Appendix 4E (ASX Listing rule 4.3A)

Insurance Australia Group Limited
ABN 60 090 739 923

Preliminary final report for the year ended 30 June 2023

Results for announcement to the market

	2023	2022	Change		
	$m	$m		**$m**	%*
Revenue from ordinary activities	**19,851**	18,347	Up	**1,504**	8.2%
Net profit/(loss) after tax from ordinary activities attributable to shareholders of the Parent	**832**	347	Up	**485**	139.8%
Net profit/(loss) attributable to shareholders of the Parent	**832**	347	Up	**485**	139.8%

* The percentage change is calculated by dividing the movement between the current and prior years with the prior year amount and multiplying the result by 100.

Dividends – ordinary shares	Amount per security	Franked amount per security
Final dividend	9.0 cents	2.7 cents
Interim dividend	6.0 cents	1.8 cents

Final dividend date	
Record date	30 August 2023
Payment date	28 September 2023

The Company's Dividend Reinvestment Plan (DRP) will operate likely by acquiring shares on-market with no discount applied. The last date for the receipt of an election notice for participation in the Company's DRP is 31 August 2023. The DRP Issue Price will be based on a volume-weighted average price for a 10-day trading window from 4 September 2023 to 15 September 2023 inclusive.

Eligible shareholders may now lodge their DRP elections electronically by logging on to IAG's share registry, Computershare, on their website at www.computershare.com.au.

This Appendix 4E for the financial year ended 30 June 2023 is filed with the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A. Additional Appendix 4E disclosure requirements can be found in the Annual Report of Insurance Australia Group Limited for the year ended 30 June 2023 (Attachment A). This report is also to be read in conjunction with any public announcements made by Insurance Australia Group Limited during the reporting year in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX Listing Rules. Information presented for the previous corresponding period is for the financial year ended 30 June 2022 (unless otherwise stated). The report is based on the consolidated financial statements which have been audited by KPMG.

Attachment A

Insurance Australia Group Limited
ABN 60 090 739 923

Insurance Australia Group Limited and Subsidiaries
Annual Report 30 June 2023

Annual Report 2023

Insurance Australia Group Limited
This release has been authorised by the
Board of Insurance Australia Group Limited
21 August 2023
ABN 60 090 739 923

About this report

The 2023 annual report of Insurance Australia Group Limited (IAG, or the Group) includes IAG's full statutory accounts, along with the Directors' and remuneration reports for the financial year ended 30 June 2023. This year's corporate governance statement is available in the About Us area of our website (www.iag.com.au).

The financial statements are structured to provide prominence to the disclosures that are considered most relevant to the user's understanding of the operations, results and financial position of the Group.

This year, we have incorporated into the report the content that we formerly provided in our *Annual Review and Sustainability Report*, including the Chair's and CEO's reviews. The report also contains information about how we create value for our key stakeholders and the outcomes we have achieved for them; our material Environmental, Social and Governance (ESG) risks and how we manage these; and other sustainability-related activities.

If you would like to have a copy of the annual report mailed to you, contact IAG's Share Registry using the contact details on page 149.

Unless otherwise indicated, references to FY23 and 2023 and FY22 and 2022 in graphs and copy throughout this report refer to IAG's financial years ending 30 June 2023 and 2022 respectively. All figures are in Australian dollars unless otherwise stated.

Acknowledgement of Country

IAG acknowledges Traditional Owners of Country throughout Australia and recognises the continuing connection to lands, waters and communities.

We pay our respect to Aboriginal and Torres Strait Islander cultures; and to Elders past and present. We empower Aboriginal and Torres Strait Islander peoples, businesses and communities.

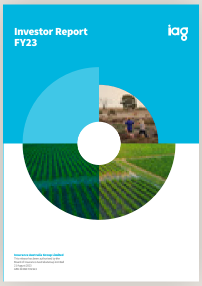
2023 Annual General Meeting

The 2023 annual general meeting (AGM) of Insurance Australia Group Limited will commence at 9.30am on Wednesday, 11 October 2023.

Disclaimer

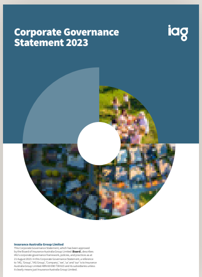
Contents

Our FY23 reporting suite

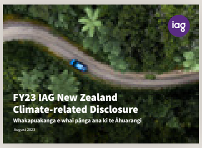


FY23 Investor Report
Discussion and analysis of IAG's results for the year ended 30 June 2023

FY23 Group Climate-related Disclosure
An overview of IAG's management of climate-related risks and opportunities, aligned to the recommendations of the Task Force for Climate-related Financial Disclosures



FY23 Corporate Governance Statement
Description of IAG's corporate governance framework, policies and practices as at 21 August 2023, reporting against the ASX Corporate Governance Principles and Recommendations (4th Edition)



FY23 New Zealand Climate-related Disclosure / Whakapuakanga e whai pānga ana ki te Āhuarangi
An overview of how IAG's New Zealand business manages climate-related risks and opportunities, designed to advance our journey towards compliance with the Aotearoa New Zealand Climate Standards

Our FY23 Investor Report, FY23 Investor Presentation and FY23 Corporate Governance Statement are available in the Results & Reports area of our website at www.iag.com.au.

The Group and New Zealand climate-related disclosures and the FY23 data pack are available in the Sustainability area of our website.

Customers

Helping customers manage risk is at the centre of our purpose, to make your world a safer place

Shareholders

We aspire to deliver sustainable dividends, and top quartile total shareholder returns

People

Our people help bring our purpose to life and deliver our strategy

~132,000
Increase in customers in Direct Insurance Australia

$14,729m
Gross written premium (up 10.6% from FY22)

45%
Women in senior management[2] (up from 44% in FY22)

$10,203m
Claims paid (up 20% from $8,488m in FY22)

$832m
Net profit after tax (up 140% from FY22)

74%
Engagement score reported in our FY23 annual culture survey[3] (slightly down on the 77% result from FY22)

2023 Highl

+45 AU
+51 NZ
Customer Experience[1]
(AU: +53 in FY22)
(NZ: +52 in FY22)

9.0cps
Final dividend, full year dividend of 15.0cps (up 36.4% on FY22)

1 Customer Experience as measured by transactional net promoter score (tNPS) is an internal measure of customer advocacy based on experiences customers have had with us across all customer journeys. We obtain this information via surveys of our personal and business insurance customers who have had a recent interaction with IAG via assisted or digital channels. The tNPS figures as at June 2023 were calculated on a 12-month rolling average.
2 IAG defines senior management roles as our Group Executives, Executive General Managers and the people who report directly to them.
3 Based on December 2022 annual culture survey.

Communities

We help to build more resilient communities

$10m
Invested in community initiatives

9,290hrs
Volunteered by our people

$1.1m
Spent with Indigenous suppliers

Environment

We focus on climate and disaster resilience as this area most impacts our customers and business, and is where we can have the most meaningful impact

15%
Total scope 1 and 2 emissions reduction since FY21 (baseline year for our emissions reduction target)

$238m
Invested in green bonds

Net Zero Roadmap
Published

ights

Chair's review

This year, your Company performed well, building positive momentum in the face of complex challenges.

It is a tribute to the commitment and performance of our Leadership Team – and everyone who works for the Company – that we have been able to deliver this sound result in the face of both economic and operating challenges.

FY23 results

We achieved a solid financial performance over the year. Gross written premium grew by 10.6% to $14,729 million.

Net profit after tax was $832 million, an increase on the $347 million result from FY22, reflecting an increase in insurance profit, improved returns on our shareholders' funds investment portfolio and the benefit of the post-tax $392 million reduction in the business interruption provision this year. Excluding the benefit of the business interruption provision reduction, net profit after tax would have been $440 million.

IAG's FY23 underlying insurance margin was 12.6%, lower than the 14.6% reported in FY22, largely due to the impact of short-tail claims inflation. The underlying margin of 14.6% in FY22 also included a COVID-19 benefit of lower claims frequency and would have been 13.9% without this benefit. The FY23 reported insurance profit of $803 million equates to a reported margin of 9.6%.

The result was achieved in a challenging year.

Our businesses have had to respond to some extreme weather events. The financial year began with severe weather and floods across New South Wales leading to almost 4,000 claims, mostly for storm damage to homes, property and vehicles. Then New Zealand suffered the devastating impacts of the North Island floods and Cyclone Gabrielle, within the space of three weeks in early 2023. These are the second and third largest events to ever occur in New Zealand.

We pride ourselves on our ability to support our customers at their time of need, and this was the case in these extreme events, as well as in the everyday instances where we support customers who experience loss.

Further, our teams managed operational inputs of a rapid increase in inflation and supply chain shortages in both materials and labour.

Dividend

IAG remains strongly capitalised with total regulatory capital of $5,073 million at 30 June 2023.

The strength of the Company's capital position, and the FY23 result, has enabled the Board to announce an increased final dividend of 9.0 cents per share, franked to 30%, up from 5.0 cents per share in FY22. The final dividend will be paid on 28 September 2023 to shareholders registered at 5.00pm Australian Eastern Standard Time on 30 August 2023, and the dividend reinvestment plan will operate.

This decision brings the full year dividend to 15.0 cents per share, an increase of 36.4% from 11.0 cents per share in FY22. The payout ratio of 83% of net profit after tax excluding the after-tax impact from releases from the business interruption provision is in line with IAG's stated dividend policy to distribute 60–80% of net profit after tax excluding the after-tax impact from releases from the business interruption provision in any full financial year.

Management and strategy

The company's performance for FY23 reflects the focus Nick and his team continue to apply to our strategy to create a stronger and more resilient IAG.

The Board regularly reviews progress against the strategic priorities to grow with our customers; build better businesses; create value through digital; and manage our risks.

This year, given the challenges presented by the operating environment (including the inflationary impacts, higher perils and higher reinsurance costs), we fully endorsed management's decision to prioritise improvement in our margin in the near term. We recognise that this will have some impact on the overall customer growth ambition. Nick explains this change in more detail in his review on the following pages.

A sustainable focus

Our Company-wide approach to sustainability ensures we continue to address our most material environmental, social and governance (ESG) issues, connect our people to purpose, and keep pace with the evolving expectations of our customers, communities and stakeholders.

We focus on climate and disaster resilience because the increased frequency and severity of extreme weather events has a direct impact on our business and our customers, and we have seen these impacts this year.

IAG manages climate-related risks and opportunities through its Climate & Disaster Resilience Action Plan (Action Plan), which commits us to net zero emissions by 2050.

In October 2022, we refreshed our science-based targets for scope 1 and 2 emissions to align with the Paris Agreement goal to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial efforts.

“Your Company continues to demonstrate a solid performance, as management simplifies the business, focuses on strategy, and successfully addresses external challenges.”

Also in October, we released a Net Zero Roadmap, setting out a transition plan to support our work to achieve our net zero commitment. The plan sets out steps to reduce scope 1 and 2 emissions, as well as the work required to understand and measure priority scope 3 emissions in our supply chain, underwriting and investments.

Last year, I wrote about our Action Plan commitment to have one million Australians and New Zealanders take action to reduce their risk from natural hazards by 2025. Our aim is to build customer and community climate and disaster resilience by delivering and collaborating on preparedness initiatives.

By 30 June 2023, 522,000 people had taken steps to improve their preparedness by engaging with campaigns such as IAG’s Wild Weather Trackers in Australia and New Zealand, the NRMA Insurance First Saturday of the Season campaign, and the IAG and Australian Red Cross Get Prepared app. These activities are described in detail in the Communities section of this report, on pages 24–27.

More information about the Action Plan and its focus areas is contained in the discussion of our Environment outcomes on pages 28–32 of this report. In addition to our work to protect customers and the community, our ESG focus extends to diversity employment targets for our people, and the way we manage our supply chain.

We have targets to have women constitute 50% of our senior management roles, and Indigenous employees to be 3% of our Australian workforce. This year’s results are 45% and 1.2% respectively. We published our third Modern Slavery Statement in December 2022, and launched Modern Slavery training modules to support its application across the business.

Management of ESG issues is governed by a Board-approved Social and Environmental Framework, which was updated this year to strengthen ESG governance.

To increase the measurement and visibility of ESG, we have introduced a 5% sustainability metric in the FY24 Group Balanced Scorecard, focused on management of scope 1 and 2 emissions. Divisional Balanced Scorecards will also include a 5% sustainability metric focused on emissions management.

This year, the Board approved a refresh of our Responsible Investment Policy. We now aim to remove from our investment portfolio companies that derive more than 10% of their revenue from oil and gas production, as well as those who derive that level of revenue from thermal coal mining.

Our climate-related reporting aligns with the recommendations of the Task Force on Climate-related Financial Disclosures. We will continue to evolve our approach to ESG reporting in line with stakeholder expectations and from FY24, will consider the final recommendations on climate-related disclosure from the International Sustainability Standards Board.

Board renewal and diversity

This year, we further strengthened our Board with the appointment of Wendy Thorpe in July 2023. Wendy provides us with additional insurance and other financial services, technology, and transformational change skills, supplementing those of the existing Directors. Shareholders will have the opportunity to meet Wendy and learn more about her when she stands for election at the 2023 annual general meeting in October.

At the same meeting, two other Directors will offer themselves for re-election after retiring by normal rotation in accordance with our Constitution; they are Simon Allen and Jon Nicholson.

Our Board has an aspiration to achieve gender equality. This year, we replaced our previous Board gender diversity target to have no less than 30% of Directors of each gender with a new target of 40–60% of either gender on the Board. In 2021, 40% of the Board, including our Chair, were women. Since then, following resignations and retirements, we’ve fallen marginally below our target. Wendy’s appointment takes the percentage of women on our Board to 27% and we remain actively focused on recruiting more female Directors as we work to achieve our diversity target.

Conclusion

Your Company continues to demonstrate a solid performance, as management simplifies the business, focuses on strategy, and successfully addresses external challenges. Nick and his team are to be commended for the results described in this report – as are all those who ensure the success of our Company, every day.

Thank you to my fellow Directors for your ongoing guidance and insights, and on your behalf, thank you to our investors for your ongoing support.

Tom Pockett
Chair and Independent
Non-Executive Director

CEO's review

I am pleased to report on the progress we have made in a challenging environment.

Our strategy, organisational structure and leadership team are focused on driving performance in our core insurance businesses. This is designed to simplify what we do and resolve our legacy issues, to allow us to build a stronger more resilient IAG and deliver on our purpose to *make your world a safer place*. In pursuing that plan, we made some material changes and we now have evidence to show that we're set up for success:

- Simplifying our brand structure, and taking the NRMA Insurance brand national, is helping us deliver profitable growth
- Implementing an enterprise-wide claims management system allows us to capitalise on the scale of our business
- Rolling out technology that delivers common pricing and policy administration systems for personal lines products across our Australia and New Zealand businesses addresses 25 years of complexity following our history of acquisitions
- Establishing our Intermediated Insurance Australia Division led by an experienced commercial insurance executive ensures that our quality CGU and WFI brands are delivering the returns that our shareholders should expect from them
- Implementing Company-wide risk management systems and a risk culture significantly strengthens our operating environment.

Operating environment

The Australian and New Zealand economies have been extremely challenging, causing us to manage:

- the sudden emergence of inflation, immediately impacting our claims costs;
- a significant rise in natural perils costs as climate change compounds the impact of three years of La Nina weather cycle; and
- substantial and sustained reduction in global reinsurance capacity, which has materially impacted the Australian and New Zealand insurance industry.

We are pricing for this challenging operating environment and that has necessitated significantly increased premiums. We have remained mindful of the flow-on impacts to our customers who are already experiencing tightening household budgets.

We are committed to addressing climate change within our own business, and to helping our customers and communities improve resilience and reduce risk. We are an active participant in conversations with government about mitigation solutions including building codes, land planning and planned relocation. We want to share our knowledge and expertise so that we can reduce the impact of extreme weather events and, in turn, the costs of insurance.

In that context, we welcomed the Australian Federal Government's June 2023 announcement of nearly $400 million in funding for key disaster preparedness projects that will help to protect people and communities from the impacts of severe weather and natural disasters.

Despite the increases in premiums, we are heartened by ongoing very high levels of customer retention and the growth in new customers. These are a tribute to the strength and stature of our brands and our customers' confidence in the value of what we do.

Results for FY23

In this challenging environment, we achieved strong results for FY23:

- gross written premium grew by 10.6% for the year, with strong contributions from all our divisions;
- our net profit after tax was $832 million compared to $347 million in FY22. This includes the benefit of the post-tax $392 million reduction in the business interruption provision; cash earnings were $452 million, a 112% increase from the $213 million we achieved in FY22. Cash earnings reflect the net profit after tax adjusted for acquired intangible assets and unusual items. Unusual items in FY23 included the pre-tax release from the business interruption provision, an impairment to lease assets following a review of IAG's property requirements and other smaller adjustments described in detail in the accounts; and
- Group expenses remained flat at around $2.5 billion, reflecting our ongoing focus on financial discipline.

Commitment to strategy

We continue to be guided by our purpose, and our strategy of creating a stronger and more resilient IAG. We have four strategic pillars, with associated ambitions[1]:

- Grow with our customers, with the ambition to add one million additional direct customers
- Build better businesses, with ambitions to achieve $250 million in insurance profit from our Intermediated Insurance Australia business in FY24, and reduce our operating expenses as a portion of our premiums
- Create value through digital, with $400 million in value from Direct Insurance Australia claims and supply chain cost reductions on a run-rate basis from FY26
- Manage our risks, with our risk maturity improved across the business.

Additionally, we have aspirational goals to achieve a 15% insurance margin and 13–14% return on equity on a 'through the cycle' basis.

This year, we made progress against all four strategic priorities, and this is described in more detail in the Strategy section on pages 10–11, but I call out:

- adding approximately 132,000 customers in our Direct Insurance Australia business over the past 12 months;
- expanding our Motorserve and Repairhub sites to successfully get customers' cars back on the road quicker;
- making significant progress in simplifying our complex technology and consolidating multiple systems; and
- progressing our AI motor total loss capability, now used across our businesses, to reduce claims cycle times from weeks to days.

> **"We continue to be guided by our purpose, and our strategy of creating a stronger and more resilient IAG."**

Given the operating environment over the last couple of years and the significant macro industry and Company challenges, towards the end of FY23 we adopted what we felt was a more realistic approach to the timelines attached to the ambitions and goals that support our strategy. We are focused on:

- continuing to strengthen and apply our pricing and risk management skills;
- reducing claims management costs;
- streamlining operating and technology costs; and
- rolling out digitally-based insurance options for younger people and small businesses.

Delivering these elements will affect the timing of our customer growth ambition, extending the timing by one to two years past FY26. Our ambition to have our Intermediated Insurance Australia business achieve at least $250 million in insurance profit in FY24 remains on track.

The result is expected to deliver return on equity and earnings per share that will significantly improve returns to you, our shareholders.

Executive changes

There were two changes to my Group Leadership Team this year. In May, we announced that our Chief Financial Officer Michelle McPherson will retire by the end of calendar year 2023. Michelle joined IAG as Acting Group CFO in April 2020 and was appointed CFO in November 2020. I thank her for the important role she has played in helping drive the business to achieve its strategic goals during a challenging time for the industry and economy, and wish her all the best in her retirement. Our Chief Insurance & Strategy Officer Tim Plant left IAG on 30 June 2023 as we consolidated group functions to move decisions to the businesses, where they can be as close to the customer as possible.

Following Tim's departure, the Strategy function was moved to our Finance Division, while Underwriting was transferred to the Chief Risk Officer.

Supporting our people

We are grateful to all our people who are key to our customers' experience, and who work tirelessly to support our customers in extreme weather events, as well as other experiences of accident or loss. I am very proud that our overall employee engagement score for FY23 was 74%, only slightly lower than last year's 77%, despite the year's challenges. We continue to prioritise the safety and wellbeing of our people, including offering support when they need it. In our annual culture survey in September 2022, 83% of our people agreed that "IAG provides the support I need for emotional wellbeing" and 90% agreed that "My direct leader genuinely cares about my safety and wellbeing". Our Safety and Wellbeing focus continues to ensure our long term injury frequency rates remain well below our targets in both Australia (0.95 against a target of 1.47) and New Zealand (0.67 against a target of 0.85).

Resolving our legacy issues

This year we continued to make significant progress in resolving the legacy issues we have been dealing with.

We took a prudent approach to the potential liabilities for COVID-19 business interruption exposure. After test cases involving the legal interpretation of industry policies, we continue to make good progress in finalising customer claims, and we continue to review, and reduce, the provision. Based on the Court decisions and communication with potentially impacted customers, we have reduced the provision by $560 million pre-tax during the year.

Our Company, and industry, has faced legacy pricing issues. IAG has apologised for this failure, and recognised its significance and that this was unacceptable. Our focus has been on putting this right for our customers, as quickly as possible. Our remediation is largely complete, with work ongoing in our New Zealand business. Like many companies we've had some payroll remediation issues to deal with, and that matter is also now substantially completed.

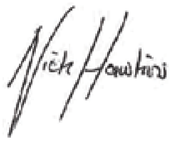
Finally, the BCC Greensill issue is still going through the courts and unfortunately, will do so for several years. We are defending all these matters. Our response is outlined in more detail in Note 2.2 to the financial statements.

Conclusion

I acknowledge it has been a tough few years for our industry, and our Company. But we see several positive financial signals; we have improved our underlying performance; retention rates remain very strong and we're growing customer numbers; and we have continued to invest in our business, and in our people.

Guidance and outlook

Our confidence in the strength of our underlying business is reflected in our improved guidance for FY24[1] for low double digit gross written premium growth, with expected modest volume growth and an increase in customer numbers; and reported insurance margin guidance of 13.5–15.5%. The reported insurance margin guidance is expected to deliver an insurance profit of between approximately $1.2 billion and $1.45 billion.



Nick Hawkins
Managing Director and
Chief Executive Officer

1 Refer to page 51 for more details on FY24 guidance and outlook and page 151 for further information on forward-looking statements and other representations.

How IAG creates value

Our purpose and values

Our purpose

We make your world a safer place

Our values

- Honest & upfront
- Easier together
- Act & own it
- Reimagine today
- Treat everyone fairly

Inputs

People and capabilities

- Diverse employees with a range of experience
- Collaborative industry associations
- Skills development programs

Natural and built environment

- Energy consumption
- Office buildings
- Fleet

Financial

- Shareholder equity
- Debt
- Reinsurance
- Investments

Brand and reputation

- Australia and New Zealand's largest general insurer
- Long-standing operations since 1920
- Trusted brands
- Social licence to operate

Regulators and communities

- General insurance code of practice
- Access and affordability
- Recognising vulnerability in our business
- Risk management

Suppliers and partners

- Collaborative relationships with partners and intermediaries

Our key business activities

What we do

- Product design and pricing excellence
- Underwriting expertise
- Portfolio management
- Service and claims management
- Sales and relationship management
- Customer experience
- Capital management

Through our business units

- Direct Insurance Australia
- Intermediated Insurance Australia
- New Zealand

Our strategy and targets

Our sustainability approach and material topics

Our stakeholder outcomes

Our strategy

We are creating a stronger, more resilient IAG

Grow with our customers
We will grow as Australians and New Zealanders grow, delivering outstanding personalised service when our customers need us the most

Build better businesses
We will help Australian and New Zealand businesses by continuing to focus on underwriting expertise, active portfolio management and pricing excellence

Create value through digital
Create connected experiences that seamlessly assist and reward our customers as they unlock the value of our network

Manage our risks
Actively manage capital and risk in our business so we can continue to manage the risks in our customers' lives

Strategic ambitions[1]

- 1M+ additional direct customers
- $250M+ insurance profit from IIA in FY24
- $400M+ value added through DIA claims and supply chain cost reductions

Aspirational goals[1, 2]

- Return on equity (ROE) 13–14%
- Insurance margin 15%

Customers

page 14

- Responding to natural disasters
- Improving the customer experience
- Delivering consistent, quality repairs

Shareholders

page 18

- Delivering strong financial performance
- Adjusting our business interruption provision
- Capital and dividend

People

page 20

- Future readiness
- Wellbeing, inclusion and belonging
- Exceptional experiences

Communities

page 24

- Leading on disaster resilience
- Assisting recovery
- Supporting Aboriginal and Torres Strait Islander communities and Māori

Environment

page 28

- Committing to Net Zero by 2050
- Shifting to renewable energy
- Delivering our Climate & Disaster Resilience Action Plan

1 These ambitions and goals are subject to assumptions and dependencies, including that there are no material adverse developments in macro-economic conditions and disruptions or events beyond IAG's control (for example, natural peril events in excess of IAG's allowances). Refer to the forward-looking statements and other representations section on page 151 for further information.

2 On a 'through the cycle' basis. Excluding the benefit of business interruption provision releases.

Strategy

Why is this important to IAG?

Our strategy creates a common vision and direction for the whole organisation.

IAG's trusted brands, established supply chain, deep data assets and financial strength are key attributes, providing competitive advantage.

Our long-term objective remains the delivery of top quartile Total Shareholder Return, with a sustainable growth profile. To achieve this, we have set our strategy to 'create a stronger, more resilient IAG'.

The strategy is underpinned by four strategic pillars that provide focus, and inform our operating model: grow with our customers, build better businesses, create value through digital, and manage our risks.

Grow with our customers

- Grow as Australians and New Zealanders grow by delivering outstanding personalised service when customers need it most
- Focus the strength of our brands to meet the evolving needs of consumers and enable the next wave of growth in small businesses across Australia and New Zealand
- Increase our customer reach to make the world safer for more Australians and New Zealanders.

Purpose We make your world a safer place

Strategy Create a stronger, more resilient IAG

People Our people are the difference: bringing our purpose to life and delivering our strategy

Focus	Approach[1]	Ambitions[1]
Grow with our customers	Deliver outstanding personalised service when our customers need us the most	• 1m additional direct customers
Build better businesses	Focus on underwriting expertise, active portfolio management and pricing excellence	• $250m IIA insurance profit in FY24 • Reducing expense ratio
Create value through digital	Create connected experiences that seamlessly assist and reward our customers as they unlock the value of our network	• $400m value from DIA claims and supply chain cost reductions on a run-rate basis from FY26
Manage our risks	Actively manage capital and risk in our business so we can continue to manage the risks in our customers' lives	• Risk maturity assessed as Integrated

1 For more detail, refer to forward-looking statements and other representations on page 151.

Build better businesses

- Help Australian and New Zealand businesses by continuing to focus on underwriting expertise, active portfolio management and pricing excellence
- Evolve by investing in core competencies, delivering consistent high quality returns to shareholders and enhancing competitive advantage.

Create value through digital

- Create connected customer experiences that seamlessly assist and reward customers
- Transform customer experience while modernising core platforms and using intelligent automation to capture value.

Manage our risks

- Manage the risks in IAG's own business so that we can continue to manage the risks in our customers' lives, by building a strong, active risk culture and meeting our obligations to the communities we serve
- Invest in process, capability, infrastructure and operational excellence to create a stable, scalable and efficient business
- Continue to have a strong capital platform, ensuring our customers are appropriately supported by our financial strength.

Progress

~132k net customer growth in DIA	Brand rationalisation in WA and SA	Retention rates ~90% to 95% in DIA motor and home

IIA FY23 insurance profit of $209m, on track for at least $250m insurance profit in FY24	Disciplined cost management with admin ratio reduction of 90bps

Enterprise Platform rollout	ANZ personal lines on Enterprise Platform from July 2023

Finalising pricing and payroll remediation	Further business interruption provision reduction of $200m in 2H23	Quota share arrangements locked-in, delivering materially consistent financial outcomes	Trade credit / Greensill

IAG's sustainability approach

We have a responsibility to manage the environmental, social and governance (ESG) risks and opportunities impacting our business and the communities in which we operate. We align ESG considerations to our broader strategic ambitions, so that we are generating long-term value for our shareholders, customers and communities.

Our ESG program of work ensures we continue to act as a responsible business, connects our people to purpose, and keeps us on pace with the evolving expectations of our customers, communities and stakeholders.

Governance

This financial year, we strengthened ESG governance through Board-approved updates of both our Social and Environmental Framework and Responsible Investment Policy. The Policy refresh expanded IAG's aim to prohibit investments in companies that derive more than 10% of their revenue from thermal coal mining to also include oil and gas production.

We have improved our risk governance processes by adding specific ESG and climate risk statements to our risk and control architecture.

This brings consistency to how we assess and manage ESG and climate risks and opportunities and supports understanding across the business.

Our governance framework is shown in the Environment section of this report on page 28, including the responsibilities of our Board and Group Leadership Team in overseeing and managing our ESG and climate-related priorities.

Our performance

This report includes updates on progress against our social and environmental commitments. A consolidated view of our greenhouse gas emissions reporting is included on page 31 of this report. A statement regarding third-party limited assurance provided by KPMG is included on page 151. KPMG's assurance opinion is also available on our website at www.iag.com.au.

Material topics

We conduct an annual materiality assessment to inform our enterprise-wide sustainability priorities, strategy setting and risk management processes.

Guided by the Global Reporting Initiative (GRI) Standards, we completed a comprehensive materiality assessment in FY22. This financial year, we re-examined the outcomes of that assessment with a customer survey and a review of industry and global socio-economic trends. Engaging with our customers helps us to understand if their priorities have changed and where IAG is best placed to influence the impacts of our material topics.

This work validated that our four material topics remain consistent with the FY22 assessment: climate change; disaster resilience and emergency response; affordability and availability of insurance; and trust and transparency.

Further details of our materiality assessment process can be found at www.iag.com.au.

Addressing our material topics

Material topic	Our response in FY23
Climate change Risks and opportunities of a changing climate, and the social and financial impacts of natural disasters. (see pages 28–32 of this report) Alignment with SDGs: 13	• Published IAG's Net Zero Roadmap, including milestones and commitments • Conducted climate-related transition risk analysis in the New Zealand business to increase understanding of future risks and opportunities • Focused the FY23 annual stress test on climate-related physical risks to help inform the impact on future capital adequacy.
Disaster resilience and emergency response Community preparation, adaptation and response to the impacts of natural disasters and climate change. (see pages 24–27 of this report) Alignment with SDGs: 9, 11, 13	• Continued publishing the seasonal Wild Weather Tracker, using claims data and community research to build awareness for disaster resilience action in Australia and New Zealand • Relaunched the Australian Red Cross Get Prepared App, which we co-created • Acted as founding partner of the Australian Resilience Corps, which has recruited more than 3,000 volunteers to support community preparedness since launch • Commissioned the *Planned Relocation – Protecting our Communities research report* in Australia to provide recommendations to help governments and communities decide when a planned relocation is necessary • Put forward a three-step plan to the New Zealand government with practical, concrete actions to increase resilience and reduce flood risk.
Affordability and availability of insurance Inadequate insurance cover due to affordability issues or a lack of suitable insurance products. Alignment with SDGs: 8	• Launched an NRMA Insurance account on WeChat to support culturally and linguistically diverse customers to access our products and services • Introduced a pay-by-the-month option at no extra cost for NRMA Insurance motor, home, boat and caravan policyholders.
Trust and transparency Erosion of confidence or trust in institutions due to fraud, corruption or other dishonest behaviour. Alignment with SDGs: 8, 9	• Implemented Modern Slavery risk assessment ratings into IAG's integrated risk management system • Provided mandatory Modern Slavery training to key functions in the business to raise awareness and lower risk, which 339 employees had completed at 30 June 2023 • Delivered training to certain teams to build Indigenous and Māori cultural awareness across IAG.

UN Sustainable Development Goals (SDGs)

8 DECENT WORK AND ECONOMIC GROWTH — 8 – Decent work and economic growth

11 SUSTAINABLE CITIES AND COMMUNITIES — 11 – Sustainable cities and communities

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — 9 – Industry, innovation, and infrastructure

13 CLIMATE ACTION — 13 – Climate action

Customers

Overview

Helping customers manage risk supports our purpose, to make your world a safer place

~132,000

Increase in customer numbers in Direct Insurance Australia in FY23

$10,203m

Claims paid (up 20% from $8,488m in FY22)

+45 AU

Customer Experience[1] (+53 FY22)

+51 NZ

Customer Experience[1] (+52 FY22)

1 Customer Experience as measured by transactional net promoter score (tNPS) is an internal measure of customer advocacy based on experiences customers have had with us across all customer journeys. We obtain this information via surveys of our personal and business insurance customers who have had a recent interaction with IAG via assisted or digital channels. The tNPS figures as at June 2023 were calculated on a 12-month rolling average.

The further roll-out of IAG's enterprise-wide technology Enterprise Platform in FY23 has allowed us to simplify the range of products we offer our customers and increase the ways they can engage with us about their policies and claims.

At the same time, our customers have experienced considerable premium increases as we have managed the costs to our business of high inflation in our supply chain, an increased number of extreme weather events and higher reinsurance costs driven in part by the significant number of these events in recent years. To help counter some of these increased costs, we are working to improve our efficiency and increase our use of digital solutions.

More broadly, we continue to work with government on initiatives that will improve community resilience and reduce risk. We are an active participant in conversations about mitigation solutions including building codes, land planning and planned relocation. We share our knowledge and expertise so that we can reduce the impact of extreme weather events and, in turn, the costs of insurance.

Responding to extreme weather events throughout the year has allowed us to do what we do best: be there for our customers when they need us most to help them recover from the costs and impacts of unexpected loss.

Customers engage with IAG through three distinct business divisions, each of which has different market segments and unique customer propositions.

Direct Insurance Australia

Direct Insurance Australia is IAG's largest business division, and home to well-known Australian consumer brands. We are in the process of simplifying our brand portfolio from eight to three go-to-market brands: NRMA Insurance; RACV Insurance, via our distribution relationship and underwriting joint venture with RACV; and ROLLiN', which is a digital brand targeted at younger customers.

The roll-out of the Enterprise Platform has enabled us to streamline the home, motor and small business products we offer, from 58 down to 14 individual products.

Inflation and premium increases

The year 2022 was one of the wettest periods ever experienced in Australia, with more than nine major weather events and over 200 rainy days. Our Direct Insurance Australia business normally receives around 35,000 to 40,000 motor claims a month and typically repairs about 4,500 damaged homes a month. Last year's weather saw our claims volumes more than double these levels, placing pressure on our business, and the whole industry.

Our business-as-usual claims were also affected by global and local inflation. Combined with higher reinsurance costs, these contributed to increased premiums. We are heartened to have strong customer retention rates despite these increases.

Property premiums have similarly been affected by inflation, increased natural perils and rising reinsurance costs.

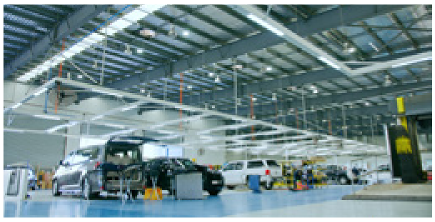
Efficiency gains in repairs

Raising premiums has not been our only response to addressing the cost pressures we face. Within our motor claims supply chain, we have increased capacity and use of the IAG repair network to deliver better customer outcomes with more cost efficiency.

Our Motorserve business receives claims, and triages these into our partner repairer network. More than 15% of our total claims are now repaired by our own Repairhub shops.

This provides us with greater insight into pricing for motor claims and strengthens our competitive advantage.

We have also focused on improving supply chain performance in our property repairs. We have extended our contracts and our long-term relationships with our suppliers to provide us and our builders with better cost certainty. We are focused on reducing and closing outstanding claims as quickly as possible.

More than 15% of our total claims are now repaired by our own Repairhub shops, where we have a fixed repair cost for every vehicle.

Digital and data-led innovation

The current operating environment has sharpened our focus on digital and data-led innovation to improve customer experience, reduce claims handling time and deliver more cost efficiency. NRMA Insurance online now accounts for 43% of new business sales, and 40% of renewals, up from 37% and 39% respectively in FY22.

Using our ClaimsTracker service, customers can lodge and track their claims digitally. More than 600,000 customers have used this service since its launch in 2022, creating over one million individual interactions. More than 36% of claims are now lodged online.

We can use automated intelligence to assess the vehicle in a lodged claim and predict if it is a total loss. If it is, customers can opt into a self-settlement process. Total losses make up about 10% of our claims volume. We have assisted 30,000 customers with ClaimsTracker since 2022, accurately predicting 4,000 total losses. Average total loss claims settlement time is now hours, not days, with our fastest lodgement achieved in 27 minutes from lodgement to settlement.

We are now rolling this capability out into our Intermediated Australia and New Zealand businesses.

Similarly, our Virtual Assist product has reduced property claim assessment times by 40%.

Focused on our customers

In this current operating environment, our key priority has been to focus on our existing customers. Our customer numbers grew by approximately 132,000 in FY23, after growth of approximately 81,500 in FY22, with much of the growth coming from increased retention of existing customers.

We have increased the number of products sold per customer to 2.1 across our portfolio, and strengthened our product renewal rates, now 96% in property and 91% in motor.

Over time, we have built a loyal customer base by recognising both their tenure and the number of products they hold.

We have extended this recognition through our NRMA Insurance rewards program, Help Hub, by launching incentives and offers that help promote risk reduction. The Help Hub encourages customers to participate in risk mitigation activities to help them control the things they can, prepare for the things they can't, and reward them in the process.

The success of our customer-focused approach is shown by three Canstar Awards won by NRMA Insurance this year, for:

- Most Satisfied Customers NSW – Home Insurance 2023
- Most Satisfied Customers NSW – Car Insurance 2023 (also winning this category in 2022)
- Outstanding Value SA – Car Insurance 2023.

The Canstar Customer Satisfaction Awards are decided by consumer surveys; these showed high scores for NRMA Insurance in the Home Insurance NSW and Car Insurance NSW categories for 2023 across customer service, product coverage and communication.

The Canstar award for Outstanding Value Car Insurance is provided in each Australian state and territory to recognise a consistently strong offering across the entire market. Canstar's research team assessed the pricing and features of 41 providers, across 42 profiles, to determine which ones offered the best value to consumers in each state, and NRMA Insurance came out on top in South Australia.

In addition to the awards presented to NRMA Insurance, Canstar named ROLLiN' Insurance the 2023 Car Insurer of the year for Outstanding Value in Australia, New South Wales, Queensland and Western Australia.

Targeting new customers

In FY23, NRMA Insurance began trialling a program to engage with culturally and linguistically diverse customers through a WeChat channel directed at Chinese Australians. As at 30 June 2023, the channel had 2,000 followers and the eight articles published on the site attracted over 6,100 reads. The WeChat communications program is supported by two webchat agents responding to general enquiries in Chinese.

Customers

Intermediated Insurance Australia

Our Intermediated Insurance Australia division provides insurance products to personal customers, small to medium enterprises, and agriculture, commercial mid-market and corporate customers.

It also distributes products through partners, underwriting agencies, regional sales representatives, authorised representatives and most significantly, brokers.

Like the Direct insurance businesses, our Intermediated business has significantly increased premiums to recover large increases in costs resulting from more frequent and damaging weather events, higher reinsurance costs, and higher-than-anticipated claims inflation.

To improve efficiency, remove frictional costs and provide more affordable products, we are investing in technology to deliver strategic capability to our business over the medium term.

The investment is delivering new pricing tools to give more detailed and accurate pricing for our liability and agricultural portfolios, and for extreme weather events.

In 2023, CGU entered into a partnership with ANZ to become the general insurance underwriter for ANZ, providing home, landlord, and motor insurance products.

Thanks to our Enterprise Platform, ANZ customers will have a digital experience at the point of sale, and throughout their insurance journey.

Within claims, we are aiming to create efficiencies and simplify the claims transaction, benefiting our customers, distribution partners, and our business. In FY23, we continued to add features to our CGU Claims Broker Portal, enabling full digital lodgement and allocation. We are using the capability and success of this portal within our WFI business.

We have pursued business improvements. We have implemented more structured portfolio management program practices, including bi-annual reviews to monitor all customer portfolios against target metrics.

As a result of improved portfolio management practices we have exited certain segments and taken action on distribution costs as we continue to shape the product portfolios and focus on improving customer outcomes.

We have also addressed the performance of our long-tail portfolios which were heavily influenced by the rise in worker-to-worker injury claims resulting in deterioration of the FY22 valuation. Action taken includes a ground-up review of rates, as well as the decision to exit certain segments such as primary construction liability.

WFI has refreshed its brand via an "Insurance you can shake hands with" campaign that highlights the way WFI people build a relationship with their customers.

IAG New Zealand

IAG is New Zealand's largest general insurer, serving over two million customers through two broad business units:

- the intermediated Business Division, which serves brokers under the NZI brand; and
- Consumer Division, which has the AMI and State direct brands. AMI is the largest brand in New Zealand and State is the third-largest. This division also houses our Partner brand, where we provide products to three of the four largest banks.

A year of extreme weather

New Zealand experienced the devastating impacts of the North Island floods, and Cyclone Gabrielle, within the space of three weeks in early calendar year 2023. These are the second and third largest events to ever occur in New Zealand.

As well as affecting many communities, the combined impact resulted in an unprecedented number of claims – just over 50,000 from the two events. As of 30 June 2023, approximately 40% of these claims had been closed, including over 95% of motor claims and around 75% of contents claims. Settling these claims is a big focus for us as closing them faster means our customers are supported.

Overall claims volumes from weather related events in FY23 were three times higher than in FY22.

We pride ourselves on our ability to support our customers at their time of need, as we have done here. We started claims hubs across the impacted areas, we were in the communities first, and we continue to be present on the ground.

We have continued to collaborate with government and communities on our climate response. We hope our focus on the important issue of managed retreat in New Zealand, along with risk-based pricing and our leadership on risk mitigation, will play an important role in helping ensure New Zealanders can continue to access and afford the protection of insurance.

Pictured are our claims team members Charmaine Harding (EQC team), Robyn Hogg, Angela Price, Caro Emile and Graeme Duncan at the Trafalgar Centre, Nelson community hub in August 2022.

Challenging external environment

New Zealand customers have experienced a challenging external environment. In addition to the weather events, IAG has faced higher claims frequency and increased costs.

At the same time, motor claims have returned to pre-COVID-19 levels. There has also been a sustained rise in claims inflation, caused by increased costs for parts, paint and non-contracted labour; more vehicles being enabled with technology and costing more to repair; and higher reinsurance costs.

In our home and building policies, inflation has been driven by higher natural perils allowances, and increased reinsurance costs.

While we have had to increase premium prices to address these costs, we are conscious of the affordability challenge facing our customers and have responded in other ways. These include managing our administration costs, and efficiency and automation initiatives.

Customer focused

Repairhub continues to provide our customers with a first-class experience. The business has a high net promoter score of +93 and industry-leading repair turnaround times.

We launched two new Repairhub sites in FY23, including our first site on the North Shore of Auckland (Wairau Valley). Expanding the Repairhub model into metropolitan areas is a core part of IAG New Zealand's strategy to Build Better Businesses.

Since acquiring full ownership of First Rescue in FY22, we have expanded our Roadside Rescue to existing customers and begun offering it as a stand-alone service.

We have also continued to transform and simplify our supply chain, reducing cost and increasing value. This year, we simplified our repairer network down to 230 repairers, and we continue to invest in these businesses, and simplify our process for them. In 2023, we launched an automatic assessment tool to speed up and simply our motor repairers' assessment approval process, which also speeds up the process for our customers.

To create further efficiency in our supply chain and help reduce the costs for motor vehicle repairs, we have signed a contract with Partly, an innovative New Zealand start-up focused on optimising the marketplace for replacement auto vehicle parts.

Our customer focus led us to reignite our retail presence by opening our first customer-facing site since 2020 in Auckland.

To meet our broker and commercial customers' evolving needs, our NZI business continued to expand its value-added services. These include personalised services for businesses with more complex needs, including value-add risk advisory services. Here, we sit down with our customer and the broker outside of renewal time to consider how we can help them to reduce certain risks.

In FY23, NZI launched an electrical inspector's program to help commercial customers protect their businesses against some of the leading causes of commercial electrical fires.

We also launched our Fleet Fit program, which offers 14 different products that can be tailored to help commercial motor customers improve fleet safety and performance to help reduce the likelihood of making a claim in the first place. Customers appreciate the assurance the program offers, and as at 30 June 2023 96% of customers that participated in the program were retained.

Digital and data-led innovation

In response to customers' evolving needs and desire to interact with us where and when its suits them, we continued to see a shift to digital interactions in FY23, including a 12% increase in sales through digital channels for our Direct brands. By the end of the financial year, a record 37% of claims were lodged digitally.

We expanded our digital connectivity to NZI in 2023, with the launch of our first online broker connection.

Both our State and AMI apps achieved double digit growth in FY23. To further improve our claims app experience, we launched ClaimsTracker for motor vehicle claims in February 2023. As at 30 June 2023, it had recorded 39,000 customer visits and a 33% increase in customers booking a repairer online. As well as being able to lodge and track their claim through the app, customers can use integrated First Rescue services to book towing through the app.

We continue to simplify our operating environment and automate our processes where possible. In FY23 this approach delivered 167,000 hours of "saved and avoid" work, and resulted in 167 products being decommissioned.

Shareholders

Overview

A responsible business creating sustained return on investments

10.6%

Gross written premium growth

$803m

Insurance profit

12.6%

Underlying insurance margin

597,547

Shareholders as at 30 June 2023

In the face of a challenging operating environment, IAG delivered a solid performance for FY23, achieving strong gross written premium growth and progress in all four strategic priorities: customer growth, building better businesses, creating value though digital, and managing risks.

FY23 results

Reported FY23 gross written premium increased by 10.6% to $14,729 million.

Our underlying insurance margin is the reported insurance margin adjusted for prior year reserve releases or strengthening, natural perils claim costs above or below related allowances and credit spread gains or losses.

Our FY23 underlying insurance margin was 12.6%, lower than the 14.6% in FY22 due to the impact of short-tail claims inflation. The underlying margin of 14.6% in FY22 included a COVID-19 impact of lower claims frequency and would have been 13.9% without this benefit.

The reduction in the underlying margin reflects a combination of influences. On the positive side:

- an increase in the underlying investment yield on technical reserves to 4.3% (FY22: 1.8%); and
- an improvement in the expense ratio of 30 basis points.

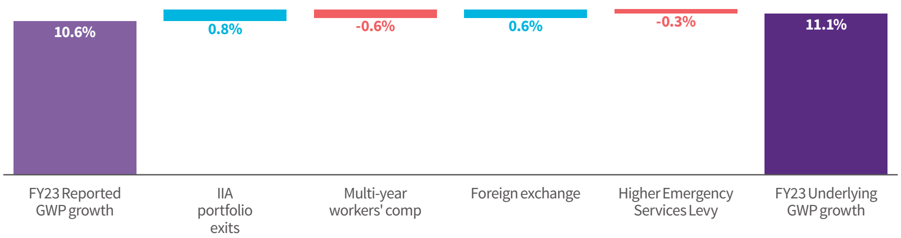
These positive factors were more than offset by:

- around 120 basis point impact from the increase in the natural perils allowance from $765 million to $909 million; and
- around 250 basis point increase in the claims ratio due to inflationary impacts driving a significant increase in the average claims size of motor and home claims.

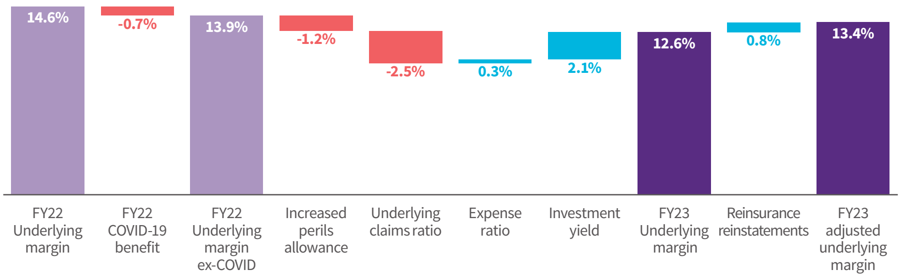
The reported insurance profit of $803 million in FY23 (FY22: $586 million) equates to a reported margin of 9.6% (FY22: 7.4%), in line with our guidance of around 10%. In addition to the underlying margin influences outlined above, this included:

- unfavourable net natural perils costs of $297 million above our original allowance of $909 million (FY22: $354 million above allowance);
- a $37 million impact from strengthening of prior year reserves (FY22: $172 million); and
- a positive impact from narrowing of credit spreads of $85 million (FY22: negative $45 million).

FY23 gross written premium



FY23 underlying insurance margin

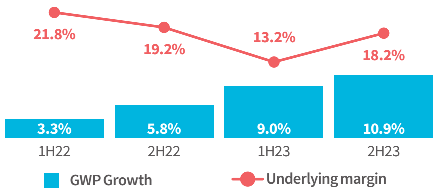


Net profit after tax of $832 million (FY22: $347 million) represents a diluted earnings per share of 32.20 cents (FY22: 13.33 cents). This included the benefit of the post-tax $392 million reduction in the business interruption provision.

Cash earnings of $452 million are up 112% (FY22: $213 million). Cash earnings reflect the net profit after tax adjusted for acquired intangible assets and unusual items. Unusual items in FY23 included the pre-tax release from the business interruption provision, an impairment to lease assets following a review of IAG's property requirements and other smaller adjustments including profit adjustments on the sale of SUU and AmGeneral, and customer refund provision adjustment.

Divisional highlights

Direct Insurance Australia

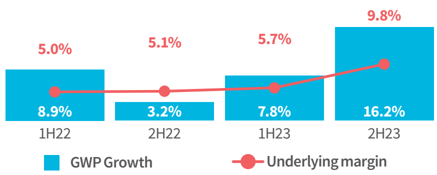


Direct Insurance Australia reported gross written premium of $6,640 million in FY23, an increase of 10.0% over FY22. Growth was driven by rate increases to address claims inflation, an increased natural perils allowance and higher reinsurance costs. Volume growth was 1.2% against FY22, primarily driven by CTP NSW and Home portfolio. Strong and steady retention levels remain a key feature of the business' performance.

Direct Insurance Australia's underlying margin of 15.7% reflects the impact of higher claims inflation, with a delay in the earned-through effect of higher premium rates. The comparative FY22 result of 20.5% included COVID-19 benefits due to lower motor claims frequency. Excluding COVID-19 benefits, the underlying margin in FY22 was approximately 19%.

The reported margin of 14.5% was impacted by natural perils $74 million above the allowance, and reserve strengthening of $19 million which was partially offset by gains of $46 million from a narrowing in credit spreads.

Intermediated Insurance Australia



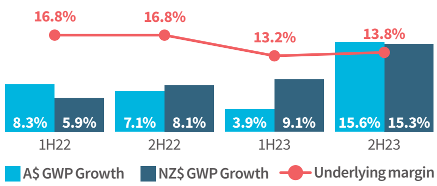
Intermediated Insurance Australia reported gross written premium of $4,805 million in FY23, a 12% increase compared to FY22.

The business delivered an insurance profit of $209 million in FY23. The key drivers of the improvement in the reported profit relative to FY22 ($103 million loss) were lower natural peril costs, lower prior year reserve strengthening and a benefit from credit spreads narrowing.

Intermediated Insurance Australia's underlying margin continued to improve despite the inflationary impact on short-tail Home and Motor claims. The 7.7% underlying margin in FY23 (5.0% in FY22) demonstrates the progress the business is making towards its insurance profit target of at least $250 million in FY24.

The key driver of the underlying margin improvement was an improvement in investment yields, and a lower expense ratio which more than offset a deterioration in the underlying loss ratio.

New Zealand



New Zealand's gross written premium of $3,284 million grew 9.8% and was impacted by the weak New Zealand dollar in the first half of the financial year. In local currency terms, premiums grew by approximately 12% in FY23 to NZ$3,587 million. After allowing for the estimated impact of the Earthquake Commission cap change, local currency gross written premium grew by 13.8%. The growth was rate-driven with overall volumes slightly down on prior year.

New Zealand achieved an insurance profit of $44 million in FY23, compared to $220 million in FY22. This translated to a reported insurance margin of 2.4% (FY22: 12.8%), reflecting the significant impact of the Auckland flooding and Cyclone Gabrielle events in the second half of the financial year.

The FY23 underlying margin of 13.5% (FY22: 16.8%) largely reflected higher underlying claims and reinsurance costs.

Capital position

IAG remains strongly capitalised, with total regulatory capital of $5,073 million at 30 June 2023. The CET1 ratio is IAG's primary capital measure and continues to exceed targeted levels at 1.12 times the Prescribed Capital Amount. This compares to a targeted range of 0.9 to 1.1 times and a regulatory minimum requirement of 0.6 times.

Dividend

The Board has determined to pay a final dividend of 9.0 cents per share, franked to 30%. The final dividend will be paid on 28 September 2023 to shareholders registered as at 5.00pm Australian Eastern Standard Time on 30 August 2023.

