



# Annual Review and Sustainability Report 2022



## **Insurance Australia Group Limited**

This release has been authorised by the  
Board of Insurance Australia Group Limited  
12 August 2022  
ABN 60 090 739 923

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



**About this report**

Our Annual Review and Sustainability Report 2022 contains a summary of IAG's 2022 operating performance, including reports from our Chairman and our Managing Director and CEO. The report also contains information about how we create value for our stakeholders, the material topics we address, and the outcomes we have achieved for our key stakeholders. Unless otherwise indicated, references to FY22 and FY21 in graphs and copy throughout this review refer to IAG's financial years ending 30 June 2022 and 2021 respectively. All figures are in Australian dollars unless otherwise stated.



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## 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

**8.5m**

Customers insured

**5.7%**

Gross Written Premium growth

**77%**

Employee Engagement, up 4% from FY21

**\$8,488m**

Claims paid (up from \$8,081m in FY21)

**\$347m**

Net Profit After Tax

**44%**

Women in Senior Management

# Highlights 2022

**+21AU  
+21NZ**

Strategic net promoter score<sup>1</sup>  
(AU: +29 in FY21)  
(NZ: +22 in FY21)

**14.6%**

Underlying insurance margin

**Launched**

Executive General Manager and Executive Manager leadership programs and IAG Academy

<sup>1</sup> Strategic net promoter score assesses the strength of the relationship customers have with IAG's insurance brands in Australia and New Zealand, based on their likelihood to recommend IAG to others. It is measured via monthly online surveys conducted anonymously with a representative sample of insurance buyers. All NPS/broker advocacy score information is reported on a 12-month rolling basis.



## Communities

We help to build safer,  
more resilient communities



## Environment

We manage our  
environmental impact and  
support our customers and  
communities to transition to  
a Net Zero future

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**\$15.2m**

Invested in community  
initiatives in FY22

**13%**

Reduction in scope 1 and 2 emissions

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**2,760**

Hours volunteered by our people

**Net Zero**

Emissions commitment by 2050  
(50% reduction by 2030)

# Highlights

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**4th RAP**

Launched and reaffirmed support for the  
Uluru Statement from the Heart

**Launched**

the NRMA Insurance Carbon  
Offset Program

For detailed information about our FY22  
results, visit the Results & Reports area of  
our website at [www.iag.com.au](http://www.iag.com.au) and access  
financial statements, the investor report  
and management's results presentation.

# Chairman's review

**This year, our customers and the communities in which they live were affected by an extraordinary number of extreme weather events, from hailstorms, to thunderstorms, floods, East Coast lows and a tornado and earthquake.**

The impact of these events has been devastating and our thoughts are with all those who were affected.

In their time of need our teams at IAG helped our customers and their communities begin to recover from their loss. I want to acknowledge the outstanding work of our people in helping our customers, from those who are first on the ground to assist after an event, to those who manage claims and guide those affected through the process of getting back on their feet.

## FY22 results

In this year of extreme weather, your company performed well, growing gross written premium by 5.7% to \$13,317 million.

Our net profit after tax was \$347 million, compared to a \$427 million loss in FY21, despite our having to strengthen prior period reserves, and respond to a high number of natural peril events, volatile investment markets, and a higher inflationary environment.

Our reported insurance margin was 7.4%, compared to 13.5% in FY21, after net natural peril costs of \$1,119 million (\$354 million above our original allowance); prior period reserve strengthening of \$172 million; and negative credit spread impacts of \$45 million. The underlying insurance margin<sup>1</sup> of 14.6% better reflects the strength and performance of our business.

## Dividend

The Board has determined to pay a final dividend of 5.0 cents per share, 70% franked. The final dividend will be paid on 22 September 2022 to shareholders registered at 5.00pm Australian Eastern Standard Time on 19 August 2022.

This brings the full year dividend to 11.0 cents per share, which equates to a payout ratio of ~78% of reported NPAT, in line with IAG's stated dividend policy to distribute 60-80% of cash earnings in any full financial year.

## Management and strategy

Nick Hawkins, who was appointed as our Managing Director and Chief Executive Officer in November 2020 has wasted no time in setting a clear strategy to create a stronger and more resilient IAG. This strategy comprises four strategic pillars: to grow with our customers; build better businesses; create value through digital; and manage our risks. Nick then established the operating structure and assembled the skills needed in the leadership group to achieve this strategy. While some members of the team are relatively new to IAG, they are all to be commended for the speed and commitment with which they are working to deliver the strategy. As you would expect, the Board regularly reviews progress against the strategic priorities, and fully supports the ways in which management is pursuing the opportunities it has identified.

## Board renewal

Your company has a skilled and experienced Board. Both attributes were further enhanced during the last 12 months with the appointment of three new directors: David Armstrong and George Sartorel in September last year, and Scott Pickering in November. All three Directors bring a wealth of insurance and financial services knowledge and skills.

Shareholders elected David and George to the Board at last year's Annual General Meeting (AGM) and will have the opportunity to learn more about Scott when he stands for election at the 2022 meeting, the first since his appointment.

Three other directors will retire by normal rotation in accordance with our Constitution and offer themselves for re-election at the AGM; they are Helen Nugent, George Savvides, and myself.

## Remuneration review

Shareholders at our AGM last year made it clear to us that our executive remuneration structure was not sufficiently aligned to shareholder outcomes. At that time, we had already commissioned a review of our remuneration framework, and this has now been completed. We also considered underlying structural issues and have made changes to ensure greater alignment between shareholder and executive remuneration outcomes, simplifying our approach to performance measurement and other aspects of remuneration and being more transparent around the process.

<sup>1</sup> IAG defines its underlying insurance margin as the reported insurance margin adjusted for net natural peril claims costs less the related allowance; prior period reserve releases or strengthening; and credit spread movements





**“Climate remains the critical area of focus for us, because of the direct link between changes in climate and the impact on our customers, and our business.”**

Details of the changes are set out in the letter from the Chairman of our People and Remuneration Committee, on page 26 of this document, and in the Remuneration Report on pages 26 – 27 of the Annual Report 2022.

We will continue to work to achieve a balanced remuneration system that attracts, motivates and rewards executives, and is aligned to shareholder outcomes.

### **Creating sustainable value**

We have a company-wide focus on sustainability, including the environment, social and governance (ESG) issues that underpin our approach to looking after our customers, our suppliers, our employees, and the communities in which we operate. Our management of ESG issues is driven by a Board-approved Social and Environmental Framework.

Climate remains the critical area of focus for us, because of the direct link between changes in climate and the impact on our customers, and our business. IAG’s response to climate change risks and opportunities is managed through the FY22 -24 Climate & Disaster Resilience Action Plan which was launched in November 2021. It has two high level targets that contribute to IAG’s broader strategic priorities. The first is net zero emissions by 2050, with a 50% emissions reduction by 2030 and I am pleased that we are exceeding our science-based emission reduction targets across scope 1 and 2 on our roadmap to net zero.

We are also aiming for one million Australians and New Zealanders to have taken action to reduce their risk from natural hazards by 2025. This will include leveraging our community partnerships, such as those with the Australian Resilience Corp and NSW and SA State Emergency Services, to drive awareness and preparedness action.

More information about the Action Plan and its focus areas is contained in the discussion of our material topics, on pages 18 – 21 of this report.

In May 2022, we also launched the NRMA Insurance Carbon Offset Program to enable motor customers to offset their yearly driving emissions, contributing to IAG’s net zero target as we broaden the extent of our measured scope 3 emissions. More information about how we are progressing our emissions reduction initiatives is set out in the Environment outcomes on page 15 of this report. We are also working to help create opportunities for Aboriginal and Torres Strait Islander communities and Māori. We launched our fourth Reconciliation Action Plan in June 2022, and recently signed a partnership with the Aboriginal Carbon Foundation to support Aboriginal businesses and communities access the economic benefits of climate transition.

We published our second Modern Slavery Statement in December 2021, setting out actions taken to identify, assess and remediate modern slavery risks in our operations, supply chains and investments; we updated our Code of Ethics & Conduct to specifically reference modern slavery and human rights; we are implementing our Responsible Investment Policy, which covers climate, modern slavery, and human rights; and we are developing and deploying an anti-slavery training module.

### **Conclusion**

The underlying performance of your company remains strong, and management continues to be focused on achieving significant improvements against clear strategic targets. Our confidence in the future is reflected in management’s improved outlook for FY23.

This year’s result – in the face of an extraordinary series of extreme weather events in Australia and New Zealand and market volatility – is a credit to the commitment and guidance provided by Nick Hawkins and his Group Leadership Team, and to the efforts of every person working at every level of the business.

I thank my fellow Directors for their guidance and insights, and on their behalf, I thank all our investors for their continued support.

**Tom Pockett**  
Chairman and Independent  
Non-Executive Director

# CEO's review

**Despite the challenges in the external environment this year, your business has delivered strong gross written premium growth of 5.7%, to \$13,317 million.**

## The year in numbers

Our results reflect the quality of our underlying business as we build a stronger, more resilient IAG.

Our net profit after tax was \$347 million, compared to a \$427 million loss in FY21, despite our having to respond to a high number of extreme weather events, volatile investment markets, a higher inflationary environment, and the need to strengthen prior period reserves. Our net profit also included a \$200 million pre-tax release from the business interruption provision, and reflected the momentum in the underlying<sup>1</sup> business performance.

Our reported insurance profit of \$586 million represented a reported insurance margin of 7.4% (FY21: 13.5%) after net natural peril costs of \$1,119 million (\$354 million above our original allowance); prior period reserve strengthening of \$172 million; and negative credit spread impacts of \$45 million. The underlying insurance margin<sup>1</sup> of 14.6% better reflects the strength and performance of our business.

Gross operating costs remained relatively flat at around \$2.5 billion, in line with our commitment to hold our cost base at around that level. We intend to maintain our operating expense at that level in FY23.

Our Direct Insurance Australia business increased its gross written premium by 4.6% to \$6,036 million, after increasing premium rates in response to heightened levels of claims cost inflation, higher reinsurance costs and an increased allowance for natural peril events. It reported strong retention rates across motor and home insurance, as well as increasing new business opportunities in the second half of the financial year.

Direct Insurance Australia reported an insurance profit of \$469 million (FY21: \$718 million) which was negatively impacted by higher natural perils; this equates to a lower reported insurance margin of 13.0% (FY21: 20.7%). Its underlying margin remained healthy, at 20.5%.

Intermediated Insurance Australia grew gross written premium by 6.0% to \$4,289 million. It had solid rate increases with retention levels holding, supplemented by pockets of new business. It reported an insurance loss of \$103 million in FY22 (FY21: \$10 million loss) from natural peril costs that were ~\$100 million higher this year, and an increase in prior year reserve strengthening, mainly confined to the liability class. Its FY22 underlying margin of 5.0% was 110 basis points higher than in FY21.

Our New Zealand business grew gross written premium by 7.7% to \$2,991 million, with strong growth from the Business division, solid growth in the direct brands, and modest growth across the bank partner distribution channels.

New Zealand's insurance profit of \$220 million (FY21: \$305 million) translated to a reported insurance margin of 12.8% (FY21: 19.0%). A higher underlying margin of 16.8% (FY21: 16.4%) largely reflected ongoing disciplined cost management, including introducing automation, and increased rates to address higher input costs from inflationary pressures.

