meet the challenges of the coming years.

Despite this, the company has reported a net loss.

Both the Board and management are extremely disappointed at this outcome and we have made very significant changes to the organisation to deal with it.

In this report, while once again re-affirming the underlying competitive strength of the company, I want to clearly outline the underlying causes of the statutory loss, the work which has already taken place to build a stronger governance platform, and recent changes to revitalise the company.

Shareholders should be in no doubt of the commitment of Board and management to return IAG to the high levels of performance we all expect.

Results, drivers and causes

In FY21 IAG made a net loss after tax of \$427 million. This compares with a net profit after tax of \$435 million for FY20. Our result for FY19 of a net profit after tax of \$1,076 million was a good one, with most aspects of the business tracking well and including over \$200 million profit on the sale of the Thailand business that year. It much better reflects the potential of the company.

Our result in FY21 was materially affected by a pre-tax provision of \$1.15 billion for potential Business Interruption claims associated with the COVID-19 pandemic. In addition, the result contains further increased pre-tax provisions for customer refunds of \$238 million arising from past pricing issues, \$40 million from settlement of the Swann Insurance Class Action, and \$51 million relating to payroll compliance. These events alone have cost the company approximately \$1.5 billion.

These issues arose because of organisational and risk management failures within the company. In particular, the COVID-19 crisis exposed a potential shortcoming in contractual exclusions for

pandemics in some business interruption policies, resulting from a failure to update references to legislation.

In relation to the other issues, the largest arises from multi-year pricing issues identified by IAG where discounts were not always applied in full to premiums for all customers who may have been eligible. The wording of our promises to our customers did not accurately reflect our complex, model-based pricing algorithms. Actuarially-based pricing is arguably inherently complex, but that is not an excuse in a customer-focused company.

Let me take this opportunity to apologise to all our shareholders for these management and operational issues and the impact they have had on IAG's returns.

Each of these failings was costly and unacceptable. However, we are now at the point where all of the issues identified are well understood and being properly managed and accounted for. The systematic way in which management has identified and remediated them, and rebuilt the control systems around them, should give us confidence they will not occur again.

Further details of our results are provided by the CEO in his report to shareholders on the following pages and in the details of the accounts.

Board focus

Strengthening risk management has been a major area of focus and investment for IAG over the past several years. The Board has been instrumental in identifying the need for significant uplift in our risk management systems and personnel and has been driving this change agenda. A new Chief Risk Officer, David Watts, was appointed in 2018 and a \$100 million program to upgrade operational risk capabilities within the company is nearing completion.

Hand-in-hand with the upgrade in risk management, the Board has prioritised investments to simplify and upgrade our Information Technology (IT) systems, to both improve control and increase productivity and to enable us to provide the digital services required by our customers. Over the last three years \$150 – 200 million each year has been committed to this task, under the leadership of a new Chief Operating Officer, Neil Morgan.

In addition, the Board has progressively set higher standards for executive accountability, annually reviewing risk management failings and identifying accountabilities. Over the last two years the Board has held a number of individuals (including both current and former executives) directly to account for the issues described, and made significant downward adjustments to their remuneration, including to that which was deferred from prior years. These adjustments total \$6.9 million to date, including \$3.5 million relating to decisions made by the Board in August 2020.

We are a well-capitalised and skilled insurer, with leading shares in all our major markets, strong links to major reinsurance providers, some of the most recognised and trusted brands in Australia and New Zealand, and a strong purpose-led culture that ensures we are ready to respond when our customers need us most.



Elizabeth Bryan AM

Chairman

The Board did not award a Short Term Incentive to any executive in the company in relation to FY20. Further, a portion of Long Term Incentives did not vest last year, and some will not vest this year. The total potential remuneration forgone by executives as a result of all these actions was approximately \$13 million.

Now, the good news

It is unusual for a Chairman to lead her report to shareholders by focusing on the bad news in a company. But my message is that the Board fully understands what needs to be done to prevent future shocks to the business from failures in our control systems and recognises how important it is to do this. This work is well advanced.

Let me reassure you that the enormous underlying strengths of IAG remain. We are a well-capitalised and skilled insurer, with leading shares in all our major markets, strong links to major reinsurance providers, some of the most recognised and trusted brands in Australia and New Zealand, and a strong purpose-led culture that ensures we are ready to respond when our customers need us most.

Evidence of the power of these characteristics is shown in the insurance metrics for this year. Our gross written premium of \$12,602 million grew by 3.8%, our insurance profit was \$1,007 million, representing a reported insurance margin of 13.5%, an increase of \$266 million over last year, and our cash earnings were \$747 million.

These results have allowed the company to declare a final dividend of 13.0 cents per share. The dividend will be paid on 22 September 2021 to shareholders registered at 18 August 2021.

The Board was very pleased to appoint Nick Hawkins as IAG's new CEO this financial year. Nick has been the company's Chief Financial Officer since 2008, after joining in 2001, and has been able to move quickly to make important changes in the company. He has both simplified the organisational structure and brought a number of new executives into his leadership team. He is committed to completing the remediation of risk and controls in IAG and the upgrade of our IT systems.

In addition, Nick has implemented a growth path for the company and taken on the turn-around of the Intermediated business. This business has been a long term under-performer for IAG and previous endeavours to improve its profitability have not been successful. The Board therefore welcomes Nick's decision to report on this business separately and to recruit into IAG a new experienced and highly regarded executive, Jarrod Hill, to lead it.

While I have focused, to some extent, on recent events, Nick, in his report, will focus strongly on the future and what he and his team plan to deliver to customers and shareholders.

Board renewal

The Board is undergoing a continued renewal process.

We have been fortunate to be able to add to the IAG Board two very experienced international insurance executives, George Sartorel and Scott Pickering who will considerably strengthen its insurance expertise.

George has had a long and distinguished career with Allianz Group and was most recently Regional Chief Executive, Asia Pacific. He has returned home to Australia and brings with him experience in creating and leading large, innovative insurance companies with digital business models.

Scott is a New Zealander who also returned home after a successful international career as a global insurance executive. He recently retired from the role of CEO of the NZ Accident Compensation Corporation.

The third new director, David Armstrong, will become the Chairman of the Audit Committee after this year's Annual General Meeting. David is a well-known and highly-respected company director. He is a former partner with PwC specialising in financial services and brings deep knowledge of audit and risk control and experience with Australian public companies.

As announced recently, Duncan Boyle, will retire from IAG's Board on 22 October 2021. Duncan has served on the Board for five years, including three years as Chairman of the Risk Committee and I acknowledge his bringing his long experience of the global insurance industry to the Board's deliberations.

Our announcement also included the news that I will not stand for re-election at IAG's Annual General Meeting this year. I have completed six years as Chairman and reached an age milestone that indicates retirement to be the better choice. It is my great pleasure to hand over the Chairmanship of this very special company to my long-term colleague on this Board, Tom Pockett.

Tom has expertly led the Audit Committee through the past years of change and remediation in IAG. He is well-positioned to complete this job and – with a strong Board, new CEO and skilled executive team – lead IAG into a successful future.

I will miss IAG. It is a company I have been very honoured to be associated with. Nothing makes me prouder than when I witness the people and capital of IAG mobilising at short notice to help those affected by the many natural disasters we experience in this country and in New Zealand. This is the heart and soul of IAG and the reason most of its people work here. Through its various businesses, IAG has been meeting this need for over 160 years and is a vital part of both Australia's and New Zealand's financial and social infrastructure.

Despite the last two difficult years I am confident the company will complete the actions in train to renew itself and that IAG will continue to play a strong role in the service of all its stakeholders.

A new chapter.



While our results for FY21 reflected sound underlying financial performance, they were offset by significant costs from a number of material legacy issues. The largest of these is the \$1.15 billion pre-tax charge included in our FY21 results to provide for potential business interruption claims. The others are an increase in the provision for customer refunds (\$238 million); funds to remediate historical payroll underpayments (\$51 million); and settlement of the Swann Insurance Class Action (\$40 million). Together, these had an almost \$1.5 billion pre-tax impact on our results.

These are historical issues we've identified and provisioned for, and which we are fixing. They have been treated as one-offs and have been excluded from the cash earnings measure that determines our dividend.

The issues that the Chairman and I have outlined happened because of organisational and risk management failures in our business.

They are unacceptable, and we are committed to ensuring they do not happen again.

We have already made changes to our technical systems and risk maturity that we believe will prevent a recurrence.

We have made a significant investment to consolidate the multiple systems we inherited as we grew through acquisition to create one single, core insurance platform. Stage one provided us with a single claims platform that can be used across the organisation.

Stage two, now underway, will consolidate and simplify multiple policy and administration systems. When we complete this work, we will be able to provide consistent products and services to customers wherever they are – from wherever our people are.

And there have been major improvements in our risk infrastructure. We have made significant progress in implementing a \$100 million program of work to improve fundamental risk practices. After 18 months, this program – which we call Project rQ – is nearly complete and has considerably strengthened risk controls across IAG.

Finally, there have also been some fundamental changes to our organisational structure and leadership, which I describe in more detail below.

IAG's financial performance

Separate from the legacy issues described above, we delivered pleasing underlying financial results in FY21. These reflect the strength of our core insurance business and its market-leading brands.

We achieved gross written premium growth of 3.8% and an underlying insurance margin of 14.7%. Our reported insurance profit of \$1,007 million and our reported insurance margin of 13.5% increased from \$741 million and 10.1% in FY20 respectively and included:

- Net natural peril claim costs of \$742 million, above our original expectations of \$658 million;
- Prior period reserve strengthening of \$81 million – up from \$48 million in FY20 – after adverse developments in commercial long-tail reserves in Australia;
- A positive credit spread impact of \$77 million, compared to a negative impact of \$46 million last year; and
- A net benefit of around \$60-\$70 million from COVID-19 effects in the first half of the year.

We delivered a pre-tax return on shareholders' funds portfolio of \$306 million, compared to a loss of \$181 million in FY20; against that we had the significant one-off corporate expenses which resulted in the reported net loss after tax of \$427 million, compared to a net profit after tax of \$435 million last year.

When it comes to cash earnings, our standard approach is to identify unusual non-recurring items, record these as net corporate expenses and exclude them when calculating cash earnings. We followed this approach in FY21.

That resulted in cash earnings of \$747 million, up from \$279 million in FY20, which means we are able to provide shareholders with a final dividend of 13.0 cents per share for FY21.

Our capital position remains strong, with a CET1 ratio of 1.06 at 30 June 2021. This has reduced from 1.19 at 31 December 2020, reflecting the payment of the interim dividend and net profit in the second half.

A new chapter

The Chairman refers to our results as a mixed story. I want to continue with that metaphor by talking about what I believe is a new chapter for our company. As the CEO, I have the great privilege of being in a position to write this chapter, and I have already started.

We have made a number of changes to strengthen the fundamentals of our core insurance business and build a stronger, more resilient IAG.

Our strategy has been reset around four key pillars: customer growth, building better businesses, creating value through digital, and continuing to invest in effective risk management across the group.

We are already seeing results in each of these areas:

- Our objective is to grow with our customers: during the year we increased customer numbers in our Australia and New Zealand direct insurance businesses, and we are expanding our premium NRMA Insurance brand.

We have made a number of changes to strengthen the fundamentals of our core insurance business and build a stronger, more resilient IAG.



Nick Hawkins

Managing Director and Chief Executive Officer

- Our strategic focus is to build better businesses: this is underpinned by the work we are doing in our Intermediated business, upgrading its risk management and underwriting disciplines and strengthening our relationships with broker partners to improve its profitability.
- Creating value through digital has seen us scale up artificial intelligence and automation in motor claims to deliver better outcomes for customers.
- Actively managing risk is an ongoing priority, with our rQ program already strengthening risk controls across IAG.

We have redesigned our operating model to create three core insurance business divisions: Direct Insurance Australia, Intermediated Insurance Australia, and New Zealand. Each division is aligned to the insurance needs of specific customers, and the way they want to engage with us.

By separating out the Australian Intermediated business, I have set it clearer accountabilities and ensured appropriate executive focus. The fundamental insurance capabilities of this business must be stronger so it can continue to support our partners and brokers. This business has underperformed in recent years, and we've prioritised its improvement as a significant opportunity.

We also have a new executive team. This includes three high quality external appointments: Michelle McPherson as CFO (previously CFO and Deputy CEO of listed Health Insurer nib); Jarrod Hill as Group Executive Intermediated Insurance Australia (previously CEO Chubb Australia); and Tim Plant as Chief Insurance & Strategy Officer (previously CEO Zurich General Insurance Australia). Tim's role is a new one for IAG. In it, he will use his deep insurance experience to improve underwriting discipline across the whole company.

Michelle, Jarrod and Tim complement the existing executive team and will help deliver a stronger, more resilient IAG.

In our new structure, every business executive is responsible for making sure the uplift in capability and control environment we have implemented continues. Each insurance business division has an Executive General Manager with responsibility for Product & Pricing. They and their executive are responsible for end-to-end product and pricing control for each brand and customer offer.

Our work to deliver a simpler IAG more focused on our core insurance businesses in Australia and New Zealand received a boost in July when we signed an Implementation Agreement to sell our Malaysian business. While we expect the sale will lead to a loss of approximately \$90 million, it will add around \$150 million to our surplus capital. Even allowing for the expected loss, selling all but the final two of our businesses in Asia has given us a net financial gain of over \$400 million.

Outlook

On an underlying basis, we delivered an insurance margin of just under 14% in FY21 after excluding the net benefit from COVID-19. I'm confident we will improve as a business and grow our customer base in FY22, and in the years beyond.