This brings the full year dividend to 15.0 cents per share, which equates to a payout ratio of around 83% of reported net profit after tax, excluding the after-tax impact from releases from the business interruption provision.

IAG's dividend policy is to pay out 60% to 80% of net profit after tax excluding the after-tax impact from releases from the business interruption provision.

Share buy-back

On 17 October 2022, IAG announced that it intended to buy back up to $350 million of its ordinary shares via on-market purchases. At 30 June 2023, approximately $123 million had been paid for 24,554,658 shares. The share buy-back commenced in November 2022 and currently has a proposed end date of 16 October 2023. IAG intends to extend the proposed end date of the share buy-back by up to 12 months.

More details about our FY23 financial performance are set out in the Operating and Financial Review on pages 43–53 of this report.

People

Overview

Our people help bring our purpose to life and deliver our strategy

74%

Engagement score reported in our FY23 annual culture survey[1] (slightly down on the 77% result from FY22)

0.95

Lost time injury frequency rate (Australia)

0.67

Lost time injury frequency rate (New Zealand)

142,772

Recognition moments to our people across IAG (up 13% from FY22)

1 Based on our December 2022 annual culture survey.

People are key to serving our customers and achieving our business priorities. To attract and retain the best people, we are investing in technical capability, leadership development and ensuring we offer the right experience for our people.

IAG is building a culture that will help us stand out in today's competitive employment market. The values, expected behaviours, and beliefs that define our culture are set out in The IAG Way, shown below.

We assess our culture through annual surveys and in-depth listening with our people.

We are focused on three areas:

- **Future readiness**: attracting and retaining talented people, and building the capability we need for the future.
- **Wellbeing, inclusion and belonging**: covering diversity, inclusion and health and safety priorities that are increasingly important to employees.
- **Exceptional experience**: providing a compelling employee experience for all our people and managing our people risk.

Future readiness

We have identified five leadership capabilities that will help us achieve our growth strategy, build future leaders and sustain a performance culture. The capabilities are inspirational leadership; psychological safety; constructive challenge; enterprise thinking; and play to win.

In November 2021, we launched two multi-year immersive programs, partnering with industry and leadership experts to build and broaden capabilities and skills across our circa 370 senior leaders. Early measures show positive shifts in mindset and behaviour.

To minimise the risk of losing key people, and support their retention, we have a formal approach to reviewing succession, identifying potential talent and creating targeted development plans.

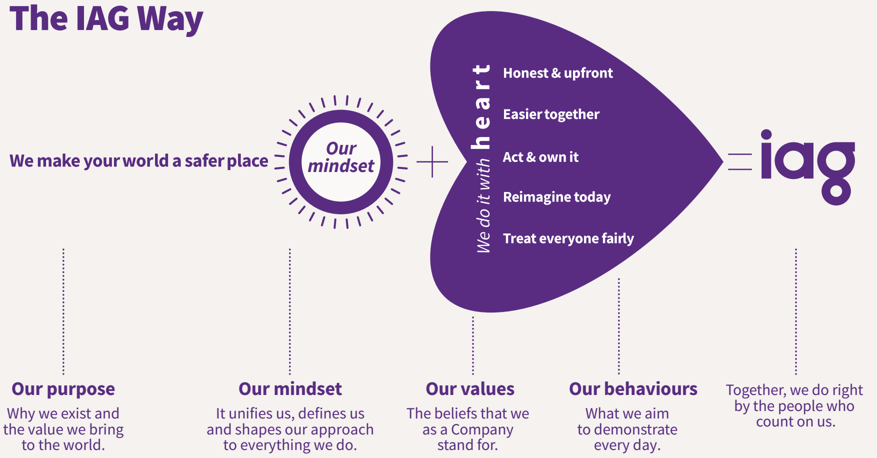
Internships through CareerTrackers and CareerSeekers, and our partnership with Google recognising Google Career Certificates, are helping us attract new people.

Our graduate strategy supports our future workforce and helps address talent scarcity. We refined the strategy in FY23 to better attract the technical talent and future skills we will need. As a result, a record 71 graduates were offered places with IAG from more than 2,000 applicants.

To support our people's career aspirations we launched the IAG Academy in 2022 to provide multi-channel development opportunities. We also launched our first careers week, Brilliant Me: activate your brilliance, hosting over 80 events that attracted 10,000 registrations to participate.

The IAG Academy offers learning experiences in Customer, Digital & Data, Insurance, Leadership and Risk faculties. Courses provide our people with career pathways, improved capabilities, and new skills to suit the changing workforce.

The IAG Way



In May 2023, IAG hosted a CareerSeekers New Australian Internship Program Annual Spotlight event to showcase CareerSeekers interns, their journeys and achievements. CareerSeekers is an organisation that provides refugees and asylum seekers with the opportunity to gain professional work experience through an internship, and IAG has partnered with the organisation since 2019.

Wellbeing, inclusion and belonging

We foster an inclusive culture where we respect and value the different experiences of people. Our diversity, inclusion and belonging strategy has three pillars:

- **Diversity**: build a diverse workforce that reflects our customers and community
- **Inclusion**: maintain an inclusive culture that values and celebrates difference
- **Belonging**: enable a safe and well environment so we can bring our whole selves to work.

In November 2022, we replaced the Diversity, Inclusion and Belonging Framework that sits under our diversity, inclusion and belonging strategy with the Diversity, Equity and Inclusion Policy to increase clarity and accountability around roles, responsibilities, expectations and commitments. We launched mandatory diversity, equity and inclusion training for all our people in February 2023. The training aims to improve understanding and capability, enable equitable and inclusive customer engagement, and further enhance our people experience.

Gender equity and pay parity

Our annual gender pay equity assessments include 'like for like' role analysis across the Company, comparing the pay of males and females in roles substantially similar by type, function and level.

Our analysis indicates that gender pay gaps by level are largely the result of higher representation of females in lower level and lower paying roles, and higher representation of men in more senior and higher paying roles.

People

Diversity targets

We have two measurable diversity targets:

- To have women occupy 50% of senior management roles.
- To have Aboriginal and Torres Strait Islanders represent 3% of our Australian employees.

While we were not successful in achieving these targets by the original date of FY23, we continue to make progress towards them, and we have extended these targets to FY24 and FY25 respectively. Our FY23 performance against these targets is detailed below.

Women in senior management

We define senior management roles as our Group Executives, Executive General Managers and the people who report directly to them. More broadly, women are 60% of our total workforce.

Women occupied 45% of senior management roles at the end of FY23 (compared to 44% in FY22).

To help us achieve our target, we continue to focus on career development, and on our Game Changers program which develops our emerging female leaders.

Further information on gender diversity and our progress towards our Diversity, Equity and Inclusion targets is available in our FY23 Corporate Governance Statement (in the Results and Reports area of our website, www.iag.com.au) and in our Workplace Gender Equality report (available in the Careers area of our website, www.iag.com.au).

Aboriginal and Torres Strait Islander employment

Aboriginal and Torres Strait Islanders were 1.19% of our employees (or 101 employees) at the end of FY23. The extension of our Aboriginal and Torres Strait Islander employment target of 3% of our Australian employees from FY23 until FY25 aligns with the release of our Reconciliation Action Plan.

To progress towards our target, we engaged two First Nations recruitment partners, IPA and Pipeline Talent. We partner with CareerTrackers in Australia and First Foundation and TupuToa in New Zealand to provide internships to high school and university students.

This year, we worked with our partners at BlackCard, Arrilla, The Healing Foundation and Jawun to improve cultural education and awareness across the Australian business. We believe this will help us build a stronger culture of inclusion.

IAG New Zealand has worked to improve cultural diversity and support for Māori employees through our Māori Strategy, He Rautaki Māori. The strategy focuses on increasing Māori and multi-ethnic representation in our workforce. We conducted a He Rautaki Māori (Te ara ki tua) survey to assess people's experience and understand how it can be improved.

Inclusion and accessibility

IAG's workplaces are acknowledged as supportive, productive and inclusive for LGBTIQ+ people. In 2022, we were awarded Bronze status in the Australian Workplace Equality Index and achieved the top category across all sections of the Rainbow Tick Certification in New Zealand.

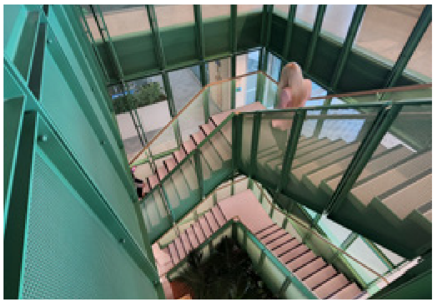
IAG completed the Australian Network on Disability (AND) Access and Inclusion Index assessment for the second time in FY23. The Index supports organisations to identify, measure and improve disability inclusion and reduce accessibility barriers. We significantly improved our result this year and were named one of the top 10 performers in this year's results.

Through AND, we have been actively involved in the Positive Action towards Career Engagement (PACE) and Stepping Into internship programs. The PACE mentoring program builds disability confidence, develops leadership skills and tackles unconscious bias through supporting AND member company employees to mentor a jobseeker with disability. IAG has supported 23 mentees over four cohorts of the PACE mentoring program, with nine mentees completing the program last year.

Thirty-nine interns have participated in the program so far. This year, IAG became a founding member of AND's Alumni Connect program.

IAG hosted the inaugural AND Alumni networking event in May 2023. Photographed at the event were (L to R): Neil Morgan, Chief Operating Officer, IAG; John Gerloff, Principal, Journey Lead IAG (Accessibility champion); Isabel Heiner, Program Manager Australian Network on Disability; and Deb Heron, Stepping Into Alumni and Regional Manager QLD/NT at Ability First.

This year we started The Good Work Design Project to create a mentally healthy IAG by designing work that prevents harm, promotes wellbeing and supports productivity.



Our people enjoy the newly refreshed Brisbane office.

Health, safety and wellbeing

This year we started The Good Work Design Project to create a mentally healthy IAG by designing work that prevents harm, promotes wellbeing and supports productivity. Our people's psychosocial health was a focus before COVID-19 and became more critical following the pandemic.

The project is already delivering benefits for our people and customers. After the pilot program was completed in November 2022, we changed productivity targets for teams managing vulnerable customers. Teams reduced the average time to close these claims from 60 to 20 days.

This year we appointed Sonder to provide our Employee Assistance Program, supporting our holistic wellbeing approach. Sonder gives our people, their families and friends free access to confidential physical, medical and mental health care from registered nurses, wellbeing experts, psychologists and in-person responders who are ready to assist 24 hours a day, seven days a week.

IAG promotes a flexible, hybrid approach to work guided by our business outputs and outcomes. Our people are encouraged to work in a way that supports our customers, provides the ability to connect and collaborate and provides them with flexibility. Based on feedback in our annual culture survey, 88% of employees feel they have the flexibility they need to manage work and commitments.

Exceptional experiences

We gather feedback and measure employee engagement and our culture through our culture surveys. Our cultural aspiration is to be purpose led, risk intelligent and customer centric.

The average score for IAG employee engagement was 74%, down slightly on the FY22 average of 77%. This falls within the range for achieving, and represents a good result given the operating environment. To create an exceptional people experience and lift engagement, we streamlined the onboarding experience and celebrate new employees' first 30 and 100 days with IAG.

Our *Shout Outs | He toa takatini* recognition program embeds a culture of appreciation. Since we launched the program in 2020, our people have logged more than 300,000 acts of appreciation. Analysis of FY23 data found a strong link between people receiving regular appreciation and improvements in engagement and performance.

Communities

Overview

We help to build more resilient communities

$10m

Community investment (FY22: $15.2 million). Our FY22 investment was elevated due to the extra support we provided to communities impacted by the pandemic and extreme weather events through our NRMA COVID-19 Relief Program and NRMA HELP package

9,290hrs

Volunteered by our people (FY22: 2,760 hours)

23

Indigenous suppliers

1,280

Trees planted during Resilience Day

6,483m²

Bushfire fuel cleared during Resilience Day

1.4m

Urgently needed essential items provided through the GIVIT COVID-19 Relief Program, funded by NRMA Insurance, to people impacted by the pandemic and extreme weather events.

Supporting more resilient communities

As climate change continues to increase the frequency and severity of extreme weather, we see first-hand the impact it is having on our customers and communities. By supporting our customers to be more resilient to extreme weather, we can help reduce the impacts physical climate risks have on them and our business.

We share our claims data analysis and extreme weather insights through targeted research and brand-led initiatives, including the NRMA Insurance Wild Weather Tracker. This helps people to understand their risk, suggests actions they can take to be better prepared, and provides access to tools and resources that help them put these actions into place.

We cannot deliver this change alone and have a long history of partnering with experts, including the Australian Red Cross, South Australia State Emergency Service, Resilient Building Council, Australian Resilience Corps, GIVIT, and Habitat for Humanity in New Zealand.

Building awareness and risk understanding

Understanding local weather risks is a crucial first step to making informed decisions on how to prepare. Consumer research in the NRMA Insurance Wild Weather Tracker (Tracker) in Australia and its equivalent in New Zealand reveals increasing concern about wild weather. 77% of Australians and 83% of New Zealanders said they were worried about the increasing frequency and severity of wild weather impacts. The Trackers use IAG's claims analysis data and consumer research to help communities understand their risk. After each storm season, an updated Tracker is released to highlight the ongoing impact of storms, floods, bushfires and other extreme events, reaching an estimated nine million people.

By building awareness and understanding, we aim to prompt people to take action. The Trackers share examples of simple steps people can take to be more prepared. However, as Figure 1 from the Summer 2022–23 Australian Wild Weather Tracker shows, translating awareness into tangible actions is challenging, with the gap between intention and action growing.

We know that we can create more resilient communities by helping to close that gap through our preparedness campaigns.

In New Zealand, the latest edition of the Wild Weather Tracker also reveals an opportunity for us to uplift preparedness action. We engaged independent market research to understand levels of preparedness before and after the North Island floods and ex-Tropical Cyclone Gabrielle in early 2023. Figure 2 shows that while some people are responding to severe weather warnings and taking action, there is a gap that we are working to help close. By sharing our claims analysis and research alongside simple actions people can take, we are supporting our customers to get prepared.

Figure 1 – intention to prepare vs taking action (%)

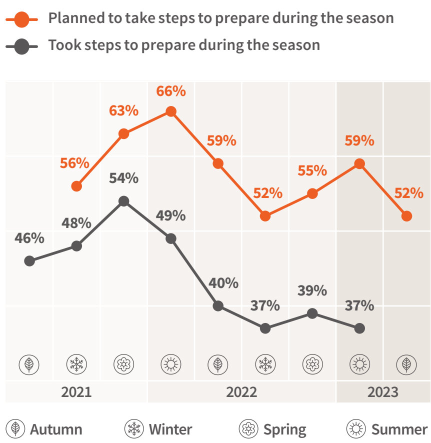
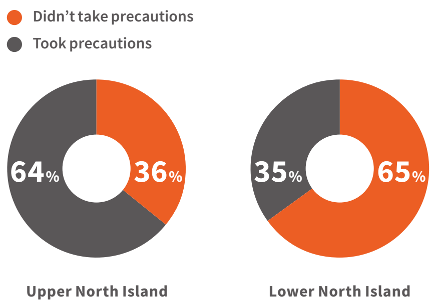


Figure 2 – community preparation for New Zealand North Island flood



Partnering to drive action at scale

We have a greater impact when we work with our partners to develop programs that help our customers and the community prepare for, respond to, and recover from extreme weather.

As an example, included in Figure 3, we featured the refreshed Get Prepared app, that we co-created through our Australian Red Cross partnership, in the NRMA Insurance 'First Saturday' winter campaign.

Tracking our progress

To help us target resilience action in areas with the biggest impact for both the community and IAG, we set the following target in our FY22-24 Climate & Disaster Resilience Action Plan (Action Plan):

One million Australians and New Zealanders have taken action to reduce their risk from natural hazards by 2025

The target forms part of the Action Plan's Transforming the System focus area – to build community climate and disaster resilience by delivering and collaborating on preparedness initiatives.

As of June 2023, we have prompted over 522,000 people to take action across Australia and New Zealand. While this marks steady progress, we acknowledge there are challenges in encouraging the most impactful actions. We continue to assess and evolve our approach and use the insights learned from our disaster resilience initiatives to drive program prioritisation, to improve the relevance and effectiveness of our campaigns.

Beyond the number of individuals taking action, we remain focused on understanding and measuring the impact of those actions. By analysing the impact of our initiatives we can inform how we are creating both community and business value.

> **"You can reduce the impact of emergencies, big and small, by being prepared. We are certain that this campaign will see more Australians prepared for the impact of extreme weather. Through the partnership we will roll out the co-created Get Prepared app in our community resilience workshops. The app will enable us to track adoption rates and digitally prompt people to complete their emergency plan, which is a wonderful shift from our previous paper-based approach."**

Kym Pfitzner, CEO Australian Red Cross

Figure 3 – how we collaborate with our partners to build awareness and drive preparedness action

Climate & Disaster Resilience Action Plan focus areas:

RETHINKING RISK | TRANSFORMING THE SYSTEM | DRIVING TO ZERO

Target: One million Australians and New Zealanders have taken action to reduce their risk from natural hazards by 2025.

To drive action first we need to build awareness

DRIVING AWARENESS

NRMA Insurance Wild Weather Tracker (Quarterly)

Builds understanding of the impacts of wild weather and the importance of preparedness.

DRIVING ACTION

First Saturday of the Season campaign

Reinforces awareness and provides three key actions you can take.

TARGETED ACTIVITIES

Our People

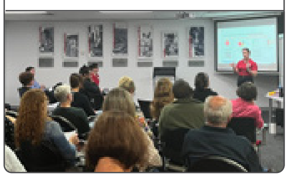
Employee incentive to complete an emergency plan via the Red Cross co-created Get Prepared app.

Our Customers

Rewarding customers that complete preparedness challenges with a Red Cross First Aid Kit.

Our Communities

Education with community partners in local communities.



Communities

Supporting recovery

As we partner to drive resilience action, we are also acutely aware of the challenges faced in recovery. Volunteering fatigue is increasing in response to these multiple extreme weather events. We continue to support recovery in our communities through the NRMA Insurance HELP package and COVID-19 Relief Program. These provide immediate recovery support through the GIVIT donations platform and longer-term recovery through Australian Red Cross, while enabling our partners to build their capacity and capability.

Partnering with emergency services

We recognise the important role emergency services play before, during and after extreme weather. This year through our partnership with the South Australian SES, 22 IAG staff volunteered to support sandbagging efforts in preparation for the Murray River flood event. In addition, throughout the bushfire season the NRMA Insurance helicopter was on hand to support the NSW Rural Fire Service. Our community partnerships are profiled on our website at www.iag.com.au.

Engaging our people

We encourage volunteering to connect our people to purpose, and enable them to build their understanding of risk and take their own resilience action. IAG's November 2022 Resilience Day saw over 3,000 employees volunteering to deliver community resilience actions through 140 events across Australia and New Zealand. Many of these events were developed in partnership with the Australian Resilience Corps (The Corps). NRMA Insurance was a founding member of The Corps.

"It was great to get out and connect with colleagues and our community partners. Restoring the coastal ecosystem was tough but rewarding. Together as a group, the Council said we were able to achieve more in one day than they could in a year."

Genevieve Neilson – IAG colleague, at a Resilience Day volunteering event

IAG Resilience Day – our people clearing vegetation to help protect communities against bushfires in Woodford, New South Wales, with the Australian Resilience Corps.

Our people supporting the South Australia SES sand bagging effort in Mannum, South Australia, during the Murray River floods in December 2022.

IAG Resilience Day – our people preparing to clear invasive vegetation along the Central Coast to help protect communities from coastal erosion, facilitated by the Australian Resilience Corps and their on-the-ground partner Disaster Relief Australia.

Advocacy and collaboration

We publish targeted research to advance the conversation on floodplain risk management in Australia and advocate for ongoing investment in disaster mitigation efforts. We also recognise that a plan for relocation needs to be considered when communities are facing ongoing high or extreme risk.

In March 2023 the Australian Federal Minister for Emergency Management, Senator the Hon Murray Watt, launched the *Planned Relocation – Protecting* our Communities research report, commissioned by IAG with Rhelm, a consultancy specialising in natural hazards and resilience. The report provides recommendations to help governments and communities assess planned relocation as an option to protect lives into the future.

The report outlines seven key recommendations, including:

- The development of national guidance on planned relocation;
- Prioritisation and funding for social support for residents as part of any planned relocation scheme; and
- The establishment of a legislative framework for accelerated approvals for planned relocation, including re-zoning, subdivision and development approvals.

The full report can be found on the Research page of our website at www.iag.com.au.

Supporting communities through responsible supply chain management

This year we worked with partners to improve the social and environmental standards in our supply chains. In FY23 we launched Modern Slavery training modules, which are mandatory for targeted areas of the organisation. This training is designed to increase awareness of modern slavery risks and their potential impact on our business.

In addition to training, during the last reporting period we commenced work to embed Modern Slavery commitments within IAG's management systems and processes, including: extending communication of our Supplier Code of Conduct to our supplier base with whom we have direct contracts; supplementing our Mergers and Acquisitions (M&A) procedure to include human rights issues as part of our due diligence activities; and implementing Modern Slavery risk assessment ratings into IAG's integrated risk management system.

Further information is available in our latest Board-approved Modern Slavery Statement at www.iag.com.au.

Our Stretch Reconciliation Action Plan (RAP) includes commitments to work with First Nations Suppliers. We work with Supply Nation to increase our spend with Indigenous owned and run businesses, and to increase the number of First Nations businesses in our supply chain.

In the last year, we have procured from 23 First Nations suppliers compared to 32 suppliers during our previous three-year RAP. We have also increased spend to more than $1.1 million, from $0.4 million in FY22.

Our targets are to:

- increase spend by 25% annually over the next two years; and
- procure from a minimum of 65 businesses over the course of our Stretch RAP by June 2025.

To help deliver on these targets, we are engaging with State-based Indigenous Chambers of Commerce to access a broader range of Indigenous owned and run businesses.

Environment

Overview

We focus on climate and disaster resilience as this area most impacts our customers and business, and is where we can have the most meaningful impact

15%

Total scope 1 and 2 emissions reduction since FY21 (baseline year for our emissions reduction target)

$238m

Green bond investments (FY22: $217 million)

Net Zero Roadmap

Published

This section is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It summarises our detailed Group and New Zealand climate-related disclosures.

As we continue to evolve our approach in line with stakeholder expectations, from FY24 we plan to consider the final recommendations on climate-related disclosure from the International Sustainability Standards Board (ISSB).

The full FY23 Group climate-related disclosure and FY23 New Zealand climate-related disclosure can be found at www.iag.com.au.

Governance

Oversight of ESG and climate-related risks and opportunities is included within our governance framework. Key responsibilities of the IAG Board and senior management are detailed below.

IAG Board Charter

IAG Board

Approve the IAG Social and Environmental Framework.	Receive ESG and climate-related updates (including six-monthly standalone reporting).	Consider and approve material, external ESG and climate-related reporting.

Board Risk Committee Accountabilities	Board Audit Committee Accountabilities
Oversee the appropriate identification, assessment and mitigation of IAG's material risks including ESG and climate-related risks.	Oversee the integrity of IAG's external financial reporting including recommending the approval of the Annual Report to the Board.

IAG Group Leadership Team Accountabilities

CEO has accountability for overseeing the integration of ESG and climate-related management into organisational strategy.	**Group Executives** are accountable for delivery of our Climate & Disaster Resilience Action Plan, and meeting our ESG and climate commitments.	**Group Executive People Performance & Reputation** has accountability for the enterprise-wide ESG and climate-related approach and progress reporting, including approval of IAG's annual Group climate-related disclosure.	**GLT Risk Committee** receives six-monthly reporting on climate-related risks and opportunities.

IAG Group Leadership Team Committees

Sustainability Steering Committee meets quarterly to shape, guide and monitor IAG's enterprise-wide approach to implementing and managing climate-related risks and opportunities as part of our sustainability commitments.	**Group Insurance Risk Committee** provides guidance and governance of insurance risk including emerging ESG and climate-related risks, which are reported every six months.	**Climate and Decarbonisation Steering Committee** meets monthly to oversee IAG's approach to and integration of climate-related risks and opportunities.

Strategy

Effective management of climate-related risk is central to our core insurance business and delivering for our customers. Our strategic response focuses on managing the climate-related physical, transition and liability risks, and related opportunities.

We deliver our climate approach through our enterprise-wide Climate & Disaster Resilience Action Plan (Action Plan).

The Action Plan responds to material short-, medium- and long-term risks and opportunities across three focus areas: Rethinking Risk, Transforming the System and Driving to Zero. Each includes commitments and supporting goals to drive positive outcomes for IAG and our value chain, while encouraging a transition to a net zero future. The Action Plan, with a scorecard showing progress against the goals, can be found at www.iag.com.au.

Climate-related risks

Physical risks	Examples of risks assessed
Acute	• Increased costs related to extreme weather events impact affordability and availability of insurance, especially in high-risk areas, leading to government intervention in the private insurance market and loss of market/customer base.
Chronic	• IAG's long-term access to economically sustainable reinsurance and capital as claims increase from more severe and/or frequent extreme weather events.

Transition risks	Examples of risks assessed
Regulatory – current	• Mandatory disclosure frameworks including the Aotearoa New Zealand Climate Standards. • Supervision of climate risks in the financial sector, including Australian Prudential Regulation Authority's climate-related guidance (CPG229), and upcoming insurance Climate Vulnerability Assessment.
Regulatory – emerging	• Mandatory Australian climate- and sustainability-related financial disclosures. • International Sustainability Standards Board (ISSB) disclosure frameworks – climate– and sustainability-related. • Reserve Bank of New Zealand's guidance on managing climate-related risks • Taskforce for Nature-related Financial Disclosures (TNFD).
Legal	• Climate-related litigation risks in respect of IAG, its customers, suppliers and partners.
Technological	• Emerging technologies to support the transition to a low-carbon economy, including electric vehicles, charging and energy storage infrastructure, and renewable energy generation.
Market	• Changes in consumer behaviour to support climate action, enabled by government policy, e.g. public transport infrastructure and denser living environments. • Climate change continuing to disrupt global supply chains, leading to delays and inflationary pressures.
Reputational	• Risk of greenwashing. • Increasing affordability and availability challenges due to climate-related hazards could be seen as a market failure and prompt government intervention. • Accelerating expectations around transparency of climate-related disclosure.

Lifting our understanding of physical climate-related risks

Our action on climate is grounded in the knowledge that climate change is already impacting our customers and our business. Extreme weather events across both Australia and New Zealand in FY23 have led to our customers increasingly having to face into the impacts of unexpected loss, and increased costs and claims numbers for IAG. We have developed a granular view of the possible physical impacts from climate change through different warming scenarios using both IAG and third party data. Our analysis has identified that without further action to address resilience and adaptation from both the private and public sectors, the exposure and vulnerability of insured assets to physical risk will increase. In a high emissions scenario, this is expected to most significantly impact properties that we insure in locations highly exposed to extreme weather and may drive increased insurance affordability issues.

Supporting our physical scenario analysis, this year our annual capital stress testing focused on climate-related physical risks. Stress testing is undertaken through the Group's Internal Capital Adequacy Assessment Process (ICAAP) framework. It is a useful tool for exploring the potential implications of climate risks, which provides input into our risk appetite, capital target setting and contingency planning. Future stress tests are expected to incorporate transition and liability risks.

Further details of our latest physical risk scenario analyses and the modelled financial impacts are in our FY23 Group climate-related disclosure at www.iag.com.au. In our New Zealand business we analysed the potential physical and transition risks and opportunities facing the business. We have detailed the business impacts against three shared insurance sector scenarios in our FY23 New Zealand climate-related disclosure.

Environment

Collaboration on climate action

In recent years we have invested further in our natural perils capability, which positions us well to respond to the challenges faced by a changing climate. This capability is also directed through our advocacy channels. As an example, this year in Australia we began collaborating with other insurers and the National Emergency Management Agency on the Hazards Insurance Partnership. This program provides a single touchpoint for the Australian Government and insurance industry to engage on disaster risk reduction funding, and ultimately reduce insurance affordability pressures.

Early in FY23 our New Zealand CEO, Amanda Whiting, shared a three-step plan with the New Zealand government to help reduce flood risk. It is hoped that the proposed plan will lead to a sensible and targeted reduction of flood risk for the communities that most need it, increasing resilience and helping to keep insurance affordable and available for all New Zealanders.

Further details on our climate and disaster resilience collaborations are on the 'Initiatives and Community Partnerships' page of our website, and in the Group and New Zealand climate-related disclosures, available at www.iag.com.au.

Risk management

IAG identifies, assesses and reports on ESG and climate-related risks to support the delivery of our strategy. For more information on our overarching risk management process see 'Section A. Business Risk and Risk Management' of this report, and the 'Managing risk at IAG' section of our website at www.iag.com.au.

Identifying climate-related risks

Climate-related considerations are embedded in IAG's risk architecture and are:

- Included in the Risk Management Strategy (RMS) which governs all risk elements
- Assessed for severity, likelihood, velocity and connectedness in the Enterprise Risk Profile (ERP)
- Quantified or qualified for impacts and managed through associated divisional plan responses.

How we manage climate-related risks

Our ERP articulates risks that may impact our ability to deliver our strategic objectives, outlines controls to mitigate those risks and supports the implementation of our strategy. Management reviews the ERP quarterly and reports on it to the Board annually.

The FY23 ERP process revalidated 'inadequate climate change response' as a critical enterprise risk. This is consistent with previous years, reflecting the systemic impact of climate change on IAG. This risk is linked to other critical climate-related enterprise risks identified by the process, including:

- Economic risks due to extreme weather losses increasing claims and reinsurance costs that are already exacerbated by inflationary pressures
- Political risks (and opportunities) from increasing government regulation and potential intervention to address climate change and disaster resilience
- Social risks relating to insurance affordability and availability, especially in high-peril risk areas.

Metrics and targets

IAG uses several metrics to monitor progress of our climate-related commitments. They relate to:

- Scope 1, 2 and 3 greenhouse gas (GHG) emissions
- Carbon footprint and intensity of investments
- Fossil fuel exposure in underwriting
- Customer engagement.

In FY23, we developed an approach to better link Executive performance to ESG outcomes, with the intent being to include a 5% sustainability metric in our FY24 Group Balanced Scorecard, focused on scope 1 and 2 emissions reduction management.

GHG emissions performance

Figures 4 and 5 provide an overview of our GHG emissions footprint, and progress towards our FY30 target to reduce scope 1 and 2 emissions by 37.8% using a baseline year of FY21.

Alongside our targeted emissions reduction activities, COVID-19 significantly reduced our emissions footprint between FY20 and FY22. A breakdown of IAG Group and New Zealand emissions, quantified by category in line with the Greenhouse Gas Protocol, is available in IAG's FY23 ESG Data Summary at www.iag.com.au.

Over the past year we published our Net Zero Roadmap and also began work on understanding and estimating our material scope 3 emissions sources. Understanding the business and societal impact of our supply chain and underwriting portfolios is an important focus for IAG, and one that the insurance industry as a whole is contending with. We acknowledge that there are inherent challenges around data completeness and accuracy, resource and capability, combined with the ongoing evolution of calculation methodologies.

As we continue to develop our approach to ensure we effectively manage risk and integrate opportunities, we anticipate that the scope of our calculation, and therefore our baseline, will evolve. We will respond and adapt to these developments accordingly. We know that achieving our net zero target will also require changes outside of our operational control, including technology development across industry, and socio-economic changes to help facilitate a just transition.

As climate-related reporting requirements emerge, we acknowledge the need to build our capability and provide more detail on calculating our scope 3 emissions baseline.

- **Supply chain**: We have estimated our supply chain emissions using spend data and publicly available emissions factors, and identified areas to prioritise for decarbonisation. We are working towards improving the quality of our calculation and setting interim supply chain targets in line with our Net Zero Roadmap.
- **Insurance-associated emissions**: Guided by standards being developed by the Partnership for Carbon Accounting Financials (PCAF), we have begun a project to baseline the emissions associated with our underwriting portfolios, also known as insurance-associated emissions.

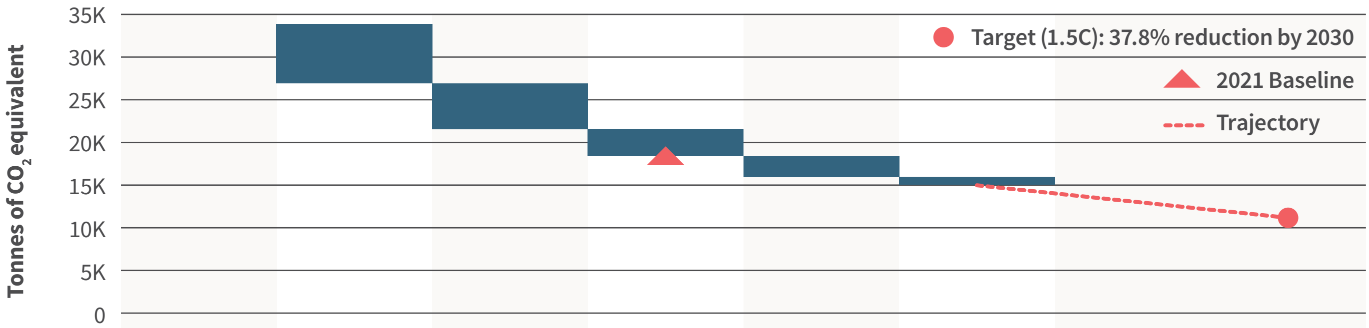
For FY24, we have developed an approach to better link Executive performance to ESG outcomes.

Figure 4: Group GHG emissions (tCO_2e)

	YoY	FY23	FY22	FY21	FY20
Scope 1	15%	5,617	4,869	5,601	6,751
Scope 2	–11%	9,729	10,902	12,458	14,562
Scope 3	21%	10,761	8,868	4,552	11,606
Total	6%	26,107	24,640	22,611	32,920

Scope 1: direct emissions from owned and controlled sources, e.g. fuel usage from IAG-owned vehicles.
Scope 2: indirect emissions from the generation of purchased energy.
Scope 3: indirect emissions that occur upstream and downstream of our business operations. The following emissions sources are included within the boundary of our scope 3 reporting: air travel, waste, paper, staff working from home, car hire, taxi travel and transmission and distribution losses.

Figure 5: Scope 1 and 2 emissions: progress against target



	YoY	FY19	FY20	FY21	FY22	FY23	FY25	FY30
Emissions reduction activities	Scope 1 and 2 year-on-year emissions reduction/ increase	–23%	–19%	–15%	–13%*	–3%**	Further 23% reduction required to meet FY30 target	
	Key activities	Energy efficiency initiatives including 5-star rating building relocation	Introduction of solar panels on IAG's Data Centre	Reduction in fleet size and fuel-efficient vehicles introduced	Property refurbishments and energy efficiency measures, and fleet initiatives	IAG Sydney office achieved 5.5 star NABERS rating LED lighting introduced at Victoria sites	FY25: 100% renewable energy sourced for IAG-operated Australian sites*** Uptake of electric and hybrid vehicles across Group fleet	

* Alongside our targeted emissions reduction activities, COVID-19 significantly reduced our emissions footprint between FY20 and FY22. Certain emissions sources have rebounded since the easing of COVID-19 restrictions.

** Note: due to the ongoing shift to renewable electricity generation in Australia, the emissions intensity of electricity transmission, distribution and consumption is decreasing. This has driven the decrease in our reported scope 2 emissions in FY23.

*** This commitment will drive delivery of our scope 1 and 2 emissions reduction target. The FY25 timeline is reflective of our current operations and will be revisited if our business environment changes.

Fossil fuel exposure in underwriting

Within the parameters of our underwriting portfolio target (see page 18 of the FY23 Group Climate-related disclosure), we have less than $1 million in gross written premium (GWP) in outstanding exposure to underwriting of entities predominantly in the business of extracting fossil fuels and power generation from fossil fuels – as of 30 June 2023.

While our target was to have ceased underwriting these entities by the end of FY23, our exposure remains below 0.01% of total GWP. We are in the process of evolving our target to continue working towards phasing out our fossil fuel exposure, while supporting customers whose decarbonisation efforts are consistent with a just transition to a net zero carbon emissions future.

Customer engagement

As part of our Net Zero Roadmap commitments, we are developing a customer engagement target for our insurance-associated emissions. This target will help us to bring our customers along on the journey as our underwriting approach evolves. We intend to develop additional climate-related targets for our underwriting portfolio as best practice methodologies evolve.

Environment

Carbon intensity of investments

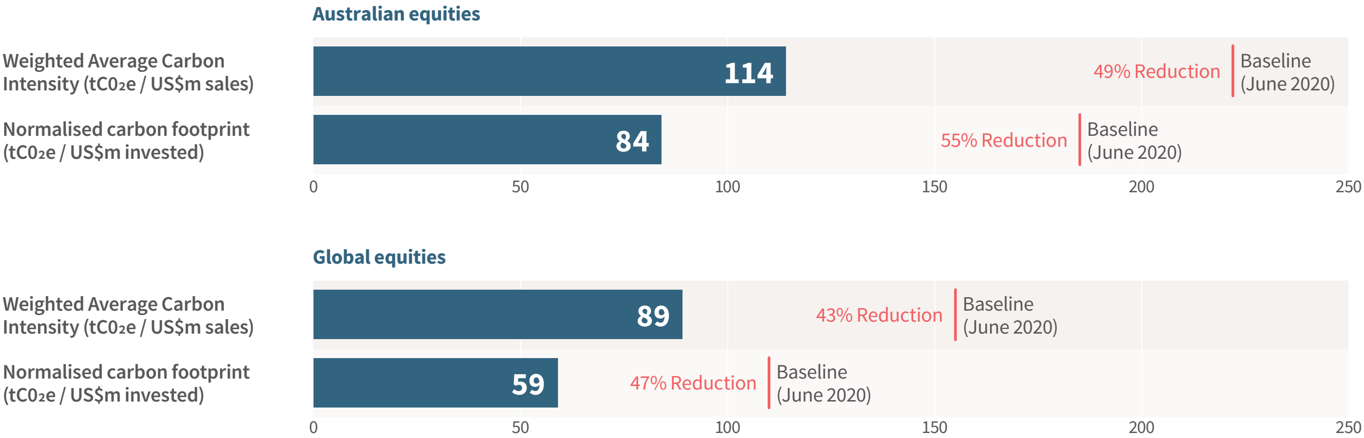
We leverage the MSCI ESG Carbon Footprint Calculator to report on investment-related emissions. Since 2017, and as shown in Figure 6, IAG's responsible investment approach has achieved an aggregate reduction in scope 1 and 2 emissions, as measured by two key metrics: normalised carbon footprint and weighted average carbon intensity for our Australian and Global listed equity mandates (ASX 200, excluding IAG, for Australian equities; and the MSCI World, for Global Listed equities, as of June 2020). Our equity portfolio covers 5% of the total investments of the Group.

A normalised carbon footprint enables comparisons with a benchmark, between multiple portfolios, and over time, regardless of portfolio size.

We continue to exceed our 2025 target and have reallocated our equity investments to companies that have a lower exposure to climate-related risks or a strategy to manage these risks.

We continue to consider how our investments can be further leveraged to support the transition towards a net zero future. At the end of FY23, we held $238 million in green bonds, up from $217 million at the end of FY22. Proceeds from green bonds include financing for climate change mitigation, improved energy efficiency, clean energy, climate change adaptation and climate-resilient infrastructure.

Figure 6: Scope 1 and 2 emissions of IAG's Listed Equity Investment Portfolios as of FY23[1]



Further information on our progress in addressing climate risks and opportunities can be found in our FY23 Group climate-related disclosure, New Zealand climate-related disclosure, and ESG Data Summary. These are on the website at www.iag.com.au, alongside our Climate & Disaster Resilience Action Plan.

1 Although IAG information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. Certain information ©2023 MSCI ESG Research LLC. Reproduced by permission.

Group Leadership Team

Nick Hawkins
Managing Director
and Chief Executive Officer
Started in role 2 November 2020

Julie Batch
Group Executive,
Direct Insurance Australia
Started in role 10 March 2021

Jarrod Hill
Group Executive
Intermediated Insurance Australia
Started in role 13 September 2021

Peter Horton
Group General Counsel
and Company Secretary
Started in role 2 December 2019

Michelle McPherson
Chief Financial Officer
Started in role 2 November 2020

Neil Morgan
Chief Operating Officer
Started in role 10 March 2021

Christine Stasi
Group Executive
People, Performance and Reputation
Started in role 4 November 2019

Peter Taylor
Group Chief Risk Officer
Started in role 18 May 2022

Amanda Whiting
Chief Executive IAG New Zealand
Started in role 1 July 2021

For detailed information about our Group Leadership Team, visit www.iag.com.au.

Directors' report

The Directors present their report together with the consolidated financial report of Insurance Australia Group Limited and its subsidiaries and the Auditor's Report for the financial year ended 30 June 2023 (FY23) and where appropriate, references events that have occurred since the end of this period, but before publication.

The following terminology is used throughout this report:

- Company or Parent – Insurance Australia Group Limited; and
- IAG or Group – the consolidated group consists of Insurance Australia Group Limited and its subsidiaries.

Directors of Insurance Australia Group Limited

The names and details of the Company's Directors in office at any time during or since the end of the financial year are set out below. Directors were in office for the entire period unless otherwise stated.

Chair

Thomas (Tom) W Pockett

BCom, CA – Chair and Independent Non-Executive Director

Insurance industry experience

Tom Pockett was appointed as a Director of IAG on 1 January 2015 and became Chair on 22 October 2021. He has been the Chair of the Nomination Committee since 22 October 2021 and attends all other Board Committee Meetings in an ex-officio capacity. Tom is also Chair of Insurance Manufacturers of Australia Pty Limited.

Other business experience

Tom was previously Chief Financial Officer and then Finance Director with Woolworths Limited, and retired from Woolworths Limited in July 2014. Tom has also held senior finance roles at the Commonwealth Bank, Lendlease Corporation and Deloitte.

Tom is Chairman and Non-Executive Director of Stockland Group and a Non-Executive Director of O'Connell Street Associates.

Directorships of other listed companies held in the past three years

- Stockland Group, since 2014; and
- Autosports Group Limited (2016 – 2021).

Managing Director

Nicholas (Nick) B Hawkins

BCom, FCA – Managing Director and Chief Executive Officer, Executive Director

Insurance industry experience

Nick Hawkins was appointed Managing Director and Chief Executive Officer of IAG on 2 November 2020.

Nick previously held the role of Deputy Chief Executive Officer, accountable for the management and performance of IAG's day-to-day operations. He previously spent 12 years as IAG's Chief Financial Officer, responsible for the financial affairs of the Group. Prior to this, Nick was Chief Executive Officer of IAG New Zealand and has also held a number of roles within finance and asset management since joining the Group in 2001.

Nick was appointed to the position of President of the Insurance Council of Australia (ICA) in December 2021 and commenced as President on 1 January 2022.

Other business experience

Before joining IAG, Nick was a Partner with the international accounting firm KPMG.

Nick is a graduate of the Harvard Advanced Management Program.

Directorships of other listed companies held in the past three years

- None.

Simon C Allen

BCom, BSc, CFInstD – Independent Non-Executive Director

Insurance industry experience

Simon Allen was appointed as a Director of IAG on 12 November 2019 and is a member of the People and Remuneration Committee and Risk Committee.

Simon has been a Non-Executive Director of IAG's wholly-owned subsidiary, IAG New Zealand Limited since 1 September 2015 and was appointed its Chair on 22 November 2019.

Other business experience

Simon has over 35 years of commercial experience in the New Zealand and Australian capital markets and was Chief Executive of the investment bank BZW/ABN AMRO in New Zealand for 21 years.

Simon was the inaugural Chair of NZX Limited, Financial Markets Authority and Crown Infrastructure Partners Limited (previously known as Crown Fibre Holdings Limited) and was Chair of Channel Infrastructure NZ Limited (previously known as The New Zealand Refining Company Limited).

Simon is a Non-Executive Director of Ampol Limited and Z Energy Limited and a Trustee of the New Zealand Antarctic Heritage Trust.

Simon is a Chartered Fellow of the New Zealand Institute of Directors.

Directorships of other listed companies held in the past three years

- Ampol Limited, since 2022;
- Z Energy Limited, since 2022; and
- Channel Infrastructure NZ Limited (previously known as The New Zealand Refining Company Limited) (2014 – 2022).

David H Armstrong

BBus, FCA, MAICD – Independent Non-Executive Director

Insurance industry experience

David Armstrong was appointed as a Director of IAG on 1 September 2021 and became Chair of the Audit Committee on 22 October 2021. He is also a member of the Risk Committee.

Directors' report

Other business experience

David is a former Partner of PricewaterhouseCoopers, with more than 40 years of experience in professional services. He has a deep knowledge and understanding of banking and capital markets, real estate and infrastructure, and is well versed in reporting, regulatory and risk challenges faced by the industry. He was the President of the Australian Museum Trust and the Trustee of Lizard Island Reef Research Foundation.

David is a Non-Executive Director of the National Australia Bank, where he chairs the Audit Committee, and is a member of its Risk & Compliance Committee. He is also Chair of The George Institute for Global Health and the Director of the Opera Australia Capital Fund Limited.

David is a Fellow of the Institute of Chartered Accountants in Australia and a member of the Australian Institute of Company Directors.

Directorships of other listed companies held in the past three years

- National Australia Bank, since 2014.

Jonathan (Jon) B Nicholson

BA – Independent Non-Executive Director

Insurance industry experience

Jon Nicholson was appointed as a Director of IAG on 1 September 2015. He has been Chair of the Risk Committee since 10 February 2021 and is a member of the People and Remuneration Committee and Nomination Committee.

Other business experience

Jon previously spent eight years with Westpac Banking Corporation, first as Chief Strategy Officer and later as Enterprise Executive. He retired from Westpac in 2014.

Jon's executive career includes senior roles with a variety of financial and corporate institutions, including the Boston Consulting Group. He has also held various roles with the Australian Government, including Senior Private Secretary to the Prime Minister of Australia (Bob Hawke) and senior positions in the Department of the Prime Minister and Cabinet.

Jon is Non-Executive Chair of QuintessenceLabs, a Director of Westpac Bicentennial Foundation and a Non-Executive Director of Cape York Partnerships.

Directorships of other listed companies held in the past three years

- None.

Helen M Nugent AC

BA (Hons), PhD, MBA (Dist), HonDBus, HonDUniv – Independent Non-Executive Director

Insurance industry experience

Helen Nugent was appointed as a Director of IAG on 23 December 2016. She is a member of the Audit Committee and Nomination Committee.

Previously, Helen was Chair of Swiss Re (Australia) and Swiss Re (Life and Health) Australia, and a Non-Executive Director of Mercantile Mutual.

Other business experience

Helen has extensive financial services experience, having been Chair of Funds SA and Veda Group and a Non-Executive Director of Macquarie Group and the State Bank of New South Wales. She also served on Westpac Banking Corporation's executive team as Director of Strategy, and prior to that specialised in the financial services sector as a Partner at McKinsey & Company.

Helen's experience as a Non-Executive Director extends to the energy sector and telecommunications. Currently, she is Chair of Ausgrid, and previously was a Non-Executive Director of Origin Energy. She is also the Senior Independent Director at TPG Telecom.

Helen has given back extensively to the community in arts, education and health and disability. In arts, she has been Chair of the National Portrait Gallery of Australia, the National Opera Review, the Major Performing Arts Inquiry, and the Major Performing Arts Board of the Australia Council. In education, she was Chancellor of Bond University and President of Cranbrook School. In disability and health, she was Chair of the National Disability Insurance Agency, and is currently a Non-Executive Director of the Garvan Institute for Medical Research. Helen was appointed Chair of the Order of Australia Association Foundation Limited effective August 2022.

Helen was made a Companion of the Order of Australia (AC) in January 2022, having previously received an AO and a Centenary Medal. She has also been awarded Honorary Doctorates from the University of Queensland and Bond University. She has also been awarded an Order of Merit by the Australian Olympic Committee.

Directorships of other listed companies held in the past three years

- TPG Telecom, since 2020.

Scott J Pickering

ANZIIF – Independent Non-Executive Director

Insurance industry experience

Scott Pickering was appointed as a Director of IAG on 1 November 2021 and is a member of the Audit Committee.

Scott has been a Chief Executive and is a senior leader in the global insurance industry with over 30 years of experience in the sector. He is a Non-Executive Director in state owned Kiwibank and a former Non-Executive Director for Chubb Insurance in Australia and New Zealand.

Scott was formerly regional Chief Executive Officer for one of the world's largest insurance brokers, Willis Towers Watson, for Central and Eastern Europe, the Middle East and Africa. Prior to Willis Towers Watson, Scott worked for Royal & Sun Alliance Insurance as Regional Chief Executive Officer for Asia and the Middle East. He has also held senior regional leadership and Chief Executive roles at ACE Insurance and CIGNA in the Asia Pacific region and South Africa.

Scott previously held the position of Chief Executive of the Accident Compensation Corporation, which provides comprehensive, no fault personal injury cover for all New Zealanders. He stepped down from the role at the end of June 2021.

Scott is a member of the Australian and New Zealand Institute of Insurance and Finance.

Other business experience

Scott has been the Advisor for Wairarapa Building Society.

Scott is currently an advisor for Bain International Inc., Health Now Limited and Tampi Pty Ltd and a Director in Engage Consulting Limited.

Directorships of other listed companies held in the past three years

- None.

George D Sartorel

MBA from Heriot-Watt University – Independent Non-Executive Director

Insurance industry experience

George Sartorel was appointed as a Director of IAG on 1 September 2021. He is a member of the People and Remuneration Committee and the Risk Committee.

George is a globally proven insurance Chief Executive Officer, with extensive operational, business and technology experience spanning property, casualty, health, life insurance and asset management. In an extensive career at Allianz, George has worked across a large variety of roles and countries and has led countries and regions of scale and formed strategic alliances.

George began his career as the Chief General Manager of Allianz Australia. Before becoming the Asia Pacific Chief Executive Officer of Allianz, George was the Chief Executive Officer of Allianz Italy and Allianz Turkey. He is the former Chair of Allianz Asia Advisory Council and member of the Allianz Australia Group. He was also a member of the Allianz International Executive Committee and the founding member of Allianz X, the corporate venture capital company that invested in innovative digital start-ups. George is considered one of Allianz's most technologically oriented and innovatively minded leaders.

George is also a Non-Executive Director of Prudential plc and previously served as a Director of BIMA.

Other business experience

George has served as a member of the Financial Centre Advisory Panel (Monetary Authority of Singapore).

Directorships of other listed companies held in the past three years

- Prudential plc, since 2022.

George Savvides AM

BEng (Hons), MBA, FAICD – Independent Non-Executive Director

Insurance industry experience

George Savvides was appointed as a Director of IAG on 12 June 2019 and has been Chair of the People and Remuneration Committee since 10 February 2021 and is a member of the Risk Committee and Nomination Committee.

George has extensive executive experience, serving as Chief Executive Officer of leading health insurer Medibank for 14 years (2002 – 2016), and Chief Executive Officer of Sigma Company (now Sigma Healthcare) (1996 – 2000).

Other business experience

George has been a Non-Executive Director of BuildXACT Software Limited since July 2021. He was Non-Executive Chair of the Australian Securities Exchange (ASX) listed biotech company Next Science (2018 – 2021) and Non-Executive Director of New Zealand's Exchange (NZX) listed entity, Ryman Healthcare (2013 - 2023). George has been Chair of the Special Broadcasting Service Corporation (SBS) since July 2020 and Independent Non-Executive Director and Chair of the I-MED Radiology Network since September 2022.

George is a former Non-Executive Chair of Kings Transport and Non-Executive Chair of Macquarie University Hospital and has served for 18 years on the Board of World Vision Australia, including six years as Chair, retiring in 2018.

Directorships of other listed companies held in the past three years

- Ryman Healthcare (2013 – 2023); and
- Next Science (2018 – 2021).

Wendy Thorpe

BA, BBus, Grad Dip Applied Finance & Investment, FFin, Harvard AMP 172, GAICD – Independent Non-Executive Director

Insurance industry experience

Wendy Thorpe was appointed as a Director of IAG on 1 July 2023. She is a member of the Audit Committee and People and Remuneration Committee.

Wendy served as an Independent Non-Executive Director of Tower Limited (2018 - 2023), where she was more recently the Risk Committee Chair. Wendy was previously a senior executive at AXA and AMP, leading technology and operations in Chief Information Officer and Chief Operations Officer roles.

Other business experience

Wendy is the Chair of Epworth Healthcare and Online Education Services, and a Non-Executive Director of Heritage & People's Choice, auDA and Data Action.

Wendy is a former Non-Executive Director of AMP Bank, Ausgrid and Very Special Kids. She is also a former member of the Council of Swinburne University of Technology.

