

# THE FEWER THE RISKS THE BETTER – FOR EVERYONE

**IAG SUSTAINABILITY REPORT 2004**  
Insurance Australia Group Limited ABN 60 090 739 923



## CONTENTS

01	INTRODUCTION
02	SIGNIFICANT ACHIEVEMENTS
03	KEY STATISTICS
04	CHIEF EXECUTIVE OFFICER'S STATEMENT
06	SUSTAINABILITY IS CORE BUSINESS
08	SUSTAINABILITY AND OUR BRANDS
09	SHARING KNOWLEDGE WITH OUR CUSTOMERS <ul style="list-style-type: none"><li>– Customer service</li><li>– Reducing risk on the road</li><li>– Reducing risk around the home</li></ul>
13	CREATING VALUE FOR SOCIETY <ul style="list-style-type: none"><li>– Community investment</li><li>– Reducing society's risks</li><li>– Sharing our environmental knowledge</li><li>– Minimising our environmental footprint</li></ul>
21	WORKING WITH OUR PEOPLE <ul style="list-style-type: none"><li>– People policies and strategies</li><li>– Listening to our people</li><li>– Workplace safety</li></ul>
25	ADDING SHAREHOLDER VALUE <ul style="list-style-type: none"><li>– Meeting shareholder expectations</li><li>– Ethical governance</li></ul>
29	FURTHER INFORMATION
31	ASSURANCE STATEMENT
32	GLOBAL REPORTING INITIATIVE INDEX

# WHAT INSURANCE MEANS TO INSURANCE AUSTRALIA GROUP

THE BASIC PRINCIPLE OF INSURANCE IS SIMPLE. PREMIUMS ARE PAID TO INSURERS TO REDUCE THE FINANCIAL HARDSHIP OF AN UNEXPECTED LOSS.

WHILE THE PRINCIPLE MAY BE SIMPLE, THE MECHANICS OF RUNNING AN INSURANCE COMPANY ARE NOT.

Insurers price products before their actual cost is known. That's made more difficult by the influence of long-term cycles outside our control. Weather patterns, investment returns, changing regulation, availability of capital and reinsurance, and shifting community attitudes towards risk, can all take years to manifest themselves. Insurers also deal with events that happen at a moment's notice, like the damage from a severe storm.

Although IAG deals in uncertainties, there is one thing we do know for sure. One in three households in Australia and New Zealand relies on us to protect them and their assets. It's a responsibility we take seriously, and one we believe requires us to deliver value in four ways:

- paying claims;
- understanding and pricing risk;
- managing our costs; and
- reducing risk in the community.

Aligning our people and our business around these four principles is the key to ensuring our future sustainability and creating value for our shareholders.

#### COMPANY INFORMATION

IAG is a publicly listed, Australian owned company with over 19 million risks in force ✓ (covered by our policies) across Australia and New Zealand, employing approximately 11,000 people and providing personal, commercial and general insurance products and services under some of the region's most trusted and respected brands, including NRMA Insurance, SGIO, SGIC, CGU, Swann, NZI and State. IAG also owns a roadside assistance venture in China, the Beijing Continental Automobile Association. Both China & New Zealand operations will be detailed in the Sustainability Report in 2005.

This report covers IAG's Australian operations only, unless otherwise stated, and deals with the 2003/2004 financial year. Thank you to IAG employees and external stakeholders who assisted in the development of this report. Please offer feedback on the report by emailing: [sustainability@iag.com.au](mailto:sustainability@iag.com.au)

IAG core values are:

Honesty  
Teamwork  
Meritocracy  
Transparency  
Social responsibility

✓ indicates that KPMG has provided assurance on the figures.  
For more information please see the Assurance Statement on page 31.

## Sustainability strategy and objectives

- Development and Board endorsement of company wide “Commitment to Sustainability” incorporating IAG’s handling of human rights, stakeholder engagement, employee protection and environmental considerations
- Introduction of “Supplier Selection Guidelines” and monitoring program to work with our suppliers in delivering sustainable outcomes
- Awarded “Sustainable Company of the Year” by Ethical Investment Magazine

## Employee relations

- Adoption of Enterprise Agreement incorporating six weeks parental leave, volunteer day for all full time employees and the establishment of a work/life task force
- Establishment of Sustainability Change Team made up of IAG “sustainability champions” to drive the change agenda of IAG being a sustainable organisation
- Employee engagement score of 53%✓ surpassing target of 49%

## Social investment

- Expansion of the Theft Reduction Strategy to three locations in NSW, with results suggesting a 30% reduction of crime in these areas
- Community investment strategy developed around reducing risk in crime, safety and the environment and involving a commitment of \$18,226,000✓
- communityhelp grants program contributing over \$500,000✓ to 139 community groups

## Customer relations

- Significant improvements in customer service with complaints down, overall satisfaction improved and retention rates increasing
- Creation of the Helphouse and Greensafe Car Profile web portals to assist customers in making informed choices about home and car safety and environment options
- Development of a “hail gun” to test roofing materials for strength and durability

“Strong companies are sustained because they understand, and respond to, changing customer and community priorities”

# SIGNIFICANT ACHIEVEMENTS

Economic		2003	2004
<b>GROSS WRITTEN PREMIUM</b>			
Total amount we receive from customers for the payment of their insurance policies		\$5,150m✓	\$6,427m✓
<b>NET EARNED PREMIUM</b>			
Gross earned premium minus our reinsurance expense		\$4,636m✓	\$5,863m✓
<b>NET CLAIMS EXPENSE</b>			
The amount paid out in claims during the year, as well as an estimate of how much we need to pay on unsettled claims, plus claims handling costs such as legal and administrative expenses, less recoveries from reinsurers and other parties		\$3,363m✓	\$3,815m✓
<b>RETURN ON EQUITY</b>			
Net profit attributable to our ordinary shareholders as a percentage of the average equity of those shareholders		5.1%✓	21.1%✓
<b>Social</b>			
<b>REPRESENTATION OF MEN AND WOMEN</b>		<b>MEN</b>	<b>WOMEN</b>
Senior Management		70%✓	30%✓
Executive Positions		85%✓	15%✓
Board Positions		75%✓	25%✓
All levels		42%✓	58%✓
<b>BREAKDOWN OF WORKFORCE BY EMPLOYMENT TYPE</b>		<b>TOTAL NUMBER</b>	<b>PERCENTAGE</b>
Full time		8,811✓	86%✓
Part time		1,445✓	14%✓
Total head count		10,253✓	
<b>EMPLOYEE ENGAGEMENT</b>		<b>2003</b>	<b>2004</b>
Response rate		77%	88%
Engagement score		45%	53%✓
<b>CHARITABLE CONTRIBUTIONS</b>		<b>AS % OF NET PROFIT AFTER TAX</b>	<b>TOTAL</b>
Funds contributed to community organisations, including promotional expenses and administrative costs		2.3%✓	\$18,226,000✓ (exc. GST)
<b>Environmental</b>			
<b>CO<sub>2</sub> EMISSIONS</b>		<b>TOTAL</b>	<b>TONNES PER FTE</b>
		65,315 tonnes✓	6.7✓
<b>ELECTRICITY USAGE</b>		<b>TOTAL</b>	<b>MWH PER FTE</b>
		43,668 MWh✓	4.5✓
<b>OFFICE PAPER CONSUMPTION</b>		<b>TOTAL</b>	<b>KGS PER FTE</b>
		474 tonnes✓	49✓
<b>PRINT PAPER CONSUMPTION</b>		<b>TOTAL</b>	<b>KGS PER RISK IN FORCE</b>
Customer and policy documents		2,133 tonnes✓	0.13✓
Financial figures in Key Statistics include all IAG operations except charitable contributions, which is Australian operations only.			

# KEY STATISTICS

Strong companies are sustained because they understand, and respond to, changing customer and community priorities.

Insurance Australia Group is built on companies with heritages that date back more than 100 years. The consistent theme in their long-term success is a recognition that insurance is an essential community service. Through insuring with these companies, customers pool their risks, giving protection to those who suffer a loss.

At Insurance Australia Group our value, and future sustainability, comes from continuing to deliver on the expectations our customers and the community have by:

– **Paying claims.** In 2004, we paid out approximately \$4.2 billion in claims, or \$11 million every day. The very reason our customers pay premiums is the peace of mind that comes with knowing if they experience a loss, we'll cover their legitimate claims.

– **Pricing risk.** Our customers expect us to be expert in pricing risk. We must ensure that we neither underprice risk, putting our ability to pay claims into question, nor overprice risk, putting the affordability of insurance into question.

– **Managing costs.** For the community, pooling and diversifying risk should reduce the cost of insuring against those risks. As a result, managing costs and being as efficient as possible are essential aspects of our culture. And that means managing claims costs, legal fees, taxes and charges as efficiently as possible for our customers.

– **Helping to reduce risks.** One of the greatest benefits we can provide our customers (and the broader community) is to identify the very risks being insured against and help to reduce them.

Fewer risks mean customers can avoid unnecessary hardships, and they can benefit from lower premiums too. That's why we've focused our energy into reducing those risks most common or devastating for our customers including:

- Slowing the effects of global warming, which we believe is linked to the increasing number of catastrophes;
- Improving safety on the road and at work; and
- Reducing crime.

#### THE ENVIRONMENT

Our research shows a definitive link between rising global temperatures and the increased frequency and ferocity of weather events. Today, there is a higher probability of severe hailstorms, droughts, flooding, higher winds and more severe hurricanes, all of which put our customers and the community at greater risk. That's why Insurance Australia Group is reducing its own environmental footprint, and encouraging both its customers and suppliers to do the same. We also formed the Australian Climate Group which advocates lower CO<sub>2</sub> emissions.

“Finding the alignment between what makes sense for our customers and for our business ensures we remain a sustainable company”

# CHIEF EXECUTIVE OFFICER'S STATEMENT

### ROAD SAFETY

One of the major causes of trauma for our customers is being involved in a car crash. So finding ways of helping reduce the frequency of such accidents is a key priority for Insurance Australia Group. We publish the 101 worst crash sites each year and work with the Roads & Traffic Authority to find ways to reduce the accident rates at these sites. Such improvements range from physical changes to the road (for example, building roundabouts and longer on-ramps to arterial roads for merging traffic) to improved road signage and driver visibility. Our Technical Research Centre also recently published a Reversing Visibility Index which rates motor vehicles on the effectiveness of their rear vision. It has identified one of the factors behind parents reversing over infants, and should lead to automotive innovations improving rear vision for drivers.

### WORKPLACE SAFETY

The number of accidents in the workplace still remains too high. This is a problem in both office and more physical-based work environments. These risks are of considerable concern to our customers. That's why we've taken our role as the country's largest workers' compensation underwriter and claims manager seriously by developing programs to help drive behavioural change, such as our CD-Rom Risk Radar. And at the same time, we're focused on improving our own workplace track record.

### CRIME REDUCTION

Many of our commercial customers, home and car owners suffer the effects of crime each year. Apart from motor vehicle collision, the highest percentage of claims we pay involve theft. Insurance Australia Group works closely with local communities and the police to help reduce crime. We've undertaken sophisticated analysis of crime patterns based on our own claims data, introduced measures to reduce the sale of stolen goods, and sponsored local community-based policing activities.

These examples show how working to reduce risk, and consequently the number of claims, makes good commercial and good common sense. And finding the alignment between what makes sense for our customers and for our business ensures we remain a sustainable company.

We are reporting for the first time how we measure our activities against the internationally recognised Global Reporting Initiative (GRI) framework for sustainability reporting. This, and subsequent reports, will allow our customers, and the community, to judge our progress. We acknowledge we have some way to go, but we're pleased we have identified new opportunities to continue to evolve our products and practices in ways that meet the changing needs of our customers.

