

**“IT’S JUST GOOD
BUSINESS”**



Sustainability Report 2005
Insurance Australia Group Limited
ABN 60 090 739 923

TABLE OF CONTENTS

1	About this report
2	CEO's statement
5	Insurance Australia Group at a glance
6	Executive summary
9	Performance snapshot
11	One year on
16	Awards and commendations
17	Sustainability is core business
19	Culture driving sustainability
23	Case study: IAG and the ageing population
24	Case study: An expo of career possibilities
25	Paying claims
27	Challenge: A supplier industry in reform
28	Case study: A focus on our supplier's future
29	Case study: Helping injured people get on with their lives
30	Understanding and pricing risk
31	Challenge: Balancing affordable premiums with equitable compensation
32	Challenge: Flood insurance - an Australian community perspective
33	Case study: Weather risks better understood and measured
34	Case study: Better car design to reduce theft and cut repair costs
35	Managing costs
39	Challenge: Meeting environmental targets
40	Case study: Shining the light on electricity use
41	Case study: CGU eBusiness solutions
42	Reducing risk
44	Case study: Reducing risk in the workplace
45	Case study: Head Injury Retrieval Trial
46	Case study: Understanding insurance
47	Case study: Education for young drivers
48	Case study: Community volunteering
49	Case study: Tsunami appeal
50	What a sustainable IAG means for our stakeholders
55	Engaging our stakeholders
59	Case study: Face-to-face customer sessions
60	Assurance statement
62	Global Reporting Initiative index
68	Glossary

ABOUT THIS REPORT

In our first Sustainability Report, published in November 2004, we outlined why sustainability is core business for us. We also detailed the value we believe our business delivers in helping to reduce risk.

Sustainability is inextricably linked to our reasons for being – to pay claims, understand and price risk, manage costs and reduce risk.

This report, covering IAG's performance for the 2005 financial year, is our second step in sustainability reporting and outlines the progress made to date. It also details some of the challenges experienced while working to create a sustainable organisation.

This year's report again goes to the heart of our purpose. We describe how sustainability is inextricably linked to our reasons for being - to pay claims, understand and price risk, manage costs and reduce risk.

As was the case in the 2004 financial year, this report covers IAG's Australian operations only. It does not include operations in New Zealand, China or Thailand. IAG New Zealand published its first Sustainability Report this year which is available at www.iag.co.nz/sustainability.

Input into our Sustainability Report

In June 2005, an internal Sustainability Report steering committee was established to guide the production of this year's report. The committee included key representatives from across IAG's business including the areas of Personal Insurance, Chief Financial Office and Culture & Reputation.

In compiling this report, IAG sought input from employees at all levels and various external stakeholders including community and environmental organisations and business partners. We also used industry benchmarking, feedback from Corporate Social Responsibility indices, stakeholder surveys and peer reviews to determine content.

This year, we have added new indicators to our reporting process. These are:

- the number of employee volunteer hours;
- number of employees who identify themselves as indigenous Australians; and
- the IAG population aged 25-34 (inclusive) compared to the Australian Labour Force of the same age group.

Each of these indicators is a key measure for our community and people strategies.

We continue to measure our activities against the internationally recognised Global Reporting Initiative (GRI) framework for sustainability reporting. The 29 key indicators in this report have been externally verified by KPMG. Details of verified indicators can be found in the Assurance statement.

Assurance statement

In keeping with our commitment to reduce our CO₂ emissions, we have made the decision to produce an online report this year, with a limited number of printed concise versions. While we acknowledge some people may prefer to read the complete report in print, we believe it is important to use as many opportunities as possible to reduce our CO₂ emissions.

CEO'S STATEMENT

What sustainability means to IAG

“Sustainability at IAG is not considered a 'programme' or a 'nice to have', it is central to everything we do”



'Sustainability' is a word often used but its definition is rarely agreed upon. At IAG, we see sustainability in a straight forward way - it's about managing our business to ensure success for the long term.

To do this, we must be economically sustainable and generate enduring shareholder value. In taking this view, sustainability at IAG is not considered a 'programme' or a 'nice to have' - it is central to everything we do. That means adapting to our customers' changing needs, reducing our environmental impact, creating value for society, delivering quality shareholder returns and creating a strong internal culture.

Building the right culture is critical to sustaining our business. Our people must act in a way that is consistent with our values. The values we operate under - teamwork, honesty, transparency, meritocracy and social responsibility - define the types of people we want working for us, the way we make decisions, how we expect our people to behave and how we would like them to interact with our stakeholders.

A strong culture also means our people understand why we're here. Our purpose is clear - we pay claims, understand and price risk, manage costs and reduce risk. For this reason, our 2005 Sustainability Report ties strongly back to our purpose.

CEO'S STATEMENT

Our successes

In the 2005 financial year, we have made significant steps towards becoming a sustainable organisation.

Workplace safety

By taking a highly systematic approach to addressing our own Occupational Health & Safety (OH&S), we have dramatically improved our performance. As the largest workers' compensation insurer in Australia, we have unique insight into OH&S. We have applied this insight to our own operations and delivered exceptional results that have changed our people's behaviour. For example, we decreased our Lost Time Injury Frequency Rate to 5.3 per million hours worked compared to 6.7 in the 2004 financial year. In addition, 80% of our managers have completed OH&S training (up from 26% last year).

We are also continuing our work to reduce risk in our customers' workplaces through initiatives such as the Risk Radar - a self-assessment tool that helps businesses rate themselves against environmental, health and safety standards and develop an action plan to improve safety and environmental performance in their workplace.

"We are also continuing our great work to reduce risk in our customers' workplaces through initiatives such as the Risk Radar"

Community initiatives

Risk reduction in the areas of road and home safety, crime prevention, workplace safety and climate change, continues to provide the foundation for our community work. In the last year, we have made some significant advances with our community initiatives. One example is a world-first medical trial with NRMA CareFlight which aims to improve recovery outcomes for people who sustain head injuries.

Through our **community**help grants programme, we have made 150 grants, totalling around \$530,000, to community organisations.

I am also proud of the effort our people made to help victims of the Asian tsunami. Employees across the country pitched in to volunteer with aid agencies and, through employee donations and company matching, we donated more than \$750,000 to tsunami relief efforts.

Sustainability and our people

Our employees continue to feel passionate about working at IAG. In our annual survey, 73% of respondents said they value our focus on balancing our social, environmental and financial responsibilities. They also believe we are improving the work and life flexibility support we provide.

CEO'S STATEMENT

- [The challenges we face](#)
- [A supplier industry in reform](#)
- [Performance against environmental targets](#)

The challenges we face

Aligning our business to a sustainable way of operating has also posed some challenges. In this report, we discuss how we tackle some of the biggest challenges facing our business today. These include major community issues such as the lack of consistent and affordable flood cover in Australia and the impact of tort law reform on public liability insurance.

A supplier industry in reform

One of IAG's largest suppliers is the smash repair industry. This industry is currently at a crossroad with more than twice as many repair shops per vehicle in Australia than in the United Kingdom. For comparison, for every repair shop in Australia, there are 1,900 vehicles, as against nearly 5,000 vehicles per repair shop in the United Kingdom. This oversupply is exacerbated by fewer accidents and new, safer cars that are less likely to require repair work.

The sustainability of the smash repair industry is essential to our business. We have taken steps to help the industry along this road by investing \$10 million over four years in the form of apprenticeships, traineeships, business management training and succession planning courses.

We recently introduced a new Care & Repair service in New South Wales. This service takes the stress and uncertainty out of organising smash repairs by allowing customers to take their damaged vehicle to one of our conveniently located assessment centres.

In states where this system has been operating for some time, we have seen improvements in customer satisfaction and the quality of repair work.

Unfortunately, there has been some uncertainty and debate with repairer groups about this system. We're trying to work through these concerns as we believe the new system will ultimately benefit repairers who are able to choose the repair work they want to bid for and to specialise in certain types of repair.

Performance against environmental targets

In this report, we also cover our performance against our corporate environmental targets. Although we have implemented some strong initiatives in this area, we have not met our targets for the 2005 financial year.

This is due to a number of factors including the challenge of balancing the need to reduce our environmental impact while growing our business. For example, we now know that decisions taken to benefit our customers through improved technology require additional computer servers, leading to an increase in CO₂ emissions.

We need to learn how to manage the added complexity required to make decisions that balance the needs of our various stakeholders while improving our environmental impact.

In the coming year, we will be taking steps to address our environmental performance by:

- improving our measuring and reporting processes;
- setting more tailored divisional targets;
- rolling out action plans to address high environmental impact areas; and
- engaging our people around improving our performance.

We are also targeting our single greatest contributor to CO₂ emissions - electricity - by developing and implementing an energy management plan for our major sites.

"True sustainability comes from an understanding of an organisation's purpose and achieving a balance between complex stakeholder priorities."

We acknowledge that our thinking in the area of sustainability is continuing to develop and mature as our understanding of our social licence to operate deepens and is enriched by dialogue with our key stakeholders.

I congratulate our people on the work done so far and I remain impressed by the passion and commitment of our employees to keep improving.

Managing a company well for the long term requires investment in customers, employees and the community. True sustainability and enduring shareholder value come from an understanding of an organisation's purpose and achieving a balance between complex stakeholder priorities.

In essence, it's just good business.



Michael Hawker
Chief Executive Officer

INSURANCE AUSTRALIA GROUP AT A GLANCE

Who we are

What we do

Who we are

Insurance Australia Group (IAG) is the largest general insurance group in Australia and New Zealand. We provide insurance products under some of the most respected and trusted brands including NRMA Insurance, SGIO, SGIC, CGU, Swann Insurance, NZI and State.

IAG owns a roadside assistance business in China, the China Automobile Association. We also hold interests in two general insurance businesses in Thailand - a 22% holding in Thailand's fifth largest motor insurer, Safety Insurance, and in July 2005, we acquired a small general insurer, formerly part of the Royal & SunAlliance Insurance Group.

What we do

We believe that insurance is ultimately a community-based product. A large group of customers pay relatively small amounts of money, in the form of premiums, into a pool of funds so the unfortunate few who suffer a loss can repair, rebuild and recover.

Our customers rely on us to protect them or their assets. It's a responsibility we take seriously, and one we believe requires us to deliver value in four ways:



Aligning our people and our business around these four principles is the key to ensuring our business is sustainable and we create value for our shareholders.

We hold the number one position in seven major general insurance markets in Australia: motor, home, compulsory third party, workers' compensation, rural, consumer credit and extended warranty.

We insure more than \$858 billion worth of property in Australia. This includes:

- more than 5 million cars;
- 2.5 million homes;
- 245,000 businesses; and
- 82,000 farms.

We also provide workers' compensation services to 209,000 employers.

In New Zealand, we insure more than 1 million cars, 580,000 homes, 187,000 businesses and 215,000 rural risks.

Our insurance products, issued under our various brands in Australia and New Zealand, include:

- Motor vehicle
- Home and contents
- Compulsory third party
- Niche insurance, such as pleasure craft, veteran and classic car, boat, caravan and travel insurance
- Consumer credit
- Commercial property
- Commercial motor and fleet
- Construction and engineering
- Farm, crop and livestock
- Home warranty
- Marine
- Public and product liability
- Professional indemnity
- Directors and officers
- Workers' compensation.

We employ more than 12,000 people throughout metropolitan, regional and rural Australia and New Zealand and now in China and Thailand.

We retain a Standard & Poor's very strong 'AA' insurer financial strength rating for our wholly-owned entities. That's a signal to our customers that we have the financial strength to be able to honour our promises to pay their claims. For our shareholders, employees and the communities in which we operate, it assures them that our business is financially sound.

EXECUTIVE SUMMARY

- [Progress in the 2005 financial year](#)
- [Sustainability is core business](#)
- [Culture driving sustainability](#)
- [Paying claims](#)
- [Understanding and pricing risk](#)
- [Managing costs](#)
- [Reducing risk](#)
- [Our stakeholders](#)

In our first Sustainability Report, published in November 2004, we outlined why sustainability is core business for us. We also detailed the value we believe our business delivers in helping to reduce risk. This year's report again goes to the heart of our purpose. We describe how sustainability is inextricably linked to our reasons for being - paying claims, understanding and pricing risk, managing costs and reducing risk.

Progress in the 2005 financial year

In the last financial year, we honoured commitments made to our customers, shareholders, employees, communities and the environment.

We encouraged wider participation in employee volunteer activities and ran community programmes to reduce high rates of burglary and car theft. We also launched an education programme to improve community awareness of insurance and risk.

In our workplace, we encouraged more employees to take up part-time employment to give them greater flexibility and work-life balance. We also offered an extensive range of learning opportunities for our people and developed strategies to address women and age issues in our workforce. In addition, we launched a strategy to encourage greater indigenous employment at IAG.

In the last year, although falling short of our targets, we have taken steps to improve our environmental performance. These include introducing more hybrid vehicles to our tool of trade fleet and commencing work on an energy management plan to reduce electricity use at our major sites.

From our customer's perspective, our research shows they are more satisfied with our service, particularly at claims time.

For our shareholders, we're delivering on our commitment to international expansion by acquiring a small general insurance business in Thailand and continuing to pursue other potential acquisition opportunities in Asia.

Sustainability is core business

We are continuing to embed governance around sustainability issues into existing business and management practices. This means for instance, incorporating sustainability into our risk management strategy to ensure we manage risk for the long term.

Governance

Responsibility for creating a sustainable IAG resides at every level of the organisation. We also have a Board committee which advises and supports the Board on the social, environmental and ethical impacts of our business practices and sets the standards for these practices. In addition, our senior management Reputation Committee meets monthly and is responsible for formulating IAG's strategies on reputation issues and reporting, and making recommendations on these.

We use public policy statements to articulate our commitment to the sustainability of our business. These policies cover diversity and flexibility, care for the environment, continuous disclosure and insider trading.

We are also in the process of developing a Code of Ethics based on our purpose and values. This will provide an ethical decision-making framework for our people across our international operations.

Culture driving sustainability

We believe that by reinforcing our desired culture with sound people practices, IAG's employees will deliver a consistent experience for our customers, shareholders and the community - ultimately helping us create a sustainable business.

To help achieve this goal, we regularly measure how passionately our people feel about working for IAG and take actions to address their concerns. We also provide a framework for rewarding employees who act in a way that reflects our values and, through our internal communication channels, we continuously reinforce these values and our purpose.

We believe that by reinforcing our desired culture with sound people practices, IAG's employees will deliver a consistent experience for our customers, shareholders and the community – ultimately helping us create a sustainable business.

We use a number of tools to assess whether our people are in the right roles and if we have leaders in place to deal with the high level of complexity required to keep our business in shape for the long term. Our Sustainability Champions also take a strong and visible leadership role throughout the business and are adept at taking the Group-wide philosophy and 'making it real' for their division.

Paying claims

Paying claims is why we exist. We sell a 'promise' to our customers that should they suffer an unfortunate event, we will provide them with cover when they need us most, at claims time. Through our brands NRMA Insurance, SGIO, SGIC, CGU and Swann Insurance, we pay around \$11 million in claims every day.

What sets us apart from our competitors is an attribute we call 'going beyond the claim' - the way we manage the process of paying claims and help our customers repair, rebuild and recover in times of need. Indicators we use to measure our progress in meeting this promise are those relating to customer and claims satisfaction and complaints. In the 2005 financial year, customer satisfaction was 81% - up from 80% in the 2004 financial year. Claims satisfaction rose by 3% to 87%, while the number of customer complaints fell from 7,789 to 7,002.

To deliver further on our promise to our customers, we work closely with our suppliers to improve efficiencies to ensure their businesses remain sustainable. For the smash repair industry, this means investing in apprenticeships, traineeships, business management training and succession planning courses and making changes to the way we work with our preferred repairer network across Australia.

For our network of 74 preferred builders who carry out repair work after home insurance claims, we've partnered with the Housing Industry Association to offer a course to help them adopt a more environmentally friendly approach. We're also seeking to improve the environmental credentials of the goods we supply our customers.

Understanding and pricing risk

To ensure we don't under-price risk (which might jeopardise our ability to pay claims), or over-price it (which could affect the affordability of insurance), we employ specialists such as underwriters, actuaries, industry researchers and atmospheric scientists to analyse data.

In addition, our extensive record of personal insurance claims gives us access to vast amounts of data such as repair costs, weather patterns and crime statistics. This helps us price risk fairly for each customer. It also presents opportunities to help the community reduce risk.

For example, our Industry Research Centre provided input into how the Subaru Liberty, Ford Territory, 2005 Mitsubishi 380 and 2006 Holden Commodore, could benefit from improved design to reduce repair costs and improve anti-theft security.

Tort law reform

We play a leading role in policy debates such as those on legal reforms affecting Australia's public liability insurance system. We recently worked with State and Federal governments, other insurers and the community to find solutions to problems resulting from the fact that the system had become unworkable. The result was a series of changes to negligence and other civil liability laws, also known as 'torts'. These changes restored the balance between appropriate compensation for injured people and the community's ability to afford the associated insurance premiums. In 2004, our commercial insurance business, CGU, reduced its public liability rates by 10% in anticipation of the benefits of tort reform. This reflected our commitment to ensuring the benefits of these reforms were passed on to the community.

Climate change

We are acutely aware of the impact of climate change on risks faced by the insurance industry. The past 19 out of 20 major insurance events in Australia have been weather related. We are working to mitigate the impacts of climate change and are learning more about weather patterns and how they may affect Australians' lives.

Because climate change means historical records become less relevant in determining future risk, we commission research into extreme weather risk and how it may change. Through this work, we are better able to make informed decisions for our business.