Wendy has over 30 years' experience in Financial Services across Insurance, Investment Management, Banking and Wealth management at AXA, ANZ and AMP.

Wendy is a member of Chief Executive Women.

Directorships of other listed companies held in the past three years

- Tower Limited (2018 – 2023).

Directors' report

Michelle K Tredenick
BSc, FAICD, F Fin – Independent Non-Executive Director

Insurance industry experience

Michelle Tredenick was appointed as a Director of IAG on 13 March 2018 and is a member of the People and Remuneration Committee and Risk Committee.

Michelle has held a number of senior executive roles in major Australian companies, including National Australia Bank, MLC and Suncorp. She has over 30 years of experience in financial services with roles spanning Chief Information Officer, Head of Strategy and Corporate Development and senior leadership roles managing corporate superannuation, insurance and wealth management businesses.

Other business experience

Michelle was appointed as a Non-Executive Director of First Sentier Investors in June 2020, where she chairs the Audit and Risk Committee, and Zafin Labs Americas Incorporated in May 2021, where she chairs the Human Resources and Governance Committee and IDP Education in September 2022. She also has been a Director of Urbis Pty Ltd since 2016. She is a former Chair of the IAG & NRMA Superannuation Fund (2012 – 2018) and former Director of Cricket Australia (2015 –2022), as well as the Ethics Centre (2013 – 2022).

She was also previously a member of the Senate of the University of Queensland (2014 – 2021).

Directorships of other listed companies held in the past three years

- IDP Education Limited, since 2022; and
- Bank of Queensland Limited (2011 – 2020).

Directors who ceased during the financial year

- Sheila McGregor was a Non-Executive Director from 13 March 2018 to 21 October 2022.

Company Secretaries of Insurance Australia Group Limited

Peter J Horton
BA, LLB

Peter Horton joined IAG as Group General Counsel and Company Secretary in December 2019.

Peter was previously Executive Manager Legal, Governance and Risk at Transgrid.

Peter's career has included roles as Group General Counsel and Company Secretary for QBE Insurance Group Limited, Group General Counsel and Company Secretary of Woolworths Limited, General Manager Legal and Company Secretary of WMC Resources Limited.

Peter is also a Non-Executive Director of the not-for-profit company Business For Development.

Jane M Bowd
FGIA, FCIS, GAICD, GradDip, LLM, LLB, BA

Jane Bowd joined IAG as Group Company Secretary and Corporate Counsel in June 2020 and leads IAG's Company Secretariat Team, responsible for Board and enterprise governance.

Jane was previously Group Company Secretary and Corporate Counsel at Coca Cola Amatil, and prior to that was Head of Secretariat of the Global Wealth Division at ANZ Bank. She started her legal and governance career as a private practice lawyer in top tier law firm Clayton Utz, including in Corporate M&A.

Jane holds a Master of Laws, Graduate Diploma of Applied Corporate Governance, Graduate Diploma of Legal Practice, Bachelor of Laws, Bachelor of Arts, and is a graduate of the Royal Military College, Duntroon. Jane brings deep knowledge and expertise in legal and governance matters from her financial services roles and private practice, and membership of the Governance Institute of Australia's Legislative Review Committee. Jane's corporate governance skills were recognised nationally when she was awarded the inaugural Company Secretary of the Year Award at the Australian Law Awards in 2019, and then again in 2020.

Jane retired as an Independent Non-Executive Director of the Financial Planning Association of Australia (FPA), including as Committee Member on the FPA's Board Audit and Risk Management Committee, and Governance and Remuneration Committee, in March 2022.

Meetings of Directors

The Board of IAG met 17 times during the year ended 30 June 2023. In addition, the Directors attended Board Strategy sessions and Special Purpose Committee Meetings during the year.

All Directors may attend all Board Committee Meetings even if they are not a Member of the relevant Committee. The table below only records the attendance of Directors at Committee Meetings of which they are a Member of.

Director	Board of Directors[1]		People and Remuneration Committee		Audit Committee		Risk Committee		Board Sub Committee[2]		Nomination Committee	
Total number of Meetings held	17		5		7		5		16		3	
	Required to attend	Attended	Required to attend	Attended	Required to attend	Attended	Required to attend	Attended	Required to attend	Attended	Required to attend	Attended
Current Directors												
Tom Pockett[3]	17	16	-	-	-	-	-	-	11	10	3	3
Nick Hawkins	17	17	-	-	-	-	-	-	13	13	-	-
Simon Allen	17	17	5	5	-	-	5	5	6	6	-	-
David Armstrong	17	17	-	-	7	7	5	5	15	15	-	-
Jon Nicholson	17	15	5	4	-	-	5	5	1	1	3	3
Helen Nugent	17	17	-	-	7	7	-	-	1	1	3	3
Scott Pickering	17	15	-	-	7	7	-	-	1	1	-	-
George Sartorel	17	15	5	4	-	-	5	4	1	0	-	-
George Savvides	17	17	5	5	-	-	5	5	-	-	3	3
Michelle Tredenick	17	17	5	4	-	-	5	5	-	-	-	-
Former Directors												
Sheila McGregor[4]	7	6	-	-	3	3	-	-	-	-	-	-

1 There were 8 scheduled Board Meetings and an additional 9 out-of-cycle Board Meetings during FY23.
2 This includes 11 Board Sub-Committee and 5 Due Diligence Committee Meetings during FY23.
3 Tom Pockett did not attend 2 Meetings due to unforeseen personal circumstances.
4 Sheila McGregor resigned effective 21 October 2022.

Directors' report

Principal activity

The principal continuing activity of IAG is the underwriting of general insurance risks and investment management.

IAG is the largest general insurance company in Australia and New Zealand, selling insurance through a suite of brands. In Australia, IAG is a leading personal lines insurer, offering short-tail products across the country, as well as long-tail offerings. IAG also sells a range of commercial insurance products across Australia, with an emphasis on small-to-medium sized enterprises and a leading market share in rural areas. In Australia, the operations are separated into two distinct divisions, being Direct Insurance Australia (DIA) and Intermediated Insurance Australia (IIA). In New Zealand, IAG is the leading general insurance provider across both the direct and intermediated channels. All of these divisions benefit from access to a variety of distribution channels and an array of leading and well-established brands.

The Group reports its financial information under the following business division headings:

Division	Overview	Products
Direct Insurance Australia 45% of Group gross written premium (GWP)	Personal lines general insurance products, and some commercial lines, are sold directly to customers through a range of distribution channels, such as branches, call centres and online, including under the following brands: • NRMA Insurance, Australia wide (excluding Victoria); • RACV in Victoria, via a distribution relationship and underwriting joint venture with RACV; • SGIO in Western Australia, which is transitioning to NRMA; • SGIC in South Australia, which is transitioning to NRMA; • CGU Insurance (in NSW, ACT, VIC and QLD); and • ROLLiN' Insurance. The division also includes travel insurance and income protection products which are underwritten by third parties.	Short-tail insurance: • Motor vehicle • Home and contents • Lifestyle and leisure, such as boat, veteran and classic car and caravan • Business packages • Farm • Commercial motor Long-tail insurance: • Professional indemnity • Compulsory Third Party (motor injury liability)
Intermediated Insurance Australia 33% of Group GWP	Commercial lines general insurance products, and some personal lines, are provided through a network of intermediaries, such as brokers, agents, authorised representatives and partners, including under the following brands: • CGU Insurance; • WFI; and • Coles Insurance, via a distribution agreement with Coles.	Short-tail insurance: • Motor vehicle • Home and contents • Lifestyle and leisure, such as boat and caravan • Travel • Business packages • Farm and crop • Commercial property • Construction and engineering • Commercial motor and fleet motor Long-tail insurance: • Workers' compensation • Professional indemnity • Directors' and officers' • Public and products liability
New Zealand 22% of Group GWP	Personal lines and commercial lines general insurance products are provided directly to customers, primarily under the State and AMI brands, and indirectly through insurance brokers and agents, under the NZI and Lumley Insurance brands. General insurance products are also distributed under third party brands by IAG's corporate partners, including large financial institutions.	Short-tail insurance: • Motor vehicle • Home and contents • Commercial property, motor and fleet motor • Construction and engineering • Niche insurance such as pleasure craft, boat and caravan • Rural • Marine Long-tail insurance: • Professional indemnity • Commercial liability
Corporate and other	Corporate and other comprises other activities, including corporate services, capital management activity, shareholders' funds investment activities, inward reinsurance from associates, investment in associates, and other businesses that offer products and services that are adjacent to IAG's insurance business.	

Reconciliation between the statutory results (IFRS) and the management reported (non-IFRS) results

The discussion of operating performance in the operating and financial review section of this report is presented on a management reported basis unless otherwise stated. Management reported results are non-IFRS financial information and are not directly comparable to the statutory results presented in other parts of this report. A reconciliation between the two is provided in this section and the guidance provided in Australian Securities and Investments Commission (ASIC) Regulatory Guide 230 'Disclosing non-IFRS financial information' has been followed when presenting the management reported results. Non-IFRS financial information has not been audited by the external auditor but has been sourced from the financial reports. IAG's statutory and management reported profit before income tax are the same.

IAG's results for the current financial year contains the impact from a release in the provision for business interruption related claims related to the COVID-19 pandemic. The High Court of Australia (HCA) on 14 October 2022 denied special leave to appeal the decision of the Full Court of the Federal Court of Australia in the second business interruption test case handed down in February 2022. The HCA's decision in relation to the special leave applications resulted in the Group reducing the net provision by $560 million.

This item is not expected to be a feature of the Group's future sustainable earnings profile. As a result, and to ensure consistency of the reporting of key insurance measures and metrics, this item has been shown in the 'Net corporate expense' line in the management reported view of the current year's results. This view is consistent with the approach adopted in IAG's Investor Report for the current financial year (Investor Report).

Directors' report

Reconciliation between the statutory results (IFRS) and the management reported (non-IFRS) results is presented below:

	Statutory Results (IFRS) $m	Business Interruption Claim Provision $m	Payroll Compliance Review $m	Management Results (non-IFRS per Investor Report) $m
2023				
Gross written premium	**14,729**	-	-	**14,729**
Movement in unearned premium liability	**(891)**	-	-	**(891)**
Gross earned premium	**13,838**	-	-	**13,838**
Outwards reinsurance premium expense	**(5,512)**	-	-	**(5,512)**
Net earned premium	**8,326**	-	-	**8,326**
Net claims expense	**(5,306)**	**(560)**	-	**(5,866)**
Commission expense	**(1,141)**	-	-	**(1,141)**
Underwriting expense	**(2,008)**	-	-	**(2,008)**
Reinsurance commission revenue	**1,221**	-	-	**1,221**
Net underwriting expense	**(1,928)**	-	-	**(1928)**
Underwriting profit/(loss)	**1,092**	**(560)**	-	**532**
Net investment income on assets backing insurance liabilities	**271**	-	-	**271**
Insurance profit/(loss)	**1,363**	**(560)**	-	**803**
Net corporate expense[1]	**(23)**	**560**	-	**537**
Net other operating income/(expenses)	**14**	-	-	**14**
Profit before income tax	**1,354**	-	-	**1,354**
Income tax expense	**(429)**	-	-	**(429)**
Profit after income tax	**925**	-	-	**925**
Non-controlling interests	**(93)**	-	-	**(93)**
Profit attributable to IAG shareholders	**832**	-	-	**832**
2022				
Gross written premium	13,317	-	-	13,317
Movement in unearned premium liability	(345)	-	-	(345)
Gross earned premium	12,972	-	-	12,972
Outwards reinsurance premium expense	(5,063)	-	-	(5,063)
Net earned premium	7,909	-	-	7,909
Net claims expense	(5,015)	(200)	-	(5,215)
Commission expense	(1,020)	-	-	(1,020)
Underwriting expense	(2,024)	-	16	(2,008)
Reinsurance commission revenue	1,162	-	(4)	1,158
Net underwriting expense	(1,882)	-	12	(1,870)
Underwriting profit/(loss)	1,012	(200)	12	824
Net investment expense on assets backing insurance liabilities	(238)	-	-	(238)
Insurance profit/(loss)	774	(200)	12	586
Net corporate expense[1]	12	200	(12)	200
Net other operating income/(expenses)	(222)	-	-	(222)
Profit before income tax	564	-	-	564
Income tax expense	(140)	-	-	(140)
Profit after income tax	424	-	-	424
Non-controlling interests	(77)	-	-	(77)
Profit attributable to IAG shareholders	347	-	-	347

1 The $23 million expense (FY22: $12 million income) was recognised within the 'Fee-based, corporate and other expenses' line in the statement of comprehensive income.

The adjustments summarised above reflect the impact on pre-tax earnings for each respective year. Analysis and commentary on the insurance profit and margin in the operating and financial review section of this report excludes the reconciling items listed above.

The gross reduction during the current financial year in the provision for business interruption related claims was $830 million (FY22: decrease of $296 million). The net impact after recognition of a $270 million (FY22: $96 million) reduction in recoveries from IAG's whole-of-account quota share arrangements, is a $560 million (FY22: $200 million) increase to profit before tax. The increase to profit after tax is $392 million (FY22: $140 million).

Operating and financial review

Operating result for the financial year

Key results	30 June 2023 $m	30 June 2022 $m
Gross written premium (GWP)	**14,729**	13,317
Net earned premium (NEP)	**8,326**	7,909
Insurance profit[1]	**803**	586
Net profit/(loss) after tax[2]	**832**	347
Cash earnings	**452**	213
Reported insurance margin[3]	**9.6%**	7.4%
Underlying insurance margin[4]	**12.6%**	14.6%
Diluted earnings per share (cents per share)	**32.20**	13.33
Cash return on equity (ROE)	**7.0%**	3.4%
Dividend (cents per share)	**15.0**	11.0
Common Equity Tier 1 Capital (CET 1) multiple	**1.12**	0.97

1 Reported insurance profit is the insurance profit on a management results basis. Based on the statutory results, the equivalent statutory insurance profit for the current year is $1,363 million (FY22: $774 million).
2 Net profit/(loss) after tax is the Group's profit/(loss) after tax for the year after adjusting for non-controlling interests.
3 Reported insurance margin is the insurance profit as a percentage of NEP, both on a management results basis. Based on the statutory results, the equivalent statutory insurance margin for the current year is 16.4% (FY22: 9.8%).
4 IAG defines its underlying insurance margin as the reported insurance margin adjusted for net natural perils claims costs less the related allowance, reserve releases or strengthening and credit spread movements.

Premiums

Reported FY23 GWP of $14,729 million (FY22: $13,317 million) increased by 10.6%. On an underlying basis, adjusting for currency impacts, portfolio exits and multi-year policies, GWP growth was 11.1%. This encompassed:

- growth of 10.0% to $6,640 million in DIA, comprising:
  - increased GWP momentum in 2H23 with growth of 10.9%, building on 9.0% growth in 1H23. Growth was primarily rate driven with approximately 1% volume growth in personal short-tail classes; and
  - personal short-tail growth was 11.3% for FY23, with momentum increasing to 12.4% in 2H23.
- growth of 12.0% to $4,805 million in IIA, comprising:
  - rate increases across IIA's portfolios averaged 13% during FY23 with an ongoing focus on underwriting discipline; and
  - underlying growth was 13.8% with portfolio exits having a negative 3.6% impact and multi-year workers' compensation policies, contributing a positive 1.8% impact on reported GWP in FY23.
- Growth of 9.8% in New Zealand to $3,284 million, up approximately 12% in local currency terms:
  - both Business and Direct divisions delivered strong growth, 15.5% and 11.2% respectively in local currency. This was driven predominantly by premium rate increases with relatively stable retention and new business levels.

Directors' report

Insurance margin

The underlying insurance margin is the reported insurance margin adjusted for prior year reserve releases or strengthening, natural perils claim costs above or below related allowances and credit spread gains or losses.

Insurance margin impacts	30 June 2023 $m	30 June 2022 $m
Underlying insurance profit	**1,052**	1,157
Reserve releases/(strengthening)	**(37)**	(172)
Natural perils	**(1,206)**	(1,119)
Natural peril allowance	**909**	765
Credit spreads	**85**	(45)
Reported insurance profit[1]	**803**	586
Underlying insurance margin	**12.6%**	14.6%
Reserve releases/(strengthening)	**(0.4)%**	(2.2)%
Natural perils	**(14.5)%**	(14.1)%
Natural peril allowance	**10.9%**	9.7%
Credit spreads	**1.0%**	(0.6)%
Reported insurance margin[2]	**9.6%**	7.4%

1 Reported insurance profit is the insurance profit on a management results basis. Based on the statutory results, the equivalent statutory insurance profit for the current year is $1,363 million (FY22: $774 million).

2 Reported insurance margin is the insurance profit as a percentage of NEP, both on a management results basis. Based on the statutory results, the equivalent statutory insurance margin for the current year is 16.4% (FY22: 9.8%).

IAG's FY23 underlying insurance margin was 12.6%, lower than the 14.6% in FY22 due to the impact of short-tail claims inflation. Taking into account the additional $67 million in reinsurance reinstatement costs in FY23, the adjusted underlying insurance margin is 13.4%.

The FY22 underlying margin of 14.6% included a COVID-19 impact of lower claims frequency and would have been 13.9% without this benefit.

The reduction in the underlying margin reflects a combination of influences. On the positive side:

- an approximately 210bps improvement from the increase in the underlying investment yield on technical reserves to 4.3% (FY22: 1.8%); and
- an underlying improvement in the expense ratio of 30bps which takes into account additional Covid-related costs in FY22.

These positive factors were more than offset by:

- an approximately 120bps impact from the increase in the natural perils allowance from $765 million to $909 million; and
- an approximately 250bps increase in the claims ratio primarily due to the inflationary impacts driving a significant increase in the average claims size of motor and home claims.

The reported insurance profit of $803 million in FY23 (FY22: $586 million) equates to a reported margin of 9.6% (FY22: 7.4%). In addition to the underlying margin influences outlined above, this included:

- unfavourable net natural perils costs of $297 million (FY22: $354 million);
- a $37 million impact from strengthening of prior year reserves (FY22: $172 million); and
- a positive impact from narrowing of credit spreads of $85 million (FY22: negative $45 million).

Divisional insurance margins

Divisional insurance margins	2023	2022
Direct Insurance Australia		
Underlying insurance margin	**15.7%**	20.5%
Reported insurance margin	**14.5%**	13.0%
Intermediated Insurance Australia		
Underlying insurance margin	**7.7%**	5.0%
Reported insurance margin	**7.7%**	(4.0)%
New Zealand		
Underlying insurance margin	**13.5%**	16.8%
Reported insurance margin	**2.4%**	12.8%

Insurance margin is on a management results basis. Based on the statutory results, the equivalent statutory insurance margin for the current year is 14.5% (FY22: 12.5%) for DIA, 28.4% (FY22: 4.1%) for IIA and 2.4% (FY22: 12.8%) for New Zealand.

Detailed commentary on the insurance margin performance is provided in the divisional sections of the Investor Report. A short summary is provided below.

DIA's underlying margin of 15.7% reflects the impact of higher claims inflation, with a delay in the earned-through effect of higher premium rates. The comparative 20.5% in FY22 included COVID-19 benefits due to lower motor claims frequency. Excluding COVID-19 benefits, the underlying margin in FY22 was around 19%.

The DIA reported margin of 14.5% was impacted by natural perils $74 million above the allowance and short-tail reserve strengthening of $19 million which was partially offset by gains of $46 million from a narrowing in credit spreads.

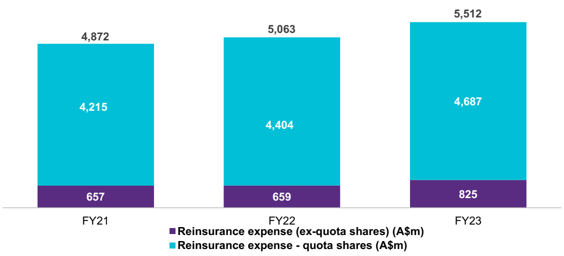
IIA's underlying margin of 7.7% continued to improve despite the inflationary impact on short-tail personal claims. The 7.7% underlying margin in FY23 (FY22: 5.0%) is the same as the reported margin and demonstrates the progress towards the insurance profit target of at least $250 million in FY24.

New Zealand's FY23 underlying margin of 13.5% (FY22: 16.8%) was impacted by similar inflationary impacts on short-tail personal claims as the Australian divisions. The New Zealand reported insurance margin of 2.4% (FY22: 12.8%) was significantly reduced by the two major weather events in early 2023.

Reinsurance expense

IAG's total reinsurance expense includes the cost of all covers purchased, including catastrophe, casualty, facultative and proportional protection. The FY23 reinsurance expense of $5,512 million compares to $5,063 million in FY22, an increase of approximately 8.9%.

Reinsurance expense



Quota share-related reinsurance expense increased 6.4%, as a result of the significant increase in gross earned premium. Non-quota share reinsurance expenses also increased to $825 million (FY22: $659 million) due to a hardening global reinsurance market and $67 million in reinsurance reinstatement costs.

Claims

IAG's immunised underlying loss ratio, which reflects trends in underlying or working claims, was 56.7% in FY23, a significant increase on the 53.3% in FY22 reflecting inflationary impacts. This ratio excludes all prior year reserve releases or strengthening, natural perils costs and discount rate adjustments.

Immunised loss ratio	**2023 $m**	2022 $m
Immunised underlying net claims expense[1]	**4,721**	4,213
Discount rate adjustment	**(98)**	(289)
Reserving and perils effects	**1,243**	1,291
Reported net claims expense[2]	**5,866**	5,215
Immunised underlying loss ratio[1]	**56.7%**	53.3%
Discount rate adjustment	**(1.1)%**	(3.7)%
Reserving and peril effects	**14.9%**	16.3%
Reported loss ratio[3]	**70.5%**	65.9%

1 Immunised underlying net claims expense and loss ratio adjust the reported equivalent to exclude all prior year reserve releases or strengthening, natural perils costs and discount rate adjustments.
2 Reported net claims expense is the net claims expense on a management results basis. Based on the statutory results, the equivalent statutory net claims expense for the current year is $5,306 million (FY22: $5,015 million).
3 Reported loss ratio is net claims expense as a percentage of net earned premium. Based on the statutory results, the equivalent statutory loss ratio for the current year is 63.7% (FY22: 63.4%).

Directors' report

Underlying claims trends

At a Group level, the immunised underlying loss ratio of 56.7% in FY23 increased on the prior year (FY22: 53.3%), partially due to an approximately 100bps benefit in the prior corresponding period from the COVID-19 impact resulting in lower claims frequency.

On the positive side, the ratio benefitted from the earn-through of higher premium rates. This was more than offset by:

- double digit increases in average motor claims costs driven by parts inflation and disruption in the supply chain network; and
- higher average home claims costs driven by increases in the price of labour and materials.

Reserve releases/strengthening

Prior period reserve strengthening of $37 million occurred in FY23 (FY22: $172 million).

Adverse claim development in short-tail classes occurred due to inflation-driven increases in claims settlements in the first half of the financial year. In long-tail classes, an assessment of inflation rates resulted in some reserve strengthening.

These totalled $19 million in DIA, $48 million in IIA and were partially offset by $30 million in releases in New Zealand.

Natural perils

Net natural perils claim costs in FY23 were $1,206 million, well above the original allowance of $909 million (FY22: $1,119 million, $354 million above allowance). The net costs of the Auckland flooding event in January 2023 and Cyclone Gabrielle in February 2023, New Zealand's second and third largest peril events on record, were $284 million. This amount was reduced by recoveries under IAG's reinsurance program.

FY23 Natural perils costs by event	$m
East Coast Low NSW and Heavy Rain NZ (July 2022)	57
Vic/Tas Heavy Rain and Flooding (October 2022)	84
SA/Vic Thunderstorms and Central West NSW Floods (November 2022)	61
Auckland Rain and Floods NZ (January 2023)	216
Dubbo Thunderstorns (February 2023)	44
Cyclone Gabrielle NZ (February 2023)	68
Central Coast and Hunter (NSW) Hail (May 2023)	44
Other events (<AUD$25m)	632
Total	**1,206**

Expenses

Gross operating costs (excluding commissions, pre-quota share) were $2,494 million in FY23, consistent with the Group's target of holding costs at around the $2.5 billion level (FY22: $2,531 million).

Gross operating cost	**2023 $m**	2022 $m
Gross underwriting expense ex-levies[1]	**1,758**	1,752
Claims handling and fee-based expense	**736**	779
Total gross operating costs	**2,494**	2,531

1 The "Expenses" table later in this section illustrates how "Gross underwriting expense ex-levies" reconciles to "Net underwriting expense" on the consolidated statement of comprehensive income on page 83 of this report.

The 1.5% reduction in gross operating costs was a function of IAG's ongoing focus on financial discipline. Included in costs for FY23 is amortisation of IAG's Enterprise Platform technology investment, an ongoing program to transform IAG's capacity to meet the needs of customers and drive operational excellence. This includes investments in automation and artificial intelligence to unlock efficiencies central to reducing expenses.

IAG continues to manage expenses to maintain the Group's operating capacity with a focus on automation, efficiency and effectiveness, and thereby constrain growth in the total gross expense base.

Within gross operating costs, administration ratio reduced 90bps to 14%. The administration ratio on an ex-levies basis reduced to 11.9% (FY22: 12.7%) with the commission ratio increasing slightly to 9.1%.

The table below highlights how gross underwriting expense and commission expenses flow through to net commissions and underwriting expenses after quota share impacts.

Expenses	2023 $m	2022 $m
Gross underwriting expense ex-levies	**1,758**	1,752
Levies	**250**	256
Total gross underwriting expenses	**2,008**	2,008
Gross commission expense	**1,141**	1,020
Total gross expenses	**3,149**	3,028
Reinsurance commission revenue	**(1,221)**	(1,158)
Total net expenses[1]	**1,928**	1,870
Net underwriting expense	**1,168**	1,176
Net commission expense	**760**	694
Total net expenses[1]	**1,928**	1,870

1 Total net expenses are presented on a management results basis. Based on the statutory results, the equivalent statutory total net expense for the current year is $1,928 million (FY22: $1,882 million).

Net investment income/loss on assets backing insurance liabilities

Net investment income on assets backing insurance liabilities (technical reserve assets) contributed $271 million in FY23 (FY22: $238 million loss) despite the portfolio reducing to $7.4 billion at 30 June 2023 (30 June 2022: $7.7 billion). The portfolio reduction is driven by the combined impact of the lower business interruption claim provision and increased discount rates.

Key components of the investment return in FY23 were:

- an underlying yield of $325 million representing an annualised return of approximately 4.3%;
- $85 million in gains from a net narrowing in credit spreads; and
- a negative impact of $139 million from an ongoing increase in risk free rates during FY23 leading to mark-to-market losses.

The portfolio is aligned with the average weighted duration of IAG's claims liability, of slightly less than two years.

Additional matters

Provision for potential business interruption claims

The total pre-tax net provision for business interruption claims associated with COVID-19 was $400 million at 30 June 2023 (FY22: $975 million). During the first half of the financial year, following the High Court of Australia's decision on 14 October 2022 to deny special leave to appeal the decision of the Full Court of the Federal Court of Australia in the second business interruption test case handed down in February 2022, the net provision was reduced by $360 million.

A further review of the provision, following additional communication with potentially impacted customers in the second half of FY23, resulted in a further $200 million reduction of the provision. The provision also reduced due to claims payments of $6 million and an adjustment to discount rates on the provision of $9 million.

The revised business interruption claim provision is based on IAG's actuarial modelling and includes a significant risk margin. As further information becomes available, IAG will review the provision and make adjustments accordingly.

Insurance Australia Limited continues to process existing and new business interruption claims and defend a representative class action that has been filed in the Federal Court of Australia relating to policyholders with business interruption policies. The ultimate impact from these claims, including legal costs expected to be incurred in the defence of the claims, are expected to be covered by the provision for business interruption claims.

Trade Credit and Greensill

Insurance Australia Limited is one of a number of parties defending a significant number of proceedings in New South Wales courts relating to claims under policies purportedly issued by a trade credit insurance underwriting agency, BCC Trade Credit Pty Ltd, in which Insurance Australia Limited previously held an interest. There is complexity around the matters that will need to be determined by the court and Insurance Australia Limited expects it will take a number of years before those matters are resolved. Further details regarding the claims which are now subject of litigation, any potential exposure to Insurance Australia Limited and other relevant matters are contained in Note 2.2 of this report.

Other profit and loss drivers

Net corporate expense

Net corporate expense in FY23 includes the $560 million pre-tax benefit from reduction in the provision for business interruption related claims (FY22: $200 million), a $20 million charge for lease impairment and $3 million related to other items.

Fee-based business

Fee-based business contributed a loss of $37 million in FY23 (FY22: $34 million loss) reflecting investment in new businesses aligned with IAG's strategy, focusing on advanced technologies, data asset capabilities, innovation and mobility initiatives, including:

- Customer Loyalty Platform costs of approximately $8 million to leverage data and analytics to unify brands, products and services, and deliver better customer experiences with rewards for risk mitigating behaviours and loyalty;
- InsureTech innovation activities of $6.5 million;
- net costs from the Ambiata specialist data activation business and from the innovation hubs run by Firemark Labs of approximately $6 million;
- net costs from the ongoing development of the Carbar digital car-trading platform business of approximately $5 million;
- innovation funds in DIA and IIA of approximately $5 million;
- net costs on the development of the Cylo cyber insurance product of approximately $3 million; and
- a loss of approximately $2 million from Motorserve's car servicing activities (FY22: approximately $6 million loss).

IAG has reviewed the operation of its innovation functions and has restructured activities to reduce the loss on fee-based businesses in future years.

Net investment income on shareholders' funds

Net investment income on shareholders' funds was a profit of $212 million in FY23 (FY22: $105 million loss) reflecting:

- a return of $109 million from fixed interest and cash;
- a return of $54 million from equities; and
- a return of $49 million from alternatives and other adjustments.

At 30 June 2023, the weighting to defensive assets (fixed interest and cash) in the shareholders' funds was approximately 72%, compared to approximately 68% at 30 June 2022.

Tax expense

IAG reported a tax expense of $429 million in FY23, a significant increase on the $140 million in FY22 due to the increase in pre-tax earnings. IAG's effective tax rate (pre-amortisation and impairment) was approximately 31.6%. The difference between the effective tax rate and the Australian corporate rate of 30% is due to the non-deductible items, primarily the $40 million ASIC civil penalty for contraventions of the *Australian Securities and Investments Commission Act 2001 (Cth)*, and capital note payments. The effective tax rate is also higher than previous years due to the lower contribution from New Zealand which has a 28% tax rate.

Non-controlling interests

Non-controlling interests reduced IAG's profits after tax by $93 million in FY23 (FY22: $77 million).

Non-controlling interests are principally represented by RACV's 30% interest in Insurance Manufacturers of Australia Pty Limited (IMA), whose short-tail business lines in NSW, Victoria and the ACT form a significant part of DIA.

Acquired intangible amortisation and impairment

A modest amortisation and impairment expense of $3 million was recorded in FY23 compared to $7 million in FY22.

Net profit/(loss) after tax

A net profit after tax and outside equity interests of $832 million in FY23 (FY22: $347 million) reflected the aforementioned items.

Review of financial condition

A. Financial position

The total assets of the Group as at 30 June 2023 were $35,026 million compared to $34,083 million as at 30 June 2022. Movements within the overall net increase of $943 million include:

- an increase of $1,068 million in trade and other receivables predominantly relating to increase in premiums receivable reflecting higher GWP across Australia and New Zealand;
- an increase of $124 million in cash held for operational purposes driven by operating earnings and positive returns on the investment portfolio for the year;
- an increase of $531 million in deferred insurance expenses associated with the whole-of-account quota share arrangements driven by higher GWP, particularly in the second half of the financial year, and from the catastrophe reinsurance cover renewals;
- an increase of $221 million in goodwill and intangible assets mainly from capitalisation of costs associated with the development and implementation of various systems; partially offset by
- a decrease in assets held for sale of $342 million following the completion of the AmGeneral sale;
- a decrease of $326 million in reinsurance and other recoveries on outstanding claims primarily associated with the receipt of recoveries on prior period natural peril events, the upward movement in the yield curve, particularly on long-tail reserves, partially offset by the increase in natural perils claim costs during the financial year; and
- a decrease of $294 million in deferred tax assets primarily associated with the release of the business interruption claim provision, and continued settlements made associated with customer refunds.

The total liabilities of the Group as at 30 June 2023 were $27,977 million compared to $27,583 million as at 30 June 2022. Movements within the overall net increase of $394 million include:

- a $916 million increase in unearned premium liabilities, reflecting the GWP growth, particularly in the latter half of the financial year;
- a $343 million increase in trade and other payables, largely driven by an increase in net reinsurance premiums payables following higher GWP, and a timing difference in investment creditors at the end of 30 June 2023; partially offset by
- a $704 million decrease in outstanding claims liability primarily representing the combined impact of the release in business interruption claim provision, the upward movement in the yield curve, partially offset by higher New Zealand peril reserve, increased short-tail reserves from higher frequency and inflationary impacts, and prior period strengthening mainly across short-tail reserves.

IAG shareholders' equity (excluding non-controlling interests) increased from $6,163 million as at 30 June 2022 to $6,650 million as at 30 June 2023, reflecting the combined impact of:

- current year net profit attributable to shareholders of $832 million;
- $270 million payments in respect of the 2022 final dividend and 2023 interim dividend; and
- the on-market share buy-back of $122 million (including transaction costs).

B. Cash from operations

The net cash inflows from operating activities for the year ended 30 June 2023 were $452 million compared to net cash inflows of $899 million for the prior year. The movement is mainly attributable to the net effect of:

- a $1,715 million increase in claims costs paid largely attributable to the increase in natural peril events compared with the prior year and higher attritional claim payments as claim experience return to a pre-pandemic level and with increased claims inflation;
- a $505 million increase in outwards reinsurance premium expense paid primarily driven by the increased amount ceded to whole-of-account quota share partners in line with GWP growth,
- a $480 million increase in other operating payments, driven by the payment of employee short-term incentives in the current year, settlement of provisions associated with customer refunds, and timing of settlements to creditors; partially offset by
- a $754 million increase in reinsurance and other recoveries received primarily due to the significant recoveries on prior period events, and recoveries on natural peril events that occurred during the financial year;
- a $158 million decrease in income tax paid predominantly due to the absence of instalment payments by the Australian tax consolidated group due to carried forward tax losses, and lower instalment payments by Insurance Manufacturers of Australia Pty Limited in the current year in respect of the 2022 assessment year;
- a $1,021 million increase in premiums received, largely reflecting the year-on-year premium growth; and
- $243 million increase in other operating receipts mainly attributable to higher reinsurance commission receipts on whole-of-account quota share arrangements.

C. Investments

Total Group's investments of $11,822 million as at 30 June 2023 was comparable to $11,813 million at 30 June 2022.

IAG's overall investment allocation is defensively positioned, with approximately 90% of total investments in fixed interest and cash as at 30 June 2023. IAG applies distinct investment strategies to its two pools of investment assets:

- technical reserves, which back insurance liabilities, are wholly invested in fixed interest and cash; and
- a more diversified approach is taken to shareholders' funds, comprising a mix of fixed interest and cash, and growth assets (equities and alternatives).

IAG's allocation to growth assets (equities and alternatives) was around 28% of shareholders' funds at 30 June 2023, approximately 4% lower than the level at 30 June 2022.

D. Interest-bearing liabilities

IAG's interest bearing liabilities stood at $2,139 million at 30 June 2023, compared to $2,055 million at 30 June 2022, with the increase in the year reflecting the issue of $500 million of Capital Notes 2 in December 2022 and the redemption of Capital Notes 1 issued in 2016.

E. Capital mix

IAG's capital mix is defined by regulatory capital targets. IAG's intent remains to manage regulatory capital to its 1.6 to 1.8 times the Prescribed Capital Amount (PCA) benchmark over the longer term.

During the current financial year, the Company issued $500 million in new Capital Notes 2 which qualify as Additional Tier 1 Capital for regulatory capital purposes. As part of this offer, certain eligible holders of Capital Notes 1 were invited to reinvest their Capital Notes 1 into Capital Notes 2 and approximately $184 million in Capital Notes 1 were redeemed as part of this offer. The remaining balance of Capital Notes 1 were redeemed at the first optional exchange date in June 2023.

IAG's capital mix is driven by regulatory capital targets. Subject to market conditions, during FY24, IAG may consider a new Additional Tier 1 regulatory capital issue and a new Tier 2 subordinated debt issue to maintain regulatory capital at the Group's target PCA benchmark (1.6 to 1.8 times) over the longer term.

F. Capital position

Under the Australian Prudential Regulation Authority's (APRA) Prudential Standards, IAG's Common Equity Tier 1 (CET1) capital was $2,955 million (FY22: $2,364 million) and regulatory capital of $5,073 million (FY22: $4,380 million) as at 30 June 2023. IAG has set the following related targeted benchmarks:

- a CET1 target range of 0.9 to 1.1 times the PCA, compared to a regulatory requirement of a minimum of 0.6 times; and
- a total capital position equivalent to 1.6 to 1.8 times the PCA, compared to a regulatory requirement of a minimum of 1.0 times.

At 30 June 2023, IAG had a CET1 multiple of 1.12 (FY22: 0.97) and a PCA multiple of 1.92 (FY22: 1.80).

Further capital management details are set out in Note 3.1 within the financial statements.

Strategy and risk management

A. Strategy

Helping customers manage risk has been IAG's business for over 160 years, forming the heart of IAG's Purpose, to make your world a safer place.

IAG's trusted brands, established supply chain, deep data assets and financial strength are key attributes, providing competitive advantage.

IAG's long-term objective remains: the delivery of top quartile Total Shareholder Return, with a sustainable growth profile. To realise this, IAG has a strategy to 'create a stronger, more resilient IAG'. IAG is driving focus, adapting its business model and playing to its strengths to capitalise on trends shaping the operating environment.

Four strategic pillars provide focus, inform IAG's operating model and underpin IAG's three to five year strategy:

- Grow with our customers
- Build better businesses
- Create value through digital
- Manage our risks

IAG's strategy balances strengthening the fundamentals of insurance while evolving to be a digital leader. It will ensure IAG is a stronger, more resilient organisation with increased customer reach. For further information refer to page 10 of this report.

B. Business risk and risk management

IAG acknowledges that it has to take risk in an informed manner in pursuit of its strategic objectives and to meet expectations of its stakeholders, including customers, industry and regulators. IAG clearly articulates the levels, boundaries and nature of risk it is willing to accept, actively manage or avoid in pursuit of the Group's strategic objectives.

IAG uses an enterprise-wide approach to risk management and its Risk Management Framework (RMF) is a core part of the governance structure, which includes internal policies, key management processes and culture. The Group Risk Management Strategy (RMS) articulates the strategy to manage risks at IAG and describes the key elements of the RMF to implement this strategy.

The RMS is reviewed annually, or more frequently as required, by the Risk Committee before being recommended for approval by the Board. IAG's Group Risk function provides regular reports to the Risk Committee on the operation of, and any changes to, IAG's RMF, the status of material risks, the control environment, risk and compliance events and issues, risk trends and IAG's risk profile. IAG's Group Internal Audit function provides reports to the Audit Committee on significant audit findings and other audit related matters.

Roles and responsibilities of the Board and its standing committees, the Risk Committee, the Audit Committee, the People and Remuneration Committee and the Nomination Committee, are set out in the Corporate Governance section of the IAG website.

IAG is exposed to multiple risks relating to its businesses and pursuit of its strategic objectives. The risks noted below are not exhaustive, but outline the material risks faced by the Group as identified in the RMS:

- strategic risk – risk that internal or external factors disrupt the assumptions underpinning IAG's strategy or compromise its ability to set and execute an appropriate strategy. This includes environmental, social and governance risk which encompasses climate risk considerations;
- organisational conduct and customer risk – risk of behaviour or action taken by entities and employees associated with IAG that may have negative outcomes for IAG's customers, staff, communities, and markets in which IAG operates. It includes the risk that products are designed, priced, distributed and managed in a way that does not meet the reasonable needs and objectives of customers;
- insurance risk – risk of unintended financial loss as a result of:
  - inadequate or inappropriate underwriting;
  - inadequate or inappropriate product design and pricing;
  - unforeseen, unknown or unintended liabilities that may eventuate;
  - inadequate or inappropriate claims management including reserving; and
  - insurance concentration risk (i.e. by locality, segment factor, or distribution);
- reinsurance risk – risk of unintended financial loss as a result of:
  - lack of capacity in the reinsurance market;
  - insufficient or inappropriate reinsurance coverage;
  - inadequate underwriting and/or pricing of reinsurance exposures retained by IAG's reinsurance captives;
  - inadequate or inappropriate reinsurance recovery management;
  - reinsurance arrangements not legally binding; and
  - reinsurance concentration risk;
- market risk – risk of adverse movements in market prices (equities, derivatives, interest rates, foreign exchange, etc) or inappropriate concentration within the investment funds;
- credit risk – risk arising from a counterparty's failure to meet its obligations in accordance with the agreed terms. This includes investment and derivative counterparties, reinsurers and premium debtors;
- liquidity risk – risk of inadequate funds and/or illiquid asset portfolios to meet liabilities as they fall due;
- capital risk – risk that capital is:
  - insufficient or excessive given the nature, strategies and objectives of the Group; or
  - comprised of a mix of equity, debt, reinsurance, including IAG's 32.5% whole-of-account quota share arrangements, or other expiring sources of capital that is unsuitable or unsustainable due to its cost, structure, flexibility, or IAG's ability to renew or replace on acceptable terms;
- model risk – the potential for adverse consequences from decisions based on incorrect, misapplied, or misused model outputs and reports, including automated decisions based on model output;
- operational risk – the failure to achieve objectives due to inadequate or failed internal processes, people and systems or from external events. This can include failures in third party suppliers, services providers and/or partners as well as operational impacts arising from extreme natural disasters; and
- regulatory and compliance risk – risk of legal or regulatory impacts or reputational loss arising from adverse legal outcomes, failure to manage compliance obligations or failure to anticipate and prepare for changes in the regulatory environment.

In addition to the above risks, as the economy emerges from the COVID-19 pandemic together with the occurrence of other global events, there are various factors that are impacting the operating environment. This includes elevated interest rates in response to higher levels of inflation. This is impacting claims and operating costs, and premiums charged to customers which in turn impacts affordability. Initiatives are underway to manage and mitigate these impacts.

IAG aims to have a disciplined approach to risk management and believes this approach provides the greatest long-term likelihood of being able to meet the objectives of all stakeholders.

IAG plays an important role in communicating, managing, and mitigating the evolving risks individuals and communities face across Australia and New Zealand under the changing climate. To ensure IAG can continue to act in this role and deliver for its customers, climate change and environmental, social and governance (ESG) risk management is aligned with IAG's strategy. This helps to guide decision-making and aims to ensure that value is being created for both the community and the business.

Details of IAG's overall RMF, which is outlined in the RMS, is set out in Note 3.1 within the financial statements and in the Corporate Governance Statement, which is available at www.iag.com.au/about-us/corporate-governance.

C. Climate change and environmental, social and governance risk

As one of Australia and New Zealand's largest general insurers, IAG's core business and value chain are exposed to a broad range of interconnected ESG risks. IAG insures individuals, households and businesses against the impacts that climate-related hazards can have on their assets, playing an important role in the economy to help build more resilient communities.

To ensure we can continue to act in this role and deliver for our customers, ESG and climate-related risk management is aligned to IAG's broader strategic ambitions.

A review of our progress in managing ESG and climate-related risks and opportunities can be found on page 12 of this report.

A more detailed review of IAG's climate risk management can be found in the FY23 Group climate-related disclosure and New Zealand-specific climate-related disclosure, which are aligned to the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD). These reports are both available on our website (www.iag.com.au).

Corporate governance

At IAG we believe good corporate governance is the framework of systems, policies and processes that allows IAG to operate our business and deliver on our purpose and strategy. It is a culmination of our ethics, culture, leadership (including Board and senior management), and policies and procedures (including remuneration and risk management frameworks).

Aiming for the highest standard in corporate governance enables IAG to focus more effectively on delivering superior customer outcomes and supporting communities.

For the financial year ended 30 June 2023, IAG complied with the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (4th edition). Details of this compliance are set out in IAG's 2023 Corporate Governance Statement and in the Appendix 4G. This Corporate Governance Statement is current as at 21 August 2023 and has been approved by the Board.

IAG's 2023 Corporate Governance Statement is available at www.iag.com.au/about-us/corporate-governance.

FY24 Guidance and outlook

IAG's confidence in its strong underlying business is reflected in guidance for FY24 which includes:

- GWP growth of 'low double digits'. This will be primarily rate driven to cover claims inflation, higher reinsurance costs and an increased natural peril allowance. Modest volume growth and an increase in customer numbers are expected;
- reported insurance margin guidance of 13.5% to 15.5% which assumes:
  - continued momentum in the underlying performance of IAG's businesses, supported by increased investment yields;
  - an increase in the natural peril allowance to $1,147 million, which represents an increase of $238 million or 26% on the FY23 allowance;
  - no material prior period reserve releases or strengthening; and
  - no material movement in macro-economic conditions including foreign exchange rates or investment markets.

The reported insurance margin guidance is expected to deliver an insurance profit of between $1.2 billion and $1.45 billion.

This guidance aligns to IAG's revised aspirational goals to deliver a 15% insurance margin and a reported ROE of 13% to 14% on a 'through the cycle' basis. As previously outlined, IAG also has ambitions of:

- one million additional direct customers;
- an IIA insurance profit of at least $250 million in FY24;
- $400 million in value from DIA claims and supply chain cost reductions on a run-rate basis from FY26; and
- further simplification and efficiencies to reduce the Group's administration ratio.

These goals and ambitions are subject to assumptions and dependencies, including that there are no material adverse developments in macro-economic conditions and disruptions or events beyond IAG's control (for example, natural perils events in excess of IAG's allowances). As they span a number of years, these assumptions and dependencies have a greater level of uncertainty than the FY24 guidance. Refer to the Forward Looking Statements and Other Representations disclaimer on page 151 of this report.

Dividends

The Board has determined to pay a final dividend of 9.0 cents per share, franked to 30% (2022 final dividend: 5.0 cents per share, franked to 70%). The final dividend is payable on 28 September 2023 to shareholders registered as at 5pm Australian Eastern Standard Time (AEST) on 30 August 2023.

This brings the full year dividend to 15.0 cents per share, which equates to a payout ratio of approximately 83% of reported net profit after tax (NPAT) excluding the after-tax impact from releases from the business interruption claim provision.

IAG's dividend policy is to pay out 60% to 80% of NPAT excluding the after-tax impact from releases from the business interruption claim provision.

As at 30 June 2023, IAG had approximately $320 million franking balance on a consolidated basis. The Company currently has approximately $22.5 million franking credits available for distribution.

Directors' report

The lower franking balance reflects tax losses in the Company and minimal tax payable by the IAG tax consolidated group in Australia in FY20 and FY21.

The franking rate of 30% will apply to the final dividend and relevant distributions on the Capital Notes 2 during the first half of the 2024 financial year.

The dividend reinvestment plan (DRP) will operate for the final dividend for DRP-registered shareholders as at 5pm AEST on 31 August 2023. The issue price per share will be the Average Market Price as defined in the DRP terms, with no discount for participants. Shares allocated under the DRP are likely to be purchased on-market. Information about IAG's DRP is available at www.iag.com.au in the Shareholder Centre section.

Significant changes in state of affairs

During the financial year, the following changes became effective:

- On 28 July 2022, IAG completed the sale of AmGeneral Insurance Berhad (AmGeneral), the Malaysian business in which it held a 49% interest, to Liberty Insurance Berhad (announced on 19 July 2021).
- On 17 October 2022, IAG announced, it would undertake an on-market share buy-back of up to $350 million. During the current financial year, the Company has acquired on-market 24 million shares for a consideration of $122 million (including transaction costs) at an average price per share of $4.99. The share buy-back commenced in November 2022 and currently has a proposed end date of 16 October 2023. IAG intends to extend the proposed end date of the share buy-back by up to 12 months.
- On 22 December 2022, the Company issued $500 million of Capital Notes 2. After allowance for a reinvestment offer for certain eligible holders of IAG Capital Notes 1 issued in 2016 and transaction costs, the Company raised a net amount of $308 million. The Capital Notes 2 qualify as Additional Tier 1 Capital under APRA's Prudential Framework for General Insurers.
- On 15 June 2023, the Company redeemed the remaining $220 million of Capital Notes 1 issued in 2016.

Events subsequent to reporting date

Details of matters subsequent to the end of the financial year are set out below and in Note 7.2 within the financial statements. These include:

- On 21 August 2023, the Board determined to pay a 30% franked final dividend of 9.0 cents per share. The dividend will be paid on 28 September 2023. The DRP will operate likely by acquiring shares on-market for participants with no discount applied.

Non-audit services

During the financial year, KPMG performed certain other services for IAG in addition to its statutory duties.

The Directors have considered the non-audit services provided during the financial year by KPMG and, in accordance with written advice provided by resolution of the Audit Committee, are satisfied that the provision of those non-audit services by IAG's auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit assignments were approved in accordance with the process set out in the IAG framework for engaging auditors for non-audit services; and
- the non-audit services provided did not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants* of the Chartered Accountants Australia and New Zealand and CPA Australia, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

The level of fees for total non-audit services amounted to approximately $839,000 in FY23 (refer to Note 8.3 for further details of costs incurred on non-audit assignments).

Indemnification and insurance of Directors and Officers

The Company's constitution contains an indemnity in favour of every person who is or has been:

- a Director of the Company or a subsidiary of the Company; or
- a Secretary of the Company or of a subsidiary of the Company; or
- a person making or participating in making decisions that affect the whole or a substantial part of the business of the Company or of a subsidiary of the Company; or
- a person having the capacity to affect significantly the financial standing of the Company or of a subsidiary of the Company.

The indemnity applies to every liability incurred by the person in the relevant capacity (except a liability for legal costs). In respect of legal costs, the indemnity applies to all legal costs incurred in defending or resisting (or otherwise in connection with) certain legal proceedings in which the person becomes involved because of that capacity.

The indemnity does not apply where the Company is forbidden by statute to indemnify the person against the liability or legal costs or, if given, would be made void by statute.

In addition, the Company has entered into deeds of indemnity (in the form of individual deeds or an indemnity deed poll) to certain current and former Directors and Secretaries and members of senior management of the Company and its subsidiaries (together, Officers). Under these deeds, the Company:

- indemnifies, to the maximum extent permitted by law, Officers against liabilities incurred by the person in the relevant capacity; and
- is also required to maintain and pay the premiums on a contract of insurance covering the Officers against liabilities incurred in respect of the relevant office to the maximum extent permitted by law. The insurance is maintained until the seventh anniversary after the date when the relevant person ceases to hold office (or until proceedings commenced before that date are finally resolved).

The Company has purchased Directors' and Officers' liability insurance, which insures against certain liabilities (subject to exclusions) in respect of Officers. Under the contract of insurance all reasonable steps must be taken by the insured and the Company not to disclose the insurance premium and the nature of liabilities covered by such insurance.

Lead Auditor's Independence Declaration under Section 307c of the *Corporations Act 2001*

The lead auditor's independence declaration is set out on page 81 and forms part of the Directors' Report for the year ended 30 June 2023.

Rounding of amounts

The Company is of a kind referred to in the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by ASIC. Amounts in the financial report and Directors' Report have been rounded to the nearest million dollars unless otherwise stated, in accordance with that instrument.

Remuneration report

Aligning remuneration to create a stronger, more resilient IAG.

George Savvides
Chair, People and Remuneration Committee

Dear Shareholders,

On behalf of the People and Remuneration Committee (PARC) and the Board, I am pleased to present the 2023 Remuneration Report.

This year the PARC have completed the review of IAG's remuneration framework, ensuring that it continues to support our strategy while meeting the new APRA Prudential Regulation CPS 511 Remuneration (CPS 511) requirements.

Our review applied the principles adopted by the Board in FY22 in response to feedback from investors to:

- ensure **stronger alignment** between shareholder outcomes and Executive remuneration outcomes;
- introduce a **simpler approach** to performance measurement and remuneration; and
- be more **transparent** around the process, including how we make remuneration decisions.

Implementation of CPS 511

The Board incorporated the requirements of CPS 511 into the comprehensive review of our Executive remuneration framework completed during FY23. The Board Chair and I met with a number of proxy advisors and key investors in June 2023 before finalising our thinking on the FY24 Executive remuneration framework and these discussions have shaped the final outcome.

The result of the review is a number of changes, designed not only to meet both the letter and spirit of CPS 511 but also to ensure the framework remains fit for purpose, market competitive, supports us in delivering IAG's strategy and aligns with shareholder outcomes.