In reading this report, I trust the passion and enthusiasm the people in our companies have for ensuring our business is truly providing a community-based service is obvious.



MICHAEL HAWKER  
Chief Executive Officer  
Insurance Australia Group



In 2003, IAG developed a sustainability strategy. This was communicated broadly to key stakeholders through meetings, presentations and on the company's website ([www.iag.com.au](http://www.iag.com.au)).

Responsibility for sustainability resides at all levels of the organisation. During 2003/04 the Board's Nomination, Remuneration & Corporate Governance Committee had responsibility to "ensure the issues of social responsibility, IAG's commitments around safety, environment, and community, stakeholder views and corporate reputation of IAG are considered". This committee receives regular updates outlining the company's sustainability performance and management. Board confirmation of management recommendations are provided to IAG's executive team who in turn ensure that IAG people are informed of new directions or concerns.

Underpinning the corporate governance of sustainability performance is a series of policies and commitment statements which detail IAG's consideration of human rights, child labour, employee safety and fraudulent behaviour. For more details please see:

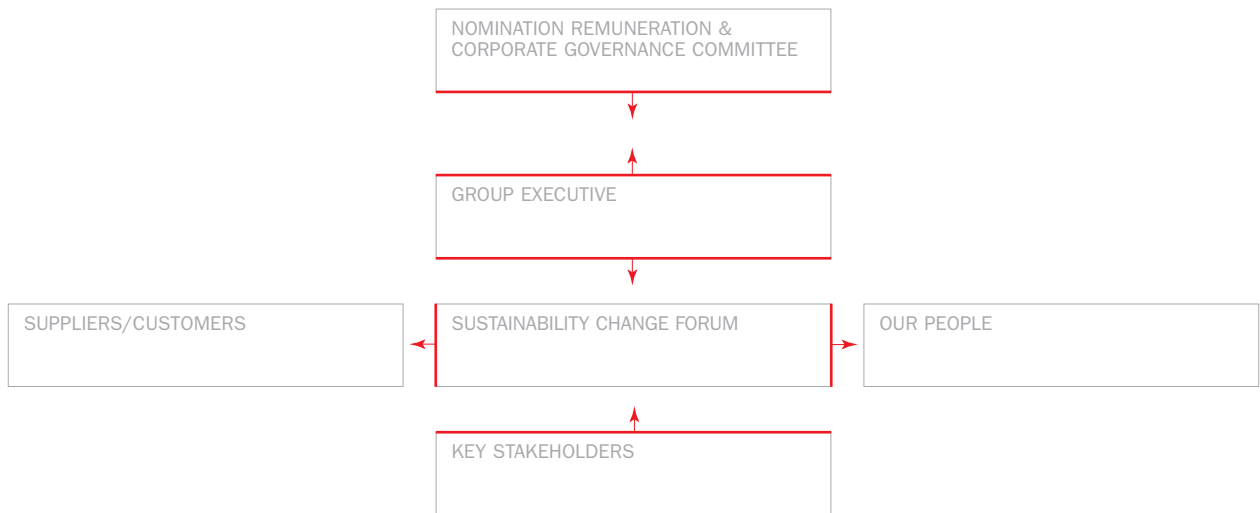
**IAG Commitment to Sustainability**  
[www.iag.com.au/pub/iag/sustainability/media/IAGcommitmentDec03.pdf](http://www.iag.com.au/pub/iag/sustainability/media/IAGcommitmentDec03.pdf)

**IAG Environmental Commitment**  
[www.iag.com.au/pub/iag/sustainability/media/environmentDec03.pdf](http://www.iag.com.au/pub/iag/sustainability/media/environmentDec03.pdf)

**Charter for Health Safety and Security**  
[www.iag.com.au/pub/iag/sustainability/media/IAG-OHS-Charter-Dec03.pdf](http://www.iag.com.au/pub/iag/sustainability/media/IAG-OHS-Charter-Dec03.pdf)

**Code of Conduct**  
[www.iag.com.au/pub/iag/CorpGov/media/2002CodeConduct.pdf](http://www.iag.com.au/pub/iag/CorpGov/media/2002CodeConduct.pdf)

#### SUSTAINABILITY MANAGEMENT



“IAG recognises there are tangible and intangible business benefits in understanding and managing sustainability”

# SUSTAINABILITY IS CORE BUSINESS

**Continuous Disclosure and Insider Trading Policy**

[www.iag.com.au/pub/iag/CorpGov/media/CDIT231003.pdf](http://www.iag.com.au/pub/iag/CorpGov/media/CDIT231003.pdf)

To acknowledge IAG employees who excel in sustainability practices, individual and team achievements are rewarded and recognised through the rewardhelp program. The 530 recipients in 2003/04 have included the coordinator of the helphouse websites (see page 11), employees who have excelled in involvement with community groups and employees who have identified new systems to assist customers more readily access information.

Beyond sharing research about climate change and the environment with decision-makers outside the organisation, IAG has focused on educating employees about the connection between the Group's core business and the environment. The message has resonated strongly within the organisation. In an employee survey in 2003, 98% of respondents believed IAG should be involved in environmental risk reduction initiatives.

IAG recognises there are tangible and intangible business benefits in understanding and managing sustainability. The diagram opposite illustrates the business benefits the company's programs are delivering. Various tools are used to measure these. Qualitative measurement includes employee surveys, stakeholder surveys (to be conducted in 2004/05), customer satisfaction and external rating systems (such as Reputex, the Corporate Responsibility Index, and the Dow Jones Global Sustainability Index, completed in 2003/04). Quantitative measurement systems include sales figures, claims figures and profit. This sustainability report, in conjunction with the annual report, details the Group's performance using some of these measurement systems.

**Program**

Stakeholder engagement and advocacy

Climate change research

Workplace health and safety (including work-life balance, employee engagement, OH&S programs)

Supply chain

Product development

Community initiatives

**Desired outcome**

- Stronger brands and improved reputation
- Ability to act more responsively to community concerns
- Increased sales
- Increased employee retention
- Reduced regulatory intervention
- Access to lower cost of capital

- Improved reputation
- Increased community education in benefits of reducing CO<sub>2</sub> emissions
- Long-term reduction in claims

- Superior work environment
- Increased employee engagement
- Improved employee retention
- Reduced costs

- Reduced claim size
- Improved customer satisfaction
- Reduced claims cost through improved operating cost

- Market differentiation
- Increased sales

- Stronger brand
- Educate, engage, reduce claim size and frequency

Shareholder value

Sustainability comes to life in IAG's brands through research, governance, policies and overarching programs. Whether it be the ground-breaking work of the Group's Technical Research Centre, corporate procurement services or IAG's sustainability change teams, IAG's brands develop unique and specific sustainability programs that best suit their communities and business objectives. The following outlines just a small selection of some of IAG brands' sustainability initiatives:

	<p><b>Swann Insurance</b> In 2003/04 Swann Insurance measured its “ecological footprint” which highlighted areas for environmental improvement. It also embarked on an employee volunteering program with a target of 2000 hours each year. Swann proudly supports the Bone Marrow Donor Institute through employee volunteering and fundraising initiatives.</p>
	<p><b>CGU</b> Members and Education Credit Union (MECU) and CGU Insurance have formed a partnership to offer a reduced loan on insurance premiums to customers buying petrol-electric hybrid cars. These cars can reduce emissions by up to 90% (source: Toyota).</p>
	<p><b>NRMA Insurance</b> NRMA Insurance assists Kidsafe, the leading Australian not-for-profit organisation dedicated to preventing accidents affecting children under the age of 15. It also supports NRMA Careflight, a non-profit helicopter medical retrieval service that operates in Western Sydney and regional New South Wales.</p>
	<p><b>NZI</b> NZI recently backed the Manukau City seminar for business on the implications of climate change. This seminar for key New Zealand business operators highlighted the possible effects of rising greenhouse gas emissions on the environment and, ultimately, their bottom line.</p>
	<p><b>State Insurance</b> State Insurance has developed a strong partnership with local community organisations to support young apprentices in a vehicle repair scheme. This will help young people find jobs and ensure that the repair industry continues to be sustainable.</p>
	<p><b>SGIC</b> SGIC has recognised the benefits of diversifying its product benefits. In 2004 it introduced “Home at 50”, providing additional benefits for customers aged 50 and over.</p>
	<p><b>SGIO</b> As principal sponsor of the 2004 WA Environment Awards, SGIO recognises West Australian organisations that have demonstrated an outstanding commitment to improving the environment. The sponsorship acknowledges the importance of government, business, and community groups working together to create a sustainable future.</p>

“Sustainability comes to life in IAG's brands through research, governance, policies and overarching programs”

**BUILDING  
SUSTAINABLE  
BRANDS**

# SHARING KNOWLEDGE WITH OUR CUSTOMERS

Beth Robson, IAG policy holder



# SHARING KNOWLEDGE WITH OUR CUSTOMERS

“IAG has developed a strategy tailored to offer more assistance to customers in helping them understand their personal exposure to risk – and the risks of being under-insured”

At IAG customers are, literally, the reason the Group exists. Traditionally an insurance company interacts with customers at the time of sale and in the unfortunate event that people have an accident or suffer the effects of a catastrophe and need to make a claim. IAG recognises that there's potential to interact more with customers and help them minimise their risks, and that this provides many benefits for them and the company.

To ensure claims are paid promptly and appropriately, it is important to minimise unnecessary or avoidable customer claims. Theft, crime and safety risks can often be reduced by customers avoiding their exposure to unfortunate incidents. The Group's communication is informed by research from its Technical Research Centre and analysis of claims data and feedback to help inform customers on how to avoid such situations. Examples of this strategy include the Greensafe Car profiler and the Help House internet portal.

It is estimated that more than a quarter of insured properties in Australia are underinsured<sup>1</sup>. Realising the impact of this at the time of insurance claims is highly stressful. The Group provides information to customers to help them understand how to purchase cover at an appropriate level and reduce their risk of being disadvantaged in a time of need.

## RISKS IN FORCE

16.4 MILLION✓

(Risks in force indicate the number of risks IAG policies cover. In personal lines (motor, home etc) policies usually cover one risk. However business policies can cover a multitude of risks).

1 Insurance Council of Australia 2002

## CUSTOMER SERVICE

### Initiatives

**Explaining insurance:** Insurers are often criticised for hiding the devil in the detail. With the Group's new motor and home policy books there is no fine print. The redesigned policy books are intended to educate customers and the community about how insurance works, what's covered (and what's not), and how premiums are calculated. The books are written in plain English and are the culmination of two years of research with customers and employees. The Australian Consumers' Association lawyer Khaldoun Hajaj welcomed the new books as “a big step forward, 100 times better. We hope other insurers will follow.”

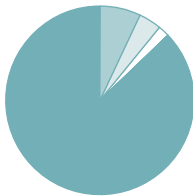
**Under-insurance:** IAG has developed a strategy tailored to offer more assistance to customers in helping them understand their personal exposure to risk – and the risks of being under-insured. Over a quarter of Australians are under-insured, which can have devastating effects at the time of claims. The new approach has boosted customer satisfaction and retention rates.

**Helpkit:** In response to last year's bushfires in Canberra, the Group launched a kit to help customers rebuild after a major loss. The kit encourages customers to do so using sustainable materials and energy-efficient design.

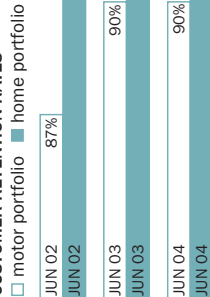
**Managing costs:** The Group works to manage costs so that the company's key stakeholders, customers, receive most benefit. The chart opposite (components of claims payments) illustrates that claims overheads are minimised to ensure that customers receive the best results when in need.

