



## Chairman's address

To be checked against delivery at the 2022 AGM, starting at 9.30am AEDT on 21 October 2022.

**David Armstrong**  
**Chairman of the 2022 IAG Annual General Meeting**

Good morning, ladies and gentlemen and on behalf of the Board of IAG, welcome to this year's annual general meeting.

One of the defining features of the past year is the extraordinary number of extreme weather events we have experienced, with a succession of hailstorms, thunderstorms, floods, East Coast lows and even a tornado and earthquake.

These have had a devastating effect on our customers and their communities, and our teams have worked closely with those affected to help them recover from their loss.

I take this opportunity to recognise the outstanding work of our people who bring our purpose to life in these circumstances, whether they are first on the ground after an event, or those who manage claims and guide our customers to help them get back on their feet.

### **FY22 results**

Despite facing a number of challenges, I am pleased to report that your company performed well in the 2022 financial year:

- Gross written premium grew by almost 6% to just over \$13 billion.
- Net profit after tax was \$347 million, compared to a \$427 million loss in the previous year.
- And we have maintained a strong balance sheet.

We achieved this outcome despite having to strengthen prior period reserves, and respond to the high number of natural peril events, volatile investment markets, and a higher inflationary environment.

On 30 June 2022, our capital position was strong. Our CET1 ratio was 0.97 times the Prescribed Capital Amount. This is comfortably within our target benchmark of 0.9 to 1.1 times the Prescribed Capital Amount, and well above APRA's requirement of 0.6 times.

The strength of this capital position, along with resolution of the second COVID-19 Business Interruption test case, allows us to return up to \$350 million of capital. We announced on Monday that we will do this by way of an on-market share buy-back.

## **Management and strategy**

Our Managing Director and Chief Executive Officer, Nick Hawkins was appointed in November 2020 and he and his Senior Leadership Team have set a strategy to create a stronger and more resilient IAG.

The strategy is supported by four strategic pillars:

- to grow with our customers;
- build better businesses;
- create value through digital;
- and manage our risks.

The Board and Senior Leadership Team were engaged actively in determining this strategy, and are fully aligned and committed to delivering it.

I will invite Nick to talk through the results and progress against strategy in more detail shortly.

## **Dividend**

The company paid a final dividend of 5 cents per share, franked to 70%. This brought the full year dividend to 11.0 cents per share, which equates to a payout ratio of ~78% of reported Net Profit After Tax. The outcome is in line with IAG's stated policy to distribute 60-80% of cash earnings in any full financial year.

## **Creating sustainable value**

I am pleased to report that IAG has a company-wide focus on the environmental, social and governance issues that relate to our operations.

The ESG issues we focus on underpin our approach to supporting our customers, our suppliers, our employees, and the communities in which we operate, helping us to create sustainable value.

## **Environment**

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

We manage our response to climate change risks and opportunities through our FY22 -24 Climate & Disaster Resilience Action Plan. This includes our ambition to reach net zero across all emissions, Scopes 1, 2 and 3, by 2050, across our direct and indirect operations in keeping with the UN Paris Agreement goal to limit climate change to +1.5°C.

For Scope 1 and Scope 2 emissions, we have made good progress, with a 54% reduction against our 2018 baseline. Scope 3 emissions are much more complex and we are working through how we can develop a plan to achieve our ambition.

In addition to pursuing these targets, we continue to use our expertise and data to support governments to plan for and build more resilient communities and reduce the impact of natural disasters.

## **Social**

- Our Social focus includes supporting vulnerable customers and we have made a considerable investment in training our frontline people to do this.
- Diversity, Equity and Inclusion is an integral part of our culture and supported by targets to:
  - increase the number of women in senior management roles to 50% by 2023;
  - support Aboriginal and Torres Strait Islander employment and suppliers; and
  - grow resilience, build cultural connection, and play a role in addressing inequalities and growing prosperity and wellbeing for Aboriginal and Torres Strait Islander people and Māori.
- Internally, we have programs and resources to maintain the safety and wellbeing of our people.
- More broadly, we published our second Modern Slavery Statement in December 2021, setting out actions we have taken to identify, assess and remediate modern slavery risks in our operations, supply chains and investments. Our statement is available on our website, and will be updated in December this year.

Our **Governance** focus includes our work to pursue responsible underwriting and responsible investment.

## **Responsible underwriting**

Our plan is to cease insuring companies that predominantly participate in fossil fuels extraction – including oil and gas - and power generation from coal. As of 30 June 2022, our exposure to these businesses was less than \$1 million premium, or below 0.01% of our total gross written premium.

## **Responsible investing**

Our policy is to prohibit investments in companies involved in thermal coal mining and we are reviewing our investments policy in relation to companies involved in the extraction of other fossil fuels.

I now turn to two topics that are included in the formal business of the meeting today – remuneration, and Board renewal.