Climate change considerations are key to our efforts to reduce our environmental footprint and to encourage our customers and suppliers to do the same.

Flood insurance

Another area of current concern is the lack of affordable and consistent flood insurance in Australia. It's a challenge that we have been working hard to address, but it is fraught with complexity. Although the issue poses a significant risk to insurers, we believe it is a whole-of-society issue affecting local communities, governments and insurers - and one that must be resolved. We believe that a solution should allow premiums to vary according to flood risk, but provide some subsidy on the premium for householders whose risk is so high that risk-rated flood cover would be unaffordable.

Managing costs

Because our operating costs are reflected in the price of premiums, we must be as efficient as possible to maintain premiums at an accessible level for the wider community. Our obligations to shareholders also mean we have a responsibility to manage our costs efficiently.

We do this by keeping our administration costs down, looking for savings in our supply chain without sacrificing quality, using technology to increase our efficiency, and identifying opportunities to integrate our business and find synergies in our operations.

We're also working to reduce our own CO₂ emissions, not only to benefit the environment but also because of the financial advantages.

Because we did not meet our environmental targets for the 2005 financial year, we're making greater efforts across the organisation to reduce our environmental impact. We aim to do this by:

- improving our measuring capability and developing a monthly reporting process for all managers that tracks CO₂ emissions alongside spend;
- setting more tailored divisional targets and engaging our people around improving our performance;
- delivering on projects to reduce print paper use through eBusiness systems, reduced policy documentation and online shareholder interaction;
- rolling out action plans to address high environmental impact areas; and
- implementing an energy management plan to reduce the electricity use across our major sites.

Reducing risk

There are four key areas in which we are working to reduce risk: road and home safety, crime prevention, workplace safety and climate change. These areas reflect priorities for our business lines and where we have the greatest experience and wealth of claims data.

To reduce risk in the community, we have formed a network of partnerships, embarked on a series of programmes and supported a range of community projects in crime and injury prevention, emergency services and the environment. In the 2005 financial year, our financial contribution to the community totalled more than \$12 million.

In response to employee feedback, we have also developed a number of programmes that give our people the chance to get involved in their communities. Employees can donate to selected charities, with IAG matching these donations dollar for dollar, take one day of paid volunteering leave a year, become **communityhelp** Champions or nominate groups who are involved in reducing community risk, for grants.

Our safety performance has been a major focus of our sustainability efforts in the past year. As we are the country's largest underwriter of workers' compensation insurance, it is particularly important that IAG has a best practice safety culture.

In the 2005 financial year, our OH&S performance improved considerably. We developed an online training programme for all our people, implemented an electronic accident and incident reporting process and introduced the Internal Risk Radar, an online OH&S self-assessment process, into all our worksites.

Through our workers' compensation business, we are sharing our experiences in improving OH&S with our commercial customers so they can prevent workplace injuries and help injured people get back to work earlier.

Our stakeholders

One reason we are taking steps to ensure the sustainability of our business is so that we can meet the needs of our key stakeholders (customers, shareholders, employees and communities) for many years to come.

Managing the complex, and sometimes conflicting, needs of stakeholders is a defining attribute in sustainable leadership and one which we are working to foster among all our leaders.

It's about being socially responsible, but it's also good for business.

Sustaining shareholder value

In the 2005 financial year, IAG achieved another year of record results in a complex operating environment. This result is a demonstration of our commitment to managing our business in a way that brings sustainable long-term benefits.

The Group achieved a net profit attributable to shareholders of \$760 million, up from \$665 million in the previous corresponding period. We've done this by adhering to tight underwriting disciplines and focusing on building stronger relationships through initiatives to better align our products, service and distribution networks with customers' needs, while reducing costs. Our performance has been boosted by strong investment returns.

Engaging in dialogue

In order to achieve longevity, we aim to engage in regular dialogue with our various stakeholder groups.

In November 2004, a survey was sent to more than 2,000 stakeholders, including customers, shareholders, regulators and not-for-profit organisations, to allow for more targeted stakeholder engagement. Detailed findings from the survey and our actions as a result of this survey were collated in a report entitled, "We're listening", which will be sent to all survey respondents in late 2005.

In addition to surveys, we garner stakeholder feedback through informal and formal consultation, focus groups and representation on industry bodies. We are also in the process of forming an expert advisory committee to look out for the interests of our stakeholders and provide our Executive team and Board with independent, expert advice.

PERFORMANCE SNAPSHOT

Key statistics

Information in this section represents IAG Australian and New Zealand operations.

Economic	Year ended 30 June 2004	Year ended 30 June 2005
GROSS WRITTEN PREMIUM Total amount we receive from customers for payment of their insurance policies	\$6,427m	\$6,673m
NET EARNED PREMIUM Gross earned premium minus our reinsurance expense	\$5,863m	\$6,144m
NET CLAIMS EXPENSE 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	\$3,815m	\$4,069m
RETURN ON EQUITY Net profit attributable to our ordinary shareholders as a percentage of the average equity of those shareholders	21.1%	23.1%

Information in this section represents IAG Australian operations only.

Social	Year ended 30 June 2004		Year ended 30 June 2005	
CUSTOMER				
Business volume measure - risks in force, policies in force	11.8m		11.9m	
Overall customer satisfaction	80% (Jan 2004)		81%	
Claims satisfaction	84%		87%	
Number of Level 2 and Level 3 customer complaints	7,789		7,002	
REPRESENTATION OF MEN & WOMEN	Men	Women	Men	Women
Senior management positions	70%	30%	71%	29%
Executive positions	85%	15%	89%	11%
Board positions	75%	25%	80%	20%
All levels	42%	58%	41%	59%
WORKFORCE BY EMPLOYMENT TYPE	Total	Percentage	Total	Percentage
Full time	8,811	86%	8,392	85%
Part time	1,445	14%	1,464	15%
Total head count	10,256		9,856	
EMPLOYEE ENGAGEMENT	Year ended 30 June 2004		Year ended 30 June 2005	
Engagement survey response rate	88%		86%	
Engagement score	53%		54%	

CHARITABLE CONTRIBUTIONS Funds contributed to community organisations, including promotional expenses and administrative costs	\$18,225,926	\$12,347,281
Occupational Health & Safety (OH&S) performance	Year ended 30 June 2004	Year ended 30 June 2005
Number of employees trained in first aid	784	1,858
Number of fire wardens	421	536
Lost Time Injury Frequency Rate - the number of work-related injuries resulting in one or more days off work, per million hours worked.	6.7	5.3
Dollar spend OH&S		
OH&S initiatives	\$660,963	\$1,286,910
OH&S salaries + on-costs	\$715,986	\$698,277
Per FTE	\$142	\$216
Total spend	\$1,376,949	\$1,985,187

Environmental	Year ended 30 June 2004		Year ended 30 June 2005	
CO ₂ EMISSIONS	Total 65,315 tonnes	Tonnes per FTE 6.7	Total 76,820 tonnes	Tonnes per FTE 8.4
ELECTRICITY USE	Total 43,668 MWh	MWh per FTE 4.5	Total 45,5536 MWh	MWh per FTE 5.0
OFFICE PAPER CONSUMPTION	Total 474 tonnes	kgs per FTE 49	Total 446 tonnes	kgs per FTE 49
PRINT PAPER CONSUMPTION Customer and policy documents *This was previously measured per 'risk in force' but has now been adapted to a 'business volume measure' to more accurately reflect the volume of business across IAG's personal and commercial lines.	Total 2,133 tonnes	kgs per business volume* 0.18	Total 2,693 tonnes	kgs per business volume* 0.23

The above indicators are covered by KPMG's Assurance statement (except for Employee Engagement survey response rate). Indicators in the section titled "Economic" are for all IAG Group-wide operations. Other key indicators are for Australian operations only. More information can be found in the 'Assurance statement' section. Further details on environmental performance can be found in the "Managing costs" section. Please see the [Glossary](#) section for definitions of each indicator in this report.

ONE YEAR ON

We take our public commitments seriously. In our 2004 Sustainability Report, "The fewer the risks, the better for everyone", we made a number of commitments for the 2005 financial year. The table below demonstrates the progress made towards those commitments:

- [Customer commitments](#)
- [Shareholder commitments](#)
- [Employee commitments](#)
- [Community commitments](#)
- [Environmental commitments](#)
- [Updates on other initiatives](#)

Customer commitments

What we said we'd do	What we've done
Improve customer service, reduce the number of customer complaints, reduce errors and achieve better employee engagement IAG Sustainability Report 2004 Page 27	In the 2005 financial year, we have made improvements across all of these indicators. Further information can be found in the ' Culture driving sustainability ' and ' Paying claims ' sections.

Shareholder commitments

What we said we'd do	What we've done
To maintain growth at a level necessary to remain competitive, we recognise that international expansion is required to generate incremental revenue streams and to further diversify our business. As such, one of our key strategic goals is to establish an Asian foothold IAG Sustainability Report 2004 Page 28	In July 2005, we acquired a small general insurance business in Thailand, formerly owned by Royal & SunAlliance Insurance Group, to add to our growing portfolio of Asian assets. We are continuing to pursue other potential acquisition opportunities in Asia, using a stringent due diligence process to provide additional earnings growth for the long term.

Employee commitments

What we said we'd do	What we've done
Encourage more employees to take advantage of the flexibility offered by part-time employment IAG Sustainability Report 2004 Page 22	Our part-time work rates have increased steadily over the past 12 months. Also, in our 2005 'Your Voice' employee survey, there was a significant increase in the number of employees agreeing with the statement "I have the flexibility to modify my work schedule to address personal situations" and "My direct manager supports my needs for flexibility and work-life balance".
Report on quantitative training data IAG Sustainability Report 2004 Page 23	We offer an extensive range of learning opportunities for our people, delivered through classroom, e-learning and on-the-job experiences. In the 2005 financial year, 9,500 IAG employees participated in more than 105,000 learning sessions covering such areas as diversity and equal employment opportunities through to the General Insurance Code of Practice.
Encourage greater indigenous employment IAG Sustainability Report 2004 Page 23	Although technically outside our reporting period, in July 2005, we launched a Group-wide Indigenous employment strategy to promote direct action to attract indigenous applicants for permanent positions within the Group.

<p>Embark on a communication and change management strategy to educate and motivate IAG employees on the value of sustainability IAG Sustainability Report 2004 Page 20</p>	<ul style="list-style-type: none"> • IAG's Corporate Orientation (which includes training on IAG's purpose and values) was rewritten, it now includes a greater emphasis on what sustainability means to our business. • Briefings on sustainability issues were provided through senior management training sessions, OH&S training (for all staff), and CEO Forums (held annually for 600 participants across the Group). • The launch of IAG's 2004 Sustainability Report was accompanied by a comprehensive internal communication programme aimed at increasing employee understanding of sustainability. • In May 2005, we held an IAG leadership forum, targeted at the Group's senior management. It focused on corporate strategy, sustainability, culture and our leaders' responsibility in driving the integration of each of these areas within their business. Similar content has been included in our divisional leadership conferences. • A sustainability training pilot was held for employees in IAG's Culture & Reputation division. • In the 2006 financial year, IAG will establish a formal Sustainability behavioural change project that will work to further educate and motivate employees to act in ways that are consistent with our goal to become a sustainable business.
<p>Improve accessibility of OH&S accident & incident forms IAG Sustainability Report 2004 Page 24</p>	<p>An online OH&S reporting process for both accidents and incidents has been implemented. The technology allows our managers to respond quickly and take preventative action where appropriate.</p>
<p>Increase the number of employees participating in St John Ambulance Australia first aid training IAG Sustainability Report 2004 Page 24</p>	<p>In the 2005 financial year, 1,858 employees participated in first aid training. Some divisions have set participation targets for the coming year.</p>
<p>Increase employee engagement score from 53% to 60% in 2005 IAG Sustainability Report 2004 Page 24</p>	<p>Our Group-wide engagement score increased by 1% to 54% in the 2005 financial year, but fell short of the 60% target. We have retained this 60% employee engagement target for the 2006 financial year.</p>
<p>Improve number of women at senior levels IAG Sustainability Report 2004 Page 24</p>	<p>The number of women at senior levels has remained relatively stable.</p> <p>To continue to address this issue, we have recently established an IAG Women's Forum chaired by the CEO. Please refer to the 'Culture driving sustainability' section for more details</p>

Produce performance data on ethnicity, disability, age and women
IAG Sustainability Report 2004
Page 24

We have progressed from simply reporting on the number of women at senior levels to identifying the impact of occupational segregation. This is important because to advance, it is often necessary for women to have experience in managing a profit centre, yet a significant number of our employees are located in support functions.

Similarly, with age, we have moved beyond the age profile to an extensive age audit. We have identified opportunities for us to better reflect the profile of our customers and the community in our own workforce. Please refer to our Age management strategy case study in the 'Culture driving sustainability' section for more information

We are still working to collate ethnicity and age data. During the 2005 financial year, we experienced some difficulties in the collection and storage of this data. These issues have since been rectified and we plan to report on this information in the 2006 financial year.

Work with key areas of the business to assess their strategies for attracting and retaining employees
IAG Sustainability Report 2004
Page 24

We use results from employee surveys and follow up focus groups to address the top issues for our people. Each business unit also develops measurable action plans to track performance against initiatives to address employee issues.

Engagement and turnover results (among other people indicators) are now embedded in our talent discussions for our most senior people.

A number of local initiatives have included developing a diversity and flexibility strategy in our Personal Insurance division (including specific indigenous employment targets over the next two years).

Our CGU division has also launched a pilot recruitment centre of excellence, enabling us to focus on recruiting women in senior management and the older workforce.

Community commitments

What we said we'd do	What we've done
<p>Launch Conservation Volunteers Australia (CVA) pilot IAG Sustainability Report 2004 Page 15</p>	<p>In the first eight months of the partnership, 229 of our employees participated in 65 volunteering days with CVA around Australia. They helped manage environmental risks such as weed invasion, habitat destruction and soil and riverbank erosion.</p>
<p>Develop a volunteering database for employees IAG Sustainability Report 2004 Page 15</p>	<p>A database of available volunteering opportunities throughout Australia was launched on IAG's intranet in November 2004. Under IAG's Enterprise Agreement (2003) all our employees are entitled to one day a year volunteering for a community organisation of their choice.</p>
<p>Initiate three pilot programmes in Redfern, Shellharbour and Dubbo to reduce high rates of burglary and car theft IAG Sustainability Report 2004 Page 15</p>	<p>The New South Wales-based pilot crime prevention partnerships involving local police, local councils and NRMA Insurance in Redfern, Shellharbour and Dubbo have produced largely positive trends in the first 12 months of operation, namely the 2005 financial year.</p> <p>Statistically, 12 months is a short period and data samples are small; however, returns indicate that the partnerships have had an impact in assisting police and local communities to reduce residential burglaries.</p> <p>For instance, in the Shellharbour region, four suburbs - Barrack Heights, Shellharbour, Blackbutt and Warrilla - were targeted. The result was a 40% reduction in claims for home thefts in these areas in contrast to a 7% reduction in comparable nearby suburbs. In Dubbo and Redfern local government areas, home claims fell by 32% and 6% respectively.</p> <p>While police are still finalising local crime figures, the New South Wales Bureau of Crime Statistics and Research released a report in April 2005, confirming that the reported incidence of burglary for dwellings fell by 10.7% over 2003 and 2004.</p> <p>Police and councils in Redfern, Shellharbour and Dubbo welcomed the decision by NRMA Insurance to extend the pilots for a further 12 months covering the 2006 financial year to see whether the positive trends are sustained.</p>
<p>Launch a community education programme to improve awareness and understanding of insurance and risk management IAG Sustainability Report 2004 Page 20</p>	<p>In June 2005, we launched our 'Insurance Basics' education programme to help the community learn how insurance works, how premiums are priced, and how to reduce risk on the road, at work and at home. This can be found at www.iag.com.au/pub/iag/company/insurance_basics.shtml.</p>

Environmental commitments

What we said we'd do	What we've done
<p>Aim to reach a number of environmental reduction targets including a 10% reduction in CO₂ emissions per FTE IAG Sustainability Report 2004 Page 18</p>	<p>Across IAG, we have implemented a variety of initiatives to improve our environmental performance; however, our corporate environmental targets have not been met. In the 'Managing costs' section, we detail our performance against these targets and outline improvement strategies for the coming year.</p>

Updates on other initiatives

Tool of trade hybrid* vehicles

* Hybrid vehicles use both a conventional engine and a battery powered motor.

** Note: this figure is based on a comparison between a Toyota Prius and a Holden Commodore (which is the most common tool of trade vehicle).

IAG now has 123 hybrid vehicles, which are more fuel-efficient and less polluting than conventional vehicles. From IAG's tool of trade fleet experience, a hybrid consumes 76%** less fuel and also emits 76% less CO₂ compared to a typical tool of trade petrol vehicle.

Purchase of Green Power

Electricity bought from accredited clean renewable sources

In the 2005 financial year, 6.2% of IAG's total electricity use was Green Power, which is supplied from Energex as part of a Department of Energy, Utilities and Sustainability Green Power programme.

IAG first purchased Green Power in 2002 as part of a three-year contract. At the time, 11.5% of the electricity purchased for the major sites in New South Wales and Victoria was Green Power - this equated to 10% across all our New South Wales and Victorian operations.

Since then, our property portfolio has doubled in size. Acquisitions and in-sourcing of operations have led to an increase in properties and energy use. This means our initial Green Power purchase now represents 6.2% of IAG's total electricity use.