**COMPONENTS OF CLAIMS PAYMENTS**

- Components of claims:
  - payment to policy holders 87%
  - assessing 4%
  - administration 7%
  - legal 2%



**CUSTOMER RETENTION RATES**



THE GROUP INSURES APPROXIMATELY 1 IN 3 CARS IN AUSTRALIA



**REDUCING RISK ON THE ROAD**

**Initiatives**

**Traffic accidents:** Traffic accidents are as stressful as they are dangerous, and often require the services of a tow-truck. IAG works with the tow-truck industry to improve service standards. Preferred tow-truck drivers now meet certain standards of service, commit to probity checks and offer customers mobile phones to contact friends or family. The drivers, badged with IAG brand names, also provide digital cameras to take photographs of damage at the site. This assists the claims process and subsequent repairs.

The IAG Customer Satisfaction Monitor allows the company to regularly understand how it is performing with regards to key customer drivers such as value-for-money and clarity

**Reversing Visibility Index:** Following the deaths in NSW of 17 children in three-and-a-half years from reversing cars, the Group produced the world's first Reversing Visibility Index. This measures how well a driver can see out of the back of a car. Using a laser device, the Technical Research Centre developed a method of measuring visibility from the driver's seat. While new technology such as sensors can help prevent tragedy, in narrow driveways it was found that sensors provide limited extra protection. IAG's research suggests there is considerable scope to improve sensors' performance in detecting objects directly behind the car. IAG is discussing these issues with both car and accessory manufacturers.

**101 crash sites:** Since 1999, IAG brands have been running a research and media campaign to raise awareness of the most dangerous crash sites. This campaign advocates changes in the traffic infrastructure to reduce accidents at these sites. Its success is reflected in the dramatic reduction in accidents in Miranda, NSW. Thanks to the Group's suggestion to replace the Miranda five-ways roundabout with traffic lights, the number of collisions has fallen from 222 in 2002 to 13 in 2003.

The Group also retained traffic engineers to report on solutions for three sites: Great Western Highway, Church Street, Woodville Road and Western Expressway, Parramatta; Epping Road and Lane Cove Road, Macquarie Park; and Western Expressway (M4) and Mamre Road, St Clair. The recommendations on low cost (warning lights), medium cost (breakdown lanes) and high cost (widening bridges and roads) solutions were provided to the Roads and Traffic Authority, with an abridged version provided to the media.

**Preferred repairers:** The Group's preferred smash repairer network is an important service option for its car insurance customers. With over 800 preferred smash repairers nationally, IAG brands choose these repairers according to their expertise, service skills and their ability to maintain levels of service.

The smash repair industry is a key supplier to the Group, and the two have worked together to develop the Risk Radar. The Risk Radar is the Group's first sustainability product. It's an online learning tool available to all smash repairers to help them improve their environmental management and safety performance. The Group's preferred smash repairers receive the Risk Radar and subsequent face-to-face training at a reduced rate. In addition, commercial underwriting factors have been taken into account, to reduce insurance premiums if smash repairers can show an

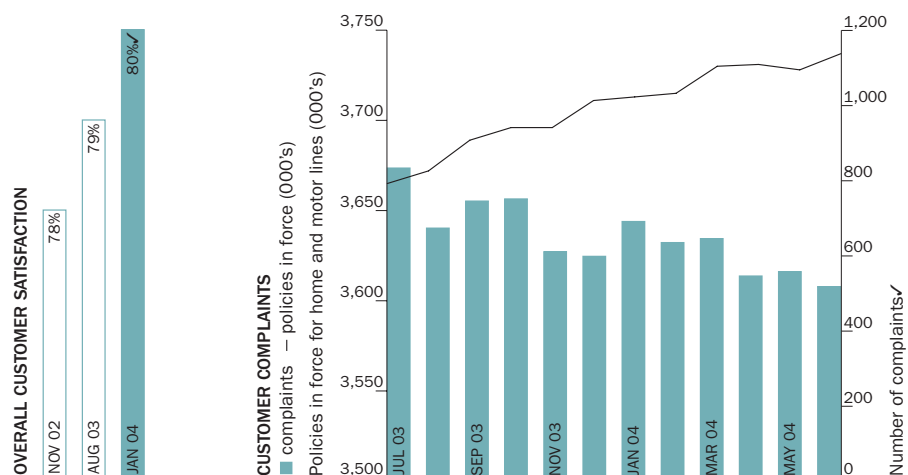
auditable improvement in their practices. The Group's key community partner, St John Ambulance Australia, also offers first-aid kits at a reduced rate through the Risk Radar.

**Car theft:** On average, a car is stolen somewhere in Australia almost every five minutes (source: Crimesafe 2003). This costs the community millions of dollars a year, results in serious environmental issues like dumping and causes stress and inconvenience to the victims. The Group's CrimeSafe program produces information for customers on how to choose a secure vehicle on the basis of car-theft scores. These scores are determined by the Group's Technical Research Centre, which rates cars according to their level of security. The Group also offers customers advice on where to park to minimise car theft or vandalism through Car Park Security Ratings.

The Group commits significant resources to help customers understand and minimise risks by making informed decisions when buying a vehicle. One of the largest contributions to this research is the Group's Greensafe car profiler, which examines the safety and environmental performance of all motor vehicles sold in Australia. For more information please see <http://www.nrma.com.au/pub/nrma/motor/car-research/profiler.shtml>

**REDUCING RISK AROUND THE HOME Initiatives**

**Risks at home:** IAG's online helphouse, available on all retail websites allows customers to take a virtual tour of a house and click on "hot spots". These identify ways to safeguard homes, personal safety and the environment. See [www.helphouse.com.au](http://www.helphouse.com.au)



**Home warranty:** The Group has also entered the home warranty insurance market in NSW and Victoria and more recently, in WA and SA. This followed extensive consultation with government and industry to create a more robust framework for licensing of builders and controls on the building process, to complement a more rigorous underwriting process in risk selection. Home warranty insurance protects consumers who enter into contracts for residential building services from financial loss arising from defective or incomplete work by a builder, in circumstances where that builder has died, disappeared or become insolvent.

While this insurance is compulsory, our aim is to simplify the assessment process and make it easier for “low-risk” builders to access this insurance faster and to provide better service for their customers.

**Tougher roofing materials:** Another innovation from the Technical Research Centre is the hail gun. This has been developed to identify roofing material that can withstand hailstorms. The gun propels hail-shaped ice blocks at various roof materials to assess which is most hail-resistant. Findings from this research will be published on the IAG website, as well as brand websites, in late 2004.

#### Achievements

The Group is getting better at developing and delivering the right products and best services for customers. The IAG Customer Satisfaction Monitor allows the Group to regularly understand how it is performing with regards to key customer drivers such as value-for-money and clarity. It also helps

IAG employees identify and address any problems in service delivery, so that the Group can consistently meet customers’ needs and expectations. The results from the monitor are shared with employees to help them understand where they are doing well and where they need to focus on improving, resulting in specific action plans.

Key initiatives in the past 12 months included:

- Employee development and skilling on customer needs and effective service delivery
- Increased support from key management teams to make sure processes support employees delivering to customer needs
- Spending time with customers in the local areas to understand their particular needs and what the Group can be doing more effectively
- Ongoing use of the IAG Customer Satisfaction Monitor as a tool for regular reporting of customer satisfaction and areas of improved focus

This focus has contributed to continued reduction in customer complaints and an increase in customer satisfaction and retention rates, as can be seen in the graphs above and on page 11.

The Group’s commitment to customer service along with the diverse product portfolio has been instrumental in growing the customer base to over 16.4 million risks in force in Australia. Sales people are trained in IAG customer service standards which are monitored to ensure they are being met. IAG companies are also signatories to the Insurance Council of Australia’s General Insurance Code of Practice. This Code is currently under review, aiming to raise standards of practice and service in the general insurance industry. The full draft code can be found at [www.ica.com.au/codepractice](http://www.ica.com.au/codepractice).

#### Challenges

The Group must manage the operational costs associated with providing insurance cover. To do so it minimises its own expenses and ensures customers’ needs are met in a timely manner. As crime and environmental risk increases, so do insurance premiums. To minimise these increases, the Group is working with communities that face higher risks to try to reduce premium costs (see Reducing Society’s Risks for a detailed discussion). As Australasia’s leading general insurance group, a significant challenge lies in helping customers understand how their safety and environmental behaviour can help reduce risk and thus the long-term cost of their policies.

The Risk Radar is a significant step in producing sustainable products for the Group’s suppliers. Currently the Group is exploring the right mix of social and environmental sustainability to incorporate into cost-effective insurance products that would be attractive to customers. The Group’s research has shown that take-up rates of sustainability insurance products are low, which presents a challenge in developing a solid business case for new products. IAG firmly believes that sustainability for customers must meet their needs and the needs of the broader community. The Group has some exciting initiatives in the pipeline and will report on new products in 2005.

# CREATING VALUE FOR SOCIETY

Mark Leplastrier, Atmospheric Scientist



# CREATING VALUE FOR SOCIETY

“**IGAG also recognises** that the natural environment sustains everything society does, including business”

Like all businesses, IAG depends on the community for its social licence to operate. Without community trust and appreciation for its operations the Group would not exist. IAG invests in the community because it understands that a healthy community supports a healthy business sector. The Group uses its understanding of risk and knowledge about claims to advise people on how to mitigate risk, prevent accidents and reduce damage that may result in an insurance claim.

Engagement with various community partners has evolved as the business has matured. The Group no longer considers this involvement as a “nice to have”. The community involvement initiatives deliver clear business benefits to community partners and the Group itself. It is simply how the Group does business.

IAG also recognises that the natural environment sustains everything society does, including business. The Group is acutely aware of how the environment can impact the insurance industry. Climate change has significant impacts on claims in Australia and beyond. For example, the last 19 out of 20 major insurance events in Australia have been weather related. With these types of natural disasters on the rise, the insurance industry has a vested interest in ensuring that the natural environment is preserved. Storms, bushfires, drought and flood impact the Group’s customers’ lives and its business. But the Group believes that everyone – from individuals and families to communities and organisations – can contribute to protecting the environment.

IAG’s environmental footprint relates directly to its reputation as an organisation that is committed to protecting the environment. Protecting the environment is also good for business. If resources are used efficiently, IAG can reduce environmental impacts and costs, which ultimately is better for shareholders. IAG employees have taken up the challenge to protect the environment with vigour.

**COMMUNITY INVESTMENT FUNDS FOR COMMUNITY INVESTMENT**  
**TOTAL \$18,226,000✓ (EXC. GST)**

**INCLUDES:**  
\$15,737,770✓ TO COMMUNITY ORGANISATIONS  
\$1,426,495✓ IN PROMOTIONAL EXPENSES  
\$1,061,661✓ IN ADMINISTRATION COSTS

**CONTRIBUTION TO GDP**  
**NET EARNED PREMIUM \$5,863 MILLION✓**  
**GDP \$783,593 MILLION✓**  
**TOTAL OF 0.75%✓**

#### **Initiatives**

**Community support:** IAG makes significant contributions to the broader community. Net earned premium accounts for \$5.9 billion✓, or 0.75%✓ of the Australian Gross Domestic Product.

The Group has a long history of supporting local organisations. The community investment program has graduated from traditional chequebook philanthropy to mutually beneficial partnerships. Though it still contributes significant funds to the community (see information above) the Group also ensures that community partners align with corporate objectives.



Partnerships with St John Ambulance Australia, NRMA Careflight, KidSafe, the Salvation Army Services and the Volunteer Rescue Association have been highly beneficial.

