

Contents	CEO's message	Our business	Strategy & stakeholders	Material issues overview	1: Customer needs and expectations	2: Sustainability of our business	3: Governance framework	4: Making culture matter	5: Boosting confidence and trust	GRI Index	Contact us
----------	---------------	--------------	-------------------------	--------------------------	------------------------------------	-----------------------------------	-------------------------	--------------------------	----------------------------------	-----------	------------



DOING BETTER
today
FOR TOMORROW

TAL Sustainability Report 2014

WELCOME TO TAL'S SECOND SUSTAINABILITY REPORT

In October 2013, TAL delivered its first sustainability report. The year since then has been one of significant change, progress and achievement.

CONTENTS

CEO's message	2
Our business	3
Ethics and integrity	6
Governance	6
Stakeholder engagement	8
Material issues overview	13
Managing changing customer needs and expectations	15
Ensuring the sustainability of our business so we are there when our customers need us	21
Operating a robust governance framework	26
Making culture matter	31
Boosting confidence and trust in the insurance industry	36
GRI Index	44

ABOUT THIS REPORT

Our sustainability report covers the 12 months ending September 2014. TAL is a wholly owned subsidiary of the Dai-ichi Life Group, a listed Japanese life insurer, which produces a sustainability report that incorporates the sustainability performance of all its subsidiaries and affiliates.

This report covers TAL Dai-ichi Life's Australian operation. Likewise, the financial figures in this report reflect the statutory accounts of TAL and its subsidiaries operating in Australia. Due to the timing of this report, the financial figures reflect the TAL Dai-ichi Life Pty Limited (TAL) Australia financial year ending March 2014 (referred to in this report as FY2013).



CEO'S MESSAGE

Helping people value the life they've created and the future they imagine

We have continued the journey we outlined in our inaugural report, focusing on putting the customer at the centre of everything we do.

Significantly, during this period, we have also become the largest life insurer in Australia (as measured by top-line revenue). Having achieved this milestone, we now have a further opportunity to reflect on what's truly important.

Life insurance plays a vital role in our community. We help people during times of stress and grief. We help them recover and return to wellness. We help people to protect and value the lives they have created and the futures they imagine.

In striving to serve and satisfy our stakeholders, we face many challenges. These include changing customer needs and expectations, technological advancements, an increasingly competitive marketplace and regulatory changes.

Given TAL's position in the life insurance industry and the role we play in the lives of so many people in Australia, it is incumbent upon us to ensure we will always be here for our customers. This is one of the key themes of our 2014 report.

Doing well today, for tomorrow

Sustainability is truly important to TAL. In practice, it means staying the course and being here for our customers for the long term. It means focusing on what matters to them, our business, our people and our partners.

To help ensure we achieve this, we are raising the standard by which we measure ourselves in this year's report, using the Global Reporting Initiative's G4 Core reporting standard.

This also supports our approach of carefully considering the material issues that impact our business as a life insurer and our place as a leading Australian company.

We have identified our material issues as:

- » Managing changing customer needs and expectations
- » Ensuring the sustainability of our business
- » Operating a robust governance framework
- » Making culture matter
- » Boosting confidence and trust in the insurance industry

To this end, much of our work focuses on ensuring the long-term viability of the life industry as a whole – not just our own business. In some areas, we acknowledge we can learn from other Australian companies; similarly, others may benefit from our experience and from following our example.

As always we have much more work to do to ensure we achieve our goals. In particular we must ensure that:

- » Our customers are confident we will be here for them tomorrow – seeing us as the best at providing exceptional service and access to products and services, however they choose to access them, at affordable prices
- » Our partners see us as fair, balanced in our approach and aligned to their businesses
- » Our people see us as the best employer, believe that TAL is a great place to work and have a desire to tell everyone about their experiences as a TAL employee.



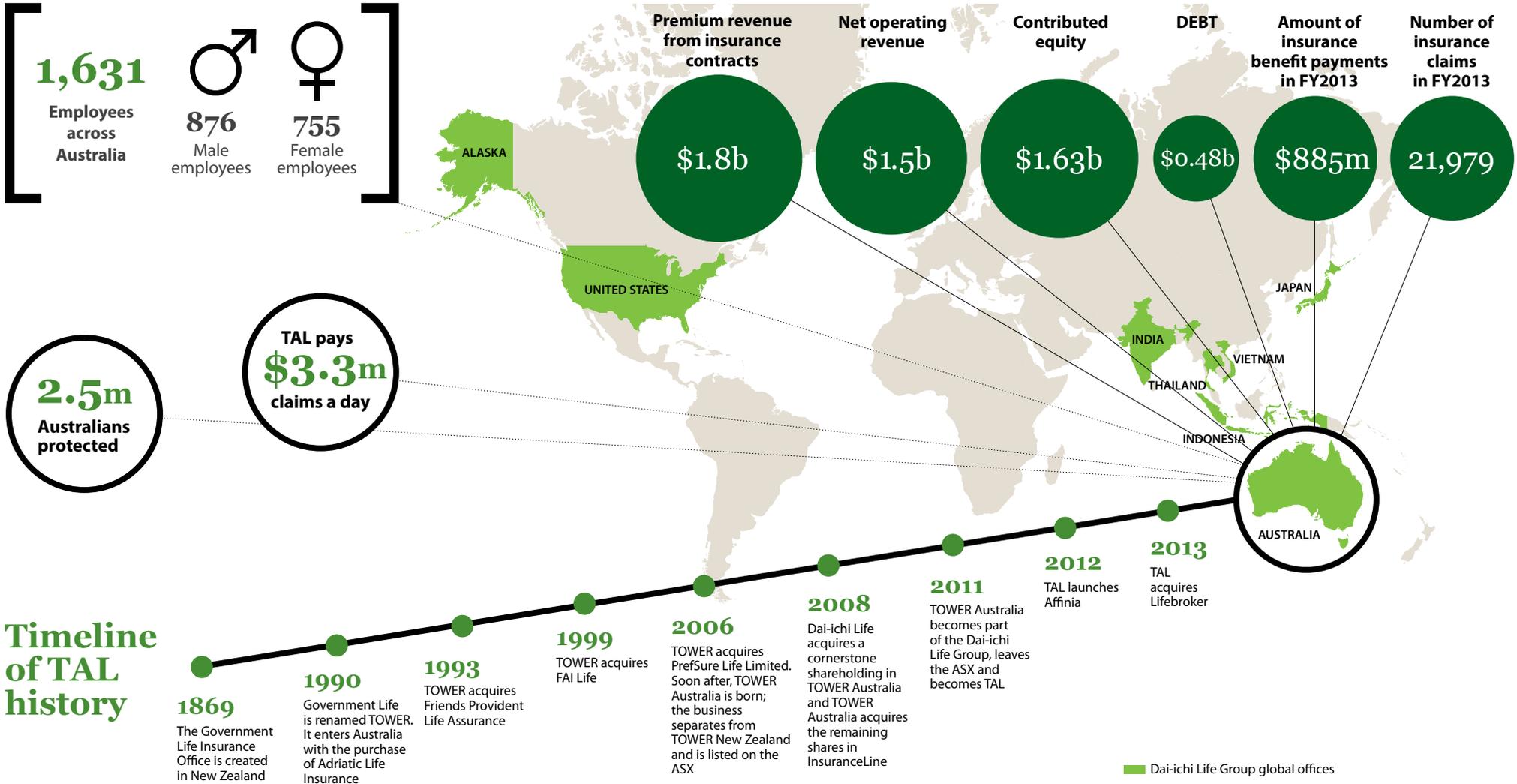
“Sustainability is truly important to TAL. In practice, it means staying the course and being here for our customers for the long term.”