My confidence stems from actions we are already taking:

- Driving organic customer growth that at least matches the market in our direct insurance businesses in Australia and New Zealand. We are going to expand our premium NRMA Insurance brand; we are targeting trans-Tasman direct small-to-medium enterprises, by using the benefits of our single technology platform for our personal insurance products and the associated ease of doing business with us.
- Improving the underwriting capability to drive profitability in our Australian Intermediated business. My goal is for this business to deliver an annual insurance result of at least \$250 million¹ over the next three to five years. This business is important to us, and it will be a positive contributor to our long-term performance. I have set the new executive of this business specific goals to simplify the business' structure, upgrade its risk and underwriting disciplines, foster relationships with our broker partners, and significantly improve its financial returns.
- Delivering further simplification and efficiencies to reduce the cost structure of the company over the next two to three years. My new organisational structure will help us achieve this outcome by improving clarity and accountability about what we do, and reducing internal complexity allowing us to direct more time and effort on meeting customer needs.

Confidence in our outlook has allowed us to reintroduce guidance² of a 13.5-15.5% reported insurance margin for FY22. This aligns to our aspirational goal to achieve a 15-17% insurance margin over the medium term. The FY22 guidance includes an increase in the natural perils allowance from \$658 million to \$765 million. I will report against this guidance each half year to clearly demonstrate the progress that we are making.

Conclusion

The months since my appointment in November 2020 have provided challenges and rewards, as we operated our business in the uncertain environment created by COVID-19, and addressed several company-specific issues.

We were pleased to continue the COVID-19 customer support measures we introduced in 2020. More than 68,000 policyholders have taken up these measures which include premium reductions and deferrals.

And we were proud to be there for our customers and their communities as they were affected by the high number of extreme weather events that occurred during the year.

I thank our employees who have supported our customers while operating remotely over the last 17 months through COVID-19.

Thank you also to my leadership team for supporting the changes I have already made, and those to come.

And finally, thank you to our Chairman and Directors, for trusting me with this role, at a business I truly am proud to be associated with.

I started working at IAG more than 20 years ago and have always been passionate about the role we play in the community. Our purpose to make the world a safer place guides us to help our customers and make a difference to the communities in which we operate. Our trusted brands and the customer experience they provide are something to be proud of. I am committed to making sure everyone who has a stake in our business shares this sense of pride and I look forward to reporting our progress to you in coming months.

1 The Intermediated Insurance Australia goal is based on the combination of the flow through of operational efficiencies, lower loss ratios driven by a portfolio-led improvement plan and the earn-through of targeted rate increases. The long-tail deterioration experienced in FY21 is expected to improve from FY22 onwards through rate and other initiatives.

2 Full details of the assumptions underlying our guidance are set out in the FY21 investor report, which is available in the Results & Reports area of our website.

Delivering our strategy.

Our strategy: create a stronger, more resilient IAG

 <p>Grow with our customers</p>	<p>We will grow as Australians and New Zealanders grow, delivering unparalleled personalised service when our customers need us the most</p>	<ul style="list-style-type: none"> • Grow the number of direct personal lines customers • Increase the breadth of customer relationships • Drive engagement through more frequent customer interactions
 <p>Build better businesses</p>	<p>We will help Australian and New Zealand businesses thrive by continuing to focus on underwriting expertise, active portfolio management and pricing excellence</p>	<ul style="list-style-type: none"> • Invest in underwriting and pricing capability uplift • Build commercial discipline, reduce volatility and improve margins • Strengthen relationships with our key partners and intermediaries
 <p>Create value through digital</p>	<p>We will be digital to the core by creating connected experiences that seamlessly assist and reward our customers as they unlock the value of our network</p>	<ul style="list-style-type: none"> • Accelerate digital, making it easier for our customers, partners and people to interact with us • Modernise our policy administration systems • Use automation to unlock the next wave of efficiency in our business
 <p>Manage our risks</p>	<p>We will actively manage capital and risk in our business so we can continue to manage the risks in our customers' lives</p>	<ul style="list-style-type: none"> • Clear accountabilities driving focused outcomes • Drive a proactive risk culture to increase organisational resilience • Active management of the balance sheet and capital allocation

Throughout the year, our businesses have taken a number of steps to deliver on our four strategic priorities.

Grow with our customers

This year we attracted more than 75,000 direct brand customers across Australia and New Zealand, growing at almost twice the Australia and New Zealand population growth rate. Our **Direct Insurance Australia** business continued to enhance its product offerings, strengthen partnerships and improve the overall customer experience. Highlights include:

- implementing a Customer Loyalty Platform in Western Australia, South Australia and the Northern Territory as part of the NRMA Insurance online rollout;
- changing policy wordings and processes to comply with recent initiatives designed to enhance customer outcomes. These include the General Insurance Code of Practice, Product Design & Distribution Obligations and the Unfair Contract Terms Act;
- having Carbar source and replace motor vehicles (less than two years old) that are classified as total losses. This has improved the efficiency and effectiveness of the vehicle replacement process for customers. Carbar is an IAG subsidiary acquired in July 2019;
- establishing Home Trades Hub Australia in August 2020 as a joint venture with RACV, to deliver home services to IAG and RACV customers nationally. Home Trades Hub Australia uses a network of qualified tradespeople and professionals to offer a single point of delivery for a range of home repair, maintenance and security services;

- continuing car servicing and customer hub operations through Motorserve (acquired in February 2020). Car servicing operates across 19 sites and provides quality mechanical services to around 80,000 customers. Customer hubs provide a one-stop shop for services including vehicle assessment, repair, servicing and onsite mobility options. Motorserve operates 15 customer hubs and plans to double this footprint in FY22; and
- growing and improving the consistency and quality of repairs through Repairhub, a majority-owned joint venture with RACV and two repair partners. Repairhub contributes to improved customer experience by reducing cycle times, ensuring customers get their cars back more quickly. Repairhub manages 13 sites in metropolitan centres, and there are plans for a further seven sites in FY22.

Intermediated Insurance Australia continues to enhance its product offerings, strengthen partnerships and improve the quality of its customer service. In FY21, the business:

- extended initiatives to support customers suffering hardship as a result of COVID-19; these now form the fundamentals of our hardship program;
- introduced improvements to comply with the General Insurance Code of Practice. IAG assisted over 2,000 customers under the 'Supporting Vulnerable Customers' and 'Financial Hardship' provisions that came into effect 1 January 2021;
- rolled out 'CGU Edge' broker communications to provide brokers with relevant content on product, regulatory and marketing changes; and
- continued the 'CGU Business as Unusual' speaker series.



Key initiatives from our **New Zealand** business included:

- opening a second Repairhub site in Christchurch in May 2021. Repairhub's goal is to respond to customers' feedback for faster high-quality motor repairs and an improved customer experience. It continues to meet performance objectives with over 6,000 vehicles repaired through the first site in Auckland;
- establishing a partnership between AMI and Habitat for Humanity to help improve the lives of 75,000 New Zealanders living in sub-standard homes. Creating safe and healthy homes fits alongside IAG's purpose to make your world a safer place. AMI will work alongside Habitat for Humanity to provide housing basics like curtains and heating, and manage home repairs to help make homes warmer, drier and safer; and
- achieving the Rainbow Tick accreditation, for supporting gender diverse customers. We are supporting customers who wish to be identified on their policies as non-binary, or be identified according to their affirmed gender, which may differ from their gender at birth. Acknowledging this identity respects customers' choices and provides a more equitable customer experience.

Build better businesses

Through focus on underwriting expertise, active portfolio management and pricing excellence, we:

- continued to make progress in improving the performance of our Intermediated Insurance portfolio through targeted remediation;
- leveraged satellite imagery and data analytics delivered by Digital Agricultural Services to improve the quote and renewal process for WFI;
- continued to strengthen the performance of our NZI business;
- exited as an agent of Worksafe in the Victorian Workers' Compensation scheme; and
- delivered the first tranche of our pricing capability uplift.

Create value through digital

Our work to create connected experiences that seamlessly assist and reward our customers saw us:

- win a global award from Step Two Intranet and Digital Workplace Awards for our Digital Employee Experience;
- decommission 50+ legacy technology assets; and
- return 110,000 hours of efficiency to the organisation through robotic process automation.

Our **Direct Insurance Australia** business continues to prioritise investment in digital initiatives, with notable developments including:

- continued growth in our online sales channel: NRMA Insurance now conducts around 37% of new business sales and renewals online;

- continued investment in personalised digital customer journeys including an enhanced Digital Expert Advice (Robo Advice) tool for small businesses, due to launch in FY22;
- a redesigned motor total loss claims experience which has significantly reduced the claims settlement process; and
- sending more than 400,000 automated SMSs to customers to keep them better informed throughout the motor and home repair process.

Investment in digital initiatives remains an ongoing priority for **Intermediated Insurance Australia**. The past year's activities included:

- renewing the "OneAffiniti" digital agency that launched in April 2020. This CGU initiative allows participating broker partners access to tailored digital marketing and expertise to improve their client engagement;
- launching "AMPLIFY", a technology solution that allows brokers to share pre-approved CGU social media content; and
- implementing a digital workflow management solution within CGU to simplify ways of working and improve productivity and operational efficiencies.

COVID-19 provided our **New Zealand** business with a catalyst for a marked shift to digital channels as customers benefited from having more flexibility in how and when they interact. Progress on digital initiatives included:

- closing 53 AMI branches in response to a change in customer behaviours, partly accelerated by COVID-19 with more customers choosing to engage with us via phone, email and through our website;
- enhancing the "My AMI" portal to enable AMI personal lines customers to view and download all current and historical insurance documents online, without the need to call IAG; and
- launching a quote and buy portal in June 2021, allowing State small-to-medium enterprise customers to obtain quotes and purchase policies online, providing customer choice and flexibility.

Manage our risks

To actively manage capital and risk in our business so we can continue to manage the risks in our customers' lives, we have:

- implemented a new operating model to drive clarity of accountability and enable strategy execution;
- delivered just over 20,000 hours of training via our rQ Academy to more than 7,000 employees. This is all voluntary training above the mandated training modules;
- launched a company-wide Risk academy and implemented our ServiceNow risk management system;
- published our Family and Domestic Violence Policy; and
- launched a culture program – The IAG Way – to unite employees around a *ready for anything* and risk intelligent mindset.

Direct Insurance Australia.

Direct Insurance Australia is our largest division and plays an integral role in delivering on our strategic pillar to *Grow with our customers* by increasing customer reach and delivering personalised, digitally-enabled services.

The business holds the largest share in direct personal insurance in Australia, selling products under multiple leading brands including NRMA Insurance, RACV, CGU, SGIO and SGIC. The business also provides direct insurance to small-to-medium enterprises, which we see as a significant growth opportunity.

FY21 performance

In FY21, Direct Insurance Australia increased the number of customers it served by some 1.2% to around 4.8 million and provided around 8.6 million policies.

The business reported gross written premium of \$5,772 million, an increase of 4.3% over FY20. Growth was driven by both increased volumes and higher rates across personal short-tail classes, that broadly matched claims inflation.

Direct Insurance Australia's insurance profit was \$718 million, up from \$627 million in FY20. This equates to a higher reported insurance margin of 20.7%, compared to 18.7% in FY20, which included the net effect of a lower underlying margin, a significantly lower experience of extreme weather and bushfires in FY21 and credit spread gains in FY21, compared to losses in FY20.

Direct Insurance Australia's FY21 underlying margin of 21.4% was lower than the prior year's 26.1%, affected by three key elements:

- underlying margins in FY20 assumed a normalised level of reserve releases of 1% of net earned premium, in line with IAG's definition of underlying margins at the time, whereas no normalised releases are assumed from FY21;
- a net COVID-19 benefit of around \$60-\$70 million in the first half of FY21, predominantly from reduced motor claims frequency; and
- a net COVID-19 benefit of around \$100 million in the second half of FY20 for similar reasons.

Excluding these impacts, the underlying margin was around 20% in FY21, which is approximately 2.0% below the equivalent metric for FY20. Key drivers of the year-on-year movement included:

- a greater than 1% increase in the administration expense ratio (ex levies) reflecting the combined impact of increased technology, compliance, governance and corporate insurance spend; and costs associated with the transition to the new operating model (non-recurring); and
- reduction in the running yield on investments reflecting the lower interest rate environment.

Personal short tail

Personal short tail gross written premium grew by 4.5% compared to FY20, driven primarily by rate increases. Motor premium increased 3.6% relative to FY20, from average rate increases that reflected claims inflation trends, supplemented by growth in overall customer numbers. Home premium rose by 5.7%, primarily derived from rate increases, with overall volumes modestly lower. Renewal levels for both motor and home have remained high and stable.

Gross written premium from niche and other short tail lines, comprising boat, caravan and veteran and classic car, was around 10% higher than FY20, reflecting rate and volume growth.

Personal long tail

Long tail (Compulsory Third Party) premium grew by 2.3% and reflected an increased volume in South Australia, an approximately 3% decline in New South Wales premium, and a more than 20% decrease in Australian Capital Territory premium.

Direct commercial

The direct commercial portfolio achieved premium growth of 6.8%, reflecting robust volume growth as the Australian economy recovered from the initial impact of COVID-19. Growth was supported by digital and product enhancements. Direct distribution to small-to-medium enterprises will be an area of focus for potential future growth.

Customer and digital initiatives

Details of our FY21 customer and digital initiatives are set out in the Delivering our Strategy section on pages 06-07 of this review.

Gross written premium (\$m)

2021	5,772
2020	5,533

Insurance profit (\$m)

2021	718
2020	627

Detailed information about our Direct Insurance Australia results is contained in the FY21 Investor Report which is available in the Results & Reports area of our website (www.iag.com.au).