## Delivering on our strategy

After resetting your company's strategy and operating model, and significantly strengthening operating risk and governance, we are confident that we have the right plans in place. We have seen many indicators of improvements this year across our key strategic ambitions<sup>2</sup>:

- One million new customers across Australia and New Zealand by FY26;
- More than 80% of customers' activity through digital channels by FY26;
- At least \$250 million in insurance profit from our Intermediated Insurance Australia business by FY24; and
- \$400 million of value through claims and supply chain effectiveness from FY26.

Our efforts to **grow with our customers** are succeeding. Customer numbers in the NRMA Insurance business grew as we rolled out the brand in Western Australian and South Australia and migrated customers from an intermediated relationship to a direct relationship.


Our work to **build better businesses** has included a significant review of our Intermediated Insurance Australia business, and the appointment of a new executive, Jarrod Hill. The division has delivered steady progress towards its ambition of \$250 million insurance profit by FY24.

To **create value through digital**, we are investing heavily in the business' core infrastructure.

<sup>1</sup> IAG defines its underlying insurance margin as the reported insurance margin adjusted for net natural peril claims costs less the related allowance; prior period reserve releases or strengthening; and credit spread movements

<sup>2</sup> These 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). See Appendix 1 on page 33 for more information.





**“Our results reflect the quality of our underlying business as we build a stronger, more resilient IAG.”**

We are working to simplify our operations and remove complexity, and accelerating the digital transformation of our customer experience, making it easier and faster for customers, brokers and partners to do business with us. We are more than half-way through the build of our strategic Enterprise Platform for our personal lines, with our consolidated Customer, Policy, Pricing and Claims systems now fully operational for NRMA Insurance customers in Western Australia, South Australia and the Northern Territory.

While it is early days, we are pleased with the progress we have made against our ambition to deliver \$400 million of claims value. The Online Motor Claims tracker we launched in May has already had 140,000 customer interactions, and online digital claims lodgements have increased. We are also seeing benefits flow through to our motor repair model program.

When it comes to **managing our risks**, we continued to manage the balance sheet in a conservative manner, using all forms of capital (equity, debt and reinsurance). I'm pleased that we were able to refinance our New Zealand debt instrument this year, well before we needed to. We maintain strong levels of reinsurance cover and continue to be well-supported by global reinsurance markets.

Operational risk is being managed by your company's new Chief Risk Officer, Peter Taylor, who joined us in May, completing my Group Leadership Team. Peter and his team are building on the work of the last couple of years to maintain our risk skills. No new material topics have emerged in the last 12 months, and old issues continue to be well managed.

### **Responding to a challenging environment**

The way we responded to this year's challenging environment further supports the confidence we have in our people, our structure and our business.

Our people and those working in our supply chain and partner organisations continued to be affected by COVID-19 and other seasonal illnesses.

These challenges were compounded by an extraordinary number of extreme weather events in Australia and New Zealand, including the devastating floods in northern New South Wales and along the east coast of Australia. Across Australia and New Zealand, claim lodgements from extreme weather events in FY22 more than doubled over the prior year. That huge increase in claims had a significant impact on our customers, on our people, and on our financial results. It is a credit to the resilience and skills of our people that we continued to deliver on our customer promise.

Our strong view remains that we need a coordinated national approach from governments, industries, and businesses to build more resilient communities and reduce the impact of natural disasters and we remain committed to using our expertise and information to assist with this work.

### **Caring for our people**

Our people are key to our customers' experience, and we prioritise their work experience, health and safety. I am very proud that – despite this year's challenges – our overall employee engagement score for FY22 was 77%, a 4% improvement on last year's annual culture survey result.

We continue to use the hybrid working patterns we implemented in response

to COVID-19. These are based on team requirements and objectives and encourage purposeful connection and collaboration through a combination of working remotely and being on site on specific days.

The share of senior management roles occupied by women was 44% (FY21: 43%), and we are focusing on leadership development and accelerating our talent and succession approach to help us reach our target of 50% by 2023.

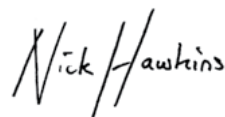
We continue to prioritise the safety and wellbeing of our people, including offering support when they need it. In our culture surveys, 92% of our people strongly agreed that their direct leader genuinely cares about their safety and wellbeing.

### **FY23 guidance and outlook**

Having a more focused operating model, a leadership team with deep expertise, and a clear strategy for growth gives us confidence in the future. The improved guidance we have issued for FY23 reflects this confidence, and our strong underlying<sup>1</sup> business momentum.

We are forecasting mid-to-high single digit growth in gross written premium, and a ~19% increase in our natural peril allowance. Our reported insurance margin guidance is for a range of 14 – 16%. This aligns to IAG's aspirational goal to deliver a 15 – 17% insurance margin over the medium term.

I am confident our work to create a stronger, more resilient IAG will continue to deliver profitable business and customer growth in FY23, and longer-term value for our stakeholders.



**Nick Hawkins**

Managing Director and Chief Executive Officer

# 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 issues

## 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 business

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<sup>1</sup>

- 1M+ new customers by FY26
- 80%+ digital interactions by FY26
- \$250M+ insurance profit from IIA by FY24
- \$400M+ value added through claims and supply chain

### Financial targets<sup>2</sup>

- Reported ROE 12 - 13%
- Reported margin 15 - 17%



#### Customers

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

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#### Shareholders

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

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#### People

- Strengthening our culture
- Fostering a diverse and inclusive workplace
- Building capabilities for future readiness
- Prioritising safety and wellbeing

page 12



#### Communities

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

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#### Environment

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

page 15

<sup>1</sup> Refer to Appendix 1: FY23 Guidance and Outlook on page 33 for more detail.

<sup>2</sup> This is our medium-term value proposition to our shareholders. Excluding business interruption provision releases.





# Customers

## OVERVIEW

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

### 8.5m

Customers insured

### +53 AU

Heartbeat<sup>1</sup> score  
(+53 FY21)

### +52 NZ

Heartbeat<sup>1</sup> score  
(+43 FY21)

### 6.6m

(1 in 4)  
Cars insured

### 2.7m

(1 in 4)  
Homes insured

<sup>1</sup> The Heartbeat score is an internal measure of customer advocacy based on experiences customers have had with us. We obtain this information via surveys of our personal and business insurance customers who have had a recent interaction with IAG, either by telephone, visiting a branch or agency, or by having lodged or settled a claim. The Heartbeat figures as at June 2022 were calculated on a 12-month rolling average.

**This year, our customers were affected by several extreme weather events, including torrential rain, floods, an earthquake, and hailstorms. These events resulted in over 124,000 claims.**

### Responding to natural disasters

We acknowledge the hardship our customers have experienced this year and continue to work to assist them. Our approach is to be first on the ground to ensure our customers have what they require to get their lives back on track. We have dedicated claims support teams, assessors and builders to conduct emergency repairs. In Australia, we offered SMS Disaster Response Communication to help customers lodge claims faster and receive immediate assistance.

### Improving the customer experience

This year, our businesses continued to enhance products, strengthen partnerships and improve customer experience. We launched NRMA Insurance into Western Australia and South Australia, extending the reach of one of Australia's most trusted brands. We also launched the digital ROLLiN' product to provide younger customers in their 20s and 30s with a subscription-like offering for motor insurance.

NRMA Insurance created a Customer Loyalty Program, via the NRMA Insurance app. Customers can access their policies, and get Priority Assistance telephone support for faster quotes and new policies for motor, home and compulsory third party. There are also discounts and offers such as car servicing and parts discounts from MotorServe, as well as \$100 off Property Safe services. In New Zealand, our AMI and State brands launched apps that enable customers to access their policies, including getting quotes for new cover and lodging claims. In June, 24% of claims were lodged online.

We continued to grow our online services. NRMA Insurance now conducts ~39% of new business sales and renewals online. Our intermediated business improved the customer experience by simplifying digital broker and partner platforms. A digital workflow management solution was implemented within CGU to simplify ways of working, uplift productivity and enable efficiencies. In New Zealand, digital sales contributed to ~34% of direct new business in FY22.

In Australia, to satisfy ASIC's Product Design & Distribution Obligations, and ensure our products meet our customers' needs, we have launched Target Market Determinations for all retail

insurance products; established new product monitoring systems and processes to better analyse claims, complaints and sales insights; and published policies on how IAG develops and distributes retail insurance products.

### Delivering consistent, quality repairs

We also continued to improve the consistency and quality of repairs through Repairhub. In Australia, this is a majority-owned joint venture with RACV and two repair partners. Reduced repair times means cars are returned to customers earlier, while we are also seeing economies of scale in motor parts procurement.

Other Australian motor vehicle assessment developments include the use of artificial intelligence to predict whether a motor vehicle is a total loss after an accident. Once a vehicle has been assessed, customers can settle claims online in only a few hours. In FY22, 24,000 customers made use of this service.

To help Australian customers who want to replace their total loss vehicles, we use Carbar's car-trading and subscription platform to source cars. This process has improved efficiency, and the customer experience.

In New Zealand, our AMI and State brands now offer a private motor auto-verification process to speed up the claims approval process. Eligible motor claims are automatically accepted, excesses automatically calculated, and the acceptance letter automatically emailed to customers.

New Zealand opened its fourth Repairhub in Te Rapa this year. This fully-owned business continues to provide an industry-leading customer experience and is venturing into new technologies including 3D printing and robotics to speed up repair times and reduce costs. In March 2022, our New Zealand business acquired First Rescue, a nationwide network of over 500 providers and assessors offering 24/7 roadside assistance, accident towing, and vehicle assessments. The acquisition supports our strategy to launch additional adjacencies that deliver world-class experiences for our customers and partners along the value chain.

In Australia, customers can use an Online Claims Tracker to monitor repair progress, book an inspection, pay an excess and upload documents directly to their Motor Vehicle claim. More than 170,000 customers have accessed this service since its launch in May 2022. New Zealand customers have their claims managed by an end-to-end team and can log claims online and in the app.

## OVERVIEW

A responsible business  
creating sustained  
return on investments

### 5.7%

Gross written premium growth

### \$586m

Insurance profit

### 14.6%

Underlying insurance margin<sup>1</sup>

### 622,124

Shareholders as at 30 June 2022

**IAG's FY22 performance was characterised by high natural perils expenses, volatile investment markets and reserve strengthening following adverse experience in our commercial liability portfolio.**

This year's underlying results reflect the positive momentum we have achieved as we build a stronger, more resilient IAG. Despite challenges in the external environment, our businesses performed well and delivered strong gross written premium growth of 5.7%, to \$13,317 million.