**St John Ambulance:** The Group's key partnership with St John continued during the year. Many joint initiatives were developed including first-aid training programs and public-awareness campaigns to improve safety. Employees backed these initiatives. When they were offered free first-aid training, over 80% indicated interest. In the past year, 784✓ employees underwent first-aid training. There has also been a tangible benefit to their safety, with the cost of claims per full time equivalent employee reducing.

The Group assisted St John in the distribution of more than 13,000 first-aid kits publicly, and promoted discounts to around two million people to encourage them to undertake training.

**Jumpstart Autobody Traineeship and Scholarship Programs:** IAG is committed to ensuring the Australian autobody repair industry remains healthy and strong. In partnership with the Group's smash repair network, TAFEs and the relevant government departments in each state, the Group has created Jumpstart Autobody Traineeship and Scholarship Programs. These programs comprise three initiatives aimed at giving young people an opportunity to train and work in the autobody repair industry. The first is a traineeship that facilitates school students to work in the industry, study at TAFE and finish Year 12; the second is a scholarship program for Year 10 school leavers; and the third is a program that gives apprentices in their final year the opportunity to improve their skills by repairing damaged cars at major motor sport events throughout Australia, such as the Bathurst 1000 and the Surfers Paradise V8 events.

**communityhelp grants:** The communityhelp grants program supports projects and programs that make society safe and more sustainable. The focus of the program is to support projects in crime prevention, injury prevention, emergency services and the environment. Its primary aims are: to give employees the opportunity to develop relationships with community groups

beyond day-to-day business activities; and to help prevent or reduce problems that may impact on the local community and the business. IAG employees nominate community groups that actively work to reduce risk. The grants range from \$500-\$5,000. This year the Group received more than 700 applications, up from 400 in 2003. The program donated a total of over \$500,000✓ including GST (up from \$250,000 in 2003) to 139 community groups across all states and territories. Grant nominations included 42 in the reducing crime category, 32 for reducing injury, 57 for emergency services and 8 nominations for environmental initiatives.

### Employees backed these initiatives. When they were offered free first-aid training, over 80% indicated interest

**Staff contributions and volunteering:** IAG's employees contribute to society in their own right through the communityhelp Workplace Giving program. This program gives employees the opportunity to donate directly to charities. Employees were surveyed to identify which charities would benefit in the program. Fourteen were selected. The list will be reviewed every two years and more charities may be added. Charities currently include Life Line, Make A Wish Foundation, Juvenile Diabetes Research Foundation, Alzheimer's Australia, the Cancer Council and several other groups. Since the program was launched in March 2004, IAG people have contributed over \$33,000 to the chosen charities. Employees also contribute through a gold coin donation on "Casual For a Cause Day". Held monthly, this program raised \$84,574 over the past year. This figure includes the Group's matching of employee donations.

Employees are encouraged to volunteer in the community. The Group provides one day a year per FTE for employees to work in the community organisation of their choice. This provision, made through the Enterprise Agreement, allows over \$2,100,000 in employee hours for work in the community. The employee volunteering program was officially launched in July 2004, however the Group had already seen staff volunteer over 300 hours since the introduction of the Enterprise Agreement in December 2003 to June 2004. To further encourage IAG employees to volunteer in the community, the Group will deliver a pilot program with Conservation Volunteers Australia in 2004/05. As well, a volunteer database is being developed to share with employees. The database will list volunteer opportunities from a range of community partners and provide the means for employees to get involved.

### REDUCING SOCIETY'S RISK Initiatives

**HeartStart:** Through Project HeartStart, the Group purchased 60 defibrillators for use in public places to reduce the number of Australians dying each year from sudden cardiac arrest. St John identified appropriate locations for the defibrillators. Sudden cardiac arrests kill more Australians each year than breast cancer, shootings and road crashes combined. They can occur at any time to people of all ages and levels of fitness. About 75% of heart arrests happen away from hospital and the survival rate of such incidents is just 5% (source: St John Ambulance Australia). Access to defibrillators can significantly improve the odds.

**Crime reduction:** In 2003/4, the Group initiated the National Theft Reduction Strategy with three pilot programs in NSW in South Sydney, Shellharbour and Dubbo. Group claims data and analysis showed that these areas suffer from particularly high rates of burglary and car theft. To tackle these problems, the Group established partnerships with local community organisations and police and provided \$150,000 in funding and specialist information. Results from the programs will help the Group develop crime prevention strategies at a national level.



Initiatives included:

- a mobile security help team which doorknocks to advise residents on how to improve home and car security
- a youth/police mentoring program
- community safety officer role with the local council
- car park security checks and ratings
- an Aboriginal employment strategy.

Each partnership is being assessed according to its immediate impact in discouraging and preventing crime, and its long-term impact in reducing the pool of offenders in local communities.

The expected benefits to those communities include:

- Lower burglary and car theft rates
- Possible lower home and motor insurance premiums in the target areas as a result of fewer theft claims
- An opportunity to create tailored solutions to address local issues as defined by local people
- The opportunity to work with other local stakeholders in an integrated approach
- Access to specialist information like claims data showing types of crime, as well as information about international best-practice methods for reducing and preventing crime
- The ability to learn from the experience of the Group; what has or hasn't worked in other areas.

**Community Care Underwriting Agency:** IAG realises there are many worthwhile organisations which are beyond its capacity to support. To help non-governmental organisations (NGOs), NRMA Insurance in conjunction with Allianz Australia and QBE formed a joint venture, Community Care Underwriting Agency (CCUA). CCUA was formed in response to the need for public liability insurance for NGOs and provides cover to organisations that service the broader community, have turnover of no more than \$2 million a year, do not distribute profits to its members and are comprised mainly of volunteers. By June 2004 more than 1,300 policies had been issued to a diverse group of NGOs. The Group is proud to work in collaboration with its insurance peers to deliver this essential community service. See [www.community-care.com.au](http://www.community-care.com.au) for more information.

**“Never Again”:** The “Never Again” program demonstrates how the Group helps customers in the broader community. In neighbourhoods that report a spate of burglaries, information is distributed to households to warn of increased risk of crime and to give advice on how to minimise risk in their houses and neighbourhoods. It includes practical ideas on how to deter crime and how to establish community watch programs.

#### SHARING OUR ENVIRONMENTAL KNOWLEDGE

##### Initiatives

**Understanding climate change:** IAG is working in collaboration with external stakeholders to understand climate change. The Group takes climate change so seriously that it has a full-time atmospheric scientist on staff and is the only known Australian insurance organisation to have done so. The atmospheric scientist helps to understand the devastating effects of severe weather so that this information can be incorporated into products and underwriting.

In 2002 IAG released *The Impact of Climate Change on Insurance against Catastrophes*, a report detailing its research in this area. In 2003 IAG established the Australian Climate Group with the World Wildlife Fund and a group of respected academics with extensive experience in climate change research. In July 2004 the Australian Climate Group released research on climate change affecting Australia with strategies to address the need for action.

Please see

[www.iag.com.au/pub/iag/sustainability/publications/climatechange.shtml](http://www.iag.com.au/pub/iag/sustainability/publications/climatechange.shtml)

IAG also part-sponsored a report in conjunction with the Planning Institute of Queensland entitled, *Sustainable Regional and Urban Communities Adapting to Climate Change*. This was developed to raise awareness in the planning profession about the issue of climate change, and how and where it should be included in the planning process. The aim was to help planners develop appropriate measures to adapt to the changes climate change is expected to bring. More details can be found at:

[www.planning.org.au/qld/climatechange](http://www.planning.org.au/qld/climatechange)



## IGAG and Climate Change

A majority of scientific opinion now supports what many have long suspected: weather patterns are changing and temperatures are rising. The evidence is everywhere, and carries profound and far-reaching implications for the insurance industry and IAG.

Scientists concur that a one- or two-degree (at least) increase in average global temperature is inevitable, and will have large impacts. Shifting rainfall patterns and declining total rainfall in many areas will reduce runoff to rivers and dams. Severe heavy rainfall events, droughts, bushfires and pests will increase damage to homes, businesses and infrastructure in urban and rural communities across the nation. There will be new and increased threats to health – and security.

The repercussions for insurers and their customers are substantial. For the industry, protecting the environment and working to minimise the root causes of severe weather is a strategy whose value is self-evident, because such work has the potential to contribute to a long-term reduction in claims.

But there's more to it than that: IAG takes its responsibilities as a corporate citizen seriously. The Group believes it can and should work to make a difference and that it owes it to the communities it depends on for its existence.

While national strategies to deal with climate change and such initiatives as emissions trading schemes are mainly the responsibility of governments, there's much the insurance industry and IAG can do. Reductions in greenhouse gas emissions should be an integral consideration in all insurers' future corporate strategy. Areas of opportunity include the collection and dissemination of knowledge on climate change and helping employees and clients to manage and reduce energy use and greenhouse emissions. IAG is supporting more studies on the kinds of climate-related risks insurers may face in future and to project future losses including:

- funding research into the changes of extreme weather risk in the future climate for different locations
- support for research centres such as the Townsville cyclone testing station to investigate building vulnerability to extreme weather
- support risk frontiers in quantitative natural hazard assessments and risk management
- enabling the insurance industry research unit to continue testing building materials for extreme weather resistance.

IAG is aware too that with change comes opportunity. New business and employment opportunities are emerging in the economic activity that's growing in response to climate change. The challenge of reducing emissions will stimulate new technologies, create new markets and present new opportunities for IAG as consumers seek more sophisticated types of cover and new insurance products that reward lower risk behaviour.

## Supplier selection guidelines and Supplier

**Performance Reporting:** The Group has adopted supplier selection guidelines which aim to ensure that its suppliers share the company's commitment to sustainability. The guidelines reflect the understanding that the health and safety of people, the natural environment and communities can also be impacted by the supply chain. They will be used across the organisation at all levels and will set minimum standards for sustainability performance and performance criteria for suppliers wishing to do business with IAG brands. These guidelines are being progressively implemented in consultation with the Group's suppliers.

To supplement these guidelines the Group also conducts half-yearly supplier performance reporting for its strategic suppliers. All suppliers are measured against broad criteria: quality, commitment, pricing, implementation, sustainability and technology.

Sustainability considerations regularly applied include the supplier's commitment to IAG sustainability aims and the supplier's own initiatives and targets. The benefit of this approach is that it encourages both suppliers and IAG to consider the progress of sustainability projects on a regular basis. The Supplier Performance Reports ensure that IAG's sustainability program and targets are cascaded down to the Group's supplier base. The reports have been exceptionally well received by suppliers.

**Risk Radar:** To help suppliers manage their environment and safety performance the Group has recently developed and released the Risk Radar. This learning tool is currently being used by the smash repairer network to help them manage environmental waste and improve OH&S performance. Though designed for the smash-repair industry, the online tool will be adapted to help other businesses to minimise waste and improve efficiency.