* IAG has reported separate results for the two new divisions of Direct Insurance Australia and Intermediated Insurance Australia for the FY21 result and prior year comparative results have been restated accordingly.

Brad Robson, EGM Agencies (left) and Daniel Flynn, Thankyou Managing Director & Co-Founder, present a CGU 'Business as Unusual' broker webinar during a COVID-19 lockdown.

Intermediated Insurance Australia.

Intermediated Insurance Australia is a leading provider of general insurance products sold through a network of intermediaries to businesses and individuals across Australia.

It sells commercial insurance under the CGU and WFI brands, with a significant share of the small-to-medium enterprise market and a leading presence in rural areas. The division also provides personal insurance primarily through broker and partner channels, including brands such as Coles and a number of affinity and financial institution partnerships.

FY21 performance

Intermediated Insurance Australia reported gross written premium of \$4,048 million in FY21, an increase of 5.6% compared to FY20. Rate increases remained a dominant feature across the business and averaged around 8% over the year. Retention rates remained stable at high levels, a contrast to pressure on volumes experienced in recent years.

The business reported an insurance loss of \$10 million in FY21, which was a significant improvement on the prior year's loss of \$207 million. Both years' results were affected by reserve strengthening on long tail commercial classes. The prior year was also affected by the impact of natural perils costs well above allowances.

Intermediated Insurance Australia's underlying margin in the second half of FY20 was adversely affected by around \$100 million of COVID-19 effects. Further, the underlying margin definition for FY20 included a 1% normalised reserve release assumption, which is no longer being applied. Excluding these items, Intermediated Insurance Australia was profitable across FY20 and FY21, however returns remain well below acceptable levels. On a like-for-like basis, the underlying margin was around 3.9% in FY21, compared to approximately 2.5% in FY20.

Commercial Short Tail

Commercial Short Tail gross written premium grew by 6.3% in FY21 reflecting:

- rate movements that continued to vary by segment. While many small-to-medium enterprise products achieved mid-single digit rate increases, CGU speciality lines such as property, construction and engineering and WFI averaged double-digit average rate increases;
- volume reductions due to a competitive market for Business packaged products and ongoing remediation activity across certain rural portfolios;

- improvement in crop insurance volumes compared to FY20, following the easing of drought conditions in New South Wales and Queensland; and
- underwriting agencies delivering low double-digit gross written premium growth compared to FY20. This was driven by the continued strong performance of the NTI heavy haulage business and rate-driven growth in Strata.

Commercial Long Tail

Commercial Long Tail gross written premium grew by 10.9%, reflecting:

- double-digit rate increases across professional risk and liability portfolios to address adverse claims inflation with workers' compensation achieving mid-single digit increases; and
- workers' compensation premium increasing by low double-digits primarily reflecting higher multi-year policy volumes in FY21 and focused portfolio pricing activity in the Western Australia, Australian Capital Territory and Tasmanian schemes.

Personal

Intermediated Insurance Australia's personal brands include Coles, CGU, IAL Steadfast and WFI, which are sold via brokers and other partners. Gross written premium in FY21 was relatively flat compared to the prior year, reflecting the combined impact of:

- high single-digit rate increases achieved across brokered lines and IAL Steadfast, and mid-single digit rate increases in other partner channels; and
- volume loss in IAL Steadfast and Coles owing to the impact of increasing rates, partly offset by growth in brokered lines.

Customer and digital initiatives

Details of our FY21 customer and digital initiatives are set out in the Delivering our Strategy section on pages 06-07 of this review.

	Gross written premium (\$m)	Insurance loss (\$m)
2021	4,048	(10)
2020	3,834	(207)

Detailed information about our Intermediated Insurance Australia results is contained in the FY21 Investor Report which is available in the Results & Reports area of our website (www.iag.com.au).

* IAG has reported separate results for the two new divisions of Direct Insurance Australia and Intermediated Insurance Australia for the FY21 result and prior year comparative results have been restated accordingly.

Operating performance



New Zealand.

New Zealand

IAG is the largest general insurer in New Zealand, trading under the State, NZI, AMI and Lumley brands. Our Consumer Division sells products directly to customers under the State, AMI and Lantern brands, and distributes products through IAG's banking partners ASB, Westpac, BNZ and the Co-Operative Bank. The Business Division distributes products through a nationwide network of qualified and experienced brokers under the NZI and Lumley brands.

FY21 performance

New Zealand's local currency gross written premium grew by 2.8% in FY21, to NZ\$2,984 million (FY20: NZ\$2,904 million) as a result of:

- solid premium growth from Business, driven by volume increases in the commercial property, private and commercial motor portfolios, and higher rates across most key portfolios; and
- sound premium growth from Consumer, with increased rates across all key portfolios, and volume growth in the direct commercial motor book, more than offset by a reduction in the personal lines portfolios.

In reported terms, New Zealand recorded FY21 gross written premium growth of 0.9% to \$2,778 million, reflecting a modestly unfavourable foreign exchange translation effect. There were no material COVID-19 impacts in FY21.

New Zealand achieved an insurance profit of \$305 million in FY21, compared to \$330 million in FY20. This translated to a reported insurance margin of 19.0% (FY20: 20.2%).

A lower FY21 underlying margin of 16.4% (FY20: 18.6%) partly reflected a return to a pre-COVID-19 claims environment after FY20, when there was lower claims frequency. There were also impacts from some transitional costs associated with IAG's new operating model and a property consolidation provision.

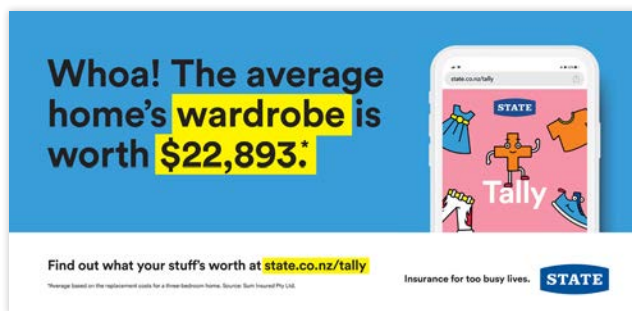
Business

Business represented 44% of New Zealand's gross written premium in FY21, consistent with the prior year, and achieved local currency growth of 3.2%.

Performance was led by the commercial property and construction and engineering portfolios, which achieved strong growth from a combination of increased volume and higher rates. Premium across both the liability and commercial motor portfolios was broadly in line with prior year levels.

Retention rates continued to be strong, with key commercial portfolios in line with or higher than FY20 levels. Overall, new business growth was slightly down on prior year levels.

Business' personal lines gross written premium was stable compared with the prior year, with lower volumes in the home portfolios offsetting volume growth in motor. The division continues to reinforce disciplined underwriting and appropriately price for risk.



Consumer

Consumer represented 56% of New Zealand's gross written premium in FY21 and achieved local currency growth of 2.4%.

Growth was led by the direct (State and AMI) brands, primarily through rate increases across all key personal lines portfolios. There was volume growth in the State motor and AMI homeowner portfolios, offset by softer volumes in other portfolios.

Direct new business levels remained strong, with all personal line portfolios ahead of last year, although Direct retention rates were slightly down on prior year levels.

Gross written premium for personal lines written through bank partners remained broadly in line with FY20. Retention rates remain strong and are in line with prior year levels, and higher rates are offsetting lower new business growth.

Consumer's direct commercial lines portfolio achieved solid gross written premium growth in FY21 largely driven by rate increases across all key portfolios, along with some volume growth in commercial motor.

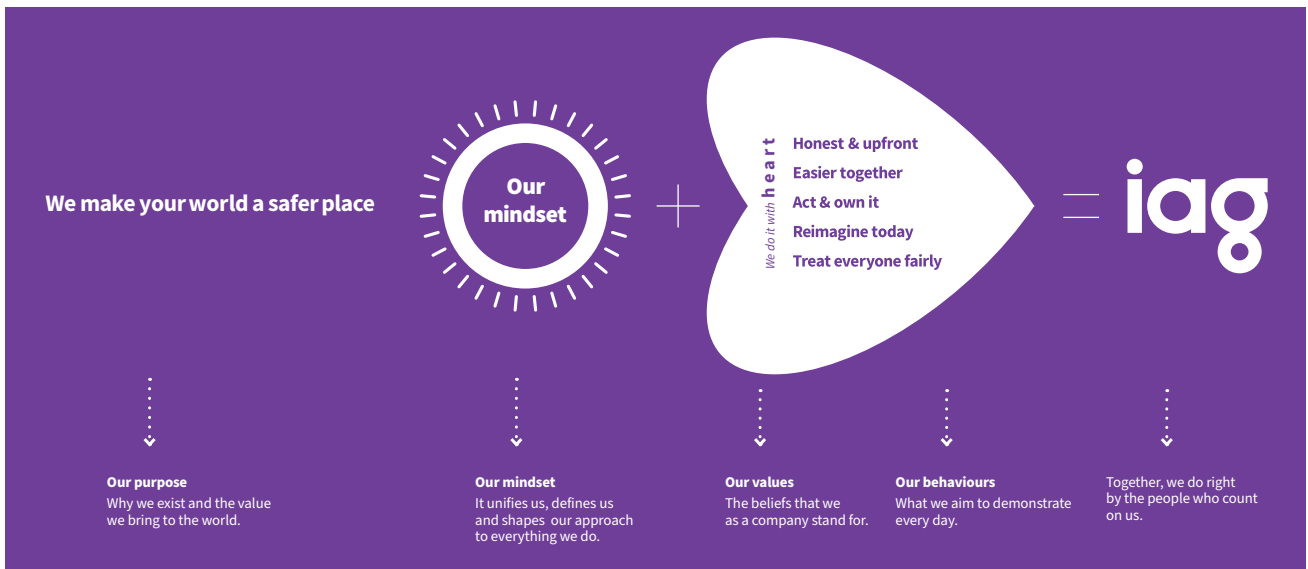
Customer and digital initiatives

Details of our FY21 customer and digital initiatives are set out in the Delivering our Strategy section on pages 06-07 of this review.

	Gross written premium (\$m)	Insurance profit (\$m)
2021	2,778	305
2020	2,754	330

Detailed information about our New Zealand results is contained in the FY21 Investor Report which is available in the Results & Reports area of our website (www.iag.com.au).

Our Culture: The IAG Way.



Creating a stronger and more resilient business starts with our people and our culture.

During FY21, we focused on further strengthening our culture to deliver on our purpose and to enable the next phase of our strategy focused on deeper customer engagement and transition to growth.

The IAG Way (set out above), was introduced to give us clear focus on who we are, what we stand for and how we need to behave to deliver positive outcomes for our customers, our communities, and our people.

We continue to review our practices to consistently embed and continually reinforce The IAG Way.

Measuring our culture

IAG reports on a range of people-related outcomes to help us understand how our people feel about their workplace, and what improvements we need to make. Information is gathered through quarterly culture pulse surveys which provide insights into our company’s cultural health and help us act to improve the people experience and mitigate risks. Our most recent quarterly pulse survey, in June 2021, was completed by 76% of our people.

We have two key measures of culture. The first is our employee net promoter score, which reflects how likely people are to recommend IAG as a place to work – and our results show they continue to be confident in doing this. As at 30 June 2021, our rolling 12-month average employee net promoter score was +46, down slightly from the 12-month rolling average of +50 for the period ended 30 June 2020. This outcome indicates our people feel confident to recommend IAG as a place to work. Flexible work practices, supportive team culture and the quality of leadership are key reasons supporting our employees’ advocacy. Employee wellbeing and the impact of organisational change remain key focus areas to manage in the future.

The second culture measure covers a range of agility indicators (Leadership Effectiveness, Connectedness and Decision Making). These indicators help IAG understand how our people experience leadership and decision making, and how connected they feel to the company and each other. Results remained consistent throughout the year. People experience positive leadership (4.16/5), feel empowered to make decisions (4.09/5), and feel connected to their team and IAG (3.95/5).

People

FY22 will see the implementation of an evolved approach to measuring culture. This approach brings together insights across People, Risk and Customer to form “one view of culture” that enables us to holistically assess and generate culture insights that we can act on. This “one view of culture” also provides clarity and guidance for IAG on organisational culture and its impact through to risk management and risk culture.

Workplace safety and wellbeing

Throughout FY21, IAG continued to focus on the safety and wellbeing of our people while responding to the changing nature of COVID-19.

Our Safety and Wellbeing Strategy helped create safe and inclusive environments that supported physical, emotional, financial and social wellbeing for all our people. The Strategy is underpinned by IAG’s Safety and Wellbeing Policy and Framework, which outlines the minimum standards for the management and compliance of safety and wellbeing risks across all IAG’s New Zealand and Australian businesses.

To support the ongoing wellbeing of our people, we implemented a number of targeted projects, including tailored webinars on the subjects of resilience through COVID-19, developing a flexible mindset, working safely from home, staying connected and changing your relationship with stress. People leaders were supported with initiatives including a Leaders Psychoeducation Roundtable and guidance on managing teams remotely. RUOK Day 2020 was embraced by many people, who used it to connect with and support colleagues, and access resources such as IAG’s mental health conversations 4 Rs model (Recognise, Respond, Refer and Reconnect) and a Mental Health Crisis Support Card, helping people to support someone in need.

Supporting our people through COVID-19 remains a priority. As part of this support, our people are being provided with two blocks of leave, of up to four hours each, to get their vaccinations.

The Working from Home (WFH) process is a key component of our flexible working practices and supports the safety and wellbeing of all our people, regardless of how often they work remotely. The ongoing impact of COVID-19 has seen an increase in the number of people and range of roles now WFH. As a result, the process now includes a visual assessment of people’s workplace set-up and a stronger focus on staying connected and supporting positive wellbeing. These changes better support ongoing conversations between the employee and their people leader and help to identify potential adjustments or additional support to reduce the risk of injury or illness. Our continued focus on the future of work and emerging risks will ensure ongoing support for flexible and permanent working from home arrangements for our people.