## Delivering solid underlying performance

Results for FY22 included:

- Gross written premium growth of 5.7% (FY21: 3.8%), consistent with guidance of mid-single digit growth
- Reported insurance profit of \$586 million, representing a margin of 7.4% (FY21: 13.5%), below the guidance range of 10% to 12%, reflecting:
  - Net natural peril costs of \$1,119 million, \$354 million above the original allowance of \$765 million, consistent with the expectation of 'approximately \$1.1 billion' as announced on 9 March 2022
  - Prior period reserve strengthening of \$172 million
  - Negative credit spread impacts of \$45 million
- An underlying insurance margin<sup>1</sup> in the second half of FY22 of 14.1% (2H21:13.5%)
- A pre-tax net corporate expense benefit of \$200 million (FY21: \$1,510 million loss) reflecting a reduction in the business interruption provision
- A loss on shareholders' funds of \$105 million
- Net profit after tax of \$347 million (FY21: \$427 million loss) including:
  - Strengthening of prior period reserves by \$135 million in the second half (FY22: \$172 million), driven by the commercial liability portfolio. This reflects inflationary impacts on claims settlement costs and above allowance prior year claims, which are now assumed to continue into later years
  - A \$200 million pre-tax release from the business interruption provision
  - Strong momentum in underlying<sup>1</sup> business performance which provides confidence in the outlook for FY23

Direct Insurance Australia grew gross written premium by 4.6% to \$6,036 million through a combination of higher premium rates and an increase in policy numbers. The business also recorded improved retention rates across motor and home insurance in every Australian state.

Intermediated Insurance Australia reported a 6.0% increase in premium to \$4,289 million, with strong underlying premium growth, and solid retention levels.

Our New Zealand business grew gross written premium by 7.7%, to \$2,991 million. The local currency result was up 7.0% to \$3,193m. This result reflected strong growth from the Business division, solid growth in the direct brands, and modest growth across the bank partner distribution channels.

## Adjusting our business interruption provision

The appeal judgment in the second business interruption test case was handed down on the 21st of February 2022, and is currently subject to applications for special leave to appeal to the High Court of Australia. On 4 August 2022, the High Court informed the parties that it will hear oral arguments on the applications for special leave. The High Court also indicated that the oral hearings will not be listed before October 2022 at the earliest.

Consistent with our February 2022 update that a release of the business interruption provision was likely to be recognised over time, IAG has reduced the provision to \$975 million at 30 June 2022. The reduction follows a review of the actuarial model supporting the provision, considering the number and nature of the claims received since the second test case; and an analysis of the scope of the judgment and its application.

This provision continues to include a significant risk margin, reflecting the uncertainty of the potential legal outcomes and subsequent claims that may arise following that decision.

## Capital and dividend

IAG continued to maintain a solid capital position as at 30 June 2022. The Board has declared a final dividend of 5.0 cents per share, to be paid on 22 September 2022 to shareholders who are registered at 19 August 2022.

<sup>1</sup> IAG defines its underlying insurance margin as the reported insurance margin adjusted for net natural peril claims costs less the related allowance; prior period reserve releases or strengthening; and credit spread movements.

# People

## OVERVIEW

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

# 77%

(up 4% from FY21 Annual Culture Survey) Employee Engagement score

# LGBTIQ+ Inclusion

AWEI Bronze Status and Strengthening Practice across all sections of the Rainbow Tick Certification in NZ

# Level 4

FlexCareers certification

# 92%

of our people strongly agreed that their direct leader genuinely cares about their safety and wellbeing

# 44%

Women in Senior Management (up from 43% in FY21)

# 1.3%

Aboriginal and Torres Strait Islander employment (down from 1.5% in FY21)

**IAG's culture is reflected in 'The IAG Way', which gives us a clear focus on who we are, what we stand for and how we need to behave. It also supports us in our talent attraction and retention strategies, which remain a focus given the competitive labour market conditions.**

## Strengthening our culture

IAG has made progress on strengthening our culture. We measure culture through quarterly 'pulse' surveys and an annual culture survey. These surveys measure two key indicators – Employee Engagement & Leadership Agility. As at 30 June 2022, our Employee Engagement score<sup>1</sup> was 77% (up from 73% in our FY21 Annual Culture Survey), with Leadership Agility remaining high at 88%.

Our highest scoring areas included: flexible working practices, supportive team culture, and quality of leadership. Opportunities identified are around employees feeling more confident to speak up and better managing the impact of organisational change.

In the last 12 months we have strengthened our approach to listening and responding to the voice of our people, by introducing onboarding surveys which have informed our Enterprise Culture Action plan.

We are building a culture of appreciation through our Enterprise Recognition Program - Shout Outs | He toa takatini. Since the program's launch in 2020, over 200,000 "Acts of Appreciation" have been generated acknowledging our people's contribution to performance and for living our values.

Detailed information about our measures and the results we achieved are set out in the remuneration report on pages 29 – 53 of the Annual Report 2022.

## Fostering a diverse and inclusive workplace

Diversity, Inclusion and Belonging is critical to every part of our business and has a positive impact on risk management, innovation and culture. Our refreshed Diversity, Inclusion and Belonging Strategy focuses on:

- Increasing the diversity of our workforce by improving the representation of specific groups.
- Promoting a culture of inclusion.
- Building connection and celebrating difference.

To deliver on this strategy, we are focused on various forms of Diversity, Inclusion and Belonging, including: gender equity and pay parity, Aboriginal and Torres Strait Islander employment, LGBTIQ+ inclusion, workplace accessibility, employees with caring responsibilities, and flexibility and hybrid working.

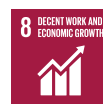
We have a variety of Employee Network Groups that support our strategy by bringing together people who aim to create a more inclusive workplace.

## Gender equity and pay parity

In FY22, the share of senior management roles occupied by women was 44% (from 43% in FY21). We recognise there is more work to be done to reach our target of 50% by FY23. We define Senior Management roles as our Group Executive, Executive General Managers and people who report directly to them. More broadly, women constitute 60% of our total workforce. Our focus remains on leadership development and the acceleration of our talent and succession approach.

In 2022, we received external recognition acknowledging our progress on gender equality, ranking 21st in the [Equileap Gender Equality Global Report and Ranking 2022](#).

We continue to focus on gender pay parity across IAG. We do this through regular 'like for like' role analysis as well as analysis of average pay differences across the company, responding where exceptions are identified. Our analysis during FY22 did not highlight any "like for like" gender pay issues.



	Australia		New Zealand	
Male to female annual salary ratio (average) (\$)	FY22	FY21	FY22	FY21
General Employees	1.10	1.10	1.14	1.22
Manager / Senior Specialist	1.07	1.08	1.02	1.12
Senior Manager	1.02	1.03	0.97	1.03
Heads Of / General Manager	1.08	1.09	1.18	1.06

<sup>1</sup> Full year reporting on Employee Engagement and Leadership Agility is based on the average of four scores throughout the year obtained from our quarterly pulse surveys and annual culture survey.



Further information on IAG's gender diversity is available in IAG's Workplace Gender Equality report available at [www.iag.com.au/careers](http://www.iag.com.au/careers).

### Aboriginal and Torres Strait Islander employment

IAG is committed to increasing Aboriginal and Torres Strait Islander employment. As at 30 June 2022, IAG's Aboriginal and Torres Strait Islander employment rate was 1.3% (a decline from 1.5% in FY21).

A First Nations People Inclusion Plan has been developed that focuses on attraction and retention through building talent and development pathways, investing in cultural awareness training across IAG, and listening to the voice of First Nations employees. We continue to partner with Career Trackers through their internship program and have grown our First Nations Employee Network Group.

IAG recently launched a Stretch Reconciliation Action Plan (RAP), which continues our commitment to increasing Aboriginal and Torres Strait Islander employment. Our RAP is available on the Reconciliation page of our website. Further detail can also be found on page 14 in the Communities section.

### LGBTIQ+ inclusion

We are proud that our Australian and New Zealand workplaces have been acknowledged as supportive, productive, and inclusive workplaces for LGBTIQ+ people. For the fourth year in a row, we were awarded Bronze status in the Australian Workplace Equality Index (AWEI). In New Zealand, we achieved 'Strengthening Practice' (the top category) across all sections of the Rainbow Tick Certification.

Our trans-Tasman Gender Affirmation Guidelines were updated to include paid leave for our people who have made the decision to affirm their gender.

### Workplace accessibility

IAG is committed to reducing barriers to accessibility as part of our broader focus on inclusion.

In FY22, we have worked in partnership with the Australian Network on Disability (AND) to take steps to improve the workplace accommodation processes and provide employment and internship opportunities for people living with disability.

Through our relationship with AND, 6 interns joined IAG through the Stepping Into program, with an enhanced focus on identifying continuing employment opportunities post internship. To better support employees living with disability, we have introduced new Workplace Adjustment guidelines, to ensure a consistent and supportive approach to workplace accommodation for disability.

### Employees with caring responsibilities

IAG introduced gender neutral parental leave in New Zealand (aligned with IAG in Australia) and a new digital platform (Circle In) for parents and caregivers. The Circle In platform provides resources and information for employees (and their managers) at all stages of their parenting or caregiving journeys.

### Flexibility and hybrid working

We have a range of flexible working arrangements available for our people. In our 2021 Annual Culture survey, 90% of participants said that they had the flexibility they required to manage work and other commitments.

In December 2021, IAG achieved a Level 4 FlexCareers certification reflective of the range of flexible working arrangements available to all employees. In response to COVID-19, we implemented 'Dynamic Working'; hybrid/tailored working patterns based on team requirements and objectives, which has enabled purposeful connection and collaboration as we continue to work remotely while also being onsite on specific days.

### Building capabilities for future readiness

For IAG to deliver on its strategy and be able to respond at pace to the changing environment, we must build Insurance and Leadership capability both for now and the future.

In FY22, we developed a Leadership and Learning Strategy with two investment priorities:

- Executive Leadership Development: In November 2021, we launched two dynamic Executive Leadership programs focused on building enterprise capabilities, executive behaviours and mindsets.
- The IAG Academy: In October 2021, we launched the IAG Academy, a vehicle to uplift at scale current and future insurance and people capabilities.

### Prioritising safety and wellbeing

IAG continues to prioritise the safety and wellbeing of our people. In our Culture surveys, 92% of our people strongly agreed that their direct leader genuinely cares about their safety and wellbeing. We offer our people support when they need it, with around 12% of employees accessing our Employee Assistance program over the past 12 months. Our Lost Time Injury Frequency Rate (LTIFR) remained stable at 0.96 in Australia and 0.17 in New Zealand (as at 30 June, 2022).

In FY22, our wellbeing initiatives included:

- Expansion of our health and wellbeing platform Thrive, from New Zealand into Australia and Singapore.
- Launch of a new series of Wellbeing Webinars, providing practical tips and insights about mental health and holistic wellbeing.
- Launch of a new Work from Home checklist, videos, and guides.
- Support for RUOK Day 2022, which was embraced by many people who used it to connect with and support family, friends and colleagues, and access additional mental health resources.
- Extension of COVID-19 support, including vaccination leave, a wellbeing day for all our people, and flu vaccinations for our people and their immediate families.



June 2022: IAG launched its fourth Reconciliation Action Plan

# Communities

## OVERVIEW

We help to build safer, more resilient communities

## \$15.2m

(+13% from FY21) invested in community initiatives in FY22.

## 2,760 hrs

(+16% from FY21) volunteered by our people.

## 32

Supply Nation certified Indigenous suppliers in 2022.

## 4th RAP

Launched our fourth RAP and reaffirmed support for the Uluru Statement from the Heart.

**“There is so much we can continue to learn from our First Nations peoples. I am looking forward to seeing our new RAP come to life, working in collaboration with Aboriginal and Torres Strait Islander Australians to drive positive outcomes.”**

**Christine Stasi**  
Group Executive, People,  
Performance and Reputation

We want to make a difference in the communities in which we operate, including by helping those affected by natural disasters and COVID-19. We remain focused on building disaster resilience across Australia and New Zealand, and furthering our support for Aboriginal and Torres Strait Islander communities and Māori.