We would like to take this opportunity to thank our customers, partners and people for their invaluable support. As Australia's leading life insurance company, we look forward to continuing to play an instrumental role in shaping and growing the industry and helping drive the necessary changes to ensure its longevity.

Jim Minto
Group CEO and
Managing Director

OUR BUSINESS

Helping Australia sleep better at night since 1869



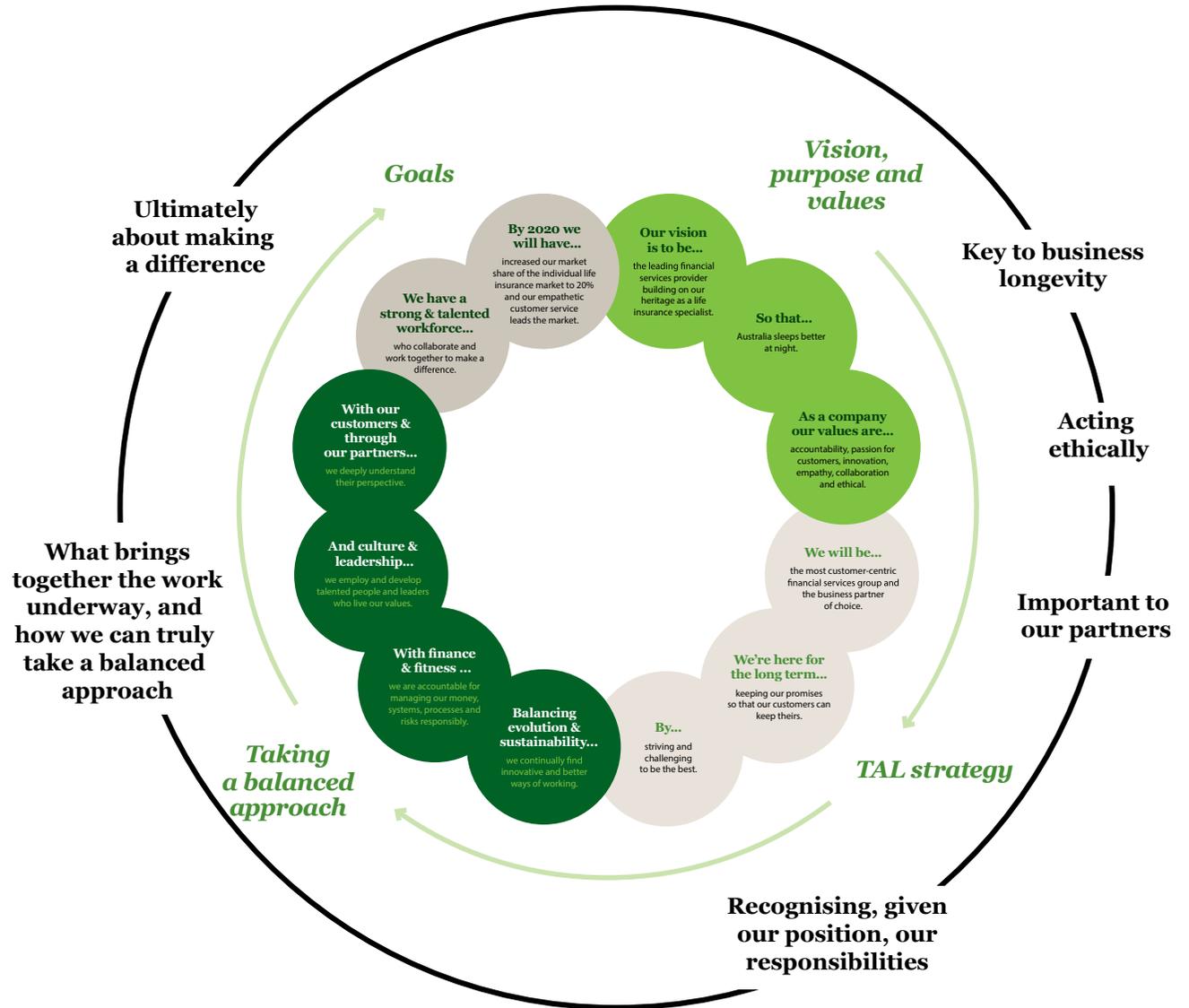
OUR BUSINESS

Protecting for decades to come

At TAL there is a simple, clear link between our business and sustainability.

Our customers buy life policies that they and we expect could remain in force for many decades, and we pay out benefits in 50 or more years' time. Everything we do supports this long-term promise. Indeed it's the essence of our business. Sustainability affects every aspect of how we work and embraces many elements, from financial strength and robust governance to outstanding systems and processes.

In our last report we shared how we articulate our longer term strategy. This year we have taken our thinking further to articulate the role that sustainability plays across this strategy.