Over the year, around 13% of our people accessed our Employee Assistance Program for support. During Safety Month Activities in October, we launched an internal tips and tricks campaign on staying physically healthy and mentally fit, with people sharing their stories and advice.

Our Lost Time Injury Frequency Rates remains stable at zero in New Zealand and 1.55 in Australia.

Supporting a diverse and inclusive workplace

We are committed to creating an inclusive culture where people from all backgrounds can be themselves at work and feel a sense of belonging. Our focus is on improving equity, accessibility and flexibility. Improvement in these areas supports our workforce sustainability and builds competitive advantage by aligning us more closely with our customer base.

Equity

Equity recognises that we all have different aspirations, and different barriers to achieving these aspirations. Some people need more support than others, including women, First Nations people and employees who identify as LGBTQ.

Women in senior management

In FY21, we met our target for women to hold 40% of senior management positions, achieving 41% as at 30 June 2020. As a sign of our continued commitment, we are on track to meet our 2023 target of 50% women in senior management with 43% women in senior management roles as at 30 June 2021. We define senior management roles as our group executive, executive general managers and the people who report to them. More broadly, women constitute 59% of our workforce.

Further information on IAG’s gender diversity is available in IAG’s Workplace Gender Equality report available at www.iag.com.au/careers.

Gender Pay Parity

We continue to focus on gender pay parity across the company. We do this through regular ‘like for like’ role analysis as well as analysis of average pay differences across the company, taking action where unexplainable differences are identified.

Male to female annual salary ratio (Average) (\$)

	Australia		New Zealand	
	FY21	FY20	FY21	FY20
General Employees	1.1	1.1	1.22	1.23
Manager/Senior Specialist	1.08	1.07	1.12	1.15
Senior Manager	1.03	1.02	1.03	1.04
Heads Of/General Manager	1.09	1.01	1.06	N/R

Payroll compliance review

IAG has been conducting an ongoing payroll compliance review in Australia and Singapore across a number of payroll-related procedures to identify where employees may not have received their full entitlements. We initiated this review to verify that employee obligations have been met and to reconcile any errors. In our FY21 results, IAG recorded a pre-tax charge of \$56 million for remediation payments to current and former employees identified by the review and related costs, \$5 million of which relates to current year entitlements. Given the level of complexity and detail involved, we expect the review will continue throughout 2021.

Aboriginal and Torres Strait Islander employment

As part of our Elevate Reconciliation Action Plan, we are committed to increasing Aboriginal and Torres Strait Islander employment to 2% of our Australian workforce by December 2021 and to 3% by 2023. As at 30 June 2020, our First Nations representation was 1.05%, which represented 90 Indigenous employees. This year, our Aboriginal and Torres Strait Islander participation rate at 30 June 2021 increased to 1.5%, or 129 First Nations employees.

We are taking a number of steps to help us grow our representation and retention of First Nations employees. This year, we continued to grow the IAG First Nations Employee Network Group to create a greater sense of belonging and inclusivity for our First Nations people. We continued to provide cultural awareness sessions for targeted key stakeholders, refreshed our online cultural eLearning modules, and provided 19 CareerTrackers internships.



Our Elevate Reconciliation Action Plan commitments provide a strong pathway to help us achieve our targets and can be viewed on our website's reconciliation page (www.iag.com.au/reconciliation).

LGBTQ inclusion

We are proud that our Australian and New Zealand workplaces have been certified as supportive, productive and inclusive workplaces for LGBTQ people. This year we were awarded an Australian Workplace Equality Index (AWEI) Bronze Status for the third year in a row and the New Zealand Rainbow Tick certification for the fourth consecutive year.

Employee Network Groups

To bring together people who want to create a more inclusive environment for everyone, we have a number of Employee Network Groups. These groups are: First Nations, Pride, Matou Tagata Pasifika, Accessibility, Families, Haven, Mind Health and Celebrating Women. In New Zealand we recently established te Komiti Whakahaere Māori to oversee our Māori strategy.

Accessibility

IAG continues to focus on addressing accessibility barriers for our people and our customers in Australia and New Zealand. This includes improving processes to attract and onboard employees who live with disability; improving workplace adjustment processes to more effectively accommodate people with accessibility requirements; and continuing to improve digital accessibility for our employees and customers.

In FY21, in partnership with the Australian Network on Disability, IAG continued to pursue a number of important accessibility initiatives. We are developing a workplace adjustment program to ensure all employees are able to have the right adjustments made for them in the workplace. We continue to develop our early careers programs to include opportunities for people with disabilities and have welcomed 28 interns through the Stepping Into program. We have also mentored 14 job seekers through Pace Mentoring and promoted the inclusion of people with disabilities through internal awareness campaigns. IAG also completed the Australian Network on Disability self-assessment to better understand the progress we have made and enhance the roadmap we must follow to make IAG more accessible to both customers and our colleagues.

Flexibility

We continue to use our MyFlex Program to provide a range of flexible working options for our people.

In 2020, our culture survey showed that approximately 74% of our people worked flexibly. We moved quickly to enable 98% of our workforce to work remotely during COVID-19; and many of our people continue to do so, or use a hybrid of working from home and the office.

We also continue to invest in flexible working initiatives and technologies. Attune, previously known as Switch, enables our contact centre employees to change their working times and hours online to suit how and when they wish to work. Since 2019, Attune has been used by more than 300 IAG contact centre consultants and has enabled more than 10,000 shift changes, supporting greater flexibility.

Expanded leave provisions

Recognising that our people may experience a range of situations away from work, our updated Enterprise Agreement that came into effect this year includes additional leave provisions for NAIDOC Week, gender affirmation, late miscarriage, loss of baby and family and domestic violence.

Understanding our material issues.

Identifying IAG’s material issues helps us to understand the economic, social and environmental impacts to our business and the impact we have on the economy, society and the environment through operating our business. Applying a materiality process ensures that we are best placed to manage these impacts. Our material issues inform our enterprise-wide Safer Communities Business Plan and frame our reporting.

In FY21 we identified an opportunity to further embed our materiality process and material issues into the business. From FY22 we will run the process in the first quarter of the year (rather than the fourth), better aligning to our Enterprise Risk Profile, trends analysis and strategy setting, and business planning cycles. This year we continued to focus on the material issues identified in FY20, which are represented in the matrix below:



While we have not run a full stakeholder engagement process for this year’s materiality assessment, we did survey our customers to understand which issues they think are most important, and to validate our continued use of the FY20 material issues. In FY22 we are aiming to increase engagement in the process to ensure we continue to consider a broad range of stakeholder views.

The most important issues to our customers have remained fairly consistent over the last three years, with **access and affordability**, **privacy and data security** and **post-disaster relief and emergency response** the top three issues. In general, customers rate as more important those issues they see as directly affecting them and their livelihoods.

United Nations Sustainable Development Goals (UN SDGs)

Although the work we do can contribute to many of the UN SDGs, we have prioritised four where we believe we can have the biggest impact. These are UN SDG 8 – Decent work and economic growth, SDG 9 – Industry, innovation and infrastructure, SDG 11 – Sustainable cities and communities and SDG 13 Climate action.

As well as identifying our ability to support the delivery of UN SDG goals, we recognise the importance of considering where our activities may detract from their delivery. This year we assessed our internal mapping, taking into account both positive and negative impact on the goals. We have also identified which key metrics align to the SDGs and their associated targets in our ESG data summary.

More detail of our materiality process, approach to the UN SDGs and our ESG data summary can be found in the Safer Communities section of www.iag.com.au.

Focusing our approach.

Our purpose is to make your world a safer place. The Safer Communities enterprise-wide business plan supports the delivery of this purpose, our four strategic pillars and the management of ESG risks and opportunities for IAG. Our approach is shaped by our material issues and external frameworks, including the UN SDGs.

<p>Ambition: Work with people and communities to improve their resilience, so they increasingly feel ready for anything</p>		
<p>Our priority area: where we can make the most meaningful difference</p>	<p>Climate and Disaster Resilience</p> <p>We focus on enabling communities in Australia and New Zealand to better prepare for, adapt and respond to the impacts of natural hazards and climate change. We do this by reducing risk, playing a role in community-led resilience and managing our own climate risk and impacts. Using our unique capabilities to deliver this work allows us to create commercial opportunities.</p>	
<p>Our foundations: maintaining IAG’s social licence to operate and connecting its people to purpose</p>	<p>Responsible and Ethical Business</p> <p>We deliver commercial benefit and an uplift in trust by being a responsible and ethical business that meets the expectations of our customers and communities. We do this through robust ESG risk management and transparent sustainability disclosure.</p>	<p>IAG Community Connection</p> <p>We play a role in safer and more resilient communities by connecting our people to IAG’s purpose through our community partners. This supports their personal development and increases employee engagement and advocacy.</p>

During FY21, in consultation with internal and external stakeholders, we refined our Safer Communities business plan to further prioritise our work on understanding and managing climate impacts and improving resilience to extreme weather events. By leveraging our capabilities, expertise and commitment to purpose we believe **Climate and Disaster Resilience** is an area where we can make the most meaningful difference for communities and customers, while supporting our commercial success.

The ability to drive change and have a positive impact in this area for both IAG and the community is facilitated by continuing to get the essentials right. This includes meeting the expectations of our key stakeholders as we operate our business and maintaining a social licence to operate. It is also important that we support our own people in their community contributions and connect them meaningfully to IAG’s purpose. We do this through: **Responsible and Ethical Business** and **IAG Community Connection**.

“Prioritising our focus on Climate and Disaster Resilience enables us to deliver impact at scale. FY21 has helped us build strong foundations and we’re excited we’ve been able to significantly increase the number of customers and community members taking preparedness action. We look forward to driving further scale and engagement with our customers and communities in FY22.”

JEN COBLEY AND GEORGIA WHITBREAD
 Executive Manager, Disaster Resilience – Safer Communities.
 Jen and Georgia work on a job share basis that allows them flexibility and ensures IAG supports talent development



Prioritising in a changing climate.

This year we have further prioritised our work to address Climate and Disaster Resilience. We focus on enabling communities in Australia and New Zealand to better prepare for, adapt and respond to the impacts of natural hazards and climate change. We do this by reducing risk, building community-led resilience and managing our own climate risks and impacts. Using our unique capabilities to deliver this work allows us to create commercial opportunities.

Collaboration and leadership on climate action

We know climate and disaster resilience cannot be tackled in isolation and throughout FY21 we continued to collaborate, share expertise and advocate for change.

This year we maintained our involvement in the Australian Sustainable Finance Institute (ASFI), including our ongoing co-chair role and contributing to the development of a Roadmap which was released in November 2020 and has a strong focus on climate change. The Roadmap includes 37 commitments aimed at aligning Australia's financial system to 'support a thriving Australian society, a healthy environment and a strong and prosperous economy'. To support the implementation of the Roadmap, IAG has become the first founding member of the newly created permanent ASFI body created to drive the implementation of the Roadmap. In addition, our CFO Michelle McPherson will join the newly created permanent Board.

We also contributed to the equivalent Roadmap for Action in New Zealand, developed by the New Zealand Sustainable Finance Forum. At an industry level, we continued to play an active role in the Insurance Council of Australia's Climate Change Action Committee and related subcommittees.

In November 2020 IAG released the second peer-reviewed edition of *Severe Weather in a Changing Climate* in partnership with the US-based National Center for Atmospheric Research. The report draws on the expertise within IAG's Natural Perils team and builds on the first report which was released in 2019. It uses the latest scientific findings and discusses the increasing risk of multiple types of natural disasters impacting Australia. In contributing to the report, IAG made a deliberate decision to publish its internal research to help other stakeholders across our industry better understand physical climate risk.

From our research, claims data and engagement with our peers and the community, we know the impacts of climate change are growing, as is the risk they pose to our core operations. The risks, impacts and opportunities climate change presents are seen across our business value chain, from our investments, to products and pricing, to supporting customers through their claims.

We continue to see communities affected by the growing social and financial impacts of climate change. With extreme rain and flooding events in both Australia and New Zealand this year, the challenge of continuing to provide accessible and affordable insurance to areas

vulnerable to severe flooding has come into sharp focus. During the flood events in New South Wales this year, we are aware some customers experienced underinsurance, in some cases because optional flood cover was not added on to a standard property policy due to the higher premiums. We recognise the pressing nature of this societal challenge and the impact on our customers and the future viability of our products. We are continuing our focus on the complex issue of pricing for physical risk and working with customers and communities to help them understand their risks and the actions they need to take to be more resilient. These two issues are at the core of our focus on Climate and Disaster Resilience and have driven our work this year.

Managing our climate risks

In the face of these growing challenges and the complexity of the impacts of climate change, we have continued to evolve our approach to the risks and opportunities climate change presents:

- **Embedding in strategy** – when setting our strategy, we recognise climate change as a key trend that directly influences the stability and growth of our business. This year we have worked to ensure climate risk management is embedded within the four pillars of our strategy, which was refreshed this year.
- **Deepening our understanding of risks and opportunities** – we know even the most conservative future climate predictions will have a material medium to long-term impact on our business and customers. We have undertaken physical, transition and litigation risk modelling and these assessments confirmed that physical risks present the most material short, medium and long-term risks to IAG's business. This year we continued to evolve our understanding by using the latest climate science to inform our catastrophe modelling. We undertook physical risk modelling assessments for three potential temperature scenarios (+1.5°C, +2°C and >+3°C) and transition risk modelling for a range of policy stretch and business as usual scenarios for Australia and New Zealand (+1.5°C, +2°C and +4°C). This modelling helps us understand the impacts of future climate scenarios on insurance premiums and reinsurance requirements.
- **Moving from risk assessment to control effectiveness** – as we have further embedded the understanding of climate risk in our Enterprise Risk Profile, we have focused on uplifting control effectiveness. IAG's Climate Action Plan includes a suite of programs and initiatives that form the key controls for managing climate-related risks. These will be informed and improved by the ongoing work to further quantify impacts.