### Leading on disaster resilience

Mitigation, land use planning and building code reform are key to keeping communities safe in future natural peril events. We can contribute to better outcomes for our communities by offering our expertise and working with governments, industry and customers to improve planning and build more resilient homes. Such engagements seek to influence public policy decisions on risk mitigation and communities affected by natural disasters. Further detail on how we are addressing disaster resilience can be found on pages 20 and 21 of this report.

### Assisting recovery

IAG continues to assist communities as they recover from the impacts of COVID-19 and extreme weather events. During FY22, this assistance included:

- In September 2021, NRMA Insurance and RACV provided \$2 million in funding to the GIVIT platform, enabling the launch of its COVID-19 Relief Program. This Program assisted affected individuals and communities with 791,841 urgently needed items.
- Leveraging our ongoing partnerships with GIVIT, Australian Red Cross and Lifeline, NRMA Insurance announced a further \$1 million HELP package for communities impacted by flooding in NSW and southeast Queensland in early 2022.
- We also deployed the NRMA Insurance Helicopter during the recent flooding events to transport volunteer teams and essential supplies to isolated communities.

Further detail on our community investment and volunteering can be found in our ESG Data Summary at [www.iag.com.au/safer-communities](http://www.iag.com.au/safer-communities).

### Supporting Aboriginal and Torres Strait Islander communities and Māori

IAG's engagement strategy includes both an Aboriginal and Torres Strait Islander and Māori focus. The strategy aims to grow resilience, build cultural connection, play a role in addressing inequalities and grow prosperity and wellbeing in Australia and New Zealand.

In Australia, IAG launched its fourth Reconciliation Action Plan (RAP) in June 2022. This Stretch RAP outlines a focus on addressing climate and disaster resilience and continuing IAG's support of Just Reinvest NSW, which involves community-led justice reinvestment initiatives in Mount Druitt (NSW). We reaffirmed our support of the Uluru Statement from the Heart, which seeks to enshrine in the Australian Constitution a voice to parliament alongside a truth-telling and treaty commission.

IAG is also embedding our RAP commitments into our procurement decisions. We currently have 32 active Supply Nation certified Aboriginal or Torres Strait Islander owned businesses in our supply chain, with a target of procuring from a minimum of 45 by June 2023. As part of our RAP launch, we introduced a 2025 target to procure from 65 suppliers to further improve economic and social outcomes.

In New Zealand, the He Rautaki Māori (Māori Engagement Strategy) continues to target four outcomes to help lift Māori prosperity and wellbeing: embracing Te Ao Māori, fostering Māori leadership, supporting Māori business, and becoming a leading supplier to Māori.

### Fostering equality

In February 2021, CGU Insurance announced that \$1 million of its sponsorship payment to the Collingwood Football Club would be redirected to programs and initiatives that promote positive race relations and equality.

In September 2021, this payment was directed to support Collingwood's Aboriginal and Torres Strait Islander community program, Barrowarn through a housing program, crisis hotline and youth development service. It also supports the Australian Human Rights Commission's national anti-racism campaign – *Racism. It Stops With Me* – to provide tools and resources to help people and organisations learn about and stand against racism.

*As well as being a key stakeholder, Communities also feature in the way we address our material topics. Related activities are discussed on pages 16 - 25 of this report.*

## OVERVIEW

Our contribution to a healthy environment is dependent on managing environmental risks across our value chain and supporting society's move to a low carbon economy

# 13%

Reduction in scope 1 and 2 emissions

# Net Zero

Emissions commitment by 2050 with 50% reduction by 2030

# Launched

The NRMA Insurance Carbon Offset Program



To deliver positive environmental outcomes, we are committing to Net Zero by 2050, delivering our Climate & Disaster Resilience Action Plan (Action Plan) – including shifting to renewable energy – and investing in Indigenous climate knowledge.

## Committing to Net Zero by 2050

We recognise the urgent need to reduce the emissions footprint of our business operations. This is why we have committed to Net Zero by 2050, with a 50% emissions reduction by 2030. Our roadmap to date has included achieving our science-based emission targets for scope 1 and 2 through a reduction in energy use and introducing onsite renewable energy in our data centre. We reduced scope 1 and 2 emissions by a further 13% this year, and we are developing an updated Net Zero Roadmap that includes initiatives to map and reduce our scope 3 emissions.

Reducing emissions to reach net zero is complex. Good progress is being made but there will be yearly fluctuations as methodologies for capturing and measuring emissions evolve. We will respond and adapt to these developments accordingly.

## Scope 3 emissions

In FY22, we helped several suppliers in New Zealand measure their carbon footprint, using the Toitū Carbon Assess tool, Toitū Envirocare. The tool helps small enterprises measure their carbon footprint and large organisations like IAG better understand their scope 3 supply chain emissions. We completed assessments of 16 suppliers, and these highlighted the challenge of capturing accurate, complete data. We continue to investigate how we can expand measurement and reduction initiatives to a wider range of suppliers.

## Shifting to renewable energy

Our pathway to Net Zero is supported by increasing our use of renewable energy. This year we generated 84MW at our onsite photovoltaic system at our data centre in Melbourne. We are looking to accelerate the introduction of renewable energy to our energy mix over the coming years.

## Delivering our Climate & Disaster Resilience Action Plan

In November 2021 we published our FY22-24 Action Plan, to drive further momentum towards achieving our climate outcomes. Our commitments include developing solutions to help our customers adapt to a changing climate (including public source resilient house designs), and transition to a Net Zero future. We have also taken steps that support our motor customers to make sustainable choices. We insured roughly 9,700 electric vehicles in Australia and 6,750 in New Zealand at the end of FY22. We also launched the NRMA Insurance Offset Program, providing motor customers with the opportunity to offset their car's estimated yearly driving emissions. More detail on how we are responding to climate change can be found on pages 18 and 19 of this report.

## Investing in Indigenous climate knowledge

Aligning our climate commitments with our Indigenous Engagement Strategy, we recently developed a partnership with the Aboriginal Carbon Foundation (AbCF). The AbCF supports carbon farming projects, led by Indigenous rangers. It connects Aboriginal communities who supply carbon credits, with organisations seeking to offset their carbon emissions and provides training for Indigenous rangers. Our partnership will support the development of three carbon farming projects in New South Wales by the end of 2023 and the expansion of AbCF into Victoria and South Australia by 2024.

*As well as being a key stakeholder, Environment also features in the way we address our material topics. Related activities are discussed on pages 16 - 25 of this report.*



# Materiality

IAG's operations continue to be shaped by environmental, geopolitical, and macroeconomic uncertainty. Our customers and communities in Australia and New Zealand are also facing increased uncertainty as they encounter more frequent and severe natural peril events.

## Our sustainability approach

We seek to create sustainable value by prioritising climate and disaster resilience action, while managing ESG risks and opportunities. We are continuously learning and improving our approach to meet evolving expectations from regulators, shareholders, and other stakeholders. A key part of this is aligning with current and emerging reporting frameworks, including the Global Reporting Initiative (GRI) and the International Sustainability Standards Board (ISSB).

## Our materiality process

Guided by the GRI, we undertake a materiality assessment annually to help inform our sustainability priorities, using the following method:

### 1. Desktop research and peer benchmarking

We identified potential topics based on input from a wide range of sources including: our internal risk team and Enterprise Risk Profile, a review of global emerging trends, the World Economic Forum Global Risk Report, the UN Sustainable Development Goals (SDGs), relevant sustainability standards, and peer activities.

Topics identified	
Accessibility of insurance	Employee wellbeing and safety
Affordability and availability of insurance	Governance and risk management
Changes to regulatory landscape	Human rights
Climate change	Natural environment, biodiversity, and water scarcity
Community connection and engagement	Privacy and cyber security
Customer satisfaction and experience	Responsible investment
Digital product and service transformation	Responsible sourcing
Disaster resilience and emergency response	Selling practices and product pricing and labelling
Diversity and inclusion	Trust and transparency
Economic and political instability	Workforce culture and capability

### 2. Stakeholder engagement

We prioritised potential topics by surveying internal and external stakeholders including: around 1,500 Australian and New Zealand customers, suppliers, Consumer Advisory Board members, and community partners, government agencies (state and local), shareholders, and our employees.

### 3. Validation and review

We held internal, cross-functional workshops to test the insights from the stakeholder surveys, and confirm our material topics. These outputs were reviewed in the context of completeness and stakeholder inclusiveness.

### 4. Informing our strategic and business planning

We use our material topics to determine the focus areas of our enterprise-wide Sustainability strategy. Group Risk and Strategy functions also use the materiality outcomes to inform IAG's broader strategic objectives and risk management priorities to further embed the management of our material topics within the business.

## United Nations Sustainable Development Goals

In 2022, we continued to prioritise the four SDGs where we believe we can have the most material impact. These are:



SDG 8 – Decent work and economic growth



SDG 9 – Industry, innovation, and infrastructure



SDG 11 – Sustainable cities and communities










SDG 13 – Climate action

We also recognise the importance of considering where our activities may impede the delivery of SDGs. We continue to assess our alignment to the goals, accounting for both positive and negative impacts, and map priority goals to our material topics. We also identify where our assured ESG metrics are aligned to the SDGs and their associated targets in our ESG Data Summary. Further detail on our approach to the SDGs and our ESG Data Summary can be found on our website at [www.iag.com.au](http://www.iag.com.au).



## Addressing our material topics

Material topic	Our response	Strategic alignment
<b>Climate change</b> Risks and opportunities of a changing climate, and the social and financial impacts of natural peril events. Alignment with the SDGs: 	<ul style="list-style-type: none"> <li>An IAG-wide Climate &amp; Disaster Resilience Action Plan that allocates accountability across relevant Group Executives.</li> <li>Leveraged climate scenario analysis to inform physical, transition, and liability impact assessments.</li> <li>Embedding climate risk management into portfolio choices, underwriting, product, and pricing approach.</li> <li>Established a Net Zero target by 2050 and 50% emissions reduction by 2030, with a roadmap to meet the targets.</li> <li>Launched the NRMA Insurance Carbon Offset Program to support motor customers to transition to a low carbon future.</li> </ul>	Manage our risks  Build better businesses  Create value through digital
<b>Disaster resilience and emergency response</b> Community preparation, adaptation, and response to the impacts of natural hazards and climate change. Alignment with the SDGs:   	<ul style="list-style-type: none"> <li>Launched the Australian Resilience Corps with Minderoo Foundation and NRMA Insurance to help prepare communities for natural disasters.</li> <li>Established a new partnership between NRMA Insurance and the South Australian State Emergency Service to improve storm and flood preparedness.</li> <li>Launched the New Zealand Wild Weather Tracker, an analysis of insurance claims data to help people build preparedness.</li> <li>Delivered support for our communities through the NRMA Insurance and RACV \$2 million COVID-19 Relief Appeal with GIVIT, and collaboration with the NSW State Emergency Service and Australian Red Cross during the devastating East Coast flooding.</li> </ul>	Grow with our customers
<b>Affordability and availability of insurance</b> Inadequate insurance cover due to affordability issues or a lack of suitable insurance products. Alignment with the SDGs: 	<ul style="list-style-type: none"> <li>Elevated “Affordability and Availability” as an Enterprise Risk.</li> <li>Collaborating with the Bushfire Building Council of Australia on the FORTIS House project to make it easier and more affordable for Australians to build resilient homes.</li> <li>Conducted a detailed benchmarking of our capabilities to deliver against our customer equity framework.</li> <li>Progressed 65 of the 69 initiatives within our Financial Inclusion Action Plan.</li> <li>Collaborated with government, regulators, and industry partners to address the challenges of affordability and availability of insurance.</li> </ul>	Grow with our Customers
<b>Trust and transparency</b> Erosion of confidence or trust in institutions due to fraud, corruption, or other non-ethical behaviours. Alignment with the SDGs:  	<ul style="list-style-type: none"> <li>Reviewed IAG’s remuneration framework, led by the People and Remuneration Committee.</li> <li>Began to uplift transparency of disclosure, including data related to complaint resolutions.</li> <li>Strengthened our ESG risk management process by updating our Risk Appetite Statement.</li> <li>Formalised existing internal guidance on Algorithmic Ethics and Responsibility.</li> </ul>	Grow with our customers  Manage our risks

# Climate change

## Why this is important to IAG?

Our research, claims and industry data indicate climate change is a clear risk to our insurance business. Our materiality process continues to reflect this, with climate change consistently appearing among our material topics since 2016. In the recent (fifth) iteration of our New Zealand Climate Survey, 78% of respondents said climate is an important issue for them.