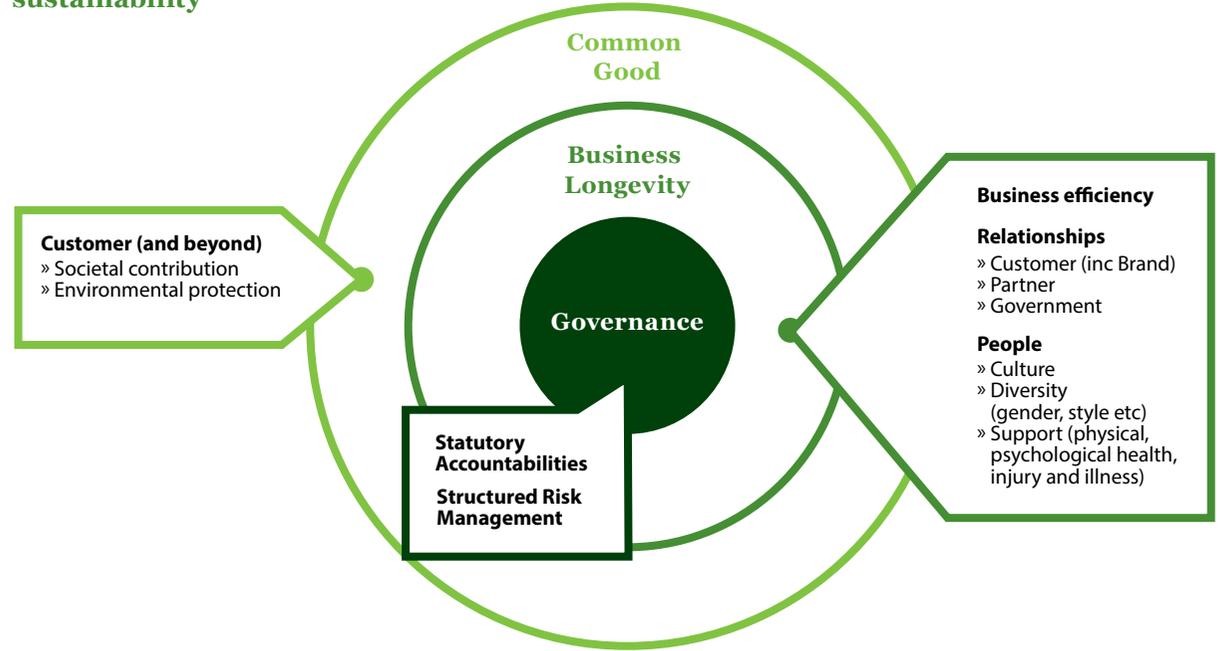
OUR BUSINESS (CONTINUED)

Protecting for decades to come

Strong governance underpins our sustainability effort, ensuring that we will be here for the long term and that we will be able to ultimately deliver for the common good. Over the last few years, we have tracked our current and desired outcomes through our culture survey. This approach helps shape our thinking about our social purpose and business – helping people to protect the lives they have created and the future they imagine.

Protecting for decades to come also requires us to plan, act and measure ourselves not solely through an internal framework. This is why we continue to ensure our approach and initiatives are aligned with the four United Nations Principles for Sustainable Insurance (UNPSI) to which we became a signatory in 2012.

Strong governance underpins sustainability



	UNDERWAY	FUTURE
Embed environmental, social and governance issues (ESG) into the decisions we make for our business	Strategic planning alignment Procurement Product design and development Project prioritisation decisions Enhanced claims processes	Continued product design and project prioritisation decisions
Build ESG issues into how we work with our clients and our business partners	Working to enhance industry positions with insurers, reinsurers, intermediaries and other market participants	Promote sustainability through fully aligned suppliers, partners and sponsorships Build intellectual property in sustainability for use with TAL and our partners
Work with governments, regulators and other stakeholders to advocate sustainability	Influencing government bodies and regulators Promoting sustainability through industry bodies	Align staff efforts to maximise meaningful contribution
Demonstrate accountability and transparency	Producing annual sustainability report	Quarterly Board and Staff Updates CEO as the Insurance Industry Sustainability Spokesman

OUR BUSINESS (CONTINUED)

Protecting for decades to come

Ethics and integrity

What we do regarding sustainability is important. Equally, if not more important, are the cultural enablers for sustainability – the *how* we do things.

Central to this are our values – which we continue to clearly articulate and reinforce, from recruitment right through to managing and rewarding performance.

Our values are:

- » Accountability
- » Passion for customer
- » Innovation
- » Empathy
- » Collaboration
- » Ethical.

We have taken these values and ensured that we have well communicated policies, procedures and communication frameworks to bring them to life, as well as to measure and manage them. Some of these policies and procedures include: a Code of Conduct, Whistleblower protection policies and Delegation of Authorities.

These and other frameworks are supported with comprehensive, computer-based training modules that all new starters are required to complete within the first three months of working at TAL and all existing employees are required to revisit regularly.

Governance & engagement

To support and guide sustainability leadership, and provide responsibility and accountability for TAL's sustainability strategy and objectives, we are implementing a governance framework which has the intent of guiding us towards the right decisions at the right time made by the right people with the right information.

In February 2014, we started the process by including the four UNPSI principles into the Charters of the following company Boards:

- » TAL Dai-ichi Life Australia Pty Limited
- » TAL Life Limited

Within both charters we outline that the Board should take into account the principles in its decision making processes within the framework of the statutory and fiduciary duties imposed on the directors under Australian law.

By adopting the Global Reporting Initiative's G4 reporting framework and focusing on our key material risks, we are forging a tighter connection between sustainability and the charters of the following Board committee who also focus on our key material risks:

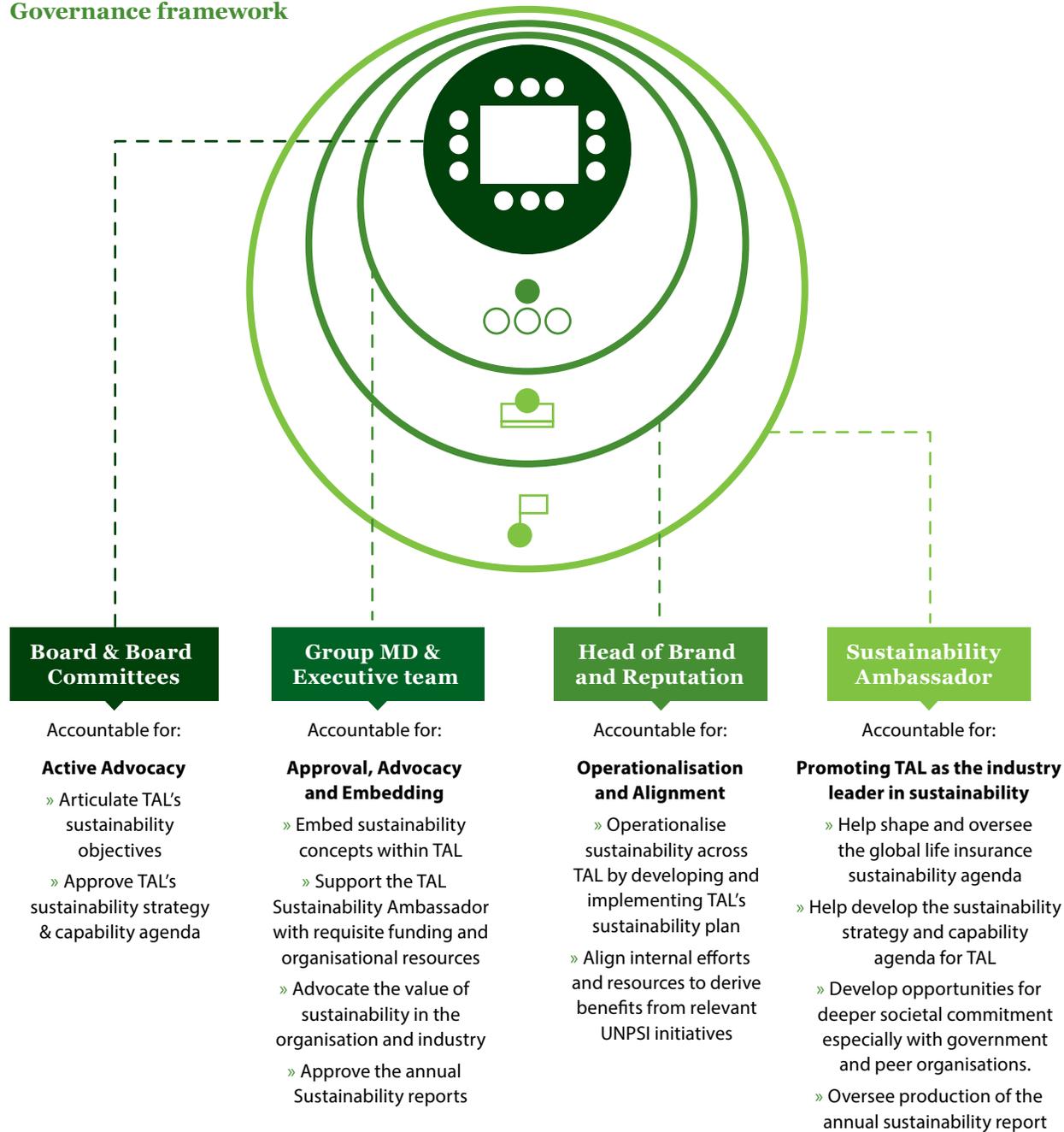
- » Risk
- » Audit and Compliance

With the groundwork established we are now able to focus on implementation.

See our Governance Framework diagram on the next page.

OUR BUSINESS (CONTINUED)
Protecting for decades to come

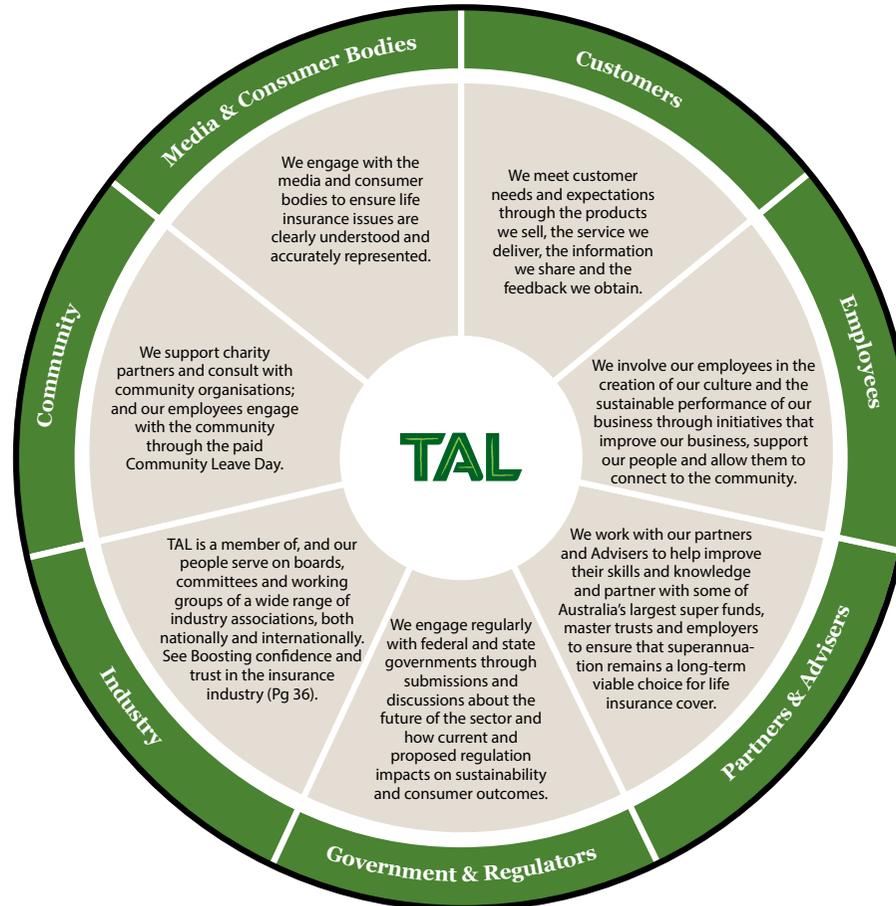
Governance framework



STAKEHOLDER ENGAGEMENT

Building on how we connect with the market in which we operate we have identified seven key Australian stakeholder groups who have an impact on, or are impacted by, us a life insurer.

How we engage with our stakeholders



STAKEHOLDER ENGAGEMENT (CONTINUED)

How we engage with our stakeholders

How we engage with our stakeholders

Customers: We work to meet the needs and expectations of our customers through: the products we sell; the service we deliver; the information we share through initiatives such as *A Voice for Life*; and the feedback obtained from them through various contact points including sales representatives, call centres, customer research, our website and social media channels. See Managing changing customer needs and expectations (Pg 15), Ensuring the sustainability of our business so we are there when our customers need us (Pg 21) and Boosting confidence and trust in the insurance industry (Pg 36).

Employees: TAL is more than simply a place where our people work and receive a salary. We involve our 1,631 employees in the creation of our culture and the sustainable performance of our business through initiatives that: continuously improve our business and how we work, support our people beyond just they work they do, and allow our people to connect to the community. We connect all these initiatives through our employee engagement surveys, internal communication channels, direct email communication with the CEO, interactive forums with the CEO and senior management team, team offsite days and our performance management system. See Making culture matter (Pg 31).

Partners and advisers: We believe that partners and advisers, today and tomorrow, play an important role in the delivery of life insurance products and services for Australians.

We actively work with our partners and advisers to: help improve their skills and knowledge through our comprehensive training programs, communicate with them through various digital publications, and work with them through programs that include our Business Partner Program and AFA Female Excellence in Advice. In a true partnership approach we work with some of Australia's largest super funds, master trusts and employers to ensure that superannuation remains a long-term viable choice for life insurance cover. See Managing changing customer needs and expectations (Pg 15), Ensuring the sustainability of our business so we are there when our customers need us (Pg 21) and Boosting confidence and trust in the insurance industry (Pg 36).

Communities: In addition to supporting charity partners and consulting with community organisations, we engage with the community through the paid Community Leave Day provided to all permanent employees. See Boosting confidence and trust in the insurance industry (Pg 36).

