

# “IT’S JUST GOOD BUSINESS”



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

This concise report was produced to coincide with the publication of the complete IAG Sustainability Report 2005 online at: [www.iag.com.au/sustyreport05](http://www.iag.com.au/sustyreport05). Our decision to print a concise version, rather than the complete report, was made in an effort to reduce CO<sub>2</sub> emissions.

The IAG Sustainability Report 2005 measures our activities against the internationally recognised Global Reporting Initiative (GRI) framework for sustainability reporting.

# CHIEF EXECUTIVE OFFICER'S STATEMENT

'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.

**“At IAG, we see sustainability in a straight forward way – it's about managing our business to ensure success for the long term.”**

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.

## 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.

## 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.

### 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 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 crossroads 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 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions – electricity – by developing and implementing an energy management plan for our major sites.

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

# SUMMARY OF OUR SUSTAINABILITY PERFORMANCE

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 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 our electricity use at our major sites.

From our customers' 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.



Participants at our annual CEO Forum listen in on customer calls to learn how our purpose and values translate to the customer experience.

# “Sustainability is inextricably linked to our reasons for being.”

We have strict mandatory codes of conduct for employees' behaviour, adhere to rigorous principles of corporate governance and set OH&S standards throughout the Group.

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 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.



## Our stakeholders

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.

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.

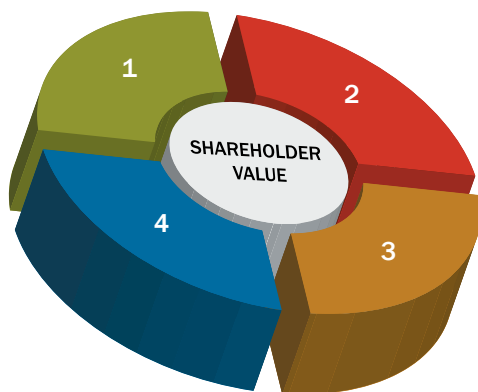
## Engaging in dialogue

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.

# OUR SUSTAINABILITY PERFORMANCE (CONTINUED)



## INSURANCE AUSTRALIA GROUP'S FOUR PRINCIPLES

1. Paying claims
2. Understanding and pricing risk
3. Managing costs
4. Reducing risk

### 1. 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 2005, customer satisfaction was 81% – up from 80% in 2004. 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 as well as 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.

### 2. 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 laws 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.

### 3. 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 CO<sub>2</sub> 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 CO<sub>2</sub> emissions alongside spend;
- setting more tailored divisional targets and engaging our people around improving our performance;
- delivering on projects to reduce print paper consumption 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 electricity use across our major sites.

### 4. Reducing risk

“Our Occupational Health & Safety performance improved considerably.”

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 IAG has 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 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.



An IAG employee participates in first aid training

# KEY INDICATORS

<b>ECONOMIC</b>	<b>Year ended 30 June 2004</b>	<b>Year ended 30 June 2005</b>
Gross Written Premium Total amount we receive from customers for payment of their insurance policies.	\$6,427m	<b>\$6,673m</b>
Net Earned Premium Gross earned premium minus our reinsurance expense.	\$5,863m	<b>\$6,144m</b>
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	<b>\$4,069m</b>
Return on Equity Net profit attributable to our ordinary shareholders as a percentage of the average equity of those shareholders.	21.1%	<b>23.1%</b>

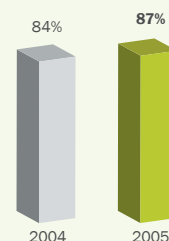
<b>CUSTOMER</b>	<b>Year ended 30 June 2004</b>	<b>Year ended 30 June 2005</b>
Business volume measure – risks in force, policies in force	11.8m	<b>11.9m</b>
Overall customer satisfaction	80% <i>(Jan 2004)</i>	<b>81%</b>
Claims satisfaction	84%	<b>87%</b>
Number of Level 2 and Level 3 customer complaints	7,789	<b>7,002</b>