Under future climate scenarios, the increasing severity and frequency of natural perils could lead to higher pricing and insurance premiums. There is potential for material financial impact for IAG from climate change in the long-term without further action. We use climate scenario analysis to better inform our portfolio choices, pricing and underwriting decisions, and reinsurance requirements.



The scenarios we use are consistent with the Intergovernmental Panel on Climate Change (IPCC) Representative Concentration Pathways (RCP), while transition and liability risk scenarios consider similar inputs to the Deep Decarbonization Pathways Project. Additional detail can be found in our Climate-related disclosures at [www.iag.com.au](http://www.iag.com.au).

## Our approach to managing this material topic

In FY22, we launched our updated three-year Climate & Disaster Resilience Action Plan (Action Plan). The Action Plan focuses on three strategic priorities:

- 1. Transforming the System:** Building community climate and disaster resilience by delivering and collaborating on preparedness initiatives, research, adaptation, and policy.
- 2. Rethinking Risk:** Keeping people insured by enabling customers and our business to manage risks and opportunities more effectively in a changing climate.
- 3. Driving to Zero:** Reducing our emissions footprint and achieving Net Zero by 2050 to limit climate change.

## How we are measuring performance

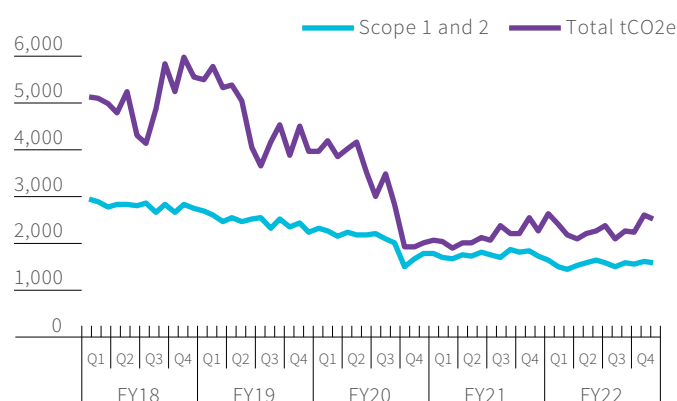
We have established two high-level targets that contribute to IAG's broader strategic priorities:

- Net Zero emissions by 2050, with a 50% emissions reduction by 2030.
- 1 million Australians and New Zealanders have taken action to reduce their risk from natural hazards by 2025.

The Action Plan has qualitative commitments and goals under each focus area. All commitments have Group Executive accountability, ensuring that delivery is embedded into divisional priorities. Progress against the Action Plan will be reported annually. A key element of the Action Plan is the introduction of scope 3 emissions. We recognise that there is a high level of complexity associated with capturing and understanding scope 3 emissions, and that there is also inherent uncertainty in the quality of data currently available. Looking ahead, we are developing a Net Zero Roadmap that will incorporate reporting against the quantitative targets of the Action Plan and will introduce how we intend to map and measure scope 3 emissions.

Our comprehensive emissions data is disclosed in our ESG data summary at [www.iag.com.au/safer-communities](http://www.iag.com.au/safer-communities).

## IAG's emissions trend: scope 1 & 2 emissions trend, and measured scope 3 (tCO<sub>2</sub>e)



## Group GHG emissions (tCO<sub>2</sub>e)

GHG Emissions	YoY	FY22	FY21	FY20
Scope 1	-13%	4,869	5,601	6,751
Scope 2	-12%	10,902	12,458	14,562
<b>Total Scope 1 &amp; 2</b>	<b>-13%</b>	<b>15,771</b>	<b>18,059</b>	<b>21,313</b>
Measured Scope 3	95%	8,868	4,552	11,606
<b>Total</b>	<b>9%</b>	<b>24,640</b>	<b>22,611</b>	<b>32,920</b>
Tonnes/FTE	7%	2.12	1.97	3.03

## How we are responding

### What we achieved in FY22

#### Managing our own emissions

**Scope 1 and 2 science-based emission reduction targets:** We continue to pursue initiatives that support emissions reduction of our direct operations. Initiatives include:

- Completing an EV Early Adopter Program to transition our corporate fleet in New Zealand (currently the largest source of emissions) to hybrid and electric vehicles.
- Refurbishing two of our largest Australian office sites to improve efficiency.
- Reduced the office floor space we occupy in New Zealand to better reflect our flexible working arrangements.

#### Measured scope 3 emissions:

In FY22, we extended the scope of our measured scope 3 emissions to include working from home. The extension ensures we capture the energy usage of the more flexible working arrangements we have adopted post COVID-19. The inclusion of working from home has driven an increase in our scope 3 emissions in FY22, as has the increase in business travel in the second half of the financial year, as COVID-19 restrictions eased.

#### Developing our understanding of Scope 3 emissions

We recognise that IAG's most material impact on the environment is through our scope 3 footprint, including our investments, underwriting portfolios, and supply chains. In FY22 we expanded our scope 3 understanding by completing an assessment using the Toitū Carbon Assess tool of 16 of our smaller suppliers in New Zealand, including motor repairers and builders, who make up a large part of our claims supply chain. Insights from this work are informing our scope 3 program.

#### Launching the NRMA Insurance Carbon Offset Program

The [NRMA Carbon Offset Program](#) was launched in May 2022 to enable individuals to offset their car's estimated yearly driving emissions.

- 100% of the funds (excluding GST) collected are used to source carbon offsets from our partner projects, such as bush regeneration in Australia, investment in renewable energy, and rainforest protection.
- The Program will also align to our Reconciliation Action Plan commitments, identifying project opportunities that support Aboriginal and Torres Strait Islander communities.
- It is accessible via either the NRMA Insurance website or app.

#### Enabling sustainable choices

Through our insurance products, we play a role in supporting our customers to make sustainable, low carbon choices. We currently insure around 9,700 EVs in Australia and 6,750 in New Zealand.

#### Collaboration and leadership on climate action

We collaborate with industry partners and different tiers of government, advocating for innovation and change that supports the management of climate risks and opportunities and catalyses action. Details of our engagements over the past year, including with the Australian Sustainable Finance Institute (ASFI) and New Zealand Climate Leaders Coalition) are included on our website at [www.iag.com.au](http://www.iag.com.au).

### Looking ahead to FY23

#### Progressing our Net Zero commitment

We will continue to report progress on scope 1 and 2 emissions and intend to expand our scope 3 coverage. Reporting against our Net Zero commitment will include:

- Accelerating the introduction of renewable energy to our energy mix.
- Further developing our responsible underwriting approach to ensure an ESG lens is embedded into strategic decision-making.
- Identifying investment opportunities that drive emissions reduction and support transitional technologies.
- Engaging and supporting material suppliers to measure, report and start reducing emissions.
- Developing products to incentivise our customers to transition to a Net Zero future.

#### Learning from the NRMA Insurance Carbon Offset Program

This offset program is just one measure in a broader program of work to decarbonise our products and support our customers with a transition to a low carbon future. We intend to collect the data on customer uptake that can provide a useful measure of how we can better influence behaviour change.

#### Net Zero Insurance Alliance

In order to support our work on scope 3 emissions, in June 2022 we joined the Net Zero Insurance Alliance (NZIA). Through this membership, we will be able to contribute to and learn from the development of climate and industry guidelines and methodologies to support the transition to Net Zero.





# Disaster resilience and emergency response

## Why this is important to IAG?

Managing climate and disaster resilience is critical to our core insurance business. The NRMA Insurance Wild Weather Tracker showed that 1 in 3 Australians are worried that their communities are not resilient to wild weather.

We play an important role in supporting communities to recover and rebuild after major events. We are on the ground quickly to ensure our customers are safe and supported, and to help them begin their recovery. We have dedicated Major Events teams in Australia and New Zealand in place year-round to deliver on this promise.

By using our climate science insights and capability, we can help our customers take action to manage these peril risks, and work across government to develop and improve disaster resilience solutions.

## Our approach to managing this material topic

Our Climate & Disaster Resilience Action Plan (Action Plan) also details our strategic response to uplifting disaster resilience among our stakeholders:

- **Product, pricing, and insurance value chain:** we are investigating ways we can recognise customers' risk reduction action.
- **Property resilience:** we are supporting our customers and communities to make their homes more resilient.
- **Community & customer preparedness:** we educate the community about their risk and what they can do to make themselves safer, through partnerships and programs with emergency services and disaster resilience organisations.
- **Investment in resilience:** we advocate for and support investment in mitigation. We work with all levels of government and share our advice on effective risk reduction measures, and how to incentivise private sector investment.
- **Land planning, building codes and construction:** we use our insights to drive change in building codes, practices, and land use so that homes and buildings can withstand more extreme weather.
- **Policy settings, engagement, and influence in the resilience system:** we contribute to national policy frameworks like the National Disaster Risk Reduction Framework, which set priorities for a resilient and insurable Australia.

The NRMA Insurance Wild Weather Tracker is now onto its fifth edition, using claims data analysis and consumer preparedness sentiment to drive risk awareness at a national scale in Australia. 2022 also saw the first iteration of the Wild Weather Tracker in New Zealand, which revealed a 32% increase in claims this year from weather-related property damage across IAG's New Zealand general insurance brands. Within this context, it is critical that we continue to help our customers and communities understand their risks and build resilience.

## How we are measuring performance

In 2022 we publicly committed to enabling one million Australians and New Zealanders to take action to reduce their risk from natural hazards by 2025. Examples of actions and initiatives we are taking are included here, and we intend to start disclosing our performance against this target from FY23.