Government & regulators: As Australia's largest specialist life insurer it is incumbent on us to proactively and constructively engage regularly with federal and state governments through submissions and discussions about the future of the sector and how current and proposed regulation impacts on sustainability and consumer outcomes. See Operating a robust governance framework (Pg 26) and Boosting confidence and trust in the insurance industry (Pg 36).

Industry: TAL is a member of, and our people serve on boards, committees and working groups of a wide range of industry associations, both nationally and internationally. See Boosting confidence and trust in the insurance industry (Pg 36).

Media & consumer bodies: We regularly engage with the media and consumer bodies to ensure the important issues that surround the life insurance industry are clearly understood and accurately represented. See Boosting confidence and trust in the insurance industry (Pg 36).

Our stakeholder engagement informs our strategic risk assessment policy and strategy. To further develop and refine this process, we are undertaking a comprehensive ongoing research project to:

- » identify the issues of concern for each stakeholder group and understand our current reputation across our stakeholder ecosystem
- » provide a view of the key drivers of positive reputation using RepTrak®, a well-regarded global model that will allow us to compare ourselves with other financial institutions, the broader market and other Australian organisations
- » provide insights for future initiatives that will contribute to a proactive strategy to help build a sustainable business in the Australian market.

Annual Reputation and Advocacy tracking will form part of how we actively seek to understand what is important to each of our stakeholder groups and help us prioritise actions that will address the needs and expectations of everyone.

STAKEHOLDER ENGAGEMENT (CONTINUED)

How we engage with our stakeholders

Identifying material risks

The ongoing review and refresh of our key material risks is conducted within the framework of our risk management policy and strategy and is in accordance with the relevant APRA prudential standards.

TAL's executive team has ownership and management responsibilities for our key material risks. The review and refresh process is coordinated by the Chief Risk Officer and team who:

- » maintain detailed key material risk and control templates and other risk related data
- » provide relevant analysis of key material risks as required
- » review individual business risk profiles, insights from executive risk discussions and conduct a scan of the external environment
- » propose updates for detailed discussion at the monthly executive team meeting.

Updated key material risk profiles are formally reviewed and approved by TAL's Group CEO & Managing Director.

Each year, the risk management team completes a strategic assessment of the risk landscape and its potential impact on TAL. This assessment is integrated into our strategic planning process and consists of the following:

Environmental Scan: identifies the key external operating environment risk trends and themes (commercial, regulatory etc.) that may have an impact on TAL in the current and future years

Strategic Risk Assessment Phase I: assesses the major risk themes identified in the environmental scan for their strategic relevance to TAL

Strategic Risk Assessment Phase II: serves as the baseline key material risk profile for the strategic objectives selected during the strategic planning process and for the coming financial year.

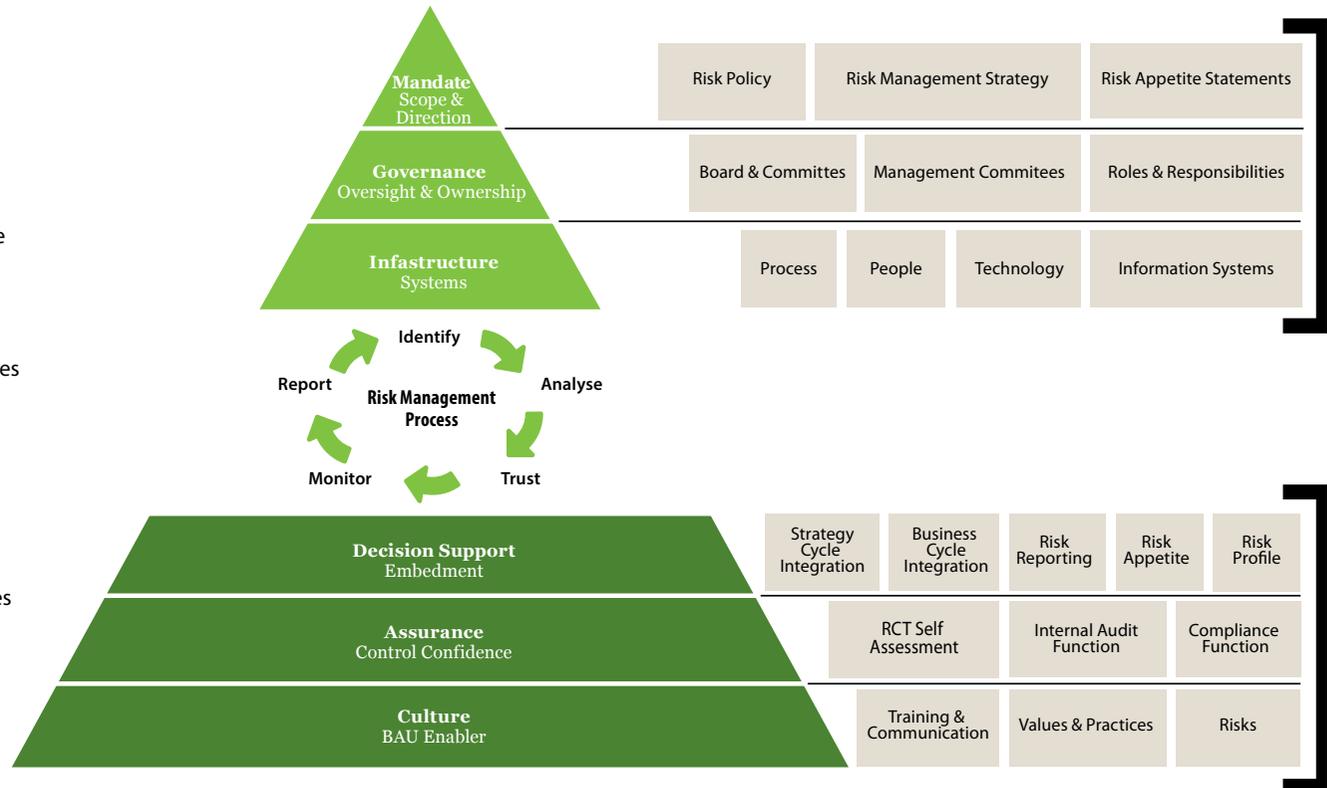
STAKEHOLDER ENGAGEMENT (CONTINUED)

Identifying material risks

This review, and the related assessments, are fundamental to how we ensure that our risk management framework remains relevant and connected to our environment. We visualise this approach as follows:

There are clear definitions within the framework:

- » **Risk Management Policy** which describes the Boards' policy on risk management
- » **Risk Management Strategy** which describes the key elements of the risk management framework
- » **Risk Appetite Statements** which describe the various risk appetite settings and tolerance levels
- » **Risk Management Guide** which describes the process and procedures used by the risk owners to identify, assess, treat and control, monitor and review, communicate and consult on all material risks
- » **Risk Classes and Categories** which categorise and organise TAL's risks universe
- » **Risk Procedural Manuals** which document process and procedural manuals for Risk Management's activities
- » **Risk Governance Structure** which includes the oversight committees and the framework of TAL risk management roles and responsibilities
- » **Risk Culture** which is how TAL's culture supports appropriate risk-taking behavior





MATERIAL issues OVERVIEW

When approaching our report this year, we adopted the Global Reporting Initiative's G4 reporting standard and focused on the key risks that are material to the longevity of our business. This does not mean that other issues and risks that are not covered in this report are not important to us, or that we are not taking action on these.