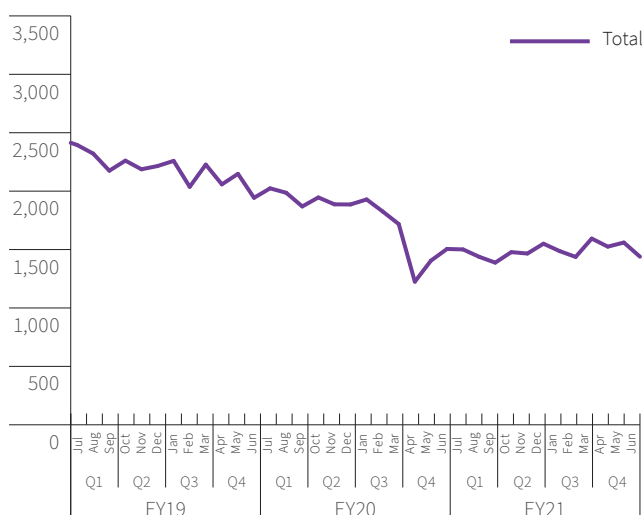
Detail of this work can be found in our fourth climate-related disclosure aligned to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Our disclosure addresses how we are managing climate risks and opportunities through governance, strategy, risk management, and metrics and targets. It can be read in full at www.iag.com.au.

Managing our emissions

We continued to manage climate change impacts and have further strengthened our public commitments during the year.

We have been carbon neutral since 2012 and have set science-based absolute emission targets for scope 1 and 2 emissions to meet the Paris Agreement commitments to keep climate change below 2°C. Using financial year 2018 as a baseline, the targets for scope 1 and 2 emissions were a 20% reduction by 2020, which we achieved, and then 43% by 2025, 71% by 2030 and 95% by 2050. This year we achieved a 15% reduction in our scope 1 and 2 emissions to 18,059 tonnes CO₂e and we remain on track to meet our 2025 science-based target. The continued downward trend in our total emissions (scope 1 and 2), is shown on Figure 1.

Figure 1: Scope 1 and 2 emissions trend (tCO₂e)



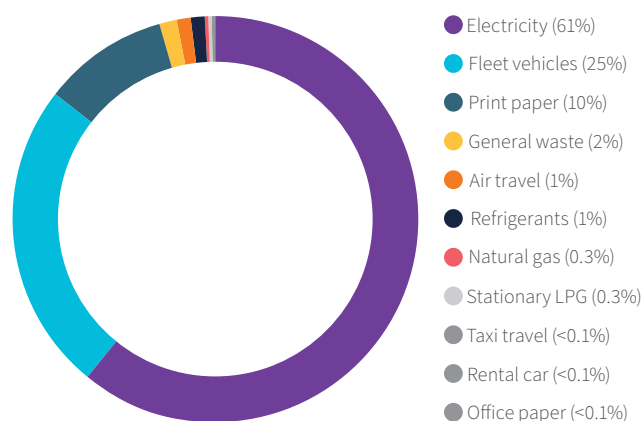
Our year-on-year reduction in emissions has continued to be driven in part by the impacts of COVID-19, through a reduction in operational energy and reduced travel and transport activities. This is illustrated in figure 1 below by a slight increase in recent months as many COVID-19 restrictions were lifted across Australia and New Zealand.

We continue to actively pursue emissions reduction opportunities that materially reduce our emissions. These include upgrading end-of-life assets to more energy efficient models (for example the chillers in our Melbourne Data Centre); office renovations to improve efficiency and consolidate floor space at our West Perth site (with an additional three sites in the pipeline for retrofits in FY22); and upgrading to new, more fuel-efficient vehicles within our tool of trade fleet.

In New Zealand we made the commitment to transition to electric and hybrid vehicles and reduce the size of our fleet.

Figure 2 breaks down our emissions profile to show the majority of our impacts come from electricity use and fleet vehicles, which is why we continue to focus our emissions reduction programs in these areas.

Figure 2: Total GHG emissions profile (tCO₂e) by source



Our impact goes beyond managing emissions within our operations, it also covers our investments, underwriting and supply chain. This year we strengthened our investment approach with a new commitment in our Climate Action Plan aligning our investment activity with net-zero portfolio emissions by 2050, in line with the goals of the Paris Agreement. Progress on this, and our commitment to cease underwriting entities predominantly in the business of extracting fossil fuels and power generation from fossil fuels by 2023, can be found in the metrics section of our climate-related disclosure on www.iag.com.au.

Our Climate Action Plan lays out IAG’s commitments and actions needed to tackle the impacts of climate change to our business. Our current Action Plan was launched in 2018 and comes to an end in October 2021. We will share our final scorecard in FY22 alongside the launch of the next evolution of the Climate Action Plan for FY22-24.

This year we completed the installation of a 99kW solar system on our Melbourne Data Centre. The panels are now operating and generating around \$1,400 of clean energy each month. The system is expected to generate over 100 megawatt hours of energy each year, equivalent to reducing 116tCO₂e of IAG’s annual emissions, which equates to approximately 0.9% of IAG’s scope 2 emissions. This has roughly the same impact as planting 5,000 mature trees or neutralising the impact of 50 cars.

The installation was driven by David Wait, the manager of our data centre who saw the opportunity to make a difference.

“The more I understood the problem, the more I realised I could become part of the solution. There were two things that really stood out to me: investing in renewables and doing something in your community.”

DAVID WAIT
IAG Data Centre Services Manager



Building resilience.



Enabling communities to better prepare for, adapt and respond to the impacts of natural hazards

We continue to see the impacts natural hazards have on communities in Australia and New Zealand. With climate change increasing the frequency and severity of natural hazards, it is important we play a role in helping our customers and communities understand their risks, recommending actions they can take to reduce those risks, and how they can build resilience. We know more resilient communities bounce back quicker when disasters happen.

Understanding our customers' and communities' views on Climate and Disaster Resilience

So we can have meaningful impact, we base our approach on a deep understanding of our customers and communities. During FY21 we continued research to understand views of Climate and Disaster Resilience. The customer survey we ran as part of our materiality process showed an increase in customers rating climate change and its impacts as the most important issue, moving from one in 16 customers in 2020 to one in 10 in 2021. In addition, four in 10 customers agreed that climate change has an impact on their insurance choices.

For the last four years we have run our Climate Poll in New Zealand to understand New Zealanders' attitudes to climate change, their readiness to adapt, and expectations of business and government. The survey found 79% agreed that climate change is important to them, with 55% saying they are already taking steps to reduce the impact climate change will have on them. However, only 32% said they felt they had all the information they needed about those impacts and how to reduce them.

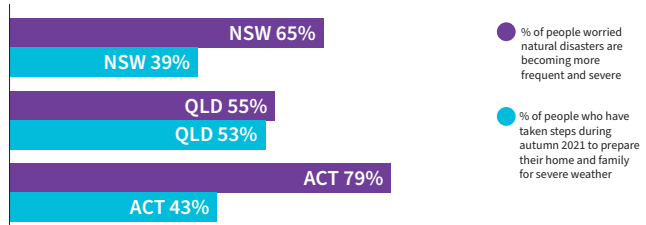
In Australia we have used customer surveys and feedback on product preferences to focus on developing a deeper understanding of our customers' and communities' understanding of the impact natural hazards are having and the importance of being prepared.

This year we released the first NRMA Insurance Wild Weather Tracker, a seasonal analysis of NRMA Insurance claims data and research on consumer attitudes on natural hazards, climate change, and preparedness levels. This tracker will be released quarterly and aims to help people understand the impact natural hazards are having in their communities.

Figure 4 provides a seasonal comparison from 2015 to 2021, illustrating the recent impact of bushfire and floods.

The tracker included consumer research, which showed people were concerned that natural disasters were becoming more frequent; however there were low levels of action being taken by

Figure 3: Consumer research from the NRMA Insurance Wild Weather Tracker



people to prepare their homes for severe weather. This is illustrated in Figure 3.

Helping our customers and the community understand and reduce their risk

NRMA Insurance's First Saturday campaign is a great example of where we have used our insights and the reach of our brands to work at scale to help people understand their risk and take action to reduce it. The campaign has focused on supporting community resilience by sharing tasks people can complete on the first Saturday of each month to make their homes safer. The campaign sets achievable risk reduction tasks each month and is influencing behaviours with one in four people surveyed taking action and customers signing up to 149,000 risk reduction task reminders.

Helping younger generations understand risk

NRMA Insurance worked in partnership with Minecraft to develop 'Climate Warriors' – a first-of-its-kind game that uses IAG's real world data to show the future impacts of climate change and the need for preparedness. The game is aimed at educating children between the ages of seven and 12 on how to be prepared for natural hazards such as bushfires and includes information on how to protect homes, wildlife and livelihoods. As the game is part of Minecraft Education Edition it is free to all New South Wales government schools under access funded by the New South Wales Government. In partnership with Microsoft, we developed curriculum-aligned lesson plans, student worksheets and additional downloadable resources to help teachers educate students about the importance of preparedness against the increasing risk of natural hazards. It has been very successful with over two million downloads since launch.

Partnering for scale and impact

Helping our customers and communities be more resilient to the impacts of climate change and natural hazards is not something we can tackle alone. This year we continued to work with our community partners to help increase the reach and impact of



our programs, with our disaster awareness and preparedness communications campaigns run with the Australian Red Cross and NSW SES having a potential reach of 7.49 million people.

This year marked the 10-year anniversary of our partnership with the NSW SES and a decade of work to create more resilient communities. We recognise we are more impactful when we work together, and this has been proven over the last 10 years through initiatives like the significant storm season awareness campaigns, which reached an average of five million people each year, over the last five years. In addition, to date, we have supported over 170 local community education activities to improve community safety.

Our partnership with the Australian Red Cross also helped us increase the impact of our work and we continued to promote the Get Prepared app which we developed together. The app helps users establish a network of contacts, consider the risks relevant to where they live and create a list of actions to undertake. The Get Prepared app has been downloaded over 40,000 times since its launch in October 2017.

In New Zealand we have launched a new partnership with Habitat for Humanity NZ through our brand AMI. The partnership aims to improve the lives of 75,000 New Zealanders over the next three years by helping those living in substandard housing to make their homes more liveable.

In FY20, in Australia we saw the impact that the Black Summer Bushfires and COVID-19 were having on our communities, and in response we announced a \$4 million community investment working with the Full Stop Foundation and Lifeline to make households safer. This year, in partnership with RACV, we have

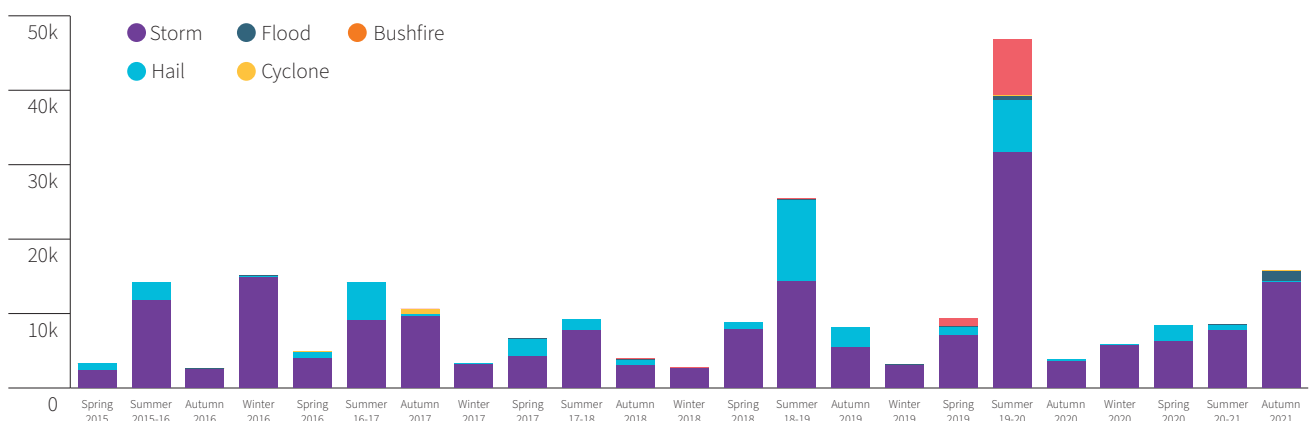
progressed our work supporting Lifeline including its 'Community Connectors' program and expanding tele-health counselling services. During the program's first year, 958 Community Connectors have been trained in 18 regions. In addition, 70 tele-health sessions have been made available weekly to support communities most affected by the bushfires and COVID-19.

Our community partnerships and programs have a long history of making an impact. To ensure this continues, we undertake reviews and have recently made changes to ensure alignment to our priority area of Climate and Disaster Resilience. An example of a change is our Good Hoods' program where we narrowed our focus to climate and disaster resilience to drive greater scale and impact. In parallel we have captured place-based resilience learnings to inform how we undertake ongoing community preparedness programs and make changes where necessary.

As with climate change, collaboration and advocacy are key to driving change. IAG is a founding member of the Australian Business Roundtable for Disaster Resilience & Safer Communities. Through the Roundtable, we work to effect change in public policy, increase investment in building safer and more resilient communities, and improve the capacity of people and businesses to better withstand future natural disasters.