The key changes to meet CPS 511 requirements include:

- Giving material weight to a non-financial measure in the Long Term Incentive (LTI) plan with the introduction of a Customer Experience measure, equally weighted with the existing return on equity (ROE) and total shareholder return (TSR) LTI measures
- Extending maximum LTI deferral from four years to six years for the Group CEO and from four years to five years for other Executive Key Management Personnel (KMP)
- Putting a material weight on non-financial performance as the Group Balanced Scorecard (BSC) will be the primary determinant of the Short Term Incentive (STI) pool
- Introducing clawback for all performance based variable remuneration for Executive KMP.

CPS 511 applies to IAG from 1 July 2023 and the changes to our Executive remuneration framework apply from this date.

Other changes for FY24

The Board has also approved other changes to the Executive remuneration framework:

- Increases to the STI and LTI opportunity for Executive KMP to support delivery of our medium-term strategic goals, maintain market competitiveness and align with shareholder outcomes. There is no change to the STI and LTI opportunity for the Group CEO
- Increases to the threshold and stretch targets for the FY24 LTI ROE performance hurdle to align with our medium-term ROE targets.

More detail on the FY24 Executive remuneration framework is provided in the remuneration report.

Alignment of FY23 remuneration outcomes with business results

The 2023 financial year saw unprecedented economic challenges across Australia and New Zealand as a result of significant inflationary pressures. In this environment, the business had to address the significant impact on our claims and reinsurance costs, as well as the ongoing pressure from increasing natural peril costs. Despite these challenges, IAG made progress in strategy execution including customer growth, digital transformation, and managing current and emerging risks.

Of particular note are:

- Focus on execution and delivery of IAG's medium-term strategic goals by the leadership team, simplifying our core insurance business and resolving legacy issues
- Response to financial challenges of the external environment which have both negatively and positively impacted our performance, including:
  - natural perils costs well above the budgeted allowance and resulting in unbudgeted reinsurance reinstatement costs;
  - inflationary impacts increasing the average claims size;

  offset by:
  - strong premium growth; and
  - improved returns from investment portfolios
- Consideration of affordability of premium increases on our customers with Group operating expenses held flat for the third consecutive year.

FY23 STI outcomes

The Board approved establishment of an Executive STI pool for FY23 of 40% of maximum opportunity, representing 67% of target payout.

In determining the FY23 Executive STI pool, the Board considered the STI earnings calculation principles approved in FY22. In line with these principles, the adjusted NPAT before amortisation result excluded the $392 million post-tax benefit associated with the reversal of a portion of the business interruption provision. In evaluating the NPAT before amortisation result, the Board also considered the challenging operating environment, inflationary pressures and the high level of natural peril claims.

The Group CEO's performance was determined based on the Group BSC. Group BSC performance reflected the progress we have made towards our medium-term strategy and improvements in our company-wide risk management processes and systems, establishing a foundation for the future.

Each Executive's share of the STI pool was determined based on an assessment of their performance against the Group BSC and their Divisional scorecard.

The Group CEO's STI outcome was 40% of maximum in line with the FY23 Executive STI pool. The outcome for other Executives ranged from 38% to 42% of maximum opportunity.

The FY23 adjusted NPAT before amortisation outcome of $443 million (which was 60% of target) was significantly affected by the high level of natural peril claims, unbudgeted reinsurance reinstatement costs, an overall favourable outcome from investment markets and strengthening of prior period reserves.

LTI with performance periods ending in FY23

The FY20 LTI award with ROE and TSR performance measures, was assessed at the end of the 30 June 2023 performance period. Neither measure met the required performance threshold, resulting in nil vesting of the award for participating Executives.

The Board has approved FY24 LTI awards for the Group CEO and other Executive KMP. The Group CEO's FY24 LTI award of $2.7 million will be submitted to shareholders as a resolution at the 2023 Annual General Meeting. These awards will include the new Customer Experience non-financial measure. In addition, the Board has increased the ROE performance hurdles for the FY24 LTI award.

Risk based adjustments to performance pay

The Board considers risk management performance when determining Executive remuneration, annually reviewing risk management outcomes and identifying accountable Executives where appropriate. No risk adjustments were required as a result of the Board's FY23 review. More broadly, risk performance will be reflected in individual STI outcomes as appropriate for employees.

Changes to Executive remuneration and Non-Executive Director fees

Executive KMP

The Board regularly reviews the remuneration paid to Executive KMP to assist us to continue to attract and retain high quality talent.

There were no fixed pay increases for the Group CEO or any other Executive KMP during FY23. In addition, no fixed pay increases were awarded to the Group CEO or any other Executive KMP as part of the August 2023 remuneration review. The last fixed pay increase for any of the Executive KMP was September 2021.

Non-Executive Directors

The Board are seeking approval from shareholders for an increase in the aggregate limit of Non-Executive Director fees (fee pool) at the 2023 Annual General Meeting. The current fee pool was last approved at the 2013 Annual General Meeting.

The Board intends to review Board and Committee fees in FY24 to ensure fees remain competitive. Company Board fees were last increased in FY17.

The feedback we have received from our investors has been invaluable in assisting us evolve our Executive remuneration framework. On behalf of the Board, I encourage you to read our detailed remuneration report which will be presented to shareholders at the 2023 Annual General Meeting.

George Savvides
Chair, People and Remuneration Committee

Remuneration report

Contents		Page

Abbreviations used in the Remuneration report are outlined in the table below.

Abbreviations	
Adjusted NPAT before amortisation	Net profit after tax before amortisation of acquired intangibles and business interruption provision release
CPS 511	APRA Prudential Regulation CPS 511 *Remuneration*
DARs	Deferred award rights
EPRs	Executive performance rights
Group BSC	Group balanced scorecard
KMP	Key management personnel
LTI	Long term incentive
MSR	Mandatory shareholding requirement
NARs	Non-Executive Director award rights
NPAT	Net profit after tax
NPAT before amortisation	Net profit after tax before amortisation of acquired intangibles
PARC	People and Remuneration Committee
ROE	Return on equity
STI	Short term incentive
tNPS	Transactional net promoter score
TSR	Total shareholder return
VWAP	Volume weighted average price
WACC	Weighted average cost of capital

A. KMP covered by this report

This remuneration report sets out the remuneration details for IAG's KMP. KMP is defined as persons having authority and responsibility for planning, directing, and controlling the activities of an entity, directly or indirectly, including any director (whether Executive or otherwise) of that entity. For the purposes of this report, the term Executive KMP is used to refer to KMP who are Executives. Although the Non-Executive Directors are disclosed in the report, they do not have management responsibility. IAG's KMP for FY23 are shown in the table below.

If an individual did not serve in a KMP role for the full financial year, all remuneration is disclosed for the period they served in a KMP role.

Name	Position	Term as KMP
Executive KMP		
Nick Hawkins	Managing Director and Chief Executive Officer (Group CEO)	Full year
Julie Batch	Group Executive, Direct Insurance Australia	Full year
Jarrod Hill	Group Executive, Intermediated Insurance Australia	Full year
Peter Horton	Group General Counsel & Company Secretary	Full year
Michelle McPherson[1]	Chief Financial Officer	Full year
Neil Morgan	Chief Operating Officer	Full year
Christine Stasi	Group Executive, People, Performance & Reputation	Full year
Peter Taylor	Chief Risk Officer (CRO)	Full year
Amanda Whiting	Chief Executive, New Zealand	Full year
Former Executive KMP		
Tim Plant[2]	Chief Insurance & Strategy Officer	Full year
Non-Executive Directors		
Tom Pockett	Chair, Independent Non-Executive Director	Full year
Simon Allen	Independent Non-Executive Director	Full year
David Armstrong	Independent Non-Executive Director	Full year
Jon Nicholson	Independent Non-Executive Director	Full year
Helen Nugent	Independent Non-Executive Director	Full year
Scott Pickering	Independent Non-Executive Director	Full year
George Sartorel	Independent Non-Executive Director	Full year
George Savvides	Independent Non-Executive Director	Full year
Michelle Tredenick	Independent Non-Executive Director	Full year
Former Non-Executive Director		
Sheila McGregor[3]	Independent Non-Executive Director	Ceased 21 October 2022

1 Michelle McPherson has announced her intention to retire once a suitable successor has been identified.
2 Tim Plant ceased employment with IAG on 30 June 2023.
3 Sheila McGregor commenced as an Independent Non-Executive Director on 13 March 2018.

KMP changes that have occurred since the end of FY23:

- Wendy Thorpe was appointed as an Independent Non-Executive Director effective 1 July 2023.

B. Enhancing our Executive remuneration framework from FY24

A review of our Executive remuneration framework was completed during FY23. The key drivers of the review were to ensure that the Executive remuneration framework:

- Aligns with shareholder outcomes
- Motivates and rewards Executives to achieve IAG's strategy
- Incorporates CPS 511 requirements
- Is attractive to Executives, competitive and fit for purpose.

The Board retains ultimate discretion over all elements of STI and LTI.

The Executive remuneration framework changes will apply from FY24 and are summarised below. More detail will be provided in our FY24 remuneration report.

Remuneration report

<table>
<tr><th>Key changes for FY24</th><th>Rationale</th></tr>
<tr><td colspan="2">Short Term Incentive</td></tr>
<tr><td>Overall funding for STI outcomes determined with reference to the Group BSC.

There is no change for the CEO whose performance is measured with reference to the Group BSC result.

Other Executive's individual performance will be assessed with reference to Divisional BSC results.</td><td>• Includes material weighting to non-financial measures to comply with CPS 511 requirements
• Group BSC is a holistic measure of IAG performance that encourages sustainable returns over time
• Embeds NPAT as a measure in Group BSC
• Aligns with market practice where purely financially driven STI pools are not prevalent
• Opportunity for greater differentiation of individual executive outcomes
• Simplifies STI calculations.</td></tr>
<tr><td>STI pool at target performance set at 67% of maximum (FY23: 60% of maximum).</td><td>• Aligns with market practice.</td></tr>
<tr><td>STI maximum opportunity set at:

• Group CEO – 150% of fixed pay (no change from FY23)
• Other Executives (excluding CRO and Group General Counsel & Company Secretary) – 135% of fixed pay (FY23: 120% of fixed pay)
• CRO and Group General Counsel & Company Secretary – 100% of fixed pay (FY23: 80% of fixed pay).</td><td>• Maintains market competitiveness
• Subject to delivered performance outcomes
• Significant portion (50%) continues to be deferred to ensure alignment with shareholder interests.</td></tr>
<tr><td>Changes to STI deferral:

• Group CEO – 50% deferred for one year, with extended deferral applied to meet CPS 511 requirements if required (FY23: 25% deferred for one year and 25% deferred for two years)
• No change for other Executives.</td><td>• Recognises increase in overall deferral for Group CEO from four years to six years to meet CPS 511 requirements.</td></tr>
<tr><td colspan="2">Long Term Incentive</td></tr>
<tr><td>Longer LTI deferral. If the performance hurdles are met at the end of the four-year performance period, a portion will vest, and the remainder will be further deferred:

• Group CEO – 33.3% vests at end of performance period, 33.3% deferred for a further year and 33.3% for a further two years
• Other Executives – 50% vests at end of performance period and 50% will be deferred for a further year.</td><td>• Meets CPS 511 requirements.</td></tr>
<tr><td>LTI maximum opportunity set at:

• Group CEO – 150% of fixed pay (no change from FY23)
• Other Executives (excluding CRO and Group General Counsel & Company Secretary) – 150% of fixed pay (FY23: 125% of fixed pay)
• CRO and Group General Counsel & Company Secretary – 100% of fixed pay (FY23: 80% of fixed pay).</td><td>• Increases proportion of remuneration provided as LTI to enhance alignment with long-term shareholder interests.</td></tr>
<tr><td>• Include a non-financial performance hurdle – Customer Experience, measured by tNPS
• This will have equal weighting with the existing ROE and TSR measures
• Increase in the ROE threshold and stretch performance hurdles for the LTI award to be granted in November 2023.</td><td>• Meets CPS 511 requirements
• Customer experience is particularly important to support IAG's strategy. tNPS is a non-financial measure aligned to IAG's key strategic objectives
• Aligns reward for ROE performance with our medium-term ROE targets.</td></tr>
<tr><td colspan="2">Clawback</td></tr>
<tr><td>Clawback for all performance based variable remuneration, including STI and LTI.</td><td>• Meets CPS 511 requirements.</td></tr>
</table>

C. Executive remuneration structure and overview of FY23 outcomes

I. Alignment of Executive reward to IAG's purpose and strategy in FY23

The diagram below provides an overview of the FY23 Executive remuneration framework.

Our purpose: We make your world a safer place

Our business strategy: Create a stronger, more resilient IAG

- Grow with our customers
- Build better businesses
- Create value through digital
- Manage our risks

Our purpose, along with our strategy, guides our remuneration

Our remuneration principles

- Support IAG's purpose and alignment to shareholder outcomes
- Promote accountability and effective risk management
- Be simple, fair and equitable
- Support attraction and retention of talent
- Reduce non-financial risk
- Provide flexibility

Fixed pay

Objective
To attract high quality talent and remunerate Executives for performing their ongoing work.

Description
Comprises base pay and superannuation.

Delivery
Cash and superannuation paid over the year

Refer to Section E.I. for further information.

STI

Objective
To reward annual performance across a range of financial and non-financial measures to support the delivery of IAG's strategy.

Description
Maximum opportunity of 80 – 150% of fixed pay, based on Group and Divisional balanced scorecards (as appropriate) using financial and non-financial measures and compliance and conduct gateways.

Delivery

Cash 50%	DARs 25%	DARs 25%
Year 1	Year 2	Year 3

Refer to Section E.II. for further information.

LTI

Objective
To create a direct link between executive reward and the return experienced by shareholders through performance hurdles aligned to IAG's strategic targets.

Description
Maximum opportunity of 80 – 150% of fixed pay. Assessed on performance hurdles of ROE and TSR, measured over a four-year performance period.

Delivery
EPRs

Year 4

Refer to Section E.III. for further information.

Risk adjustment

All variable remuneration may be subject to risk adjustment to ensure alignment between risk management and remuneration outcomes. The Board retains the discretion to adjust downwards in-year STI awards as well as the unvested portion of any deferred STI or LTI awards, including to zero.

Mandatory shareholding requirement (MSR)

The Group CEO is expected to accumulate, and hold shares or vested rights equal to 200% of base pay over a four-year accumulation period. Other Executives are expected to accumulate and hold shares or vested rights equal to 100% of base pay over a four-year accumulation period or, in the case of the CRO and Group General Counsel & Company Secretary, over a five-year accumulation period.

Remuneration report

II. Overview of FY23 remuneration outcomes

The following diagram shows the outcomes of the August 2023 performance and remuneration review. Further detail regarding these outcomes is available in Section D.

Fixed pay

Increase to Group CEO fixed pay

0%

Increase to Executive KMP fixed pay

0%

The Board approved no fixed pay increases to Executives.

STI

FY23 STI Pool

40%

of maximum

Group CEO FY23 STI outcome

40%

Of maximum

Range of other Executives FY23 STI outcomes

38–42%

of maximum

LTI

LTI awards vesting in FY23

0% ROE

0% TSR

Vesting against the ROE hurdle continues to reflect the Board's decision to include FY21, FY22 and FY23 one-off items in the ROE calculation for the LTI award

III. Remuneration mix – maximum and actual for FY23

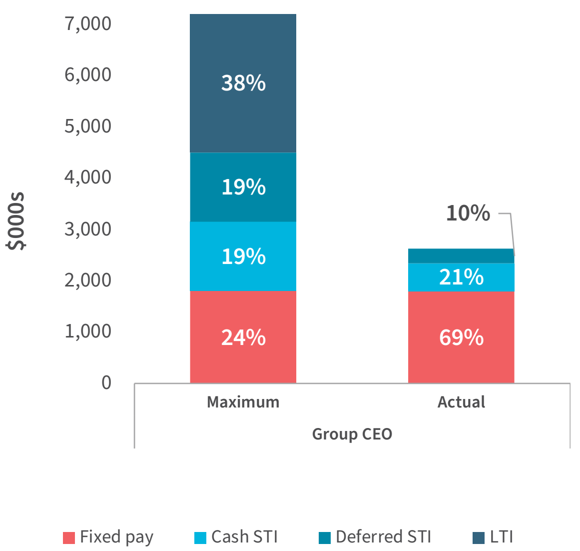
The following diagram illustrates the FY23 actual and maximum potential remuneration mix for Executive KMP across the elements of fixed pay, STI and LTI. FY23 actual STI and LTI remuneration received by the Group CEO and Executive KMP includes:

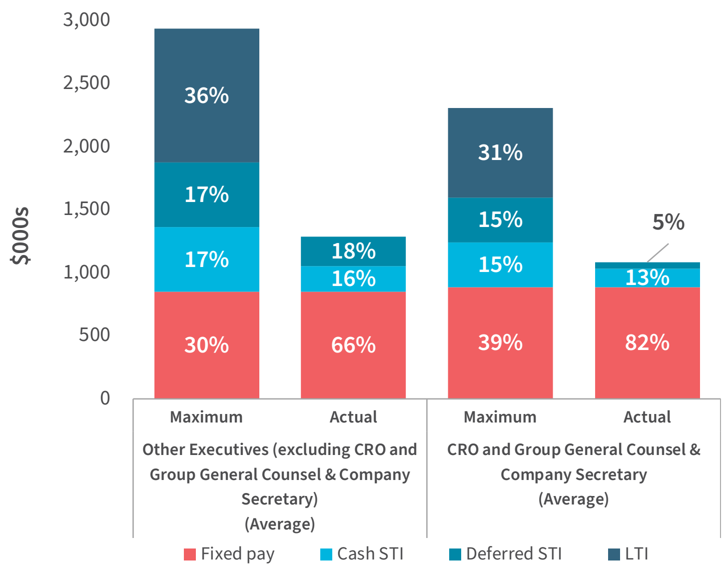
- the value of cash STI awards earned in relation to FY23;
- the value of STI deferred from previous years that vested during FY23; and
- the value of LTI awards with a performance period ending 30 June 2023 (nil). (The LTI value excludes the value of LTI awards granted during FY23).

The maximum opportunity is based on fixed pay, and STI and LTI maximum opportunity as at 30 June 2023.

Further information on actual remuneration received by the Executive KMP for FY23 is provided in Section D.IV.

Due to 0% vesting of LTI and below target FY23 short term incentive outcomes, fixed pay comprises the majority of FY23 actual remuneration.





D. Aligning IAG's performance and Executive reward with shareholder experience

When determining STI outcomes the Board considers the available STI pool informed by IAG's NPAT result, the Group BSC and Divisional scorecards.

I. FY23 STI pool and Group BSC results – linking IAG's short-term performance and Executive short-term reward

The Executive STI pool is the total amount of funding available to reward Executives for FY23 outcomes. Adjusted NPAT before amortisation was the measure used to determine the size of the Executive STI pool for FY23. For FY23 the Board approved an Executive STI pool of 40%. The Executive STI pool is allocated to Executives based on an assessment of each Executive's performance.

The Group CEO's performance is assessed against the Group BSC. The Board approved Group BSC objectives reflect a balance of financial and non-financial performance, and are designed to focus Executives on delivering IAG's strategic objectives. The financial objectives present a holistic view of earnings and underlying profitability and reflect how effectively IAG uses its capital. Non-financial objectives assess performance relating to customer, people and risk.

Performance for Executive KMP (other than the Group CEO) is measured against the Group BSC and Divisional scorecards. Divisional scorecards contain objectives relevant to the individual Executive's role that support the delivery of IAG's strategy.

The Group BSC result was 2.5/5. The Board determined to reward the Group CEO an STI outcome of 40% of maximum reflective of the Group BSC result and overall financial performance. FY23 STI outcomes for Executive KMP ranged from 38% to 42% of maximum (see Section D.II.), with the total STI awarded to Executives within the approved Executive STI pool.

The tables below summarise the Executive STI pool outcome and IAG's Group BSC objectives and outcomes for FY23.

FY23 Executive STI Pool outcome

Executive STI pool outcome

Executive STI pool at target performance		FY23 Executive STI pool outcome	
Target NPAT[1]	Executive STI pool at target NPAT[1] % of maximum	Adjusted FY23 NPAT[1] outcome	FY23 Executive STI pool outcome % of maximum
$743M	60%	$443M	40%

The Board approved an FY23 Executive STI pool of 40% of maximum opportunity, being 67% of target payout. In determining the FY23 Executive STI pool, the Board first considered IAG's NPAT before amortisation result. In line with our STI earnings calculation principles, the $392 million post-tax release of the business interruption provision was excluded from the NPAT before amortisation result. The adjusted NPAT before amortisation result used to determine STI outcomes was $443 million (60% of plan).

The Board considered the STI earnings calculation principles when evaluating the adjusted NPAT before amortisation result to determine the size of the final Executive STI pool. In applying the principles, relevant considerations for the Board included:

Principle	Board considerations
Shareholder outcomes.	• Despite a challenging operating environment, the IAG share price increased by approximately 31% during FY23.
Whether the item was within the Executive team's control or influence.	• In FY23 an unprecedented sequence of large perils events was encountered, with Australia experiencing major flooding events and New Zealand experiencing the 2nd and 3rd largest loss events in the country's history.
Whether the performance assessment and/or outcomes reflect the impact of unforeseen events on the business and shareholder value.	• In FY23 there were significant unforeseen changes to IAG's operating environment, including: ○ the sudden increase in inflation which immediately impacted average claims costs; and ○ material changes in global reinsurance markets.
Actions taken (or not taken) by management to mitigate risk or reduce the impact of the item.	• IAG implemented premium increases to offset the inflationary environment, labour shortages, increasing perils and higher reinsurance costs. It held Group operating expenses flat for the third consecutive year.

After applying the STI earnings calculation principles, the Board approved an FY23 Executive STI pool equivalent to 40% of maximum (67% of target payout).

3 Adjusted NPAT before amortisation.

Remuneration report

FY23 Group balanced scorecard results

Objective	Weight	Target / Target range	Scorecard result (Low – High)	Performance highlights
Financial	**60%**			
Adjusted NPAT before amortisation NPAT is a measure of profit that is strongly aligned to shareholder outcomes. The measure excludes any business interruption provision release.	30%	$743 million	$443 million	IAG's adjusted NPAT before amortisation of $443 million was 60% of the target adjusted NPAT before amortisation. This was primarily driven by adverse impacts from extreme peril events and claims inflation, partially offset by investment market performance. Management actions taken during the current inflationary period are expected to deliver improved financial returns in FY24 and FY25. The result excludes the after tax impact of any business interruption provision releases (for FY23 this is $392 million), consistent with the earnings calculation principles as set out in Section G.II.
Underlying insurance profit Underlying insurance profit presents a normalised view of the performance of IAG's underwriting businesses.	30%	$1,227 million	$1,119 million	IAG's underlying insurance profit performance was $1,119 million (excluding the impact of unbudgeted reinsurance reinstatement costs (of $67 million) to be consistent with the treatment of perils), 8.8% below target.
Non-financial objectives	**40%**			
Direct brands customer number growth Customer number growth assesses IAG's ability to design compelling product and service offerings for its customers.	10%	125,800 to 148,000 additional customers	117,863	IAG has made progress on our customer number growth target in our Australian Direct customer brands. This has been driven by strong retention rates and new business campaigns in New South Wales and Victoria. The result is +1.0% above industry growth and represents 2.7% year-on-year customer growth. Growth in New Zealand was impacted by the unprecedented peril events in FY23.
Digital channel share (claims lodgement) Digital Channel Share (% of claims lodged via digital channels) assesses digital transformation progress.	10%	26% to 28% claims lodged via digital channels	36.5%	IAG exceeded its target for digital channel share. The result was driven by active promotion of our digital channel in our Direct business in Australia and enhanced functionality of our digital offering in New Zealand. These improvements helped the business manage claims resulting from the extreme peril events in New Zealand.
Employee engagement Employee engagement measures the levels of enthusiasm and commitment employees have towards IAG.	10%	65% to 79% employee engagement	74%	IAG achieved its employee engagement score target range in a difficult operating environment. The result indicates that our people are feeling engaged and committed to IAG.
Risk maturity Risk management maturity is integral to delivering on strategy, meeting short-term objectives and achieving long-term sustainability.	10%	Implemented	Implemented	IAG's overall risk maturity met the target of "Implemented" for FY23. The result shows an uplift in how we manage risk in line with relevant frameworks, policies and processes. We met our commitments to APRA as part of our Insurance Risk Self-Assessment.
Group BSC outcome	The Board determined a Group BSC outcome of 2.5/5.		2.5	The outcome reflects the progress against target made on strategic priorities during FY23.

Changes to Group BSC for FY24

We have introduced a sustainability measure (emissions management) to complement the current Employee engagement (Social) and Risk (Governance) measures. IAG has developed science-based emissions reduction targets for scope 1 and scope 2 emissions. We have balanced shareholder and regulator expectations by retaining our 60% weighting to financial measures while ensuring we also meet the CPS 511 requirement for a material weighting to non-financial measures. The targets for all Group BSC measures will be calibrated to support delivery of our medium-term goals and aligned to our strategic pillars.

	Weighting	Measures				
Financial measures	60%	Underlying Insurance Profit[1] 30%	NPAT 30%			
Non-financial measures	40%	Customer number growth 10%	Digital transformation 10%	Risk 10%	Carbon emissions management 5%	Employee engagement 5%

1 IAG defines Underlying Insurance Profit as the reported insurance profit adjusted for net natural perils claims costs less related allowance, prior year reserve movements and credit spread movements.

II. FY23 STI outcomes

Based on consideration of the FY23 Group BSC outcome and available STI pool, the Board determined to award the Group CEO's STI in line with the STI pool at 40% of maximum, with the outcome for other Executive KMP ranging from 38% to 42% of maximum. The average STI for all Executive KMP was 39.8% of maximum STI opportunity. The following table outlines the FY23 STI outcomes awarded to each Executive KMP.

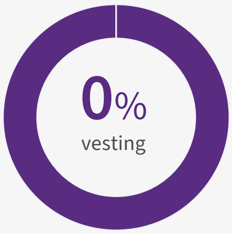
	FY23 Maximum STI ($)	FY23 STI awarded ($)	FY23 STI awarded (% of maximum STI)	FY23 STI forgone (% of maximum STI)	FY23 Cash STI[1] ($)	FY23 Deferred STI[2] ($)
Executive KMP						
Nick Hawkins	2,700,000	1,080,000	40%	60%	540,000	540,000
Julie Batch	1,080,000	432,000	40%	60%	216,000	216,000
Jarrod Hill	1,080,000	410,400	38%	62%	205,200	205,200
Peter Horton	720,000	302,400	42%	58%	151,200	151,200
Michelle McPherson	1,014,411	405,764	40%	60%	202,882	202,882
Neil Morgan	1,056,000	422,400	40%	60%	211,200	211,200
Christine Stasi	960,000	403,200	42%	58%	201,600	201,600
Peter Taylor	700,000	280,000	40%	60%	140,000	140,000
Amanda Whiting	943,496	358,895	38%	62%	179,447	179,448
Former Executive KMP						
Tim Plant[3]	1,020,000	387,600	38%	62%	193,800	193,800

1 FY23 cash STI will be paid to Executive KMP in October 2023. The minimum amount is nil if forfeited before payment and the maximum amount is the amount shown.
2 FY23 deferred STI will be allocated in DARs to Executive KMP in November 2023 and will be deferred over 2 years. Refer Section E.II.
3 Tim Plant ceased employment with IAG on 30 June 2023.

III. FY23 LTI outcomes – linking IAG's long-term performance and long-term reward

On 30 June 2023, the FY20 LTI awards with ROE and TSR performance hurdles reached the end of their four-year performance period and were subject to testing. The following section summarises the LTI testing and vesting outcomes for these awards.

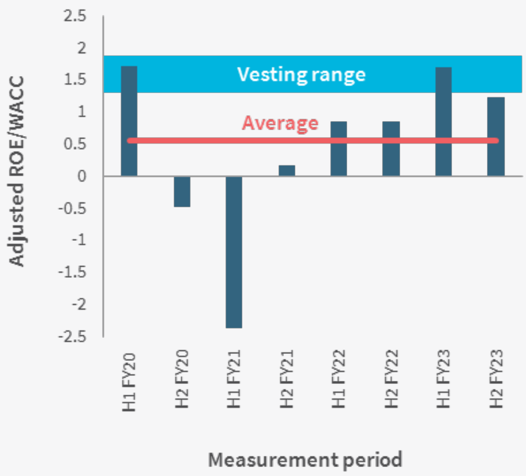
ROE



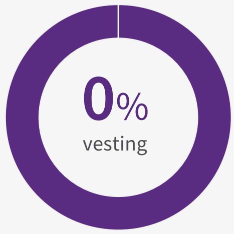
For the FY20 LTI with a performance period ended 30 June 2023, the average adjusted ROE was 0.55 times WACC. Based on performance against the ROE vesting scale, the Board determined that 0% of the award would vest.

The Board included all FY21, FY22 and FY23 one-off items consistent with the adjustment principles established by the Board in FY22.

The following graph illustrates IAG's adjusted ROE/WACC performance over the performance period.

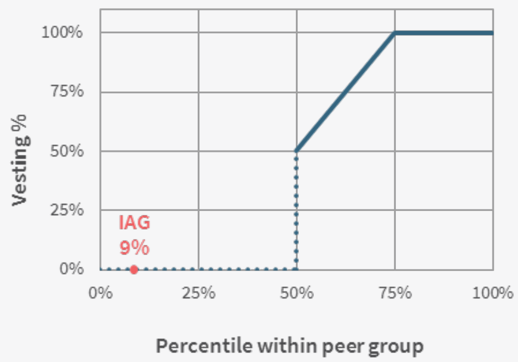


Relative TSR



The FY20 relative TSR LTI awards were tested as at 30 June 2023. The Company's TSR must be ranked at or above the 50th percentile of the peer group to achieve vesting. The Company's FY20 TSR was ranked at the 9th percentile of the peer group, resulting in 0% vesting.

The following graph illustrates the Company's relative TSR, on an annualised basis, against that of the top 50 industrial companies in the S&P/ASX 100 Index for the FY20 LTI awards.



Total vesting outcome for the FY20 LTI award	**0%**

The following table presents the returns IAG delivered to shareholders for the last five financial years on a range of measures. Reported ROE has been included in the table for reference given it has replaced cash ROE as the performance hurdle for LTI awards granted after FY22.

	Year Ended 30 June 2019	Year Ended 30 June 2020	Year Ended 30 June 2021	Year Ended 30 June 2022	**Year Ended 30 June 2023**
Closing share price ($)	8.26	5.77	5.16	4.36	**5.70**
NPAT[1] ($m)	1,076	435	(427)	347	**832**
Dividends per ordinary share (cents)	37.50[2]	10.00	20.00	11.00	**15.00**
Basic earnings per share (cents)	46.26	18.87	(17.82)	14.09	**33.92**
Cash ROE (%)	14.4	4.5	12.0	3.4	**7.0**
Average ROE to WACC for LTI vesting	1.80	0.63	(1.11)	0.86	**1.46**
Reported ROE (%)	16.7	7.0	(6.9)	5.6	**13.0**
Cash earnings ($m)	931	279	747	213	**452**
Underlying insurance profit ($m)	1,195	1,172	1,095	1,157	**1,119[3]**

1 NPAT attributable to shareholders of the Parent.
2 This includes the 5.50 cents (per ordinary share) 2019 special dividend paid as part of the capital management initiative announced in August 2018.
3 Underlying insurance profit for the year ended 30 June 2023 has been adjusted to exclude reinsurance reinstatement costs of $67 million.

IV. Actual remuneration received by Executive KMP

The table below presents remuneration paid or vested for Executive KMP in relation to FY23 which includes:

- fixed pay and other benefits paid during the financial year;
- the value of cash STI awards earned in relation to the financial year;
- the value of STI deferred from previous years that vested during the financial year; and
- the value of LTI awards with a performance period ending 30 June 2023.

The LTI values presented exclude the value of LTI awards granted during FY23.

For remuneration details provided in accordance with the Australian Accounting Standards, refer to Section H.

	Financial year	Fixed pay $000[1]	Other benefits and leave accruals $000[2]	Termination benefits $000[3]	Cash STI $000[4]	Deferred STI $000[5]	LTI $000[6]	Total actual remuneration received $000
Executive KMP								
Nick Hawkins	**2023**	**1,800**	**51**	**-**	**540**	**286**	**-**	**2,677**
	2022	1,763	83	-	264	162	-	2,272
Julie Batch	**2023**	**900**	**(10)**	**-**	**216**	**147**	**-**	**1,253**
	2022	900	4	-	119	91	-	1,114
Jarrod Hill	**2023**	**900**	**(24)**	**-**	**205**	**322**	**-**	**1,403**
	2022	721	386	-	74	-	-	1,181
Peter Horton	**2023**	**900**	**59**	**-**	**151**	**104**	**-**	**1,214**
	2022	900	61	-	79	210	-	1,250
Michelle McPherson	**2023**	**844**	**(13)**	**-**	**203**	**272**	**-**	**1,306**
	2022	845	15	-	99	319	-	1,278
Neil Morgan	**2023**	**880**	**25**	**-**	**211**	**146**	**-**	**1,262**
	2022	880	50	-	116	96	-	1,142
Christine Stasi	**2023**	**800**	**30**	**-**	**202**	**127**	**-**	**1,159**
	2022	788	23	-	104	135	-	1,050
Peter Taylor	**2023**	**875**	**231**	**-**	**140**	**-**	**-**	**1,246**
	2022	107	7	-	-	-	-	114
Amanda Whiting[7]	**2023**	**783**	**93**	**-**	**179**	**70**	**-**	**1,125**
	2022	802	137	-	94	23	-	1,056
Former Executive KMP								
Tim Plant[8]	**2023**	**856**	**7**	**664**	**194**	**565**	**-**	**2,286**
	2022	534	367	-	71	-	-	972

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 superannuation. Fixed pay also includes salary sacrifice items such as cars and parking as determined in accordance with AASB 119 Employee Benefits.

2 FY23 includes annual leave and long service leave accruals; relocation support for Amanda Whiting; and a cash amount of $194,834 paid on 7 November 2022 to Peter Taylor as compensation for incentives forgone from his previous employer. (In FY22, cash payments were provided as compensation for incentives forgone from their previous employers for Tim Plant and Jarrod Hill, which are detailed in the FY22 remuneration report.)

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

4 Cash STI earned for the year ended 30 June 2023, to be paid in October 2023 (representing 50% of the STI award made for the financial year).

5 The following awards vested on 16 August 2022 (100% vested), valued using the five-day VWAP of $4.58: deferred STI granted on 4 November 2021, and deferred rights granted as compensation for incentives forgone from their previous employer to Michelle McPherson on 5 November 2020, to Jarrod Hill on 4 November 2021 and to Tim Plant on 9 June 2022.

6 LTI for FY23 includes the FY20 TSR and ROE-hurdled tranches of LTI, which reached the end of their performance period on 30 June 2023 (0% vesting).

7 Remuneration for Amanda Whiting was determined in New Zealand dollars (NZD) and reported in Australian dollars (AUD) using the average exchange rate for the year ended 30 June 2023 of 1 NZD = 0.9156 AUD.

8 Tim Plant ceased employment with IAG on 30 June 2023.

E. Overview of remuneration elements

I. Fixed pay

Overview	Fixed pay comprises cash salary and superannuation (KiwiSaver is available for the Chief Executive, New Zealand).
Benchmarking approach	Fixed pay is set with reference to the median pay for comparable roles in the external market, the size and complexity of the role, and the skills and experience of the individual, and to ensure it is sufficient to attract and retain talent. The Board considered the appropriateness of the benchmarking approach during FY23. The benchmarking approach considers two market comparative groups - a primary group of the financial services (ie Banking and Insurance) companies in the S&P/ASX 100 Index and a secondary group of ASX 100 financial services companies excluding the large banks. In reviewing the benchmarking data, the Board takes into account the significant market capitalisation and complexity of the large banks and positioning of IAG's direct insurance peers.

Changes to fixed pay for FY24

The Board reviewed benchmarking data provided by an external consultant and approved no fixed pay increases in the August 2023 remuneration review for the Group CEO and other Executive KMP.

II. STI

The table below outlines key features of the FY23 STI plan for Executive KMP.

Design feature	Approach
Objective	STI is a performance based, at risk component of remuneration, which is designed to motivate and reward Executive KMP for financial and non-financial performance in the financial year.
Participants	All Executive KMP.
STI maximum	See table below. The minimum STI outcome for an Executive KMP may be nil.
Gateways	To be eligible for an STI, Executive KMP must meet compliance and conduct gateways. These gateways assess adherence to IAG's Code of Ethics and Conduct and individual conduct in managing the business and completion of mandatory training.
Funding	The Board considered the Group's adjusted NPAT before amortisation performance against plan in determining the overall STI funding for the year. The Board has absolute discretion over the level of funding for the Executive STI pool. The Executive STI pool is funded at 60% of maximum for a target adjusted NPAT before amortisation outcome.
Performance measures and assessment	Performance was measured against the Group BSC for the Group CEO, and Group BSC and Divisional scorecards for all other Executive KMP. Performance measures comprised financial and non-financial objectives aligned to IAG's strategic objectives. Further information regarding the FY23 Group BSC outcomes is set out in Section D of this report. The Board assessed the risk management performance and conduct of each Executive KMP and considered whether to apply discretion to individual STI outcomes to ensure outcomes appropriately reflected performance (including any events from prior years that have come to light in the current year). No discretion was applied for FY23 STI outcomes.

STI maximum:

Role	FY23 maximum STI (% of fixed pay)	FY23 maximum STI (% of total remuneration)
Group CEO	150%	38%
Other Executives (excluding CRO and Group General Counsel & Company Secretary)	120%	35%
CRO and Group General Counsel & Company Secretary	80%	31%

Design feature	Approach
Delivery	Half the STI award will be paid in cash in October 2023 (following the end of the financial year). The other half is deferred for up to two years based on continued service. Deferred STI is typically paid in the form of DARs. DARs are rights that entitle participants to receive one share in the Company, granted at no cost to the Executive KMP. No dividend is paid on any unvested, or vested and unexercised DARs. DARs are scheduled to be granted in November 2023. The number of DARs to be issued is calculated based on the VWAP of the Company's ordinary shares over the 30 days up to and including 30 June 2023.
Forfeiture	Unvested DARs will generally lapse if an Executive KMP resigns prior to the vesting date, except in special circumstances (redundancy, retirement, death, or total and permanent disablement). When an Executive KMP ceases employment in special circumstances, any unvested DARs may be retained, subject to Board discretion. Any DARs retained will remain subject to the existing terms and conditions of the award, including the vesting date. Vested and unexercised DARs will be automatically exercised 60 days after the Executive KMP ceases employment. In cases where an Executive KMP ceases employment for serious misconduct, all DARs will lapse whether exercisable or not.
Expiry date	DARs expire seven years from the grant date, or on any other expiry date determined by the Board. DARs that are not exercised before the expiry date will lapse.

Changes to STI for FY24

<table>
<tr><th>Change for FY24</th><th>What will change</th></tr>
<tr><td>STI maximum</td><td>Increase to maximum STI opportunity for Executive KMP:
<table>
<tr><th>Role</th><th>FY23 maximum STI (% of fixed pay)</th><th>FY24 maximum STI (% of fixed pay)</th></tr>
<tr><td>Group CEO</td><td>150%</td><td>150%</td></tr>
<tr><td>Other Executives (excluding CRO and Group General Counsel & Company Secretary)</td><td>120%</td><td>135%</td></tr>
<tr><td>CRO and Group General Counsel & Company Secretary</td><td>80%</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Other changes</td><td>The following changes will also apply:

Funding for the STI pool to be guided by the Group BSC outcome, subject to a financial performance review
STI pool target set at 67% of maximum
Performance will be measured only on Divisional scorecards for Executive KMP other than the Group CEO
For the Group CEO, half the STI award will be deferred for up to one year based on continued service, with extended deferral applied as required to meet CPS 511 requirements
</td></tr>
</table>

III. LTI

The table below outlines key features of the FY23 LTI plan that was allocated to Executive KMP during the year ended 30 June 2023.

<table>
<tr><th>Design feature</th><th>Approach</th></tr>
<tr><td>Objective</td><td>LTI is a performance based, long term value dependent, and at-risk component of remuneration. It links Executive reward to shareholder outcomes through performance hurdles aligned to IAG's strategic objectives.</td></tr>
<tr><td>Participants</td><td>All Executive KMP. Executives will not be granted LTI awards where it is expected that they will not be employed for the full performance period.</td></tr>
<tr><td>LTI maximum</td><td>
<table>
<tr><th>Role</th><th>FY23 maximum LTI (% of fixed pay)</th><th>FY23 maximum LTI (% of total remuneration)</th></tr>
<tr><td>Group CEO</td><td>150%</td><td>38%</td></tr>
<tr><td>Other Executives (excluding CRO and Group General Counsel & Company Secretary)</td><td>125%</td><td>36%</td></tr>
<tr><td>CRO and Group General Counsel & Company Secretary</td><td>80%</td><td>31%</td></tr>
</table>
All Executive KMP were granted FY23 LTI awards on 3 November 2022. These awards were based on the percentages in the table above and the Executive KMP's fixed pay at the time of the award. For details of the number of EPRs granted to each Executive KMP refer to Section H.IV.</td></tr>
<tr><td>Instrument</td><td>LTI awards are determined annually by the Board and granted in the form of EPRs at no cost to the Executive KMP. EPRs are rights that entitle participants to receive one share in the Company (or cash equivalent, where determined by the Board), subject to achieving performance hurdles.</td></tr>
<tr><td>Allocation methodology</td><td>The number of EPRs issued is calculated by dividing the Executive KMP's maximum LTI by the Company's share price (30-day VWAP up to and including 30 June 2022).</td></tr>
<tr><td>Dividend entitlements</td><td>No dividend is paid or payable on any unvested, or vested and unexercised, EPRs.</td></tr>
<tr><td>Performance period</td><td>Four years. The FY23 LTI award will reach the end of its performance period on 30 June 2026.</td></tr>
<tr><td>Performance measures</td><td>
<table>
<tr><th></th><th>ROE (50% weighting)</th><th>Relative TSR (50% weighting)</th></tr>
<tr><td>Description</td><td>Reported ROE focuses on the return delivered on shareholders' funds and is a direct reflection of IAG's performance, without being impacted by the performance of other companies.</td><td>Relative TSR provides a measure of the return the Company delivers to shareholders relative to a peer group. Relative TSR is measured against the TSR of the top 50 industrial companies in the S&P/ASX 100 Index. Industrial companies include all companies excluding those in the energy sector and the metals & mining industry.</td></tr>
<tr><td>Definition</td><td>Reported ROE will be calculated by dividing net profit / (loss) after tax by average equity attributable to owners of the Company.</td><td>TSR measures the return a shareholder would obtain from holding a company's share over a period, taking into account factors such as changes in the market value of shares and dividends paid over that period.</td></tr>
<tr><td>Testing</td><td>The ROE vesting outcome is based on the average Reported ROE across the performance period (the four 12-month periods). The Board will also consider other factors such as the quality of IAG's earnings when determining vesting outcomes.</td><td>Relative TSR performance is measured between 30 June of the base year and 30 June of the test year.
The opening and closing share price for the TSR calculation for the Company and peer group companies uses a three-month VWAP up to and including 30 June.</td></tr>
</table>
</td></tr>
<tr><td>Vesting schedule</td><td>
<table>
<tr><th>Reported ROE</th><th>% of LTI vesting</th></tr>
<tr><td>Less than 10%</td><td>0%</td></tr>
<tr><td>At 10%</td><td>20%</td></tr>
<tr><td>At or above 14%</td><td>100%</td></tr>
<tr><td colspan="2">Straight line vesting between ROE of 10% and 14%.</td></tr>
</table>
<table>
<tr><th>Relative TSR percentile ranking</th><th>% of LTI vesting</th></tr>
<tr><td>Less than 50.1th percentile</td><td>0%</td></tr>
<tr><td>At the 50.1th percentile</td><td>50%</td></tr>
<tr><td>At or above the 75th percentile</td><td>100%</td></tr>
<tr><td colspan="2">Straight line vesting between the 50.1th and 75th percentile of the peer group.</td></tr>
</table>
</td></tr>
</table>

Design feature	Approach
Exercising	Any EPRs that vest following the testing of the performance hurdles (and are not cash settled where determined by the Board) will become exercisable. Executive KMP will receive one ordinary share in the Company per vested EPR at no cost to the Executive KMP. Any vested EPRs may be exercised up until the Expiry date.
Retesting	No retesting. If the performance hurdles are not met, the awards are forfeited.
Forfeiture	Unvested EPRs will generally lapse if an Executive KMP resigns before the performance hurdles are tested, except in special circumstances (redundancy, retirement, death, or total and permanent disablement). When an Executive KMP ceases employment in special circumstances, any unvested EPRs may be retained, subject to Board discretion. Any EPRs retained will remain subject to the original performance conditions and existing terms and conditions of the award. Vested and unexercised DARs may be exercised for 90 days after the Executive KMP ceases employment. In cases where an Executive KMP ceases employment for serious misconduct, all EPRs will lapse whether exercisable or not.
Expiry date	EPRs expire seven years from the grant date, or on any other expiry date determined by the Board. EPRs that are not exercised before the expiry date will lapse.

Changes to LTI for FY24

Change for FY24	What will change
LTI maximum	Increase to maximum LTI opportunity for Executive KMP:

Role	FY23 maximum LTI (% of fixed pay)	FY24 maximum LTI (% of fixed pay)
Group CEO	150%	150%
Other Executives (excluding CRO and Group General Counsel & Company Secretary)	125%	150%
CRO and Group General Counsel & Company Secretary	80%	100%

For FY24, LTI awards will be based on the percentages in the table above and the Executive KMP's fixed pay at the time of the award.

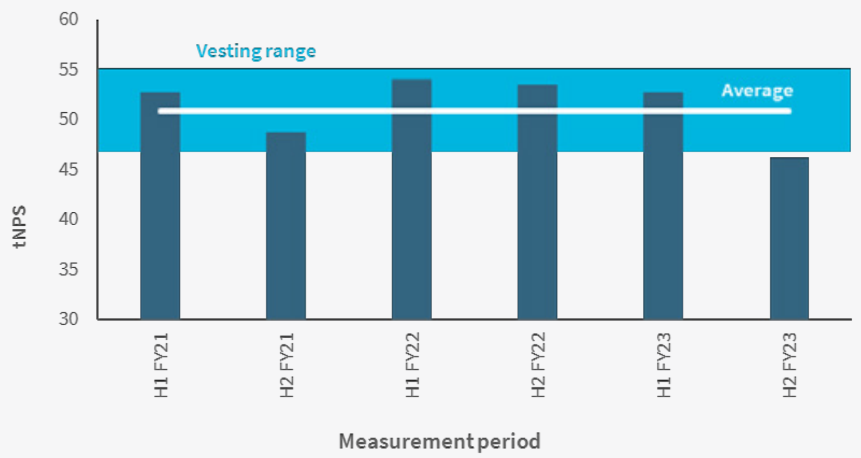
LTI awards will be made to Executive KMP employed as at the date of the grant scheduled for November 2023. The Chief Financial Officer will not receive an FY24 LTI award given her intention to retire.

Change for FY24	What will change
Performance period and vesting schedule	No change to the four-year performance period. If the performance hurdles are met at the end of the four-year performance period, the vesting schedule is extended from 100% vesting at four years to:

Role	End year 4	End year 5	End year 6
Group CEO	33.3%	33.3%	33.3%
Other Executives	50%	50%	

Performance measures		ROE	Customer experience (tNPS)
	Change	Vesting threshold will increase from 10% to 11% and maximum vesting will increase from 14% to 15%.	Inclusion of a non-financial measure Customer Experience (measured by tNPS).
	Why	The higher performance targets align with our medium-term plan while taking into account the challenges of the current economic environment.	tNPS has been chosen as it provides a quantitative, simple and well understood measure of customer experience which is critical to strategy delivery.

TSR: There has been no change to the TSR performance hurdle.

Change for FY24	What will change
Customer experience performance measure	The customer experience performance targets have been set with reference to global benchmarks, considering IAG's historic tNPS performance as well as factors that will influence tNPS over the four-year performance period of the LTI award. IAG's average tNPS over the last three years was 51, with six monthly performance ranging from 46 to 54 during FY21 to FY23. IAG's actual tNPS over the four-year performance period of the FY24 LTI award is expected to be influenced by a number of factors including affordability challenges and high claims volumes, partially offset by tailwinds from process optimisation and digital capability uplift initiatives. The graph below shows IAG's historic tNPS performance against the tNPS vesting range over the last three financial years. 
Performance measures and vesting	In summary, the performance targets and vesting schedule will be:

Performance hurdle	Weighting	Performance targets		Vesting outcome	
		Threshold	Stretch	Threshold	Stretch
Relative TSR	33.3%	50.1th percentile	75th percentile	50%	100%
Reported ROE	33.3%	11%	15%	20%	100%
tNPS	33.3%	47	55	20%	100%

Straight line vesting between threshold and stretch for each performance hurdle.

Clawback	Clawback may be applied to any vested LTI for up to two years after vesting.

F. Non-Executive Director arrangements

I. Remuneration policy

The principles that underpin IAG's approach to fees for Non-Executive Directors are that fees should:

- be sufficiently competitive to attract and retain a high calibre of Non-Executive Director; and
- create alignment between the interests of Non-Executive Directors and shareholders through the mandatory shareholding requirement.

II. Fee structure

Non-Executive Director remuneration comprises:

- Company Board fees (paid as cash, superannuation and Non-Executive Director Award Rights);
- Committee fees; and
- subsidiary board fees.

Directors can elect the portion of fees contributed into their nominated superannuation fund, provided minimum legislated contribution levels are met.

The Board fee pool (as approved by shareholders at the 2013 Annual General Meeting) is $3,500,000 per annum.

III. Board and Committee fees

A summary of FY23 fees for the Board is set out in the table below. Board and Committee fees are inclusive of superannuation.

	Role	
Board/Committee	Chair	Director/Member
Board	$577,116	$192,372
Audit Committee	$50,000	$25,000
Risk Committee	$50,000	$25,000
People and Remuneration Committee	$50,000	$25,000
Nomination Committee	N/A	N/A

IV. Changes to fee pool and Non-Executive Director fees

The Board is seeking approval from shareholders for an increase in the Board fee pool at the 2023 Annual General Meeting. The current fee pool was last approved at the 2013 Annual General Meeting.

No changes were made to the Board and/or Committee fees in FY23. There have been no changes to fees since FY17. The Board intends to review Board and Committee fees in FY24 to ensure fees remain competitive.

V. Mandatory shareholding requirement for Non-Executive Directors

Non-Executive Directors are required to accumulate and hold ordinary shares in the Company with a value equal to their annual Board fee. The Non-Executive Directors have three years from the date of their appointment to the Board to meet their required holding.

The mandatory shareholding requirement for Non-Executive Directors is based on either the value of shares or vested rights at acquisition or the market value at the testing date, whichever is higher. This allows Non-Executive Directors to build a long-term shareholding in the Company without being impacted by short term share price volatility. Compliance with this requirement is assessed at the end of each financial year, using the 30-day VWAP leading up to and including 30 June, the value of shares at acquisition, and the Non-Executive Director's base Board fee from the start of the accumulation period.

All Non-Executive Directors with a testing date of 30 June 2023 have met the applicable mandatory shareholding requirement.

VI. Non-Executive Director Award Rights Plan (NARs Plan)

Non-Executive Directors may agree with IAG to receive some of their fees in rights over shares in the Company (NARs). Structuring Non-Executive Director fees in this manner supports Non-Executive Directors to build their shareholdings in the Company. This enhances the alignment of interest between Non-Executive Directors and shareholders as well as facilitating the achievement of mandatory shareholding requirements.

Design feature	Approach
Participation	Each Non-Executive Director may agree with IAG to have a proportion of their base Board fee provided as NARs. Participation in the NARs Plan is voluntary.
Vesting conditions	A service condition is attached to the vesting of the NARs. NARs are divided into twelve equal tranches. Vesting of each tranche is subject to minimum continuous engagement as a director from the allocation date until the applicable vesting for that tranche. The full annual allocation of unvested NARs is issued at the grant date, with tranches vesting each month to align the vesting of NARs with the payment of Non-Executive Director fees. There are no performance conditions attached to the NARs plan.
Instrument	Grants under the NARs Plan are in the form of rights over ordinary shares in the Company. Each NAR entitles the Non-Executive Director to acquire one ordinary share in the Company at no cost to the Non-Executive Director.
Allocation methodology	The number of NARs offered during FY23 was determined by dividing the amount of the base Board fee nominated by the five-day VWAP over the five trading days from 14 November 2022, rounded up to the nearest NAR.
Voting rights	NARs do not carry voting rights until they are exercised and the Non-Executive Director holds shares in the Company.
Expiry date	NARs expire 15 years from the grant date, or on any other expiry date determined by the Board. NARs that are not exercised before the expiry date will lapse.
Forfeiture conditions	In the event a Non-Executive Director ceases service with the Board, any vested NARs may be exercised for shares in the Company in the subsequent trading window. Any unvested NARs will lapse. Under certain circumstances (eg change of control), the Board also has sole and absolute discretion to deal with the NARs, including waiving any applicable vesting conditions and/or exercise conditions by giving notice or allowing a Non-Executive Director affected by the relevant event to transfer their NARs.