MATERIAL issues OVERVIEW

1

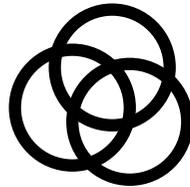
Managing changing customer needs and expectations



Sustained changes in, and adoption of, technology by increasingly sophisticated consumers has led to market pressure on insurers to provide alternate access methods, advice models and higher service levels. As Australia's largest life insurance company, we must ensure we are delivering sufficient value to customers and are making a meaningful contribution to their lives. Marketing our products responsibly, pricing our products correctly and advising our customers appropriately are key to managing the changing needs and expectations of customers.

2

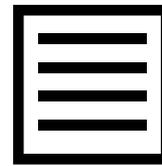
Ensuring the sustainability of our business so we are there when our customers need us



As the financial system continues to grow in size and complexity and consumer requirements become more diverse, we can ensure our business remains sustainable by considering what customers need today and in the future to enrich and protect their lives.

3

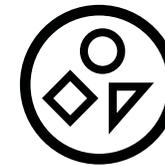
Operating a robust governance framework



Conducting our business in compliance with regulations and societal norms is a precondition for sustainable growth. Our governance framework is aimed at ensuring we protect our customers' money, the privacy of their data and respond appropriately to regulatory changes.

4

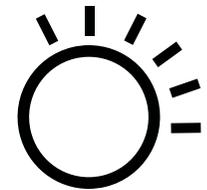
Making culture matter



Culture is not something that happens by accident; it has to be actively managed. We know that what sets us apart in the market is TAL's culture and we work hard to promote one which fosters shared values, embraces differences and encourages the active participation of all in its creation. Since it is our people who make it possible for us to deliver on our promises, we listen to them and act on their feedback. By doing this and creating a unique working experience, we can attract and retain great people, develop and encourage them to grow, and allow them to be the best they can be so that they deliver on our promises to our customers, partners and each other.

5

Boosting confidence and trust in the insurance industry



As Australia's largest life insurer, we have a duty to contribute to local and global solutions for a sustainable industry. We therefore participate in industry bodies and in national and international debate on matters that impact the financial services industry, advocate for change where we see fit, and invest in education and community initiatives to help people make more informed financial and lifestyle decisions.

MATERIAL ISSUE: 1

Managing changing customer needs and expectations



The rapid adoption of technology continues to change the way consumers research, access and consume information, and buy and use products.

Sustained changes in, and adoption of, technology by increasingly sophisticated consumers has led to market pressure on insurers to provide alternate access methods, advice models and higher service levels.

As Australia's largest life insurance company, we must ensure we are delivering sufficient value to customers and are making a meaningful contribution to their lives. Marketing our products responsibly, pricing our products correctly and advising our customers appropriately are key to managing the changing needs and expectations of customers.

2.5m

We contribute and support the lives and the future of over 2.5 million Australians

Why this matters

The Australian life insurance sector plays an important role in our community. It has been transformed by the growth in superannuation, changes in industry structure, new competitive dynamics, technology and innovation.

The size of the life insurance market reflects the quantum of change. In 1997 Australian life insurance in-force risk premiums were \$2 billion. The latest figures from Plan for Life, released in June 2014, show that the market has grown to in excess of \$13.4 billion.

In this market, (as at the year ended March 2014) we contribute and support the lives and the future of over 2.5 million Australians, hold in-force life risk premiums of \$2.3 billion and paid a total of \$885 million in claims, an increase of 38% over last year.

The rapid adoption of technology continues to change the way consumers research, access and consume information, and buy and use products.

 **MATERIAL ISSUE: 1 (CONTINUED)**
Managing changing customer needs and expectations

The statistics tell a compelling story:

80%

of Australian households have an internet connection (53% in 2003)¹

58%

search online for life insurance, 59% use a provider's website and 60% make comparisons online (February 2013)²

Additional research conducted by TAL clearly shows that consumers seek seamless access to information and customer support. Feedback on the life insurance category tells us that customers believe there are too many sources of – and too much – information, and that the language used is not plain, easily understandable English.

What we are doing

Over the last several years, recognising changing customer needs, we have:

- » continued our focus on a multi-distribution model to ensure we provide financial protection to customers in ways of their choosing, directly, via advisers, and through superannuation
- » reassessed our processes to create simpler and more customer-friendly experiences
- » improved the quality of information and advice
- » invested in technology to make it easier for our customers and partners to do business with us.

42%

of households own a tablet (up from 31% in Q1 2013)³

47%

of smartphone users use their mobile device when researching a product or service and 25% use it to transact⁴

62%

Usage of digital technology is heavy, with 62% of Australians using a laptop/desktop several times a day, 37% using a smartphone and 33% using a tablet⁵

56%

of Australians have reviewed at least one financial product over the past 12 months, with many switching as a result. Of those, at least half turn to the web to better educate themselves on options available⁶

¹ Research conducted by TAL
² Research conducted by Google (February 2013)
³ Q1 2014 Nielsen *Australian Multi-Screen Report*
⁴ Research conducted by TAL
⁵ TAL consumer insights research
⁶ Research conducted by TAL (November 2013)

MATERIAL ISSUE: 1 (CONTINUED)
Managing changing customer needs and expectations

Providing access to insurance

We have already seen how technology is changing the way consumers seek information and interact to purchase life insurance. As a result, the direct channel is increasingly becoming an important way to ensure that a broad range of Australians have access to life insurance. Responding to consumers' needs, we have invested in Lifebroker, an online comparator, and continued to provide direct-to-consumer offers through InsuranceLine.

These initiatives, in conjunction with our commitment to advisers, alliances and group superannuation markets, allow consumers to access our specialist life insurance products through any channel they choose.

Superannuation and life insurance

The role of superannuation with regards to life insurance is also changing, with Australians looking to superannuation to play a more significant role in funding and structuring their insurance arrangements. Along with many changes relating to insurance in super, which came into effect on 1 July 2013, self-managed superannuation fund (SMSF) trustees are now required to consider insurance coverage for fund members.



Taking a different approach

The SMSF sector is one of the fastest growing segments of the superannuation market. Our experience in both the superannuation and adviser markets means that we are well positioned to support customers who are moving to SMSFs as their superannuation solution. In response to this development, we could have simply manufactured an appropriate product. However we saw that this would not meet all the needs of customers and advisers. Instead, we have adopted a strategy which is less about product and more about education, training and how we can support advisers and accountants to be more effective in working with customers who are choosing a SMSF solution.

