

IAG NZ Business Sustainability Approach

At IAG NZ, being sustainable means taking a long term view - assessing future risks and emerging trends, and making sure these inform today's decision making.

We believe that long term sustainability requires us to have financial viability, a strong and loyal customer franchise, appropriately skilled, engaged and governed employees, and an active commitment to support the communities and environments in which we operate. These dimensions cannot be viewed in isolation because they are inherently interconnected.

Business sustainability is the intended outcome of a successful business strategy. It is not a separate initiative or something that is discretionary in difficult times. To achieve this we take a balanced approach across five key dimensions: economic; customer; workforce; community, and; environmental.

Economic sustainability - *driving financial performance and capital strength to create long term value for shareholders. This includes assessing and managing risk effectively to ensure balance as well as transparency.*

It is important to recognise that there is interdependency between each of the dimensions of customer, workforce, community and environment and our economic sustainability. By strengthening our relationships with our customers we are able to grow our business; by retaining our workforce we can reduce the costs of turnover and recruitment; by working with the community we can reduce risks and minimise the need for customers to make a claim; and reducing our environmental footprint requires us to decrease our consumption of resources and hence our cost base. Thus, effective management of all these levers leads to enhanced economic viability and sustainability.

Customer sustainability - *understanding true customer needs; delivering innovative products and services that meet these needs in an effective and timely manner; ensuring customers become real advocates of our business.*

Our customers include individuals, businesses, governments and non government organisations. We sell insurance products directly through our branches, franchises, call centres and the internet, and also distribute products via intermediaries such as insurance brokers, authorised representatives and business partners.

To ensure that IAG NZ remains a sustainable business, we must continue to be relevant in our chosen markets and adapt to the changing needs of our customers and intermediaries. The attraction and retention of customers through the delivery of superior experiences is a strategic priority.

Remaining relevant to our customers means offering products that our customers want and need in a timely, efficient and flexible manner. It's about getting to know our customers and understanding that people have different needs depending on their circumstances. That's why we continue to invest in developing customer insight through innovative segmentation techniques, targeted customer value propositions and distinctive products and services.

To obtain that detailed level of understanding about what products our customers need and to ensure that we provide the best level of customer service possible, we regularly undertake specific activities to engage and seek specific feedback on what we are doing and how we do it. In addition to customer satisfaction surveys, we regularly engage with our customers in different ways.

There are many different products and services that IAG NZ offers to help our customers make informed decisions about the right product for them. We strive to give our customers clear and easy to understand information and provide policy documents and product disclosure statements that are worded as simply as possible. The nature of our business also requires us to obtain a significant amount of information about our policy holders lives and we have strict and legally compliant policies and systems in place to ensure that this information remains protected.

Workforce sustainability - *attracting and retaining the right people with the right skills and capabilities to meet current and future business requirements. This includes ensuring that employees are highly engaged and motivated and putting in place effective governance structures;*

We have approximately 1,900 employees across our operation and they form the backbone of our business and are the face of our brands. Therefore workforce sustainability is a strategic priority for IAG NZ and we have a clear strategy to:

- attract and retain the right people;
- assess and grow our human capital; and
- build a resilient, engaged and high performing workforce.

To help us attract and retain employees, we offer our people workplace options which are flexible enough to meet their needs and changing circumstances. Part time employment, flexible hours, compressed working weeks, job sharing arrangements and working from home options where appropriate are all available. Supporting our people over the length of their career, and at important times in their life, is also crucial. This is why we offer paid parental leave options, carers' leave, shorter working year and study leave options.

Assessing and growing human capital means investing in talent development and ensuring succession plans are in place for key roles. It's about developing our employees to reach their full potential so that they can be future leaders of our business. We do this by offering training programs, supporting extra curricular training and education and providing financial and leave support for those pursuing tertiary education and professional qualifications. In line with this strategy we have launched a revised approach to group level talent and succession management, through the Talent and Succession Pathway. This aims to enhance management and leadership capability through structured identification and assessment processes resulting in targeted development plans for our high performing - high potential employees, with the aim of growing individual and collective leadership capability.

Building a resilient, engaged and high performing workforce is our ultimate objective. The performance of our people has a direct impact on the performance of our business and understanding that link we actively manage it. Culture can be a critical enabler or inhibitor of execution. We look to foster a culture that promotes and rewards high performance in line with our values of respect, integrity, performance and a considered sense of urgency. These values emphasise the need to deliver timely performance while maintaining a positive work environment.

Employee engagement is also driven through an open and honest dialogue with our employees. We engage through both formal and informal channels including team, senior manager and divisional meetings, an annual engagement survey, employee focus groups, email bulletins and regular performance feedback and career planning sessions. Employees are able to report any issues affecting the quality of our workplace through a number of channels. This includes talking to their direct manager, using a dedicated help line for issues including discrimination, recruitment and staff development, or using our intranet mailbox for reporting and managing compliance incidents.

The safety of our employees is paramount. Each employee has a responsibility for their own safety and others around them. This responsibility is supported by an integrated occupational Health and Safety program that operates across the business, providing training for all employees with a detailed monitoring and reporting framework that tracks our progress.

Community sustainability - *leveraging our own experience to play a meaningful role in identifying and mitigating risk in the community. For example, as a major car insurer, we can draw significant insights from our claims data that can be used to improve road safety; and*

Insurance is the ultimate community product as it relies on sharing risk across the community. As an insurer, it makes good business sense for us to focus on reducing risk in the community. Fewer risks mean that our customers and communities can reduce the hardship of unexpected loss and get on with life. It also means fewer losses and claims. This in turn contributes to the longer term affordability of insurance and the sustainability of IAG.