We recently signed a new three-year Green Power contract which equates to 10% of our assessment of the electricity use across our network of properties. We plan to review this figure should our property portfolio expand considerably over the next couple of years.

Risk Radar for smash repairers

An online self-assessment of safety and environmental performance designed to help improve identification, assessment and control of workplace hazards

Work is underway to make Risk Radar available to brokers and policyholders on the CGU website, accessed via a secure verification process. We have also developed a Risk Radar product for the hospitality industry and versions for the rural and motor fleet industries are currently in development.

IAG's Hail Gun

A device that propels hail-shaped ice blocks at roofing materials to assess which is the most hail-resistant. The Hail Gun was developed in 2004

Initial work with the Hail Gun has led to the promise of future joint research with the roofing tile industry to promote tile designs and roofing membranes that are more resistant to hail damage. Work has also begun on a second-generation, more powerful machine.

In October 2004, findings from the Hail Gun tests were published on IAG websites.



Stakeholder survey

In November 2004, we conducted an extensive survey of our stakeholders including customers, shareholders, employees, community groups and business leaders, about the social issues facing the community and the role of insurance in addressing these issues. More information on the results of the survey and how we're responding to feedback can be found in the 'Our stakeholders' section.

AWARDS AND COMMENDATIONS

In the 2005 financial year, we were recognised for our work towards sustainability:

AWARDS

Winner (Australia & New Zealand): General Insurance Company of the Year, Australian and New Zealand Institute of Insurance and Finance.

Winner: National Sustainable Business Awards - Large Business category, New Zealand Sustainable Business Network.

Winner: 'Triple Bottom Line' Award for Risk Radar, United Nations Association of Australia.

Winner (Australia & New Zealand): Best First Time Reporter in Sustainability Reporting, Association of Chartered Certified Accountants (ACCA) Award.

Winner: Best Strategic Sustainability Outcomes (over 200 staff), New South Wales Department of Environment and Conservation Industry Partnership Programme Awards.

Runner up: Prime Minister's Awards for Business Community Partnerships, Special Award - Impact on the Community.

Awarded: Employer of Choice for Women Status, Equal Opportunity for Women in the Workplace Agency.

Further recognition:

- IAG scored a AA or "High" rating from Reputex (which measures a company's corporate governance, environmental impact, social impact and workplace practices).
- We were included in the FTSE4Good Global 100 Index (designed to measure the performance of companies that meet globally recognised corporate standards).
- IAG scored 81.4%, up from 65.54%, in the St James Ethics Centre Corporate Responsibility Index, ranking exceptionally well in the areas of corporate strategy and values, leadership, stakeholder engagement, community management and OH&S.

SUSTAINABILITY IS CORE BUSINESS

- [Corporate governance](#)
- [Internal audit process](#)
- [An ethical workplace](#)
- [Code of Conduct](#)
- [IAG's investment policies](#)

For IAG, sustainability is not a programme or an initiative. We consider it to be good management. It is central to IAG's organisational purpose and if managed well, will mean the business is around for the long term. We are continuing to embed governance around sustainability issues into existing business and management practices.

This means, for instance, looking at how we manage risk for the long term. We are doing this by integrating sustainability into our current risk management strategy and looking at ways to encourage our people to be cognisant of long-term implications when making decisions.

Corporate governance

Responsibility for good management of IAG resides at all levels of our organisation.

IAG's Board committee, the [Nomination, Remuneration & Sustainability Committee \(NRSC\)](#), consists of four members: the Chairman of the Board, the Chairs of the Risk Management & Compliance and Audit committees and the Chief Executive Officer. It advises and supports the Board in such areas as the social, environmental and ethical impacts of our business practices and sets standards for these practices. It monitors how effectively the views of our key stakeholder groups are considered and how IAG complies with its social, environmental and ethical responsibility policies. Committee meetings are held at least four times a year.

Reputation Committee: Our senior management Reputation Committee is chaired by the Chief Executive Officer and comprises members of IAG's Executive team and other key senior management with responsibility for regulator engagement, policy and government relations, sustainability initiatives, investor relations and corporate affairs. It is responsible for formulating IAG board strategies on reputation issues and to report and make recommendations on these. It meets monthly, though additional meetings may be called at the request of any member.

Internal audit process

In line with our core value of transparency, IAG has a centralised audit team - Group Risk Assurance - to act as an independent and objective appraisal body within IAG. Working with IAG's external auditors, it supports management, the audit and risk management committees and the Board in fulfilling their responsibilities towards:

- regulatory requirements around risk management;
- the efficiency of our risk management processes;
- internal controls; and
- the effectiveness of business processes.

In 2004, the Group Risk Assurance team conducted a review of sustainability at IAG. The review was designed to help and support IAG's management achieve and report on sustainability outcomes, and to work with management to identify and develop joint solutions to address any associated risks. It covered areas of human capital, compliance, process ownership and control, and information and systems security.

The review identified two main issues:

- Sustainability is becoming a key indicator of corporate performance, and is an important indicator of corporate risk. While the concept does not replace the current methods of considering an organisation's performance, it is becoming part of the assessment of management competence, corporate governance and corporate longevity; and
- IAG is still in the early stages of a long journey toward creating a sustainable business. We are working to ensure our internal performance reflects the external perception of our organisation's progress.

Since the findings of this review, steps have been taken to establish a more formalised process for sustainability reporting within the company. Monthly updates on sustainability performance are now provided to IAG's Executive team. Updates are also provided to the IAG Board when appropriate.

We are currently working on incorporating a sustainability management system into our corporate risk management framework.

In the 2006 financial year, the Group Risk Assurance reviews will focus on the processes and systems within each division that measures sustainability performance.

An ethical workplace

IG's values

IG's values are: teamwork, honesty, transparency, meritocracy and social responsibility. Underpinning these values are corporate commitments to sustainability. These are articulated in public statements covering diversity and flexibility, environmental stewardship, OH&S, employee codes of conduct, continuous disclosure and insider trading. These extend to all employees and are designed to encourage ethical and appropriate behaviour in all aspects of work.

Code of Ethics

We are currently in the process of preparing a Code of Ethics for our business. This code will provide guidance for our people, no matter where they are located, on interpreting our purpose and values and the expectations of behaviour associated with these values.

As we increase our international presence, we believe it is important to clearly articulate our purpose, values and the behaviour we expect from our people, irrespective of location or role. Through these measures, we aim to provide a framework for ethical decision-making and a consistent, replicable template of IG's culture at a global level.

Code of Conduct

- [IG Commitment to Sustainability](#)
- [IG Environmental Commitment](#)
- [Charter for Health Safety and Security](#)
- [Code of Conduct](#)
- [Continuous Disclosure and Insider Trading Policy](#)

Business conduct

In addition to the formal requirements of IG's bi-annual Directors' Questionnaire of Management survey, our employees and authorised representatives are able to report issues via the following avenues:

- dedicated help line for Human Resources issues (including discrimination, recruitment, staff development);
- Compliance mailbox, which is an intranet tool used for reporting and managing compliance incidents;
- Hazard Management Form used to report and help manage workplace health and safety issues;
- CEO mailbox which allows staff to report issues directly to the IG CEO;
- internal communications mailbox; and
- dedicated help desk for technology issues.

IG ActionLine

ActionLine is a confidential service for employees wanting to report serious inappropriate behaviour. Launched in October 2004, ActionLine is an extra reporting mechanism. It provides an additional point of escalation if all other management controls have failed, and supports IG's Code of Conduct.

ActionLine is managed on our behalf by external consultants Deloitte. All reports of serious inappropriate behaviour are investigated and treated with discretion.

IG's investment policies

IG's equity portfolios focus is on investments that are expected to generate long-term sustainable earnings. Typically, these investments will have a focus on promoting the environmental and social wellbeing of the wider community.

Our Asset Management team actively engages with the management teams of invested companies to promote sustainable earnings.

For instance, when investing in oil companies which operate in environmentally and socially sensitive areas, we focus on reviewing the safety of employees and look at the businesses' areas of environmental impact.

IG's Proxy Voting Policy requires IG to vote on all shareholder resolutions relating to the stocks it holds. We use this voting power to encourage good corporate governance and positive social and environmental behaviour.

If IG is opposed to a particular proposal being put to shareholders, we communicate to the company's management both our intention to vote against the resolution and our reasons why.

For example, in the past, we voted against one organisation's proposal to grant executive options to various senior executives because, in our view, the performance hurdles were inadequate. We would expect others to apply the same level of scrutiny to our organisation.

CULTURE DRIVING SUSTAINABILITY

- [Employee engagement](#)
- [Internal communication](#)
- [Leadership for sustainability](#)
- [Flexibility](#)
- [Women in the workplace](#)
- [Indigenous employment strategy](#)

Our culture can be seen in every action an IAG employee takes. Put simply, a culture can be described as 'the way we do things around here'. Whether interacting with customers, or making a decision about a system or process, our people act in ways that reflect our organisation's culture.

By reinforcing our desired culture with sound people practices, IAG's employees will deliver a consistent experience for our customers, shareholders and the community that will ultimately work towards creating a sustainable business.

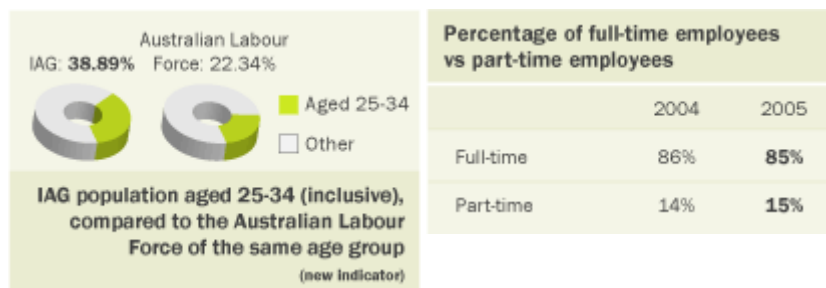
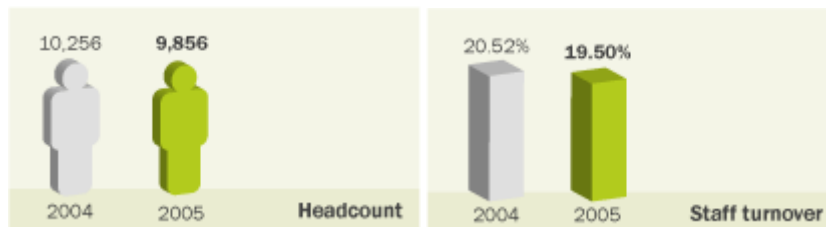


Our people strategy is underpinned by our purpose and values. The goals of this strategy are:

- attracting and retaining the right people;
- creating a culture that promotes and supports high performing people;
- developing and improving the capability of our employees; and
- ensuring that we have simple and efficient processes and systems in place to support our people.

The strategy incorporates a number of initiatives to achieve these goals.

KEY WORKPLACE INDICATORS



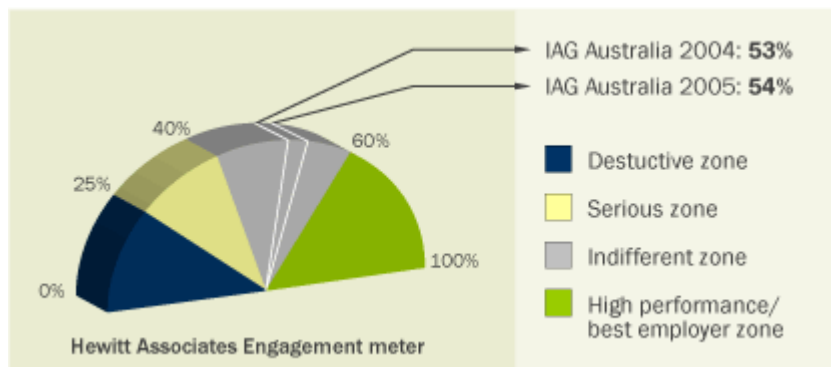
During the last financial year, we have taken steps to reduce absenteeism and staff turnover. At the same time, we have also focused on increasing employee engagement and offering greater flexibility for our people. In the 2005 financial year, our overall headcount has declined. This is due to the employee hiring rate remaining lower than the leaving rate. This has been made possible primarily through improved efficiencies in our organisational structure.

Employee engagement

Our employees have the chance to let their voice be heard through our annual employee survey. The 'Your Voice' survey measures engagement - how passionately

people feel about working for IAG. It also gauges how aligned our employees are to our purpose, values and strategy. The survey provides rich information on our people's perceptions of leadership, change management, risk culture and sustainability initiatives.

We believe that if our people feel passionate about working for us and they understand our purpose and strategy, then the business will be more successful in the long term.



Eighty six per cent of our people participated in the 2005 'Your Voice' survey. This year the survey included some new and specific questions around sustainability. The results indicate that 73% of respondents value our focus on balancing our social, environmental and financial responsibilities and believe the actions the company is taking in these areas will position us for long-term success.

Employee engagement	
2004: 53%	2005: 54%
Absenteeism	
2004: 3.25%	2005: 3.54%

rewardhelp:

IAG's reward and recognition programme is designed to recognise and reward behaviours that support the business's values. In the 2005 financial year more than 24,000 nominations were received across the categories of Helping Others, Leadership, Achievement and Sustainability & Innovation. In the 2006 financial year, we will be working to improve the number of nominations in the Sustainability & Innovation category which currently stands at 3%.

The culmination of the *rewardhelp* programme is the IAG Excellence Awards - an event where the nationwide finalists in each category celebrate their achievements with the IAG Executive team. This event was held for the first time in November 2004.

Internal communication

We use internal communication to continuously reinforce our purpose and values and to ensure our people are kept abreast of major developments. These are brought to life in channels such as employee magazines, an intranet, leadership forums, and in the CEO's annual Forum and Expo which is attended by 600 employees from across our business.

In 2004, the launch of IAG's Sustainability Report was supported by an internal communication campaign that aimed to help employees understand what sustainability at IAG means. The campaign incorporated a roadshow, website and development of an educational sustainability animated cartoon.

Two-way conversation: IAG employees are encouraged to share their thoughts and ideas directly to their managers and through channels such as CEO mailboxes, sustainability focus groups, employee forums and staff consultative committees.

Leadership for sustainability

We use a number of tools to assess whether our people are in the right roles. We also assess whether we have leaders in place with the ability to deal with the high levels of complexity that are required to make decisions that will keep the business in shape for the long term.

One way we assess the ability of our people to manage this complexity is through the Talent Matrix process. This process involves a series of discussions where an employee's financial and people management performance is evaluated by the next level of management alongside their customer outcomes and values. The Talent Matrix process is conducted twice a year by management. In the 2005 financial year, more than 2,000 managers and leaders were reviewed as part of this process, including all IAG's senior management.

The IAG Executive team takes a prominent external role in leading the sustainability agenda within Australia and internationally. Internally, IAG also works to incorporate sustainability as part of our own leaders' responsibilities. For instance, it is a key

component of our leadership forums and our leadership development programmes.

Sustainability Champions

IAG's network of Sustainability Champions takes a strong and very visible leadership role throughout the business. They help engage other employees around IAG's mission to become a sustainable organisation and also drive the environmental action-planning process.

Our Sustainability Champions are adept at taking the Group-wide philosophy and 'making it real' for their division. They often act as the central point of contact within a division for co-ordinating a wide range of activities from setting performance targets to implementing energy-saving action plans and arranging volunteer days.

Andrew, a Sustainability Champion in our Technology Services division explains, "So many people believe sustainability is just about being green. While managing our environmental impact is important, it's only one element. Part of my role is to help the people in Technology Services see how sustainability relates to their job. That's not hard to do. The systems and processes we develop to sell a policy or manage a claim, are critical to delivering an exceptional experience for our customers. We're also responsible for more tangible examples like installing more energy-efficient PCs and printers that print double-sided."

Andrew also sees the importance in empowering others to take action. "Anyone can be a leader in sustainability and the great thing is, it's not prescriptive. You just need to get on and do it," he says.

Flexibility

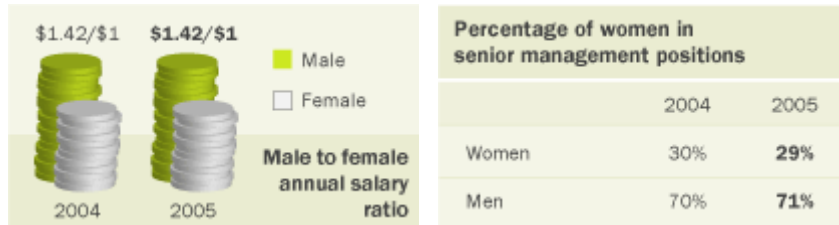
We have established a joint IAG/Finance Sector Union Work & Life Taskforce. The purpose of this taskforce, as outlined in the 2003 IAG Enterprise Agreement, is to support our organisation's strategy for achieving a work/life balance and to provide feedback to IAG's management team on the issues that may impact on an employee's working life.

The taskforce has begun an organisation-wide flexibility project. The purpose of this project is to:

- investigate the flexibility and work/life balance needs of our people;
- determine the gaps between our current flexibility policies, use and access;
- establish the facilitators and determine barriers to the effective implementation of flexibility; and
- prioritise and recommend actions.

As part of the project a series of interviews with senior management and an organisation-wide flexibility survey will be conducted.

Women in the workplace



In 2005, IAG was awarded Employer of Choice for Women status by the Equal Opportunity for Women in the Workplace Agency (EOWA). Although we accept that we have not resolved all our Equal Employment Opportunity issues, this status is an acknowledgement that we are recognising and advancing women in the workplace. The EOWA status has been awarded to only 115 organisations nationally.