This approach has resonated with the market and saw TAL named the winner in the SMSF Insurance Provider category in this year's *SMSF Adviser Magazine's Awards*.

LIFE INSURANCE PRODUCTS	TERM LIFE, TOTAL & PERMANENT DISABILITY, CRITICAL ILLNESS, INCOME PROTECTION/SALARY CONTINUANCE			
	Distribution channel	Direct to consumer	Advisers	Alliances
	InsuranceLine Lifebroker	Independent Financial Advisers Affinia	Health insurance General insurance Financial services	Industry funds Master trusts Employers SMSF

MATERIAL ISSUE: 1 (CONTINUED)
Managing changing customer needs and expectations

Making the complex transparent

One of the most significant changes that has been brought about by technology and the internet has been the increase in information that is available to us all. We believe that if we are to help consumers understand how we can add value to their lives we need to make information more available.

Underwriting and claims are the two key processes in life insurance that have an impact on our customers. They are also the two key processes that our customers least understand. The simplest way to demystify these processes is to communicate our approach.

Explaining underwriting

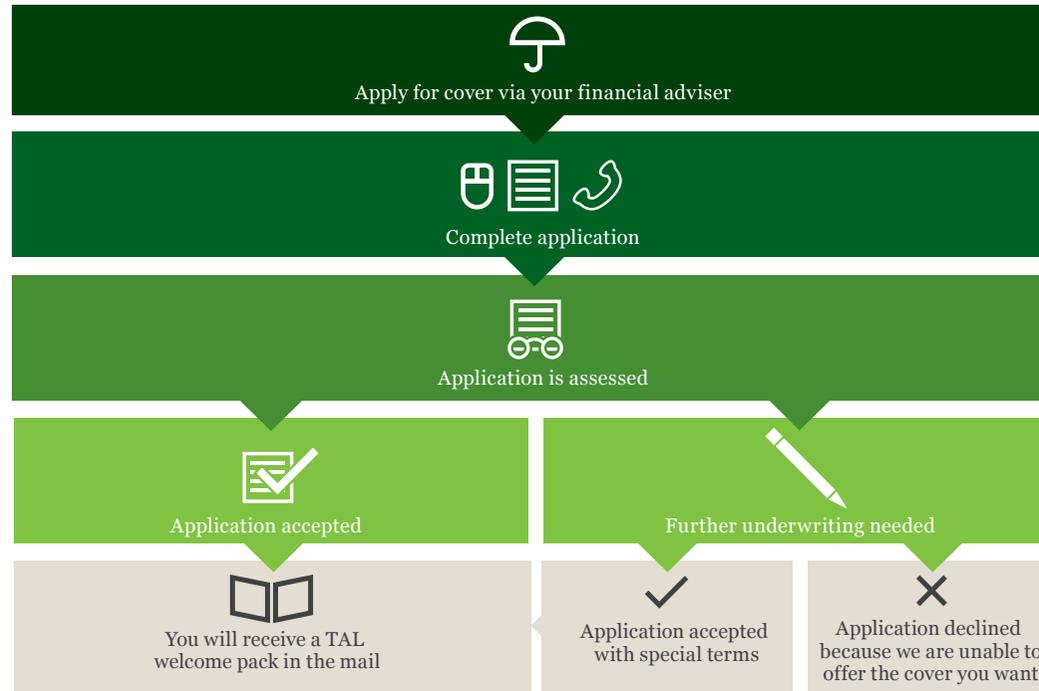
Customers who buy a TAL branded product through an adviser can access information on the underwriting process and what to expect from your adviser and TAL. It explains, in simple terms, the underwriting process and the key factors – such as age, family history, current health and work and play – that can influence a customer's cover.

Explaining claims

Claims is our moment of truth – when we can demonstrate how we are delivering on the promise of our products at a time when our customers are most in need. It is an area of continuous improvement for us. We have taken our internal focus on the claims experience external with the development and publication of our Claims Philosophy, which is available on tal.com.au. This clearly states the approach we take to managing the claims of our customers in language that is simple and straightforward.

Applying for life insurance*

Not everyone who applies for life insurance goes through the same underwriting process or pays the same for their insurance policy. It will depend on the type and level of cover you apply for, and your answers to the health and lifestyle questions.



* The diagram above is an extract from *The Underwriting Process* brochure

MATERIAL ISSUE: 1 (CONTINUED)
Managing changing customer needs and expectations

Equally as important as sharing information with our customers is ensuring we are capturing the right information so that we can deliver a market-leading claims experience.

We have developed robust data integrity tools which regularly poll the claims data, looking for potential mismatched information. This allows us to prevent potential issues early, send a request to the relevant assessor to review and correct if required. This is complemented by a new feedback storage database that gathers all feedback and quality assurance data in a central location. From this database, reports looking across key performance dimensions can be produced for each assessor every month. This is another mechanism that allows us to identify areas for improvement early and address them through robust training and development plans.

Claims Philosophy Statement

Claims Philosophy Statement

Here at TAL, our commitment is to deliver a world-leading customer experience when we get our customers in the middle of anything we do. This philosophy is most evident at those times when we need to meet - where we need to make a claim.

Making you through the process

- to help you understand the claims process by explaining it in simple and clear language
- to guide you through the claims process to ensure you understand what to do
- to help you understand the claims process by explaining it in simple and clear language
- to guide you through the claims process to ensure you understand what to do

Focusing on a return to health for those who are unwell

The individuals we support that are unwell are our priority. We will do our utmost to ensure that our claims team will focus on assisting you, rather than simply processing your claim. We will ensure that you are supported throughout the claims process and that you are able to return to health as quickly as possible.

Fixing your claim

We are committed to helping you get back to work as quickly as possible. We will do our utmost to ensure that our claims team will focus on assisting you, rather than simply processing your claim. We will ensure that you are supported throughout the claims process and that you are able to return to work as quickly as possible.

Working together

It is our belief that the claims and customer services are the most important parts of our business. We will ensure that our claims team will focus on assisting you, rather than simply processing your claim. We will ensure that you are supported throughout the claims process and that you are able to return to work as quickly as possible.

Seeking a review of our decisions

We are committed to helping you get back to work as quickly as possible. We will do our utmost to ensure that our claims team will focus on assisting you, rather than simply processing your claim. We will ensure that you are supported throughout the claims process and that you are able to return to work as quickly as possible.

The people who help you

If only, we believe that it is our people who make the difference. It is our people who make the difference.

[Click here to view on the website](#)



Equally as important as sharing information with our customers is ensuring we are capturing the right information so that we can deliver a market leading claims experience.