Our commitment to our customers and the community is most visible in the way we help community in times of emergency and the role we play in supporting communities rebuild and reduce their risk so they are better able to withstand catastrophic events in the future.

Beyond the point of sale or claim, we have ongoing partnerships with community organisations, sharing information, and influencing issues of importance.

We have a long and proud history of supporting a range of community programs, partners and activities and understand the mutual value that such programs achieve.

We also recognise that as a large organisation, we are in a position to influence and work with government. Therefore, we have proactively entered the debate on a number of issues that our stakeholders considered important.

IAG NZ is committed to supporting our people's desire to contribute and support their own communities. Our employees have one day of paid volunteering leave per year to participate or contribute to their local community.

Our suppliers are a key part of our community and we are committed to working with them to help make their businesses sustainable. Due to the wide variety of our suppliers, there is no one size fits all approach to our interaction with them—it will be dependent on the individual supplier. What is common is that our supplier selection processes are governed by our supplier selection guidelines, and ongoing interaction with them is governed by our values and ethics. These guidelines reflect IAG NZ's commitment to procuring products and services in ways that are socially responsible,

meet the community's expectations of us as a good corporate citizen and reflect our values.

Environmental sustainability - *managing the environment's impact on our business as well as our impact on the environment. Over the last year, we have proactively moved beyond climate change advocacy to definitive action focused on mitigation and adaptation to ensure the resilience of our business, our customers and the communities in which we operate.*

The environmental risk that we find ourselves faced with is well documented. Climate change is a significant risk for IAG NZ as a company and the community at large. The volatile weather patterns globally and the increase in natural perils cause us and our communities significant hardship. Managing the impact of the environment on our business and reducing our own environmental footprint are important parts to mitigating and adapting to this risk.

IAG NZ must also meet any regulatory requirements, and while we will not be exposed to any compliance requirements under the NZ Emissions Trading Scheme, our position is that everyone can play a part in reducing climate risk and take a leadership role in managing and reporting our environmental performance.

We have been active in driving awareness of the potential impacts of climate change and recognise that it is time to move our focus from advocacy to definitive action through adaptation and mitigation strategies.

In 2006 IAG NZ announced its intention to become carbon neutral across its operations by 2012. Since the announcement of this target, we have adopted a strategy that has focused on changing behaviours within the organisation to reduce the carbon emitted from the consumption of resources. Whilst our footprint can be reduced, it cannot be eliminated entirely, necessitating the eventual need to purchase carbon offsets to neutralise our remaining carbon impact.

The drive to reduce consumption of carbon emitting resources is managed through divisional carbon dioxide equivalent (CO₂e) emissions reduction targets. This allows each of our business units to identify the areas of greatest impact and influence and focus consumption reduction efforts on those resources accordingly. CO₂e emissions are the most significant performance indicator as they provide a snap shot of our overall environmental impact and so we use a series of key environmental indicators including paper use, fuel use, air kilometres travelled and electricity consumed to calculate our CO₂e emissions.

As part of our ongoing commitment to transparently track, monitor and report CO₂e emissions, we submit our data annually to the Carbon Disclosure Project (CDP). The CDP's mission is to collect and distribute high quality information that motivates investors, corporations and governments to take action to prevent climate change. Through their annual request for information, the CDP plays a key role in encouraging private and public sector organisations to measure, manage and reduce emissions and climate change impacts.

We also have a responsibility to help our customers and the community to minimise their environmental impacts. As such we offer a range of products and services to help guide their behaviour in environmentally sustainable ways. These include insurance products such as fuel efficiency savings - discounts on hybrid and fuel efficient vehicles, offered to NZI customers.

We will continue to work with our customers, employees and other stakeholders to raise awareness about climate change and how we can all reduce the risk of its impacts. We are a signatory to the United Nations Environment Program's Finance Initiative and a member of the World Business Council for Sustainable Development, both of which commit us to providing environmental commitment and stewardship.

We regularly monitor and measure our performance against targets across these five key dimensions. A summary of our performance is contained in the [IAG Annual review](#), while more detailed information and case studies can be found at www.iag.com.au/sustainable. We use the Global Reporting Initiative (GRI) and Financial Services Sector Supplement as our reporting framework.

IAG also participates in benchmarking activities and sees this as a valuable way to capture feedback from a variety of stakeholders on what we are doing well and what we could do better. We are proud that we continue to be recognised externally for our commitment to business sustainability.



Dow Jones Sustainability Indexes

This index tracks the economic, environmental and social performance of the leading sustainability driven companies worldwide. IAG has been ranked a global sector leader since 2006.



FTSE4Good

This index measures the performance of companies that meet globally recognised standards on corporate social responsibility. IAG has been a member of the FTSE4Good Index series since 2005.



Carbon Disclosure Project

IAG has been included in the Australia and New Zealand Goldman Sachs JBWere Climate Disclosure Leadership Index in 2009. This index constitutes companies demonstrating leadership in disclosure across a range of climate change issues relevant to investment.

While we are proud of these achievements, our focus remains on continuous improvement and ensuring the long term sustainability of our business.

IAG NZ has a well developed approach to assessing and managing risk which is integral to how we manage our day to day operations. Our corporate governance structure and risk management framework provide the required oversight for this approach.