**Informing customers:** Suppliers are one part of the equation. With over 16.4 million risks in force in Australia alone, the Group can also influence the behaviour of its customers. To ensure that more customers can make informed environmental choices, the Greensafe Profiler has been developed. This internet-based tool incorporates the extensive research conducted by its Technical Research Centre with research on the environmental performance of all cars available in Australia. Please see [www.nrma.com.au/pub/nrma/motor/car-research/profiler.shtml](http://www.nrma.com.au/pub/nrma/motor/car-research/profiler.shtml)

SEVERE HEAVY RAINFALL EVENTS WILL INCREASE DAMAGE TO HOMES, BUSINESS AND INFRASTRUCTURE



<b>MINIMISING OUR ENVIRONMENTAL FOOTPRINT</b>				
		EMISSIONS SOURCE	2003/2004	
EQUIVALENT TONNES OF CO <sub>2</sub> EMISSIONS		Electricity	45,233✓	
		Tool of trade car fleet	8,590✓	
		Office paper	1,328✓	
		Print paper	5,975✓	
		Air travel	4,190✓	
TOTAL GREENHOUSE GAS EMISSIONS		Total	65,315✓	
		<b>Total CO<sub>2</sub>/FTE</b>	<b>6.7✓</b>	
<b>Target 10% reduction per FTE in 2005/06</b>			<b>6.03</b>	
		EMISSIONS SOURCE	UNIT	2003/2004
ELECTRICITY USAGE		Total electricity (black and green)	MWh	43,668✓
		Black electricity	MWh	41,120✓
		Green electricity	MWh	2,547✓
		<b>Total MWh/FTE</b>		<b>4.5✓</b>
<b>Target 10% reduction per FTE in 2004/05</b>				<b>4.05</b>
PAPER USAGE – OFFICE PAPER		Paper consumption	Tonnes	474✓
		Recycled commingled waste (predominantly paper)	Tonnes	195✓
		<b>Paper consumption/FTE</b>	<b>kgs</b>	<b>49✓</b>
<b>Target 15% reduction in office paper per FTE in 2004/05</b>				<b>41.65</b>
PRINT PAPER		Print paper consumption	Tonnes	2,133✓
		Total risks in force		16,432,926✓
		<b>Print paper consumption per risks in force</b>	<b>kgs</b>	<b>0.13✓</b>
<b>Target 15% reduction in office paper per Risks in Force in 2004/05</b>				<b>0.11</b>
TOOL OF TRADE CAR FLEET USAGE		Fuel consumption	kl	3,436✓
		<b>Total kl/vehicle</b>		<b>3.3✓</b>
<b>Target 5% reduction per vehicle in 2004/05</b>				<b>3.1</b>
AIR TRAVEL		Air kms travelled	kms	23,137,409✓
		Domestic	%	90✓
		Trans-tasman	%	8✓
		International	%	2✓
		<b>Air kms</b>	<b>kms/FTE</b>	<b>2,378✓</b>
<b>Target 5% reduction per FTE in 2004/05</b>				<b>2,259</b>



## Building Sustainable Links With Our Supply Chain

No matter how large or small an organisation, processes run better when people work together. This is clearly recognised at IAG – teamwork is a core value. Teamwork also underpins our external relationships with suppliers who provide the Group with what it needs to perform well. The Group is working closely with these suppliers to better manage sustainability objectives.

As part of the quest to reduce its environmental footprint, the Group has introduced several initiatives within the supplier relationships. The ripple effects of these projects have positive implications for customers and the environment.

To ensure the Group works with suppliers who share IAG's commitment to sustainability, supplier selection guidelines are being introduced across the Group. These provide standards of sustainability performance for suppliers to work to. Suppliers' input was sought in compiling these guidelines. In addition, every six months principal suppliers undergo performance assessments in several key areas – one of which is sustainability. Criteria include the 'fit' between a supplier's commitment to sustainability and the Group's, as well as a supplier's resourcefulness in protecting their environment. Supplier Performance Reports are compiled and sent to suppliers after assessment to ensure the Group keeps valuable goods and service providers up to speed on performance.

IAG is, however, doing more than implementing measures and assessing outcomes. The Group has begun to develop products to tangibly help suppliers augment their environmental management and safety performance. The first of these is the Risk Radar – an online learning tool that provides users with practical help in managing environmental waste and improving OH&S performance. Currently customised for the smash-repair industry, the benefits of sound practices in the workshop cascade through to customers. If smash repairers show an improvement in the way they do business, their insurance premiums can be reduced. It is intended that the Risk Radar will be adapted to assist a range of other industries.

Just as the Group can't provide products and services in isolation, it cannot make its impact on environmental and social sustainability felt with real effect, if it tries to do this alone. It requires team effort. IAG values the integral role the supply chain plays in supporting and promoting endeavours to minimise environmental and safety risks.

## Initiatives

### Identifying areas of environmental impact:

IAG has examined how it impacts the environment and developed strategies to minimise its environmental footprint. The Group has identified – with the help of its stakeholders – that its impacts sit primarily in the areas of: paper use, air travel, electricity use and fuel consumption.

Following this identification process, the Group developed systems for capturing data. Integrating new acquisitions such as CGU and NZI into the data has been challenging. Significantly, it has affected the ability to establish a baseline of data. The graphs on page 18 illustrate IAG's "line in the sand". The Group realises that without historical information it's difficult to show improvement. To this end IAG has been monitoring its performance internally on a regular basis. This data will be reported annually, providing stakeholders with more reliable and useful information in the future.

**Sustainability champions:** To lead Group-wide sustainability performance, IAG has established a network of Sustainability Champions. This team develops action plans to deliver on sustainability strategies to minimise environmental and social impacts. These have included targets for employee volunteering, converting printers to duplex and informing teams of the environmental consequences of their actions.

**Videoconferencing:** Many parts of the company have replaced air travel with videoconferencing. Key people have been trained in videoconferencing to reduce air travel. The internal monitoring indicates that there has been a slight decline in air travel since June 2003. It is hoped that a more significant reduction will be seen in air kilometres, along with a greater use of videoconferencing in the coming year. Results will be reported on in the 2005 Sustainability Report.

**Recycling:** IAG has developed a consumable recycling program to enable the recycling of printer, fax and toner cartridges and waste. This program, run in conjunction with Planet Ark, gives insights into the number of print consumable items that are recycled, plus a measurable result, which will help environmental performance and reporting. By working with Planet Ark, the Group is able to recycle all printer waste



(not only cartridges) and in 2005 will be able to report correctly on the amount of non-biodegradable landfill it has disposed of.

**Greenpower:** IAG has made a commitment to purchase 11.5% of electricity as Greenpower – electricity purchased from accredited clean renewable sources. Greenpower applies to a range of the Group's sites across NSW, Victoria and ACT from 1 August 2002 to 30 June 2005.

**Hybrid cars:** During the year, the Group bought 36 Toyota Prius hybrid vehicles for its fleet, with 14 more on order for the Group's assessors. These cars use approximately 50% less petrol than comparative cars and emit 90% less greenhouse gases (source: Toyota). Toyota reported that the initial purchase of 26 vehicles was the largest business order of the Prius since the first model launched in Australia in 2001.

**More paper saving:** The Technical Research Centre has, for the past two years, been transferring its Smash Repair Times Manual from hard to soft copy and has uploaded it to a website for smash repairers and assessors. This manual provides a benchmark to smash repairers on time spent on labour and paint jobs. The hard copy that the electronic version replaced was two volumes, A4 in size and contained roughly 500 pages per volume. Since the establishment of the website, no hard copies of the manual have been produced.

#### Achievements

IAG received widespread recognition for its comprehensive community investment program during the year. Following a nomination in 2003/04, IAG won the "Services to the Community Award" at the Australia and New Zealand Insurance Industry Awards in July 2004. As well,

the Group was a finalist in the Australian Financial Review magazine's Corporate Partnership Awards for the partnership with St John, and for strategic community investment, as well as a finalist for the Australian Business Arts Foundation's Caliburn Corporate Strategy Award. The Prime Minister's Community Business Partnership Awards for Excellence in Business Partnerships awarded the Group a Judges' Special Commendation for the partnership with St John and in late 2004 it will be determined if IAG is successful in the Special Award for Impact on the Community. IAG is grateful to its community partners for contributing to its success in these fields.

With such a large number of policies, the Group's paper-based communications have a significant impact on the environment. While it is understood that customers may need to see hard copies of policies and schedules, the Group is working at reducing this impact where possible. "Project Novus" is one example of how the Group has reduced paper use for communicating with customers. Through this project the Group will use approximately seven million fewer sheets of paper per year – around 2,275 trees – and will cut production and delivery costs by around \$1 million per year. Paper weight has been reduced and layout of policies closely examined to minimise wastage.

IAG's network of internal Sustainability Champions network has delivered some excellent business-unit sustainability initiatives. This group of enthusiastic sustainability supporters has been key drivers of change, establishing internal recycling programs, offering tips for reducing environmental impacts in the home, tying environmental performance to personal performance plans and identifying environmental and safety initiatives to be considered by the organisation. The team has been a key force in improving sustainability performance for the company.

#### Challenges

The community's financial literacy, ability to make informed and effective financial choices, has a significant impact on the insurance sector. IAG accepts its responsibility to society – and to the industry – to improve people's understanding of both insurance and the Group's role in helping to manage risk. In 2004/05, IAG will work towards improving community awareness and understanding of financial information and mitigating risk. The first step in this process will be a community education campaign run in conjunction with the education system and external stakeholders.

IAG has chosen "sustainability" to describe its goal to improve its social, environmental and economic impacts. Employee focus groups have indicated that most associate sustainability with recycling paper, planting trees or other "green" initiatives. In 2004/05 a communications and change-management strategy will be embarked on to better educate IAG employees on the broader value of sustainability at IAG and motivate involvement.

IAG has found the supply of high quality, affordable recycled paper difficult to source. Like many Australian companies that recognise the business and community benefits of sustainability, IAG at times struggles to find balance between the needs of stakeholders and the needs of the environment. This report is printed on recycled paper, locally made from 100% recycled paper and board. IAG representatives have visited the mill to ensure they were pleased with how the mill is being run and commenced constructive dialogue with the paper suppliers to help meet the Group's future needs. IAG hopes that the Australian market for such paper develops a broader range of options.

# WORKING WITH OUR PEOPLE

Sue Wells, St John trainer



# WORKING WITH OUR PEOPLE

“Building a great Australian company is about more than just business results. It’s about meeting the needs of employees and creating a great place to work”

Safety, engagement, diversity, flexibility and retention are key aspects of workplace sustainability at IAG.

Building a great Australian company is about more than just business results. It’s about meeting the needs of employees and creating a great place to work. As an employer of over 10,000✓ employees in Australia alone, IAG works hard to ensure its people are motivated, safe, well informed and well rewarded. Employee sustainability is also about making sure people are interested in their work, proud of where they work and are able to balance work and family commitments.

Of special importance is IAG’s safety performance. As Australia’s leading provider of personal injury insurance the Group must demonstrate that it knows how to manage safety in the workplace and is committed to a zero-accident culture.

#### PEOPLE POLICIES AND STRATEGIES

##### FULL TIME VERSUS PART TIME EMPLOYEES

8,811✓ FULL TIME EMPLOYEES, 86%✓  
1,445✓ PART TIME EMPLOYEES, 14%✓

STAFF TURNOVER 20.52%✓  
TARGET 17%

ABSENTEEISM 3.25%✓

PERCENTAGE OF WOMEN IN SENIOR  
MANAGEMENT 30%✓/WOMEN 70%✓/MEN

PERCENTAGE OF WOMEN IN  
EXECUTIVE POSITIONS  
15%✓/WOMEN 85%✓/MEN

PERCENTAGE OF WOMEN ON THE BOARD  
25%✓/WOMEN 75%✓/MEN

PERCENTAGE OF WOMEN IN THE ORGANISATION  
58%✓/WOMEN 42%✓/MEN

FEMALE TO MALE SALARY RATIO  
1:1.42✓

#### Initiatives

**People strategy:** To achieve corporate goals IAG has developed a people strategy. Its primary goals are:

- Attraction and retention
- High-performance culture
- Capability and development
- Simple and efficient people processes and systems

The strategy incorporates various programs and initiatives to achieve these goals. For example, the Work and Life program aims to help people balance their work with other aspects of their lives. It does this by recognising and understanding people’s commitments outside work and finding ways to best accommodate them. The program includes such initiatives as Work and Flexibility, Work and Family, Work and Diversity, and Work and More Help (incorporating study assistance).

IAG has also developed programs to help its people use workplace flexibility to their advantage and the Group’s. At present the full time and part time mix favours full time employment with a downward trend of part time employees. IAG would like to see more of its employees enjoy the flexibility offered to them and greater organisational capacity to encourage part time employment. In 2004/05 many of our people programs will deal with workplace flexibility and the benefits employees can enjoy from maximising their use of these initiatives.