G. Executive remuneration governance

I. IAG's approach to remuneration governance

A robust governance framework is in place to carefully manage remuneration and any associated risks. The diagram below illustrates the key stakeholders involved in supporting our remuneration governance framework. The responsibilities of the People and Remuneration Committee are set out in its Charter. The Charter is available on our website in the Board and Committees section (www.iag.com.au).

Board

Approves the Group remuneration policy having regard to the short and long-term interests of IAG and its shareholders.

Reviews the effectiveness of the Group's remuneration framework.

Considers recommendations made by PARC before making remuneration decisions.

People and Remuneration Committee

Ensures the Group's remuneration policies and practices support the delivery of IAG's strategic goals and effective risk management.

Advises the Board on:

- The Group remuneration framework and its effectiveness
- Executive remuneration arrangements and outcomes
- Group equity and incentive plans
- Statutory remuneration disclosures
- Non-Executive Director remuneration.

Risk Committee, Chief Risk Officer and Group Internal Audit

Provide input into remuneration recommendations, including variable remuneration outcomes.

External remuneration advisors

PARC engages remuneration consultants to provide information that assists the Board in making remuneration decisions.

Management

The Group CEO makes remuneration recommendations to the PARC, which then makes recommendations to the Board.

Potential conflicts of interest are appropriately managed or avoided.

II. Risk management and governance mechanisms

The following policies support IAG's risk management and remuneration governance frameworks.

Board discretion	Variable remuneration reinforces behaviours and supports outcomes aligned to IAG's purpose and strategic objectives. It encourages both prudent risk taking and risk mitigation that protects the long-term sustainability, financial soundness, and reputation of the Group and is aligned with shareholders outcomes. The Board retains overriding discretion to adjust variable remuneration (upwards, downwards and to zero) including: • where a person or group of persons has been found to have engaged in misconduct or exposed IAG to risk beyond its risk appetite or controls; • where it is necessary to protect the Group's long-term soundness; • to take into account the outcomes of business activities; • where it is required by law or APRA Prudential Standards; or • any other circumstances the Board determines are relevant.

STI and LTI earnings calculation principles - introduced from FY22	The Board has the discretion to adjust upwards and downwards: • the size of the Group STI pool under the STI plan, and to award different STI allocations to different segments of employees; and • LTI vesting outcomes to ensure the performance of the Group and individuals are aligned to shareholder outcomes and expectations. As an overarching principle, all one-off, unusual items, or financial statement adjustments during the financial year will be included when measuring financial performance. Performance adjustments may be made in limited circumstances for items that meet the Group materiality threshold, either individually or collectively, during the performance period. When considering whether an adjustment is to be made, the following earnings calculation principles will be used to guide decision making to ensure stakeholder interests are fairly balanced and to support consistent application of Board discretion year on year. Any adjustment decisions will consider: • alignment with shareholder, market, regulator and community expectations; • shareholder outcomes; • the impact on IAG's reputation; • the purpose and integrity of the STI or LTI plan; • the circumstances surrounding the item; • whether the item was within the Executive team's control or influence; • whether the item resulted from conduct contrary to the Group's risk appetite; • actions taken (or not taken) by management to mitigate risk or reduce the impact of the one-off item; • the extent to which the matter has been reflected in outcomes for other incentive schemes and/or risk adjustment decisions; • whether the performance assessment and/or outcomes reflect the impact of unforeseen events on the business and shareholder value; and • the level of performance expected when the original targets were set. Where possible, adjustments to LTI will be made at the time of vesting.
Risk adjustment	In order to support the Board in making a risk adjustment, the CRO and the Executive General Manager, Group Internal Audit conduct an annual risk review to identify any material risk matters that may have emerged during the year (relating to either the current or prior financial years). The Board's assessment of identified risk matters and determination of risk related adjustments to variable remuneration is outlined below. **1. Assessment of risk matters**: The Risk Committee assesses the severity of the impact of a matter and the level of accountability or responsibility of the individuals involved. **2. Determination of adjustment**: The PARC supports the Board in determining the quantum of adjustments with reference to the Risk Committee's assessment and applying judgment to ensure the adjustment is appropriate and reasonable. **3. Application of adjustment**: The Board approved adjustments may be applied using the following levers: a. Reductions to in-year STI awards; and/or b. Adjustments to unvested LTI awards and/or deferred STI. The Risk Committee considered risk matters during the year. It determined that there were no material matters requiring risk adjustments to be made.
Malus and clawback	The Board retains the discretion to adjust downwards the unvested portion of any deferred STI or LTI awards, including to zero. Clawback applies to performance based variable remuneration earned for performance periods starting from 1 July 2023.
Hedging	Executives may not enter into transactions or arrangements that operate to limit the economic risk of unvested entitlements to securities in the Company.

Remuneration report

Mandatory shareholding requirement for Executive KMP	The mandatory shareholding requirement allows Executive KMP to build a long-term shareholding in the Company. Compliance with this requirement is assessed at the end of each financial year. The mandatory shareholding requirement for Executive KMP is based on either the value of shares and vested rights at acquisition or the market value at the testing date, whichever is higher. This allows Executives to build a long-term shareholding in the Company without being impacted by short term share price volatility. Compliance with this requirement is assessed at the end of each financial year, using the 30-day VWAP leading up to and including 30 June, the value of shares at acquisition, and the Executive's base pay from the start of the accumulation period. All Executive KMP with a testing date of 30 June 2023 have met the applicable mandatory shareholding requirement.		
		Ordinary shares to accumulate and hold	**Period to accumulate (from date of appointment)**
	Group CEO	2 x base pay	Four years
	Executives (other than CRO and Group General Counsel & Company Secretary)	1 x base pay	Four years
	CRO and Group General Counsel & Company Secretary	1 x base pay	Five years

III. Use of remuneration advisors

During the year EY was engaged to provide Executive remuneration benchmarking, market insights and assistance with the remuneration framework review. The remuneration data provided was used as an input to remuneration decisions by the Board only. The Board considered the data provided together with other factors, in setting the level and structure of Executives' remuneration. No remuneration recommendations, as defined in the Corporations Act 2001, were provided by the remuneration advisors.

H. Other statutory disclosures

I. FY23 Executive KMP statutory remuneration

Statutory remuneration details for Executives as required by Australian Accounting Standards are set out in the table below.

	Short-term employment benefits				Post-employment benefits	Other long-term employment benefits	Termination benefit	Share-based payment		Total reward	At-risk remuneration
	Base pay $000[1]	Cash STI $000[2]	Non-monetary benefits[3]	Other benefits $000[4]	Super-annuation $000	Long service leave accruals $000[5]	$000[6]	Value of deferred STI $000[7]	Value of LTI $000[8]	$000	As a % of total reward %[9]
Executive KMP											
Nick Hawkins											
2023	**1,772**	**540**	**-**	**24**	**28**	**27**	**-**	**372**	**171**	**2,934**	**37**
2022	1,735	264	-	57	28	26	-	263	518	2,891	36
Julie Batch											
2023	**872**	**216**	**-**	**(23)**	**28**	**13**	**-**	**185**	**8**	**1,299**	**31**
2022	872	119	-	(9)	28	13	-	139	230	1,392	35
Jarrod Hill[10]											
2023	**872**	**205**	**-**	**(37)**	**28**	**13**	**-**	**225**	**334**	**1,640**	**47**
2022	693	74	-	378	28	8	-	129	114	1,424	22
Peter Horton											
2023	**872**	**151**	**-**	**46**	**28**	**13**	**-**	**129**	**14**	**1,253**	**23**
2022	872	79	-	48	28	13	-	258	253	1,551	38
Michelle McPherson[11]											
2023	**816**	**203**	**-**	**12**	**28**	**(25)**	**425**	**370**	**831**	**2,660**	**53**
2022	817	99	-	3	28	12	-	270	206	1,435	40

	Short-term employment benefits				Post-employment benefits	Other long-term employment benefits	Termination benefit	Share-based payment		Total reward	At-risk remuneration
	Base pay $000[1]	Cash STI $000[2]	Non-monetary benefits[3]	Other benefits $000[4]	Super-annuation $000	Long service leave accruals $000[5]	$000[6]	Value of deferred STI $000[7]	Value of LTI $000[8]	$000	As a % of total reward %[9]
Neil Morgan											
2023	**852**	**211**	**-**	**12**	**28**	**13**	**-**	**183**	**10**	**1,309**	**31**
2022	852	116	-	37	28	13	-	141	273	1,460	36
Christine Stasi											
2023	**772**	**202**	**-**	**18**	**28**	**12**	**-**	**160**	**36**	**1,228**	**32**
2022	716	104	-	11	72	12	-	203	336	1,454	44
Peter Taylor[12]											
2023	**847**	**140**	**-**	**172**	**28**	**13**	**-**	**232**	**99**	**1,531**	**31**
2022	95	-	-	54	12	-	-	-	-	161	-
Amanda Whiting[13]											
2023	**783**	**179**	**6**	**87**	**-**	**-**	**-**	**102**	**239**	**1,396**	**37**
2022	802	94	14	123	-	-	-	56	121	1,210	22
Former Executive KMP											
Tim Plant[14, 15]											
2023	**823**	**194**	**-**	**12**	**33**	**(5)**	**664**	**1,298**	**1,489**	**4,508**	**66**
2022	506	71	-	362	28	5	-	49	8	1,029	12

1 Base pay includes amounts paid in cash, the portion of IAG's superannuation contribution that is paid as cash instead of superannuation, and salary sacrifice items such as cars and parking, as determined in accordance with AASB 119 *Employee Benefits*.
2 Cash STI earned for the year ended 30 June 2023, to be paid in October 2023 (representing 50% of the STI award made for the financial year).
3 Non-monetary benefits include costs met by IAG for relocation.
4 Annual leave accruals and other short term employment benefits as agreed and provided under specific conditions. On 7 November 2022, Peter Taylor received a $194,834 cash payment as compensation for incentives forgone from his previous employer, the portion that relates to his FY23 service is included in the amount shown. (FY22 includes cash payments provided as compensation for incentives forgone from previous employers for Jarrod Hill, Peter Taylor (the portion relating to FY22 service) and Tim Plant, detailed in the FY22 remuneration report.)
5 Long service leave accruals as determined in accordance with AASB 119 *Employee Benefits*. Includes a reversal of prior year accrual for Tim Plant on ceasing employment on 30 June 2023 and for Michelle McPherson who is expected to retire during FY24 without meeting minimum service requirements to be eligible for a long service leave benefit.
6 Payment in lieu of notice which incorporates statutory notice and severance entitlements. The estimated termination benefit for Michelle McPherson is disclosed in FY23 in accordance with AASB 119 *Employee Benefits*.
7 The deferred STI is granted as DARs and is valued using the Black Scholes valuation model. The amount includes a portion of the DARs granted in November 2021 (half vested in August 2022 and half scheduled to vest in August 2023) and DARs granted in November 2022 (half scheduled to vest in August 2023 and half in August 2024). Vesting is subject to continued service and minimum performance criteria. DARs are equity settled and are exercisable on vesting. The deferred STI for the year ended 30 June 2023 will be granted in FY24, so no value is included in the FY23 amount. For Jarrod Hill, Michelle McPherson, Peter Taylor and Tim Plant DARs granted as compensation for incentives forgone from their previous employers are included. See footnotes 10, 11, 12 and 14 for further details.
8 This value represents the allocated portion of EPRs (the FY23 value includes a portion of LTI granted from FY19 to FY23). The reported amounts are an accounting valuation and do not reflect what the Executive actually received during the year, or what they will receive in future years. To determine the value of EPRs, a Monte Carlo simulation (for the relative TSR performance hurdle) and Black Scholes valuation (for the ROE performance hurdle) have been applied. The valuations take into account the exercise price of the EPRs, the life of the EPRs, the price of IAG ordinary shares in the Company as at the grant date, expected volatility in the Company's share price, expected dividends, the risk-free interest rate, performance of shares in IAG's peer group of companies, early exercise and non-transferability and turnover which is assumed to be zero. EPRs are considered a hybrid share based payment as the Board determines whether they are settled in equity or cash. The FY23 value includes a reversal in accordance with the Australian Accounting Standards for the FY20 and FY21 ROE performance hurdles which had a performance period ending on 30 June 2023 and 30 June 2024, respectively. The FY20 ROE performance hurdle will be 100% lapsed. The FY21 ROE performance hurdle is not expected to meet the required threshold for vesting at this time. The FY22 value has been adjusted to include a reversal in accordance with the Australian Accounting Standards for the FY19 ROE performance hurdle which had a performance period ending on 30 June 2022 and was 100% lapsed.
9 At risk remuneration is dependent on a combination of the financial performance of IAG, the Executive's performance against individual measures (financial and non-financial) and continuing employment. At risk remuneration typically includes STI (cash and deferred remuneration) and LTI.
10 Jarrod Hill received 135,500 DARs on 4 November 2021 as compensation for incentives forgone from his previous employer, subject to continued service and minimum performance criteria. The DARs are scheduled to vest 33% in August 2023 and 15% in August 2024. The remaining 52% of DARs vested in August 2022.
11 Michelle McPherson received DARs on 5 November 2020 as compensation for incentives forgone from her previous employer, subject to continued service and minimum performance criteria. The DARs are scheduled to vest 25% in August 2023. The remaining DARs vested 47% in August 2021 and 28% in August 2022. The value of deferred STI and LTI awards reflects the accrual for a portion of previously granted deferred STI awards and LTI awards that will remain unvested following cessation of employment. This means more than three years of unvested award expense ($0.618 million) has been brought forward and disclosed in FY23, including those amounts which would otherwise have been included in future year disclosures and that may not vest.
12 Peter Taylor received 142,700 DARs on 3 November 2022 as compensation for incentives forgone from his previous employer, subject to continued service and minimum performance criteria. The DARs are scheduled to vest 18% in August 2023, 43% in August 2024 and 39% in August 2025.
13 Remuneration for Amanda Whiting was determined in NZD and reported in AUD using the average exchange rate for the year ended 30 June 2023 of 1 NZD = 0.9156 AUD.
14 Tim Plant received 308,800 DARs on 9 June 2022 as compensation for incentives forgone from his previous employer, subject to continued service and minimum performance criteria. The DARs are scheduled to vest 35% in August 2023 and 25% in August 2024. The remaining 40% of DARs vested in August 2022. The unvested DARs were retained on cessation of employment subject to initial vesting periods and minimum performance criteria.
15 Tim Plant ceased employment with IAG on 30 June 2023 due to his role becoming redundant. The value of deferred STI and LTI awards reflects the accrual for previously granted deferred STI awards (including DARs described in footnote 14) and LTI awards that remain unvested following cessation of employment. This means more than three years of unvested award expense ($1.651 million) has been brought forward and disclosed in FY23, including those amounts which would otherwise have been included in future year disclosures and that may not vest.

II. Non-Executive Director statutory remuneration

Statutory remuneration details for Non-Executive Directors as required by Australian Accounting Standards are set out in the table below. Performance-based payments and termination benefits are not provided to Non-Executive Directors. No non-monetary benefits have been provided in 2022 or 2023.

	Short-term employment benefits		Post-employment benefits	Share-based payments[1]	Total
	Board fees received as cash	Other Board and Committee fees	Superannuation		
	$000	$000	$000	$000	$000
Non-Executive Directors					
Tom Pockett[2]					
2023	**572**	**183**	**6**	**-**	**761**
2022	465	144	6	-	615
Simon Allen[3]					
2023	**174**	**183**	**23**	**-**	**380**
2022	175	186	22	-	383
David Armstrong					
2023	**174**	**68**	**25**	**-**	**267**
2022	146	50	20	-	216
Jon Nicholson					
2023	**174**	**68**	**25**	**-**	**267**
2022	175	68	24	-	267
Helen Nugent					
2023	**174**	**23**	**21**	**-**	**218**
2022	175	23	20	-	218
Scott Pickering[4]					
2023	**157**	**23**	**21**	**17**	**218**
2022	99	15	13	17	144
George Sartorel					
2023	**174**	**45**	**23**	**-**	**242**
2022	146	30	18	-	194
George Savvides					
2023	**186**	**68**	**13**	**-**	**267**
2022	175	68	24	-	267
Michelle Tredenick					
2023	**191**	**45**	**6**	**-**	**242**
2022	191	45	6	-	242
Former Non-Executive Director					
Sheila McGregor[5]					
2023	**54**	**7**	**6**	**-**	**67**
2022	87	23	20	87	217

1 NARs are equity settled.
2 Fees for Tom Pockett include fees received in his capacity as the Chair of the Insurance Manufacturers of Australia Pty Limited Board ($184,800).
3 Fees for Simon Allen include fees received in his capacity as the Chair of the IAG New Zealand Limited Board (NZD150,000). This amount was paid in NZD and reported in AUD using the exchange rate for the year ended 30 June 2023 of 1 NZD = 0.9156 AUD.
4 Cash fees paid to Scott Pickering reflect Board fees sacrificed in respect of NARs awarded.
5 Sheila McGregor retired from the Board effective 21 October 2022.

III. Executive employment agreements

Details are provided below of contractual elements for the Group CEO and Executive KMP.

Contract type and term	Ongoing, permanent contract
Termination of employment with notice or payment in lieu of notice	The Group may terminate employment of an Executive at any time by providing 12 months' notice or payment in lieu of notice. Executives are required to provide six months' notice of resignation, with the exception of Nick Hawkins who is required to provide 12 months' notice. Subject to relevant legislation in the various jurisdictions, termination provisions may include the payment of annual leave and/or long service leave.
Termination of employment without notice and without payment in lieu of notice	An Executive's employment may be terminated without notice and without payment in lieu of notice in some circumstances. Generally, this would occur where the Executive: • is charged with a criminal offence that could bring the organisation into disrepute; • is declared bankrupt; • breaches a provision of their employment agreement; • is guilty of serious and wilful misconduct; or • unreasonably fails to comply with any material and lawful direction given by the relevant company.
Redundancy arrangements	Executives are entitled to a redundancy payment of up to 12 months' fixed pay. Legacy arrangements apply for Nick Hawkins, who had existing redundancy entitlements of 66 weeks of fixed pay, and Julie Batch, who had existing redundancy entitlements of 54 weeks of fixed pay.

IV. Movement in equity plans within the financial year

Changes in each Executive's holding of DARs and EPRs and each Non-Executive Director's holdings of NARs during the year ended 30 June 2023 are set out in the table below. The DARs granted during the year ended 30 June 2023 were in relation to the STI plan and sign on awards. The EPRs granted during the year ended 30 June 2023 were in relation to the LTI plan. The NARs granted during the year ended 30 June 2023 represent the total number of rights each Non-Executive Director has agreed to receive as part of the payment of their base Board fees. The minimum value of unvested awards is nil if the award is fully forfeited or lapsed. The maximum value is subject to meeting service and performance conditions and the Company's share price on the day any vested rights are exercised.

		Rights on issue at 1 July 2022	Rights granted		Rights exercised		Rights lapsed		Rights on issue at 30 June 2023	Rights vested during the year	Rights vested and exercisable at 30 June 2023
		Number[1]	Number	Value $000[2]	Number	Value $000[3]	Number	Value $000[3]	Number	Number	Number
Executive KMP											
Nick Hawkins	DAR	124,800	61,600	298	(62,400)	286	-	-	124,000	62,400	-
	EPR	1,312,300	629,500	2,342	-	-	(202,100)	971	1,739,700	-	-
Julie Batch	DAR	64,300	27,700	134	(32,150)	147	-	-	59,850	32,150	-
	EPR	623,200	262,300	976	-	-	(110,500)	531	775,000	-	-
Jarrod Hill	DAR	135,500	17,200	83	(70,189)	322	-	-	82,511	70,189	-
	EPR	221,300	262,300	976	-	-	-	-	483,600	-	-
Peter Horton	DAR	45,400	18,500	89	(22,700)	104	-	-	41,200	22,700	-
	EPR	355,100	167,900	625	-		-	-	523,000	-	-
Michelle McPherson	DAR	116,753	23,100	112	(59,412)	272	-	-	80,441	59,412	-
	EPR	341,100	247,800	922	-	-	-	-	588,900	-	-
Neil Morgan	DAR	63,700	27,100	131	(31,850)	146	-	-	58,950	31,850	-
	EPR	607,500	256,500	954	-	-	(105,300)	506	758,700	-	-
Christine Stasi	DAR	55,200	24,400	118	(27,600)	127	-	-	52,000	27,600	-
	EPR	474,700	233,200	867	-	-	-	-	707,900	-	-
Peter Taylor[4]	DAR	-	142,700	679	-	-	-	-	142,700	-	-
	EPR	-	163,200	607	-	-	-	-	163,200	-	-
Amanda Whiting	DAR	30,500	22,000	106	-	-	-	-	52,500	15,250	15,250
	EPR	268,800	234,900	874	-	-	(20,400)	98	483,300	-	-

		Rights on issue at 1 July 2022	Rights granted		Rights exercised		Rights lapsed		Rights on issue at 30 June 2023	Rights vested during the year	Rights vested and exercisable at 30 June 2023
		Number[1]	Number	Value $000[2]	Number	Value $000[3]	Number	Value $000[3]	Number	Number	Number
Former Executive KMP											
Tim Plant	DAR	308,800	16,500	80	(123,211)	565	-	-	202,089	123,211	-
	EPR	209,000	247,800	922	-	-	-	-	456,800	-	-
Non-Executive Director											
Scott Pickering	NAR	3,846	3,607	17	(3,846)	18	-	-	3,607	3,607	3,607
Former Non-Executive Director											
Sheila McGregor	NAR	19,229	-	-	(19,229)	88	-	-	-	-	-

1 Opening number of rights on issue represents the balance as at the date of appointment to a KMP role or 1 July 2022.
2 The value of the DARs granted during the year is the fair value at grant date calculated using the Black Scholes valuation model. The value of the DARs granted on 3 November 2022 in respect of deferred STI was $4.834 per right. This amount is allocated to remuneration over the years ending 30 June 2023 to 30 June 2025. The value of the ROE portion of the EPRs granted on 3 November 2022 is the fair value at grant date, calculated using the Black Scholes valuation model, which was $4.588. The value of the relative TSR portion of the EPRs granted on 3 November 2022 is the fair value at grant date, calculated using the Monte Carlo simulation, which was $2.852. The ROE and relative TSR portions of the EPRs are first exercisable after the performance period concludes on 30 June 2026. The amount is allocated to remuneration over the years ending 30 June 2023 to 30 June 2026. The value of the NARs granted during the year is the fair value at grant date calculated using the Black Scholes valuation model. The value of the annual NARs granted on 21 November 2022 was $4.841. This amount was allocated to remuneration over the year ended 30 June 2023.
3 Rights exercised and lapsed during the financial year. The value of the rights lapsed is based on the annual VWAP for the year ended 30 June 2023, which was $4.802. The value of the rights exercised is based on the five-day VWAP up to and including the exercise date. The EPRs that lapsed during the financial year are in respect of the LTI awarded in FY19 that was fully forfeited in August 2022.
4 Peter Taylor received 142,700 DARs on 3 November 2022 as compensation for incentives forgone on leaving his previous employer. DARs per tranche were 24,972, 61,789 and 55,939 at a value of $4.759.

V. LTI awards outstanding during the year ended 30 June 2023

Details of LTI awards made to Executives that were outstanding during the year ended 30 June 2023 are shown in the table below.

Award[1]	Measure	Grant date	Base date	Test date	Performance hurdle achievement[2]	Last exercise date
FY23	TSR	03/11/2022	01/07/2022	30/06/2026	N/A	03/11/2029
FY23	ROE	03/11/2022	01/07/2022	30/06/2026	N/A	03/11/2029
FY22	TSR	09/06/2022	01/07/2021	30/06/2025	N/A	09/06/2029
FY22	ROE	09/06/2022	01/07/2021	30/06/2025	N/A	09/06/2029
FY22	TSR	04/11/2021	01/07/2021	30/06/2025	N/A	04/11/2028
FY22	ROE	04/11/2021	01/07/2021	30/06/2025	N/A	04/11/2028
FY21	TSR	20/05/2021	01/07/2020	30/06/2024	N/A	20/05/2028
FY21	ROE	20/05/2021	01/07/2020	30/06/2024	N/A	20/05/2028
FY21	TSR	05/11/2020	01/07/2020	30/06/2024	N/A	05/11/2027
FY21	ROE	05/11/2020	01/07/2020	30/06/2024	N/A	05/11/2027
FY20	TSR	17/04/2020	01/07/2019	30/06/2023	0%	17/04/2027
FY20	ROE	17/04/2020	01/07/2019	30/06/2023	0%	17/04/2027
FY20	TSR	12/11/2019	01/07/2019	30/06/2023	0%	12/11/2026
FY20	ROE	12/11/2019	01/07/2019	30/06/2023	0%	12/11/2026

1 Terms and conditions for LTI plans from FY20 to FY22 relating to relative TSR and ROE are the same. For the ROE hurdle, vesting commences when ROE is 1.4 times WACC with maximum vesting when ROE is 1.9 times WACC or greater. For FY23, the hurdle is Reported ROE, and vesting commences when Reported ROE is 10% with maximum vesting when Reported ROE is 14% or greater.
2 The performance hurdles for the FY20 TSR and ROE LTI tranches were not achieved and 100% of the FY20 LTI rights will lapse.

VI. Related party interests

In accordance with the Corporations Act Regulation 2M.3.03, the Remuneration Report includes disclosure of related parties' interests.

I. Movements in total number of ordinary shares held

The table below discloses the relevant interests of each KMP and their related parties in ordinary shares in the Company for FY23.

	Shares held at 1 July 2022	Shares received on exercise of DARS	Shares received on exercise of EPRS	Shares received on exercise of NARS	Net movement of shares due to other changes[1]	Total shares held at 30 June 2023[2]	Shares held nominally at 30 June 2023[3]	MSR status at 30 June 2023
	Number	Number	Number	Number	Number	Number	Number	
Non-Executive Directors								
Tom Pockett	104,962	-	-	-	1,130	106,092	-	Met
Simon Allen	20,000	-	-	-	30,000	50,000	50,000	Met
David Armstrong	45,650	-	-	-	-	45,650	-	Met
Jon Nicholson	33,761	-	-	-	2,200	35,961	25,184	Met
Helen Nugent	38,167	-	-	-	-	38,167	38,167	Met
Scott Pickering	20,769	-	-	3,846	5,000	29,615	3,846	In progress
George Sartorel	10,000	-	-	-	10,000	20,000	-	In progress
George Savvides	46,917	-	-	-	-	46,917	46,917	Met
Michelle Tredenick	37,815	-	-	-	-	37,815	37,815	Met
Former Non-Executive Director								
Sheila McGregor[4]	33,041	-	-	19,229	-	52,270	46,233	N/A
Executive KMP								
Nick Hawkins	353,134	62,400	-	-	-	415,534	-	In progress
Julie Batch	337,971	32,150	-	-	-	370,121	-	Met
Jarrod Hill	-	70,189	-	-	-	70,189	-	In progress
Peter Horton	86,270	22,700	-	-	29	108,999	-	In progress
Michelle McPherson	61,035	59,412	-	-	5	120,452	693	In progress
Neil Morgan	162,093	31,850	-	-	180	194,123	768	Met
Christine Stasi	51,259	27,600	-	-	410	79,269	432	In progress
Peter Taylor	-	-	-	-	-	-	-	In progress
Amanda Whiting	38,540	-	-	-	-	38,540	47	In progress
Former Executive KMP								
Tim Plant[4]	-	123,211	-	-	-	123,211	-	N/A

1 Net movement of shares relates to acquisition and disposal transactions by the KMP and their related parties during the year.
2 This represents the relevant interest of each Director in ordinary shares issued by the Company, as notified by the Directors to the ASX in accordance with section 205G of the Corporations Act 2001 until the date the financial report was signed. Trading in ordinary shares in the Company is covered by the restrictions that limit the ability of a Director and other Executives to trade in the securities of the Group where they are in a position to be aware of, or are aware of, price sensitive information.
3 Shares nominally held are included in the column headed total shares held at 30 June 2023 and include those held directly, indirectly or beneficially by the KMP's related parties, including domestic partners and dependants or entities controlled, jointly controlled or significantly influenced by the KMP or their related parties.
4 Information on shares held is disclosed up to the date of cessation.

II. Movements in total number of Capital Notes 1 and 2 held

No KMP had any interest directly or nominally in Capital Notes 1 or 2 during the financial year (2022: nil).

III. Related Party Transactions

No KMP or their related parties had any "non arm's length" transactions with IAG.

This report meets the remuneration reporting requirements of the Corporations Act 2001 and Accounting Standard AASB 124 Related Party Disclosures. The term remuneration used in this report has the same meaning as compensation as prescribed in AASB 124.

Directors' declaration

The Directors' Report is signed at Sydney this 21st day of August 2023 in accordance with a resolution of the Directors.

Nick Hawkins
Director

Lead auditor’s independence declaration

Under Section 307C of the Corporations Act 2001

KPMG

Lead Auditor’s Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Insurance Australia Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Insurance Australia Group Limited for the financial year ended 30 June 2023 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG.

KPMG

Brendan Twining
Partner

Sydney
21 August 2023

Financial report

Contents	Page

Consolidated statement of comprehensive income

For the year ended 30 June 2023

	Note	2023 $m	2022 $m
Gross earned premium	2.1	**13,838**	12,972
Outwards reinsurance premium expense		**(5,512)**	(5,063)
Net earned premium (i)		**8,326**	7,909
Claims expense		**(9,433)**	(9,079)
Reinsurance and other recoveries revenue	2.1	**4,127**	4,064
Net claims expense (ii)	2.2	**(5,306)**	(5,015)
Commission expense		**(1,141)**	(1,020)
Underwriting expense		**(2,008)**	(2,024)
Reinsurance commission revenue	2.1	**1,221**	1,162
Net underwriting expense (iii)		**(1,928)**	(1,882)
Underwriting profit (i) + (ii) + (iii)		**1,092**	1,012
Investment income/(loss) on assets backing insurance liabilities	2.3	**286**	(226)
Investment expenses on assets backing insurance liabilities		**(15)**	(12)
Insurance profit		**1,363**	774
Investment income/(loss) on shareholders' funds	2.3	**220**	(97)
Fee and other income		**159**	132
Share of net (loss)/profit of associates		**(13)**	17
Finance costs		**(145)**	(93)
Fee-based, corporate and other expenses		**(230)**	(169)
Profit before income tax		**1,354**	564
Income tax expense	5.2	**(429)**	(140)
Profit for the year		**925**	424
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Net movement in foreign currency translation reserve, net of tax		**31**	(17)
Items that will not be reclassified to profit or loss:			
Remeasurements of defined benefit plans, net of tax		**6**	38
Other comprehensive income, net of tax		**37**	21
Total comprehensive income for the year, net of tax		**962**	445
Profit/(loss) for the year attributable to			
Shareholders of the Parent		**832**	347
Non-controlling interests		**93**	77
Profit for the year		**925**	424
Total comprehensive income/(loss) for the year attributable to			
Shareholders of the Parent		**869**	368
Non-controlling interests		**93**	77
Total comprehensive income for the year, net of tax		**962**	445

	Note	2023 cents	2022 cents
Earnings per share			
Basic earnings per ordinary share	4.3	**33.92**	14.09
Diluted earnings per ordinary share	4.3	**32.20**	13.33

The above consolidated statement of comprehensive income should be read in conjunction with the notes to the financial statements.

Consolidated balance sheet

As at 30 June 2023

	Note	**2023 $m**	2022 $m
Assets			
Cash held for operational purposes	8.1	**474**	350
Investments	2.3	**11,822**	11,813
Trade and other receivables	2.6	**5,648**	4,580
Current tax assets		**31**	31
Assets held for sale		**-**	342
Reinsurance and other recoveries on outstanding claims	2.2	**7,560**	7,886
Deferred insurance expenses	2.5	**4,365**	3,834
Deferred levies and charges		**134**	112
Deferred tax assets	5.2	**661**	955
Right-of-use assets	5.4	**365**	412
Property and equipment		**226**	180
Other assets		**98**	146
Investment in joint venture and associates		**10**	31
Goodwill and intangible assets	5.1	**3,632**	3,411
Total assets		**35,026**	34,083
Liabilities			
Trade and other payables	2.7	**3,356**	3,013
Current tax liabilities		**33**	13
Unearned premium liability	2.4	**7,747**	6,831
Outstanding claims liability	2.2	**13,260**	13,964
Lease liabilities	5.4	**497**	529
Provisions	5.3	**393**	671
Other liabilities		**552**	507
Interest-bearing liabilities	4.1	**2,139**	2,055
Total liabilities		**27,977**	27,583
Net assets		**7,049**	6,500
Equity			
Share capital	4.2	**7,264**	7,386
Treasury shares held in trust		**(21)**	(24)
Reserves		**45**	3
Retained earnings		**(638)**	(1,202)
Parent interest		**6,650**	6,163
Non-controlling interests		**399**	337
Total equity		**7,049**	6,500

The above consolidated balance sheet should be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2023

	Share capital $m	Treasury shares held in Trust $m	Foreign currency translation reserve $m	Share-based remuneration reserve $m	Retained earnings $m	Non-controlling interests $m	Total equity $m
2023							
Balance at the beginning of the financial year	**7,386**	**(24)**	**(27)**	**30**	**(1,202)**	**337**	**6,500**
Profit for the year	**-**	**-**	**-**	**-**	**832**	**93**	**925**
Other comprehensive income	**-**	**-**	**31**	**-**	**6**	**-**	**37**
Total comprehensive income for the year	**-**	**-**	**31**	**-**	**838**	**93**	**962**
Transactions with owners in their capacity as owners							
On-market share buy-back, including transaction cost	**(122)**	**-**	**-**	**-**	**-**	**-**	**(122)**
Share-based remuneration	**-**	**3**	**-**	**11**	**(4)**	**-**	**10**
Dividends determined and paid	**-**	**-**	**-**	**-**	**(270)**	**(40)**	**(310)**
Additional investment in subsidiaries	**-**	**-**	**-**	**-**	**-**	**9**	**9**
Balance at the end of the financial year	**7,264**	**(21)**	**4**	**41**	**(638)**	**399**	**7,049**
2022							
Balance at the beginning of the financial year	7,386	(33)	(10)	23	(1,120)	310	6,556
Profit for the year	-	-	-	-	347	77	424
Other comprehensive income/(expense)	-	-	(17)	-	38	-	21
Total comprehensive income/(loss) for the year	-	-	(17)	-	385	77	445
Transactions with owners in their capacity as owners							
Share-based remuneration	-	9	-	7	-	-	16
Dividends determined and paid	-	-	-	-	(468)	(52)	(520)
Dividends received on treasury shares held in trust	-	-	-	-	1	-	1
Additional investment in subsidiaries	-	-	-	-	-	2	2
Balance at the end of the financial year	7,386	(24)	(27)	30	(1,202)	337	6,500

The above consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

Consolidated cash flow statement

For the year ended 30 June 2023

	Note	2023 $m	2022 $m
Cash flows from operating activities			
Premium received		**14,133**	13,112
Reinsurance and other recoveries received		**4,195**	3,441
Claims costs paid		**(10,203)**	(8,488)
Outwards reinsurance premium expense paid		**(5,588)**	(5,083)
Dividends, interest and trust distributions received		**381**	266
Finance costs paid		**(128)**	(90)
Income taxes (paid)/refunded		**(112)**	(270)
Other operating receipts		**2,425**	2,182
Other operating payments		**(4,651)**	(4,171)
Net cash flows from operating activities	8.1	**452**	899
Cash flows from investing activities			
Net cash flows on disposal/(acquisition) of subsidiaries and associates		**367**	(33)
Net cash flows from sale/(purchase) of investments and plant and equipment		**27**	(1,426)
Net cash flows from investing activities		**394**	(1,459)
Cash flows from financing activities			
On-market share buy-back, net of transaction costs		**(122)**	-
Proceeds from borrowings, net of transaction costs		**308**	226
Repayment of borrowings		**(234)**	(154)
Principal element of lease payments		**(79)**	(79)
Dividends paid to shareholders of the Parent		**(270)**	(468)
Dividends paid to non-controlling interests		**(40)**	(52)
Dividends received on treasury shares		**-**	1
Net cash flows from financing activities		**(437)**	(526)
Net movement in cash held		**409**	(1,086)
Effects of exchange rate changes on balances of cash held in foreign currencies		**6**	(5)
Cash and cash equivalents at the beginning of the financial year		**938**	2,029
Cash and cash equivalents at the end of the financial year	8.1	**1,353**	938

The above consolidated cash flow statement should be read in conjunction with the notes to the financial statements.

Notes to the financial statements

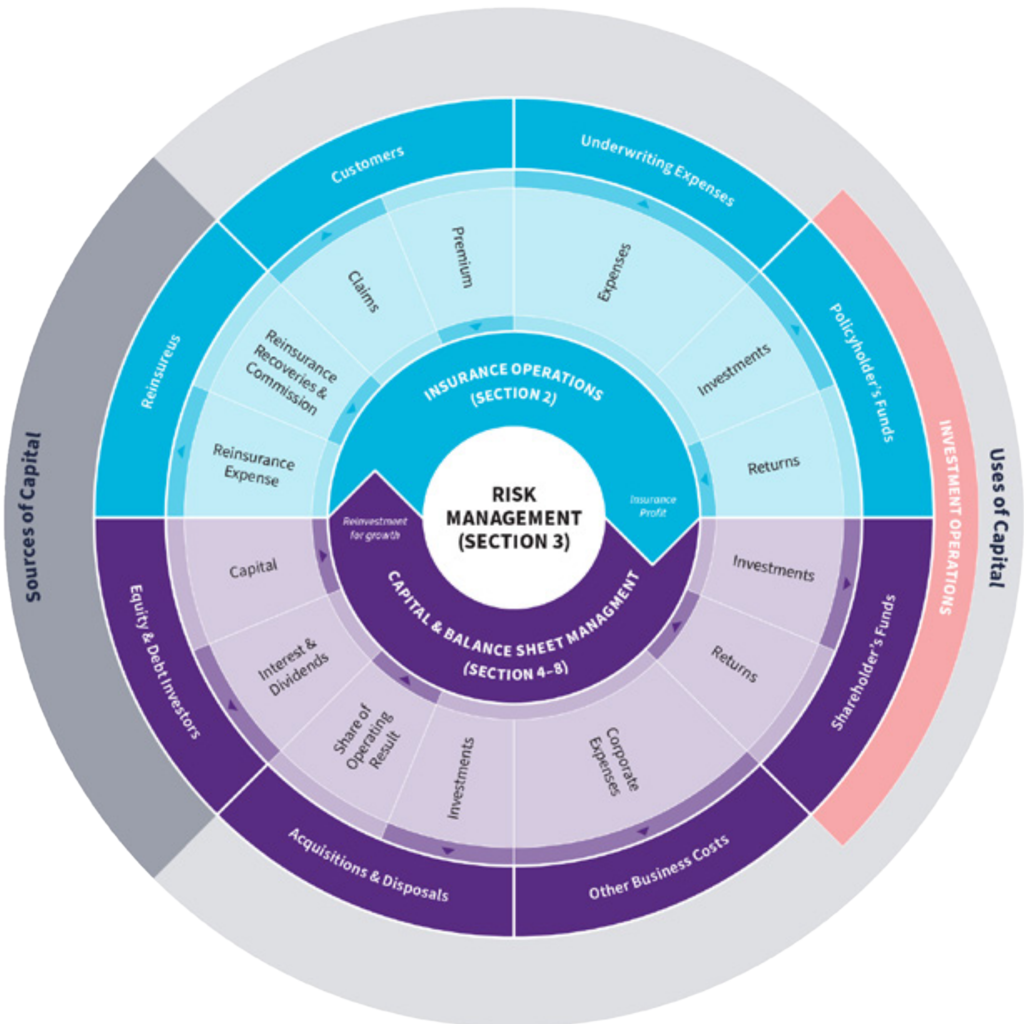
1. Overview

Note 1.1 Introduction

The financial report is structured to provide prominence to the disclosures that are considered most relevant to the users' understanding of the operations, results and financial position of IAG.

The financial report has been organised into the following sections:

1.	**Overview** – Contains information that affects the financial report as a whole, as well as segment reporting disclosures.
2.	**Insurance disclosures** – Financial statement disclosures considered most relevant to the core insurance activities.
3.	**Risk** – Discusses IAG's exposure to various risks, explains how these affect IAG's financial position and performance and how IAG seeks to manage and mitigate these risks.
4.	**Capital structure** – Provides information about the capital management practices of IAG and related shareholder returns.
5.	**Other balance sheet disclosures** – Discusses other balance sheet items such as goodwill and intangible assets, as well as disclosures in relation to IAG's tax balances.
6.	**Group structure** – Provides a summary of IAG's significant controlled entities and includes acquisition and divestment disclosure.
7.	**Unrecognised items** – Disclosure of items not recognised in the financial statements at the balance date but which could potentially have a significant impact on IAG's financial position and performance going forward.
8.	**Additional disclosures** – Other disclosures required to comply with Australian Accounting Standards.



Notes to the financial statements

Note 1.2 About this report

A. Corporate information

Insurance Australia Group Limited (Company or Parent), the ultimate parent entity in the Group, is a for profit company, incorporated and domiciled in Australia and limited by shares publicly traded on the Australian Securities Exchange (ASX). Its registered office and principal place of business is Level 13, Tower Two, Darling Park, 201 Sussex Street, Sydney, NSW 2000, Australia. This financial report covers the consolidated financial statements for the Company and its subsidiaries (IAG or Group) for the year ended 30 June 2023.

A description of the nature of IAG's operations and its principal activities is included in the Directors' Report.

B. Statement of compliance

This general purpose financial report was authorised by the Board of Directors for issue on 21 August 2023 and complies with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), the *Corporations Act 2001*, Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB), other authoritative pronouncements of the AASB and the ASX Listing Rules.

The current IFRS standard for insurance contracts does not include a comprehensive set of recognition and measurement criteria. On 10 July 2020, the IASB published the final *IFRS 17* standard (*IFRS 17 Insurance Contracts* – adopted as *AASB 17 Insurance Contracts* in an Australian context) that does include such criteria, with an effective date for IAG of 1 July 2023. Refer to Note 8.5 for further details.

C. Basis of preparation

The financial statements have been prepared on the basis of historical cost principles, as modified by certain exceptions noted in the financial report, with the principal exceptions being the measurement of all investments and derivatives at fair value and the measurement of the outstanding claims liability and related reinsurance and other recoveries at present value. All values are rounded to the nearest million dollars, unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

The balance sheet is prepared with the assets and liabilities presented broadly in order of liquidity. The assets and liabilities comprise both current amounts (expected to be recovered or settled within 12 months after the reporting date) and non-current amounts (expected to be recovered or settled more than 12 months after the reporting date).

I. Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 30 June 2023. A list of significant controlled entities is set out in Note 6.2. IAG controls an investee if it has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of those returns. Where an entity either began or ceased to be controlled during a financial year, the results are included from the date control commenced or up to the date control ceased. The financial information of all subsidiaries is prepared for consolidation for the same reporting year as the Parent. In preparing the consolidated financial statements, all intercompany balances and transactions, including income, expenses, and profits and losses resulting from intra-group transactions, have been eliminated.

Where a subsidiary is less than wholly-owned, the non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity. The Group recognises non-controlling interests in an acquired entity at the non-controlling interest's proportionate share of the acquired entity's net assets. A change in ownership of a controlled entity that results in no gain or loss of control is accounted for as an equity transaction.

II. Presentation and foreign currency

The financial report is presented in Australian dollars, which is the functional currency of the Company. Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at reporting date are translated to Australian dollars using reporting date exchange rates. Resulting exchange differences are recognised in profit or loss.

The assets and liabilities of foreign operations are translated to Australian dollars using reporting date exchange rates while equity items are translated using historical rates. The consolidated statement of comprehensive income and consolidated cash flow statement are translated using annual average rates for the reporting year. Exchange rate differences arising on translation are recorded directly in equity in the foreign currency translation reserve (FCTR). On the disposal of a foreign operation, the cumulative amount of exchange differences deferred in the FCTR relating to that foreign operation is recognised in profit or loss.

III. Reclassification of comparatives

The following item has been reclassified from IAG's prior year financial report to conform to the current year's presentation basis:

- Reclassification of derivatives (refer to Note 4.5 for further details).

D. Significant accounting policies adopted

The accounting policies adopted in the preparation of this financial report have been applied consistently by all entities in IAG and are the same as those applied for the previous reporting year, unless otherwise stated. The financial statements of entities operating outside Australia that maintain accounting records in accordance with overseas accounting principles are adjusted where necessary to comply with the significant accounting policies of IAG. The significant accounting policies adopted in the preparation of this financial report are set out within the relevant note.

I. Changes in accounting policies

There were new Australian Accounting Standards applicable for the current reporting year, with no material financial impact to the Group on adoption. Refer to Note 8.5 for further details.

II. Critical accounting estimates and judgements

In the process of applying the significant accounting policies, certain critical accounting estimates and assumptions are applied, and judgements are made by management, the results of which affect the amounts recognised in the financial statements. The estimates and related assumptions are based on experience and other factors that are considered to be reasonable, and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which they are revised, and future periods if relevant. Details of the material estimates and judgements are set out within the relevant note, as outlined below:

Areas of critical accounting estimates and judgements	Reference
Claims and reinsurance and other recoveries on outstanding claims	Note 2.2
Liability adequacy test	Note 2.4
Intangible assets and goodwill impairment testing, initial measurement and useful life	Note 5.1
Income tax and related assets and liabilities	Note 5.2
Customer refunds provision	Note 5.3

III. Macro-economic factors

As the economy recovers from the effects of the COVID-19 pandemic, there has been the emergence of other risks associated with global supply chain disruptions, labour shortage and geopolitical tensions, contributing to market volatility and inflationary pressures which has prompted action by central banks to raise risk-free rates. IAG is experiencing the effects of these macro-economic factors, which is increasing the estimation uncertainty in the preparation of these financial statements. The Group has developed various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 30 June 2023 that the Directors believe are reasonable based on all available information. There is a considerable degree of judgement involved in preparing these estimates. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions may be different from those forecast and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates particularly impacted by these associated uncertainties are predominantly related to the valuation of the outstanding claims liability.

The impact of the macro-economic factors outlined above on the accounting estimates relating to the outstanding claims liability is discussed in this section. Readers should carefully consider these disclosures in light of the inherent uncertainty described above.

Outstanding claims liability

IAG's insurance portfolio continues to experience impacts as a result of the changing macro-economic environment. There is a risk that the associated macro-economic factors could be different than estimated and, as a result, the development of the claims over time could result in the ultimate cost of those claims being higher or lower than the current outstanding claims liability established. The impacts on claims experience are expected to differ between classes of business and, for certain classes, potentially impact across more than one accident year.

During the current financial year, IAG has continued to observe elevated inflationary pressure on claims costs, particularly in motor and home portfolios due to supply chain and labour market disruption, as well as elevated costs from demand surge inflation as a result of higher natural peril claims activity.

The total net provision for business interruption claims associated with COVID-19 was $400 million at 30 June 2023 (2022: $975 million). During the first half of the financial year, following the High Court of Australia's decision on 14 October 2022 to deny special leave to appeal the decision of the Full Court of the Federal Court of Australia in the second business interruption test case handed down in February 2022, the net provision was reduced by $360 million.

A further review of the provision, following additional communication with potentially impacted customers in the second half of FY23, resulted in a further $200 million reduction of the provision. The provision also reduced due to claims payments of $6 million and an adjustment to discount rates on the provision of $9 million.

The revised business interruption claim provision is based on IAG's actuarial modelling and includes a significant risk margin. As further information becomes available, IAG will review the provision and make adjustments accordingly.

Insurance Australia Limited continues to process existing and new business interruption claims and defend a representative class action that has been filed in the Federal Court of Australia relating to policyholders with business interruption policies. The ultimate impact from these claims, including legal costs expected to be incurred in the defence of the claims, are expected to be covered by the provision for business interruption claims.

Note 1.3 Segment reporting

IAG has identified its operating segments based on the internal reports that are reviewed and used by the Group Chief Executive Officer (being the chief operating decision maker) in assessing performance and in determining the allocation of resources.

A. Reportable segments

IAG has general insurance operations in Australia and New Zealand, with the reportable segments for the period ended 30 June 2023 comprising the following business divisions:

I. Direct Insurance Australia

This segment predominantly provides personal lines, and some commercial lines, general insurance products sold directly to customers primarily under the NRMA Insurance brand, SGIO and SGIC brands (both of which are transitioning to NRMA), the RACV brand in Victoria (via a distribution relationship and underwriting joint venture with RACV), as well as the CGU Insurance and ROLLiN' Insurance brands.

II. Intermediated Insurance Australia

This segment predominantly provides commercial lines, and some personal lines, general insurance products sold to customers through intermediaries including brokers, authorised representatives and distribution partners primarily under the CGU Insurance and WFI brands, as well as the Coles Insurance brand via a distribution agreement with Coles.

III. New Zealand

This segment provides general insurance products underwritten in New Zealand. Insurance products are sold directly to customers predominantly under the State and AMI brands, and through intermediaries (insurance brokers and authorised representatives) primarily under the NZI and Lumley Insurance brands. General insurance products are also distributed by IAG's corporate partners, such as large financial institutions, using third party brands.

IV. Corporate and other

This segment comprises other activities, including corporate services, capital management activity, shareholders' funds investment activities, inward reinsurance from associates, investment in associates, and other businesses that offer products and services that are adjacent to IAG's insurance business. IAG's captive reinsurance operation (captive) is a corporate function that acts as the interface between the external providers of reinsurance capital and the operating business divisions. IAG does not manage, or view, the captive as a separate business. Consequently, the operating results of the captive are systematically allocated to the operating business segments.

B. Financial information

	Direct Insurance Australia $m	Intermediated Insurance Australia $m	New Zealand $m	Corporate and other $m	Total $m
2023					
I. Financial performance					
Total external revenue[1]	**9,280**	**5,329**	**4,979**	**263**	**19,851**
Underwriting profit/(loss)	**390**	**683**	**20**	**(1)**	**1,092**
Net investment income on assets backing insurance liabilities	**161**	**86**	**24**	**-**	**271**
Insurance profit/(loss)	**551**	**769**	**44**	**(1)**	**1,363**
Net investment income on shareholders' funds	**-**	**-**	**-**	**212**	**212**
Share of net loss of associates	**(13)**	**-**	**-**	**-**	**(13)**
Finance costs	**-**	**-**	**-**	**(145)**	**(145)**
Other net operating result	**(10)**	**(9)**	**-**	**(44)**	**(63)**
Total segment result from continuing operations	**528**	**760**	**44**	**22**	**1,354**
Income tax expense					**(429)**
Profit for the year from continuing operations					**925**
II. Other segment information					
Capital expenditure[2]	**-**	**-**	**-**	**328**	**328**
Depreciation, amortisation and impairment expense	**84**	**81**	**19**	**1**	**185**
2022					
I. Financial performance					
Total external revenue[1]	8,464	6,034	3,787	62	18,347
Underwriting profit	533	255	224	-	1,012
Net investment loss on assets backing insurance liabilities	(84)	(150)	(4)	-	(238)
Insurance profit	449	105	220	-	774
Net investment loss on shareholders' funds	-	-	-	(105)	(105)
Share of net (loss)/profit of associates	(7)	-	-	24	17
Finance costs	-	-	-	(93)	(93)
Other net operating result	(13)	1	-	(17)	(29)
Total segment result from continuing operations	429	106	220	(191)	564
Income tax expense					(140)
Profit for the year from continuing operations					424
II. Other segment information					
Capital expenditure[2]	-	-	-	330	330
Depreciation, amortisation and impairment expense	68	49	21	1	139

1 Total external revenue comprises gross earned premium, reinsurance and other recoveries, reinsurance commission revenue, investment income on assets backing insurance liabilities, investment income on shareholders' funds, fee and other income and share of net profit of associates.
2 Capital expenditure includes acquisitions of property and equipment, intangibles and other non-current segment assets.

Notes to the financial statements

2. Insurance disclosures

Section introduction

This section provides an overview of IAG's general insurance operations, which are the main driver of IAG's overall financial performance and financial position.