We have been invited by the governments in Australia and New Zealand to play a role in climate change management, including active engagement and contribution to the National Disaster Risk Reduction Framework National Action Plan in Australia. We welcomed the Australian Government's (May 2021) \$600 million investment in disaster mitigation and the creation of The National Recovery and Resilience Agency and look forward to supporting these in the future.

Figure 4: A seasonal comparison of natural hazard claims from the NRMA Insurance Wild Weather Tracker



Being a responsible and ethical business.

Ensuring we act as a responsible and ethical business, that meets our customers' and communities' expectations, is key to building and maintaining our social licence to operate.

Continuing to strengthen our governance

During FY21 we have focused on strengthening our governance of social and environmental issues by ensuring our policies and commitments were fit for purpose. This work builds on existing strong governance foundations which include our Safer Communities Steering Committee. The Steering Committee supports our Group Executive, People, Performance and Reputation to shape IAG's strategic approach to making communities safer, shared value, sustainability and broader community activity. In addition, we have a Climate Risks and Opportunities Steering Committee and Reconciliation Action Plan Steering Committee, and our performance is formally reported to our Board twice a year.

Key activities this year included:

- **Our Code of Conduct and Ethics** (the Code) – a refreshed Code was approved by our Board of Directors and launched in November 2020. The Code outlines our core values and behaviours and provides guidance to our people on how to recognise risk and what to do when they see inappropriate behaviour. Mandatory training was rolled out to our people to make sure the code was understood and embedded in our ways of working.
- **Our Social and Environmental Framework** (the Framework) – our Social and Environmental Policy was replaced by the Board-approved Framework. It outlines our commitments to managing social and environmental risks and helps our people understand their role in upholding our commitments. The Framework aligned commitments across several of our policies including the Supplier Code of Conduct and Group Procurement Policy.
- **Responsible Investment Policy** – a Board-approved policy was launched in FY21. The Policy outlines our commitments to managing environmental, social and governance risks within our investment portfolio. Our approach to investment is underpinned by a belief that successful investing requires consideration of sustainable business practices, as well as traditional financial risk and return assessments.

We are proud to adopt the General Insurance Code of Practice 2020 (the Code), which came into effect on 1 July 2021. To uplift the culture of our industry, we believe it is important for all of our people, distributors and service suppliers to understand GICOP, including its focus on supporting vulnerable customers. In alignment with Code requirements, all of our people and distributors completed training. Additionally, and above and beyond the Code requirements, we provided training to service suppliers. Our approach ensures we all have a common understanding of the requirements in the Code and a shared, consistent culture that enables honesty and fairness at all levels of the organisation.

Access and affordability – supporting customers experiencing vulnerability

We continue to work across our whole business to seek to provide accessible and affordable insurance. We know barriers for access vary for our customers and we may need to provide additional support for those who are experiencing vulnerability. Throughout FY21 we continued to invest in our people to ensure they have the skills needed to support customers experiencing vulnerability. This included deep vulnerability training for more than 7,000 of our customer-facing employees and team leaders. We also created specialist roles with deeper expertise to better support our most vulnerable customers.

More detail on all these refreshed policies and frameworks can be found at www.iag.com.au.

In FY21 when our customers experienced extreme rain and flooding events on Australia's East Coast, IAG's Major Event response team leveraged the insights of our disaster resilience partners to support our customer response. In Australia we helped develop a support package for vulnerable customers without flood cover by providing immediate access to much-needed items and referrals for disaster assistance through our partners GIVIT and the Australian Red Cross.

Responsibility and purpose in our supply chain

Throughout this financial year we have continued to work with partners in our supply chain to ensure high social and environmental standards.

In March 2021, we published our first Modern Slavery Statement which details the activities taken to identify, assess and mitigate modern slavery risks in our operations, investments and supply chain. Details of progress will be included in IAG's FY21 Modern Slavery Statement due to be published by the end of 2021.

We continued to embed our approach to, and governance of, responsible sourcing, with a focus on sharing our Supplier Code of Conduct (Supplier Code) with our active, contracted suppliers across our Australian and New Zealand operations. So far 2,426 of our suppliers have received the code, which represents 100% of our managed supplier base. In addition to sharing the Supplier Code, we are continuing to make progress with the completion of supplier risk assessment questionnaires to understand compliance with the Supplier Code. We have focused on high and material risk suppliers, with 1,186 assessments completed, covering 50% of our supplier base.

For additional information on our progress against IAG's commitments, further data summaries and IAG's Climate-related disclosures visit the Safer Communities section of www.iag.com.au.

Connecting our people to purpose.

Connecting our people to purpose supports the role we play in safer and more resilient communities, while supporting our people's personal development and increasing employee engagement. We do this through connecting our people to community partners with volunteering and fundraising activities, as well as the work we do through our Indigenous Engagement Strategy.

Connecting our people to purpose

During FY21 the impacts of COVID-19 presented challenges to how we connect our people to purpose through volunteering and fundraising. Where possible we worked with community partners to provide opportunities for our people to volunteer their time in an appropriate way, whether remotely or with social distancing.

Our community investment is down by 34% year-on-year, at \$13.4 million. This is due to higher than usual levels of community investment during FY20, driven mainly by the \$4 million donation to the Full Stop Foundation and Lifeline to address family and domestic violence and mental health related to the compounding impacts of the black summer bushfires and COVID, as well as increased use of the NRMA Insurance helicopter during the 2019/2020 bushfires.

Our volunteering hours were down by 56% year-on-year at 2,389 hours. In previous years the majority of our volunteering opportunities have been in person. This year, with the impact of COVID-19 and ongoing lockdowns in Australia and New Zealand, it was challenging to continue to offer safe opportunities for our people and communities. However, we worked with our community partners to pivot to remote volunteering opportunities. We continued to support communities and provide development opportunities for our people through programs like the national telephone service COVID Connect, set up by the Australian Red Cross to build connections with people in the community who reported feelings of isolation following COVID-19, and our skilled volunteering pilot with GIVIT linking our people's skills with the needs of charities.

Indigenous Engagement

Our Indigenous Engagement Strategy includes our Elevate Reconciliation Action Plan (RAP) in Australia and our He Rautaki Māori (Māori Engagement Strategy) which we launched this year in New Zealand.

In 2013 we were the first insurer to introduce a RAP. Our current Elevate RAP includes actions aimed at providing employment, education and professional development opportunities to First Nations people, as well as supporting Indigenous businesses and increasing cultural awareness among IAG employees and partners. We continue to make good progress on delivering the actions within our RAP and are on track to complete the majority of actions before it comes to an end in February 2022.

One key action within our RAP is to reduce the incarceration and re-offending rates for Indigenous Australians. We work with Just Reinvest to support a place-based approach in the Sydney suburb of Mount Druitt. This is an area where we experienced challenges in 2021, with the Learner Driver program being delayed due to the impacts of COVID-19 and resourcing issues in finding a Program Manager. We expect the program to commence in FY22. We have made progress in other areas with Just Reinvest including supporting the organisation to address the over-representation of First Nations People, in particular young people, in all aspects of the criminal justice system and supporting the Mount Druitt local Community Engagement Officer to attend Darwin's Change Fest to continue to bring back and share knowledge to improve practice in the local area.

To support raising awareness of the traditional lands of First Nations peoples, NRMA Insurance continued to roll out the First Nations billboards. This year NRMA Insurance partnered with Local Aboriginal Land Councils and Boomalli Aboriginal Artists Co-operative to create nine billboard artworks on the major highways around New South Wales and the first billboard in Queensland.

Our 2022-2024 RAP is currently being developed in partnership with Reconciliation Australia and will be launched at the beginning of 2022.

In New Zealand, we launched our He Rautaki Māori (Māori Engagement Strategy) which targets four outcomes to help lift Māori prosperity and wellbeing: embracing Te Ao Māori; fostering Māori leadership; supporting Māori business; and becoming a leading supplier to Māori. Our initial focus is on growing our cultural competence by enabling our people to engage in and celebrate Te Ao Māori (the Māori world view).

We have worked with Jawun since 2014 to provide opportunities for our people to use their skills to support Indigenous communities and organisations on-country. During FY21 it was not possible to provide on-country volunteering opportunities; instead we offered a number of virtual secondments.

“I found the virtual secondment a great experience as it allowed me to participate in the program remotely but did not hinder the relationships I was able to build, or the value I was able to add. I had a real sense of accomplishment that my contribution was received positively from those using the system, and that my work will have a positive impact on its members and the initiatives First Nations Media delivers for its stakeholders. I will forever feel a connection to this organisation and have a more profound respect and understanding of the challenges experienced by the Indigenous community and the upside that can be delivered when we all work together as Australians.”

DARREN MITCHELL
Specialist III – Engineer, IAG – Technology

Darren was virtually seconded to First Nations Media in Alice Springs to review its Customer Relationship Management Processes & Systems



Letter from the Chairman of the People and Remuneration Committee

Dear Shareholders,

On behalf of the People and Remuneration Committee (PARC) and the Board I am pleased to present the 2021 Remuneration Report.

The 2021 financial year has seen the continuation of economic challenges across Australia and New Zealand as a consequence of the protracted COVID-19 pandemic as well as other environmental challenges caused by storms, floods, cyclones and the aftermath of bushfires. At the same time the Board was concluding an extensive CEO search process. Against this backdrop, the PARC monitored the health and safety of its employees as they continued with remote work settings as well as oversaw the changes to organisational structure and Executive appointments.

Through all this, the Board has sought to ensure that IAG's remuneration framework appropriately balances the need to reward, motivate and retain employees with the skills and capabilities required to ensure IAG's ongoing success.

Renewed strategy, renewed focus

During the 2021 financial year, IAG refreshed its strategy to focus on becoming more sustainable over the long term. The structure and composition of the Executive Leadership Team was also refreshed during the year to ensure clear accountabilities and alignment with the renewed strategy.

There are four new strategy pillars: grow with our customers, build better businesses, create value through digital and manage our risks. These pillars are now included in the Group Balanced Scorecard, ensuring a clear link between delivery of the strategy and executive remuneration outcomes.

Business performance

While IAG's underlying financial performance was sound and within expectations, profitability was affected by a number of operational risk issues which have been identified and provisioned for in the accounts, the most material of which was the pre-tax \$1.15 billion charge IAG announced in November 2020 to provide for potential business interruption claims relating to COVID-19. After excluding the impact of these provisions along with other items identified in the net corporate expense and amortisation and impairment lines, IAG's reported cash earnings for the year was \$747 million, up from \$279 million in the year ended 30 June 2020. Over the 2021 financial year we have continued to pay dividends and our capital position remains strong.

Alignment of remuneration outcomes with business results

The Board has determined remuneration outcomes for employees through a balanced scorecard assessment that includes financial results, shareholder returns and customer growth, against a challenging work context brought on by the COVID-19 pandemic. This balance is reflected in remuneration outcomes as follows:

Short-term incentives (STI)

In determining STI outcomes, the Board has been mindful of the experience of shareholders, while at the same time recognising the contribution of the Executives. While the 2021 financial year cash earnings result was strong and overall Group Balanced Scorecard performance was above target, in recognition of the impact of operational risk issues, the Board determined STI outcomes for Executives ranging from 0% to 64% of maximum opportunity. In addition, the Board also determined to reduce the overall level of STI funding across IAG for the 2021 financial year to 60% of maximum. It is important to note that no STI awards were approved for the year ended 30 June 2020 when the business interruption insurance exposure was identified. The maximum potential value of the 2020 STI awards relating to Executives would have been approximately \$9 million.

Long-term incentives (LTI)

LTI awards with return on equity (ROE) and relative total shareholder return (TSR) performance hurdles were measured during the year ended 30 June 2021.

- The 2017/2018 LTI awards with an ROE performance hurdle reached the end of their three-year performance period on 30 June 2020. Based on the Group's performance over the period against the vesting scale, the Board determined the award would vest at 82%.

LTI awards with an ROE performance hurdle granted from 2018/2019 onwards are subject to a four-year performance period. The next ROE performance test will therefore occur after 30 June 2022.

- The 2016/2017 LTI awards with a TSR performance hurdle reached the end of their four-year performance period on 30 September 2020. IAG's TSR was ranked at the 39th percentile of its peer group resulting in 0% vesting of this award. This reflected approximately \$3.5 million forgone by Executives. All rights under this award have lapsed. The next TSR performance test will be after 30 September 2021.

Risk-based adjustments to performance pay

The Board has progressively set higher standards for executive accountability, annually reviewing risk management outcomes and identifying accountable Executives. During the 2021 financial year, the Board responded to complex historical matters that spanned multiple years and involved multiple accountable Executives.

In response to risk matters that emerged during the 2021 financial year, the Board has applied downward adjustments to the remuneration of some former employees, including the accountable Executives during the relevant period and certain individuals who reported to them at that time. The total value of these adjustments to six individuals was approximately \$3.4 million. The adjustments took the form of reductions to STI awards for the 2021 financial year and/or adjustments to the value of unvested LTI and deferred STI awards. For some matters, these downward adjustments were in addition to the \$3.5 million in adjustments made for the 2020 financial year, and reflect the change in the size and probability of risk as it has evolved across the reporting periods.

Continued focus on risk maturity

Each year IAG reviews and improves the management of its risk and compliance systems and processes. I am pleased to report IAG has made significant progress in its efforts to further enhance risk and compliance management frameworks, processes and practices. Through Project rQ, IAG has progressed with the implementation of a new Integrated Risk Management System, delivered more detailed understanding of material risks across the organisation, and further embedded control management practices. Project rQ and all divisions are now also actively engaged in ensuring that the progress made on risk and compliance management frameworks, processes and practices is sustainably embedded.