We have also established an IAG Women's Forum. The forum meets quarterly and is chaired by the CEO. It comprises ten senior women from different parts of the business.

The objectives of the forum are to:

- provide information and insights into the issues for women in the IAG workforce;
- discuss strategies for improving the success of women in IAG; and
- support the implementation of change initiatives arising from forum discussions.

Indigenous employment strategy

We extended our commitment to the Commonwealth Government's Corporate Leaders for Indigenous Employment Project in July 2005 when we launched our Group-wide Indigenous employment strategy.

This strategy promotes direct action to attract indigenous applicants for permanent positions within IAG. This is a significant commitment, especially given the low numbers of indigenous Australians working in the finance and insurance industries.

As part of this strategy, our Diversity Specialist will engage indigenous communities, and the intermediary agencies that work with them, to 'spread the word' on employment opportunities. At the same time, our managers will be educated on the unique and positive benefits which indigenous employees can bring to their teams.

We aim to reflect Australia's diverse population in our own workforce. Approximately two per cent of the nation's population is indigenous, which would equate to having around 230 Indigenous people working at IAG. We currently have 23.

- [Case study: IAG and the ageing population](#)
- [Case study: An expo of career possibilities](#)

We want our employees to achieve their career aspirations and have the chance to be the best they can be. PATH - IAG's career discussion process - helps our people decide the right time to embark on career development. It supports people as they make decisions about which direction their career might take. We also believe each employee should take responsibility for managing his or her career.



CASE STUDIES

IAG AND THE AGEING POPULATION

Organisations that have workforces made up of people from different ethnic backgrounds, ages, and family situations with a good gender balance in all professions are more in touch with customers, which is good for business. They are also more likely to be understanding and fair, which is good for employees. Also, they are a place where employment opportunities are available to many across the community, which is good for everyone.

The 2004 IAG Age Profile indicates that almost 56% of our workforce is under the age of 35 and only 20% is over the age of 45.

We believe that it is important to create an understanding workforce that reflects the life experience of our customers. For us, there is no alternative but to be on the front line of responsible corporate action to do something about ageing in our society. In just over 10 years, the number of Australians retiring will exceed those coming in to the workforce. [Source: ACTU & BCA (2003) Age Can Work - A Business Guide to Support Older Workers]

If we, and companies like us, can do more to increase the participation rate of mature age workers, then the nation will have a more sustainable workforce into the future and alleviate the growing burden on our health, aged care and pension systems.

So work has begun on an age management plan to:

- retain employees with extensive corporate experience and learning;
- create a workforce that better mirrors the demographics of our communities and customers; and
- increase community perceptions of IAG as a "Mature Age Worker" Employer of Choice.

Our overall aim is to obtain a better balance across the different age segments in IAG's workforce. It's for this reason, that we're tracking the age bracket with the greatest disconnect between our workforce and the Australian Labour Force - the 25-34 age group.

Our progress against these aims will be reported in the 2006 Sustainability Report.



CASE STUDIES

An expo of career possibilities

In our 'Your Voice' surveys in 2004 and 2005, career development rated as a high priority among our employees. We understand that providing opportunities for personal and professional growth is a vital ingredient in employee engagement.

In Queensland in May 2005, we held an Internal Career Expo for all employees in that state. A series of workshops and events held over a week gave our people the chance to build skills and find out about career opportunities and the variety of roles within IAG. This event provided attendees with the chance to discover what's available to support and promote their own career development.

For employees like Leonie, an Underwriting Officer in the CGU Regional & Rural team, the expo was a great learning opportunity and gave her more confidence to tackle future challenges.

"I'm in my 50s and at my age, I think it's important to sharpen your skills. I had applied for a couple of internal roles in the past but had not made it through to the interview stage. So I wanted to see how I could improve my CV and the way I apply for jobs. The expo was very informative. I now have a better feel for what people in IAG want. There are certainly opportunities available at IAG if you're looking to further your career," she said.

PAYING CLAIMS

- [Overall customer satisfaction](#)
- [Claims satisfaction](#)
- [Customer complaints](#)
- [Working towards sustainability through our supply chain](#)

Paying claims is what IAG is here to do. We sell a 'promise' to our customers. Those customers pay their premiums with the peace of mind of knowing that, should they suffer an unfortunate event, we will provide them with cover when they need it most - at claims time.

Through our brands NRMA Insurance, CGU, SGIO, SGIC and Swann Insurance, we pay around \$11 million in claims every day. Having the financial reserves to be able to deliver on that promise is essential for all insurers, not only IAG.

What sets us apart from our competitors is how we manage the process of paying claims - how we help our customers repair, rebuild and recover in times of need.

That's why when our customers suffer an unexpected loss, we focus our efforts on replacing their goods, getting them back on the road or back to work by helping them recover as quickly as possible. We aim to make the payment of claims as efficient and painless as possible: a process we call 'going beyond the claim'.



Overall customer satisfaction

For our personal insurance products, we measure customer satisfaction with our service across our call centres, branches and our claims process.

We survey a selection of customers approximately 48 hours after an interaction with us in either one of our main direct channels: telephone business centres or branches. This survey is undertaken daily by an independent agency. Customers are asked a range of questions relevant to their experience. The questions were developed from focus groups conducted with customers to ensure we are tracking what customers expect and are looking for.

We also speak to our competitors' customers and use the same set of questions to give a market/industry view and set some context for our performance. Every six months we discuss and review the results of the surveys and action plans are then created and implemented over the following six months.

Claims satisfaction

We also conduct random phone surveys of our personal insurance customers who have recently lodged a claim. These are carried out by an external survey company, generally within one month of finalising a claim and the results are reported every six months.

As part of the phone surveys, our customers are asked to rate our overall claims service out of 10. The number of customers giving a rating of between six and 10 is represented as an overall percentage of the total surveyed.

In the 2005 financial year, 17,570 customer surveys were conducted across all of our brands: 87% of the customers surveyed rated our claims service six out of ten or better.

Customer complaints

We have a clear internal dispute resolution process through which customers can escalate their complaints. This provides an internal, independent review of all claims and policy disagreements.

Customers who remain unsatisfied with the internal dispute resolution decision are

directed to the Insurance Ombudsman Service (IOS). The IOS an external body established by the Insurance Council of Australia to resolve disputes between customers and their insurance companies. This is the final avenue of appeal and the decision is binding on all parties. IAG is a member, and participates fully in, the IOS system.

Our dispute resolution process is clearly documented and customers are made aware of the process when appropriate.

The dispute process complies with the requirements outlined by the Financial Services Reform Act, the General Insurance Code of Practice, and various government bodies including ASIC and APRA.

We are committed to the efficient resolution of all complaints, openly welcoming feedback from any concerned customers.

Working towards sustainability through our supply chain

We have a network of 74 preferred builders who are engaged to carry out repair work to properties after home insurance claims. We recently formed a partnership with the Housing Industry Association (HIA) to offer a tailored one-day version of HIA's 'Greensmart' course to our preferred builders. The course will help builders with issues such as the use of sustainability rating tools, home water and energy efficiency, indoor air quality, and waste minimisation.

Key facts:

- 31 builders have attended 'Greensmart' training to date, with more courses to follow.
- 91 individual builders have attended courses, provided by IAG, on small business management and business succession planning.
- 235 individual builders attended asbestos safety training in September 2005.

As well as training our suppliers to take a more environmentally friendly approach, we're also looking at improving the environmental credentials of the goods we supply our customers. For example, when a customer's fridge is damaged and needs replacing, we encourage them to replace it with one that's more energy efficient. Our focus here is on working to create outcomes that are customer choice-driven, economically and environmentally sound and therefore sustainable.

THE CHALLENGE

TACKLING THE CHALLENGE OF A SUPPLIER INDUSTRY IN REFORM

The situation

IAG's largest supplier - the smash repair industry - is an industry in reform.

New technology, increasing customer choice and industry market forces are changing the way many smash repair businesses operate, and indeed how we work with them.

Released in August 2005, the Federal Government's independent Productivity Commission report into the economics of the industry makes it clear that current rationalisation will continue due to one simple fact: there are too many repairers in Australia and not enough cars to repair.

The average number of vehicles per repair shop in Australia is about 1,900, compared to almost 2,500 in the United States and nearly 5,000 in the United Kingdom. (Source: *Productivity Commission Inquiry Report - Smash repair and insurance No.34*)

The incidence and severity of car accidents has also declined due to factors such as improvements in vehicle safety, better roads, more stringent policing of road safety and benign weather conditions.

It is important for us in this context to constantly look for ways to improve the experience of our customers and find greater efficiencies in our claims process.

One way we are doing this across Australia and, most recently in New South Wales, is by introducing a new system called Care & Repair. This system is designed to make the post-accident repair process as easy and hassle-free as possible for the customer by establishing Care & Repair centres where they can leave their car rather than having to visit multiple repair shops.

Through this system, our network of quality repairers access a series of images and a detailed technical 'scope of works' or damage report is then placed on a secure website for tender. The work is then allocated to a repairer in our network, usually within 24 hours.

The introduction of this system, which has been operating in Queensland, South Australia and Western Australia for some years, requires a change in the way our repairer network does business with us. This has led to some uncertainty and debate, often public, with a number of repairers and their representatives.

Considerations

Our new system is essentially competition based. Repairers compete against each other for our business and we use technology to make their interactions with us more efficient. Ultimately, competition benefits the best repairers, lifts industry standards and performance and keeps premiums affordable for the customer.

When making decisions about the way we work, we take deep consideration of the extent to which these decisions affect our customers, our people, our shareholders and the broader communities in which we operate.

The decision to introduce this new system was taken for the long-term benefit of our customers. In states where this system has been operating for some years, we have experienced improved customer satisfaction and repairers have also benefited from the greater efficiency and the ability to specialise in particular types of repair work.

The way forward

We are in ongoing discussions with repairer groups to tackle the key issues facing the repair industry in Australia today. We have a three-tiered consultation approach discussing issues with relevant repairer groups at national, state and regional levels.

We also remain committed to our existing network of preferred smash repairers - an arrangement that reassures our customers that only quality repairers are fixing their vehicles.

The recent Productivity Commission report stated, "Preferred smash repairer (PSR) arrangements benefit insurers, consumers and many repairers."

The sustainability of the smash repair industry is essential to our business. One way this can be achieved is through a more customer-focused, professional and sophisticated approach. We have taken steps to help the industry along this road by investing \$10 million over four years in apprenticeships, traineeships, business management training and succession planning courses.

CASE STUDIES

A focus on our supplier's future

Some of IAG's major suppliers operate in industries that are experiencing skills shortages, particularly in relation to attracting young, talented people into the industry. This affects the smash repair and construction industries in particular. We recognise we have a role to play in ensuring the sustainability of these industries, not only for their own survival, but also in order for us to be able to deliver on our promise to our customers in the future.

We are working to ensure the sustainability of these industries through developing and funding skilling programmes. These are aimed at encouraging Australia's young people to consider these industries as career options. Our programmes help equip young people with the skills they need to kick-start their careers.

Jumpstart Autobody Traineeships and Scholarships

Through our retail brands NRMA Insurance, SGIO and SGIC and our joint venture with Royal Automobile Club of Victoria (RACV), we contribute to a national programme aimed at encouraging high school students and young people to begin a career in the smash repair industry. The programme puts trainees into apprenticeships where they can benefit from a combination of on-the-job and TAFE training. We are contributing \$7.4 million nationally to the programme, which will create around 400 smash repair traineeships over the next four years.

John Walker from Walker Crash Repairs in Prospect, South Australia, is a keen supporter of the Jumpstart Autobody Traineeship programme.

"I've got two Jumpstart trainees on board at the moment. I've found the skills they are coming to us with are really beneficial and they are productive as soon as they come on the floor. Their commitment is really high and they complement our business very nicely," he explains.

In fact, John thinks so highly of the programme, his son is enrolled as a trainee this year.

At Tamworth TAFE College, in rural New South Wales, 11 young indigenous students are participating in the first pilot regional scholarship programme.

Phil, IAG's New South Wales Industry Development Manager, says, "The Tamworth programme has been set up specifically for indigenous young people who show interest in the programme. We are supporting both the industry and employment in local community."

Young people or their parents who want to find out more can also visit www.jumpstartyourcareer.com.au for more information.

Support of Construction Industry Training Council

In 2005, NRMA Insurance, in partnership with the Construction Industry Training Council (CITC), launched a three-year commitment to sponsor awards recognising and rewarding the outstanding performance of local apprentices. The CITC is a not-for-profit organisation established in 1988 to improve training in the national building and construction industry.



CASE STUDIES

Helping injured people get on with their lives

In regional and rural Australia, CGU is highly regarded for lending a helping hand, often going beyond what's expected. Paying claims quickly is just one part of the story - we're also there to help injured people recover quickly, return to work and get on with their lives.

Through our workers' compensation insurance, we provide cover for injured workers across a range of industries, including those working on the land.

"I was back-burning the paddocks before planting the crops and I spilled some petrol on me. Before I knew it, I had caught fire and I had burnt my hand, arms and chest," recounts Trevor Loechel, a farmhand based in Yorketown, rural South Australia.

Julie, an Adelaide based Injury Management Advisor involved with Trevor's claim, visited him during his initial stay at the Royal Adelaide Hospital. She arranged to have an occupational therapist, who Trevor knew previously, to help his recovery.

"After the accident, Julie met me in Adelaide to buy the protective gear I needed to make sure I didn't damage my skin grafts," explains Trevor.

Four months after his accident, Trevor returned to work on the farm and remains in contact with Julie.

"She still keeps in touch with me every week to see how things are going. She's been great in helping me get back to work. I really appreciate everything she's done for me," says Trevor.

We believe the keys to managing the claim of an injured worker are good communication, empathy and the ability to step into the injured person's shoes to understand their injury and the tasks they usually perform at work.

In South Australia, we manage the workers' compensation claims process on behalf of WorkCover Corporation, the government regulator. Our obligation to WorkCover is to improve return-to-work measures and reduce claim costs.

The role we play has significant and far-reaching implications for individuals, employers and the community in general. Our decisions can affect a person's ability to provide for themselves or their family, and we are mindful of this in every decision we make.



UNDERSTANDING AND PRICING RISK

As an insurer, we are expected to be experts in pricing risk - that means calculating the right premium for our customers. It's important that we do not under-price risk, putting our ability to pay claims into question, nor over-price risk, which would affect the affordability of insurance.

Fortunately, our understanding of risk is among the best in the world. We employ specialists such as underwriters, actuaries, industry researchers and atmospheric scientists to analyse data.

We have the most extensive record of personal insurance claims history in Australia, giving us access to vast amounts of data such as repair costs, weather patterns and crime statistics. This wide-ranging data helps us price risk fairly for each customer; it also presents opportunities to help the community reduce risk.

In the commercial environment, this means providing our customers with information to help them choose the right level of insurance cover and the right products to meet their needs.

In the social environment, this means taking a leading role in policy debates such as those on legal reform when Australia's public liability insurance system became unworkable.

In the natural environment, this means continually monitoring and analysing weather trends. We are acutely aware of the impact of climate change on risks faced by the insurance industry. Scientists believe that increasing global temperatures will bring an increased frequency and intensity of many extreme weather events.

The last 19 out of 20 major insurance events in Australia have been weather related and we are working to mitigate the impacts of climate change and are learning more about weather patterns and how they may affect Australians' lives.

Because climate change means that historical records become less relevant in determining future risk, we commission research into extreme weather risk and how it may change in a future climate. Through this work, we are better able to make informed decisions for our business.

Climate change is also central to why we are seeking to reduce our own environmental footprint, and encouraging our customers and suppliers to do the same.

THE CHALLENGE

BALANCING AFFORDABLE PREMIUMS WITH EQUITABLE COMPENSATION

The situation

In Australia in the late 1990s and 2000, public liability claims costs began to rise significantly. During this time, the country's then biggest liability insurer, HIH, kept premiums artificially low. HIH, therefore, failed to provide adequately for the costs of claims.

This environment changed dramatically in 2001, when HIH collapsed and the availability of liability insurance was significantly reduced. At the same time, the cost of reinsurance also increased following the economic effects of the September 11 terrorist attacks.

The impact

This situation had a knock-on effect for insurers who were unable to sustain the large underwriting losses caused by spiralling liability claims costs. As a result, they began increasing premiums and withdrawing from unprofitable types of cover. This led to many small businesses, sporting clubs and community organisations being unable to either afford or obtain public liability cover. Without this important protection, many of these groups were unable to operate, significantly affecting many local communities.

Australia's experience of spiralling liability claims costs is similar to many other countries. In recent years, general liability claims costs in most major economies have grown faster than overall economic activity, with long-term estimates suggesting claims have been growing 1.5 to 2 times as fast as nominal GDP*. In such an environment, liability cover quickly becomes unaffordable and insurance schemes fail.

The way forward

State and Federal governments, insurers and the community worked together to find a solution. The result was a series of changes to negligence and other civil liability laws, also known as 'torts'. These changes restored the balance between appropriate compensation for injured people and the community's ability to afford the associated insurance premiums.

In 2004, our commercial insurance business, CGU, reduced its commercial public liability rates by 10% in anticipation of the benefits of tort reform. This reflected our commitment to ensuring that the benefits of these reforms were passed on to the community. Since then, industry monitoring by the Australian Competition and Consumer Commission has found liability insurance premiums have continued to fall as the benefits of tort reform flow through.