**“Insurance is here to support Kiwis when things go wrong, but there’s so much more we need to be doing to keep New Zealanders safe from the impacts of natural disasters. We hope that by regularly publishing the Tracker, people will clearly see the impact climate change is having on our communities and be able to better prepare.”**

Amanda Whiting, Chief Executive Officer IAG New Zealand

## How we are responding

### What we achieved in FY22

#### Supporting community preparedness

- NRMA Insurance worked closely with the NSW State Emergency Service to develop community preparedness campaigns (‘The Risk is Real’ campaign) in high-risk flood locations such as Georges River, Mid North Coast, and the Central Coast/Hunter region.
- Established a new partnership between NRMA Insurance and the South Australian State Emergency Service (SA SES) in June 2022.
- SASES Chief Executive Officer Chris Beattie said: “Our partnership with NRMA Insurance is a significant milestone for the SASES that will enable us to amplify localised and targeted community preparedness programs in high-risk areas.”

#### Continuously engaging across the risk-reduction and resilience system

We continue to work with industry and government to influence and scale disaster resilience action, including:

- The National Recovery and Resilience Agency (NRRA)
- The Northern Rivers Reconstruction Corporation (NRRC)
- The Australian Resilience Corps – a volunteer network resource that aims to lift resilience to fire and flood disasters across Australia.

#### Responding to the East Coast flood disaster

We worked with our community partners to share insights, reinforce their critical safety messaging in our communications and support customers at recovery centres. Our response included deploying the NRMA Insurance Helicopter to support our partners NSW SES and Australian Red Cross.

Further details on IAG’s community partnerships can be found at [www.iag.com.au/safer-communities](http://www.iag.com.au/safer-communities).

### Looking ahead to FY23

#### Scaling our impact through partnerships

Due to the devastating floods in 2022 the Mid North Coast campaign will be refocused to look at ways to embed longer-term resilience into the recovery process.

**Australia:** We will continue to work with the NSW and SA State Emergency Service and other partnerships to help communities move from risk awareness to preparedness action.

As part of the established NRRA National Cross-Sector Panel we will continue to provide leadership on the development of the next National Action Plan for Disaster Resilience.

**New Zealand:** We will continue to promote greater focus on climate adaption in our role on the steering group for the New Zealand Climate Leaders Coalition (CLC) and as the chair of its Climate Adaptation Working Group.

#### Australian Resilience Corps

NRMA Insurance is a founding partner of the Australian Resilience Corps with the Minderoo Foundation. Looking ahead, we will increase focus on creating opportunities for volunteers to join activities in their communities and help prepare for fire and flood.

#### NRMA Insurance helped homeowners prepare for disasters in several ways:

- **Bushfire Building Council of Australia (BBCA) and FORTIS House:** This collaboration, including Shoalhaven City Council, has delivered house designs and a set of building principles for disaster resilience, sustainability, self-sufficiency, and quality. The project aims to make it easier and more affordable for Australians to build houses resilient to bushfires, floods, storms, heatwaves, and cyclones. Taking as little as 12 weeks to build, prefabricated FORTIS houses simplify and fast-track community recovery and preparedness for the future.
- **Storm Check program:** In partnership with the Brisbane Sustainability Agency, we completed 40 home assessments to identify ways to make them more resilient to severe storms. The program found that when homeowners are provided with expert, actionable advice, they are more likely to implement interventions. However, the cost of retrofitting remains a significant barrier to uptake.

#### Thinking differently to build customer and community disaster resilience

IAG is working with the BBCA, along with NAB and BlueScope Steel, to develop a Bushfire Resilience Star Rating program to be launched nationally in 2023. The program’s app will allow people to enter information about their property and receive a rating for its bushfire resilience alongside a list of practical actions to improve the resilience of their home. IAG is also helping to fund a number of home retrofits to provide insights for industry and government bodies to help scale the Star Rating program.



# Affordability and availability of insurance

## Why is this important to IAG?

Affordability and availability of insurance is a consistent topic of concern among customers, industry forums, stakeholder engagement groups, and for our business. Increasing severity and frequency of natural perils, the ongoing impacts of COVID-19, supply-chain and inflationary pressures all require new ways of thinking to ensure we can deliver affordable and available products and services.

## Our approach to managing this material topic

We have several tools and are developing others that will help us address this material topic:

- In March 2020 we launched our [Financial Inclusion Action Plan](#) (FIAP), representing an integrated approach to addressing affordability and availability for our customers, employees, suppliers, and community partners in Australia. In 2022, we continued to implement activities outlined in our FIAP.
- In November 2021 we launched our three-year Climate & Disaster Resilience Action Plan. This details a commitment to supporting insurance affordability and availability for our customers through managing climate risk in our portfolio choices, underwriting, and product and pricing approach.
- To uplift how we address this material topic, Affordability and Availability of insurance was recognised as a standalone Enterprise Risk in 2022. This supports a shared understanding, acknowledgement, and agreement of this issue across the business.

IAG also works closely with government to ensure we provide the best outcomes for our customers. Earlier this year, we welcomed the former Federal Government's announcement that it had finalised the design of the Cyclone Reinsurance Pool for cyclone prone areas of Australia. Further details on the announcement can be found at [www.iag.com.au/newsroom](http://www.iag.com.au/newsroom).

## How we are measuring performance

### Financial Inclusion Action Plan

The Financial Inclusion Action Plan (FIAP) program is led by Good Shepherd and focuses on actions to improve financial inclusion and resilience. In November 2021 our FIAP progress was attested to by senior management and verified by Good Shepherd and EY. We progressed 65 of the 69 initiatives which was an important milestone, and solid foundation for IAG's financial inclusion journey. Key initiatives delivered included language interpreter services for customers, employee training on family and domestic violence, and publishing research on mental health and financial wellbeing.

### Customer Equity

Since July 2021 our 'Supporting Customers Experiencing Vulnerability' web-based training has been completed by 1,252 new starters, and our 'Introduction to Vulnerability' instructor-led training has been completed by 767 new starters supporting an uplift in understanding and awareness of customer vulnerability.

### Climate & Disaster Resilience Action Plan

We will continue to publish an annual scorecard on our website detailing our progress against each of the commitments and goals outlined in the Action Plan.



FORTIS House design

## How we are responding

### What we achieved in FY22

#### Designing our products to meet stakeholder needs

In 2022, we implemented our Group Product Design Principles. These Principles are fundamental concepts underpinning our approach to product design. The application of these principles ensures that our products meet the reasonable needs and objectives of customers, shareholders, regulators, and the broader community throughout the customer journey. This includes making our products easy to understand and communicating with our customers and other stakeholders in a clear and simple way.

#### Working with government and Industry

IAG actively engages with various levels of government and regulators to provide information to support them to better understand the underlying challenges of affordability and availability of insurance. We also influence the wider industry to take a holistic approach to addressing these challenges. Key activities include:

- Completing four public submissions to four different flood inquiries in Queensland, New South Wales and Lismore outlining that mitigation, land use planning and building code reform are key to keeping communities safe in future flooding events. These engagements provide governments with our unique insights, helping to influence public policy decisions on risk mitigation and ultimately supporting accessible private insurance.
- Guiding the latest Insurance Council of Australia (ICA) report *Flooding and Future Risks*, driven by IAG's Natural Perils team alongside others in the industry.

#### Customer equity

At the end of 2021 we engaged PwC to conduct a detailed benchmarking of our capabilities to deliver against our Customer Equity Strategy. The benchmarking resulted in a detailed Maturity Model, which defined a target end state and provided input to our measurement approach.

In the past year, NRMA Insurance launched two initiatives to help customers access insurance:

- In Western Australia, comprehensive 'Basics' cover is now available. The tiered product helps provide a more affordable option for comprehensive motor insurance customers.
- NRMA Insurance rolled out a pay-by-the-month option at no extra cost for motor, home, boat and caravan policyholders in SA, NT, and WA to enable customers to pay progressively for their insurance.

### Looking ahead to FY23

#### Strengthening our approach to affordability and availability

We are developing a co-ordinated approach to how we manage risks and opportunities at an organisational level. Ongoing initiatives and opportunities that will help position us to better address affordability and availability challenges include:

**Flood prevention, mitigation, and management:** Continuing to collaborate with government and Industry to address affordability and reputation risk through engagement on historical land use planning and building controls, and gaps in modern codes.

**Managing climate risk in our portfolio choices, underwriting, and product and pricing approach:** Using claims data and climate scenario analyses to uplift IAG's ability to signal climate risk exposure for customers. This will help inform product development and insurance portfolio management for high-risk peril areas where insurance affordability and availability are exacerbated by climate risks.

#### Further embedding customer equity into our business

We are developing governance and reporting mechanisms to enable tracking against implementation of the Customer Equity Maturity Model.



# Trust and transparency

## Why this is important to IAG?

Building trust is foundational to our social license to operate and ability to address IAG's three other material topics – climate change, disaster resilience and emergency response, and affordability and availability of insurance. We will maintain this trust by being a responsible and ethical business that meets the expectations of our customers and communities through robust environmental, social and governance (ESG) risk management and transparent sustainability disclosure.

## Our approach to managing this material topic

We need to ensure that our stakeholders have trust in both our competence and our character. We need to demonstrate the skills and expertise to meet our commitments and the strength of character to act with integrity. This means being honest and authentic throughout our operations and acting with the right motive and transparency. Our approach includes:

- Engaging with a broad range of stakeholders to understand evolving community expectations of corporates and insurers.
- An Ethics Committee with an independent Chair that meets regularly to share views and build a better understanding of evolving expectations.
- Monitoring customer complaints seeking to identify key themes that allow us to take steps to improve confidence in products and address areas where trust has been eroded.

- A Group Product Policy that sets out the principles and practices applied to the design, development, and management of IAG's insurance products.
- Annual employee compliance training to ensure a comprehensive understanding of our core governance practices, including our Code of Ethics & Conduct and our Anti Bribery and Corruption policy.

We continue to build and maintain trust and transparency through a clear and robust governance structure. The Board Charter includes oversight of the Group's sustainability strategy and initiatives, including consideration of external climate change and ESG reporting, and approval of the Annual Review and Sustainability Report. Board Committees oversee the integrity and effectiveness of our policies and practices, as well as our external reporting. Further details on our governance structure, including the codes and policies that set the foundation can be found on our website at [www.iag.com.au/about-us/corporate-governance](http://www.iag.com.au/about-us/corporate-governance), and in the Climate-related disclosures.



**67**

DJSI score  
On Australia Index  
(+2 from 2020)

**B**

CDP score  
(down from A in 2020)

We also monitor our performance by engaging with trusted ESG assessments, including the Dow Jones Sustainability Index (DJSI) and CDP. These assessments enable us to benchmark our progress over time against a range of ESG criteria. They also provide a lens on best practice and stakeholder expectations, which we leverage to prioritize activities and uplift transparency.

## Hearing and acting on our customers' complaints

### We have millions of customer interactions every year.









Sometimes an interaction will fail to meet our customers' expectations. In these cases, we are focused on resolving the complaint for our customer and learning from the experience.

In these cases, we are focused on resolving the complaint for our customer and learning from the experience to improve our processes. Over the last three years IAG has been on a journey to improve the way we manage, review, and respond to complaints.

As part of this journey, we have focused on uplifting our complaint identification, tracking, and speed of resolution. Over the past year this has led to an 83% increase in lodging complaints at the first instance in Australia, and we resolve 95.9% of them within 30 days.