This greater focus on risk management has been reflected in the Balanced Scorecard against which performance is measured, and in the application of consequences for poor risk management outcomes.

Review of Non-Executive Director fees and Executive fixed pay

There were no increases to fixed pay for Executives during the 2021 financial year, other than where there was a change in role accountabilities. Following a review of Executive remuneration in August 2021, to reflect market relativities the Board determined to increase the fixed pay for the Managing Director and Chief Executive Officer to \$1.8 million and apply increases ranging between 3% and 9% for three other Executives.

There have been no changes to Board or Committee fees since the year ended 30 June 2017. Following a benchmarking exercise, the Board has determined to leave Board and Committee fees unchanged for the year ending 30 June 2022, with the intention to review the following financial year.

Executive remuneration framework review during 2022

The PARC has engaged an external consultant to undertake a formal independent review of IAG's Remuneration Framework. This independent review is being undertaken to ensure IAG's Remuneration Framework continues to support the renewed strategy, while also considering the anticipated regulatory changes within financial services. Any changes made following the independent review will be outlined in next year's Remuneration Report.

Thank you for taking the time to read the Remuneration Report and we welcome your feedback.



George Savides
Chairman, People and Remuneration Committee

Actual remuneration received by Executives

The following table details remuneration received by Executives during FY21 (and FY20), which includes:

- fixed pay and other benefits paid during the financial year;
- the value of cash STI awards earned in the financial year; and
- the value of STI and LTI awards deferred from previous years that vested during the financial year.

For remuneration details provided in accordance with the Australian Accounting Standards, refer to Table 13 on page 53 of the remuneration report in the FY21 annual report.

Executives	Financial year	Fixed pay ¹ \$000	Other benefits and leave accruals ² \$000	Termination benefits ³ \$000	Cash STI ⁴ \$000	Deferred STI vested ⁵ \$000	LTI vested ⁶ \$000	Total actual remuneration received
								\$000
Nick Hawkins	2021	1,465	109	-	634	272	469	2,949
	2020	1,200	6	-	-	374	1,907	3,487
Julie Batch	2021	875	4	-	327	148	274	1,628
	2020	767	1	-	-	201	924	1,893
Michelle McPherson ⁷	2021	817	509	-	286	-	-	1,612
	2020	184	13	-	-	-	-	197
Neil Morgan ⁸	2021	658	35	-	252	-	-	945
Craig Olsen ⁹	2021	787	86	-	296	185	296	1,650
	2020	802	38	-	-	232	957	2,029
Christine Stasi ¹⁰	2021	750	36	-	280	129	-	1,195
	2020	492	281	-	-	-	-	773
David Watts	2021	875	34	-	224	331	-	1,464
	2020	875	16	-	-	423	-	1,314
Amanda Whiting ¹¹	2021	478	21	-	168	-	-	667
Executives who ceased as KMP								
Peter Harmer ¹²	2021	640	47	-	-	-	-	687
	2020	1,900	26	-	-	638	3,179	5,743
Mark Milliner ¹³	2021	375	27	1,015	73	227	391	2,108
	2020	1,100	36	-	-	297	1,730	3,163

1 Fixed pay includes amounts paid in cash, superannuation contributions plus the portion of IAG's superannuation contribution that is paid as cash instead of being paid into superannuation. Fixed pay also includes salary sacrifice items such as cars and parking as determined in accordance with AASB 119 Employee Benefits. Nick Hawkins, Julie Batch, Michelle McPherson, Neil Morgan and Amanda Whiting received increases to their fixed pay following their appointments to their respective new roles.

2 Further details are provided in Table 13 in Appendix 1 on page 53 of the remuneration report in the FY21 annual report.

3 Payment in lieu of notice, which incorporates statutory notice and severance entitlements.

4 Cash STI earned within the year ended 30 June and to be paid in the following September (representing 50% of the award made for the financial year).

5 Deferred STI vesting on 11 August 2020 was valued using the five day VWAP of \$5.06 (12 August 2019: \$7.82 and 1 September 2019: \$7.97).

6 LTI vested was valued using the five day VWAP at the vesting date which was \$5.06 for awards vested on 11 August 2020 and \$4.80 for awards vested on 15 October 2020 (12 August 2019: \$7.82 and 15 October 2019: \$7.72).

7 Michelle McPherson was appointed as Acting Chief Financial Officer on 8 April 2020. Her remuneration in the prior year is shown for the period she served in a KMP role. Ms McPherson was permanently appointed as Chief Financial Officer on 2 November 2020. Her remuneration in the current year is shown for the full financial year. Ms McPherson received a \$509,176 cash payment on 17 September 2020 as compensation for incentives forgone from her previous employer.

8 Neil Morgan was considered KMP from 19 September 2020. His remuneration is presented for the period he served in that role.

9 Remuneration for Craig Olsen was determined in New Zealand dollars (NZ\$) and reported in Australian dollars (A\$) using the average exchange rate for the year ended 30 June 2021 which was 1 NZ\$ = 0.93067 A\$.

10 Christine Stasi commenced as Group Executive, People, Performance and Reputation on 4 November 2019. Her remuneration in the prior year is shown for the period she served in a KMP role.

11 Amanda Whiting was appointed as Acting Group Executive, Intermediated Insurance Australia on 10 March 2021. Ms Whiting was Acting Group Executive, Direct Insurance Australia from 2 November 2020 to 9 March 2021. Her remuneration is presented for the period she served in a KMP role.

12 Peter Harmer ceased holding a KMP role on 1 November 2020. His remuneration is presented for the period he was in that role.

13 Mark Milliner ceased holding a KMP role on 2 November 2020. His remuneration is presented for the period he was in that role.

Statutory remuneration details for Non-executive Directors

Non-executive Directors	Financial year	Short-term employment benefits		Post-employment benefits			Other long-term employment benefits \$000	Termination benefits \$000	Share-based payment \$000	Total \$000
		IAG Board fees received as cash \$000	Other Board and committee fees \$000	Superannuation \$000	Retirement benefits \$000					
Elizabeth Bryan ^{1,2}	2021	528	169	22	-	-	-	-	-	719
	2020	440	169	21	-	-	-	-	125	755
Simon Allen ³	2021	176	185	21	-	-	-	-	-	382
	2020	112	117	13	-	-	-	-	-	242
Duncan Boyle	2021	176	74	24	-	-	-	-	-	274
	2020	176	91	25	-	-	-	-	-	292
Sheila McGregor ²	2021	176	37	20	-	-	-	-	-	233
	2020	88	39	20	-	-	-	-	83	230
Jon Nicholson	2021	176	68	23	-	-	-	-	-	267
	2020	176	68	23	-	-	-	-	-	267
Helen Nugent	2021	176	37	20	-	-	-	-	-	233
	2020	176	46	21	-	-	-	-	-	243
Tom Pockett	2021	185	77	14	-	-	-	-	-	276
	2020	178	68	21	-	-	-	-	-	267
George Savvides	2021	176	55	22	-	-	-	-	-	253
	2020	176	46	22	-	-	-	-	-	244
Michelle Tredenick ^{1,2,4}	2021	94	46	21	-	-	-	-	65	226
	2020	88	39	20	-	-	-	-	83	230

1 Cash fees paid to Elizabeth Bryan and Michelle Tredenick were reduced to satisfy a shortfall in Board fees sacrificed in respect of the NARs award in the 2019 financial year. The amounts disclosed in the 2019 financial year were correct.

2 Cash fees paid to Elizabeth Bryan, Sheila McGregor and Michelle Tredenick reflect Board fees sacrificed in respect of NARs awarded in the 2020 financial year.

3 Non-Executive Director appointed part way through the year ended 30 June 2020.

4 Cash fees paid to Michelle Tredenick reflect Board fees sacrificed in respect of NARs awarded in the 2021 financial year.

Board of Directors

The Board's principal role is to govern IAG, by ensuring that there is a proper governance framework in place to promote and protect IAG's interests for the benefit of its stakeholders. To achieve this, the Board oversees and appraises the company's strategy, policies and performance, through the lens of our purpose.

The Board also oversees our compliance with the Australian Securities Exchange Corporate Governance Council Principles and Recommendations. Details of our approach to corporate governance, and our compliance with the principles, are set out in our 2021 Corporate Governance Statement which is available online in the About Us area of our website (www.iag.com.au).



Elizabeth Bryan AM
BA (Econ), MA (Econ)
Chairman and Independent
Non-executive Director
Appointed December 2014
Appointed Chairman March 2016
Chairman, Nomination Committee
Chairman, of Insurance Manufacturers
of Australia Pty Limited



Nick Hawkins
BCom, FCA
Managing Director and CEO,
Executive Director
Appointed November 2020



Simon Allen
BCom, BSc, CFInstD
Independent Non-executive Director
Appointed November 2019
Member People and Remuneration Committee,
Risk Committee



Duncan Boyle
BA (Hons), FCII, FAICD
Independent Non-executive Director
Appointed December 2016
Member, Audit Committee, Risk Committee



Jonathan (Jon) Nicholson
BA
Independent Non-executive Director
Appointed September 2015
Chairman, Risk Committee Member, People and
Remuneration Committee, Nomination Committee



Dr Helen Nugent AO
BA (Hons), PhD, MBA, HonDBus, HonDUniv
Independent Non-executive Director
Appointed December 2016
Member, Audit Committee, Nomination Committee



Sheila McGregor
BA (Hons), LLB, AICD Diploma
Independent Non-executive Director
Appointed March 2018
Member, Audit Committee



Tom Pockett
CA, BCom
Independent Non-executive Director
Appointed January 2015
Chairman, Audit Committee
Member, Nomination Committee, People and
Remuneration Committee, Risk Committee



George Savvides AM
BEng (Hons) (UNSW), MBA (UTS), FAICD
Independent Non-executive Director
Appointed June 2019
Chairman, People and Remuneration Committee
Member, Nomination Committee and Risk Committee



Michelle Trednick
BSc, FAICD, FFin
Independent Non-executive Director
Appointed March 2018
Member, People and Remuneration Committee,
Risk Committee

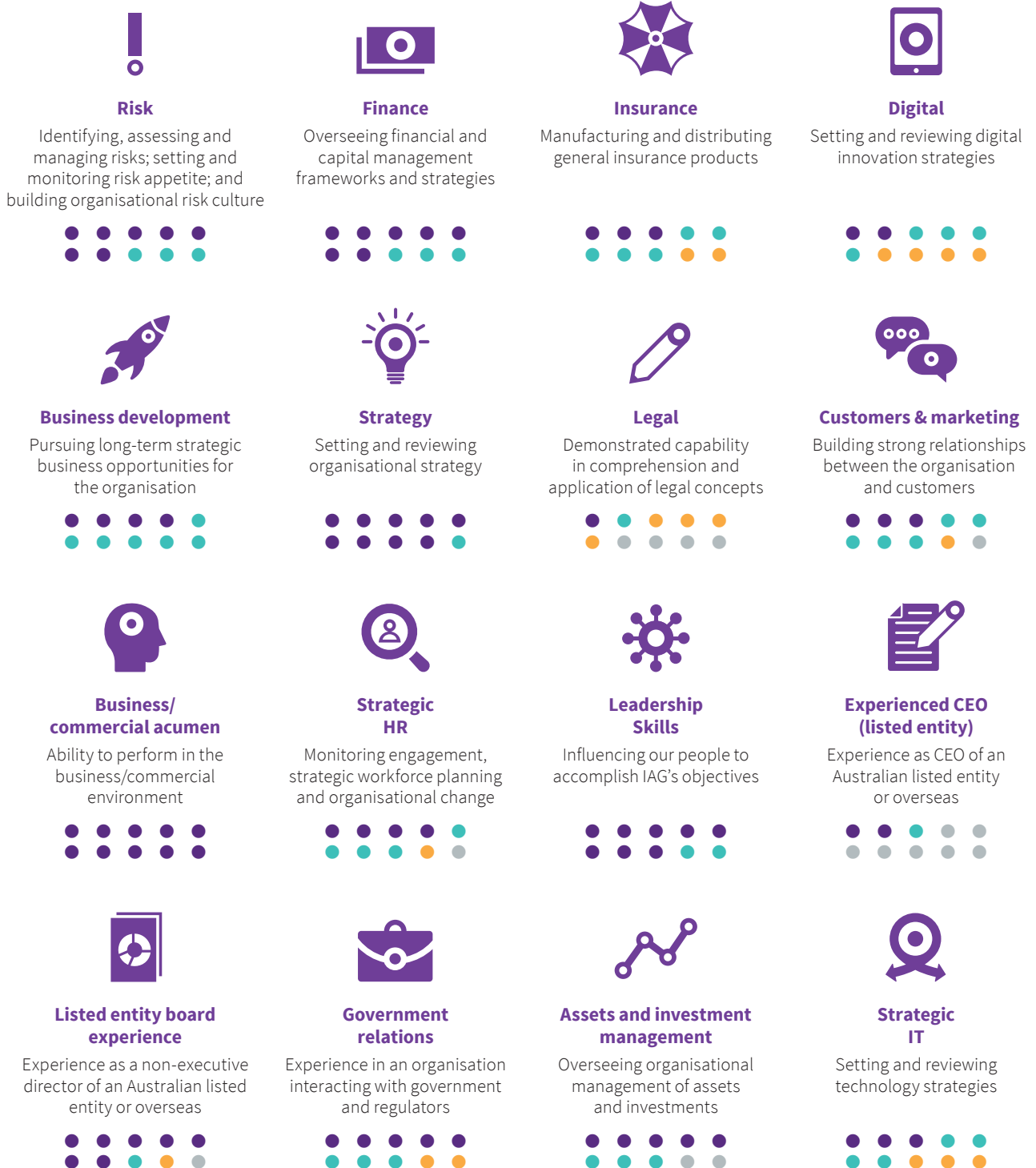
Board skills matrix

The Board has a skills matrix covering the range of competencies and experience of each Director. This skills matrix is reviewed by the Nominations Committee at least annually, and when the need for a new or replacement Director is identified, the required experience and competencies of the incoming Director are reviewed in the context of the existing skill matrix and any gaps which may exist at that point in time.