Australia's tort reforms have created a more sustainable environment where liability cover is once again accessible and affordable, injured people continue to be compensated and legal costs are reducing. The real winner from these reforms has been the community at large, as was always intended.

** 'The economics of liability losses - insuring a moving target' Swiss Re Sigma Report No. 6/2004*

THE CHALLENGE

TACKLING THE CHALLENGE OF FLOOD INSURANCE - AN AUSTRALIAN COMMUNITY PERSPECTIVE

The situation

The lack of affordable and consistent flood insurance is one of the biggest issues facing Australian communities. It's a challenge that we have begun tackling but it is one that is fraught with complexity. Although the issue poses a significant reputation risk to insurers, we believe it is a whole-of-society issue affecting local communities, governments and insurers.

In the past, flood insurance has not been provided for one simple reason - insurers have not been able to determine the flood risk to individual homes. Understanding this risk is essential to be able to set a premium.

Unlike car insurance, where risk can be determined by such factors as car make and model, there is no commonly collected information for properties that can help insurers assess risk. Each home's risk is determined by its individual location relative to a flood plain. Until recently, data technology was not available to cost-effectively develop flood risk models.

Although Australia has been in the grip of drought for some time, the significance of this issue will be painfully clear come the next wet period.

The considerations

The annual cost of insuring a home against flood would vary significantly depending on its location - from virtually nil to thousands of dollars.

There is no cover for all types of flood because of difficulty in providing affordable premiums when the risk of flood is known to be high - there comes a point where enough premium simply could not be charged to cover the cost of claims without being prohibitively expensive, forcing up the cost of insurance for all other customers.

Our most recent assessment puts 160,000 Australian homes at risk of a one-in-100 year flood. Some homes lie in places where the flood frequency could be higher than one-in-20 years. We have concerns over the fact that approval was given for the construction of these homes in the first place. However, as they now exist, community-minded insurers such as ourselves, must look to how to provide affordable flood cover to their residents.

The way forward

We believe this issue must be resolved. Other countries around the world have found schemes to address difficulties in pricing flood cover. In some cases, the mechanism used to offer protection to families living on flood plains has been cross-subsidised coverage.

It's our belief that a solution is needed which allows premiums to vary according to flood risk, but provides some subsidy on the premium for those householders whose risk is so high that risk-rated flood cover would be unaffordable.

Improvements in the mapping of flood risk and incentives for local government to reduce the number of homes at risk of flooding are steps towards achieving this solution.

We're hoping to draw the spotlight on this issue through our involvement in the Insurance Council of Australia and through our CEO's current position as its President.

It is a challenge for members of the public, governments and insurers to publicly debate these issues and address policy implications for town planning, mitigation works and insurance premium pricing into the future.

CASE STUDIES

Weather risks better understood and measured

We conduct weather research to understand short and long-term impacts across home, motor and commercial insurance products. This investment is absolutely necessary if we are to reach the best estimate of today's weather risk and then determine if weather risk is changing - and if so, by how much and how quickly.

Addressing weather risk traditionally involves reconstructing the observational record as far back as possible. In many cases, the historical record is only accurate for several decades. To better understand the nature of weather risk, we keep abreast of the latest scientific research from local and overseas research centres such as the CSIRO. We also jointly sponsor natural hazard research through Macquarie University in Sydney and Oklahoma University in the United States.

Our sponsored research at Oklahoma University often requires the use of very sophisticated climate models, taking many months to run. This research simulates climates where greenhouse gas concentrations are held constant at today's levels or adjusted to reflect future emissions projections. Over time, this research will guide us in knowing how quickly society needs to respond to climate change through adaptation and/or mitigation.

However, understanding the nature of weather risk is only one part of the risk equation. We must also understand the vulnerabilities of the property we insure. Again, we have acted in two key areas to address this issue - through the sponsorship of the Townsville Cyclone Testing Station and development of the IAG Hail Gun.

The Cyclone Testing Station advises industry and governments on building practices which could minimise damage caused by severe wind events. The IAG Hail Gun looks at identifying key vulnerabilities of different building materials to the impact of hail stones and how these vulnerabilities change with age.



CASE STUDIES

Better car designs to reduce theft and cut repair costs

For almost 20 years, IAG's Industry Research Centre has been working with car manufacturers to help improve the repair costs, safety and security of cars on our roads. When Holden Australia began work on its 2006 model Commodore five years ago, it called on us to provide input into how Holden engineers could improve design aspects to reduce repair costs and improve anti-theft security. Similarly, we have provided the same input into the Subaru Liberty, Ford Territory and the new 2005 Mitsubishi 380.

Headlamps are one of the car components most commonly replaced in a collision and there are concerns in the insurance world over the growing complexity and expense of modern headlamps. In response, the International Association of Insurance Research Centres asked us to lead five institutions from Japan, the United States, France, Sweden and the United Kingdom in developing a design guide for manufacturers to follow when designing headlamps for their vehicles. The guide was formally endorsed at the Research Council for Automobile Repairs conference in Milan in September 2005 and should help to provide a blueprint for car manufacturers to avoid designs which unnecessarily add to repair cost.



MANAGING COSTS

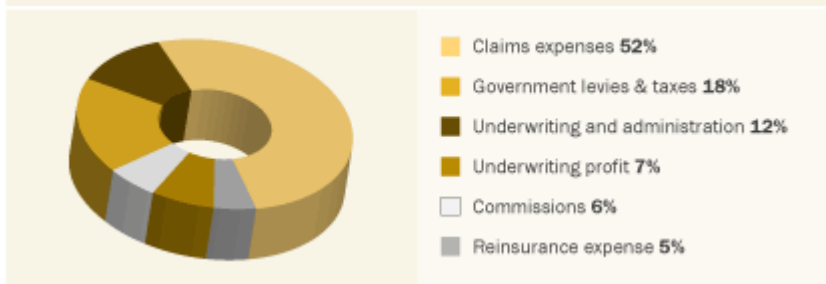
- [It's about everything we do](#)
- [Helping the environment, managing costs](#)

Our environmental performance

- [Equivalent tonnes of CO₂ emissions](#)
- [Electricity use](#)
- [Tool of trade fuel consumption](#)
- [Office paper consumption](#)
- [Print paper consumption](#)
- [Air travel](#)

Because our operating costs are reflected in the price of premiums, we must be as efficient as possible to keep premiums at an accessible level for the wider community. Our obligations to our shareholders also mean we have a responsibility to manage our costs efficiently.

Contributors to the cost of running our business



The economics of insurance are based on scale: pooling and diversifying a community's risk reduce the individual cost of insuring against those risks. As the leading general insurance group in Australia and New Zealand, we are in a position to deliver value to our customers by using our scale to keep costs at a minimum. We do this through efficient management and access to volume discounts across the supply chain - without sacrificing quality. Scale also benefits our shareholders, allowing risks to be spread across a large number of policies, which means greater stability of earnings from their investment.

It's about everything we do

We look to manage costs in every part of our business. We do this in a number of ways including:

- working to keep our administration costs down;
- looking for savings in our supply chain without sacrificing quality;
- using technology to increase our efficiency; and
- identifying opportunities to integrate our business and find synergies within our operations.

Helping the environment, managing costs

We work to reduce our CO₂ emissions not only to benefit the environment but also because of the financial advantages to our business.

Our size makes efficient cost management crucial to the successful running of our business. Even seemingly basic initiatives may have a major impact financially and environmentally. For example, following recent regulatory changes, we are now able to send out replacement sheets identifying changes in policy documents rather than sending out an entire new booklet (as was the case previously). We now send 2-4 A4 sheets of changes which can be stapled to the back of the original policy documents rather than 80 A4 sheets. This simple step will reduce printing and postage costs by \$6.5 million over four years. In environmental terms for the 2006 financial year, this means savings of approximately 2,000 tonnes of CO₂ emissions, or 33% of IAG's total print and office paper use compared to current consumption levels.

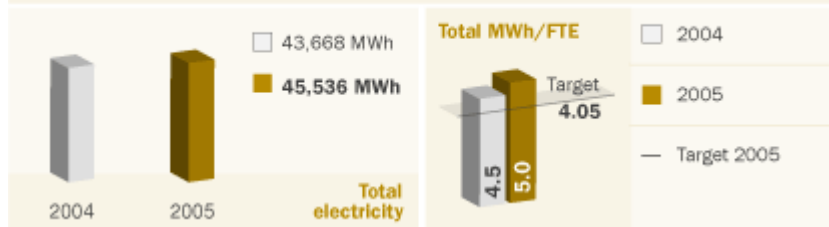


Below is a breakdown of performance across each of our key areas of environmental impact:

Equivalent tonnes of CO₂ emissions

Emissions source	2004	2005
Electricity use	45,233	53,090
Tool of trade fuel consumption	8,590	9,185
Office paper consumption	1,328	1,248
Print paper consumption	5,975	7,539
Air travel	4,190	5,758
Total	65,315	76,820

Electricity use



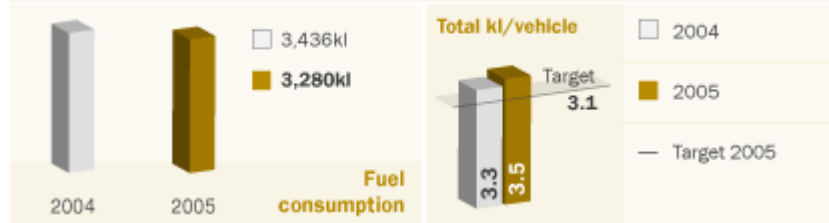
IAG's electricity use increased significantly over the last year due to two main reasons:

- greater technology demands - rapid growth in consumption at one of our major sites due to the increasing requirements of technology infrastructure; and
- better measurement and reporting - our systems and processes for capturing our electricity use have improved over the last year.

Next steps

We are currently in the process of developing an energy management plan to be rolled out across IAG's major sites. More information can be found in the '[Shining the light on electricity use](#)' case study.

Tool of trade fuel consumption



We are pleased to see that our overall fuel consumption has fallen in the past 12 months.

During this time, we have also increased the number of hybrid vehicles in our tool of trade fleet to approximately 10%.

Next steps

We are currently investigating reasons for our increase in kl/vehicle. We are also looking at providing greater transparency in regard to the way we use our tool of trade vehicles. We plan to do this through monthly division reports that include the kilometres travelled/vehicle. We aim to use this information to positively influence driver behaviour.

In addition to this, we plan to continue to add to the number of hybrid vehicles in our tool of trade fleet.

Office paper consumption

Source	2004	2005
Paper consumption	474 tonnes	446 tonnes
Recycled commingled waste (mostly paper)	195 tonnes	232 tonnes

Our office paper consumption per FTE has remained unchanged. Over the past year we have implemented a number of initiatives to reduce office paper consumption and improve recycling.

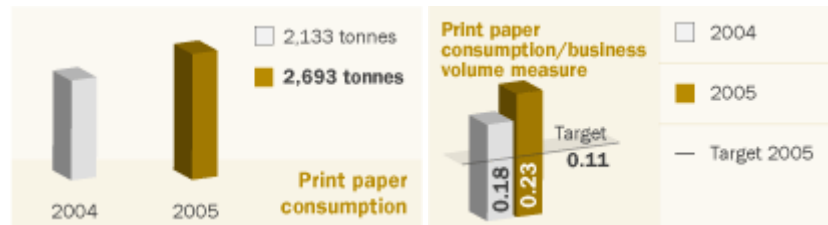
Pleasingly, the volume of office paper for recycling is on the increase, indicating the effectiveness of internal campaigns promoting paper recycling.



Next steps

In the 2006 financial year, we will have more tailored divisional targets for reducing office paper consumption that will be supported by an action-planning process. For instance, our Group Legal team has already begun looking at a project for implementing a paperless filing system and we are looking to increase the availability of double-sided printing across our operations. We are also working on rolling out our paper recycling facilities across more sites.

Print paper



Our print paper consumption increased considerably over the last year. This is due to one major factor - a required reprint of policy documentation to our Personal Insurance home and motor policy customers which took place in July 2004.

Next steps

We will continue to focus on reducing the amount of print paper we consume. Our CGU division is aiming to increase its focus on eBusiness over the next year and in Personal Insurance, it's estimated that our new policy booklet project will result in considerable savings in print paper. In addition, our Shareholder Relations area is looking to significantly reduce the amount of print paper it consumes by improving its online services.



IAG's overall target to reduce air travel by 5% over the 2005 financial year has not been met. This is primarily due to a significant increase in international travel over the period which can be attributed to our corporate goal of establishing a foothold in Asia.



However, we are making an impact on our domestic travel which has shown significant improvements, falling by almost 5 million kilometres - a reduction of 24% points from the previous year.

Next steps

In retrospect, we believe our target to reduce air travel is inconsistent with our strategy for international growth. As such, we have decided that it is not appropriate to set reduction targets for international travel over the coming year.

We will, however, continue to track and report on our air travel (including international travel) and are investigating options for future targets relating to domestic travel. We will also continue our focus on videoconferencing and associated training.

THE CHALLENGE

MEETING ENVIRONMENTAL TARGETS

The situation

In our 2004 Sustainability Report, we examined how our operations impacted on the environment and set targets for reducing our impact in the key areas of paper, electricity, fuel use and air travel.

Across the business, our people have made great efforts towards meeting these targets. Unfortunately, however, our environmental targets for the 2005 financial year have not been met for a range of reasons outlined below.

The considerations

Although we would have liked to have performed better, we acknowledge that this result is not uncommon for organisations at a similar stage as us in the sustainability journey. We recognise, and are working to manage, the increasing complexity involved in reducing our environmental impact while delivering on our corporate strategy. For example, is it appropriate for us to have set targets for reducing our amount of air travel considering that we have a strategic goal of securing and growing an Asian foothold?

Similarly, as we work to deliver customer related advances and internal efficiencies through new technology platforms, we are discovering challenges with knock-on effects to our energy consumption.

One of our major site's energy use increased significantly over the past year. This property is where the computer servers that store all of our customer data are located. As we work to improve our systems to make it easier for our customers to deal with us, we are increasing the demands on our data servers which, in turn, increases our electricity use.

The way forward

Wherever possible, we are working to balance the needs of our various stakeholders while minimising our environmental impact. For instance, at the site mentioned previously, we have slightly increased the temperature of the air conditioning units that keep our data servers cool. This small step has helped offset some of the electricity use at this site and we are looking to do the same in other locations where data servers are housed.

We have also made some significant inroads in other areas. For example, our Personal Insurance division now has 50% of its printers converted to double-sided printing. This has been one of the contributors to its 21% divisional reduction in office paper consumption per FTE.

Our network of Sustainability Champions and individuals across the business are also making an impact through day-to-day steps such as turning off their computer monitors, printing double-sided and reducing the amount of paper they use.

In the past financial year, we have spent a considerable amount of time working to ensure our systems and processes for measuring our environmental performance are in place. We are now also working on a pilot programme that will improve our monthly reporting and give managers the ability to track their environmental and related financial performance on a monthly basis.

Targets

We have also learned more about where we should be focusing our efforts to make the biggest impact. We are working to tailor targets to each division, based on a model that assesses each area's impact and influence. We are also looking to incorporate these targets into the divisional business planning process in the 2006 financial year and we will support this target setting work with tailored internal communication.

IAG's divisional environmental targets will be available on the [IAG website \(www.iag.com.au\)](http://www.iag.com.au) from January 2006.

Most importantly, we will be implementing a grassroots action-planning programme across all divisions to help improve our environmental performance. In addition, in January 2006, the pilot reporting process, mentioned earlier, will commence which will provide our managers with a monthly report on their performance against environmental targets and the costs associated with their CO₂ emissions.

CASE STUDIES

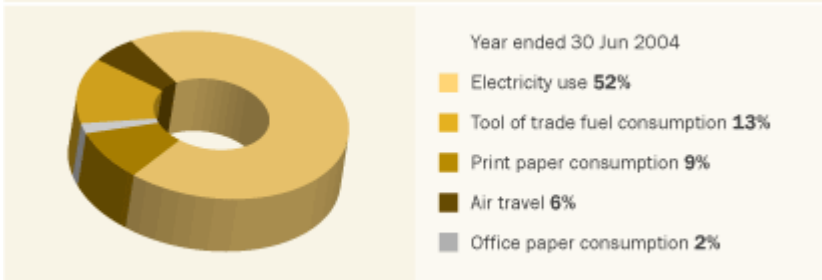
Shining the light on electricity use

One particular focus area for our environmental performance has been electricity use. In the 2004 financial year, we identified electricity use as the single greatest contributor to our CO₂ emissions.

To address this impact, we have begun a comprehensive review of our electricity consumption and are developing an energy management plan that will be piloted at our head office and rolled out across our main sites.

We have also been looking into ways to improve the energy use in existing premises, while incorporating energy star ratings into our decision making when looking to move into new properties.

Percentage of IAG's total CO₂ emissions



One example of this is our new property in Adelaide. Due for completion in April 2006, this new site will accommodate more than 550 employees who were previously located at various sites across Adelaide.

The property will be 5 star energy-rated and will include features such as lighting linked to movement and daylight sensors, sub-metering to allow for close monitoring of energy use, water efficient dishwashers and tapware and during the temperate months, introduction of high levels of outside air to reduce the need for heating and cooling using air conditioning units.

We estimate that through these various measures and more, we will reduce the operating costs compared to a 4 star energy-rated building by \$3.00 per square metre or about \$30,000 per annum.

The property is well served by public transport and will also offer parking for 40 bicycles, and showers and lockers on every floor. We hope these features will encourage our people to minimise their use of private vehicles for commuting to work.