To enable our people to act quickly and effectively for our customers, we have delivered an enterprise-wide complaint management system and dedicated complaint management training to around 6,000 front-line people, focusing on customer empathy. This new system has enabled us to better track and identify new insights regarding the root cause of complaints, and ultimately to deliver initiatives that have led to improvements in our processes, including for identifying outdated mailing addresses, amending wording around coverage levels, and clarifying policy terms.

## How we are measuring performance

ESG	Targets and activities	FY22 Progress
<b>Environment</b>		
Net zero by 2050, with 50% emissions reduction by 2030	Reduce Scope 1 & 2 in line with science based targets: <ul style="list-style-type: none"> <li>43% reduction by 2025 (19,360 tCO<sub>2</sub>e)</li> <li>71% reduction by 2030 (9,993 tCO<sub>2</sub>e)</li> <li>95% reduction by 2050 (1,972 tCO<sub>2</sub>e)</li> </ul> IAG's Net Zero Roadmap is being expanded to include the introduction of scope 3 emissions for supply chain and customers.	Scope 1 & 2: 15,771 tCO <sub>2</sub> e, reduced by 13% year-on-year 
Disaster resilience action	1 million Australians and New Zealanders have taken action to reduce their risk from natural hazards by 2025.	Progress to be reported in FY23
<b>Social</b>		
Customer Equity Program	Incorporation of the key initiatives of the Customer Equity Principles and Maturity Model to support delivery against the customer equity framework. This includes delivering web-based vulnerability training for front line employees.	Metrics to be developed in FY23
Women in Senior Leadership	Increase Women in Senior Leadership to 50% by FY23.	44% 
Indigenous Engagement Program	Increase Indigenous employment to 3% of Australian employees by the end of 2023.	1.3% 
Indigenous suppliers	Increase the number of Aboriginal & Torres Strait Islander owned businesses in IAG's supply chain to 45 by the end of 2023.	32 
Safety & Wellbeing of IAG people	Reduce lost-time injury frequency rate (LTIFR) to 1.47 in Australia and 0.85 in New Zealand for 2022.	AU: 0.96 NZ: 0.17 
<b>Governance</b>		
Responsible Underwriting	Cease underwriting entities predominantly in the business of extracting fossil fuels and power generation from fossil fuels by the end of FY23.	<\$1m, or <0.01% of total GWP 
Responsible Investment	Reduce the normalised carbon footprint and carbon intensity for IAG's Australian and Global listed equity mandates: <ul style="list-style-type: none"> <li>reduce by 25% versus 2020 relevant index level baselines until 2025</li> <li>reduce by 50% versus 2020 relevant index level baselines by 2030</li> </ul>	Footprint: AU and Global equity portfolios reduced by 63% and 48% respectively vs 2020 baseline 
Sustainable Procurement	At the end of FY22, 100% of managed suppliers had received the Supplier Code of Conduct and 50% of high/material risk suppliers had completed supplier risk assessments.	276 supplier risk assessments completed in FY22 

 Achieved | 
  On track



## How we are responding

What we achieved in FY22	Looking ahead to FY23
<b>Remuneration Practices</b> We are committed to a fair, transparent, and responsible remuneration framework. As part of the upcoming requirements of Australian Prudential Regulation Authority (APRA) Prudential Standard for Remuneration (CPS 511), our People and Remuneration Committee is reviewing IAG's remuneration framework. This review will enable our remuneration framework to remain fit for purpose and supports our strategy.	Looking ahead, we will extend the review of our remuneration framework to incorporate consideration of non-financial measures used in the design of variable remuneration.
<b>ESG Risk Management</b> The Board have strengthened risk management by updating our Risk Appetite Statement to include a statement on ESG risk. This update ensures we respond to evolving stakeholder expectations for managing ESG risks and opportunities, including embedding climate and disaster resilience into our core business operations.	In FY23 we will develop how we measure and monitor ESG and climate risks to further embed them in the risk management and decision-making process.
<b>Ethics in data</b> Robust management of data is central to driving ethical conduct throughout IAG and protecting our customers. To help evaluate our own existing algorithmic ethics framework, we recently participated in the Australian Government's artificial intelligence ethics principles pilot. Following this, we formalised our existing internal guidance for assessing AI systems within our risk architecture and standards.	<b>Responsible Underwriting</b> The Chief Underwriting Officer is leading the development of an enterprise-wide approach to responsible underwriting to better assess and consider ESG impacts across our insurance portfolios. This will further embed an ESG lens in strategic decision-making and strengthen our governance approach.

# Letter from the Chairman of the People and Remuneration Committee

## Dear Shareholders,

On behalf of the People and Remuneration Committee (PARC) and the Board, I am pleased to present the 2022 Remuneration Report.

## Responding to your feedback

The Board and PARC are determined to ensure that executive remuneration continues to be aligned with IAG's business strategy, the market and most importantly, shareholder outcomes.

The first 'strike' against our Remuneration Report last year sent us strong and clear feedback on executive remuneration outcomes, and the principles that guided our decision making. As a Board, we reflected deeply on this feedback, and we have made changes to ensure executive remuneration outcomes are more closely aligned with shareholder outcomes.

The changes reflect the work of the external review of IAG's remuneration framework that we flagged last year. They were further guided by a PARC led working group that considered underlying structural issues and proposed changes. These are intended to:

- ensure greater alignment between shareholder outcomes and executive remuneration outcomes;
- introduce a simpler approach to performance measurement and some aspects of remuneration; and
- be more transparent around the process, including how we make remuneration decisions.

While the changes to our remuneration framework will be fully implemented for FY23 onwards, we applied a number of the key new shareholder alignment performance measures for FY22. These include replacing cash earnings with Net Profit After Tax (NPAT) before amortisation of acquired intangibles (NPAT before amortisation) as the measure to determine Short Term Incentive (STI) pool funding.

The elements of the Group Balanced Scorecard (Group BSC) were set at the commencement of the performance year prior to the AGM and as result are unchanged for FY22 but have been replaced by a more strategically-focused BSC for FY23.

At the same time, we are conscious of the need to appropriately reward our employees, particularly given the challenges they have had to address this year as a result of the number and degree of weather events, and the ongoing challenge of COVID-19.

## What is changing?

### Greater alignment

As an overarching principle, all one-off unusual items, or financial statement adjustments during the performance period will be included when we determine outcomes for STI or Long-Term Incentive (LTI) Return on Equity (ROE) hurdles.

We have established earnings calculation principles the Board uses when it considers whether adjustments to incentive outcomes are required to help ensure any discretion exercised is also aligned with shareholder outcomes, and considers market, community, and regulator expectations. The principles support transparent disclosure of the rationale in cases where discretion has been applied.

### A simplified approach

We have simplified the Group BSC we will use to determine the STI for FY23. We use the Group BSC to align the organisation to delivering the outcomes outlined in our 5-year strategy and ambition.

To make it more effective, the weighting on financial measures in the Group BSC will increase from 50% to 60%, and we will have two financial measures, being underlying insurance profit to reflect the quality of earnings, and NPAT, because this is a true and unadjusted representation of statutory profit / earnings in the period and more closely aligns to the shareholder experience.

We have also reduced the total number of measures in the Group BSC from eight to six, and each measure has a direct link to one of the four strategy pillars. Non-financial measures will support customer growth above market growth; digital transformation; risk management; and performance underpinned by employee engagement. Details are set out in Section D I. We will continue to review the Group BSC measures to ensure they support the execution of our strategy.

The Board has committed to introduce ESG metrics into executive incentive arrangements for FY24 and is working through the approach.

### Transparency

To improve the transparency of our STI financial targets and outcomes, we have begun to disclose these in the 2022 Remuneration Report. We have also disclosed additional detail on the determination of the STI pool, the earnings calculation and Board decision-making processes.

## Alignment of remuneration outcomes with business results

The business delivered strong gross written premium growth of 5.7% and improved its underlying business performance despite the challenging external environment which included an unprecedented level of natural perils claims and volatile investment markets.

NPAT was \$347 million, compared to a \$427 million loss in FY21. The result incorporates strengthening of prior period reserves, a high number of natural peril events, volatile investment markets, and a higher inflationary environment. NPAT also included a \$200 million pre-tax release from the business interruption provision, and strong momentum in the underlying business performance.

On a management results basis, our reported insurance profit of \$586 million represented a reported insurance margin of 7.4%, compared to 13.5% in FY21 after net natural peril costs of \$1,119 million (\$354 million above our original allowance); prior period reserve strengthening of \$172 million; and negative credit spread impacts of \$45 million.

## FY22 short term incentives (STI) outcomes

The FY22 determined it was appropriate to establish an Executive STI pool for FY22 at 20% of maximum, representing 33% of target payout. In making this decision, the Board recognised the strength of the overall balanced scorecard outcome. However, the Board used the NPAT before amortisation result as the key factor in determining the size of the STI pool to closely align executive remuneration outcomes with shareholder outcomes.

The NPAT before amortisation result used to determine STI outcomes excluded the \$200m pre-tax benefit associated with the reversal of a portion of the Business Interruption provision. The adjusted FY22 NPAT before amortisation result of \$214m (which was 33% of target) was significantly affected by the high level of natural peril claims, volatile investment markets and strengthening of prior period reserves.

Each Executive's share of the STI pool was determined based on an assessment of their performance against Group and Divisional scorecards. In line with the size of the Executive STI pool, the Group CEO STI outcome was 20% of maximum, with the outcome for other Executives ranging from 17% to 22%.

## LTI relating to performance periods ending in FY22

The FY18 LTI award with a relative total shareholder return (TSR) performance hurdle was measured during the year ended 30 June 2022 following the conclusion of the performance period on 30 September 2021. The FY19 LTI awards with cash ROE and relative TSR performance hurdles were measured at the end of the 30 June 2022 performance period.

Both the FY18 TSR LTI award and the FY19 TSR LTI awards did not meet the performance threshold and as a result there has been nil vesting of these awards.

We included all FY21 and FY22 one-off items in the cash Return on Equity (ROE) calculation for the FY19 LTI award with a performance period ending 30 June 2022; this resulted in nil vesting for that tranche.

We will replace cash ROE with reported ROE for the LTI to be granted in November 2022 (FY23 award), using a simple and transparent reported ROE measurement approach that is explained in detail in Section E III.

As in past years, the Managing Director and CEO's LTI grant will be subject to shareholder approval at the AGM.

## Risk based adjustments to performance pay

In response to risk matters that emerged during FY22, the Board applied downward adjustments to reduce the FY22 STI awards of three employees and the accountable executive.

## Changes to Executive pay and Non Executive Director fees

There were no increases to Executive pay recommended for FY23 as part of the August 2022 review. Likewise, the Board has left Board and Committee fees unchanged for the year ending 30 June 2023; these have now been unchanged since the year ended 30 June 2017.

## Executive remuneration review during FY23

It is important that we continue to attract, motivate, and reward executives for their work, and we acknowledge the improved underlying performance of the business, which is reflected in the improved outlook that management has provided for FY23.

From FY23, we will more closely link STI outcomes to progress in the four strategic ambitions to ensure executives are motivated to drive IAG's long-term aspirational goals.

We will maintain our focus on aligning executive and shareholder outcomes. At the same time, we will ensure our remuneration framework is fit-for-purpose and complies with regulatory changes such as APRA Prudential Standard CPS511 as they become effective.