IAG collects premium and recognises revenue for the insurance policies it underwrites. From this, IAG pays amounts to customers on settlement of insurance claims, with the claims expense representing the largest cost to IAG, as well as operating costs, which include the costs associated with obtaining and recording insurance contracts.

To mitigate IAG's overall risk and optimise its return profile, IAG passes some of its underwriting exposure to third parties (primarily reinsurance companies). The premiums paid to reinsurers are an expense to IAG, whereas recoveries under the reinsurance contracts are recognised as revenue. These recoveries can either be in relation to operating costs (reinsurance commission) or underwriting risk (reinsurance recoveries).

Investment activities are an integral part of the insurance business. The funds received from the collection of premium are invested as a key source of return for IAG under a sound investment philosophy. IAG starts investing insurance premiums as soon as they are collected and continues to generate returns until claims or other expenses are paid out.

The underwriting result measures the profit (or loss) generated from underwriting activities in a given period. The insurance result, which is a key performance metric, adds the net investment income on assets backing insurance liabilities to the underwriting result to derive the overall pre-tax profit (or loss) from insurance operations.

Note 2.1 General insurance revenue

	2023 $m	2022 $m
A. Composition		
Gross written premium	**14,729**	13,317
Movement in unearned premium liability	**(891)**	(345)
Gross earned premium	**13,838**	12,972
Reinsurance and other recoveries revenue	**4,127**	4,064
Reinsurance commission revenue	**1,221**	1,162
Total general insurance revenue	**19,186**	18,198

B. Recognition and measurement

I. Premium revenue

Premiums written are earned through the profit or loss in line with the incidence of the pattern of risk. The majority of premium is earned according to the passage of time (e.g. for a one-year policy, 1/365th of premium written will be earned each day).

II. Reinsurance and other recoveries

The recognition and measurement criteria for reinsurance and other recoveries revenue is referred to in Note 2.2.

III. Reinsurance commission revenue

Reinsurance commission revenue includes reimbursements by reinsurers to cover a share of IAG’s operating costs and, where applicable, fee income which reinsurers pay for accessing IAG's enterprise value embedded across its multi-product recognised insurance brands. These income items are recognised broadly in line with the reference premium over the term of the reinsurance agreements. Where applicable, the reinsurance commission revenue also includes income which is based on the expected profitability of the covered business ceded to the reinsurer. The final value of the variable commission revenue recognised is subject to the achievement of a specified underlying profitability hurdle rate over time.

Note 2.2 Claims and reinsurance and other recoveries on outstanding claims

A. Net claims expense

	2023			2022		
	Current year $m	Prior years $m	Total $m	Current year $m	Prior years $m	Total $m
Gross claims – undiscounted	**11,198**	**(1,597)**	**9,601**	10,128	(309)	9,819
Discount	**(310)**	**142**	**(168)**	(191)	(549)	(740)
Gross claims – discounted	**10,888**	**(1,455)**	**9,433**	9,937	(858)	9,079
Reinsurance and other recoveries – undiscounted	**(4,969)**	**807**	**(4,162)**	(4,580)	57	(4,523)
Discount	**168**	**(133)**	**35**	100	359	459
Reinsurance and other recoveries – discounted	**(4,801)**	**674**	**(4,127)**	(4,480)	416	(4,064)
Net claims expense	**6,087**	**(781)**	**5,306**	5,457	(442)	5,015

B. Net outstanding claims liability

I. Composition of net outstanding claims liability

	2023 $m	2022 $m
Gross central estimate – discounted	**11,462**	10,948
Reinsurance and other recoveries – discounted	**(7,046)**	(6,317)
Net central estimate – discounted	**4,416**	4,631
Claims handling costs – discounted	**445**	420
Risk margin	**839**	1,027
Net outstanding claims liability – discounted	**5,700**	6,078

The gross outstanding claims liability includes $6,762 million (2022: $7,082 million) which is expected to be settled more than 12 months from the reporting date.

The carrying value of reinsurance and other recoveries includes $3,877 million (2022: $3,963 million) which is expected to be settled more than 12 months from the reporting date.

a. Business interruption

The total net provision for business interruption claims associated with COVID-19 was $400 million at 30 June 2023 (2022: $975 million). During the first half of the financial year, following the High Court of Australia's decision on 14 October 2022 to deny special leave to appeal the decision of the Full Court of the Federal Court of Australia in the second business interruption test case handed down in February 2022, the net provision was reduced by $360 million.

A further review of the provision, following additional communication with potentially impacted customers in the second half of FY23, resulted in a further $200 million reduction of the provision. The provision also reduced due to claims payments of $6 million and an adjustment to discount rates on the provision of $9 million.

The revised business interruption claim provision is based on IAG's actuarial modelling and includes a significant risk margin. As further information becomes available, IAG will review the provision and make adjustments accordingly.

Insurance Australia Limited (IAL) continues to process existing and new business interruption claims and defend a representative class action that has been filed in the Federal Court of Australia relating to policyholders with business interruption policies. The ultimate impact from these claims, including legal costs expected to be incurred in the defence of the claims, are expected to be covered by the provision for business interruption claims.

b. Trade credit insurance

BCC Trade Credit Pty Ltd (BCC) is an underwriting agency that was authorised to underwrite trade credit insurance, in accordance with specific underwriting guidelines, through IAL. In April 2019, IAG sold its interest in BCC to Tokio Marine Management (Australasia) Pty Ltd with effect from 9 April 2019. As part of the sale, IAL put in place transitional arrangements for BCC to continue to underwrite risks on behalf of IAL to 30 June 2019, with Tokio Marine & Nichido Fire Insurance Co., Ltd (TMNF) becoming the licensee responsible for BCC effective 1 July 2019. IAL also put in place protections in respect of any potential exposure to trade credit insurance policies written by BCC on behalf of IAL, both through reinsurance in place in respect of those policies and also through arrangements with TMNF for it to cover any remaining exposure to trade credit insurance written by BCC on behalf of IAL.

Since 2020, a significant number of claims have been received by IAL under policies purportedly issued by BCC on behalf of IAL to Greensill entities. The collapse of the Greensill entities has been the subject of widespread media interest, ongoing foreign regulatory inquiries and litigation overseas. IAL denies that it is liable in respect of the claims made against it under purported Greensill policies. A number of those claims are now the subject of complex litigation proceedings currently before the Federal Court of Australia and IAL is defending all of those proceedings.

IAL's position in respect of the claims made under purported Greensill policies is that first, IAL is not bound by the policies (including because they were issued outside the terms of BCC's underwriting authority) and, secondly, even if IAL is bound by the policies, they do not provide cover for the alleged losses claimed.

There is complexity around the matters that will need to be determined by the court in the current Federal Court proceedings. There are a number of parties involved in those proceedings, including BCC, one of its former trade credit underwriter, as well as Greensill parties. Allegations have been raised against various parties involved in the proceedings, including allegations against BCC and one of its former trade credit underwriters regarding misleading or deceptive conduct and breaches of warranties of authority, and allegations against Greensill parties alleging fraudulent non-disclosure and misrepresentations and misleading or deceptive representations. Given the complexity and number of parties involved in the litigation, IAG expects that the litigation proceedings will take a number of years.

IAL is also managing trade credit claims relating to policies purportedly issued by BCC on behalf of IAL to other entities unrelated to Greensill. A number of those claims are now the subject of litigation proceedings currently before the courts, and IAL has denied those claims and is defending the proceedings.

IAL will continue to defend all of the claims and the litigation. As with any litigation, the potential outcomes are inherently uncertain and there are risks that a court may make a finding contrary to IAL's position and that any finding may become the subject of appeals. If IAL is determined by a court to be liable for any of the claims currently the subject of litigation, IAL will seek, concurrently or subsequently, to rely on agreements that it had put in place at the time of the sale in respect of any potential exposure to trade credit insurance policies written by BCC on behalf of IAL (as described above). As previously stated, there is a risk that a reinsurer or other party under those agreements will challenge its obligations under those agreements. There may also be timing differences between any court determination against IAL and enforcement of IAL's rights under those agreements.

As outlined above, IAG expects that these matters will not be resolved for a significant period of time and it is currently not known what the outcome of the proceedings or the actual value of any potential exposure to IAL will be if any claims are successful. A number of proceedings involving 20 separate claims previously anticipated have now been commenced in the period since February 2023 and prior to the expiry of a limitation period by which any claims denied would have to be pursued by the commencement of legal proceedings.

IAG does not consider that the face value of the claimed amounts in the proceedings provide a meaningful indication of any potential exposure of IAL. If aggregated, these would amount to approximately A$7 billion plus interest (applying exchange rates as at 31 July 2023). The reasons this is not considered a meaningful indication of any potential exposure of IAL, include:

- pleaded claims state that the claimed amounts will be reduced by sums recovered by the claimants from third-parties through other means, the value of which are not yet known. Such third-party recoveries include refinancing and repayments,
- IAL's multiple defences in the proceedings – including that IAL is not bound by the policies, and even if IAL is bound by the policies, they do not provide cover for the alleged losses claimed,
- IAL's recovery rights under reinsurance arrangements, and
- IAL's recovery rights from TMNF under the arrangements outlined above.

Based on the above, and the current status of the proceedings, IAG maintains that, through the protections it has put in place, it has no net insurance exposure to trade credit policies sold through BCC.

In the interim, IAG has revised its outstanding claims liability to $467 million at 30 June 2023 (2022: $477 million) mainly due to the recognition of claims handling expenses and legal costs relating to the defence of the litigation. This outstanding claims liability has been determined in accordance with IAG's usual claims reserving practices. IAG has also recognised an equivalent amount of $467 million (2022: $477 million) of related reinsurance recoveries and indemnities in respect of trade credit related claims.

II. Reconciliation of movements in net discounted outstanding claims liability

	2023 $m	2022 $m
Net outstanding claims liability at the beginning of the financial year	**6,078**	6,040
Movement in the prior year central estimate	**(422)**	(13)
Current year claims incurred, net of reinsurance and other recoveries	**5,870**	5,228
Claims paid, net of reinsurance and other recoveries received	**(5,665)**	(4,955)
Movement in discounting	**20**	(207)
Movement in risk margin	**(190)**	(3)
Net foreign currency movements	**9**	(12)
Net outstanding claims liability at the end of the financial year	**5,700**	6,078
Reinsurance and other recoveries on outstanding claims liability	**7,560**	7,886
Gross outstanding claims liability at the end of the financial year	**13,260**	13,964

III. Maturity analysis

Refer to Note 3.1 for details of the maturity profile of the estimated net discounted outstanding claims liability based on the remaining term to payment at the reporting date.

IV. Development table

Claims will often take a number of years to be settled from the date the original loss occurred. The following table shows the development of the net undiscounted ultimate claims estimate for the ten most recent accident years and a reconciliation to the net discounted outstanding claims liability. This table provides the user with an overview of how IAG's estimates of total claim amounts payable in relation to a given year have evolved over time. If the estimate of ultimate claims in relation to a given accident year declines over time, this suggests claims have developed more favourably than was anticipated at the time the original reserving assumptions were set.

Where an entity or business that includes an outstanding claims liability has been acquired, the claims for the acquired businesses are included in the claims development table from and including the year of acquisition. The outstanding claims liability includes international operations. For ease of comparison within the claims development table, all payments not denominated in Australian dollars have been converted to Australian dollars using the applicable exchange rates at the reporting dates. Therefore, the claims development table disclosed each reporting year cannot be reconciled directly to the equivalent tables presented in previous years' financial statements.

Notes to the financial statements

	2013 and prior $m	2014 $m	2015 $m	2016 $m	2017 $m	2018 $m	2019 $m	2020 $m	2021 $m	2022 $m	2023 $m	Total $m
Net ultimate claim payments												
Development												
At end of accident year		5,614	6,307	4,976	5,279	4,504	3,959	4,228	4,329	4,480	5,272	
One year later		5,619	6,232	4,928	5,225	4,420	4,022	4,770	4,311	4,514		
Two years later		5,532	6,169	4,869	5,190	4,409	4,044	4,671	4,175			
Three years later		5,391	6,052	4,810	5,198	4,425	4,105	4,327				
Four years later		5,322	6,049	4,815	5,234	4,440	4,095					
Five years later		5,304	6,037	4,826	5,260	4,417						
Six years later		5,276	6,041	4,824	5,280							
Seven years later		5,265	6,055	4,826								
Eight years later		5,269	6,070									
Nine years later		5,264										
Current estimate of net ultimate claim payments		5,264	6,070	4,826	5,280	4,417	4,095	4,327	4,175	4,514	5,272	
Cumulative payments made to date		5,220	5,986	4,745	5,143	4,290	3,879	3,888	3,630	3,831	3,109	
Net undiscounted outstanding claims liability	244	44	84	81	137	127	216	439	545	683	2,163	4,763
Discount to present value	(34)	(5)	(10)	(8)	(17)	(12)	(19)	(30)	(46)	(62)	(104)	(347)
Net discounted outstanding claims liability	210	39	74	73	120	115	197	409	499	621	2,059	4,416
Reconciliation												
Claims handling costs												445
Risk margin												839
Net outstanding claims liability												5,700

C. Recognition and measurement

I. Outstanding claims liability and claims expense

Claims expense represents the sum of claim payments and the movement in the closing outstanding claims liability from one financial period to the next. Current year claims relate to loss events that occurred during the current financial year. Prior year claims represent the movement on the estimates held for claims that occurred in all previous financial periods.

The outstanding claims liability is determined based on three building blocks:

- a central estimate of the future cash flows;
- discounting for the effect of the time value of money; and
- adding a risk margin for uncertainty.

a. Central estimate of the future cash flows

The outstanding claims liability is measured as the central estimate of the expected future payments relating to claims incurred prior to the reporting date including direct and indirect claims handling costs. The liability is measured based on the advice and/or valuations performed by, or under the direction of, the Appointed Actuary, and is intended to contain no deliberate or conscious bias toward over or under estimation. Given the uncertainty in establishing the liability, it is likely that the final outcome will differ from the original liability established. Changes in claim estimates are recognised in profit or loss in the reporting year in which the estimates are changed.

b. Discounting

Projected future claim payments, both gross and net of reinsurance and other recoveries and associated claims handling costs, are discounted to a present value using risk-free discount rates (derived from market yields on government securities) to reflect the time value of money.

c. Risk margin

Given the uncertainty inherent in estimating future claim payments, it is considered appropriate to add a risk margin to the central estimate of expected future claim payments. The risk margin represents the amount by which the liability recognised in the financial statements is greater than the actuarial central estimate. IAG currently applies a 90% probability of adequacy to the outstanding claims liability. In effect this means there is approximately a 1 in 10 chance all future claim payments will exceed the overall reserve held.

Uncertainties surrounding the liability estimation process include those relating to the available data, actuarial models and assumptions, the statistical uncertainty associated with a general insurance claims run-off process, and risks external to IAG, for example the impact of potential future legislative reform. Uncertainty from these sources is examined for each class of business and expressed as a volatility measure relative to the net central estimate. The volatility measure for each class is derived after consideration of statistical modelling and benchmarking to industry analyses. Certain product classes may be subject to the emergence of new types of latent claims, and such uncertainties are considered when setting the volatility and hence the risk margin appropriate for those classes.

Long-tail classes of business generally have the highest volatilities for outstanding claims as the longer average time for claims to be reported and settled allows more time for sources of uncertainty to emerge. Short-tail classes generally have lower levels of volatility for outstanding claims.

IAG benefits from holding an underwriting portfolio diversified into many classes of business across different regions. The risk margin required to provide a given probability of adequacy for two or more classes of business or for two or more geographic locations combined is likely to be less than the sum of risk margins for the individual classes. This reflects the benefit of diversification. The level of diversification assumed between classes takes into account industry analysis, historical experience and the judgement of experienced and qualified actuaries.

The current risk margin and resultant overall probability of adequacy for the outstanding claims, which has been determined after assessing the inherent uncertainty in the central estimate, diversification and risks in the prevailing environment, is set out below:

	2023 %	2022 %
The percentage risk margin applied to the net outstanding claims liability	**17**	20
The probability of adequacy of the risk margin	**90**	90

II. Reinsurance and other recoveries on outstanding claims

Reinsurance and other recoveries on outstanding claims are recognised as income with the corresponding asset being recognised on the balance sheet. Reinsurance and other recoveries on outstanding claims are measured at the present value (discounted using appropriate risk-free discount rates) of the expected future receipts due as a result of the reinsurance protection that IAG has in place. The reporting date balance also includes the net goods and services tax (GST) receivable on outstanding claims.

D. Significant accounting estimates and judgements

I. Outstanding claims liability

The estimation of the outstanding claims liability involves a number of key assumptions and is the most critical accounting estimate. The process involves using IAG's specific data, relevant industry data and general economic data. Each class of business is usually examined separately, and the process involves consideration of a large number of factors, including the risks to which the business is exposed at a point in time, claim frequencies and average claim sizes, historical trends in the incidence and development of claims reported and finalised, as well as legal, social and economic factors that may affect each class of business.

The following ranges of key actuarial assumptions were used in the measurement of outstanding claims and recoveries, where appropriate, within the operating segments at the reporting date.

	Direct Insurance Australia	Intermediated Insurance Australia	New Zealand
2023			
Discounted average term to settlement	**1.74 years**	**1.98 years**	**0.84 years**
Inflation rate	**0.0% - 8.0%**	**0.0% - 8.0%**	**4.2%**
Superimposed inflation rate	**0.0 - 5.0%**	**0.0% - 7.5%**	**0.0%**
Discount rate	**4.0% - 4.6%**	**4.0% - 4.6%**	**4.2% - 5.7%**
Claims handling costs ratio	**4.4%**	**4.1%**	**4.9%**
2022			
Discounted average term to settlement	1.77 years	1.79 years	0.76 years
Inflation rate	0.0% - 5.0%	0.0% - 4.5%	3.7%
Superimposed inflation rate	0.0% - 5.0%	0.0% - 7.5%	0.0%
Discount rate	1.4% - 4.0%	1.4% - 4.0%	3.3%-4.5%
Claims handling costs ratio	4.2%	3.2%	4.9%

a. Discounted average term to settlement

The discounted average term to settlement provides a summary indication of the expected future cash flow pattern for claims (inflated and discounted). It is calculated by class of business and is generally based on historical settlement patterns. A decrease in the discounted average term to settlement would reflect claims being paid sooner than anticipated and so would increase the claims expense. Note that this sensitivity test only extends or shortens the term of the payments assumed in the valuation, without changing the total nominal amount of the payments.

b. Inflation rate and superimposed inflation

Payments of claims outstanding at the reporting date are to be made in the future and so need to take account of expected increases in the underlying cost of final claim settlements due to inflationary pressures. Economic inflation assumptions are set by reference to current economic indicators. Superimposed inflation tends to occur due to wider societal trends such as the cost of court settlements increasing at a faster rate than the economic inflation rate.

c. Discount rate

An increase or decrease in the assumed discount rate will have a corresponding decrease or increase (respectively) on the claims expense recognised in the profit or loss.

d. Claims handling costs ratio

This reflects the cost to administer future claims. The ratio is generally calculated with reference to the historical experience of claims handling costs as a percentage of past payments, together with budgeted future costs.

II. Reinsurance and other recoveries on outstanding claims

The measurement of reinsurance and other recoveries on outstanding claims is an inherently uncertain process involving estimates. The amounts are generally calculated using actuarial assumptions and methods similar to those used for the outstanding claims liability, with appropriate consideration of the credit risk of the counterparty. Accordingly, the valuation of outstanding reinsurance recoveries is subject to largely similar risks and uncertainties as the valuation of the related outstanding claims liability. Significant individual losses, for example those relating to catastrophe events, are analysed on a case by case basis.

E. Sensitivity analysis

The impact on the divisional net outstanding claims liabilities (net of reinsurance recoveries) before income tax to changes in key actuarial assumptions is summarised below. Each change has been calculated in isolation of the other changes, and without regard to other balance sheet changes that may occur simultaneously. The movements are stated in absolute terms where the base assumption is a percentage or average term.

	Movement in assumption	Direct Insurance Australia $m	Intermediated Insurance Australia $m	New Zealand $m
2023				
Discounted average term to settlement	**+10%**	**(17)**	**(28)**	**(3)**
	-10%	**16**	**27**	**3**
Inflation rate	**+1%**	**35**	**58**	**5**
	-1%	**(34)**	**(56)**	**(4)**
Discount rate	**+1%**	**(34)**	**(56)**	**(4)**
	-1%	**36**	**60**	**5**
Claims handling costs ratio	**+1%**	**50**	**61**	**9**
	-1%	**(50)**	**(61)**	**(9)**
2022				
Discounted average term to settlement	+10%	(11)	(19)	(2)
	-10%	11	19	2
Inflation rate	+1%	34	59	4
	-1%	(33)	(58)	(4)
Discount rate	+1%	(33)	(59)	(4)
	-1%	35	62	4
Claims handling costs ratio	+1%	49	76	8
	-1%	(49)	(76)	(8)

Note 2.3 Investments

	2023 $m	2022 $m
A. Investment income		
Dividend revenue	**21**	20
Interest revenue	**409**	179
Trust revenue	**26**	44
Net fair value gains/(losses)	**50**	(566)
Total investment income/(loss)	**506**	(323)
Represented by		
Investment income/(loss) on assets backing insurance liabilities	**286**	(226)
Investment income/(loss) on shareholders' funds	**220**	(97)
	506	(323)
B. Investment composition		
I. Interest-bearing investments		
Cash and cash equivalents	**879**	588
Government and semi-government bonds	**2,016**	2,550
Corporate bonds and notes	**5,958**	6,093
Subordinated securities	**1,267**	915
Other	**497**	354
	10,617	10,500
II. Growth investments[1]		
Equity investments	**1,202**	1,313
III. Other investment		
Derivatives	**3**	-
Total investments	**11,822**	11,813

1 Growth investments include exposure to listed and unlisted equities, global convertible bonds, higher-yielding credit strategies and hedge funds. The hedge funds exposure ceased in December 2022.

C. Recognition and measurement

Investment revenue is brought to account on an accrual basis. Revenue on investments in equity securities and property trusts is deemed to accrue on the date the dividends/distributions are declared, which for listed equity securities is deemed to be the ex-dividend date.

Investments comprise assets held to back insurance liabilities (policyholder funds that represent assets backing the future settlement of outstanding claims) and assets that represent shareholders' funds. The investment funds themselves are predominantly generated from the collection of insurance premiums. The allocation of investments between policyholder funds and shareholders' funds is regularly monitored and the portfolio rebalanced accordingly. To determine the allocation, IAG's investment funds under management are compared to the technical provisions of IAG, which include insurance liabilities. The policyholder funds are allocated to back the technical provisions, with the excess representing shareholders' funds.

All investments are designated at fair value through profit or loss. Investments are recorded and subsequently remeasured to fair value at each reporting date. Changes in the fair value are recognised as realised or unrealised investment gains or losses in profit or loss. IAG recognises transfers into and transfers out of fair value hierarchy levels (described below) as at the end of the reporting year. Purchases and sales of investments are recognised on a trade date basis, being the date on which a commitment is made to purchase or sell the asset. Transaction costs for purchases of investments are expensed as incurred. Investments are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and substantially all the risks and rewards of ownership have transferred.

The inputs used to determine the fair value for securities recognised under each level of the fair value hierarchy are set out below.

I. Level 1 quoted prices

The fair value is determined by reference to quoted prices (mid-market) in active markets for identical assets and liabilities. For IAG, this category includes cash and short-term discount securities, government securities and listed equities.

II. Level 2 other observable inputs

The fair value is determined by reference to quoted prices in active markets for similar assets or liabilities or by reference to other significant inputs that are not quoted prices but are based on observable market data, for example interest rate yield curves observable at commonly quoted intervals. The valuation techniques may include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models. For IAG, this category primarily includes corporate and other fixed interest securities where the market is considered to be lacking sufficient depth to be considered active. There have been no significant transfers between Level 1 and Level 2 during the current and prior financial periods.

III. Level 3 unobservable inputs

The fair value is determined using valuation techniques in which a number of the significant inputs are not based on observable market data. Level 3 investments are primarily invested in interest-bearing instruments and unlisted equity, held via unlisted trusts. The fair value of these unlisted trusts is based on the net asset value as advised by the external investment manager of these funds who has responsibility for the valuation of the underlying securities. The investment manager may use various valuation techniques in the determination of fair value based on a range of internal, external and third party inputs where available. The fair value of the directly held unlisted equity is based on a methodology leveraging inputs relating to the latest capital transactions executed by the respective companies. This category also includes IAG's unlisted equity interest in Bohai Property Insurance Company Limited (Bohai). The fair value of Bohai is supported by comparable industry transaction multiples observed in the local market. During the current financial year, in addition to changes in fair value, movements in level 3 investments included:

- purchases of $86 million (2022: $89 million) and sales of $16 million (2022: $107 million) in interest-bearing instruments;
- purchases of $44 million (2022: $44 million) in unlisted equity with $79 million sales in the current financial year (2022: $153 million); and
- there have been no significant transfers between Level 2 and Level 3 during the current and prior financial periods.

The table below separates the total investment balance by hierarchy category:

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
2023				
Interest-bearing investments	**2,706**	**7,431**	**480**	**10,617**
Growth investments	**594**	**209**	**399**	**1,202**
Other investments	**-**	**3**	**-**	**3**
	3,300	**7,643**	**879**	**11,822**
2022				
Interest-bearing investments	3,160	6,986	354	10,500
Growth investments	555	357	401	1,313
	3,715	7,343	755	11,813

Note 2.4 Unearned premium liability

	2023 $m	2022 $m
A. Reconciliation of movements		
Unearned premium liability at the beginning of the financial year	**6,831**	6,527
Deferral of premiums written during the financial year	**7,683**	6,827
Earning of premiums written in previous financial years	**(6,792)**	(6,482)
Net foreign exchange movements	**25**	(41)
Unearned premium liability at the end of the financial year	**7,747**	6,831

The carrying value of unearned premium liability includes $32 million (2022: $39 million) which is expected to be earned more than 12 months from the reporting date.

B. Recognition and measurement

Unearned premium is the portion of premium income that has yet to be recognised in the profit or loss (i.e. unexpired portion for risks underwritten) and is calculated based on the term of the risk and in accordance with the expected pattern of the incidence of risk underwritten, using an appropriate pro-rata method.

C. Adequacy of unearned premium liability

I. Liability adequacy test (LAT)

The LAT assesses the adequacy of the carrying amount of the net unearned premium liability to settle future claims. To determine if any deficiency exists, estimates of future claim costs (premium liabilities net of reinsurance) are compared to the unearned premium liability (net of reinsurance and related deferred acquisition costs). If the future claim costs exceed the net premium liabilities, then a deficiency exists. Any deficiency is recognised immediately in profit or loss, with the corresponding impact on the balance sheet recognised first through the write down of deferred acquisition costs for the relevant portfolio of contracts and then through the establishment of a provision (unexpired risk liability).

The LAT is required to be conducted at the level of a portfolio of contracts that are subject to broadly similar risks and that are managed together as a single portfolio. IAG defines 'broadly similar risks' at a level where policies are affected by one or more common risk factors, including natural peril events, general weather conditions, economic conditions, inflationary movements, legal and regulatory changes as well as legislative reforms, reinsurance cost changes and variation in other input costs. IAG defines 'managed together' at a segment level as the respective divisional CEOs collectively manage the entire portfolio within their control. The LAT is currently performed at the segment level for Direct Insurance Australia, Intermediated Insurance Australia and New Zealand.

The LAT at reporting date resulted in a surplus (2022: surplus), with the table below providing details of the net premium liabilities (net of reinsurance and adjusted for appropriate risk margin) used in the LAT:

	2023 $m	2022 $m
Net central estimate of present value of expected cash flows on future claims	**3,564**	2,988
Risk margin of the present value of expected future cash flows	**80**	72
	3,644	3,060
Risk margin percentage	**2.2%**	2.4%
Probability of adequacy	**60.0%**	60.0%

II. Significant accounting estimates and judgements

The LAT is conducted using the central estimate of the premium liabilities, applying a methodology consistent for reporting to APRA, which requires an estimation of the present value of future net cash flows (relating to future claims arising from the rights and obligations under current general insurance contracts) and adjusted for an appropriate risk margin for uncertainty in the central estimate for each portfolio of contracts. The test is based on prospective information and so is heavily dependent on assumptions and judgements.

The risk margin used in the LAT for individual portfolios is calculated by using a probability of adequacy (POA) methodology including diversification benefit, which is consistent with that used for the determination of the risk margin for the outstanding claims liability, based on assessments of the levels of risk in each portfolio. The 60% POA represented by the LAT differs from the 90% POA represented by the outstanding claims liability as the former is in effect an impairment test used only to test the sufficiency of net unearned premium liabilities, whereas the latter is a measurement accounting policy used in determining the carrying value of the outstanding claims liability. The process used to determine the risk margin, including the way in which diversification of risks has been allowed for, is explained in Note 2.2.

Notes to the financial statements

Note 2.5 Deferred insurance expenses

	Deferred acquisition costs[1]		Deferred outwards reinsurance expense[2]		Total deferred insurance expenses	
	2023 $m	2022 $m	**2023 $m**	2022 $m	**2023 $m**	2022 $m
A. Reconciliation of movements						
Deferred costs at the beginning of the financial year	**1,030**	993	**2,804**	2,608	**3,834**	3,601
Costs deferred	**2,270**	2,089	**5,904**	5,275	**8,174**	7,364
Amortisation charged to profit	**(2,145)**	(2,046)	**(5,512)**	(5,063)	**(7,657)**	(7,109)
Net foreign exchange movements	**4**	(6)	**10**	(16)	**14**	(22)
Deferred costs at the end of the financial year	**1,159**	1,030	**3,206**	2,804	**4,365**	3,834

1 The carrying value of deferred acquisition costs includes $0.4 million (2022: $1 million) which is expected to be amortised in more than 12 months from reporting date.
2 The carrying value of deferred outwards reinsurance expense includes $32 million (2022: $41 million) which is expected to be amortised in more than 12 months from reporting date.

B. Recognition and measurement

I. Acquisition costs

Acquisition costs are incurred in obtaining and recording general insurance contracts, which include advertising expenses, commission or brokerage paid to agents or brokers, premium collection costs, risk assessment costs and other administrative costs. These costs are initially capitalised and then expensed in line with the earning pattern of the related premium. Deferred acquisition costs at the reporting date represent the acquisition costs relating to unearned premium.

II. Outwards reinsurance expense

Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. The outwards reinsurance premium relating to unearned premium is treated as a prepayment at the reporting date.

Note 2.6 Trade and other receivables

	2023 $m	2022 $m
A. Composition		
I. Premium receivable		
Gross premium receivable	**4,843**	4,155
Provision for expected credit losses	**(44)**	(52)
Net premium receivable	**4,799**	4,103
II. Trade and other receivables[1]		
Reinsurance recoveries on paid claims	**307**	150
Investment-related receivables	**381**	204
Trade and other debtors	**161**	123
Trade and other receivables	**849**	477
	5,648	4,580

1 Receivables are non-interest-bearing and are normally settled between 30 days and 12 months. The balance has not been discounted as the time value of money effect is not material. The net carrying amount of receivables is a reasonable approximation of the fair value of the assets due to the short-term nature of the assets.

B. Recognition and measurement

Trade and other receivables are measured at amortised cost reflecting the net recoverable amounts inclusive of GST. The amounts are discounted where the time value of money effect is material.

On initial recognition of trade and other receivables an assessment of lifetime expected credit losses is performed based on historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment. Amounts are then provided for where required with the impairment charge recognised in profit or loss. These lifetime expected credit losses are then assessed on an ongoing basis. Balances are written off when IAG has stopped pursuing the recovery. If the amount to be written off is greater than the amount provided for, the difference will first be treated as an increase in the provision that is applied against the gross carrying amount. Any subsequent recoveries are credited to profit or loss. The receivables that were written off during the reporting period were insignificant, and therefore there has been no change to the provision for expected credit losses associated with trade and other receivables. Receivables from insurance and reinsurance contracts are not required to be assessed for expected credit losses under *AASB 9*, however amounts are provided for where appropriate. Refer to Note 3.1 for further details.

Note 2.7 Trade and other payables

	2023 $m	2022 $m
A. Composition		
I. Reinsurance premium payable[1]	**1,425**	1,292
II. Trade creditors[2]		
Commissions payable	**253**	269
Stamp duty payable	**179**	153
GST payable on premium receivable	**233**	201
Other indirect taxes	**145**	153
Other	**188**	182
	998	958
III. Other payables[2]		
Other creditors and accruals	**320**	272
Levies payable	**303**	312
Investment creditors	**304**	176
Interest payable on interest-bearing liabilities	**6**	3
	933	763
	3,356	3,013

1 IAG has a right of offset and settles on a net basis under the 20% quota share agreement with National Indemnity Company, a subsidiary of Berkshire Hathaway (BH), and under the combined 12.5% quota share agreements with Munich Re, Swiss Re and Hannover Re. This balance includes reinsurance premium payable to BH of $1,513 million (2022: $1,316 million) and the combined 12.5% quota share agreement counterparties of $953 million (2022: $833 million), which have been offset with receivables due from BH of $917 million (2022: $805 million) and the combined 12.5% quota share agreement counterparties of $548 million (2022: $462 million), respectively. The relevant cash flows pertaining to the contracts have been presented on a gross basis within the cash flow statement.

2 Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days to 12 months. Amounts have not been discounted because the time value of money effect is not material. The carrying amount of payables is a reasonable approximation of the fair value of the liabilities because of the short-term nature of the liabilities.

B. Recognition and measurement

Trade and other payables are stated at the fair value of the consideration to be paid in the future for goods and services received, inclusive of GST. The amounts are discounted where the time value of money effect is material.

3. Risk

Section introduction

This section provides an overview of IAG's approach to risk and capital management.

IAG is exposed to multiple risks relating to the conduct of its business. IAG does not seek to avoid all risks, but rather to assess them in a systematic, structured and timely manner against IAG's Risk Appetite Statement, delegations, authorities and limits, and seeks to manage them appropriately in alignment with IAG's strategy. Risk management arrangements are designed to reflect the scope, scale and complexity of IAG's activities, and where appropriate, capital is held to support these activities.

IAG uses an enterprise-wide approach to risk that includes the following risk classes:

- Strategic
- Organisational conduct and customer
- Insurance
- Reinsurance
- Market
- Credit
- Liquidity
- Capital
- Model
- Operational
- Regulatory and compliance

The risk classes, their definition and structured arrangements for their management are included in IAG's Risk Management Strategy (RMS). Risks rarely exist, nor should be considered, in isolation. The interconnectivity of IAG's material risks is understood and managed. Key risks and their potential impact, likelihood, interconnectedness and velocity are considered in IAG's Enterprise Risk Profile (ERP).

Notes to the financial statements

Note 3.1 Risk and capital management

A. Risk management overview

The Board has responsibility for setting the risk appetite within which it expects management to operate and approves IAG's Risk Appetite Statement and RMS. The Risk Committee assists the Board to discharge its risk management and compliance responsibilities, oversight of risk management, oversight of the implementation and operation of the Group's risk management and governance frameworks and provides advice to the Executives and Board. The Risk Committee also monitors the effectiveness of the Risk Management function. The Group Chief Risk Officer (CRO) oversees risk management practices across IAG. The Group CRO is supported by the Group Risk Function and by other subject matter experts including the Chief Actuary, Chief Underwriting Officer, and EGM Capital Markets. The Group CRO provides regular reports to the Risk Committee on the operation of the Risk Management Framework (RMF), the status of material risks, the control environment, risk and compliance events and issues and risk framework changes.

The RMF is in place to assist the Board and Executives in managing risk. The RMF is the totality of systems, structures, policies, processes and people within IAG that identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk. The RMF supports management by:

- providing a consistent, structured approach to identifying and managing risk across the Group;
- having appropriate policies, procedures and controls in place to effectively manage risks;
- providing meaningful reporting to the Board to make informed business decisions;
- ensuring adequate oversight of the risk profile; and
- facilitating a strong risk culture.

IAG's documented RMS describes the group-wide RMF and how it is implemented, including risk appetite (i.e. the levels, boundaries and nature of risk the organisation is willing to accept), the risk classes used, the major risk management processes, and the roles and responsibilities for managing risk. The RMS is a Board approved document which directly supports the Group's strategic intent, purpose, values, and business sustainability activities. IAG uses Group policies and other supporting documents to help ensure the risk management requirements are clear across IAG. The RMS must be adhered to, along with the legal, regulatory and prudential requirements in all countries in which the organisation has operations.

Other key documents within IAG include:

- Reinsurance Management Strategy (ReMS), which describes the systems, structures and processes which collectively ensure IAG's reinsurance arrangements and operations are prudently managed;
- Group Risk Appetite Statement (RAS), which articulates the levels, boundaries, and nature of risk the Board is willing to accept in pursuit of IAG's strategic objectives;
- Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement, which summarises IAG's risk assessment processes for capital management and describes the strategy for maintaining adequate capital over time;
- Group Crisis Management Plan, which aims to minimise business impact and loss in the event of a significant incident by providing a clear and organised response strategy supported by pre-defined response procedures; and
- a Recovery Plan, which provides guidance on how IAG might be restored to a sound financial condition following severe financial stress.

The definitions of the risk classes and related mitigation strategies are set out in the subsequent sections.

Some of IAG's key specific risks and its response to them are as follows:

Climate change

IAG, through its operations, is exposed to the impacts of natural peril events including cyclones, wind, hail, floods, and fire which are inherently unpredictable with regards to frequency and severity. There is a risk that the frequency and/or the severity of such events may continue to increase over time due to climate change. Claims arising out of such natural peril events can be substantial and can adversely affect the Group's financial performance. Reinsurance and underwriting standards are used by the Group to mitigate the potential claims cost arising from natural peril events.

Cyber

IAG collects, uses and retains large volumes of data, including personal and sensitive information. IAG is also heavily reliant on information technology, including information technology provided by suppliers.

IAG recognises that cyber security threats are evolving and becoming more frequent, severe and sophisticated. IAG, its customers, staff, shareholders, and others could suffer losses where IAG or any of its suppliers experiences a cyberattack, data breach or technology failure, especially where this involves a compromise to the confidentiality, integrity or availability of any IAG information assets or disruption to its services. These incidents can impact customer, staff, shareholder and regulator confidence in IAG and lead to litigation, regulatory enforcement action, significant financial penalties and/or reputational damage.

These risks may be heightened where a cyber incident, data breach, technology failure or other circumstance reveals regulatory non-compliance or other deficiencies in cyber resilience, cybersecurity or data handling practices, inadequate incident response practices, or that IAG has made misleading statements about its information security or data handling practices.

IAG is committed to protecting the information of its customers and stakeholders. IAG seeks to manage cyber and data breach risks by continuing to evolve its data governance and cyber risk management framework which is designed to protect its customers and stakeholders' personal information and other confidential information, reviewing its data retention and destruction practices, taking steps to de-identify and destroy data that is no longer required by the business, and improving its operational resilience in the face of any cyber incident.

However, while IAG has measures and protocols which are designed to safeguard against cyber threats, data breaches and technology failures, these may not be successful in all circumstances. There are also limitations to IAG's ability to monitor and control its service providers' security practices.

Geopolitical and economic uncertainty

IAG is closely monitoring a range of factors such as geopolitical uncertainty, inflationary pressures and interest rate rises. IAG recognises that these factors have the potential to significantly affect IAG and its stakeholders. IAG is committed to managing and mitigating the related risks appropriately and acknowledges that these present significant risks, including higher claims costs, decreased profits, and reduced demand for insurance products. IAG is carefully monitoring these risks and is committed to aligning strategies to mitigate the impacts of these risks.

IAG continues to actively manage global sanctions including those arising from the Russia/Ukraine conflict.

B. Strategic risk

Strategic risk is defined as the risk that internal or external factors disrupt the assumptions underpinning IAG's strategy or compromise our ability to set and execute an appropriate strategy.

Strategic risk is managed by the Group Leadership Team with Board oversight. Key elements that support the management of strategic risk include a rigorous approach to identifying and evaluating key strategic risks and having this process integrated with the Group's strategic planning program, with management and Board reporting forming part of our ongoing monitoring mechanisms. IAG implements active portfolio management of its insurance operations. This involves robust and regular review of the portfolios that leads to informed decisions on the allocation of assets in the most efficient and value-accretive way in order to achieve IAG's strategic objectives. Consideration of both current and future value is critical in the process. Portfolio management can involve the acquisition or divestment of other entities, for which IAG has implemented a merger and acquisitions framework to help ensure the associated risks are appropriately managed. Strategic risk mitigation is enhanced by the Group's strategic and underwriting functions which access data driven customer insights to inform IAG's products and services response.

IAG acknowledges the significance of climate-related risks, as well as environmental, social and governance (ESG) risks and the impact this may have on IAG's ability to execute its strategy. A Climate Action Working Group, facilitated by the Strategic Risk team, supports cross-functional efforts in managing these risks.

C. Organisational conduct and customer risk

Organisational conduct and customer risk (OCCR) is defined as the risk of behaviour or action taken by entities and employees associated with IAG that may have negative outcomes for IAG's customers, staff, communities, and markets in which IAG operates. It includes the risk that products are designed, priced, distributed and managed in a way that does not meet the reasonable needs and objectives of customers.

IAG is committed to managing OCCR with the aim of meeting the reasonable needs and objectives of customers and achieving its purpose to 'make your world a safer place'. Management and staff throughout IAG are responsible for identifying, assessing and managing conduct risks in accordance with their roles and responsibilities. The Group OCCR Framework and Standard set the governance mechanisms and practices to identify and manage OCCR throughout IAG, within the Group's RAS and aligned to IAG's Strategy. OCCR is supported by interrelated frameworks, policies, standards and procedures that integrate good conduct outcomes across the value chain and within business operations.

Key elements that support the identification of OCCR include those related to employees & incentives; product development & pricing; distribution of products; claims; and complaints (i.e. fulfilment of promise). Associated mitigation includes monitoring adherence to the Group Code of Ethics & Conduct, aligned remuneration practices, integration of conduct risk components within product and pricing lifecycle components, alignment of claims and complaints processes, and remediation oversight that supports good OCCR outcomes.

D. Insurance risk

Insurance risk is the risk of unintended financial loss as a result of:

- inadequate or inappropriate underwriting;
- inadequate or inappropriate product design and pricing;
- unforeseen, unknown or unintended liabilities that may eventuate;
- inadequate or inappropriate claims management including reserving; and
- insurance concentration risk (i.e. by locality, segment factor, or distribution).

A fundamental part of IAG's overall risk management approach is the effective governance and management of the risks that affect the amount, timing and certainty of cash flows arising from insurance contracts. The level of insurance risk accepted by IAG is formally documented in its Business Division Licences, which are issued to each operating division. A Business Division Licence is prepared by the Group Chief Underwriting Officer in consultation with the customer facing divisions and is approved by the Group CEO. The Business Division Licences are reviewed annually or more frequently if required. In addition to Business Division Licences, insurance risk is also managed through the implementation of the Group Insurance Risk Framework and supporting Group insurance risk policies (Underwriting, Pricing, Product and Claims Management).

I. Acceptance and pricing of risk

IAG focusses on the sustainability of its underwriting risk profile, rather than a premium volume or market share oriented approach. IAG believes this approach provides the greatest long-term likelihood of being able to meet the objectives of all stakeholders, including policyholders, regulators and shareholders. Underwriting and pricing expertise, coupled with data and analytics capability, allow IAG to underwrite policies in the context of its risk appetite.

The underwriting by IAG of large numbers of less than fully correlated individual risks, predominantly short-tail business, across a range of classes of insurance business in different regions reduces the variability in overall claims experience over time. A risk still remains that the actual amount of claims paid is different to the amount estimated at the time an insurance product was designed and priced. IAG's claims management and provisioning, reinsurance and capital management further mitigate the impact of this risk.

As referenced above, the operating business divisions are required to underwrite within set criteria as outlined in the Business Division Licence. Maximum limits are set for the acceptance of risk both on an individual insurance contract basis and for classes of business and specific risk groupings.

Management information systems are maintained to provide up to date, reliable data on the risks to which the business is exposed. Statistical models that combine historical and projected data (pricing, claims and market conditions) are used to calculate premiums and monitor claim patterns for each class of business.

II. Claims management and provisioning

Once an incident has occurred, initial claim estimates are managed by claims officers with the requisite degree of experience and competence with the assistance, where appropriate, of a loss adjustor or other party with specialist knowledge of specific incidents. These case estimates are used to form part of the basis of the claim provisions. It is IAG's intention to respond to and settle all valid claims quickly whenever possible and to pay claims fairly, based on policyholders' full entitlements.

Claim provisions are established using actuarial valuation models, including a risk margin to cover inherent uncertainty in the ultimate cost of claims, aimed at ensuring adequate capital is allocated to settle claims that have occurred. Refer to Note 2.2 for further details.

III. Concentrations of insurance risk

Each year IAG sets its tolerance for concentration risk through the use of various models to estimate its maximum exposure to potential natural disasters and other catastrophes. IAG mitigates its exposure to concentrations of insurance risk by holding a portfolio diversified into many classes of business across different regions and by the utilisation of reinsurance, taking into account the cost of reinsurance and capital efficiency. The catastrophe reinsurance cover protects IAG's capital by limiting its financial exposure to a single severe event as well as frequency of medium sized events. The catastrophe reinsurance cover purchased affects the Insurance Concentration Risk Charge (ICRC) in the APRA capital calculation.

Concentration risk is particularly relevant in the case of catastrophes, usually natural disasters including earthquakes, bushfires, hailstorms, tropical cyclones, storms and floods, which generally result in a concentration of policyholders being impacted by the same event. This aggregation of multiple claims arising from a single event creates the most material insurance loss potential in the Group. IAG is also exposed to certain large man-made catastrophic events such as industrial accidents and building fires. Catastrophe losses are an inherent risk of the general insurance industry that contribute to potentially material year-to-year fluctuations in the results of operations and financial position. The nature and level of catastrophes in any period cannot be predicted accurately but can be estimated through the utilisation of predictive models. IAG actively monitors its aggregate exposure to catastrophe losses in all regions and limits exposure in regions that are subject to high levels of natural perils. Specific processes for monitoring identified key concentrations are set out below:

Risk	Source of concentration	Risk management measures
An accumulation of risks arising from a natural peril/catastrophe	Insured property concentrations	Accumulation risk modelling and reinsurance protection
A large property loss	Fire or accident affecting one building or a group of adjacent buildings	Maximum per risk acceptance limits, property risk grading and reinsurance protection
Multiple liability retentions being involved in the same event	Response by a multitude of policies to the one event	Purchase of reinsurance clash protection

The table below provides an analysis of gross written premium from continuing operations by both region and product, which demonstrates the diversity of IAG's operations and its relatively limited exposure to additional risks associated with long-tail classes of business (where there is increased uncertainty of the ultimate cost of claims due to the additional period of time to settlement):

Gross written premium analysis	2023 %	2022 %
a. Region		
Australia	**78**	78
New Zealand	**22**	22
	100	100
b. Product		
Motor	**31**	32
Home	**28**	29
Short-tail commercial	**25**	24
Compulsory Third Party (motor liability)	**5**	5
Liability	**6**	6
Workers' compensation	**4**	3
Other short-tail	**1**	1
	100	100

E. Reinsurance risk

Reinsurance risk is the risk of financial loss as a result of:

- lack of capacity in the reinsurance market;
- insufficient or inappropriate reinsurance coverage;
- inadequate underwriting and/or pricing of reinsurance exposures retained by IAG's reinsurance captives;
- inadequate or inappropriate reinsurance recovery management;
- reinsurance arrangements not being legally binding; and
- reinsurance concentration risk.

IAG's reinsurance program is an important part of its overall approach to risk and capital management. It is used to limit exposure to large single claims as well as an accumulation of claims that arise from the same or similar events in order to stabilise earnings and protect capital resources. The Reinsurance Management Strategy outlines IAG's reinsurance principles, including the requirement that reinsurance retention for catastrophe must not exceed 4% of gross earned premium.

In practice IAG purchases catastrophe reinsurance protection above the greater of:

- APRA's prescribed minimum approach of 1-in-200 year return period loss calculated on a whole-of-portfolio, all perils basis in Australia;
- a 1-in-250 year return period for earthquake loss calculated on a whole-of-portfolio, earthquake only basis in Australia; and
- a 1-in-1000 year return period for earthquake loss calculated on a whole-of-portfolio, earthquake only basis in New Zealand.

Catastrophe model output is not the sole determinant of the amount of reinsurance purchased. Other factors such as loss experience, anticipated portfolio changes and the market availability and pricing of reinsurance are also considered, in conjunction with regulatory capital requirements, when setting the limit and retention of the catastrophe program.

Dynamic financial analysis modelling is used to determine the optimal level at which reinsurance should be purchased for capital efficiency, compared with the cost and benefits of covers available in the reinsurance market.

The amount of reinsurance purchased is determined by reference to the modelled Probable Maximum Loss (PML). Natural perils are inherently uncertain, which presents model risk. As a result, the loss from an actual event could exceed the modelled PML.

To facilitate the reinsurance process, manage counterparty exposure and create economies of scale, IAG has established a centralised reinsurance operating structure. This is via a reinsurance department (or virtual captive) in Australia, referred to as IAG Reinsurance. IAG Reinsurance acts as the interface between the external providers of reinsurance capital and the operating business divisions.

The use of reinsurance introduces credit risk. The management of credit risk includes the monitoring of reinsurers' credit ratings and controlling total exposures to limit counterparty default risk which is further explained in the credit risk section. IAG adopts a sound underwriting approach to the reinsurance program through the expertise provided by IAG Reinsurance. Retained exposures sit within the Board risk appetite and appropriate capital is maintained.

I. Current reinsurance program

The external reinsurance program includes the following treaty reinsurance arrangements:

- 32.5% whole-of-account quota share arrangements;

- a Group catastrophe reinsurance protection that runs to a calendar year and operates on an excess of loss basis, with IAG retaining the first $350 million ($236 million post quota share) for 1st and 2nd events. It covers all regions in which IAG operates. The limit of catastrophe cover purchased in 2023 is $10.5 billion placed to 67.5% (i.e. net of the whole-of-account quota share). Should a loss event occur that is greater than $10.5 billion, IAG could potentially incur a net loss greater than the retention stated above. IAG holds capital to mitigate the impact of this possibility;
- aggregate sideways covers that protect against a frequency of attritional event losses and operates below the Group catastrophe cover;
- excess of loss reinsurances which provide 'per risk' protection for the commercial property and engineering businesses;
- excess of loss reinsurance for all casualty portfolios including Compulsory Third Party (CTP), public liability, professional indemnity, directors and officers, workers' compensation and home owners warranty products;
- quota share reinsurance protection for cyber;
- excess of loss reinsurance for all marine portfolios;
- quota share and stop loss reinsurance for crop;
- adverse development cover (ADC) and quota share protection for the CTP portfolio;
- ADC for the New Zealand February 2011 earthquake; and
- ADC for policies issued prior to 31 December 2015 covering IAG's exposure to claims arising from legacy general liability and/or workers' compensation/employer's liability policies, primarily related to asbestos.

F. Market, credit, liquidity and capital risk

Key aspects of the processes established by IAG to monitor and mitigate market, credit, liquidity and capital risks include:

- reporting to the Board Risk and Audit Committees with Non-Executive Directors as members;
- the Group Leadership Team Risk Committee comprising of all Group Executives;
- the Asset and Liability Committee (ALCo) comprising key Executives with relevant oversight responsibilities;
- value-at-risk analysis and position limits which are regularly monitored;
- monthly stress testing which is undertaken to estimate the impact of adverse market movements;
- maintenance of an approved Group Credit Risk Policy, Group Liquidity Risk Management Policy, Group Foreign Exchange Risk Policy and Group Investment Policy;
- Board approved Strategic Asset Allocation setting out the overall structure of the investment strategy – asset classes, ranges on asset class exposures and broad limits on active management such as duration limits;
- capital management activities – for further details refer to the capital risk section (IV) of this note; and
- implementation of a Derivatives Risk Management Statement that considers the controls in the use of derivatives and sets out the permissible use of derivatives in relation to investment strategies.

I. Market risk

Market risk is defined as the risk of adverse movements in market prices (equities, derivatives, interest rates, foreign exchange, etc) or inappropriate concentration within the investment funds.

a. Foreign exchange risk

IAG operates internationally and is exposed to foreign exchange risk from various activities conducted in the normal course of business. Foreign exchange exposure is managed by the IAG Capital Markets function.