Currently, 8.61% of square metres in IAG's freehold and leasehold property portfolio is 4 star energy rated or above.



CASE STUDIES

CGU eBusiness solutions

Our CGU division works with intermediaries such as brokers to sell our policies. Around a quarter of this business is conducted electronically. By using eBusiness systems, our intermediaries are able to 'self-serve' for all policy transactions, such as quotes and renewals, without sending paper to us. This makes the process highly efficient, it also brings big savings in the delivery of documentation to our customers.

Intermediaries are provided with an electronic version of the customer document (insurance schedule) for each transaction they process, and in most cases this is never printed. This is because our eBusiness systems enable intermediaries to incorporate a summary of insurance cover in the invoice they send to their customer. For some time, our eBusiness systems have helped us save on paper consumption and in the last year alone, over 1.2 million transactions were processed electronically. With each policy schedule containing around six pages, we have cut paper consumption by around 7.5 million A4 sheets per year.

Selina, CGU's eBusiness Manager for New South Wales, says, "The system streamlines policy administration for brokers - they can process insurance transactions without having to come to us, and produce a combined invoice and policy document for their customers."

Over the past few years, we have been working to improve our eBusiness offering. Through the web-based system, CGU Connect, intermediaries have access to a full range of CGU insurance products including commercial pack, home, landlords, private motor and commercial motor. Through this system, we expect a substantial increase in the percentage of business transacted electronically, further reducing paper consumption.



REDUCING RISK

Armed with an expert understanding of risk, we are able to deliver one of the greatest benefits we can provide to the community, our customers and our business - the opportunity to reduce risk.

Everybody wins

This core component of our purpose delivers benefits to the community, our customers and our business. There are always going to be risks, but finding ways to reduce them means our customers can avoid unnecessary hardships, creating a better outcome for both communities and insurers.

There are four key areas where we are working to reduce risk: road and home safety, crime prevention, workplace safety and climate change. These are the areas where IAG has the greatest experience and wealth of claims data.

Reducing risk in the community

We have formed a network of partnerships and embarked on a series of programmes all with the one aim - to harness our expertise to help the community reduce risk.

We support a range of community projects in crime prevention, injury prevention, emergency services and the environment.

communityhelp

We have a number of programmes that give our people the chance to get involved in their communities. These have been developed from feedback and suggestions from our people.

- **communityhelp workplace giving**
Employees can donate to selected charities through their regular pre-tax pay. It's a great way for our people to support community organisations and we match donations dollar for dollar.
- **communityhelp Champions**
We have a network of employees who take a leading role in their work location on community issues and help their colleagues get involved in their local community.
- **communityhelp volunteering**
We offer all employees one day of paid volunteering leave so they can participate in, and contribute to, their local communities. Our people may volunteer at a community organisation of their choice or work with one of our partners.

These programmes include, but are not limited to, risk reduction activities, whereas our **communityhelp** grants programme has the sole focus of reducing risk and increasing safety in the community.

communityhelp grants

Since the programme started in 2003, we have given more than \$1.3 million in grants to community groups across Australia. In the 2005 financial year, we awarded 150 **communityhelp** grants, totalling around \$530,000, to fund risk reduction community projects.

Some examples include:

- fire safety initiatives for people with hearing impairments, run by Travellers Aid Disability Access Service in Victoria;
- education on road safety around school zones - an initiative by the Fitzgerald State School Parents & Citizens Association in Queensland; and
- multi-language community safety seminars in English, Vietnamese, Cantonese, Arabic and Spanish, run by Woodville Community Services in New South Wales.

IAG funds contributed to the community

Funds for community investment breakdown

Description	2004	2005
Funds paid to community organisations	\$15,737,770	\$10,617,149
Promotional expenses	\$1,426,495	\$810,608
Administration costs	\$1,061,661	\$919,524
Total	\$18,225,926	\$12,347,281

In the 2005 financial year, funds contributed to the community totalled \$12,347,281 compared with \$18,225,926 in the 2004 financial year.

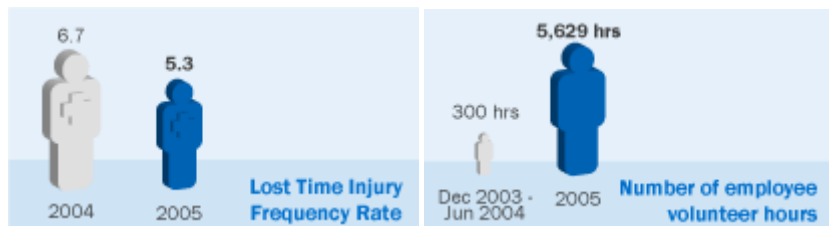
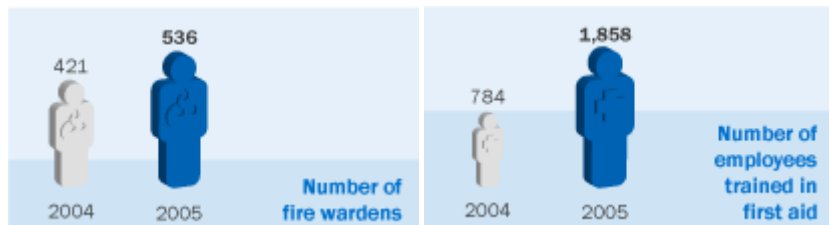
The difference in funds for community investment can be attributed to a one-off payment of \$4.8 million to CareFlight in the 2004 financial year for the establishment and implementation of the HIRT for its first operating year. Significant payments for this initiative will be made in future years. One other factor contributing to this result is the discontinuation of the New South Wales Rural Fire Service Firescan sponsorship.

Charitable contributions as a percentage of net profit after tax

2004: 2.3% 2005: **1.4%**

Net Earned Premium as used to determine contribution to GDP

2004: 0.75% 2005: **0.74%**



CASE STUDIES

Reducing risk in the workplace

Our safety performance has been a major focus of our sustainability efforts in the 2005 financial year. In 2003, our internal OH&S performance caused us concern. With employees operating various functions and spread over 280 worksites Australia-wide, and as the country's largest underwriter of workers' compensation insurance, it is particularly important for our safety culture to be best practice.

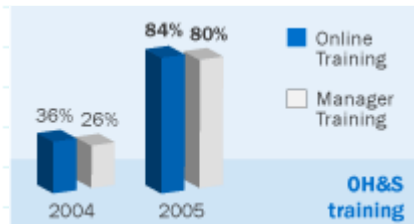
Regularly reviewed by the OH&S Steering Committee, our safety strategy is based around leadership, communication, use of technology and decentralisation of the management of risk.

Specific health and safety targets are also incorporated into our senior management's incentive schemes. This priority of workplace safety is highlighted in our CEO assuming the role of Chief Safety Officer.

The besafe programme: The besafe employee communication programme introduced the SEE, THINK, DO concept to our people. Its aim is for employees to take action to identify and resolve OH&S issues themselves.

The besafe programme is complemented by a range of other OH&S initiatives: we developed an online training programme for all our people, implemented an electronic accident and incident reporting process, and introduced the Internal Risk Radar, an online OH&S self-assessment process, into all our worksites.

Our OH&S push also featured a first aid training initiative, driver training programme and employee health and wellbeing initiatives - all of which have had a major impact on our OH&S performance:



We have achieved a 57% reduction in our total incurred workers' compensation costs, a 22% reduction in Lost Time Injury Frequency Rates and a significant improvement in our incident to claims ratio in the last financial year

St John Ambulance Australia First Aid Alliance: A key part of our alliance with St John Ambulance Australia has been the introduction of a first aid training initiative available to all our people nationally. Since forming the alliance in 2003, 1,858 employees have completed a four-hour emergency first aid course - skills that they will take to the community as well as their workplace.

Risk Radar: Risk Radar is an online self-assessment of safety and environmental performance designed to help improve identification, assessment and control of workplace hazards. Originally developed to assist our smash repairer network, the award-winning tool's potential for a wider application has since been recognised.

The Risk Radar is hosted on our intranet - and adopts an interactive, step-by-step approach specifically customised to meet the needs of employers. It allows worksites to assess their own performance against key safety and environmental criteria and gives our management team the information they need to strive for best practice. Risk Radar generates a specific short-term action plan based on the user's responses. This is then implemented and reviewed regularly.

Sharing lessons learned with customers

Through our workers' compensation business, we are sharing our experiences in improving OH&S with our commercial customers to help them prevent workplace injuries and get injured workers back to work earlier.

CASE STUDIES

Head Injury Retrieval Trial

In Sydney, around 75% of head injuries are sustained in car crashes and severe head injuries are a leading cause of death and disability for people in car crashes. As a compulsory third party insurer, NRMA Insurance has a role in helping to reduce the risk of injury in the community and promote better recovery outcomes.

In March 2005, NRMA Insurance and NRMA CareFlight launched a world-first medical trial, the Head Injury Retrieval Trial (HIRT), which aims to improve recovery outcomes for people who sustain head injuries. Under the trial, specialist doctors and paramedics are sent by helicopter to the crash scene as soon as people are identified with severe head injury to provide intensive trauma care, rather than waiting until the patient arrives at hospital. We are contributing \$11.2 million to fund the trial over three years.



CASE STUDIES

Understanding insurance

Insurance plays an important part in our lives, but many people do not fully understand insurance and its role. We recognise that the community would like to know more about insurance, including how premiums are priced, how insurance companies rate risk and how to reduce the chance of accidents happening in the home, on the road and in the workplace. We developed the 'Insurance Basics' education programme to provide the community with a better understanding of insurance and how it works. It also outlines ways to reduce risk. To learn more about insurance, [download the Insurance Basics Booklet](#).

Brad, a Product Development Manager for SGIO in Western Australia, conducts Insurance Basics education sessions at a community college in Perth. He believes the appetite for insurance knowledge within the community is increasing, "The collapse of HIH, public liability issues and various natural disasters have given people more reason to start thinking about insurance. It's great to be able to proactively help them understand insurance. My experience in the industry has shown that most people don't think about their insurance until they need to make a claim," he said.

Underinsurance is a big issue for Australian communities, an issue which we tackled in our risk report "Would have. Should have. Could have". The findings of this report were also communicated through educational forums to our people across the business.



CASE STUDIES

Education for young drivers

In 2003, in light of the continuing high death rate among young and inexperienced drivers, state and territory Transport Ministers, through the Australian Transport Council, began exploring options for a best practice national driver education programme.

During the 2004 election, the Federal Government made a commitment to introduce a national compulsory driver education scheme for all new provisional licence holders. In December 2004, a Government-sponsored Young Driver Safety Forum was held with participants from a wide range of fields and interests. At the forum, Transport Ministers from New South Wales and Victoria announced the trial of a special novice driver education programme involving 14,000 young drivers. A further 14,000 were selected for a control group.

The programme will provide novice drivers with an understanding of their own limitations and an insight into how they can reduce the risks they face on the road. In 2004, 17-25 year olds accounted for 27% of all road deaths, even though they made up only 12.5% of the population.

The trial is being jointly funded by the three governments and the Victorian Transport Accident Commission, the Federal Chamber of Automotive Industries, NRMA Insurance and RACV.

The young drivers' progress, as well as those in the control group, will be monitored for at least a year after the programme is completed. The trial will be one of the largest and most rigorous studies ever undertaken of post-licence driver education.



CASE STUDIES

Community volunteering

Arron, an Operational Assurance and Compliance Manager in our Personal Insurance division based in South Australia, was part of a group of 12 IAG volunteers helping to revegetate a large tract of land of native habitat near Mount Barker.

The project involved planting 1,200 indigenous plant species on land that was previously used for farming.

"The local owner and her husband had taken three months to plant 1,200 trees on their property. Through Conservation Volunteers Australia, a group of IAG staff were able to come in and plant the same number again, but in one day. Knowing that we could make that much of a difference was great," said Arron.



CASE STUDIES

Tsunami appeal

The December 2004 Indian Ocean tsunami united the whole world in a compassionate relief effort. Although not related to risk reduction, as a business we were compelled to take action to assist. Many of our people across Australia volunteered their time in the very first days of the emergency.

In Sydney, large contingents of volunteers worked through lunch breaks to help the Red Cross keep up with data entry recording donations.

In Melbourne, volunteers assisted World Vision and helped with the fundraising cricket match between Asia and The Rest of the World held in January 2005. Also, data entry volunteers helped Oxfam record donations and a great deal of this work was done after hours on our premises, which were also kept open on weekends, to fast track the process.

Krysty, a Training Manager in Personal Insurance in Victoria, organised our Melbourne tsunami support. "Everyone was so committed to helping out. We had people who worked three entire Saturdays. Others stayed back after work, or came in early to help," she said.

In Queensland, our volunteers hit the streets to fundraise for the Red Cross in its door-knocking campaign. Through employee donations and company matching, we donated \$750,649 to benefit the victims of the tsunami.

WHAT A SUSTAINABLE IAG MEANS FOR OUR STAKEHOLDERS

- [Sustaining shareholder value](#)
- [Progress against medium-term financial goals](#)
- [Why a profitable insurance company is good for everyone](#)
- [Proposed expert advisory committee](#)
- [How IAG engages in dialogue](#)
- [Employee involvement in various committees and organisations](#)
- [Investing our professional experience and knowledge for community benefit](#)
- [Aboriginal Employment Strategy Ltd \(AES\)](#)
- [Working with indigenous school children](#)

One reason we are taking steps to ensure the sustainability of our business is to meet the needs of our key stakeholders (customers, shareholders, employees and communities) for many years to come.

In order to achieve this longevity, we aim to engage in regular dialogue with our various stakeholder groups. It's about being socially responsible, but it's also good for business. Being in touch with stakeholders and anticipating their needs, puts us in good stead when it comes to developing new systems and processes, introducing new products and increasing employee engagement.

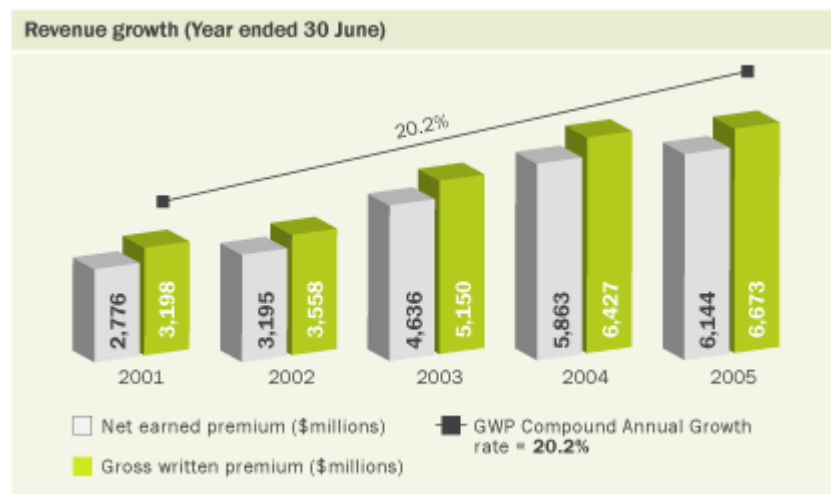
Managing the complex, and sometimes conflicting, needs of stakeholders is a defining attribute in sustainable leadership and one which we are working to foster among all our leaders.

Sustaining shareholder value

In the 2005 financial year, IAG achieved another year of record results in a complex operating environment. This result is a demonstration of our commitment to managing our business in a way that brings sustainable long-term benefits.

The Group achieved a net profit attributable to shareholders of \$760 million, up from \$665 million in the previous corresponding period. We've done this by adhering to tight underwriting disciplines and focusing on building stronger relationships through initiatives to better align our products, service and distribution networks with customers' needs, while reducing costs. Our performance has been boosted by strong investment returns.

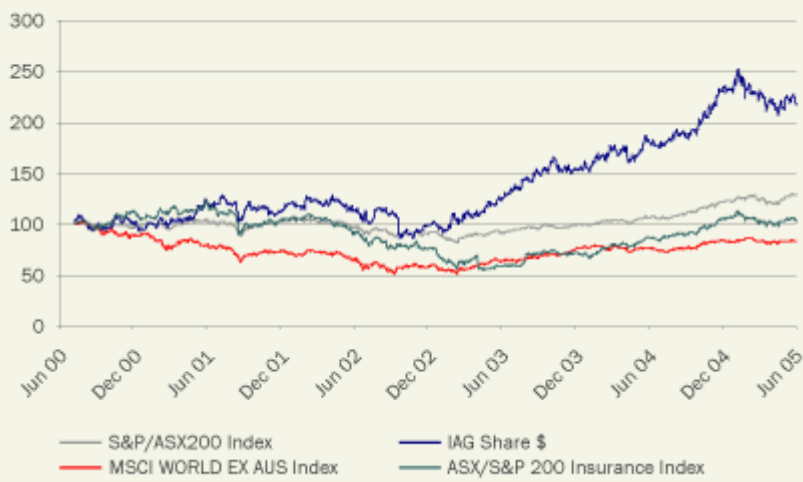
FINANCIAL PERFORMANCE



Insurance result and margin (Year ended 30 June)



IAG share price performance versus other sharemarket indices



Dividends per ordinary share (Year ended 30 June 2005)



Progress against medium-term financial goals

GOALS	PROGRESS
Top quartile total shareholder return.	Measured from listing on 8 August 2000 until 30 June 2005, IAG's total shareholder return ranks it in the top 20% of entities in the S&P/ASX 100 index.
Return on Equity of at least 1.5 times weighted average cost per capital.	Achieved Return on Equity greater than 1.5 times weighted average cost of capital.
Establish an Asian foothold.	Added a small Thai general insurance business to the Group's portfolio of Asian assets and continued to pursue further opportunities.
Maintain an 80:20 mix of short-tail:long-tail premiums.	Maintained short-tail:long-tail premium mix of approximately 80:20.
Maintain a 'AA' category rating.	Maintained its very strong 'AA' insurer financial strength ratings from S&P for its key wholly-owned licensed insurers. the highest rating of any Australian-based financial institution.