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

- pro-actively manages Board renewal;
- continues to have an appropriate mix of skills, knowledge, experience, independence and diversity that complements the company's business and strategy; 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 ● or Medium ● or Low ●.



Group Leadership Team

IAG's Group Leadership Team supports our core businesses and our focus on our strategic priorities of grow with our customers, build better businesses, create value through digital and manage our risks.

The Group Leadership Team is headed by our Managing Director and Chief Executive Officer, Nick Hawkins. Detailed information about our executives is available on our website (www.iag.com.au).



Nick Hawkins
Managing Director and CEO



Julie Batch
Group Executive, Direct Insurance Australia



Peter Horton
Group General Counsel & Company Secretary



Michelle McPherson
CFO



Neil Morgan
Chief Operating Officer



Craig Olsen
Group Executive, Strategic Projects



Christine Stasi
Group Executive, People
Performance & Reputation



David Watts
Chief Risk Officer



Amanda Whiting
CEO IAG New Zealand & Acting Group Executive
Intermediated Insurance Australia

Five-year financial summary

	2021 \$m	2020 \$m	2019 \$m	2018 \$m	2017 ¹³ \$m
Gross written premium	12,602	12,135	12,005	11,647	11,439
Gross earned premium	12,345	12,164	11,942	11,522	11,321
Outwards reinsurance premium expense	(4,872)	(4,801)	(4,704)	(3,851)	(3,122)
Net premium revenue	7,473	7,363	7,238	7,671	8,199
Net claims expense	(4,807)	(5,010)	(4,619)	(4,617)	(5,082)
Net underwriting expense	(1,798)	(1,757)	(1,716)	(1,877)	(2,079)
Underwriting profit ¹	868	596	903	1,177	1,038
Net investment income on assets backing insurance liabilities	139	145	321	230	232
Management reported insurance profit ¹	1,007	741	1,224	1,407	1,270
Net investment (loss)/income from shareholders' funds	306	(181)	227	165	246
Other income	165	441	111	164	180
Share of net profit of associates ²	35	57	42	31	19
Finance costs	(89)	(92)	(94)	(82)	(93)
Corporate and administration expenses ³	(1,705)	(404)	(124)	(185)	(222)
Acquired intangible amortisation and impairment	(108)	(27)	(54)	(90)	(57)
(Loss)/profit before income tax	(389)	535	1,332	1,410	1,343
Income tax benefit/(expense)	125	(37)	(363)	(384)	(328)
(Loss)/profit after tax from continuing operations	(264)	498	969	1,026	1,015
(Loss)/profit after tax from discontinued operations	(13)	(4)	204	(25)	(10)
Net profit attributable to non-controlling interests	(150)	(59)	(97)	(78)	(76)
Net (loss)/profit attributable to shareholders of the Parent	(427)	435	1,076	923	929
Cash earnings ⁴	747	279	931	1,034	990
Ordinary shareholders' equity (\$ million)	6,246	6,077	6,404	6,669	6,562
Total assets (\$ million)	33,449	29,694	29,286	29,766	29,597
Key ratios					
Gross written premium growth	3.80%	1.10%	3.10%	1.80%	n/a
Loss ratio ⁵	64.30%	68.00%	63.80%	60.20%	62.00%
Expense ratio ⁶	24.10%	23.80%	23.70%	24.50%	25.30%
Combined ratio ⁷	88.40%	91.80%	87.50%	84.70%	87.30%
Reported insurance margin ⁸	13.50%	10.10%	16.90%	18.30%	15.50%
Underlying insurance margin ⁹	14.70%	16.00%	16.60%	14.10%	12.40%
Share information					
Dividends per ordinary share (cents) ¹⁰	20.0	10.00	37.50	34.00	33.00
Basic earnings per ordinary share (cents) ¹¹	(17.82)	18.87	46.26	39.06	39.03
Basic earnings per ordinary share – cash basis (cents) ¹²	31.16	12.12	40.04	43.78	41.60
Diluted earnings per ordinary share (cents) ¹¹	(17.82)	18.49	44.58	38.30	37.72
Diluted earnings per ordinary share – cash basis (cents) ¹²	28.51	12.12	38.83	42.75	40.13
Ordinary share price at 30 June (\$) (ASX: IAG)	5.16	5.77	8.26	8.53	6.78
Capital notes price at 30 June (\$) (ASX: IAGPD)	104.57	103.54	106.95	104.67	106.53
Issued ordinary shares (million)	2,465	2,311	2,311	2,367	2,367
Issued capital notes (million)	4	4	4	4	4
Market capitalisation (ordinary shares) at 30 June (\$ million)	12,719	13,334	19,089	20,191	16,048
Net tangible asset backing per ordinary share (\$)	1.23	1.27	1.43	1.47	1.36

1 The amounts for the 2021 and 2020 financial years are presented on a management reported (non-IFRS) basis which is not directly comparable to the equivalent statutory (IFRS) figure. A reconciliation between the two is outlined in the Reconciliation Between The Statutory Results (IFRS) And The Management Reported (Non-IFRS) Results section of the Directors' Report in this report.

2 Share of net profit of associates includes regional support and development costs.

3 Includes a \$238 million pre-tax net impact of the customer refunds provision, a \$1,150 million pre-tax net impact of the business interruption claim provision and a \$51 million pre-tax net impact of the payroll compliance provision for 2021, and a \$246 million pre-tax net impact of the customer refunds provision for 2020.

4 Cash earnings represent non-IFRS financial information. It is defined as net profit after tax attributable to shareholders of the Parent, plus amortisation and impairment of acquired identifiable intangibles, and excluding any unusual items (non-recurring in nature).

5 The loss ratio refers to the net claims expense as a percentage of net premium revenue.

6 The expense ratio refers to net underwriting expense as a percentage of net premium revenue.

7 The combined ratio refers to the sum of the loss ratio and expense ratio.

8 Reported insurance margin is a ratio of insurance profit over net premium revenue.

9 From the 2021 financial year, IAG's underlying margin definition will no longer factor in an allowance for reserve releases. The prior period comparatives are reported on the previous basis, which included an allowance of 1% of NEP. Underlying margins continue to be adjusted for prior year reserve releases or strengthening, natural peril claim costs above or below related allowances and credit spread gains or losses.

10 The dividends per ordinary share are unfranked for the 2021 financial year, partially franked for the 2019 to 2020 financial years, and fully franked for the 2017 to 2018 financial years.

11 Reflects basic and diluted earnings per ordinary share on an accounting basis.

12 Basic and diluted earnings per ordinary share on a cash basis are calculated with reference to cash earnings.

13 The financial information for 2017 has been re-presented to reflect the changed treatment of the Asian businesses as discontinued operations.

2021 annual report suite

Our **annual review and safer communities report** contains a summary of IAG's FY21 operating performance, including the Chairman's and CEO's reviews.

The report also contains detailed information about our engagement with communities. Unless otherwise indicated, references to FY21 and FY20 in graphs and copy throughout this report refer to IAG's financial years ending 30 June 2021 and 2020. All figures are in Australian dollars unless otherwise stated.

More detailed information about IAG's FY21 financial performance is available in the Results & Reports area of our website (www.iag.com.au). The website also houses financial updates, investor reports, a newsroom, ASX announcements, key dates and a comprehensive shareholder centre.

Our FY21 **annual report** contains more detailed financial information, including full statutory accounts, and the Directors' and remuneration reports for FY21. This year's corporate governance report is available in the About Us area of our website (www.iag.com.au). To have a copy of the annual review or annual report mailed to you, contact IAG's Share Registry using the contact details below.

2021 Annual General Meeting

The 2021 annual general meeting of Insurance Australia Group Limited will commence at 9.30am on Friday, 22 October 2021.

Online information

To view other information about IAG and to manage your shareholding online, visit www.iag.com.au. You can also register to receive email news alerts when IAG makes important announcements.

Key dates

2021 financial year end	30 June 2021
Full year results and dividend announcement	11 August 2021
Final dividend for ordinary shares	
Record date	18 August 2021
Payment date	22 September 2021
Annual general meeting	22 October 2021
Half year end	31 December 2021
Half year results and dividend announcement	11 February 2022*
Interim dividend for ordinary shares	
Record date	16 February 2022*
Payment date	24 March 2022*
2022 financial year end	30 June 2022
Full year results and dividend announcement	12 August 2022*

*Please note: dates are subject to change. Any changes will be published via a notice to the Australian Securities Exchange (ASX).

Shareholder information

Share Registry

Computershare Investor Services Pty Limited
GPO Box 4709, Melbourne VIC 3001 Australia

Hand deliveries

Level 3, 60 Carrington Street
Sydney NSW 2000 Australia

Telephone

(within Australia) 1300 360 688 or
(outside Australia) +61 (0)3 9415 4210

Other:

Email iag@computershare.com.au
Facsimile (general) +61 (0)3 9473 2470

Registered Office

Insurance Australia Group Limited
Level 13, 201 Sussex Street
Sydney NSW 2000 Australia

Telephone +61 (0)2 9292 9222
Email investor.relations@iag.com.au
Facsimile +61 (0)2 9292 8072
Website www.iag.com.au

635,952

Shareholders at
30 June 2021

20.0 cents

per share
full year dividend
66% payout ratio

Scope of Information Subject to Assurance

KPMG was engaged by IAG to undertake limited assurance over the following quantitative and qualitative claims for the year ended 30 June 2021:

- A selection of 68 non-financial quantitative performance indicators (Selected Data Claims) contained in IAG Environmental, Social and Governance (ESG) data summary (www.iag.com.au/safer-communities/our-esg-performance), online commitments contained at <https://www.iag.com.au/safer-communities/esg-commitments-and-performance>
- Selected Data Claims presented throughout pages 14 to 21 of 2021 IAG's Annual Review and Safer Communities Report and pages 18 to 23 of FY21 climate-related disclosure; and
- Selected qualitative disclosures relating to the Selected Data Claims and selected qualitative disclosures pertaining to IAG's material issues contained within pages 14 to 21 of IAG's Annual Review and Safer Communities Report, within pages 18 to 23 of FY21 climate-related disclosure, as well as within its associated online content at <https://www.iag.com.au/safercommunities/esg-commitments-and-performance>.

KPMG's limited assurance opinion is available at www.iag.com.au/safer-communities/our-esg-performance.

APRA is the Australian Prudential Regulation Authority.

Credit spread is the difference between the average yield to maturity of the portfolio of non-government securities and the average yield to maturity of the liability profile, valued using Commonwealth Government of Australia yields.

Gross earned premium Premium is recognised in the income statement as it is earned. The insurer estimates the pattern of the incidence of risk over the period of the contract for direct business, or over the period of indemnity for reinsurance business, and the premium revenue is recognised in the income statement in accordance with this pattern.

Gross written premium (GWP) The total premiums relating to insurance policies underwritten by a direct insurer or reinsurer during a specified period and measured from the date of attachment of risk and before payment of reinsurance premiums. The attachment date is the date the insurer accepts risk from the insured.

Insurance margin represents our insurance profit as a percentage of our net earned premium.

Insurance profit is our underwriting result plus the investment income on assets backing our technical reserves.

Life and General Insurance Capital (LAGIC) is APRA's revised regulatory capital regime, which came into effect from 1 January 2013.

Long tail classes of insurance are those such as CTP and workers' compensation where the average period is generally greater than 12 months between the time when earned premiums are collected and final settlement of claims occurs.

Net earned premium (NEP) is gross earned premium less reinsurance expense.

Net profit (loss) after tax is our net result, after allowing for income taxes and the share of profit owing to non-controlling interests.

Prescribed Capital Amount (PCA) is as defined by APRA under its LAGIC regime.

Risks in force refers to the subject matter that an insurance policy or contract protects (eg number of vehicles, houses, employees). An insurance policy may cover one risk or many risks, depending on the terms of the policy. Risks in force is a measure of the total number of risks covered by an insurance company at a point in time.

Shareholders' funds is the investment portfolio of assets we hold in excess of the amount backing technical reserves; it represents shareholders' equity not used in day-to-day operations.

Short tail classes of insurance (such as motor, home and small-to-medium enterprise commercial) are those with an average period generally less than 12 months between the time when premiums are earned and final settlement of claims occurs.

Technical reserves are the investments we hold to back the outstanding claims liability and unearned premium, net of recoveries and premium debtors.

Underlying margin is defined by IAG as the reported insurance margin adjusted for net natural peril claim costs less related allowance; prior year reserve releases changes; and credit spread movements.



Australia



New Zealand



1 IAG's short tail personal insurance products are distributed in Victoria under the RACV brand, via a distribution relationship and underwriting joint venture with RACV. These products are distributed by RACV and manufactured by Insurance Manufacturers of Australia Pty Limited (IMA), which is 70% owned by IAG and 30% owned by RACV.

2 IAG owns 100% of Insurance Australia Limited (IAL), the underwriter of general insurance products under the Coles Insurance brand. These products are distributed by Coles under an Authorised Representative Agreement with IAL.



Pacesetter Laser Recycled is 30% recycled and made up from elemental chlorine free bleached pulp which is PEFC™ certified sourced from sustainably managed sources. It is manufactured by an ISO 14001 certified mill.