The key foreign exchange risk exposures arise from the fluctuation in spot exchange rates between the items denominated in currency other than the Group's functional currency (Australian dollar), which causes the amount of the items to vary. Mitigation strategies are set out below:

Exposure	Risk management measures
Net investment in foreign operations that have a functional currency other than the Australian dollar (translation of financial position recognised directly in equity and translation of financial performance recognised in profit or loss).	Designated hedging instruments – forward foreign exchange contracts (derivatives).
Interest-bearing liabilities denominated in currencies other than the Australian dollar.	Some are designated as hedging instruments where the currency matches the functional currency of investments in foreign operations.
Insurance liabilities denominated in currencies other than the Australian dollar (directly recognised in profit or loss).	Some assets backing technical reserves are held in the same currency as the related insurance liabilities, mitigating any net foreign exchange exposure.
Investments denominated in currencies other than the Australian dollar (directly recognised in profit or loss).	Designated economic hedging instruments – forward foreign exchange contracts (derivatives).

When all relevant criteria are met, the designated hedging instruments noted above will effectively reduce the impact of foreign exchange gains and losses recorded in the foreign currency translation reserve during the period. For the foreign exchange risk on its investment portfolio, the Group adopts a policy to target a 100% economic hedge (Refer to Note 4.5 for further details on hedge accounting).

The table below provides information regarding the impact on the measurement of net investments in foreign operations held at reporting date of an instantaneous 10% depreciation of the Australian dollar compared with selected currencies on equity, net of related derivatives. An appreciation of the Australian dollar would broadly have the opposite impact.

Impact of 10% depreciation of Australian dollar	2023 $m Impact directly to equity	2022 $m Impact directly to equity
Net investments in foreign operations and related hedge arrangements		
New Zealand dollar	**116**	71
Malaysian ringgit	**-**	8
	116	79

The sensitivity analysis demonstrates the effect of a change in one key assumption while other assumptions remain unchanged (isolated exchange rate movements).

b. Price risk

IAG has exposure to equity price risk through its investments in equities (both directly and through certain trusts), debt/equity hybrids, hedge funds and the use of derivative contracts. The impact on the measurement of the investments held at reporting date of a change in broad equity markets by +10% or 10% on profit before tax, net of related derivatives, is shown in the table below:

Impact of change in equity value		2023 $m Impact to profit	2022 $m Impact to profit
Investments – equity, debt/equity hybrids and trust securities and related equity derivatives	+10%	**57**	58
	-10%	**(55)**	(57)

Investments in equities, debt/equity hybrids, trust securities and related equity derivatives are all measured at fair value through profit or loss. There is no direct impact of a change in market prices on equity.

c. Interest rate risk

Fixed interest rate assets and liabilities are exposed to changes in market value derived from mark-to-market revaluations. Financial assets and liabilities with floating interest rates create cash flow variability.

IAG's interest rate risk arises primarily from fluctuations in the valuation of investments in fixed interest-bearing securities recognised at fair value and from the underwriting of general insurance contracts, which creates exposure to the risk that interest rate movements materially impact the present value of the insurance liabilities (the insurance liabilities are discounted with reference to the government yields). Movements in interest rates should have a small impact on the insurance profit or loss due to IAG's policy of investing in assets backing insurance liabilities principally in fixed interest securities that are closely matched to the duration of the insurance liabilities (period to settlement). Therefore, movements in the fair value measurement of the assets broadly offset the impact of movements in the insurance liabilities from changes in interest rates.

The impact on the measurement of investments in fixed interest-bearing securities held at reporting date of a change in interest rates by +1% or 1% on profit before tax, net of related derivatives, is shown in the following table. The sensitivity analysis provided demonstrates the effect of a change in interest rates only, whilst other assumptions remain unchanged. As investments in fixed interest-bearing securities are measured at fair value through profit or loss, there is no direct impact from an interest rate change on equity.

Impact of change in interest rates		2023 $m Impact to profit	2022 $m Impact to profit
Investments – interest-bearing securities and related interest rate derivatives	+1%	**(165)**	(141)
	-1%	**171**	147

Refer to Note 2.2 for details of the impact on the net outstanding claims liabilities before income tax to changes in key actuarial assumptions, including movements in discount rates.

II. Credit risk

Credit risk is defined as the risk arising from a counterparty's failure to meet its obligations in accordance with agreed terms. These counterparties include investment and derivative counterparties, reinsurers and premium debtors.

Concentrations of credit risk exist where a number of counterparties have similar economic characteristics. IAG's credit risk arises predominantly from investment activities, reinsurance activities, premium debtors, over-the-counter derivatives (currency forwards) and dealings with other intermediaries. IAG maintains a credit risk appetite, which is approved by the Board, and a Group Credit Risk Policy that is consistent with the Board's risk appetite. The policy outlines the framework and procedures in place to ensure an adequate and appropriate level of monitoring and management of credit quality throughout IAG, with the Capital Markets function responsible for implementation. IAG maintains sufficiently diverse credit exposures which also assists in avoiding a concentration charge being added to the regulatory capital requirement.

For the in-scope receivable balances, maximum exposure to credit risk is considered on initial measurement of the asset, where lifetime expected credit losses are taken into account and provided for where required. Refer to Note 2.6 for further details.

a. Investments

IAG is exposed to credit risk from investments in third parties, for example debt or similar securities issued by those companies. The maximum exposure to credit risk loss as at reporting date is the carrying amount of the investments on the balance sheet as they are measured at fair value. At the reporting date, there are material concentrations of credit risk to the banking sector, in particular the four major Australian banks. The credit risk relating to investments is regularly monitored and assessed, with maximum exposures limited by reference to credit rating and counterparty. Sovereign securities denominated in the functional currency are considered risk-free and are unconstrained. The assets backing insurance liabilities of $7,354 million (2022: $7,673 million) include predominantly high credit quality investments, such as government securities and other investment grade securities, which reduce the risk of default.

The following table provides information regarding the credit risk relating to the interest-bearing investments based on Standard & Poor’s counterparty credit ratings, which demonstrates the very strong overall credit quality of IAG's investment book:

Credit rating of interest-bearing investments*	2023 $m	2022 $m
AAA	**4,713**	5,220
AA	**3,810**	3,874
A	**338**	220
BBB	**1,140**	732
Below BBB or unrated	**616**	454
	10,617	10,500

* Cash and securities issued with a short-term rating are included in the rating category with the equivalent APRA counterparty grade.

b. Reinsurance recoveries on paid claims

Reinsurance arrangements mitigate insurance risk but expose IAG to credit risk. Reinsurance is placed with counterparties (primarily reinsurance companies) based on an evaluation of their financial strength, terms of coverage and price. At the reporting date, there are material concentrations of credit risk in relation to reinsurance recoverables, in particular to large global reinsurers. IAG has clearly defined policies for the approval and management of credit risk in relation to reinsurers. IAG monitors the financial condition of its reinsurers on an ongoing basis and periodically reviews the reinsurers’ ability to fulfil their obligations under respective existing and future reinsurance contracts. Some of the reinsurers are domiciled outside the jurisdictions in which IAG operates, so there is the potential for additional risk such as country risk and transfer risk.

It is IAG policy to only place cover with reinsurers with credit ratings of at least Standard & Poor’s A (or other rating agency equivalent), other than a mandatory placement to meet local regulatory requirements. Where the credit rating of a reinsurer falls below the required quality during the period of risk a contractual right to replace the counterparty exists. Some of the reinsurance protection is purchased on a ‘collateralised’ basis, where counterparties either deposit funds equivalent to their participation (trust or loss deposits) or provide other forms of collateral (letters of credit).

The following table provides IAG's exposure to reinsurance recoveries receivable on the outstanding claims balance, excluding other recoveries, by counterparty credit rating (Standard & Poor's) and the secured collateral:

		2023		2022
Credit rating of reinsurance recoveries on outstanding claims	$m	% of total	$m	% of total
AA	**5,446**	**90**	6,034	92
A	**661**	**10**	545	8
Below BBB or unrated	**18**	**-**	20	-
Total	**6,125**	**100**	6,599	100

Of these, approximately $1,813 million (2022: $1,737 million) is secured directly as follows, reducing the credit risk:

- deposits held in trust: $39 million (2022: $38 million); and
- letters of credit: $1,774 million (2022: $1,699 million).

An ageing analysis for reinsurance recoveries on paid claims is provided below:

	Not overdue $m	<30 days $m	Overdue 30-120 days $m	>120 days $m	Total $m
2023					
Reinsurance recoveries on paid claims	**303**	**3**	**1**	**-**	**307**
2022					
Reinsurance recoveries on paid claims	148	2	-	-	150

c. Premium receivable

The majority of the premium receivable balance relates to policies which are paid on a monthly instalment basis. The late payment of amounts due under such arrangements allows for the cancellation of the related insurance contract eliminating both the credit risk and insurance risk for the unpaid amounts. Upon cancellation of a policy the outstanding premium receivable and revenue is reversed. IAG is also exposed to the credit risk associated with brokers and other intermediaries when premium is collected via these intermediaries. IAG's exposure is regularly monitored by ALCo with reference to aggregated exposure, credit rating, internal credit limits and ageing of receivables by counterparty. Ageing analysis for premium receivable is provided below, with amounts aged according to their original due date, demonstrating IAG's limited exposure:

	Not overdue $m	<30 days $m	Overdue 30-120 days $m	>120 days $m	Total $m
2023					
Premium receivable	**4,623**	**104**	**60**	**56**	**4,843**
Provision for impairment	**(3)**	**(4)**	**(10)**	**(27)**	**(44)**
	4,620	**100**	**50**	**29**	**4,799**
2022					
Premium receivable	4,003	73	35	44	4,155
Provision for impairment	(4)	(11)	(13)	(24)	(52)
	3,999	62	22	20	4,103

III. Liquidity risk

Liquidity risk arises where liabilities cannot be met as they fall due as a result of insufficient funds and/or illiquid asset portfolios. IAG's liquidity position is derived from operating cash flows, access to liquidity through related bodies corporate and interest-bearing liabilities (with some denominated in different currencies and with different maturities). IAG complies with its liquidity risk management practices, which include a Group Liquidity Risk Management Policy, and has the framework and procedures in place to ensure an appropriate level of monitoring and management of liquidity.

a. Outstanding claims liability and investments

Underwriting insurance contracts exposes IAG to liquidity risk through the obligation to make payment for claims of unknown amounts on unknown dates. The assets backing insurance liabilities can generally be readily sold or exchanged for cash to settle claims and are managed in accordance with the policy of broadly matching the overall maturity profile to the estimated pattern of claim payments.

A maturity analysis is provided below of the estimated net discounted outstanding claims liability (based on the remaining term to payment at the reporting date) and the investments that have a fixed term (provided by expected maturity). The timing of future claim payments is inherently uncertain. Actual maturities may differ from expected maturities because certain counterparties have the right to call or prepay certain obligations with or without penalties.

	Net discounted outstanding claims liability		Investments	
Maturity analysis	**2023 $m**	2022 $m	**2023 $m**	2022 $m
At call	**-**	-	**1,376**	941
Within 1 year or less	**2,815**	2,959	**2,077**	2,061
Within 1 to 2 years	**1,009**	1,171	**974**	1,077
Within 2 to 5 years	**1,387**	1,550	**1,491**	2,199
Over 5 years	**489**	398	**4,699**	4,222
Total	**5,700**	6,078	**10,617**	10,500

Notes to the financial statements

b. Interest-bearing liabilities

The following table provides information about the residual maturity periods of the interest-bearing liabilities of a capital nature based on the contractual maturity dates of cash flows:

	Carrying value	Maturity dates of contractual undiscounted cash flows					
		Within 1 year	1-2 years	2-5 years	Over 5 years	Perpetual	Total
	$m	$m	$m	$m	$m	$m	$m
2023							
Principal repayments[1]	**2,118**	**-**	**-**	**-**	**1,618**	**500**	**2,118**
Contractual interest payments[1]		**135**	**112**	**205**	**-**	**-**	**452**
Total contractual undiscounted payments		**135**	**112**	**205**	**1,618**	**500**	**2,570**
2022							
Principal repayments[1]	2,016	-	-	-	1,612	404	2,016
Contractual interest payments[1]		89	89	140	-	-	318
Total contractual undiscounted payments		89	89	140	1,612	404	2,334

1 All of the liabilities have call, reset or conversion dates which occur prior to any contractual maturity. Detailed descriptions of the instruments are provided in Note 4.1. The contractual interest payments are undiscounted and calculated based on underlying fixed interest rates or prevailing market floating rates as applicable at the reporting date. Interest payments have not been included beyond five years.

IV. Capital risk

Capital risk is defined as the risk that capital is insufficient or excessive given the nature, strategies and objectives of the Group, or comprised of a mix of equity, debt, reinsurance, including IAG's 32.5% whole-of-account quota share arrangements, or other expiring sources of capital that is unsuitable or unsustainable due to its cost, structure, flexibility, or our ability to renew or replace on acceptable terms. IAG's capital management strategy plays a central role in managing risk to create shareholder value whilst meeting the objective of maintaining an appropriate level of capital to protect policyholders' and lenders' interests, and meet regulatory requirements.

IAG has a documented description of the capital management process (Internal Capital Adequacy Assessment Process (ICAAP)) and reports annually on its operation to the Board, together with a forward-looking estimate of expected capital utilisation (as represented in IAG's Capital Plan) and capital resilience (ICAAP Annual Report). The adequacy of IAG's capital position is judged relative to the Board's Capital RAS, with an Internal Capital Model (ICM) used to assess the risks of breaching the minimum levels established in the Capital RAS. Scenario analysis and stress testing are important adjuncts to the ICM. The amount of capital required varies according to a range of factors including the business underwritten, extent of reinsurance and investment asset allocation.

The target level of capitalisation (risk appetite) for IAG is assessed by consideration of factors including:

- the probability of insolvency over the next three years;
- the probability of falling below the APRA Prescribed Capital Amount (PCA) over the next three years;
- other stakeholder perspectives on capitalisation, including rating agency capital models and associated ratings; and
- domestic and international levels of capitalisation.

a. Regulatory capital

All insurers within IAG that carry on an insurance business in Australia are registered with APRA and are subject to APRA's Prudential Standards. It is IAG's policy to ensure that each of the licenced insurers in the Group maintains an adequate capital position.

IAG's long-term target capital ranges are set out below:

- a Common Equity Tier 1 capital of 0.9 to 1.1 times the PCA, compared to a regulatory requirement of a minimum of 0.6 times; and
- a total regulatory capital position equivalent to 1.6 to 1.8 times the PCA, compared to a regulatory requirement of a minimum of 1.0 times.

Internal policies are in place to ensure any significant deviations from the benchmarks are considered by the Board as to how any shortfall should be made good, or any surplus utilised or maintained.

IAG uses the standardised framework detailed in the relevant prudential standards (APRA Level 2 Insurance Group requirements) to calculate regulatory capital.

Regulatory capital position	2023 $m	2022 $m
Common Equity Tier 1 capital (CET1 capital)	**2,955**	2,364
Additional Tier 1 capital	**500**	404
Total Tier 1 capital	**3,455**	2,768
Tier 2 capital	**1,618**	1,612
Total regulatory capital	**5,073**	4,380
Total PCA	**2,637**	2,439
PCA multiple	**1.92**	1.80
CET1 multiple	**1.12**	0.97

At 30 June 2023, IAG's Insurance Concentration Risk Charge was $276 million (2022: $211 million).

Consideration is given to the operational capital needs of the business. Targeting a capital multiple above the minimum regulatory requirement aims to ensure the ongoing strength and security of IAG, while suitably protecting policyholders and lenders.

IAG's capital objectives are achieved through dynamic management of the balance sheet and capital mix, the use of a risk based capital adequacy framework that relies on explicit quantification of uncertainty or risk and the use of modelling techniques that provide the capacity to understand the risk/return trade-off as well as valuable inputs to the capital management process. The influences on capital, such as product mix, reinsurance program design, catastrophe exposure, investment strategy, profit margins and capital structure, are all assessed using dynamic financial analysis modelling.

An important influence on IAG's capital level is the payment of dividends. IAG targets a dividend payout ratio, measured as a proportion of cash earnings, within a range approved by the Board.

b. Capital composition

The capital mix at reporting date is shown in the table below:

Capital mix	Target %	2023 %	2022 %
Ordinary equity less goodwill and intangible assets	**60-70**	**61.5**	60.1
Interest-bearing liabilities – hybrid securities and debt	**30-40**	**38.5**	39.9
Total capitalisation		**100.0**	100.00

G. Model risk

Model risk is the potential for adverse consequences from decisions based on incorrect, misapplied, or misused model outputs and reports, including automated decisions based on model output.

Model risk is important because it can lead to financial loss, adverse customer outcomes, poor business and strategic decision making, damage to IAG's reputation and/or regulatory enforcement. At IAG, models are used for a broad range of activities across the business, including underwriting, valuing exposures, pricing, measuring risk, claims responses, determining capital, reserving adequacy and increasingly automating processes aligned with IAG's digital strategy.

Models are required to adhere to the Group Model Governance Policy. The requirements in this policy vary depending on the materiality of the model. An annual attestation from the model owner to a governing committee is required for each material model. The model owner needs to attest that the models under their remit are fit for purpose, up to date and comply with the policy and associated standards.

H. Operational risk

Operational risk is defined as the failure to achieve objectives due to inadequate or failed internal processes, people and systems or from external events.

When controls are inadequate or fail, an operational risk event can cause injury, damage to reputation, have legal or regulatory implications or can lead to financial loss. IAG manages these risks by initiating an appropriate control framework and by monitoring and managing potential risks. The Risk Committee is responsible for oversight of the operational risk framework and approval of the Group Operational Risk Management Framework, and any changes to it. The Board and Group Leadership Team believe an effective, documented and structured approach to operational risk is a key part of the broader RMF that is outlined in IAG's RMS.

The operational risk framework and standards aim to ensure that consistent governance mechanisms and practices are in place, and that activities undertaken which involve operational risk are assessed and managed with appropriate regard to the Group's RAS and the achievement of IAG's objectives. The operational risk framework is supported by aligned frameworks, policies, standards and guidelines for key aspects of operational risk.

On 28 July 2022, APRA released for consultation a new draft prudential standard CPS 230 Operational Risk Management. Following industry feedback, APRA released the final prudential standard on 17 July 2023 along with a draft prudential practice guide. The cross-industry standard sets out minimum standards for managing operational risk, including updated requirements for business continuity and service provider management, and will replace and supersede a number of existing standards and guidance. IAG has made significant investments to prepare for compliance with the standard and will participate in further consultation on the draft prudential practice guide. IAG is assessing the final standard and practice prudential guide to determine areas requiring further work in order to comply by the effective date of 1 July 2025.

Over the last three years, IAG has significantly improved its operational risk management practices following several issues, including potential business interruption claims relating to COVID-19 and historic matters pertaining to IAG's pricing systems and processes and payroll related procedures. IAG is continuing to focus on uplifting operational risk management capability as part of its efforts to accelerate improvements in its risk maturity. Refer to Note 2.2 and Note 5.3 for further details on the associated provisions.

Management and staff are responsible for identifying, assessing and managing operational risks in accordance with their roles and responsibilities.

I. Regulatory and compliance risk

Regulatory and Compliance Risk is defined as the risk of adverse legal outcomes, regulatory or reputational impacts arising from failure to manage compliance obligations, or failure to anticipate and prepare for changes in the regulatory environment. IAG engages with regulators and regularly monitors developments in regulatory requirements to support ongoing compliance.

In recent times, across Australia and New Zealand, the insurance industry has observed an increase in the frequency and scale of regulatory reviews and activity. For example, on 15 October 2021 ASIC called on all general insurers to review their pricing practices, systems and controls to ensure consumers received the full discounts they were promised. ASIC announced that where there are failures, or empty promises about price discounts, ASIC will use the full range of regulatory tools available to protect consumers – including enforcement action. ASIC has announced that its Enforcement Priorities for 2023 include failures by providers of general insurance to deliver on pricing promises to consumers and enforcement action targeting poor design, pricing, unfair contract terms and distribution of financial products including in relation to insurance. ASIC has also commenced a number of enforcement actions in relation to those types of issues. Where a breach has occurred, regulators may impose, or apply to a Court to impose, fines and/or other sanctions. In recent years, there has been an increase in the number of matters in respect of which the Group engages with its regulators, including in relation to pricing matters which are the subject of review and investigation by ASIC. In relation to the civil penalty proceedings that ASIC commenced against Insurance Australia Limited on 15 October 2021 in the Federal Court of Australia, on 30 June 2023 the Court ordered Insurance Australia Limited to pay a civil penalty in the amount of $40 million for contraventions of the Australian Securities and Investments Commission Act 2001 (Cth) (ASIC Act), plus ASIC's costs of and incidental to the proceeding. IAG remains focused on implementing required legislative changes in a timely and efficient manner.

4. Capital structure

Section introduction

This section provides disclosures on the capital structure of IAG, which demonstrates how IAG finances its overall operations and growth through the use of different sources of funds, including ordinary equity and debt and hybrid instruments. Reinsurance is also an important source of long-term capital for IAG – reinsurance specific disclosures are included in section 2 insurance disclosures.

The capital that IAG maintains provides financial security to its policyholders, whilst ensuring adherence to the capital adequacy requirements of industry regulators. IAG also seeks to maintain, and where possible enhance, the overall diversity and efficiency of its capital structure to support the delivery of targeted returns to shareholders. IAG's capital composition is substantially in the form of securities eligible for inclusion in regulatory capital, therefore IAG's capital mix is primarily determined by its regulatory capital targets.

Note 4.1 Interest-bearing liabilities

Final maturing date	Issue date	Principal amount	Section	2023 Carrying value $m	2023 Fair value $m	2022 Carrying value $m	2022 Fair value $m
A. Composition							
I. Capital nature							
Tier 1 regulatory capital							
Capital notes							
No fixed date	22 December 2016	$404 million[1]		-	-	404	412
No fixed date	22 December 2022	$500 million[2]	B. I	**500**	**506**	-	-
				500		404	
Tier 2 regulatory capital							
AUD subordinated term notes							
15 December 2036	24 August 2020	$450 million	B. II	**450**	**450**	450	442
15 June 2044	29 March 2018	$350 million	B. III	**350**	**350**	350	349
15 June 2045	28 March 2019	$450 million	B.I V	**450**	**450**	450	447
				1,250		1,250	
NZD subordinated term notes[3]							
15 June 2038	5 April 2022	NZ$400 million	B. V	**368**	**338**	362	352
II. Operational nature							
Other interest-bearing liabilities				**36**	**36**	50	50
Less: capitalised transaction costs				**(15)**		(11)	
				2,139		2,055	

1 The principal amount of Capital Notes 1 issued in 2016 reduced from $404 million to $220 million on 22 December 2022, as a result of a reinvestment offer in relation to Capital Notes 2. The remaining Capital Notes 1 were fully redeemed on 15 June 2023.
2 On 22 December 2022, the Company issued $500 million of Capital Notes 2. After allowance for a reinvestment offer for certain eligible holders of Capital Notes 1 issued in 2016 and transaction costs, the Company raised a net amount of $308 million.
3 At the reporting date, the Company recognised accrued interest of $1 million (30 June 2022: $1 million) which is presented within trade and other payables.

B. Significant terms and conditions

I. Capital Notes 2 issued on 22 December 2022

- distribution rate equals the sum of the three-month bank bill swap rate (BBSW) plus a margin of 3.50% per annum, adjusted for franking credits;
- payments of quarterly distributions are non-cumulative and can only be made subject to meeting certain conditions. If no distribution is made, no dividends can be paid and no returns of capital can be made on ordinary shares until the next distribution payment date, subject to certain exceptions;
- IAG may convert, redeem or resell the Capital Notes 2 on 15 June 2029, or upon occurrence of certain events, subject to APRA approval; and
- the Capital Notes 2 are scheduled for mandatory conversion into a variable number of ordinary shares of the Company (subject to a maximum number of 210 million shares) on 15 March 2032 or each subsequent distribution payment date on which the mandatory conversion conditions are satisfied, subject to certain conditions.

II. AUD subordinated term notes due 2036

- floating interest rate equal to the three-month BBSW plus a margin of 2.45% per annum is payable quarterly; and
- IAG has an option to redeem the notes at face value on 15 December 2026 and on any interest payment date following the first call date and for certain tax and regulatory events (in each case subject to APRA's prior written approval).

III. AUD subordinated convertible term notes due 2044

- floating interest rate equal to the three-month BBSW plus a margin of 2.10% per annum is payable quarterly;
- IAG has an option to redeem the notes at face value between 15 June 2024 and 15 June 2025 and for certain tax and regulatory events (in each case subject to APRA's prior written approval); and
- the notes can be converted into a variable number of ordinary shares of the Company (subject to a maximum of 88.7 million shares) at the option of holders from and including 15 June 2027 and at each subsequent interest payment date.

IV. AUD subordinated convertible term notes due 2045

- floating interest rate equal to the three-month BBSW plus a margin of 2.35% per annum is payable quarterly;
- IAG has an option to redeem the notes at face value between 15 June 2025 and 15 June 2026 and for certain tax and regulatory events (in each case subject to APRA's prior written approval); and
- the notes can be converted into a variable number of ordinary shares of the Company (subject to a maximum of 116.7 million shares) at the option of holders from and including 15 June 2028 and at each subsequent interest payment date.

V. NZD subordinated term notes due 2038

- fixed interest rate of 5.32% per annum, payable quarterly;
- IAG has an option to redeem the notes at face value on 15 June 2028 and on any interest payment date following the first call date and for certain tax and regulatory events (in each case subject to APRA's prior written approval); and
- if the notes are not redeemed on 15 June 2028, the interest rate will become the applicable three-month bank bill rate plus a margin of 1.90% per annum.

C. Non-viability trigger event

If APRA determines that a non-viability trigger event has occurred in relation to the Company, all (or in some circumstances, some) notes must be converted into ordinary shares of the Company, or, if conversion does not occur when required, written off.

D. Recognition and measurement

Interest-bearing liabilities are initially measured at fair value (net of transaction costs) and subsequently measured at amortised cost using the effective interest method. Based on market conditions at any point in time, the carrying value of the liabilities may not be representative of the fair value of the liabilities.

The fair value for all interest-bearing liabilities is calculated using their quoted market price in active markets (fair value hierarchy level 1), except for the AUD subordinated term notes where their fair value is calculated using their quoted market price in a market that is considered to be lacking sufficient depth to be considered active (fair value hierarchy level 2).

Note 4.2 Equity

	2023 Number of shares in millions	2022 Number of shares in millions	2023 $m	2022 $m
A. Share capital				
Balance at the beginning of the financial year	**2,465**	2,465	**7,386**	7,386
On-market share buy-back, net of transaction costs	**(24)**	-	**(122)**	-
Balance at the end of the financial year	**2,441**	2,465	**7,264**	7,386

B. Changes during the period

I. Berkshire Hathaway

On 12 January 2023, IAG announced the renewal of its whole-of-account quota share agreement (WAQS) with National Indemnity Company (NICO), a Berkshire Hathaway subsidiary. The renewed WAQS is effective from 1 January 2023 and applies until 31 December 2029. In connection with the renewal of the WAQS, the Strategic Relationship Agreement between the Company, NICO and Berkshire Hathaway Speciality Insurance Company as well as the Subscription Agreement between the Company and NICO will not be continuing and both were terminated.

II. On-Market share buy-back

On 17 October 2022, IAG announced, it would undertake an on-market share buy-back of up to $350 million. During the current financial year, the Company has acquired on-market 24 million shares for a consideration of $122 million (including transaction costs) at an average price per share of $4.99. The share buy-back commenced in November 2022 and currently has a proposed end date of 16 October 2023. IAG intends to extend the proposed end date of the share buy-back by up to 12 months.

C. Nature and purpose of equity

I. Ordinary shares

All ordinary shares on issue are fully paid and have no par value. Ordinary shares entitle the holder to a vote at a general meeting of the Company and to participate in the dividends and the proceeds on winding up of the Company in proportion to the number of, and amounts paid on, the shares held. Shares are classified as equity when there is no obligation to transfer cash or other assets to the holder. Transaction costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

II. Treasury shares held in trust

To satisfy obligations under the various share-based remuneration plans, shares are generally bought on-market at or near grant date of the relevant arrangement and are managed using in-house trusts, one for Australia and one for New Zealand, which are controlled by IAG. The shares are measured at cost and are presented as a deduction from equity. No gain or loss is recognised in profit or loss on the sale, cancellation or reissue of the shares. The shares are derecognised as treasury shares held in trust when the shares vest or are released to the participant. The total number of treasury shares acquired on-market during the financial year was 1.8 million (2022: 124 thousand) at an average price per share of $5.19 (2022: $4.62).

III. Foreign currency translation reserve

The foreign currency translation reserve records the foreign currency differences and related net investment hedge arising from the translation of the financial position and performance of subsidiaries and investments in associates that have a functional currency other than Australian dollars.

IV. Share-based remuneration reserve

The share-based remuneration reserve is used to recognise the fair value of equity-settled share-based remuneration obligations issued to employees. The total amount expensed over the vesting period through the consolidated statement of comprehensive income is calculated by reference to the fair value of the rights at grant date. The fair value of the rights is calculated at the grant date using a Black Scholes valuation model and Monte Carlo simulation. The volatility assumption has been set considering the Company's historical share price. Some of the assumptions are based on historical data which is not necessarily indicative of future trends. Reasonable changes in these assumptions would not have a material impact on the amounts recognised in the financial statements.

The Company provides benefits to employees (including senior management and Executives) through share-based incentives to create a link between shareholder value creation and rewarding employees, and assist with retention of key personnel. The senior management and Executive share plan arrangements consist of two separate arrangements working together. These two arrangements are the Deferred Award Rights Plan (DARs Plan) and Executive Performance Rights Plan (EPRs Plan).

The obligations under share-based payment arrangements are covered by the on-market purchase of ordinary shares of the Company which are held in trust. The number of shares purchased to cover each allocation of rights is determined by the trustee based on independent actuarial advice.

Note 4.3 Earnings per share

	2023 cents	2022 cents
A. Reporting period values		
Basic earnings per ordinary share[1]	**33.92**	14.09
Diluted earnings per ordinary share[2]	**32.20**	13.33

1 The basic earnings per ordinary share is determined by dividing the profit or loss attributable to shareholders of the Parent by the weighted average number of shares of the Parent on issue during the reporting year. The treasury shares held in trust are deducted, but earnings attributable to those shares are included.
2 Diluted earnings per share is determined by dividing the profit or loss attributable to shareholders of the Parent, adjusted for the finance costs of dilutive convertible instruments, by the weighted average number of ordinary shares and dilutive potential ordinary shares, primarily as a result of debt instruments that possess a conversion feature.

	2023 $m	2022 $m
B. Reconciliation of earnings used in calculating earnings per share		
Profit attributable to shareholders of the Parent which is used in calculating basic and diluted earnings per share	**832**	347
Finance costs of dilutive convertible securities, net of tax	**84**	21
Profit attributable to shareholders of the Parent which is used in calculating diluted earnings per share	**916**	368

	2023 Number of shares in millions	2022 Number of shares in millions
C. Reconciliation of weighted average number of ordinary shares used in calculating earnings per share		
Weighted average number of ordinary shares on issue (adjusted for treasury shares held in trust) used in the calculation of basic earnings per share	**2,453**	2,462
Weighted average number of dilutive potential ordinary shares relating to:		
Convertible securities	**390**	295
Unvested share-based remuneration rights supported by treasury shares held in trust	**2**	3
	2,845	2,760

Note 4.4 Dividends

	Cents per share	2023 $m	Cents per share	2022 $m
A. Ordinary shares				
2023 30% franked interim dividend paid on 23 March 2023 (2022: unfranked interim dividend)	**6.0**	**147**	6.0	148
2022 70% franked final dividend paid on 22 September 2022	**5.0**	**123**	13.0	320
		270		468
B. Dividend not recognised at reporting date				
2023 30% franked final dividend (2022: 70% franked final dividend) to be paid on 28 September 2023	**9.0**	**220**	5.0	123
C. Dividend franking amount				
Franking credits available for subsequent financial periods based on a tax rate of 30%		**291**		256

The consolidated amounts above are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits that will arise from the settlement, after the end of the reporting date, of tax-related balances and the franking credits that will be utilised for dividends determined but not recognised at the reporting date.

The Company, immediately after payment of the final dividend (30% franked), will have no franking credits available for distribution.

The unfranked part of the dividend is declared to be conduit foreign income. For shareholders not resident in Australia, the dividend will not be subject to Australian withholding tax.

D. Dividend reinvestment

The Company has a Dividend Reinvestment Plan (DRP) which allows eligible shareholders with ordinary shares to elect to receive their dividend entitlement in the form of ordinary shares of the Company. The price of DRP shares is the volume-weighted average price (VWAP), less a discount if determined by the Directors, calculated over the pricing period (which is at least five trading days) as determined by the Directors for each dividend payment date.

A copy of the terms and conditions for the DRP is available at www.iag.com.au in the Shareholder Centre section. The DRP for the 2023 interim dividend was suspended.

E. Restrictions that may limit the payment of dividends

There are currently no restrictions on the payment of dividends by the Parent other than:

- the payment of dividends is subject to the provisions of the *Corporations Act 2001* and IAG's constitution;
- the payment of dividends generally being limited to profits, subject to ongoing solvency obligations, and under the APRA Level 2 Insurance Group supervision requirements, IAG is required to obtain approval from APRA before payment of dividends on ordinary shares that exceed the Group's after-tax earnings as defined by APRA; and
- no dividends can be paid and no returns of capital can be made on ordinary shares if distributions are not paid on the Capital Notes 2, unless certain actions are taken by IAG. For further details, refer to Note 4.1.

F. Recognition and measurement

Provision for dividends is made in respect of ordinary shares where the dividends are declared on or before the reporting date but have not yet been distributed at that date.

Note 4.5 Derivatives

A. Reporting date positions

	Notional contract amount	Fair value asset	2023 Fair value liability	Notional contract amount	Fair value asset	2022 Fair value liability
	$m	$m	$m	$m	$m	$m
I. Net investment hedges (hedge accounting applied)						
Forward foreign exchange contracts	-	-	-	737	2	(13)
II. Derivatives (without hedge accounting applied)						
Bond futures	**3,722**	-	**(14)**	2,380	-	-
Share price index futures	**(3)**	-	-	17	-	-
Forward foreign exchange contracts[1]	**3,453**	**6**	**(21)**	3,199	1	(75)

1 Prior year comparatives have been re-presented to combine investment-related derivatives and treasury-related derivatives.

All derivative contracts are expected to be settled within 12 months.

B. Recognition and measurement

Derivatives are initially recognised at fair value, which is determined by reference to current market quotes or generally accepted valuation principles. Where derivatives are investment-related, they are presented together with the underlying investments or as payables when the fair value is negative. Any other derivatives are presented as receivables when the fair value is positive or as payables when the fair value is negative.

I. Hedge accounting

Hedge accounting may be applied to derivatives designated as hedging instruments provided certain criteria are met. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedge of net investments in foreign operations

The foreign currency exposures arising on translation of net investments in foreign operations are hedged (net investment hedge) using the spot element of forward exchange contracts and the designation of certain foreign currency borrowings as hedging instruments. The fair value is determined using observable inputs (level 2 in the fair value hierarchy).

There is an economic relationship between the hedged items and the hedging instruments as the net investment creates a translation risk that will match the foreign exchange risk on the spot element of the forward exchange contracts and the foreign currency borrowings. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instruments is identical to the hedged risk component.

Any gain or loss on the net investment hedges relating to the effective portion of the hedge is recognised in equity, while the gain or loss relating to the ineffective portion is immediately recognised in profit or loss. Gains and losses accumulated in the equity reserve are recognised in profit or loss upon the disposal of the foreign operation.

Details of IAG's activities in relation to hedges in its foreign operations against foreign currency movements are as follows:

		2023		2022
	Change in fair value of items for ineffectiveness assessment	**Balance in foreign currency translation reserve**	Change in fair value of items for ineffectiveness assessment	Balance in foreign currency translation reserve
	$m	**$m**	$m	$m
Net investment hedges (hedge accounting applied)				
Forward foreign exchange contracts	**-**	**66**	1	43

II. Derivatives without hedge accounting applied

For derivatives that do not qualify for hedge accounting, the changes in fair value are immediately recognised in profit or loss. Transaction costs for purchases of derivatives are expensed as incurred.

The fair value of the bond futures and share price index futures are measured using a quoted price in an active market (level 1 in the fair value hierarchy), whilst the fair value of the forward foreign exchange contracts are determined using observable inputs (level 2 in the fair value hierarchy).

5. Other balance sheet disclosures

Section introduction

This section provides disclosures on other components of IAG's financial position, including:

- Goodwill and intangible assets – these balances primarily relate to the difference between the total consideration paid and the net tangible assets acquired in relation to past business acquisitions as well as internally developed capitalised software. These assets support the generation of future earnings and are subject to impairment testing, with finite useful life intangible assets also subject to amortisation. For example, an impairment will arise if future earnings can no longer support the carrying value of the assets in question.
- Income tax – the note summarises both the comprehensive income (profit or loss and other comprehensive income) and balance sheet items related to income tax. The profit or loss disclosure includes a reconciliation between the income tax expense reported and the prima facie amount when applying the Australian company tax rate (30%). The balance sheet disclosure focuses on deferred tax balances, which arise due to timing differences between the accounting treatment of taxable income or expenses and the treatment adopted by the relevant tax authority. For example, IAG recognises a deferred tax asset in relation to losses incurred by its Australian and New Zealand operations in prior financial years. This asset is expected to unwind over time as the tax benefit recognised for accounting purposes is used to offset future taxable income.
- Provisions – historically this balance has primarily included employee-related costs, for example an annual leave entitlement representing amounts owing to employees at the balance date based on past service. The provisions balance also includes amounts in respect of the customer remediation program and payroll compliance review.
- Leases – the note provides information on the effect that leases have on the financial position, financial performance and cash flows of IAG.

Note 5.1 Goodwill and intangible assets

	Goodwill $m	Software development expenditure $m	Distribution channels $m	Customer relationships $m	Brands and other $m	Total $m
2023						
A. Composition						
Cost	**2,830**	**1,442**	**152**	**194**	**112**	**4,730**
Accumulated amortisation and impairment	**-**	**(737)**	**(152)**	**(184)**	**(25)**	**(1,098)**
Balance at the end of the financial year	**2,830**	**705**	**-**	**10**	**87**	**3,632**
B. Reconciliation of movements						
Balance at the beginning of the financial year	**2,823**	**489**	**-**	**13**	**86**	**3,411**
Additions acquired and developed	**2**	**267**	**-**	**-**	**1**	**270**
Disposal through sale of businesses	**(7)**	**-**	**-**	**-**	**-**	**(7)**
Amortisation	**-**	**(50)**	**-**	**(3)**	**(1)**	**(54)**
Net foreign exchange movements	**12**	**(1)**	**-**	**-**	**1**	**12**
Balance at the end of the financial year	**2,830**	**705**	**-**	**10**	**87**	**3,632**
2022						
A. Composition						
Cost	2,823	1,176	152	194	110	4,455
Accumulated amortisation and impairment	-	(687)	(152)	(181)	(24)	(1,044)
Balance at the end of the financial year	2,823	489	-	13	86	3,411
B. Reconciliation of movements						
Balance at the beginning of the financial year	2,829	285	1	17	88	3,220
Additions acquired and developed	14	220	-	2	-	236
Amortisation	-	(17)	(1)	(6)	-	(24)
Net foreign exchange movements	(20)	1	-	-	(2)	(21)
Balance at the end of the financial year	2,823	489	-	13	86	3,411

Notes to the financial statements

C. Impairment

An impairment charge is recognised in profit or loss when the carrying value of the asset, or Cash Generating Unit (CGU), exceeds the calculated recoverable amount. The impairment charge for goodwill cannot be subsequently reversed, whereas for identified intangibles the charge can be reversed where estimates used to determine the recoverable amount have changed. For assets with indefinite useful lives, which include goodwill, the recoverability of the carrying value of the assets is reviewed for impairment at each reporting date, or more frequently if events or changes in circumstances indicate that it might be impaired. The carrying amounts of intangible assets with finite useful lives are reviewed at each reporting date by determining whether there is an indication that the carrying values may be impaired. If any such indication exists, the asset is tested for impairment.

I. Impairment testing of goodwill

For the purpose of impairment testing goodwill is allocated to CGUs. The recoverable amount of goodwill is determined by value-in-use calculations, which estimate the present value of future cash flows by using a post-tax discount rate that reflects current market assessment of the risks specific to the CGUs. Where an impairment is determined, impairment losses relating to CGUs are allocated first to reduce goodwill and then to other CGU assets on a pro-rata basis.

Goodwill is allocated to the following CGUs:

	2023 $m	2022 $m
Direct Insurance Australia	**624**	622
Intermediated Insurance Australia	**1,551**	1,558
Australia	**2,175**	2,180
New Zealand	**655**	643
	2,830	2,823

The following describes the key assumptions on which management based its cash flow projections to undertake the impairment testing:

- Cash flow forecasts are based on the latest three-year management business plans and then trend to the long-term assumptions to cover a ten-year valuation forecast for growth and profitability.
- Terminal value is calculated using a perpetuity growth formula based on the cash flow forecast at the end of the relevant valuation forecast period, terminal growth rate in profit or premium and, where appropriate, terminal insurance margin. Terminal growth rates and insurance margins are based on past performance and management's expectations for future performance in each segment and country. The terminal growth rate assumptions used in IAG's impairment assessment for significant CGUs as at 30 June 2023 are: Direct Insurance Australia 3.7% (2022: 3.7%), Intermediated Insurance Australia 3.3% (2022: 3.2%) and New Zealand 3.5% (2022: 3.5%).
- Discount rates reflect a beta and equity risk premium appropriate to IAG, with risk adjustments for individual segments and countries where applicable. The pre-tax and post-tax discount rates used for significant CGUs as at 30 June 2023 are set out in the table below.

	2023		2022	
	Pre-tax	**Post-tax**	Pre-tax	Post-tax
Direct Insurance Australia	**11.8%**	**9.5%**	11.5%	9.3%
Intermediated Insurance Australia	**12.2%**	**9.5%**	11.8%	9.3%
New Zealand	**12.6%**	**10.0%**	12.4%	9.8%

II. Impairment testing of identified intangible assets

Where the recoverable amount is determined by a value-in-use calculation, it involves the use of accounting estimates and assumptions to determine the projected net cash flows, which are discounted using an appropriate discount rate to reflect current market assessment of the risks associated with the assets or CGU. A description of the nature of significant intangible assets is provided below:

- An impairment charge for capitalised software is incurred if there is evidence of obsolescence or significant changes impacting the manner in which an asset is used or expected to be used or there is evidence indicating the economic performance of the asset is not as intended by management.
- The value of distribution channels is derived from future revenue expected to be generated as a result of the existing relationships with the broker networks.
- Customer relationships represent the present value of future profits expected to arise from existing customer relationships (developed prior to acquisition of the business). The assumptions for the useful life and customer attrition rates are determined based on historical information.
- Brands represent the revenue-generating value of the acquired brand which is determined using the relief from royalty method.

D. Recognition and measurement

All of the goodwill and intangible assets, other than components of capitalised software development expenditure (internally generated), have been acquired.

Intangible assets are initially recorded at cost at the date of acquisition, being the fair value of the consideration. Internally generated intangible assets comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Goodwill is generated as a result of business acquisition and is initially measured as the excess of the purchase consideration over the fair value of the net identifiable assets and liabilities acquired. At the date of disposal of a business, attributed goodwill is used to calculate the gain or loss on disposal.

Intangible assets with an indefinite useful life, including goodwill and certain brands, are not subject to amortisation but to impairment testing. Intangible assets with finite useful lives are amortised on a straight-line basis over the period in which the related economic benefits are expected to be realised. Amortisation rates and residual values are reviewed annually, and any changes are accounted for prospectively. Amortisation is recognised within fee-based, corporate and other expenses in the consolidated statement of comprehensive income, whilst the amortisation of capitalised software is recognised within the insurance profit. The useful lives for each category of intangible assets are as follows:

- capitalised software: up to 3 years, with major core software infrastructure amortised over a period up to 10 years;
- distribution channels: 5 to 10 years;
- customer relationships: 5 to 10 years; and
- brands and other: up to 20 years, except for certain brands with an indefinite useful life.

Note 5.2 Income tax

	2023 $m	2022 $m
A. Income tax expense		
Current tax	**132**	136
Deferred tax	**295**	8
Under/(over) provided in prior year	**2**	(4)
Income tax expense	**429**	140
B. Reconciliation of prima facie tax to income tax expense		
Profit for the year before income tax	**1,354**	564
Income tax calculated at 30% (2022: 30%)	**406**	169
Amounts which are not deductible/(taxable) in calculating taxable income		
Disposal of associate	**(2)**	-
Difference in tax rate	**3**	(3)
Rebatable dividends	**(3)**	(3)
Interest on capital notes and convertible preference shares	**10**	6
Other	**13**	(25)
Income tax expense applicable to current year	**427**	144
Adjustment relating to prior year	**2**	(4)
Income tax expense attributable to profit for the year from continuing operations after impact of tax consolidation	**429**	140
C. Deferred tax assets		
I. Composition		
Tax losses	**436**	600
Insurance provisions	**152**	140
Provisions	**14**	77
Property and equipment	**175**	140
Employee benefits	**100**	88
Investments	**47**	98
Defined benefit superannuation plans	**2**	4
Other	**43**	32
	969	1,179
Amounts set-off against deferred tax liabilities	**(308)**	(224)
	661	955
II. Reconciliation of movements		
Balance at the beginning of the financial year	**1,179**	1,156
(Charged)/credited to profit or loss	**(211)**	39
(Charged)/credited to other comprehensive income*	**(3)**	(16)
Adjustments relating to prior year	**1**	5
Foreign exchange differences	**3**	(5)
Balance at the end of the financial year prior to set-off	**969**	1,179

* Amounts charged/credited to other comprehensive income relate to the tax effect on remeasurements of defined benefit plans.

Notes to the financial statements

III. Tax losses

The deferred tax assets from tax losses relate to the Australian tax-consolidated group as a result of business interruption insurance reserving and remediation costs, and IAG's New Zealand business as a result of the Christchurch earthquake events that occurred in 2010 and 2011 and the 2016 Kaikoura earthquake. Tax losses carried forward do not expire after a particular period and remain available to offset against future income tax liabilities, provided the continuity of shareholding requirement is met at the listed holding company level.

	2023 $m	2022 $m
D. Deferred tax liabilities		
I. Composition		
Investments	**21**	10
Other	**287**	214
	308	224
Amounts set-off against deferred tax assets	**(308)**	(224)
	-	-
II. Reconciliation of movements		
Balance at the beginning of the financial year	**224**	179
Charged to profit or loss	**84**	47
Charged to other comprehensive income*	**1**	-
Adjustments relating to prior year	**(1)**	(2)
Balance at the end of the financial year prior to set-off	**308**	224

* Amounts charged/credited to other comprehensive income relate to the tax effect on hedge of net investments in foreign operations.

E. Recognition and measurement

I. Income tax

Income tax expense for a reporting year comprises current and deferred tax. Income tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in either equity or other comprehensive income.

II. Current tax

Current tax assets and liabilities are the expected tax recoverable or payable on the taxable income for the year, using tax rates for each jurisdiction, and any adjustment to tax payable in respect of previous financial periods. These include any rates or laws enacted or substantially enacted at the consolidated balance sheet date.

III. Deferred tax

Deferred tax liabilities are recognised for all taxable temporary differences between the carrying amount and tax bases. Deferred tax assets (deductible temporary differences, carried forward unused tax assets and unused tax losses) are recognised to the extent it is probable that future taxable profit will be available to utilise them before the unused tax losses or credits expire. In making this assessment, IAG considers historical trends of profit generation.

The following demonstrates other circumstances when no deferred tax asset or liability is recognised:

- temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss;
- temporary differences between the carrying amount and tax bases of investments in subsidiaries where it is probable that the differences will not reverse in the foreseeable future; and
- temporary differences relating to the initial recognition of goodwill.

IV. Tax consolidation

The Company and its Australian resident wholly-owned subsidiaries adopted the tax consolidation legislation with effect from 1 July 2002 and are therefore taxed as a single entity from that date. The Company is the head entity within the tax-consolidated group.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts receivable/(payable) from/(to) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts. Any difference between these amounts is recognised by IAG as an equity contribution or distribution.

All entities in the tax-consolidated group have entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liabilities of the wholly-owned entities in the case of a default by the head entity. The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the Company for any current tax payable assumed.

Note 5.3 Provisions

	2023 $m	2022 $m
A. Provisions		
Employee benefits	**339**	322
Restructuring provision	**5**	23
Customer refunds provision	**43**	309
Payroll compliance provision	**6**	17
	393	671
B. Employee benefits		
I. Expense recognised in the consolidated statement of comprehensive income		
Defined contribution superannuation plans	**139**	136
Defined benefit superannuation plans	**4**	5
Share-based remuneration	**9**	15
Salaries and other employee benefits expense	**1,862**	1,736
	2,014	1,892
II. Provision recognised on the consolidated balance sheet		
Short-term and other benefits*	**210**	181
Long service leave	**126**	118
Defined benefit superannuation plans	**3**	12
Executive performance rights	**-**	11
	339	322

* Short-term and other benefits include annual leave entitlements and cash-based incentive arrangements.

The employee benefits provision includes $72 million (2022: $91 million) which is expected to be settled after more than 12 months from reporting date.

C. Restructuring provision		
Balance at the beginning of the financial year	**23**	20
Additions	**2**	21
Amounts settled	**(20)**	(18)
Balance at the end of the financial year	**5**	23

The restructuring provision primarily comprises restructuring costs in respect of operating model changes in Australia and New Zealand. The provision outstanding at the reporting date is expected to be settled within 12 months (2022: all).

D. Customer refunds provision		
Balance at the beginning of the financial year	**309**	399
Additions	**9**	43
Unused amounts reversed	**(6)**	-
Amounts utilised	**(269)**	(133)
Balance at the end of the financial year*	**43**	309

* This balance includes an offsetting amount of $2 million (2022: $3 million) in respect of recoverable indirect taxes.

This customer refunds provision relates to multi-year pricing issues identified by IAG as part of a proactive review of its pricing systems and related business processes.

On 15 October 2021, IAG advised that ASIC had commenced civil penalty proceedings in the Federal Court of Australia alleging contraventions of the ASIC Act and the *Corporations Act 2001* by Insurance Australia Limited, a wholly-owned subsidiary of the Company. The proceedings relate to Insurance Australia Limited's failure to pass on the full amount of discounts to a significant number of NRMA Home, Motor, Caravan and Boat Insurance customers between March 2014 and September 2019. IAG identified this issue as part of a review in 2019 and self-reported the issue to ASIC. On 30 June 2023, the Federal Court of Australia ordered Insurance Australia Limited to pay a civil penalty in the amount of $40 million for contraventions of the ASIC Act, plus ASIC's costs of and incidental to the proceeding. The customer refunds associated with these proceedings, the civil penalty amount and ASIC's expected costs are covered by the customer refunds provision, which also covers other products and pricing-related matters.

Notes to the financial statements

During the current financial period the reduction in the provision of $266 million relates mainly to ongoing remediation payments to impacted customers and the incurrence of costs associated with running the program. The gross customer refunds provision was $43 million at 30 June 2023 (2022: $309 million).

The customer refunds provision is expected to be settled within 12 months from reporting date (2022: all).

	2023 $m	2022 $m
E. Payroll compliance provision		
Balance at the beginning of the financial year	**17**	63
Additions	**5**	-
Amounts utilised	**(16)**	(46)
Balance at the end of the financial year	**6**	17

This provision relates to a retrospective compliance review across a number of IAG's payroll-related procedures connected to primary and ancillary legislative and key entitlement obligations.

During the current year, there has been no material impact to earnings related to changes in the payroll compliance provision, with the reduction in the provision of $11 million relating to the settlement of employee entitlement shortfalls and the incurrence of costs associated with running the program. The payroll compliance provision was $6 million at 30 June 2023 (2022: $17 million). The provision comprises employee entitlement shortfalls, interest applicable to those amounts, the cost of administering the associated remediation program and other costs that are expected to be incurred in relation to this matter.

The payroll compliance provision is expected to be settled within 12 months from reporting date (2022: all).

F. Recognition and measurement

The Group recognises provisions when there is a present obligation arising from a past event, an outflow of economic resources is probable, and the amount of the provision can be measured reliably. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the timing and amount of the obligation.

I. Annual leave

Liability for annual leave is recognised at the nominal amounts unpaid at the reporting date using remuneration rates that are expected to be paid when the liability is settled, including on costs.

II. Long service leave

A liability for long service leave is recognised as the present value of estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The estimated future cash outflows are discounted using corporate bond yields which have terms to maturity that match, as closely as possible, the estimated future cash outflows. Factors which affect the estimated future cash outflows such as expected future salary increases, experience of employee departures and period of service, are incorporated in the measurement.