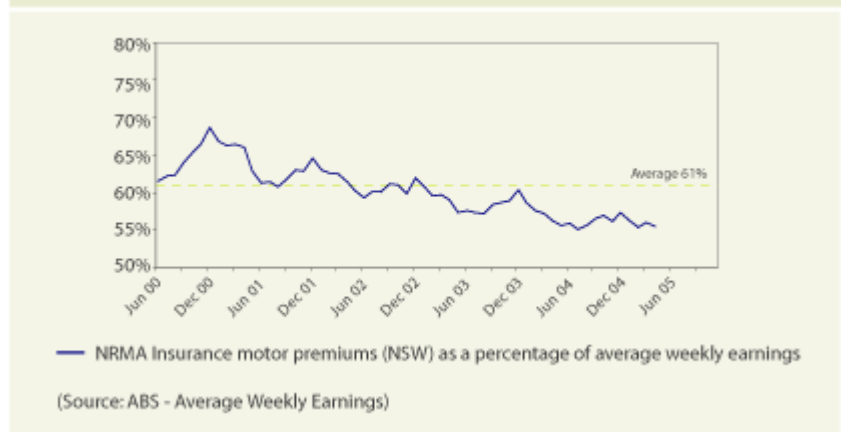
Why a profitable insurance company is good for everyone

The past year has been the third consecutive year in which insurers, including IAG, have performed strongly. For the previous 10 years, insurers recorded significant underwriting losses.

This return to profitability for insurance companies has enabled us to reclaim stability and security for our customers, shareholders, the community and the people who work in our industry.

Meanwhile, insurance premiums in many classes of insurance have become more affordable for customers. As shown in the graph below, at April 2005, the average annual premium for NRMA motor insurance in NSW equated to 56% of average weekly earnings, compared with an average of 61% over the past six years.

Affordability of NRMA motor insurance (NSW)



Proposed expert advisory committee

We acknowledge that, in addition to the various consultative and appeal mechanisms we already have in place in various states, IAG has a need for a national community advisory group - an expert advisory committee. The proposed expert advisory committee will be given the task of looking out for the interests of our stakeholders and providing the IAG Board and Executive team with detached but expert advice.

They will not consider individual cases but may be asked to consider whether the experience of individuals is significant in terms of systemic service delivery. Ethics, equity, accessibility, privacy and transparency will be the critical elements. We are working to have this expert advisory group operational before the end of the 2005 calendar year.

How IAG engages in dialogue

2004 Sustainability Report: In November 2004, we published our first Sustainability Report, outlining the philosophy behind our drive for sustainability, the practical steps we have taken towards sustainability and our plans and goals for the future. Four thousand copies of the report were printed and distributed to IAG customers, shareholders, employees, the media and the government and is available online at <http://www.iag.com.au/sustreport04>.

Sustainability employee focus groups: In July 2004, we conducted focus groups with a cross-section of our people to assess their understanding of what sustainability means to IAG. The outcomes were used to guide our internal sustainability employee communication strategy.

In July 2005, sustainability focus groups were convened again with employees and Sustainability Champions. The feedback from the focus groups was used to guide the content of the 2005 Sustainability Report and how sustainability is communicated internally.

We also plan to hold one-on-one discussions with a section of managers to investigate what managers see as their role in helping employees understand sustainability and translating it in ways that make sense for their teams.

Employee involvement in various committees and organisations

Our people participate in public debate on areas of relevance to IAG. Our managers regularly speak at various conferences, seminars and public hearings of bearing. Recent participation has included: Environment Business Australia, Sydney Futures Forum, Australian Shareholders Association, Insurance Council of Australia Forums and the Australian Corporate Citizenship Alliance.

We also have representatives on a number of industry associations including the Insurance Council of Australia, the International Actuarial Association and the Motor Accidents Council.

In 2004, IAG was elected to the Steering Committee of the United Nations Environment Programme Finance Initiative, aimed at promoting environmental and social issues in the finance sector.

In October 2004, we also became a member of the World Business Council for Sustainable Development.

Individuals within IAG are also encouraged to take membership with various organisations. Some of these include the New South Wales Department of Planning, Infrastructure and Natural Resources Metropolitan Strategy Reference Panel, the Sydney Institute, the Business Council of Australia and the National Centre for Citizenship and Volunteer Management.

Investing our professional experience and knowledge for community benefit

We contribute the capacity, skill, knowledge and experience of our people to the benefit of local and regional communities.

We have an extensive bank of professional capacities to draw on to help build and maintain sustainability in local communities, and not-for-profit and community service organisations.

Two examples include:

● [Aboriginal Employment Strategy Ltd \(AES\)](#)

● [Working with indigenous school children](#)

Aboriginal Employment Strategy Ltd (AES)

Through NRMA Insurance, we have enjoyed a community partnership with AES for a number of years. AES provides an employment service for local indigenous communities and businesses in the New South Wales towns of Moree, Dubbo and Tamworth.

With a track record of placing around 120 indigenous people in jobs in each centre each year, AES is seeking to replicate its operations in other areas. We offered the support of our Government Relations & Policy unit in discussions with the Federal Government about the funding to do this.

We played a role that included involvement in a working party established by the then Deputy Prime Minister, John Anderson and the Minister for Employment and Workforce Relations, Kevin Andrews.

The task of this group, which included the Chair and CEO of AES and senior officials from the Department of Employment and Workforce Relations, was to work through the issues related to funding and come up with solutions. After some months of discussions, the outcome was a new contract that potentially provides AES with \$17 million over four years, to maintain existing services and open new operations. The first phase of the expansion programme will see three new operations in the current financial year. The AES management team acknowledged that the involvement of IAG helped to put this agreement in place. The \$17 million commitment from the Commonwealth was announced in the in the 2005-2006 Federal Budget.

Barbara, Head of Government Relations & Policy at IAG, says, "It was great to be part of this group, where AES, government, and the corporate sector - represented by IAG - worked to get a solution that was about the sustainability of AES - this was not about a quick fix."

Working with indigenous school children

Actuaries from our Enterprise Risk & Group Actuary division have come together to tutor students at Alexandria Park High School near Redfern in Sydney.

This started as a mathematics tutorial exercise but has developed into a general tutoring session with staff volunteering and rostering themselves on a weekly basis.

Phil, a Research Manager at IAG, explains, "The philosophy of the tutoring programme is very simple - a desire on our part to share the benefits of a good education with kids who have not been lucky enough to get the same opportunities.

"We benefit from being able to help the community in a practical way that relates to our skills, and the kids benefit through someone volunteering their time to sit down and help them with their homework. The kids clearly learn a lot and we have a bit of fun at the same time!"

ENGAGING OUR STAKEHOLDERS

Stakeholder	Engagement process
<p>Customers - Personal Insurance</p>	<p>Our formal customer engagement process consists of regular customer and claims satisfaction surveys, face-to-face sessions and focus groups. On an informal basis, our frontline employees work with customers daily to ensure their needs are met and are encouraged to provide suggestions for improvement to management.</p> <p>Our brand websites also offer a host of information for customers that include advice for customers to make their homes and cars safer eg: through the Homehelp portal.</p>
<p>Customers - CGU Commercial</p> <ul style="list-style-type: none"> • Intermediary customers • Injured workers • Employers 	<p>CGU engages both formally and informally with its intermediary customers.</p> <p>An important part of daily business is to build relationships with brokers and agents so they provide feedback that will continually improve our products and services.</p> <p>We also undertake formal surveys with our intermediaries and provide regular business updates and training on complex insurance matters.</p> <p>Through our workers' compensation businesses, we work closely with employers and injured people. We receive regular formal feedback from regulators about our products and services. We also talk frequently with employers to help them better manage safety in the workplace and the return to work of injured employees.</p> <p>In regional areas, we have regular dialogue with local communities to help improve the safety of their property and people.</p>

<p>Shareholders</p>	<p>We have more than 980,000 shareholders. We keep them informed through regular announcements to the Australian Stock Exchange. These announcements are relayed through an email messaging service to shareholders who have registered to receive them and They are also posted on the IAG website.</p> <p>Half-yearly results briefings and the Annual General Meeting (AGM) are webcast with archived copies available on our website.</p> <p>Due to the size of our register and the cost involved in communicating directly to our shareholder base, we seek media coverage of important events if we need to deliver information to shareholders.</p> <p>We also communicate formally with them through annual and half-year reports and at AGMs, where they are encouraged to ask questions of the Board.</p> <p>Shareholders can also submit written questions to the company's auditor to be considered at the AGM. These relate to the conduct of the audit and the content of the auditor's report. The company's auditor will be present at the 2005 AGM to answer the qualifying questions. A list of questions received will be made available at the 2005 AGM and the answers posted on the IAG website after the conclusion of the meeting.</p> <p>Electronic proxy voting was introduced for the 2004 Annual General Meeting to make it easier and more convenient for shareholders to lodge their proxy voting instructions on resolutions.</p> <p>All our share registry functions are performed by Computershare Investor Services who have a dedicated IAG shareholder information line. We also have a Shareholder Centre on our website.</p> <p>A selection of our shareholders are also invited to participate in our annual stakeholder survey.</p>
<p>Employees</p>	<p>Our people are critical to the success of our business. We have a number of formal and informal channels available to engage in dialogue with employees. These include Staff Consultative Committees, CEO Forums and Expos, email boxes and annual employee engagement surveys. Our people also have the opportunity to talk about their experiences and the work they do through internal publications and videos. In addition, we hold regular career performance and career discussions with our people.</p> <p>Employees also participate in our annual planning sessions where our strategy is communicated and team goals and plans are established.</p>
<p>Legislators and regulators</p>	<p>Through our Government Relations & Policy unit, we have input into the public policy process and parliamentary inquiries.</p> <p>In the 2004 calendar year, we produced 18 public policy submissions. Examples include our response to the Productivity Commission's Inquiry into smash repairers and insurers and the New South Wales Government's Inquiry into Personal Injury Compensation. These submissions are made available to the public through our website.</p> <p>We adopt an evidence-based approach in public advocacy and aim to propose solutions that are in the best interest of shareholders, policyholders and the community.</p>

Suppliers

- Smash repairers, builders and jewellers
- Office supplies providers and car manufacturers
- Medical and healthcare providers, lawyers and doctors

We are working closely with our suppliers by developing consultative mechanisms for our preferred supplier network and providing incentives for them to increase the sustainability of their operations.

Our preferred supplier code of practice also outlines our responsibility to our supply chain partners, including their rights to dispute resolution and our people's responsibility to interact with our preferred suppliers fairly.

We measure over 30 major suppliers on their contribution to our sustainability targets and their own sustainability initiatives. In addition, we make available a range of cost competitive 'earth saver' products from our office supplies provider.

<http://www.iag.com.au/suppliers>

Unions

Just over 2,000 IAG employees are registered with unions (Finance Sector Union and Australian Metal Workers Union).

Our consultation process with the Finance Sector Union (FSU) is detailed in the IAG Enterprise Agreement (2003). Under the Agreement, we are obliged to consult with the FSU regarding workplace change programmes impacting employees, when positions are being made redundant and/or employees are being retrenched. FSU representatives are invited to address new recruits at our induction programmes. In accordance with the Agreement's grievance procedure, FSU representatives are recognised as an employees' representative.

Community partners

Our partnerships operate at the national, state and local level and are focused on reducing risk in the community.

Examples of such partnerships include: St John Ambulance Australia promoting the importance of first aid training and Project HeartStart; Kidsafe; CareFlight; The Royal Flying Doctor Service; Surf Life Saving Australia and our Social Capital Investment Programmes.

See 'Reducing risk' section for information on how we are using our professional knowledge to reduce risk in the community

Each year, a selection of our partners are invited to showcase their organisations at our CEO Forum where employees have the opportunity to interact with them as part of an Expo style event.

Representatives from partner organisations are also regularly invited to IAG functions enabling interaction with senior management.

A number of our community partners are also supported via IAG's workplace giving programme where employees can donate through their pay to these organisations and we match donations. Community partners provide regular updates on how this support is being used.

We have a team that manages our relationships with our partner organisations. They have a designated IAG contact to facilitate the partnership, and enable open communication, and a resource to help maximise the partnership opportunities.

Each year, applications for IAG's **communityhelp** grants programme are sought via external advertising, the internet, and nominations from IAG employees.

<p>Business organisations and industry groups</p>	<p>A number of our employees are representatives in business organisations and industry groups.</p> <p>For example, we participate in many, and chair a number, of the Insurance Council of Australia committees. Our CEO is currently President of the Insurance Council of Australia, as is our CEO in New Zealand for the Insurance Council of New Zealand.</p> <p>We also have representatives on committees for compulsory third party insurers, workers' compensation insurers, actuaries and accountants.</p> <p>IAG senior management representation on business organisations and industry groups</p> <p>We encourage our people to take part in public debate on areas of relevance to our core business. Our managers regularly speak at seminars, conferences and public hearings.</p> <p>By taking an active role on specific issues relevant to our business, we believe we are demonstrating how seriously we take our role as Australia's leading general insurance group.</p>
<p>Educators TAFE and the Construction Industry Training Council</p>	<p>We work in partnership with various educational institutions through our industry associations and community initiatives eg: Jumpstart Autobody Traineeship and Scholarship programmes.</p> <p>We partnered with The Australian Financial Review and a subsidiary of the Economics Teachers Association called, National Curriculum Services, to develop a national high school education resource. We are also partnering with educators from Community Education units, fire agencies and police forces to develop joint fire awareness and crime prevention education initiatives, respectively, for the community.</p>
<p>Media</p> <ul style="list-style-type: none"> • National, state and local • Print and broadcast • General and trade 	<p>Our Corporate Affairs team engages in ongoing dialogue with media through handling enquiries and requests, and producing media releases and special reports. We also invite media to participate in roundtable events, launches, and background briefings.</p> <p>The media's perception of IAG and our brands is monitored annually through a third party survey process.</p>

CASE STUDIES

Face-to-face customer sessions

Through our retail brands, we encourage our local branches to invite their customers to attend a face-to-face session with our people. These sessions are held outside of branch hours in a separate venue, where a minimum of two and a maximum of four customers talk with each IAG employee in attendance. They explain what they expect from us and discuss some of their past experiences with the company.

The face-to-face sessions are designed to bring our people close to customers and provide employees with feedback on their performance. The sessions have also been used to inform members of the community about our social responsibility initiatives. In the 2005 financial year, we held 37 customer face-to-face sessions nationwide.

Our people are empowered to act locally on the feedback from customers and communicate findings that may have broad application.

In May 2005, NRMA Insurance's branch in Orange, regional New South Wales, organised an event that was held at the local CareFlight helicopter hangar. At the event, the CareFlight Managing Director spoke about our support for its community activities.

Ian, NRMA Insurance's Bathurst and Orange Branch Manager, explains, "The greatest benefit we get from these sessions is the feedback we receive from customers. We can use this to put local action plans in place and share the information from customers with our Customer Strategy team in head office and other stakeholders in the business to make continual improvements to our products and the service we provide."

"It was particularly valuable for us to tie our session in with one of our community partners. It helped our customers understand why we support certain community groups. That's when it makes sense to them. It's powerful for them to see the value of what we're doing, it's particularly powerful for those customers who are also shareholders."



ASSURANCE STATEMENT



Independent review report to IAG on its Sustainability Report 2005

Introduction

We have been engaged by IAG to review selected performance data (the Performance Data) reported in the IAG 2005 Sustainability Report (the Sustainability Report), available on IAG's website, and reported in the concise IAG 2005 Sustainability Report in the section titled "Key Indicators" on pages 7 and 8, for the year ended 30 June 2005.

Scope

The Sustainability Report and management responsibility

The management of IAG are responsible for the preparation of the Sustainability Report and the information and assessments contained within it, for determining IAG's objectives in relation to sustainability 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 are included in a separate letter we have received from management.

Review approach

We have conducted an independent review of the following Performance Data reported in the Sustainability Report, and reported in the concise IAG 2005 Sustainability Report in the section titled "Key Indicators" on pages 7 and 8 for the year ended 30 June 2005, for IAG's Australian operations unless otherwise stated:

- Number of risks in force for personal lines classes of business
- Number of policies in force for commercial classes of business
- Customer satisfaction levels
- Claims satisfaction levels
- Number of level 2 and level 3 customer complaints
- Headcount
- Percentage of full-time employees vs part-time employees
- Staff turnover
- Male to female annual salary ratio
- Percentage of women in senior management positions
- Absenteeism
- Employee engagement
- Number of employees who identify themselves as indigenous Australians
- IAG population (employees) aged 25-34
- Lost Time Injury Frequency Rate
- Number of employees trained in first aid
- Number of fire wardens
- Funding of the Occupation Health and Safety (OH&S) department
- CO₂ emissions
- Electricity use
- Office paper consumption
- Print paper consumption
- Tool of trade fuel consumption
- Recycled commingled waste
- Air travel
- Number of employee volunteer hours
- Funds for community investment
- Charitable contributions as a percentage of net profit after tax
- Net Earned Premium as used to determine contribution to GDP

The percentage of the Australian Labour Force aged 25-34, reported on page 7 of the concise Sustainability Report and obtained by IAG from the Australian Bureau of Statistics, was not included in our review.