**Enterprise Agreement:** In December 2003, the IAG Enterprise Agreement came into force. The agreement reflects IAG’s commitment to create a working environment for all employees based on a commitment to high performance, productivity, flexibility and equity.



Notable inclusions in the agreement are six weeks' paid parental leave, opportunities for staff volunteering one day a year in a community organisation of their choice, the establishment of a work-life task force to encourage flexibility and diversity and IAG's commitment to the environment. The development of the Enterprise Agreement was conducted with significant input from external stakeholders, notably the Financial Services Union, and demonstrates IAG's commitment to collective bargaining. In IAG, the union represents 2,149 employees, or 20.1% of IAG's Australian employees.

**Retention specialist:** IAG has recently focused on people retention as a key factor in workplace sustainability. The appointment of a retention specialist has led to various initiatives that have had an impact on staff redeployment. In 2003/04 the company saved approximately \$580,000 in redeployment (based on possible redundancy payouts). This result is not only pleasing financially, it also allows IAG to identify the skills of its people better and work with them to place them in roles that satisfy them.

**Training:** IAG recognises the importance of training its people so they are aware of current issues and events relevant to the Group. As a fully qualified training provider, IAG uses its network of trainers to nurture a culture of high performance. At present the information systems do not capture reliable data on the specific number of staff trained. In 2005 IAG looks forward to reporting quantitative training data.

**Indigenous employment program:** IAG recognises that Indigenous Australians have suffered disadvantage in the workplace and broader community. Through a range of employment, learning and community program initiatives, the Group is working in partnership with Indigenous communities to help overcome this disadvantage. A Memorandum of Understanding has been signed with the Department of Employment and Workplace Relations to participate in the Corporate Leaders for Employment Project, funded by the Commonwealth Government. The aim of this project is to generate greater Indigenous employment in the private sector.

A number of other steps have been undertaken to ensure IAG's long-term support of Indigenous employment. These include the development of a comprehensive Indigenous Employment Strategy and the appointment of a full time diversity specialist. Key achievements so far include the increase in Indigenous employees at IAG from four to 13 in the past year; the support for five Indigenous programs through the communityhelp grants; the ongoing financial support for the Police Youth Mentor Program in Redfern; and the financial and professional expertise afforded to the Aboriginal Employment Strategy to help build its business and extend operations into Dubbo. These partnerships are aligned to the Group strategy of reducing risk and making local communities safer.

**Appropriate behaviour:** IAG values the integrity of its employees. The Group wants to provide a satisfying, businesslike workplace that encourages performance and job satisfaction and ensures that its integrity and reputation is not compromised. Various codes of conduct have been adopted to ensure its people act in an ethical and appropriate manner. These policies provide guidelines on issues such as resolving workplace grievances. They also guard against dishonest and fraudulent behaviour, misuse of email and internet access, discriminatory or exclusive practices, harassment or any conduct that might require advice or discipline.

To ensure effective implementation of the Group's Code of Conduct all managers at IAG are required to complete a compliance report bi-annually for their department. Matters of compliance are reported and monitored through the Regulatory Affairs Committee and the Risk Management & Compliance Committee of the Board. For a full copy of the code of conduct for IAG employees please see [www.iag.com.au/pub/iag/CorpGov/media/2002CodeConduct.pdf](http://www.iag.com.au/pub/iag/CorpGov/media/2002CodeConduct.pdf)

## LISTENING TO OUR PEOPLE

### EMPLOYEE ENGAGEMENT SCORES

2003 45% WITH A RESPONSE RATE OF 77%

2004 53%✓ WITH A RESPONSE RATE OF 88%.  
ENGAGEMENT SCORE TARGET OF 49%

ENGAGEMENT SCORE TARGET FOR 2005 OF 60%

### Initiatives

**Your Voice:** The annual Your Voice survey provides an opportunity for staff to inform managers how they feel about working at IAG. The survey is used to determine employees' engagement: what makes people passionate about working for the Group and how engaged and aligned they are with the Group's purpose, strategy and goals.

People who are engaged will:

- consistently say positive things about working at IAG
- want to stay with IAG
- *strive* to achieve above and beyond what's expected of them.

Research shows a strong connection between the level of employee engagement and an organisation's financial performance over the long term. Response rates to this internal survey in 2004 were an impressive 88% (for more details see "Achievements" below).

**Two-way dialogue:** Transparency and honesty are two of IAG's core values. To help IAG's people practice these values in their day-to-day operations an integrated communications program has been developed involving a two-way dialogue at all levels of the organisation. Local and central staff consultative committees provide the structure for employees and management to work together to effectively communicate, share information in a timely manner and identify and recommend improvements to workplace issues.

All staff have access to, and are encouraged to use, Mike's Mailbox – an email address of the CEO Michael Hawker. This gives the CEO the opportunity to ascertain people's views, questions, concerns and proposals. He personally responds to and/or reviews them all. Another forum for internal communication is the monthly DisCo – Discussions about the Company. DisCo allows IAG employees to hear important company messages and ask questions of their Group executives or senior managers.



**Staff consultative committees:** The Group's personal insurance manufacturing area has established staff consultative committees. These committees are being considered by other areas of the business for roll out in 2005. The purpose of the committees is to:

- promote corporate goals and cooperative workplace relations
- act as a channel between management and staff to communicate and share information in a timely manner
- identify and recommend improvements to workplace issues
- achieve a better workplace.

Each region has its own staff consultative committee to ensure that local issues are considered in discussions and decision-making. Staff are elected by their area to represent them on the committee and each committee also has a management representative. The committees offer staff and management an opportunity to freely discuss workplace issues and negotiate on areas of concern. These committees also play a key role in organising local community support initiatives and fundraising.

**WORKPLACE SAFETY**

**NUMBER OF WORKPLACE ACCIDENTS PER MILLION HOURS WORKED**  
 2002 11.77  
 2003 12.49  
 2004 9.32✓, 20% REDUCTION TARGET ACHIEVED  
 2005 20% REDUCTION TARGET

**NUMBER OF EMPLOYEES TRAINED IN FIRST AID**  
 2004 784✓

**TOTAL NUMBER OF FIRE WARDENS**  
 421✓

**DOLLAR SPEND ON OH&S**  
 \$142✓ PER FTE

**TOTAL SPEND**  
 \$1,376,949✓

**DOLLARS ON OH&S INITIATIVES**  
 \$660,963✓

**DOLLARS ON OH&S SALARIES + ON COSTS**  
 \$715,986✓

**Initiatives**

**be-safe program:** To protect IAG people while they work, the Group has developed the be-safe program to address occupational health and safety. The aim is to foster a safety culture, with a goal of zero harm. The commitment is confirmed at the highest level with the CEO in the role of Chief Safety Officer. This and other commitments to safety are in IAG's Charter for Health Safety and Security. [www.iag.com.au/pub/iag/sustainability/media/IAG-OHS-Charter-Dec03.pdf](http://www.iag.com.au/pub/iag/sustainability/media/IAG-OHS-Charter-Dec03.pdf)

Workplace accidents have reduced by over 25.4% compared with last year, surpassing the company target of 20%. This reduction is a good indication that the be-safe communication and training initiatives introduced during the year have had the required effect.

IAG is currently improving the accessibility of accident/incident forms in an effort to make the process more user friendly. This system improvement will increase accuracy of data and decrease the number of incidents that go unreported.

An important part of the Group's partnership with St John Ambulance is the establishment of a primary supplier arrangement for the provision of first-aid training. This includes a two-day course for first aid officers and a four-hour CPR course available to all staff. From the inception of the training partnership in January 2004 to June this year, 499 employees had participated in the four-hour training. This figure is expected to increase over the next year, with significant numbers of employees already having booked for future courses.

IAG has 421✓ staff trained as fire wardens. Staff also form part of the emergency plan at many other buildings/shopping centres not controlled or owned by the company.

IAG spent over \$1.3 million✓ on OH&S costs in 2003/04. This comprises medical costs, fire protection, and general OH&S costs and equates to a spend of \$142✓ per FTE for all OH&S costs.

**Achievements**

In 2004, the engagement score of IAG employees surpassed the target of 49% and reached an overall rating of 53%✓. In 2005 the target has been set at 60%. While this increase is substantial, it reflects the significant improvements which are yet to be made. Employee input received through this survey will help foster an environment that encourages the development of new ideas and provides a strong sense of the organisation's purpose, which in turn will help build the business.

**Challenges**

The Group recognises that it needs to work on achieving a more balanced representation of men and women at the senior levels of the organisation. Senior management is made up of only 30%✓ women and in executive positions, the figure is 15%✓. With women representing 58%✓ of our workforce, it is acknowledged that there is room for improvement.

The benefit of having a workforce that better reflects Australia's diverse society is understood at IAG and it recognises that this is an area for improvement in 2004/05. The Group realises, for instance, that it is not enough to just report on the number of women and Indigenous Australians employed. The goal for 2004/05 is to produce performance data on ethnicity, disability, age and women.

In the past year IAG did not meet its turnover target of between 13-17%. To maintain a solid employee base the Group realises it needs to be more attuned to issues causing its people to prematurely leave the organisation. In 2004/05 the Workforce Planning team will work closely with key areas in the business to assess their attraction and retention strategies and actions.

# ADDING SHAREHOLDER VALUE

Hang Nguyen, Financial Analyst



# ADDING SHAREHOLDER VALUE

“This year favourable conditions aligned for IAG from both an investment and underwriting perspective, helping to improve insurance profit to \$792 million”

Australia needs a strong and profitable insurance sector. Customers must have certainty that insurers have the financial strength to pay claims. At the same time, shareholders, who provide the capital to fund IAG's growth, expect returns that are commensurate with the risks associated with their investments. This year favourable conditions aligned for IAG from both an investment and underwriting perspective, helping to improve insurance profit to \$792\* million. However, the size of profit should be viewed in context – IAG paid about \$4.2\* billion in claims cost during the year and the company insures more than \$800 billion in property assets.

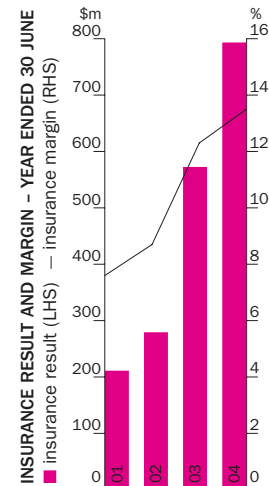
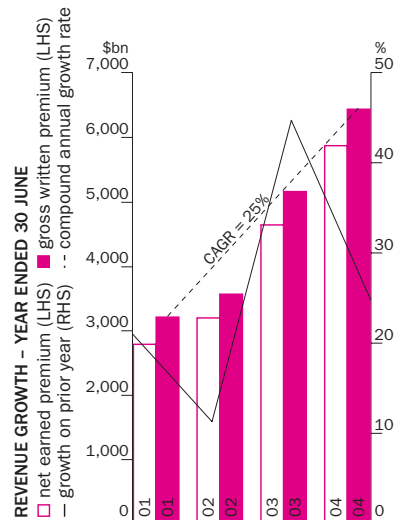
#### MEETING SHAREHOLDER EXPECTATIONS Initiatives

**Increased shareholder returns:** IAG delivered a strong financial performance in 2004, reporting a record insurance profit of \$792\* million. Profit was boosted significantly by the \$434\* million return made from investing the Group's shareholder funds. This represents a record since IAG's listing and a \$554\* million turnaround from the \$120\* million portfolio loss incurred last year. In addition, sales (risks in force) increased 5.2%, the Group entered new markets, and operating efficiencies improved. The result included a full 12-months' performance of the CGU/NZI acquisition, compared with only

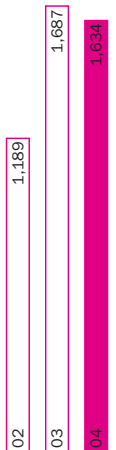
six months in the previous year. These businesses added more than \$2.5 billion in annual revenue to the Group. The sale of ClearView Retirement Solutions also contributed around \$61\* million in pre-tax profits. In light of the strong performance, shareholders were rewarded with a 91% increase in the dividend they received.