<b>WORKPLACE</b>	<b>Year ended 30 June 2004</b>		<b>Year ended 30 June 2005</b>	
Headcount	10,256		<b>9,856</b>	
Percentage of full-time employees vs part-time employees	<b>Part-time</b>	<b>Full-time</b>	<b>Part-time</b>	<b>Full-time</b>
	14%	86%	<b>15%</b>	<b>85%</b>
Staff turnover	20.52%		<b>19.50%</b>	
Male to female annual salary ratio	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>
	\$1	\$1.42	<b>\$1</b>	<b>\$1.42</b>
Percentage of women in senior management positions	30%		<b>29%</b>	
Absenteeism	3.25%		<b>3.54%</b>	
Employee engagement	53%		<b>54%</b>	
Number of employees who identify themselves as indigenous Australians (New indicator)			<b>23</b>	
IAG population aged 25-34 (inclusive), compared to the Australian Labour Force of the same age group (New indicator) <i>*Australian Labour Force figure supplied by the Australian Bureau of Statistics</i>			<b>Australian Labour Force</b>	<b>IAG</b>
			<b>*22.34%</b>	<b>38.89%</b>

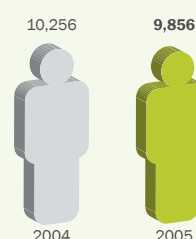
## Net Earned Premium



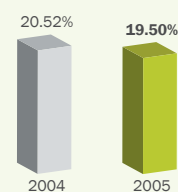
## Claims satisfaction



## Headcount



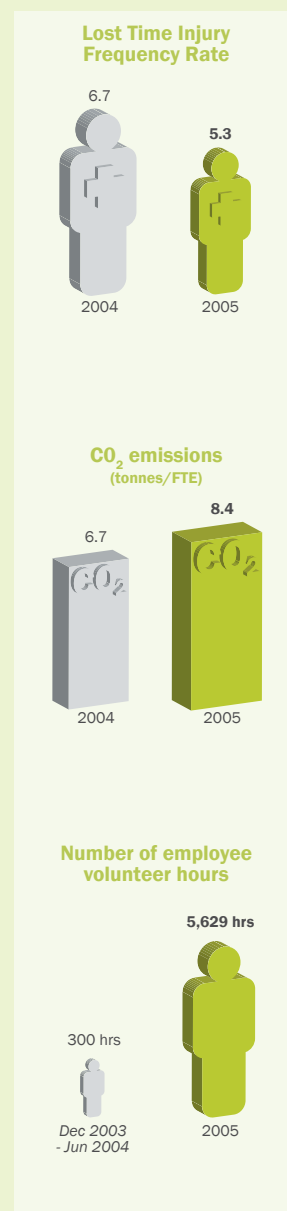
## Staff turnover



<b>SAFETY</b>	<b>Year ended 30 June 2004</b>	<b>Year ended 30 June 2005</b>
Lost Time Injury Frequency Rate	6.7	<b>5.3</b>
Number of employees trained in first aid	784	<b>1,858</b>
Number of fire wardens	421	<b>536</b>
Funding of the OH&S department	\$1,376,949	<b>\$1,985,187</b>

<b>ENVIRONMENTAL</b>	<b>Year ended 30 June 2004</b>		<b>Year ended 30 June 2005</b>	
CO <sub>2</sub> emissions	Total 65,315 tonnes	tonnes/FTE 6.7	Total <b>76,820 tonnes</b>	tonnes/FTE <b>8.4</b>
Electricity use	Total 43,668 MWh	MWh/FTE 4.5	Total <b>45,536 MWh</b>	MWh/FTE <b>5.0</b>
Office paper consumption	Total 474 tonnes	kgs/FTE 49	Total <b>446 tonnes</b>	kgs/FTE <b>49</b>
Print paper consumption *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/business volume* 0.18	Total <b>2,693 tonnes</b>	kgs/business volume* <b>0.23</b>
Tool of trade fuel consumption	Total 3,436 kl	kl/vehicle 3.3	Total <b>3,280 kl</b>	kl/vehicle <b>3.5</b>
Recycled commingled waste (mostly paper)	Total 195 tonnes		Total <b>232 tonnes</b>	
Air travel	Total 23,137,409 kms	Air kms/FTE 2,378	Total <b>31,811,082 kms</b>	Air kms/FTE <b>3,467</b>