There are no generally accepted standards for the preparation, publication or review of sustainability performance data. IAG applies its own definitions for reporting the Performance Data ("the Criteria"), a concise version of which can be found on IAG's website (at the address www.iag.com.au/sustreport05). The selection and suitability of the Criteria is the responsibility of management and our review did not include an assessment of the adequacy of the Criteria. Further, the internal control structure which management has established and from which the Performance Data has been derived, has not been reviewed and no opinion is expressed as to its effectiveness.

Our review was conducted 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 with AUS 902 "Review of Financial Reports".

We performed review procedures in order to state whether on the basis of the review procedures described, anything has come to our attention that would indicate the Performance Data has not been presented fairly in accordance with the Criteria established by management.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the Performance Data.

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the Performance Data reported in the Sustainability Report for the year ended 30 June 2005 has not been presented fairly in accordance with the Criteria established by management.



KPMG



DR ANDRIES B TERBLANCHÉ
Partner

Sydney, 25 October 2005

GLOBAL REPORTING INITIATIVE INDEX

For an interactive version of the GRI Index, please visit the IAG website:
www.iag.com.au/pub/iag/sustainability/publications/report/2005/GRI.shtml

GRI indicator		Report section
Vision and strategy		
1.1	Vision statement	Chief Executive Officer's statement and Sustainability is core business
1.2	CEO Statement	Chief Executive Officer's statement
Profile		
Organisational profile		
2.1	Organisation name	Insurance Australia Group at a glance
2.2	Products and services	Insurance Australia Group at a glance
2.3	Operational structure	IAG Annual Report 2005 (Concise) - Business overview
2.4	Company structure	IAG Annual Report 2005 (Concise) - Business overview
2.5	Operational location(s)	IAG Annual Report 2005 (Concise) - Business overview
2.6	Nature of ownership	Insurance Australia Group at a glance
2.7	Nature of markets	Insurance Australia Group at a glance
2.8	Scale of organisation	IAG Annual Report 2005 (Concise) - Business overview
2.9	List of stakeholders	What a sustainable IAG means for our stakeholders
Report scope		
2.10	Contact for report	Feedback
2.11	Reporting period	About this report
2.12	Date of previous report	About this report
2.13	Report boundaries	About this report
2.14	Significant organisational changes	One year on
2.15	Reporting methodology for outsourcing	About this report
2.16	Nature of any restatements of information	Not applicable
Report profile		
2.17	Decisions not to apply GRI	About this report
2.18	Accounting criteria for economic, environmental and social costs and benefits	Partially reported, Managing costs
2.19	Changes in measurement methods	Not applicable
2.20	Policies and practices to enhance and provide assurance to report	About this report
2.21	Policy and practices with regard to independent assurance	Assurance statement
2.22	Sources of additional information and supplementary publications	Reported throughout

Governance structure and management systems		
Structure and governance		
3.1	Governance structure including board committees	IAG Annual Report 2005 (Concise) - Corporate governance ; IAG Sustainability Report 2005 - Sustainability is core business
3.2	Percentage of independent, non-executive directors	IAG Annual Report 2005 (Concise) - Board of Directors
3.3	Process for determination of board expertise	IAG Annual Report 2005 (Concise) - Board of Directors
3.4	Board-level processes for risk identification	IAG Annual Report 2005 (Concise) - Corporate governance
3.5	Linkage of executive compensation with achievement of financial and non-financial goals	Partially reported, IAG Annual Report 2005 (Concise) - Directors' report, Remuneration report
3.6	Organisational structure and key individuals responsible for oversight, implementation and audit	Sustainability is core business
3.7	Mission, values statement, codes of conduct and policies relevant to economic, environmental and social performance and the status of implementation	Sustainability is core business
3.8	Mechanisms for shareholders to provide feedback to the board of directors	IAG Annual Report 2005 (Concise) - Corporate governance
Stakeholder engagement		
3.9	Basis for identification and selection of major stakeholders	What a sustainable IAG means for our stakeholders
3.10	Approaches to stakeholder consultation	What a sustainable IAG means for our stakeholders
3.11	Type of information generated by stakeholder consultations	What a sustainable IAG means for our stakeholders
3.12	Use of information resulting from stakeholder engagements	What a sustainable IAG means for our stakeholders
Overarching policies and management systems		
3.13	Use of precautionary principle	Not reported
3.14	Subscription to externally developed, voluntary principles or initiatives	Chief Executive Officer's statement and Sustainability is core business
3.15	Principal memberships in industry and business associations, national or international advocacy organisations	What a sustainable IAG means for our stakeholders
3.16	Policies and systems for managing upstream and downstream impacts	What a sustainable IAG means for our stakeholders
3.17	Approach to managing indirect economic, environmental and social impacts resulting from activities	Sustainability is core business
3.18	Major decisions during the reporting period regarding location of, or changes in operations	IAG Annual Report 2005 (Concise) - Review of operations
3.19	Programs and procedures pertaining to economic, environmental and social performance, including discussion of:	Reported throughout
	- priority and target setting	
	- major programs to improve performance	

	- internal communication and training	
	- performance monitoring	
	- internal and external auditing	
	- senior management review	
3.20	Status of certification pertaining to economic, environmental and social management systems	Partially reported, Sustainability is core business
GRI content index		
4.1	A table identifying location of each element of the GRI Report content, by section and indicator	Global Reporting Initiative index
Performance indicators		
Direct economic impacts		
EC1	Net sales	A snapshot of our performance
EC2	Geographic breakdown of markets	Partially reported, IAG Annual Report 2005 (Concise) - Business overview
EC3	Cost of goods, services and materials purchased	Not reported
EC4	Percentage of contracts paid in accordance with agreed terms	Not reported
EC5	Total payroll and benefits	Not reported
EC6	Distributions to providers of capital	IAG Annual Report 2005 - page 65
EC7	Changes in retained earnings	IAG Annual Report 2005 - page 78
EC8	Sum of taxes paid	Income tax reported in IAG Annual Report 2005 (Concise) - Consolidated statement of financial performance
EC9	Subsidies received	Not applicable
EC10	Donations to community, civil society and other groups	Reducing risk
Environmental performance indicators		
EN1	Total material use other than water, by type	Partially reported, A snapshot of our performance and Managing costs
EN2	Percentage of materials used that are wastes (processed or unprocessed) from external sources	Managing costs
EN3	Direct energy use	A snapshot of our performance
EN4	Indirect energy use	Not applicable
EN5	Total water use	Not reported
EN6	Location and size of land owned, leased or managed in biodiversity rich habitats	Not applicable
EN7	Major impacts on biodiversity from activities	Not reported
EN8	Greenhouse gas emissions	A snapshot of our performance
EN9	Ozone-depleting substances	Not applicable
EN10	Other significant air emissions by type	Not applicable
EN11	Total amount of waste by type and destination	Partially reported, Managing costs

EN12	Significant discharges to water by type	Not applicable
EN13	Significant spills of chemicals, oils and fuels	Not applicable
EN14	Significant environmental impacts of principal products and services	Not applicable
EN15	Percentage of weight of products sold that is reclaimable at the end of the product's useful life and percentage that is actually reclaimed	Not applicable
EN16	Incidents of and fines for non-compliance associated with environmental issues	Not applicable
EN17*	Initiatives to use renewable energy sources and to increase energy efficiency	<u>One year on</u>
Social performance indicators		
Labour practices and decent work		
LA1	Breakdown of workforce	<u>A snapshot of our performance and Culture driving sustainability</u>
LA2	Net employment creation and average turnover	<u>Culture driving sustainability</u>
LA3	Union representation	<u>What a sustainable IAG means for our stakeholders</u>
LA4	Employee consultation over changes in operations	<u>Culture driving sustainability and What a sustainable IAG means for our stakeholders</u>
LA5	Recording and notification of any occupational accidents and diseases	Not reported
LA6	Health and safety committees and proportion of workforce covered by such committees	<u>A snapshot of our performance and Reducing risk</u>
LA7	Standard injury, lost day and absentee rates and number of work-related fatalities (including subcontractors)	<u>A snapshot of our performance and Reducing risk</u>
LA8	Policies or programmes for HIV/AIDS	All IAG anti-discrimination and harassment programmes 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 Equal Employment Opportunity policy
LA9	Average hours of training per year per employee by category of employee	Not reported
LA10	Equal opportunity policies or programmes	Partially reported, <u>Culture driving sustainability</u>
LA11	Diversity within senior management and corporate governance bodies	<u>A snapshot of our performance and Culture driving sustainability</u>
Human Rights		
HR1	Management of human rights issues relevant to operations, including monitoring mechanisms and results.	Partially reported, <u>Sustainability is core business</u>
HR2	Consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors	Not reported
HR3	Management of human rights performance within the supply chain and	Not reported

	contractors, including monitoring systems and results of monitoring	
HR4	Management of discrimination in operations, including monitoring systems and results of monitoring	<u>Sustainability is core business</u>
HR5	Freedom of association	<u>What a sustainable IAG means for our stakeholders</u>
HR6	Use of child labour	Not reported
HR7	Use of forced and compulsory labour	Not reported
HR12*	Policies, guidelines, and procedures to address the needs of indigenous people	<u>Culture driving sustainability</u>
Society		
SO1	Management of impacts on communities in areas affected by activities	Partially reported, <u>One year on and Reducing risk</u>
SO2	Policy, procedures/management systems, and compliance mechanisms for addressing bribery and corruption	<u>Sustainability is core business</u>
SO3	Management of political lobbying and contributions	Not reported
SO4	Awards received relevant to social, ethical and environmental performance	IAG Sustainability Report 2005 - Awards and commendations; IAG Annual Report 2005 (Concise) - CEO's review
Product Responsibility		
PR1	Policy for preserving customer health and safety	<u>One year on and Reducing risk</u>
PR2	Policy, procedures/management systems, and compliance mechanisms related to product information and labelling	<u>Reducing risk</u>
PR3	Policy, procedures/management systems, and compliance mechanisms for consumer privacy	IAG manages and complies in accordance with the Federal Privacy Act
PR8*	Management of customer satisfaction, including results of surveys measuring customer satisfaction	<u>Paying claims</u>
Financial services sector supplement		
Corporate Social Responsibility (CSR) management		
CSR1	Social elements of CSR policy including corporate definition of CSR	<u>Chief Executive Officer's statement and Sustainability is core business</u>
CSR2	Structure and relevant CSR responsibilities, including explanation of the installed procedures	<u>Sustainability is core business</u>
CSR3	Number of audits and auditor hours	Partially reported, <u>Sustainability is core business</u>
CSR4	Procedures for handling issues sensitive to stakeholders and responsiveness	Not reported
CSR5	Number of non-compliance incidents with any law or regulatory code of conduct	Not reported
CSR6	Stakeholder dialogue and involvement procedures	<u>What a sustainable IAG means for our stakeholders</u>
Internal social performance		
INT1	Social responsibility issues covered in organisation's human resources policies	<u>Sustainability is core business and Culture driving sustainability</u>

INT2	Staff turnover and job creation	Partially reported, <u>Culture driving sustainability</u>
INT3	Employee satisfaction	<u>A snapshot of our performance and Culture driving sustainability</u>
INT4	Senior management remuneration	<u>IAG Annual Report 2005 (Concise) - Directors' report</u>
INT5*	Bonuses that are not oriented purely towards short-term financial success, but which contain additional sustainability elements	Not reported
INT6*	Female-male salary ratio	<u>Culture driving sustainability</u>
INT7	Employee profile per hierarchy level and country	Partially reported, <u>Culture driving sustainability</u>
Performance to society		
SOC1	Charitable contributions	<u>A snapshot of our performance and Reducing risk</u>
SOC2	Economic value created by an organisation's activities	<u>Reducing risk</u>
Suppliers		
SUP1	Polices and procedures to screen suppliers' social performance	<u>What a sustainable IAG means for our stakeholders</u>
SUP2	Supplier satisfaction	Not reported
Asset management		
AM1	Social criteria applied in asset management	<u>Sustainability is core business</u>
AM2	Assets under management with high social benefit	Not reported
AM3	Socially Responsible Investment oriented shareholder activity	Partially reported, <u>Sustainability is core business</u>
Insurance		
INS1	Social criteria applied in underwriting policy	Not reported
INS2	Customer profile	Not reported
INS3*	Number of complaints received from customers	<u>Paying claims</u>
INS4	Provision of tailored and innovative products and services applying special ethical/sustainability criteria	Partially reported, <u>One year on</u>

* Additional indicator

GLOSSARY

Below are details of the definitions used in the content and calculation of data represented in the graphs and charts in sections of this report:

Absenteeism

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

Air travel

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

Business volume measure

This measures the volume of business at a point in time. The basis of the measure depends on the class of business. In the personal lines class, the relevant volume measure is 'risks in force'. In commercial classes, the volume measure is 'policies in force'. The difference in the definition is required to capture the distinct nature of IAG's business mix.

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

Policies in force: this is a measure of the total number of policies covered by an insurance company at a point in time.

Claims satisfaction levels

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

CO₂ emissions

CO₂ emissions are calculated for electricity use, office paper and print paper consumption, fuel consumption and air travel using emission factors obtained from the Australian Greenhouse Office.

communityhelp grants

Cash grants given to community groups through the **communityhelp** grants programme. 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 - National Income, Expenditure and Product - June 2005 - Table 3: Key National Account Aggregates.

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.

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 use has been estimated based on an equivalent floor space model using consumption figures for similar known sites.

Employee engagement

Determined through six questions in the 'Your Voice' employee 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.

Employee volunteer hours

Number of hours IAG employees have logged for community/charity leave.

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 workforce hours by 37.5 (Standard Full Time Hours). The FTE includes all permanent full-time, part time employees, employees on a fixed term contract (paid by IAG's payroll) and employees on Leave without Pay (less than 28 calendar days). It excludes guests (not paid by IAG), casuals and employees on Extended Leave without Pay (more than 28 Calendar days) on the day we report on the data.

Fuel consumption

Petrol consumed by IAG's tool of trade fleet. 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 employees versus part-time employees

Number of full-time versus part-time employees as assessed through internal online Human Resources system codes. Full-time employees work 35 or 37.5 hours per week depending on their Enterprise Agreement. Part-time employees work less than 35 hours per week.

Funding of OH&S department

Funding of OH&S initiatives: includes spending on medical costs for employees, fire protection, St John Ambulance Australia first aid training, the besafe internal education campaign and the Employee Assistance programme.

Funding of OH&S salaries and on-costs: includes salaries and on-costs for staff in the OH&S department.

Funds for community investment

Direct financial support of community groups and programmes, 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. Green Power, which is supplied from Energex as part of a Department of Energy, Utilities and Sustainability Green Power programme.

Headcount

Employees employed by IAG regardless of their hours of work, excluding guests, casual employee and employees on extended leave without pay.

IAG population aged 25-34 (inclusive) compared to the Australian Labour Force of the same age group

The percentage of IAG's employee population who are aged 25-34 (inclusive) compared to the percentage of the Australian Labour force of the same age group.

The IAG population includes those on paid extended leave and excludes staff on unpaid extended leave.

The Australian Bureau of Statistics (ABS) defines Labour Force as the 'labour supply available for the production of economic goods and services in a given period and includes both those employed or unemployed.' Data is obtained from the Australian Labour Market Statistics document published by ABS every quarter.

Indigenous employment

Number of employees who identify themselves as indigenous Australians via a diversity survey included in IAG's new employee starter kits and online diversity and Equal Employment Opportunity training.

Lost Time Injury Frequency Rate (LTIFR)

The number of work-related injuries resulting in one or more days off work, per million hours worked.

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 fire wardens

The number of staff who have been trained as fire wardens. Staff are trained through an external service provider, Trimivac.

Number of level 2 and 3 customer complaints

IAG records three levels of complaints from its personal insurance customers under the NRMA Insurance, SGIC and SGIO brands. Level 1 includes issues raised at the branch level, Level 2 includes complaints escalated to IAG head office customer relations specialists and Level 3 are those complaints that a customer takes to an external third party for resolution. Figures reported include only Level 2 complaints and those that may become Level 3 complaints.

Number of staff trained in first aid

The number of current staff who had completed first aid training as at 30 September 2005. This comprises staff who attended either a 4-hour CPR training course since January 2004 or hold a current Senior First Aid Certificate.

Office paper consumption

A3 and A4 office paper consumption as determined through an in-house ordering system using two separate suppliers.

Print paper consumption

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

Commingled waste collection coordinated through VISY. This figure includes recycled paper at 388 George Street, Sydney and Western Australia sites only, and storage box destruction. At present, IAG does not have separate figures for paper recycled, as the recycling bins collect both paper and other types of recycled waste (commingled waste). It is estimated that 90% of waste recycled is paper.

Staff turnover

Turnover percentage is determined by dividing the total number of terminations by headcount. Termination includes all permanent full-time and part-time employees but excludes casual employees, guests, and employees on a fixed term contract.

Sustainability nominations for *rewardhelp*

rewardhelp is the internal staff recognition programme. This indicator takes into account all *rewardhelp* nominations in the Sustainability & Innovations category.

Women in executive management

Total percentage of females on the Executive team.

Women in senior management

Total percentage of females in senior manager positions is determined by women in the position of Senior Manager, Head of and Executive roles as per IAG's organisational structure.

Workplace giving programme

The dollars contributed by staff through our payroll deduction scheme.



If you have any suggestions or questions about sustainability at IAG, please contact:
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www.iag.com.au/sustyreport05