**Engaging shareholders:** In keeping with the Code of Conduct and the importance of continuous disclosure, IAG ensures shareholders are kept informed of significant developments. Regular announcements to the ASX are relayed through an email messaging service to shareholders who have registered to receive them and they are posted on the IAG website. Major investor briefings are webcast where practical and copies retained on the website so that they can be easily accessed. The company seeks media coverage of key events to deliver information to shareholders and communicates formally with them through annual and half-year reports and at annual general meetings, where they are encouraged to ask questions of the Board. Electronic proxy voting was introduced for the 2004 AGM to make it easier for shareholders to lodge their vote on resolutions.

\* These numbers have been extracted from IAG's annual report 2003/4



**RISKS PER FULL-TIME EMPLOYEE**  
The number of risks that IAG insures per employee:



**Brand value:** Several independent studies undertaken during the year confirmed the significant value of our Australian retail brands – NRMA Insurance, SGIO and SGIC – and showed NRMA Insurance to be the most trusted insurance brand in NSW and ACT with the highest commitment score of any insurance brand in Australia, and well in excess of international benchmarks. Considerable effort is being made to further increase brand value by aligning IAG employees around a common culture that is focused and motivated and cares about customers and the community. Demonstrated improvements can already be seen through improved customer service levels, a fall in the number of complaints, a reduction in errors and acceleration in employee engagement.

**ETHICAL GOVERNANCE Initiatives**

**Corporate governance:** Following the publication in March 2003 of the ASX's Principles of Good Corporate Governance and Best Practice Recommendations, IAG's directors examined the Group's corporate governance framework and during the 2003/4 year made some adjustments to ensure that practices meet or exceed the ASX recommendations. These adjustments included the publication of the charters of the Board's and its three standing committees, the Group's Code of Conduct and Continuous Disclosure and Insider Trading Policy on IAG's website ([www.iag.com.au](http://www.iag.com.au)).

IAG has also actively participated in the debate to improve Australia's corporate governance, making submissions to a parliamentary committee on the CLERP 9 legislation, to ASIC on the Financial

Services Reform Act, to the Davis Report on the merits of financial system guarantees, to the Potts Report on the regulation of direct offshore foreign insurers and discretionary mutual funds, as well as proposals to APRA to strengthen the prudential regime for the country's general insurance industry. All public government submissions are included on IAG's website.

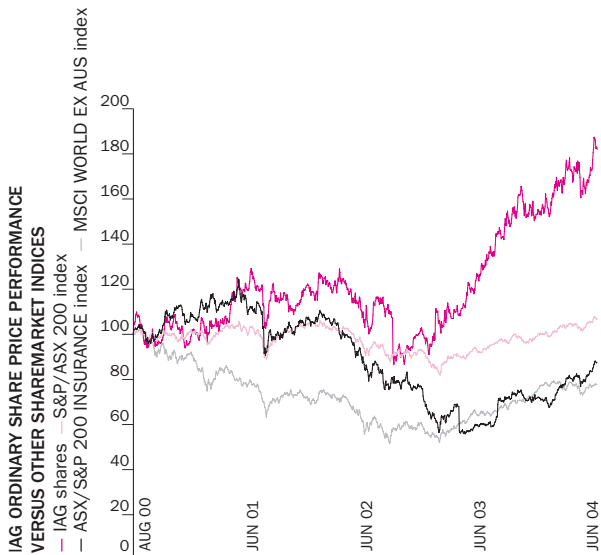
**Considerable effort is being made to further increase brand value by aligning IAG employees around a common culture that is focused and motivated and cares about customers and the community**

IAG representatives have also participated in forums, working parties and committees of insurance industry associations and accounting and actuarial professional bodies to formulate, among other things, the new General Insurance Code of Practice and to respond to proposals for the introduction of new accounting standards which have particular application to the general insurance industry.

The Group is confident that through active engagement with government, regulators, industry and professional groups, it can best work to ensure that the company interests and those of its stakeholders are properly considered when it comes to formulating proposals to improve Australia's corporate governance, general insurance prudential regime and insurance industry practices. Appropriate regulation improves, rather than stifles, competition, protects consumers and promotes and sustains public confidence in insurers and their products.

**Reputation:** Since reputation is IAG's most valuable intangible asset, ethical and responsible decision-making is taken very seriously. The Code of Conduct extends to all employees. It is designed to encourage ethical and appropriate behaviour in all avenues of work, based on: acting honestly and openly in all dealings; complying with all laws and industry codes that regulate the Group's activities; abiding by IAG rules to prevent insider trading; maintaining confidentiality; and avoiding conflicts of interest.

**Remuneration strategies:** IAG's approach to remuneration for all employees, including executives and directors, is based on ensuring that the Group can attract and retain the best people to drive performance and deliver fair returns to shareholders. At Board level, IAG's Nomination, Remuneration & Corporate Governance Committee ensures overall remuneration and human resource policies fit the Group's strategic goals, and monitors their effectiveness, integrity and compliance. It comprises the chairman and two non-executive directors.

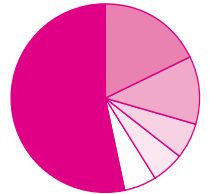


**DIVIDENDS PER ORDINARY SHARE IN RELATION TO THE YEAR ENDED 30 JUNE (cents per share)**



**CONTRIBUTIONS TO THE COST OF RUNNING OUR BUSINESS**

- claims expenses 54%
- government levies & taxes 18%
- underwriting & administration 12%
- commissions 6%
- underwriting profit 5%
- reinsurance expenses 5%



**Achievements**

On the financial side of the business, IAG met or exceeded all targets. It completed the program to integrate CGU and NZI into the Group to deliver the \$160 million (pre-tax) in annual synergy benefits promised at the time of the acquisition. On the capital management side, a \$414\* million off-market share buy-back was completed and recorded a regulatory capital position as at 30 June of 1.75\* times the minimum capital required by APRA.

**Challenges**

A major challenge will be to maintain the Group's leading positions across all market segments and continue to build profitable and sustainable earnings growth. The Group insures approximately one in three cars, one in three homes, one in two farms, and one in six businesses in Australia. The economics of the business is based on scale. Scale allows access to volume discounts across the supply chain, without sacrificing quality. For customers, that means better, more competitively priced products and services. Scale also allows risk and costs to be spread across a larger number of policies, delivering greater stability of earnings for shareholders.

IAG recognises that future non-organic growth opportunities are likely to be offshore. As such, another challenge is to expand internationally, subject to finding the appropriate opportunities at the right price.

For over two years, IAG has undertaken a considerable amount of research and developed capabilities on the assumption that any international move will rely on the Group being able to use the competencies that have been built in its home markets. Parts of Asia have been identified as having the best potential for IAG to generate value for shareholders by using the Group's skills in underwriting motor insurance, motor claims management and direct distribution. Of course, international investments will need to be carefully reviewed to ensure they are in the best interests of IAG and its shareholders.

For further details of our sustainability performance please see the IAG website [www.iag.com.au/sustainability](http://www.iag.com.au/sustainability)

The following details the definitions used in the calculation of data represented in the graphs and charts in each section of this report:

**Absenteeism:** Employee absenteeism is a measure to indicate the absence level in IAG. The absenteeism is determined by dividing the total annual unscheduled absence days by total annual days worked.

**Air travel:** Distance travelled by IAG employees includes domestic, trans-Tasman and international flights booked through the online travel service provider.

**Charity leave:** Number of days based on FTE working hours taken as charity leave by IAG employees.

**Claims satisfaction levels:** Satisfaction levels of IAG customers in the settling of claims in personal lines only. Satisfaction levels are determined from two questions in the Home and Motor Surveys. Surveys are conducted by a third party and include NRMA, SGIO and SGIC and exclude CGU.

**CO<sub>2</sub> emissions:** CO<sub>2</sub> emissions are calculated for electricity consumption, office and print paper use, fuel use and air travel using emissions factors obtained from the Australian Greenhouse Office.

**communityhelp grants:** Cash grants given to community groups through the communityhelp grant program. Figures reported are inclusive of GST.

**Contribution to Gross Domestic Product (GDP):** The net earned premium as a percentage of GDP where GDP was obtained from the Australian Bureau of Statistics, document title "National Income Expenditure and Product" from the National Accounts Catalogue #5206.0 Table 3.

**Customer satisfaction levels:** A measure of the end to end customer experience when enquiring, taking out or renewing general insurance. Customer satisfaction levels are determined by a third party through telephone interviews with a random sample of customers contacted within 48 hours of service experience.

**Employee engagement score:** Determined through six questions in the Your Voice staff survey conducted by a third party. The survey assesses the extent to which employees consistently say positive things about working at IAG, want to stay with IAG, and strive to achieve above and beyond what's expected of them.

**Electricity use:** Includes metered electricity consumption for those sites directly owned or controlled by IAG (approximately 70% of all sites). Where metered data is not available, electricity consumption has been estimated based on an equivalent floor space model using consumption figures for similar known sites.

**FTE (Full Time Equivalent):** FTE is a measure of the size of the workforce that takes account of part-time employees. It is determined by dividing total working hours by 37.5 (Standard Full Time Hours). Figures do not include guests, casuals or employees on extended leave without pay.

**Fuel:** Petrol consumed by IAG's tool of trade fleet (cars used by IAG assessors and for sales and claims purposes). Diesel and LPG use is not reported as it accounts for a very small proportion of overall fuel use (less than 0.2%).

**Full time versus part time staff:** Number of full time versus part time staff as assessed through internal online HR system codes. Full time employees work 35 or 37.5 hours a week depending on their Enterprise Agreement. Part time employees work less than 35 hours per week.

**Funding of OH&S initiatives:** Spending on medical costs for employees, fire protection, St Johns Ambulance training, the besafe program and the Employee Assistance program.

# FURTHER INFORMATION

**Funding of OH&S salaries and on-costs:** Salaries and on-costs for staff in the occupational health and safety department.

**Funds for community investment:** Direct financial support of community groups and programs, as well as indirect support to help promote and raise awareness of these community organisations. This also includes direct IAG management and administration related costs. Figures reported are exclusive of GST.

**Green electricity:** Green power purchased by IAG. Only IAG sites in NSW, ACT and VIC consumed green power in 2003-04. Green Power is a national accreditation program of the Sustainable Energy Development Authority (SEDA).

**Headcount:** Employees employed by IAG regardless of their hours of work, excluding guests, casuals and employees on extended leave without pay.

**Male to female annual salary ratio:** The ratio is determined by dividing the average of male employees' total annual salary by the average of female employees' total annual salary. The average of male employees total annual salary is determined by dividing the sum of male employees annual salary by the number of male employees at the end of the reporting period, the average female employees total annual salary is calculated on the same basis.

**Number of level 2 and 3 customer complaints:** IAG records three levels of complaints. Level 1 includes issues raised at the branch level, Level 2 includes complaints escalated to IAG head office customer service consultants and Level 3 are those complaints that are referred to a third party for resolution. Figures reported include only Level 2 complaints and above.

**Number of fire wardens:** The number of staff who have been trained as fire wardens. Staff are trained through an external service provider.