## **Remuneration review**

At the 2021 Annual General Meeting, shareholders delivered us a first 'strike' against our Remuneration Report, expressing dissatisfaction with our executive remuneration framework and outcomes, and the principles that guided our decision making.

As a Board, we reflected deeply on this feedback, and we have made changes to more closely align executive remuneration outcomes with shareholder outcomes.

## **FY22 remuneration outcomes**

We made a number of changes in 2022 to ensure greater alignment between shareholder outcomes and executive remuneration outcomes:

- We changed our treatment of one-off items when determining incentives: Adjustments to earnings for one-off items will now only be made in limited circumstances.

- We strengthened earnings calculation principles: these were introduced to support decisions about whether to adjust the earnings measures used in determining long and short term rewards.
- We changed our Short Term Incentive funding measure: Net Profit After Tax before amortisation replaced cash earnings as the FY22 Short Term Incentive funding measure.

There will be further changes for FY23 and beyond to simplify our approach to performance measures:

- Short Term Incentive measures have been reduced from eight to six, and more closely aligned with IAG's strategy pillars, including two financial measures (underlying insurance profit and Net Profit After Tax).
- The weighting of Short Term Incentive financial measures has been strengthened from 50 – 60%
- For our Long Term Incentive, we have adopted a simple Reported Return on Equity measure which replaces our previous more complex measure.

Our 2022 Remuneration Report included enhanced and more transparent disclosures, with retrospective disclosure of the targets for short term financial measures, and greater disclosure of the approach for determining the Short Term Incentive pool.

### **FY22 remuneration outcomes**

- The CEO's Short Term Incentive outcome was 20% of maximum, while other executives received short term incentive outcomes in the range of 17 – 22%.
- And four-year performance thresholds for the Long Term Incentive awards were not reached, resulting in nil vesting for both awards.

### **FY23 remuneration**

- There were no increases to Executive pay awarded for FY23 as part of the August 2022 review, and no increase to Board fees.

### **Future remuneration framework review**

- Our remuneration framework is currently under further review as we assess the appropriate changes for FY24.
- The review will consider also how ESG metrics will be incorporated into Executive incentive arrangements from FY24.

For more detail on these changes and the Remuneration outcomes, please refer to the Remuneration Report within our Annual Report.

### **Board renewal**

As our Chairman noted in his letter to shareholders in this year's annual review and sustainability report, your company is well-served by a skilled and experienced Board.

In the last 12 months, our Board added extensive insurance and financial services knowledge and skills through the appointment of George Sartorel, Scott Pickering and myself.

As this is the first Annual General Meeting since his appointment, Scott is standing for election today. You will have an opportunity to hear from him shortly, when we reach the item of business that relates to his election.

Three other Directors – Tom Pockett, Helen Nugent and George Savvides – have retired by rotation, in keeping with our constitution. You will hear more from these Directors when we reach the items of business that relate to their re-election.

On the subject of Board renewal, we recently advised that Sheila McGregor leaves our Board at the conclusion of this meeting, after four years as a Director.

Sheila is transitioning to an expanded Partner role at law firm Gilbert + Tobin, leading the firm's Tech+ IP team. I take this opportunity to thank her for a significant contribution to IAG, and we wish her the very best in her new role.

Given our stated gender diversity target to have no fewer than 30% of Directors of each gender on the Board, we are actively focused on recruiting female Directors. We look forward to providing information about appointments at the appropriate time.

## **Conclusion**

The underlying performance of our company remains strong, and management continues to be focused on achieving significant improvements against clear strategic targets.

This year's result is a credit to the commitment and guidance provided by Nick Hawkins and his Group Leadership Team, and to the efforts of every person working at IAG.

Thank you to my fellow Directors for their commitment, guidance, and insights, and on their behalf,

I thank all of you for your continued support.

It is now my pleasure to invite Nick to address the meeting.

This release has been authorised by the Company Secretary.

## **About IAG**

IAG is the parent company of a general insurance group with operations in Australia and New Zealand. IAG's main businesses underwrite over \$13 billion of insurance premium per annum under many leading brands, including: NRMA Insurance, RACV (under a distribution agreement with RACV), CGU, SGIO, SGIC and WFI (Australia); and NZI, State, AMI and Lumley (New Zealand). For further information, please visit [www.iag.com.au](http://www.iag.com.au).

### **Media**

Amanda Wallace  
Mobile. +61 (0)422 379 964  
Email. [amanda.wallace@iag.com.au](mailto:amanda.wallace@iag.com.au)

### **Investor Relations**

Mark Ley  
Mobile. +61 (0)411 139 134  
Email. [mark.ley@iag.com.au](mailto:mark.ley@iag.com.au)

### **Insurance Australia Group Limited**

ABN 60 090 739 923  
Level 13, Tower Two, 201 Sussex Street Sydney  
NSW 2000 Australia  
Telephone. +61 (0)2 9292 9222