<b>COMMUNITY</b>	<b>Year ended 30 June 2004</b>	<b>Year ended 30 June 2005</b>
Number of employee volunteer hours	300 <i>(Dec 2003 - Jun 2004)</i>	<b>5,629</b>
Funds for community investment	\$18,225,926	<b>\$12,347,281</b>
Charitable contributions as a percentage of net profit after tax	2.3%	<b>1.4%</b>
Net Earned Premium as used to determine contribution to GDP	0.75%	<b>0.74%</b>



These pages are covered by KPMG's Assurance statement. Indicators in the section titled "Economic" are for all IAG Group-wide operations. Other key indicators are for Australian operations only.

Definitions of these indicators, a GRI index and commentary on our performance can be found in IAG's Sustainability Report 2005 online at: [www.iag.com.au/sustreport05](http://www.iag.com.au/sustreport05)

# CASE STUDIES

## IAG and the ageing population

Organisations with diverse workforces are more in touch with customers, which is good for business. They are also more likely to be fair and understanding, 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're aiming to do more to increase the participation rate of mature age workers. In our own business, this means we will be more reflective of our customers. For Australia, it means a more sustainable workforce into the future, alleviating the growing burden on our health, aged care and pension systems.

We have developed 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 progress against these objectives will be reported in the 2006 Sustainability Report.



IAG employees attend a seminar on new retirement options

## 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 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.

To better understand the nature of weather risk, we keep abreast of the latest scientific research from local and overseas research centres. We also jointly sponsor natural hazard research through universities. This sophisticated 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.

We must also work to understand the vulnerabilities of the property we insure. One way we're doing this is through the sponsorship of the Townsville Cyclone Testing Station which advises industry and governments on building practices which could minimise damage caused by severe wind events.



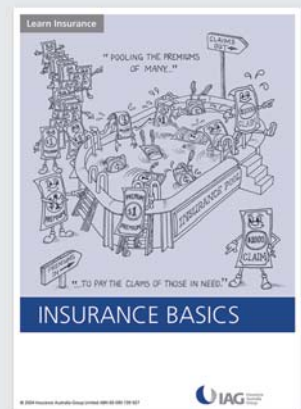
Image supplied by the Townsville Cyclone Testing Station

## Insurance insight

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.

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.





# 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 section titled "Key Indicators" on pages 7 and 8 of the concise IAG Sustainability Report 2005 (the Sustainability Report), 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 Performance Data in the section titled "Key Indicators" on pages 7 and 8 of the Sustainability Report for the year ended 30 June 2005, for IAG's Australian operations unless otherwise stated. The percentage of the Australian Labour Force aged 25-34, reported on page 7 of the Sustainability Report, 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 in IAG's complete Sustainability Report 2005 available on IAG's website (listed on page 8 of the Sustainability Report).

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

## A snapshot of Insurance Australia Group

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, State and NZI.

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.

IAG owns a roadside assistance business in China, the China Automobile Association, and a Thai general insurance business. It also has a 22% holding in another Thai insurer, Safety Insurance.

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



If you have any suggestions or questions about sustainability at IAG, please contact us at:

**[sustainability@iag.com.au](mailto:sustainability@iag.com.au)**

or complete the feedback form online at:

**[www.iag.com.au/sustyreport05](http://www.iag.com.au/sustyreport05)**

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