**Number of staff trained in first aid:** The number of staff who have completed first aid training. This comprises staff who attended either a 4-hour CPR training course or a 2-day First Aid Officer Training course in the current reporting period as well as staff with previous first aid training.

**Number of workers compensation claims:** The number of workplace incidents that became workers compensation claims. This does not include claims that were declined or withdrawn.

**Office paper use:** A3 and A4 office paper use as determined through an inhouse ordering system using two separate suppliers.

**Print paper:** Print paper consumption consisting of commercially printed material (booklets, business cards, brochures and customer documentation such as renewals and certificate of insurance).

**Recycled waste collected:** Comingled waste collection coordinated through VISY. This figure includes recycled paper at 388 George St, Sydney and WA sites only, and storage box destruction. At present IAG do not have separate figures for paper recycled, as the recycling bins collect both paper and other types of recycled waste (comingled waste). It is estimated that 90% of waste recycled is paper.

**Risks in force:** Total risks covered through IAG policies. Business policies may cover two or more distinct risks of business and therefore the risks are accounted for separately.

**Staff turnover:** Turnover percentage is determined by dividing the total number of terminations by Headcount. Termination includes all permanent full time, part time employees and excludes casuals, guests, and employees on a fixed term contract.

**Staff volunteering commitment to the community:** Based on 1-day Enterprise Agreement allocation to community leave. Figure is based on total FTE employees and average staff wage per average day worked.

**Sustainability nominations for rewardhelp:** rewardhelp is the internal staff recognition program. This indicator takes into account all rewardhelp nominations in the sustainability and innovations category.

**Women in executive management:** Total number of females on the Executive Management Team.

**Women in senior management:** Total number of females in senior manager positions. Women in senior management is determined as women in the position of senior manager and above, as per the Australian Standard Classification of Occupation (ASCO 1.1).

**Workplace giving program:** The dollars contributed by staff through payroll deduction scheme.

**If you have any suggestions or questions arising from this report please do not hesitate to contact IAG at [sustainability@iag.com.au](mailto:sustainability@iag.com.au)**



INDEPENDENT REVIEW REPORT TO IAG ON ITS SUSTAINABILITY REPORT 2004

Introduction

We have been engaged by IAG to review selected quantitative environment, workplace, customer and community performance data (the Performance Data) for the year ended 30 June 2004, as reported in the IAG Sustainability Report 2004 "The Fewer The Risks The Better For Everyone" (the Report) on pages 1 to 28. This report is made solely to IAG in accordance with the terms of our engagement. Our work has been undertaken so that we might state to IAG those matters we have been engaged to state in this report and for no other purpose. The report is not to be used for any other purpose or distributed to any other party. We disclaim any assumption of responsibility for reliance on this report to any party other than IAG, of for any other purpose other than that for which it was prepared.

Respective responsibilities of directors and reviewers

The directors of IAG are responsible for the preparation of the Report and the information and assessments contained within it, for determining IAG's objectives in relation to environment, workplace, customer and community performance, and for establishing, and maintaining, appropriate performance management and internal control systems from which the reported information is derived. Management's assertions about the effectiveness of the performance management and internal control systems, within the limitations described in the Chief Executive Officer's Statement in the Report, are included in a separate letter that we have received from management containing representations about the effectiveness of the performance management and internal control systems.

Our responsibility is to report, based on our review, whether anything has come to our attention in relation to the Performance Data that would lead us to believe that:

- it has not been presented fairly in accordance with the Criteria established by management; or
- we have not received all the information and explanations we required to conduct our review.

Scope

We have reviewed the quantitative Performance Data identified with the symbol "✓" on pages 1 to 28 of the Report for the year ended 30 June 2004. There are no generally accepted standards for the preparation, publication or review of environment, workplace, customer and community performance data. IAG applies its own internal sustainability reporting guidelines, based on emerging best practice for reporting sustainability performance (the Criteria), a concise version of which is provided on pages 29 and 30 of the Report. The selection and suitability of the Criteria is the responsibility of management. Our review did not include an assessment of the adequacy of the Criteria themselves nor a review of systems, processes and internal controls to verify the completeness of the documents we examined. Our review was conducted on the Performance Data for the Australian operations of IAG only and we do not express any opinion on the Performance Data for New Zealand, Thailand, China or other countries.

We conducted our work in accordance with the International Standard on Assurance Engagements ISAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board and with Australian Auditing Standards AUS 108 "Assurance Engagements" and AUS 902 "Review of Financial Reports". A review is limited primarily to inquiries of company personnel and other procedures applied to the compilation and presentation of the quantitative data, including testing a small number of relevant transactions or events. A review does not provide all evidence that would be required in an audit thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

Our review was planned and carried out to obtain all the information and explanations that we considered necessary to provide sufficient evidence for us to give limited assurance that the Performance Data are presented fairly in accordance with the Criteria established by management. Our work consisted of:

- understanding the systems used to generate, aggregate and report the Performance Data by observation and discussions with key personnel from IAG;

- agreeing that the Performance Data has been prepared in accordance with IAG's sustainability reporting guidelines and indicator definitions;
- inquiry into, inspection of, and testing of processes and systems used to generate and report the Performance Data, including documents and records;
- assessing whether, based on our findings, any additional information exists, the omission of which may result in the Report and Performance Data being materially misstated or misleading;
- understanding the process in place to aggregate the Performance Data at group level, and testing of the accuracy of the aggregation process; and
- assessing whether any disclosures in the Report relating to the Performance Data are inconsistent with our findings.

Inherent limitations

Because of the inherent limitation in any system of internal controls it is possible that errors or irregularities may occur and not be detected. Further, the performance management and internal control systems which management have established and from which the Performance Data is derived, have not been reviewed and no view is expressed as to their effectiveness.

Review statement

Based on our review, which is not an audit, nothing came to our attention to indicate that the Performance Data indicated by the symbol "✓" in the Report for the year ended 30 June 2004 has not been presented fairly in accordance with the criteria established by management.

KPMG

DR ANDRIES B TERBLANCHÉ
Partner

Sydney, 22nd October 2004

ASSURANCE STATEMENT

## VISION AND STRATEGY

- 1.1 Pages 4 – 7
- 1.2 Pages 4 – 5

## PROFILE

### Organisational profile

- 2.1 Cover
- 2.2 Pages 1, 8
- 2.3 Pages 18 – 19 of Concise Annual Report 2004
- 2.4 – 2.5  
Pages 20 – 27 of Concise Annual Report 2004
- 2.6 Page 1
- 2.7 Page 1
- 2.8 Page 3 and Concise Annual Report 2004
- 2.9 Reported throughout

### Report scope

- 2.10 Pages 5, 30
- 2.11 – 2.16  
Page 1 and Pages 22 – 27 of Concise Annual Report 2004

### Report profile

- 2.17 Pages 5, 32 – 33
- 2.18 Pages 29 – 30
- 2.19 Not applicable
- 2.20 Pages 6 – 7, 31
- 2.21 Pages 6 – 7 and assurance statement
- 2.22 Reported throughout

## GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS

### Structure and governance

- 3.1 – 3.4  
Pages 30 – 33 of Concise Annual Report 2004 and page 6 – 7
- 3.5 Partially reported on page 35 of Concise Annual Report 2004
- 3.6 Will be reported in 2005
- 3.7 Pages 6 – 7
- 3.8 Page 37 of Concise Annual Report 2004

### Stakeholder engagement

- 3.9 – 3.12  
Formal stakeholder engagement strategies are currently being developed and will be reported on in 2005. Key stakeholder relationships are reported throughout this report.

## OVERARCHING POLICIES AND MANAGEMENT SYSTEMS

- 3.13 Not reported
- 3.14 Pages 4 – 5
- 3.15 Not reported
- 3.16 Page 19
- 3.17 Page 6 – 7
- 3.18 Pages 22 – 27 of Concise Annual Report 2004
- 3.19 Reported throughout
- 3.20 Not reported

### GRI contents index

- 4.1 Pages 32 – 33

## PERFORMANCE INDICATORS

### Economic performance

- EC1 Page 3
- EC2 Partially reported on pages 18 – 19 of Concise Annual Report 2004
- EC3 – 5 Not reported
- EC6 Page 59 of Full Annual Report
- EC7 Page 80 of Full Annual Report
- EC8 Income tax reported Page 52 of Concise Annual Report
- EC9 Not applicable
- EC10 Pages 14 – 16

### Environmental performance

#### Materials

- EN1 Paper usage reported – page 18
- EN2 Pages 18 – 19

#### Energy and water

- EN3 Page 18
- EN4 Not applicable
- EN5 Not reported
- EN17\* Page 20

#### Biodiversity

- EN6 Not applicable
- EN7 Not reported

**Emissions effluents and waste**

EN8 Page 18  
 EN9 – 10 Not applicable  
 EN11 Partially reported in page 18  
 EN12 – 13 Not applicable

**Products and services**

EN14 – 15 Page 20

**Compliance**

EN16 Page 49 of Concise Annual Report 2004

**Social indicators****Employment**

LA1 Page 3, 22  
 LA2 Page 22

**Labor/management relations**

LA3 Page 22 – 23  
 LA4 Page 23 – 24  
 LA5 Not reported  
 LA6 Page 24  
 LA7 Page 24  
 LA8 All IAG anti-discrimination and harassment programs cover individuals and groups of people on the grounds of race, nationality, ethnic background, disability or HIV status or other grounds covered by the Group's EEO policy  
 LA9 Not reported

**Diversity**

LA10 Will be reported in 2005  
 LA11 Page 22

**Human rights**

HR1 Partially reported on pages 6 – 7  
 HR2 Not reported  
 HR3 Not reported  
 HR4 Pages 22 – 23  
 HR5 Page 23  
 HR6 – 7  
 Partially reported on pages 22 – 23  
 HR12\* Page 23  
 SO1 Partially reported on pages 15 – 17  
 SO2 Pages 6, 23  
 SO3 Not reported  
 SO4\* Pages 2, 20 and page 17 of Concise Annual Report 2004

**Product responsibility**

PR1 Page 10 – 12  
 PR2 Page 10  
 PR3 IAG manages and complies in accordance to Federal Privacy Act

**FINANCIAL SERVICES SECTOR SUPPLEMENT****Social performance****CSR management**

CSR1 Page 6  
 CSR2 Pages 6 – 7  
 CSR3 To be reported in 2005  
 CSR4 Not reported  
 CSR5 Not reported  
 CSR6 Partially reported on pages 23 – 24

**Internal social performance**

INT1 Pages 6 – 7  
 INT2 Partially reported on page 22  
 INT3 Page 23  
 INT4 Pages 46 – 48 of Concise Annual Report 2004  
 INT6\* Page 22  
 INT7 Partially reported on page 22.  
 Ethnicity data will be reported in 2005.

**Performance to society**

SOC1 Pages 14 – 15  
 SOC2 Page 14

**Suppliers**

SUP1 Page 19  
 SUP2 Partially reported on page 19

**Asset management**

AM1 – 3 Not reported

**Insurance**

INS1 Not reported  
 INS2 Not reported  
 INS3 Page 12  
 INS4 Page 16

\* Additional GRI indicator

DESIGNED AND PRODUCED BY BUSINESSWRITERS  
 THIS REPORT HAS BEEN PRINTED ON AN AUSTRALIAN-MADE PAPER STOCK CALLED PLANTATION. PLANTATION IS AN ENVIRONMENTALLY RESPONSIBLE PAPER, MANUFACTURED UNDER ENVIRONMENTAL MANAGEMENT SYSTEM ISO 14001. IT CONTAINS 100% RECYCLED FIBRE INCLUDING 85% RECYCLED PAPER WASTE (A COMBINATION OF POST AND PRE-CONSUMER WASTE) AND 15% COTTON FIBRE, AND IS PROCESS CHLORINE FREE.