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



**George Savvides**  
Chairman, People and Remuneration Committee

## Actual remuneration received by Executives

The table below presents remuneration paid or vested for Executive KMP in relation to FY22 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 awarded in previous years that has been tested since the publication of the last Remuneration Report.

The LTI values presented exclude the value of LTI awards granted during FY22. There were no increases to Executive pay for FY23 as part of the August 2022 review.

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

Executives	Financial year	Fixed pay <sup>1</sup> \$000	Other benefits and leave accruals <sup>2</sup> \$000	Termination benefits \$000	Cash STI <sup>3</sup> \$000	Deferred STI vested <sup>4</sup> \$000	LTI vested <sup>5</sup> \$000	Total actual remuneration received \$000
Nick Hawkins <sup>1</sup>	2022	1,763	83	-	264	162	-	2,272
	2021	1,465	109	-	634	272	-	2,480
Julie Batch	2022	900	4	-	119	91	-	1,114
	2021	875	4	-	327	148	-	1,354
Jarrold Hill <sup>6</sup>	2022	721	386	-	74	-	-	1,181
Peter Horton <sup>7</sup>	2022	900	61	-	79	210	-	1,250
Michelle McPherson <sup>1</sup>	2022	845	15	-	99	319	-	1,278
	2021	817	509	-	286	-	-	1,612
Neil Morgan <sup>8</sup>	2022	880	50	-	116	96	-	1,142
	2021	658	35	-	252	-	-	945
Tim Plant <sup>6</sup>	2022	534	367	-	71	-	-	972
Christine Stasi <sup>1</sup>	2022	788	23	-	104	135	-	1,050
	2021	750	36	-	280	129	-	1,195
Peter Taylor <sup>6</sup>	2022	107	7	-	-	-	-	114
Amanda Whiting <sup>8,9</sup>	2022	802	137	-	94	23	-	1,056
	2021	478	21	-	168	-	-	667
<b>Former Executive KMP</b>								
David Watts <sup>1,10</sup>	2022	575	16	-	-	59	-	650
	2021	875	34	-	224	331	-	1,464

- Fixed Pay includes amounts paid in cash, superannuation contributions plus the portion of IAG's superannuation contribution that is paid as cash instead of being paid into superannuation. Fixed Pay also includes salary sacrifice items such as cars and parking as determined in accordance with AASB 119 Employee Benefits. In September 2021, Nick Hawkins, Michelle McPherson, Christine Stasi and David Watts received increases to their Fixed Pay following external benchmarking of their roles as referenced in the 2021 Remuneration Report. Amounts paid to Nick Hawkins in 2021 reflect remuneration in his role as Deputy Chief Executive Officer from 8 April 2020 to 1 November 2020 and remuneration as the Managing Director and Chief Executive Officer role from 2 November 2020.
- Further details are provided in Section H.
- Cash STI earned within the year ended 30 June 2022, to be paid in September 2022 (representing 50% of the award made for the financial year).
- Deferred STI vesting on 13 August 2021 was valued using the five day VWAP of \$5.28. Deferred STI vesting on 11 August 2020 was valued using the five day VWAP of \$5.28.
- LTI in FY22 includes FY18 TSR hurdle tranche of LTI that reached the end of its performance period in September 2021 (nil vesting) as well as the FY19 LTI which reached the end of its performance period on 30 June 2022 (nil vesting). This allows for consistent reporting of all STI and LTI awards that had a performance period ending 30 June 2022. The FY19 award which will vest on 16 August 2022 and has been valued using the five day VWAP of \$4.38 on 30 June 2022 (11 August 2020: \$5.06) (nil vesting). The FY21 prior year comparatives have been restated to be consistent with the current year presentation. Only Nick Hawkins and Julie Batch had amounts included in the LTI vested column in 2021 and the amounts disclosed were \$469,000 and \$274,000 respectively. Should the treatment in 2022 have remained consistent with prior year, the current year would have shown a \$0 balance for all KMP who held FY19 LTI awards.
- Remuneration reflects part year service for Jarrold Hill (from 13 September 2021), Tim Plant (from 15 November 2021) and Peter Taylor (from 18 May 2022).
- Prior year remuneration amounts are not shown for Peter Horton as he became Executive KMP from 1 July 2021.
- Amounts paid in 2021 for Neil Morgan and Amanda Whiting reflect part year remuneration for time in Executive KMP roles during FY21.
- 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 2022 which was 1 NZD = 0.93752 AUD.
- David Watts ceased as Executive KMP on 11 February 2022. Remuneration reflects part year service.

Full details of IAG's remuneration framework and FY22 outcomes are contained in the remuneration report on pages 29 – 53 of the Annual Report 2022. Non-Executive Director statutory remuneration is presented on page 50.



# Board of Directors



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

**3 George Sartorel**  
MBA, Heriot-Watt University  
Independent Non-Executive Director  
Appointed September 2021  
Member, People and Remuneration  
Committee, Risk Committee

**5 Michelle Tredenick**  
BSc, FAICD, F Fin  
Independent Non-Executive Director  
Appointed March 2018  
Member, People and Remuneration  
Committee, Risk Committee

**2 David Armstrong**  
BBus, FCA, MAICD  
Independent Non-Executive Director  
Appointed September 2021  
Chairman, Audit Committee  
Member, Risk Committee

**4 Tom Pockett**  
BCom, BA  
Chairman and Independent Non-Executive  
Director  
Appointed January 2015  
Appointed Chairman on 22 October 2021  
Chairman, Nomination Committee  
Chairman, Insurance Manufacturers of Australia

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



The Board's principal role is to govern IAG, by ensuring that there is a proper governance framework in place to promote and protect IAG's interests for the benefit of its stakeholders. To achieve this, the Board oversees and appraises the company's strategy, policies and performance, through the lens of our purpose. The Board also oversees our compliance with the Australian Securities Exchange Corporate Governance Council Principles and Recommendations. Details of our approach to corporate governance, and our compliance with the principles, are set out in our 2022 Corporate Governance Statement.



**7 Scott Pickering**  
ANZIIF  
Independent Non-Executive Director  
Appointed November 2021  
Member, Audit Committee

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

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

**8 Dr Helen Nugent AC**  
BA (Hons), PhD, MBA (Dist), HonDBus,  
HonDUniv  
Independent Non-Executive Director  
Appointed December 2016  
Member, Audit Committee, Nomination  
Committee

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



# Group Leadership Team



1

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## 1 Tim Plant

Chief Insurance & Strategy Officer  
Started in role 15 November 2021

## 3 Julie Batch

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

## 5 Michelle McPherson

Chief Financial Officer  
Started in role 2 November 2020

## 2 Neil Morgan

Chief Operating Officer  
Started in role 10 March 2021

## 4 Nick Hawkins

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

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

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



**6 Jarrod Hill**

Group Executive  
Intermediated Insurance Australia  
Started in role 13 September 2021

**8 Amanda Whiting**

Chief Executive IAG New Zealand  
Started in role 1 July 2021

**10 Christine Stasi**

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

**7 Peter (PJ) Taylor**

Group Chief Risk Officer  
Started in role 18 May 2022

**9 Peter Horton**

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



## 2022 annual report suite

The Annual Review and Sustainability Report 2022 forms part of our annual report suite.

More detailed information about IAG's 2022 financial performance is available in the Results & Reports area of our website ([www.iag.com.au](http://www.iag.com.au)). The website also houses financial updates, investor reports, ASX announcements, additional sustainability-related content, key dates and a comprehensive shareholder centre.

Our Annual Report 2022 contains more detailed financial information, including full statutory accounts, and the Directors' and remuneration reports for the 2022 financial year. This year's corporate governance report is available in the About Us area of our website ([www.iag.com.au](http://www.iag.com.au)). To have a copy of the Annual Review or Annual Report mailed to you, contact IAG's Share Registry using the contact details below.

### Online information

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

## Key dates

2022 financial year end	30 June 2022
Full year results and dividend announcement	12 August 2022
<b>Final dividend for ordinary shares</b>	
Record date	19 August 2022
Payment date	22 September 2022
<b>Annual general meeting</b>	
Written questions for the auditor close	14 October 2022
Proxy return close	19 October 2022
Annual general meeting	21 October 2022
Half year end	31 December 2022
Half year results and dividend announcement	13 February 2023*
<b>Interim dividend for ordinary shares</b>	
Record date	17 February 2023*
Payment date	23 March 2023*
2022 financial year end	30 June 2023
Full year results and dividend announcement	21 August 2023*

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

## Shareholder information

### Share Registry

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

### Hand deliveries

Level 3, 60 Carrington Street  
Sydney NSW 2000  
Australia

### Telephone

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

### Other

**Email** [iag@computershare.com.au](mailto:iag@computershare.com.au)  
**Facsimile (general)** +61 (0)3 9473 2470

### Registered Office

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

**Telephone** +61 (0)2 9292 9222  
**Email** [investor.relations@iag.com.au](mailto:investor.relations@iag.com.au)  
**Facsimile** +61 (0)2 9292 8072  
**Website** [www.iag.com.au](http://www.iag.com.au)

# KPMG assurance statement

## Scope of Information Subject to Assurance

KPMG was engaged by IAG to undertake limited assurance over the following quantitative and qualitative claims for the year ended 30 June 2022:

- A selection of 66 non-financial quantitative performance indicators (Selected Data Claims) contained in IAG's Environmental, Social and Governance (ESG) data summary and online commitments contained at [www.iag.com.au/safer-communities/our-esg-performance](http://www.iag.com.au/safer-communities/our-esg-performance)
- Selected Data Claims presented throughout pages 12 to 25 of IAG's Annual Review and Sustainability Report 2022; and
- Selected qualitative disclosures relating to the Selected Data Claims and selected qualitative disclosures pertaining to IAG's material issues contained within pages 12 to 25 of 2022 IAG's Annual Review and Sustainability Report, as well as within its associated online content limited to IAG's Commitments table at [www.iag.com.au/safer-communities/our-esg-performance](http://www.iag.com.au/safer-communities/our-esg-performance)

**KPMG's limited assurance opinion is available at [www.iag.com.au/safer-communities/our-esg-performance](http://www.iag.com.au/safer-communities/our-esg-performance)**

## Appendix 1: FY23 Guidance and Outlook

IAG's confidence in its strong underlying business is reflected in upgraded guidance for FY23 which includes:

- GWP of 'mid-to-high single digit' growth. 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 14% to 16% 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 \$909 million post quota-share, an increase of \$144 million or nearly ~19% on the FY22 allowance;
  - No material prior period reserve releases or strengthening; and
  - No material movement in macro-economic conditions including foreign exchange rates or investment markets.

This guidance aligns to IAG's aspirational goals to achieve a 15% to 17% insurance margin and a reported ROE of 12% to 13% over the medium term. These goals are based on delivery of IAG's ambitions of:

- An increase in the customer base of 1 million to 9.5 million by FY26;
- An IIA insurance profit of at least \$250m by FY24;
- \$400m in value from DIA claims and supply chain cost reductions on a run-rate basis from FY26;
- Greater than 80% of customer interactions across digital channels; and
- Further simplification and efficiencies to maintain the Group's cost base at \$2.5 billion.

These 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 perils events in excess of IAG's allowances).

# 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.



## Australia



**SGIO**

**SGIC**



**coles Insurance**

## New Zealand



<sup>1</sup> 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.

<sup>2</sup> 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.