III. Short-term incentive plan

The short-term incentive plan continued in operation during the current reporting year. Under the plan, eligible employees have the capacity to earn an incentive, calculated as a proportion of their base salary or fixed remuneration, which is paid in cash each year. The incentive opportunity is set depending on an employee's role and responsibilities. The majority of employees are on a 10%, 15% or 20% plan. The incentive payments are determined based on an assessment of individual performance and achievement of a range of Group, business unit and individual goals.

IV. Superannuation

For defined benefit superannuation plans, the net financial position of the plans is recognised on the consolidated balance sheet and the movement in the net financial position is recognised in profit or loss, except for remeasurements of defined benefit plans (experience adjustments and changes in actuarial assumptions), which are recognised directly in retained earnings. For defined contribution superannuation plans, obligations for contributions are recognised in profit or loss as they become payable.

V. Executive performance rights

Executive performance rights (EPRs) issued after July 2013 are indeterminate rights in that they can be cash-settled or equity-settled. The choice of settlement is with the Board. Liabilities for the EPRs that are cash-settled are recognised as an employee benefit expense over the relevant service period. The liabilities are remeasured to fair value at each reporting date and are presented as employee benefit obligations in the balance sheet.

VI. Restructuring provision

A provision is recognised for the expected costs associated with restructuring where there is a detailed formal plan for restructure and a valid expectation has been raised in those persons expected to be affected. The provision is based on the direct expenditure to be incurred which is both directly and necessarily caused by the restructuring and may include termination benefits. It does not include costs associated with ongoing activities. The adequacy of the provision is reviewed regularly and adjusted if required. Revisions to the estimated amount of a restructuring provision are reported in the period in which the revision to the estimate occurs.

VII. Customer refunds provision

A provision is recognised for the expected and currently known costs associated with customer refunds. In establishing this provision, assumptions have been made around the quantum of the premium impact for affected customers, the compound interest attributable to the base premium amount, the costs associated with operating the associated remediation program and related matters. The appropriateness of all underlying assumptions continues to be reviewed as the remediation program progresses and adjustments will be made to the provision where required.

VIII. Payroll compliance provision

A provision is recognised for the expected costs associated with the payroll compliance review. In establishing this provision, assumptions have been made around the quantum of the underpayment of some employee entitlements, interest applicable to those amounts, the cost of administering the associated remediation program and other costs that are expected to be incurred in relation to this matter.

Note 5.4 Leases

A. Amounts recognised in the balance sheet

I. Right-of-use assets

	Properties $m	Equipment $m	Motor vehicles $m	Total $m
2023				
Balance at the beginning of the financial year	**403**	**6**	**3**	**412**
Additions to right-of-use assets	**50**	**-**	**1**	**51**
Depreciation and impairment	**(90)**	**(5)**	**(1)**	**(96)**
Derecognition of right-of-use assets	**(1)**	**-**	**-**	**(1)**
Net foreign exchange movements	**(1)**	**-**	**-**	**(1)**
Balance at the end of the financial year	**361**	**1**	**3**	**365**
2022				
Balance at the beginning of the financial year	454	15	3	472
Additions to right-of-use assets	31	-	1	32
Depreciation and impairment	(72)	(9)	(1)	(82)
Derecognition of right-of-use assets	(9)	-	-	(9)
Net foreign exchange movements	(1)	-	-	(1)
Balance at the end of the financial year	403	6	3	412

II. Lease liabilities

	2023 $m	2022 $m
Current	**74**	74
Non-current	**423**	455
Carrying value of lease liabilities	**497**	529
Due within 1 year	**84**	88
Due within 1 to 2 years	**74**	81
Due within 2 to 5 years	**179**	188
Due after 5 years	**200**	230
Total undiscounted lease liabilities	**537**	587

III. Net investment in sub-lease

The Group has leased out certain portions of its leased properties, which it has classified as a finance sub-lease. At the reporting date, the Group recognised net investment in sub-lease of $33 million (2022: $36 million) which is presented within trade and other receivables in the consolidated balance sheet.

B. Amounts recognised in the statement of comprehensive income

	2023 $m	2022 $m
Depreciation and impairment (included in underwriting expense and fee-based, corporate and other expenses)	**(96)**	(82)
Interest expense (included in finance costs)	**(15)**	(16)
Expense relating to short-term leases (included in underwriting expense and fee-based, corporate and other expenses)	**(5)**	(7)
Interest income from sub-leasing right-of-use assets (included in fee and other income)	**1**	1

During the 2023 financial year, IAG considered various options to reduce its property portfolio footprint by up to 25%. Options included consolidating office footprint and sub-leasing. The change in use of the right-of-use assets provides evidence of an indicator of impairment. In determining the impairment amount, the carrying amount has been compared with the recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. The current financial assessment incorporating minimum acceptable commercial terms have resulted in a $20 million (2022: $3 million) impairment of IAG's right-of-use assets as at 30 June 2023.

C. Amounts recognised in the cash flow statement

	2023 $m	2022 $m
Total cash outflow for leases	**99**	102

D. Recognition and measurement

Properties, motor vehicles and equipment of the Group are leased under non-cancellable lease agreements, which are measured under *AASB 16*. Most leases are subject to annual review and, where appropriate, a right of renewal has been incorporated into the lease agreements. There are no options to purchase the relevant assets on expiry of the lease.

Assets and liabilities arising from a lease are initially measured as the present value of lease payments over the term of the agreement that are not paid at that date. Lease liabilities include the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable; and
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease term is determined as the non-cancellable period of a lease, considering any options to extend or early terminate the lease that the entity reasonably expects to exercise.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- identifies the relevant risk-free yield curve for the country specific lease and lease term; and
- applies a margin to the risk-free rate that reflects the entity specific credit risk which reflects the rate at which it could borrow from external markets. The margin has been identified by taking an average of those applied in external markets by entities with a similar credit rating issuing debt for durations which are consistent with the terms of leases held by IAG.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost representing the time value of money is charged to the profit or loss over the lease period. The discount rate applied is unchanged from that applied at the initial recognition of the lease, unless there are material changes to the lease.

Right-of-use assets are measured at cost comprising the following:

- the initial measurement of lease liability; adjusted for
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- restoration costs;

- less any accumulated depreciation and any accumulated impairment losses; and
- adjusted for any remeasurement of the lease liability.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of property, motor vehicles and equipment are recognised on a straight-line basis as an expense in profit or loss. Short-term leases have a lease term of 12 months or less.

6. Group structure

Section introduction

This section provides disclosures on the Group structure, including details of the significant controlled entities. It also provides details of any significant acquisitions and divestments during the year.

Note 6.1 Disposal of businesses

On 19 July 2021, IAG announced that AmGeneral Holdings Berhad (AmGeneral), the Malaysian business in which it held a 49% interest, had signed an Implementation Agreement for the proposed sale of its insurance business to Liberty Insurance Berhad (Liberty). Regulatory approval for the sale was received on 28 June 2022 with completion of the transaction (including distribution of sale proceeds to IAG through a Court approved capital reduction) occurring on 28 July 2022.

During the second half of the financial year, following the completion of the sale and finalisation of post-close completion adjustments of $10.0 million, a profit of $3 million was recognised.

	2023 $m
Cash consideration received	**344**
Cash consideration receivable	**10**
Carrying amount of investment in associate	**(337)**
Other transaction costs	**(4)**
Profit on sale before income tax and reclassification of foreign currency translation reserve	**13**
Reclassification of foreign currency translation reserve	**(10)**
Profit on sale before income tax	**3**
Income tax (expense)/benefit	**-**
Profit on sale after income tax	**3**

Note 6.2 Details of subsidiaries

The following table details IAG's general insurance operations and other significant controlled entities:

	Country of incorporation/ formation	Ownership interest held by Group if not 100%	
		2023 %	2022 %
A. Ultimate parent			
Insurance Australia Group Limited	Australia		
B. Subsidiaries			
I. Australian general insurance operations			
Insurance Australia Limited	Australia		
Insurance Manufacturers of Australia Pty Limited	Australia	**70.00**	70.00
II. New Zealand general insurance operations			
IAG New Zealand Limited	New Zealand		

Notes to the financial statements

Note 6.3 Non-controlling interests

A. Summarised financial information

Set out below is summarised financial information (before intercompany eliminations) of controlled entities where significant non-controlling interests exist, being Insurance Manufacturers of Australia Pty Limited of which IAG's beneficial interest is 70%.

	Insurance Manufacturers of Australia Pty Limited	
	2023 $m	2022 $m
I. Summarised statement of comprehensive income		
Net premium revenue	**4,132**	3,816
Profit after tax attributable to the Parent entity	**221**	179
Profit after tax attributable to non-controlling interest	**94**	77
Other comprehensive income	**1**	4
Total comprehensive income	**316**	260
II. Summarised balance sheet		
Total assets	**6,346**	5,763
Total liabilities	**(5,056)**	(4,656)
Net assets	**1,290**	1,107
Carrying amount of non-controlling interest	**387**	332
III. Summarised cash flow		
Net cash flows from operating and investing activities	**413**	(420)
Dividends paid to other IAG entities	**(93)**	(121)
Dividends paid to non-controlling interest	**(40)**	(52)
Total net cash flows	**280**	(593)

Note 6.4 Parent entity disclosures

The ultimate Parent entity in the Group is Insurance Australia Group Limited, which is incorporated in Australia. The following information of the Parent entity is disclosed as required by the current regulatory requirements in Australia.

		Parent
	2023 $m	2022 $m
A. Financial results		
(Loss)/profit for the year	**(65)**	769
Total comprehensive (expense)/income for the year, net of tax	**(65)**	769
B. Financial position		
Current assets	**322**	224
Total assets	**13,889**	13,148
Current liabilities	**182**	202
Total liabilities	**4,219**	3,020
C. Shareholders' equity		
Share capital	**7,264**	7,386
Retained earnings	**2,406**	2,742
Total shareholders' equity	**9,670**	10,128

D. Contingent liabilities

There are no known material exposures to the Parent or events that would require it to satisfy any guarantees or take action under a support agreement (2022: nil) other than the shareholder representative proceeding filed in the Supreme Court of Victoria (refer to Note 7.1 for further details on contingent liabilities).

Recognition and measurement

Contingent liabilities are not recognised on the balance sheet but are disclosed where the possibility of settlement is less than probable but more than remote. Provisions are not required with respect to these matters as it is not probable that a future sacrifice of economic benefits will be required or the amount is not reliably measurable. If settlement becomes probable, a provision is recognised. The best estimate of the settlement amount is used in measuring a contingent liability for disclosure.

E. Commitments

The Parent has no material commitments (2022: nil).

7. Unrecognised items

Section introduction

This section provides an overview of those items that are not required to be recognised in the financial statements, but may have informative content in relation to IAG's performance or financial position and are required to be disclosed under the accounting standards. These include:

- contingencies – these primarily relate to contingent liabilities that are only recognised in the financial statements when their settlement becomes probable or the amount to be settled can be reliably measured; and
- events subsequent to reporting date – information is included on non-adjusting events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. For example, disclosure of the final dividend in relation to a financial year as it is declared to be paid by the Board subsequent to the reporting date.

Note 7.1 Contingencies

As at 30 June 2023, the Group had the following specific contingent liability to report:

- On 1 August 2022, IAG announced it had been served with a shareholder representative proceeding filed in the Supreme Court of Victoria on behalf of persons who acquired shares in IAG during the period 11 March 2020 and 20 November 2020 (inclusive), in relation to IAG's disclosure of the potential impact of COVID-19 related business interruption claims. Since that time, there have not been any material developments in the proceedings. As such, it is currently not possible to determine the ultimate financial impact this proceeding may have on IAG, if any. IAG continues to defend the proceeding.

From time to time the Group is exposed to contingent risks and liabilities arising from the conduct of its business including:

- actual and potential disputes, claims and legal proceedings, including litigation arising out of insurance policies and regulatory matters;
- investigations into conduct, including actual and potential regulatory breaches, carried out by regulatory authorities on either an industry-wide or Group-specific basis;
- internal investigations and reviews into conduct, including actual and potential regulatory breaches, carried out by or on behalf of the Group; and
- contracts that involve giving contingent commitments such as warranties, indemnities or guarantees.

The insurance industry, including IAG, is highly regulated and has been the subject of increasing scrutiny by regulators. In recent years, there has been an increase on the number of matters on which the Group engages with its regulators, including in relation to pricing issues and which is the subject of ongoing inquiries and investigations.

The above listed matters are often highly complex and uncertain. The Directors are of the opinion that provisions are not required in respect of such matters, as it is either not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement. Where appropriate, provisions have been made (refer to Note 5.3 for further details on provisions).

Note 7.2 Events subsequent to reporting date

Details of matters subsequent to the end of the financial year are set out below. These include:

- On 21 August 2023, the Board determined to pay a 30% franked final dividend of 9.0 cents per share. The dividend will be paid on 28 September 2023. The DRP will operate likely by acquiring shares on-market for participants with no discount applied.

Notes to the financial statements

8. Additional disclosures

Section introduction

This section includes other information that must be disclosed to comply with the Australia Accounting Standards, *Corporations Act 2001* and ASX Listing Rules, but which is considered relevant to understanding IAG's performance or financial position.

Note 8.1 Notes to the consolidated cash flow statement

	2023 $m	2022 $m
A. Composition of cash and cash equivalents		
Cash held for operational purposes	**474**	350
Cash and cash equivalents held in investments	**879**	588
Cash and cash equivalents	**1,353**	938
B. Reconciliation of profit for the year to net cash flows from operating activities		
Profit/(loss) for the year	**925**	424
I. Non-cash items		
Net losses/(gains) on disposal of subsidiaries excluding transaction costs	**25**	(1)
Net (gains)/losses on investments	**(50)**	566
Amortisation of intangible assets and impairment	**51**	24
Depreciation of right-of-use assets and property and equipment and impairment	**134**	115
Other non-cash items	**44**	81
II. Movement in operating assets and liabilities		
Insurance assets	**(1,037)**	(973)
Insurance liabilities	**491**	1,062
Net movement in other operating assets and liabilities	**(166)**	(84)
Net movement in tax assets and liabilities	**315**	(120)
Provisions	**(280)**	(195)
Net cash flows from operating activities	**452**	899

C. Significant non-cash transactions relating to financing and investing transactions

On 22 December 2022, the Company issued $500 million of Capital Notes 2, of which $192 million was non-cash as a result of the reinvestment offer applicable to the Capital Notes 1 issued in 2016. There was no other financing or investing transactions during the year which have had a material effect on the assets and liabilities that did not involve cash flows.

D. Recognition and measurement

Cash and cash equivalents represent cash at bank and on hand and deposits at call held in investments, net of any bank overdraft. Money held in investments is readily convertible to cash within two working days and subject to insignificant risk of change in value. The majority of the amounts bear variable rates of interest based on daily bank deposit rates. Those balances bearing a fixed rate of interest mature in less than one year.

Note 8.2 Related party disclosures

A. Key management personnel

I. Details of compensation

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity. It is important to note that the Company's Non-Executive Directors are specifically required to be included as KMP in accordance with *AASB 124 Related Party Disclosures*. However, the Non-Executive Directors do not consider that they are part of 'management'. The aggregate compensation disclosed in the table below represents the KMP's estimated compensation received from IAG in relation to their involvement in the activities within the Group.

	2023 $000	2022 $000
Short-term employee benefits	**14,594**	13,413
Post-employment benefits	**426**	485
Other long-term benefits	**74**	107
Termination benefits	**1,089**	-
Share-based payments	**6,504**	4,405
	22,687	18,410

II. Other benefits

Remuneration does not include premiums paid by IAG for an insurance contract covering current and former Non-Executive Directors' and Executives' liabilities and legal expenses incurred in respect of the relevant office, as the insurance policies do not specify premiums paid on behalf of specific individual Non-Executive Directors and Executives and the terms of the contract specifically prohibit the disclosure of the premium paid. Insurance products provided by IAG are available to all Non-Executive Directors and Executives on the same terms and conditions available to other employees.

Note 8.3 Remuneration of Auditors

	2023 $000	2022 $000
A. KPMG		
Audit services for the statutory financial reports of the Parent and controlled entities	**8,990**	8,191
Assurance services that are required by legislation to be provided by the external auditor	**648**	716
Other assurance and agreed upon procedures under other legislation or contractual arrangements	**303**	605
Other services	**536**	505
Total remuneration of auditors	**10,477**	10,017

In accordance with advice received from the Audit Committee, the Directors are satisfied that the provision of non-audit services provided by KPMG is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied because the Audit Committee or its delegate, in accordance with the pre-approved policies and procedures, has assessed each service, having regard to auditor independence requirements of applicable laws, rules and regulations, and concluded that the provision of each service or type of service would not impair the independence of KPMG.

Other assurance services principally include reviews of internal controls systems and assurance and attestation relating to sustainability reporting.

Other services primarily relate to taxation services (but not advice in relation to tax structuring) regarding Australian/foreign tax legislation and tax returns, as well as reviews of risk assessment processes.

Note 8.4 Net tangible assets

	2023 $	2022 $
Net tangible assets per ordinary share	**1.24**	1.12

Net tangible assets per ordinary share have been determined using the net assets on the balance sheet including all right-of-use assets, adjusted for non-controlling interests, intangible assets and goodwill.

Note 8.5 Impact of new Australian Accounting Standards issued

A. Issued and effective

The new or amended Australian Accounting Standards applicable for the current reporting year are provided below.

Title	Description
AASB 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018–2020 and Other Amendments
AASB 2021-7a	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [general editorials]

Adoption of these new or amended accounting standards had no material financial impact on the Group.

B. Issued but not yet effective

As at the date of this financial report, there are a number of new and revised accounting standards published by the Australian Accounting Standards Board for which the mandatory application dates fall after the end of this current reporting year.

None of these standards have been early adopted and applied in the current reporting year.

Title	Description	Operative date
AASB 17	Insurance Contracts	1 July 2023
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 July 2024
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 July 2023
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 July 2023
AASB 2021-7b	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [AASB 17 editorials]	1 July 2023
AASB 2021-7c	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections [deferred AASB 10 and AASB 128 amendments in AASB 2014 10 apply]	1 July 2025
AASB 2022-1	Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information	1 July 2023
AASB 2022-7	Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards	1 July 2023
AASB 2023-2*	Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules	1 July 2023

* We expect legislation will be enacted with an effective date of 1 January 2024 and IAG is expected to be in scope for the amendments due to the Group's operations in Singapore and New Zealand. IAG is in the process of estimating the impact on the Group, if any, and the potential financial impact is not yet known or reasonably estimable.

The Australian Accounting Standards and amendments detailed in the table above are not mandatory for the Group until the operative dates stated, however, early adoption is permitted.

The Group currently plans to apply the standards and amendments detailed above for the reporting periods beginning on or after the operative dates set out above. An assessment of the financial impact of the standards and amendments has been undertaken and they are not expected to have a material impact on the Group's financial statements, except as noted for *AASB 2023-2* and *AASB 17*.

AASB 17 Insurance Contracts

AASB 17 replaces *AASB 4 Insurance Contracts and AASB 1023 General Insurance Contracts*. The first applicable reporting period for IAG is for the year ending 30 June 2024, with a restated comparative period for the year ending 30 June 2023.

AASB 17 does not impact the fundamental economics of our business, our capital or solvency positions, or our financial strength. It impacts the timing of recognition, measurement and disclosure of our insurance contracts issued and reinsurance contracts held. The quantum of impact is influenced by several key judgements, the most significant of these are outlined below.

- **Measurement models** – *AASB 17* introduces the general measurement model (GMM) which consists of fulfillment cash flows and a contractual service margin. *AASB 17* also provides an alternative and simpler measurement model, the premium allocation approach (PAA) which an entity may choose to adopt when either the liability for remaining coverage under the PAA is not expected to differ materially from that under the GMM, or the coverage period of contracts are one year or less. A significant simplification adopted by the PAA relates to the measurement of the liability for remaining coverage, which is not disaggregated into fulfillment cash flows and a contractual service margin, but rather is largely based on premium received. In this regard, PAA has similarities to the current accounting requirements for general insurance contracts under *AASB 1023*.

  The measurement of the liability for incurred claims is consistent under both the GMM and the PAA and requires all incurred claims to be measured at the present value of expected fulfilment cash flows plus a risk adjustment to reflect the compensation that the entity requires for bearing the uncertainty relating to the amount and timing of future cash flows. At transition, IAG intends to adopt the PAA for both insurance contracts issued, and reinsurance contracts held as the eligibility criteria are met.

  For groups of contracts that apply the PAA and have a coverage period of one year or less, *AASB 17* permits recognition of insurance acquisition costs as expenses when incurred. IAG does not intend to apply this option and will continue to defer acquisition costs and amortise these over the coverage period of the related insurance contracts, consistent with current accounting treatment under *AASB 1023*.

- **Level of aggregation and onerous contract losses** – *AASB 17* requires insurance contracts issued, and reinsurance contracts held, to be separately grouped into portfolios which comprise contracts subject to similar risk and managed together. These portfolios are further subdivided into specified measurement groups, based on the date of issue of contracts, which can be no more than a year apart, and on their profitability.

  Contracts that are measured using the PAA are assumed not to be onerous unless facts and circumstances indicate otherwise. IAG has developed a framework for identifying facts and circumstances that may be indicators of possible onerous contracts. If facts and circumstances indicate that contracts may be onerous, IAG will perform an assessment to determine if a net outflow is expected from the contracts, measured based on an estimation of fulfilment cash flows. To the extent onerous contracts are identified, losses are recognised immediately in the profit or loss and a loss component established. *AASB 17* requires that this assessment is performed on a gross basis (i.e., excluding the effect of reinsurance). To the extent onerous contracts are covered by reinsurance, entered into on or before the recognition of the onerous contracts, reinsurance recoveries are recognised immediately in the profit or loss and a loss recovery component established. If a group of contracts which were initially identified as onerous were to subsequently become non onerous, the loss component and similarly the loss recovery component would be reversed within the profit and loss.

  As onerous contract testing will be performed at a more granular level than the current Liability Adequacy Test (LAT) under *AASB 1023*, it will result in increased transparency of loss-making groups of contracts and recognition of the associated losses. In isolation, the application of the onerous contracts requirements is expected to result in a decrease in opening equity on transition to *AASB 17*.

- **Risk adjustment** – *AASB 17* requires the measurement of insurance contract liabilities to include a risk adjustment for non-financial risk to reflect the compensation that the entity requires for bearing the uncertainty relating to the amount and timing of future cash flows. This is the compensation required to be indifferent between either fulfilling a liability that has a range of possible outcomes arising from non-financial risk or fulfilling a liability that will generate fixed cash flows with the same expected present value as the insurance contracts. The risk adjustment replaces the concept of a risk margin under *AASB 1023*, which reflects the inherent uncertainty in the central estimate of the present value of the expected future payments.

  IAG intends to apply a Cost of Capital approach as a key input to determining the risk adjustment. This is likely to result in a risk adjustment of approximately 12.4% of the net liability for incurred claims (or approximately 16.8% including the COVID-19 business interruption provisions) as at 30 June 2022. Whilst calibration continues, results indicate that this will generate an implied probability of sufficiency in excess of 75%. This is expected to be the largest driver of change in the opening equity on transition to *AASB 17*.

- **Discount rates** – *AASB 17* requires that the estimates of expected cash flows that are used to measure the liability for incurred claims are discounted to reflect the time value of money and the financial risks related to those cash flows. This aligns to the requirements for measuring the outstanding claims liability under *AASB 1023* using the risk-free rate. In addition, *AASB 17* also requires the discount rate to reflect the liquidity characteristics of the underlying insurance contracts.

  This will result in higher discount rates relative to current requirements and an increase in opening equity on transition to *AASB* 17.

- **Presentation and disclosure –** *AASB 17* introduces substantial changes in the presentation of both the statement of comprehensive income and balance sheet of IAG's consolidated financial statements, as well as introducing more granular disclosure requirements.

  In the statement of comprehensive income, *AASB 17* will require the presentation of the insurance revenue and insurance service expenses gross of reinsurance. For IAG, insurance revenue replaces gross earned premium and insurance service expenses largely reflects the combination of claims expense, non-reinsurance related recoveries, commission expense and underwriting expenses. Additionally, all changes in value as a result of either the effect of or change in the time value of money or financial risk, will no longer form part of the insurance service result but will be recognised separately as insurance finance income or expenses.

  In the balance sheet, as all cash flows resulting from the rights and obligations under insurance and reinsurance contracts are included in the measurement of each group of contracts, existing balance sheet items will no longer be presented separately. *AASB 17* requires these associated balances to be combined into single line items for portfolios of insurance contracts issued or reinsurance contracts held that are either in an asset or liability position. In order to reconcile the movement in insurance contract liabilities and reinsurance contract assets from period to period, the standard requires detailed disclosures that present the changes to each of the individual measurement components.

  AASB 17 permits recognition of a component of insurance finance income or expenses either in profit or loss or other comprehensive income. IAG currently does not intend to apply this option and intends to recognise all elements of insurance finance income or expense in profit or loss. This aligns to the current approach under *AASB 1023* and maintains effective matching with valuation changes in the investment portfolio, which is measured at fair value through profit or loss.

Transitional impact

On transition to *AASB 17* at 1 July 2022, IAG expects to apply the full retrospective approach to all insurance contracts issued and reinsurance contracts held. Based on the above and work performed to date, the impact of *AASB 17* adoption on the Group's reported net assets of $6,500 million as at 30 June 2022 is currently expected to be within a range of +$20 million to a +$110 million increase, or less than 2% of net assets. The opening net asset impact is mainly driven by increases to net assets from the measurement of the *AASB 17* risk adjustment and higher discount rates reflecting the inclusion of an illiquidity premium, partially offset by decreases to net assets as a result of the recognition of a loss component, and loss recovery component, related to recognition of onerous contracts.

The COVID-19 business interruption provision remains unchanged as at 30 June 2022 ($975 million), and has no impact on the quantum of the transitional adjustment, as the risk adjustment determined under *AASB 17* is equal to the risk margin previously determined under *AASB 1023*. This is because the estimated risk adjustment takes into consideration the greater inherent uncertainty that exists, and hence the compensation for risk required.

The requirements of *AASB 17* are complex and subject to ongoing interpretation and IAG's expectations noted above are subject to change as it continues to assess the impact of the standard and further interpretation developments. The actual transitional impact (1 July 2023) is subject to the finalisation of key assumptions in relation to each of these components and is impractical to quantify at this stage.

AASB 17 is not expected to change the underlying economics or cash flows of IAG's business or its strategic direction.

Directors' declaration

In the opinion of the Directors of Insurance Australia Group Limited:

- the financial statements and Notes 1 to 8.5, including all the remuneration disclosures that are contained in the Remuneration Report of the Directors' Report, are in accordance with the *Corporations Act 2001* including:
  - giving a true and fair view of the financial position of the Group as at 30 June 2023 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date;
  - complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.2.B; and
- the Remuneration Report of the Directors' Report complies with the *Corporations Act 2001* and Australian Accounting Standards; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declaration required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for the financial year ended 30 June 2023.

Signed at Sydney this 21st day of August 2023 in accordance with a resolution of the Directors.

Nick Hawkins

Nick Hawkins
Director

Independent auditor's report

Independent Auditor's Report

To the shareholders of Insurance Australia Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Insurance Australia Group Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated balance sheet as at 30 June 2023
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated cash flow statement for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of Gross outstanding claims liability
- Valuation of Reinsurance and other recoveries on outstanding claims
- Valuation of Goodwill

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Gross outstanding claims liability ($13,260 million)

Refer to Note 2.2 of the Financial Report

The key audit matter	How the matter was addressed in our audit
Valuation of Gross outstanding claims liability is a Key Audit Matter due to the following factors: • judgement is required by us to consider the central estimate of the gross outstanding claims liability. This is a significant estimate as the eventual outcomes of incurred, but unsettled, claims at the balance sheet date are inherently uncertain; • there is limited information available and a greater level of uncertainty inherent in assessing the Group's estimations of claims which have been incurred by the balance sheet date but have not yet been reported; • judgement is required when considering the Group's application of historical experience of claims development to determine current estimates. This includes the variability between the original estimation and the ultimate settlement of claims where there is a long time delay between the claim being incurred and the ultimate settlement. Examples include claims arising from Workers' Compensation, Liability, Compulsory Third Party (CTP) and the Canterbury earthquakes;	We involve our actuarial specialists and senior personnel with industry experience. Our key procedures included: • comparing the Group's actuarial methodologies with the methodologies applied in the industry, prior periods and the requirements of the accounting standards; • evaluating the assumptions including loss ratios, claim frequencies, average claim sizes, ultimate claims costs and allowance for future claims inflation, by comparing these to our expectations based on the Group's historical experience, our industry knowledge and externally observable trends (e.g. APRA and regulatory statistics); • comparing the prior year claims liability estimate to actual experience in the current year. We used this information to assess the current year's actuarial assumptions applied in the valuation; • evaluating scenario analyses prepared by the Group for the estimation of insurance liabilities associated with Business Interruption claims. This includes stress testing claim frequency and probability of success assumptions; • considering judgements by the Group to estimate the period in which the claims will be settled by analysing historical payment patterns and any significant changes;

Independent auditor's report

KPMG

• claims estimation uses an actuarial modelling process which involves complex and subjective actuarial methodologies, as well as judgements and assumptions about future events and developments, both within, and external to, the Group. Actuarial assumptions include loss ratios, claim frequencies and average claim sizes, and allowance for future claims inflation. Changes in methodologies, judgements and assumptions can have significant implications to the quantification of outstanding claims liabilities, as outlined in Note 2.2. (D). There are currently elevated inflationary pressures on claims costs which are difficult to estimate. Judgement is required when considering the use of recent experience to determine outstanding claims liabilities; • judgement is required to assess the Group's estimation of the probability of claims arising from circumstances connected with Business Interruption claims as a result of the COVID-19 pandemic; • judgement is required to assess the Group's estimation of the periods the claims are expected to be settled in; • the estimation of claims at year end relies on the integrity of the underlying data, including claim payments and individual estimates of unsettled claims, which is gathered from a number of different systems; and • outstanding claims includes statistically determined risk margins developed by the Group to make allowance for the inherent uncertainty in estimating ultimate claim settlements. The risk margins are included to achieve a specified probability of adequacy for the total outstanding claims reserves. We involved actuarial specialists to supplement our senior audit team members in assessing this key audit matter.	• assessing the risk margin parameters for significant portfolios to external sources of data including published statistics (e.g. APRA – published data), prior periods, our industry knowledge and externally observable trends (e.g. published data for large general insurance companies); • for certain classes of business, we independently projected the gross outstanding claims liability by applying our own actuarial assumptions. We used this re-projection to compare our results to the Group's estimates and challenge significant differences; • testing key inputs such as claim payments and estimates of unsettled claims in the valuation, financial records and controls by: - testing accounting and actuarial controls, such as reconciliations of key data. We involved our IT specialists for testing data integrity risks within the claims process and claims systems; - testing key controls (e.g. limits of authority or segregation of duties) within the claims case estimates and claims payments; and - testing samples of claims case estimates and paid claims to third party evidence (such as quotes or invoices); • assessing the disclosures in the financial report using understanding obtained from our testing and against the requirements of the accounting standards.

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Valuation of Reinsurance and other recoveries on outstanding claims ($7,560 million)	
Refer to Note 2.2 of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Valuation of Reinsurance and other recoveries on outstanding claims is a Key Audit Matter due to the following factors: • the Group has a complex range of significant reinsurance contracts which are designed to protect its aggregate exposure to catastrophic claim events. These reinsurance contracts comprise of the whole-of-account quota share arrangements, the catastrophe excess of loss program, adverse development covers in the form of excess of loss contracts, other quota share arrangements and other agreements covering particular exposures, giving rise to our evaluation of multiple features; • implicit dependence on the estimation of gross outstanding claims; and • the reinsurance arrangements represent a significant portion of assets. The consideration of the accounting treatment across multiple contracts, assessment of recoverability in line with the reinsurance agreements, reinsurer counterparty credit worthiness and capital strength requires significant effort by our senior personnel.	In addition to the audit procedures undertaken to assess the valuation of gross outstanding claims liability above, our procedures included: • testing a sample of key controls for authorising reinsurance arrangements; • testing the existence of reinsurance cover and the recognition of a reinsurance recovery asset through checking the scope and terms of a sample of underlying contracts; • evaluating a sample of reinsurance recoveries for whole-of-account quota share contracts. We referred to the key terms of the reinsurance contracts, and applied them to the Group's underlying claims estimates and paid claims data to assess the reinsurance and other recoveries due. These independently generated results were compared to the amounts recognised by the Group; • assessing the recoverability of balances owed by reinsurer counterparties by considering their credit worthiness and capital strength, payment history of amounts and evaluation of any indicators of disputes with counterparties; and • assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Independent auditor’s report

Valuation of Goodwill ($2,830 million)	
Refer to Note 5.1 of the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Valuation of Goodwill is a Key Audit Matter due to the following factors: • judgement is involved in assessing the cash-generating units identified by the Group; and • our evaluation involves judgement in relation to the Group’s forecast cash flows and key forward looking assumptions, in particular discount rates, growth rates, profit measures and terminal growth rates. We focused specifically on those cash-generating units where there were potential impairment indicators (e.g. performance compared to budget). The Group uses complex discounted cash flow models to perform their annual testing of goodwill for impairment. The models are manually developed, use adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. Complex modelling using forward-looking assumptions tends to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application.	With the assistance of our valuation specialists, our procedures included: • considering the appropriateness of the value in use method applied by the Group in their annual testing of goodwill for impairment against the requirements of the accounting standards; • comparing the forecast cash flows contained in the discounted cash flow models to Board approved budgets and business plans; • assessing the accuracy of past budgets to actual cash flows in order to challenge the Group’s current forecasts; • assessing the Group’s key assumptions used in the discounted cash flow models such as discount rates, growth rates, profit measures and terminal growth rates by comparing them to external, observable metrics (e.g. GDP growth and inflation including forecasts provided by IBIS World), historical experience, our knowledge of the markets, and current market practice; • performing sensitivity testing, using the Group’s models, to evaluate the impact of varying key assumptions such as growth rates and discount rates within a possible range. This enabled us to critically challenge the Group’s quantification of assumptions and focus our procedures to the most sensitive assumptions; • evaluating the internally prepared discounted cash flow model. This included assessing the integrity of the models used, including the accuracy of the underlying formulas; and • assessing the disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

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Other Information

Other Information is financial and non-financial information in Insurance Australia Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Independent auditor's report

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Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Insurance Australia Group Limited for the year ended 30 June 2023, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 54 to 79 of the Directors' report for the year ended 30 June 2023.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Brendan Twining
Partner

Andrew Reeves
Partner

Sydney
21 August 2023

Shareholder information

Information about Insurance Australia Group Limited (the Company) including its announcements, presentations and reports can be accessed at www.iag.com.au.

Stock exchange listings

The Company's ordinary shares are listed on the ASX under IAG and its Capital Notes 2 are listed on the ASX under IAGPE.

In addition to the ASX, the Company has securities listed on the NZX Debt Market under IAGFC. As such the Company is subject to the NZX Listing Rules as a primary listed debt-only issuer, subject to certain waivers. The Company has been granted waivers from NZX Listing Rules 3.1.1(b), 3.6, and 3.14.1.

Annual report

Under the *Corporations Act 2001* regarding the provision of Annual Reports to shareholders, the default option for receiving Annual Reports is an electronic copy via IAG's website at www.iag.com.au.

Annual general meeting

The 2023 Annual General Meeting (AGM) of the Company will commence at 9:30am on Wednesday, 11 October 2023.

Online voting

Shareholders can lodge voting instructions electronically either as a direct vote or by appointing a proxy for the 2023 AGM at www.iag.com.au. The information required to log on and use online voting is shown on the Notice and Access Letter.

Shareholder questions

If shareholders would like to submit a written question to the Company or the Company's auditor with regard to the AGM or any of the resolutions to be discussed, shareholders should send their questions to the Share Registry, Computershare Investor Services PTY LTD, GPO BOX 242, Melbourne VIC 3001, Australia or by fax to +61 (0)3 9473 2555. Questions for the auditor must be received by 5pm on 4 October 2023.

Shareholders may also submit a question after completing their voting instructions online at www.iag.com.au. Shareholders will also be given a reasonable opportunity to ask questions of the Company and the auditor at the AGM.

During the course of the AGM, IAG intends to answer as many of the frequently asked questions as practicable but will not be responding to individual written questions. Responses to the most commonly asked questions will be added to the website at www.iag.com.au in the Shareholder Centre section.

Dividend payment methods

The Company does not issue dividend payments by cheque to shareholders resident in Australia. Shareholders should provide the share registry with their alternative instructions as detailed below.

IAG ordinary shares

- Paid directly into a New Zealand bank account or to an Australian bank, credit union, building society or nominated account; or
- Eligible shareholders can choose to participate in the Company's Dividend Reinvestment Plan (DRP), if available, providing the option to increase their shareholding without incurring brokerage or GST.

Management of holding

Using their Shareholder Reference Number (SRN) or Holder Identification Number (HIN) and postcode of their registered address, shareholders can view their holding online through IAG's share registry, Computershare, by following the easy prompts on their website at www.investorcentre.com where shareholders will be able to:

- view holding balance;
- review dividend payment history;
- access shareholder forms; and
- retrieve holding statements, including recent dividend payment advices.

The share registry investor centre site also allows shareholders to update or add details to their shareholding. If shareholders wish to amend or update any of the current details, they will be asked to register by choosing a User ID and Password.

Shareholders will also be asked to enter answers to three personal questions for verification purposes should they forget their password in the future.

If shareholders have previously used the Investor Centre site, they will be asked to key in their password only.

Once shareholders have completed these steps, they are then able to update their details and submit their changes to the share register including:

- change or amend their address if they are registered with an SRN;
- nominate or amend their direct credit payment instructions;
- set up or amend their DRP instructions;
- sign up for electronic shareholder communications, including the annual report via email; and
- add/change tax file number (TFN) / Australian business number (ABN) details.

A confirmation/receipt number will be shown on screen for the online transaction which should be recorded should shareholders have a question in the future.

Shareholders are strongly advised to lodge their TFN, ABN or exemption. If they choose not to lodge these details with the share registry, then IAG is obliged to deduct tax at the highest marginal tax rate (plus the Medicare levy) from the unfranked portion of any dividend or interest payment.

Shareholders may also complete a number of transactions or request a form over the phone by contacting the share registry on:
1300 360 688.

Shareholder information

Email alert service

Shareholders can register to receive an email alert advising of new IAG media releases, financial announcements or presentations. Shareholders simply need to visit IAG's website at www.iag.com.au, click on the email alert button in the right hand margin and register their email address.

IAG's email alert service allows shareholders to choose to receive email alerts about specific subjects (annual meetings, annual reports, careers information, company announcements, government submissions, results and sustainability information).

Email enquiries

If shareholders have a question, they can email their enquiry directly to IAG's share registry at iag@computershare.com.au. If their question relates to an IAG company matter and the answer is not on IAG's website, they can email their question to investor.relations@iag.com.au.

Ordinary shares information

Twenty largest ordinary shareholders as at 10 July 2023	Number of shares	% of issued shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	698,814,026	28.63
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	312,763,678	12.82
CITICORP NOMINEES PTY LIMITED	230,555,126	9.45
NATIONAL INDEMNITY COMPANY	97,513,199	4.00
NATIONAL NOMINEES LIMITED	87,470,936	3.58
BNP PARIBAS NOMS PTY LTD <DRP>	64,303,858	2.63
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	48,302,438	1.98
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	16,758,464	0.69
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	10,545,597	0.43
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	7,559,676	0.31
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	4,406,728	0.18
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,297,484	0.18
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	4,086,447	0.17
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	3,744,509	0.15
IAG SHARE PLAN NOMINEE PTY LIMITED <IAG DAP UNALLOCATED ACCOUNT>	3,085,984	0.13
BNP PARIBAS NOMS (NZ) LTD <DRP>	2,297,700	0.09
BUTTONWOOD NOMINEES PTY LTD	2,290,912	0.09
ARGO INVESTMENTS LIMITED	2,000,000	0.08
CITICORP NOMINEES PTY LIMITED <CITIBANK NY ADR DEP A/C>	1,959,622	0.08
CITICORP NOMINEES PTY LIMITED <143212 NMMT LTD A/C>	1,957,369	0.08
Total for top 20	**1,604,713,753**	**65.75**

Range of ordinary shareholders as at 10 July 2023	Number of holders	Number of shares	% of issued shares
1-1,000	353,142	182,410,567	7.48
1,001-5,000	225,543	433,473,832	17.76
5,001-10,000	13,002	89,560,496	3.67
10,001-100,000	5,086	96,944,356	3.97
100,001 and over	118	1,638,156,297	67.12
Total	**596,891**	**2,440,545,548**	**100.00**
Shareholders with less than a marketable parcel of 88 shares as at 10 July 2023	8,084	245,574	

Holders of fully paid ordinary shares are entitled to vote at any meeting of members of the Company:

- on show of hands, one vote for each shareholder present and each other person present as a proxy, attorney or corporate representative of a member; and
- on a poll, one vote for each fully paid ordinary share that each shareholder present and each other person present as a proxy, attorney or corporate representative of a member holds or represents.

Dividend details

Share class	Dividend	Franking	Amount per share	DRP issue price	Payment date
Ordinary	Interim	30% franked	6.0 cents	*	23 March 2023
Ordinary	Final	30% franked	9.0 cents	**	28 September 2023

* The Company's DRP was suspended for the 2023 interim dividend.
** The DRP issue price for the final dividend is scheduled to be announced on 15 September 2023.

Substantial shareholding information

Substantial shareholders as at 10 July 2023	Number of shares	% of issued shares
Ordinary shares		
State Street Corporation	168,380,152	6.83
Blackrock Group	141,377,642	6.11
Vanguard Group	123,256,745	5.00

IAGPE Capital Notes 2 information

Twenty largest ordinary shareholders as at 10 July 2023	Number of notes	% of issued notes
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	374,118	7.48
CITICORP NOMINEES PTY LIMITED	230,324	4.61
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	217,188	4.34
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	185,707	3.71
MUTUAL TRUST PTY LTD	120,181	2.40
NATIONAL NOMINEES LIMITED	87,740	1.75
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	76,810	1.54
NAVIGATOR AUSTRALIA LTD <JB WERE LIST FIX INT SMA A/C>	64,145	1.28
BNP PARIBAS NOMINEES PTY LTD <PITCHER PARTNERS DRP>	54,508	1.09
MR BRADLEY VINCENT HELLEN + MR SEAN PATRICK MCMAHON <THE LES AYNSLEY A/C>	31,098	0.62
JOHN E GILL TRADING PTY LTD	30,139	0.60
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	28,931	0.58
REGION HALL PTY LTD	26,091	0.52
IOOF INVESTMENT SERVICES LIMITED <IPS SUPERFUND A/C>	25,267	0.51
INVIA CUSTODIAN PTY LIMITED <WEHI - INVESTMENT POOL A/C>	24,925	0.50
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	20,995	0.42
NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	17,997	0.36
TRUSTEES OF CHURCH PROPERTY FOR THE DIOCESE OF NEWCASTLE <SAVINGS & DEVELOPMENT A/C>	16,870	0.34
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	14,108	0.28
SPECIALIST NOMINEES PTY LIMITED	12,770	0.26
Total for top 20	**1,659,912**	**33.19**

Shareholder information

Range of Capital Note 2 holders at 10 July 2023	Number of holders	Number of notes	% of issued notes
1-1,000	6,861	1,967,510	39.35
1,001-5,000	528	1,075,728	21.51
5,001-10,000	35	249,920	5.00
10,001-100,000	19	579,324	11.59
100,001 and over	5	1,127,518	22.55
Total	**7,448**	**5,000,000**	**100.00**
Capital Note 2 holders with less than a marketable parcel of 5 notes as at 10 July 2023	1	1	

Capital Note 2 holders have no voting rights in respect of meetings of the Company unless and until ordinary shares are issued to them.

Share rights

As at 10 July 2023, there were 3,911,320 Deferred Award Rights held by 454 participants, 14,356,262 Executive Performance Rights held by 84 participants, and 3,607 Non-Executive Director Award Rights are held by 1 participant. Details of the employee share rights plans are set out in the Remuneration Report.

Corporate directory

Contact details

Share registry

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

Hand deliveries to:

Level 3
60 Carrington Street
Sydney NSW 2000

Telephone

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

Fax

(general) +61 (0)3 9473 2470

Email

iag@computershare.com.au

Registered office

Insurance Australia Group Limited
Level 13, Tower Two, Darling Park
201 Sussex Street
Sydney NSW 2000
Australia

Telephone

+61 (0)2 9292 9222

Website

www.iag.com.au

Key dates

2023 financial year end	30 June 2023
Full year results and dividend announcement	21 August 2023
Final dividend for ordinary shares	
Record date	30 August 2023
Payment date	28 September 2023
Annual general meeting information	
Written questions for the auditor close	4 October 2023
Proxy return close	9 October 2023
Annual general meeting	11 October 2023
Half year end	31 December 2023
Half year results and dividend announcement	16 February 2024*
Interim dividend for ordinary shares	
Record date	22 February 2024*
Payment date	27 March 2024*
2024 financial year end	30 June 2024
Full year results and dividend announcement	21 August 2024*

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

Five-year financial summary

	2023 $m	2022 $m	2021 $m	2020 $m	2019 $m
Gross written premium	**14,729**	13,317	12,602	12,135	12,005
Gross earned premium	**13,838**	12,972	12,345	12,164	11,942
Outwards reinsurance premium expense	**(5,512)**	(5,063)	(4,872)	(4,801)	(4,704)
Net premium revenue	**8,326**	7,909	7,473	7,363	7,238
Net claims expense	**(5,866)**	(5,215)	(4,807)	(5,010)	(4,619)
Net underwriting expense	**(1,928)**	(1,870)	(1,798)	(1,757)	(1,716)
Underwriting profit[1]	**532**	824	868	596	903
Net investment income on assets backing insurance liabilities	**271**	(238)	139	145	321
Management reported insurance profit[1]	**803**	586	1,007	741	1,224
Net investment income/(loss) from shareholders' funds	**212**	(105)	306	(181)	227
Other income	**159**	132	165	441	111
Share of net profit of associates[2]	**(13)**	17	35	57	42
Finance costs	**(145)**	(93)	(89)	(92)	(94)
Corporate and administration expenses[3]	**341**	34	(1,705)	(404)	(124)
Acquired intangible amortisation and impairment	**(3)**	(7)	(108)	(27)	(54)
Profit/(Loss) before income tax	**1,354**	564	(389)	535	1,332
Income tax (expense)/benefit	**(429)**	(140)	125	(37)	(363)
Profit/(Loss) after tax from continuing operations	**925**	424	(264)	498	969
Profit/(Loss) after tax from discontinued operations	**-**	-	(13)	(4)	204
Net loss attributable to non-controlling interests	**(93)**	(77)	(150)	(59)	(97)
Net profit/(loss) attributable to shareholders of the Parent	**832**	347	(427)	435	1,076
Cash earnings[4]	**452**	213	747	279	931
Ordinary shareholders' equity ($ million)	**6,650**	6,163	6,246	6,077	6,404
Total assets ($ million)	**35,026**	34,083	33,449	29,694	29,286
Key ratios					
Gross written premium growth	**10.6%**	5.7%	3.8%	1.1%	3.1%
Loss ratio[5]	**70.5%**	65.9%	64.3%	68.0%	63.8%
Expense ratio[6]	**23.1%**	23.7%	24.1%	23.8%	23.7%
Combined ratio[7]	**93.7%**	89.6%	88.4%	91.8%	87.5%
Reported insurance margin[8]	**9.6%**	7.4%	13.5%	10.1%	16.9%
Underlying insurance margin[9]	**12.6%**	14.6%	14.7%	16.0%	16.6%
Share information					
Dividends per ordinary share (cents)[10]	**15.0**	11.00	20.00	10.00	37.50
Basic earnings per ordinary share (cents)[11]	**33.92**	14.09	(17.82)	18.87	46.26
Basic earnings per ordinary share – cash basis (cents)[12]	**18.41**	8.65	31.16	12.12	40.04
Diluted earnings per ordinary share (cents)[11]	**32.20**	13.33	(17.82)	18.49	44.58
Diluted earnings per ordinary share – cash basis (cents)[12]	**18.40**	8.49	28.51	12.12	38.83
Ordinary share price at 30 June ($) (ASX: IAG)	**5.70**	4.36	5.16	5.77	8.26
Capital Notes 1 price at 30 June ($) (ASX: IAGPD)	**-**	102.00	104.57	103.54	106.95
Capital Notes 2 price at 30 June ($) (ASX: IAGPE)	**101.20**	-	-	-	-
Issued ordinary shares (million)	**2,441**	2,465	2,465	2,311	2,311
Issued capital notes (million)	**5**	4	4	4	4
Market capitalisation (ordinary shares) at 30 June ($ million)	**13,914**	10,747	12,719	13,334	19,089
Net tangible asset backing per ordinary share ($)	**1.24**	1.12	1.23	1.27	1.43

1 The amounts for the 2023, 2022, 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, for the 2023 and 2022 years, 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 $560 million pre-tax net impact of the business interruption claim reduction for 2023, a $200 million pre-tax net impact of the business interruption claim reduction and a $12 million pre-tax net impact of the payroll compliance provision for 2022, 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 non-cash earnings items (not considered part of the Group's ongoing financial performance).
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 partially franked for the 2023, 2022, 2020 and 2019 financial years and unfranked for the 2021 financial year.
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.

Forward-looking statements and other representations

This report contains forward-looking statements including statements regarding IAG's strategy, targets, goals, ambitions, intent, belief, objectives, commitments and current expectations regarding IAG's business, results, financial condition, capital adequacy, risk management practices and market conditions. Forward-looking statements may generally be identified by the use of words such as "should", "would", "could", "will", "may", "expect", "intend", "plan", "forecast", "aim", "anticipate", "believe", "outlook", "estimate", "project", "target", "goal", "ambition", "continue", "guidance", "aspiration", "commit" or other similar words. Guidance on future earnings or performance are also forward-looking statements.

These forward-looking statements reflect our current views and expectations of future events and are based on assumptions and contingencies which are subject to change. Such statements involve risks (both known and unknown) and assumptions, many of which are beyond IAG's control. This may cause actual results to differ materially from those expressed or implied in such statements. You are cautioned not to place undue reliance upon such forward-looking statements. IAG assumes no obligation to update such forward-looking statements (except as required by law).

Key risks which could cause actual results to differ materially from those expressed or implied are detailed on page 50 under Business Risk and Risk Management.

In addition, there are particular risks and uncertainties associated with implementation of IAG's strategy and related targets, ambitions and goals. As the targets, ambitions and goals span a number of years, they are subject to assumptions and dependencies which have greater levels of uncertainty than guidance given for FY24. IAG's ability to execute its strategy and realise its targets, ambitions and goals will depend upon its ability to respond and adjust its business plans (as and when developed) to any changes in such assumptions and dependencies, including disruptions or events that are beyond IAG's control.

There are also particular risks and uncertainties associated with forward-looking statements and other representations relating to environment, social and governance (ESG) issues, including but not limited to climate change, climate and disaster resilience and other sustainability related statements, commitments, targets, projections, scenarios, assessments, forecasts and expectations. These are subject to risks (both known and unknown), and there are significant uncertainties, limitations and assumptions in the metrics and modelling on which these statements rely. In particular, the metrics, methodologies and data relating to climate and sustainability are rapidly evolving and maturing, including the methodologies to capture and record emissions, and there is uncertainty around future climate and sustainability related policy and legislation.

Glossary

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 written premium (GWP) is the total amount of insurance premiums that we receive from customers.

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 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 for the period; reserve releases in excess of 1% of NEP; and credit spread movements.

Scope of sustainability-related 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 2023.

Quantitative and qualitative disclosures	Source in the FY23 reporting suite
Selected quantitative disclosures	IAG Environmental, Social and Governance (ESG) Data Summary for FY23 is accessible via www.iag.com.au/sustainability
Selected significant climate-related qualitative disclosures and selected significant qualitative disclosures in relation to the in-scope quantitative disclosures (see table above)	Pages 12 to 32 in the Annual Report 2023, with the exception of the section "Shareholders"
	Pages 15 to 20 in the Group Climate-related Disclosures for FY23 (report section on metrics and targets)
	Pages 16 to 19 in the New Zealand Climate-related Disclosures for FY23 (report section on metrics and targets)
Selected significant qualitative disclosures pertaining to IAG's material sustainability-related issues	Page 13 in the Annual Report 2023

KPMG's limited assurance opinion is available at www.iag.com.au/sustainability.

Australia

[1] [2]

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.

iag.com.au/results-and-reports