 **MATERIAL ISSUE: 1 (CONTINUED)**
 Managing changing customer needs and expectations

Providing appropriate advice

The issues of access and affordability remain significant barriers to many Australians receiving the advice they need to structure their financial affairs appropriately. This is particularly relevant in ensuring they have appropriate levels of life insurance and cover that meets their individual needs, lifestyles and circumstances.

We strongly believe in the value and importance of financial advice for Australians. While the industry has a responsibility to continue to create simpler and more easily understood products, the reality is that most Australians will seek advice as part of the process of buying life insurance or when making changes to their existing arrangements.

The recent ASIC report into advice in the retail life insurance market (*Report 413 Review of retail life insurance advice*) has highlighted concerns with the quality of advice afforded to Australians. We will actively work with the industry to respond and act on the issues raised.

We will also take direct action to continue to promote the professionalisation of the advice industry, and believe advisers should conform to high standards in the quality of their education, qualifications and ethics.

Improving advice through training

We already have in place comprehensive adviser training programs covering technical, product and generic sales skills. Training is delivered on an 'as-needed' basis, or advisers are able to attend our state-based workshops and Master Classes, run on a monthly or quarterly basis.

Through our dealer group Affinia we have introduced a new risk professional model which incorporates a four-pillar approach to strategic advice: Risk, Cash Flow, Superannuation and Estate Planning.

Improving advice through communication

Our Business Partner Program (BPP) ensures that the interests of customers and advisers are aligned. The annual BPP Adviser Council gives advisers the opportunity to share insights on the industry and discuss how we can further improve service.

In July 2014 we launched our first digital edition of *Orbital*, a bi-yearly magazine for our retail adviser channel, which aims to inform, educate and provide industry insights. Similarly, our group life channel receives the *Thread* newsletter.

Investing in technology

Embedding technology across our business has been part of our strategy for several years. In the last year, we have continued to roll out this strategy, with a particular focus on underwriting and claims.

Of the three sectors of the life industry – via advisers, direct, and group superannuation and workplace schemes – the group insurance market has the greatest opportunity through the large numbers of members protected to accelerate the take up technical innovation.

TAL has developed its new 'world's first' group digital interface solution for its newest superannuation partner, industry fund UniSuper. The solution, using world-class web service standards, enables a fund to seamlessly share and transfer data and customer information with the insurer, resulting in better data quality and security as well as faster and more effective outcomes for customers. The solution has been developed in line with the Association for Cooperative Operations Research and Development (ACORD) standard. ACORD is a US-based data standards organisation serving the global insurance industry.

MATERIAL ISSUE: 2

Ensuring the sustainability of our business so we are there when our customers need us



We must also consider how we enrich and protect the lives of those we cover through the delivery of our products and services.

As the financial system continues to grow in size and complexity and consumer requirements become more diverse, we can ensure our business remains sustainable by considering what customers need today and in future to enrich and protect their lives.

Why this matters

Our life specialist position provides us with unequalled experience and a unique perspective on the life insurance sector in Australia.

This position requires us not just to observe but to be prepared to act – to consider what customers need today and what for instance they may need in 2044. We must also consider how we enrich and protect the lives of those we cover through the delivery of our products and services.

As we have already outlined, the take up of life insurance, directly or through superannuation, is increasing. However, there is still a substantial gap between the level of cover that people think they need and the cover they actually have. Changing perspectives is a challenge for the industry if we are to successfully convert awareness of the problem into action to address the issue.

We believe the actions we have taken around access, information and the quality of advice will go a long way to ensure we better meet consumer challenges and opportunities. That said, for our business to be sustainable we need to focus on meeting the product and service needs of our customers in the context of how they buy these products and services and their financial situation more broadly.

Superannuation plays a significant role in the life insurance sector, not only for how cover is arranged, but how it is managed over the long term. Australians are living longer and more self-funded retirees run the risk of using up their retirement savings. This represents a challenge to Government and the life insurance industry to develop appropriate products which provide sufficient income for retirees in later years.

While superannuation assets have grown by \$1.4 trillion between 1992 and 2013, household debt has also grown by \$1.5 trillion over the same period. Not only are people using super to fund their life insurance, increasingly, when they retire the accumulated savings will be used to pay down debt.

Adding to the issue of being able to afford retirement is Australia's status as one of the world's most expensive countries to live in.

Alongside others in our sector, we must face the challenge of making the products we sell today more affordable and sustainable as well as consider how we can provide a more flexible range of product solutions to help generate income streams for retirees.



MATERIAL ISSUE: 2 (CONTINUED)

Ensuring the sustainability of our business so we are there when our customers need us

What we are doing

If we, and our industry, are to be here for customers for the long term we need to make these issues well understood, take action ourselves to deliver better outcomes for customers and track the issues over time.

Educating consumers directly

Changing customer needs and expectations see a large, and growing, portion of the population seeking some form of life insurance protection directly. Through InsuranceLine, we have been one of the pioneers of direct-to-consumer life insurance in Australia and remain the market leader in this channel.

Through making life insurance available directly, TAL has invested significantly in educating the Australian public about the role life insurance can play in meeting their basic needs for protection. But to help close the gap between the cover consumers hold and the cover they need, there is more work to be done.

Over the last six months, we have taken action to address this issue through our *A Voice for Life* content hub. Through articles, blog posts and multimedia we have started on a journey of sharing our knowledge and providing information that may contribute to a better understanding of what life insurance is and the role it can play.

Making sure our new life products are sustainable for customers through their lifetimes

We believe that when we put in place a life policy for a customer there must be a clear expectation from both our and the customer's perspective that the policy will be affordable for the lifetime of the customer and financially viable for TAL.



A case in point – funeral insurance

We found in recent years that some types of funeral insurance policies with regularly increasing premiums that are provided to people on fixed incomes are not always affordable when income becomes tighter. This is especially the case for those customers who are post-retirement.

Stepped premiums, which are generally cheaper at time of purchase, are easier to sell but are not as affordable as level premiums over time.

Over recent years, we have sought to improve our products, and in the third iteration of our funeral product we changed our design to only have level premium products for all these policies. This means prices do not increase in later years. This has resulted in lower sales but the benefit is that the policies are better suited to our customers and more sustainable for them over the longer term. And we have not only thought about new customers.

This year we have also looked at our existing groups of funeral plan customers. We realise that many are no longer able to afford the stepped policies that were designed many years ago and we have taken the responsibility to change them and lower the future stepped prices.

This has not only transferred financial value to these customers but, most importantly, it has helped make these policies sustainable.



MATERIAL ISSUE: 2 (CONTINUED)

Ensuring the sustainability of our business so we are there when our customers need us

Improving retirement outcomes

Life insurance in superannuation now provides life protection for most Australians and is extremely valuable. Not all Australians have access to personal advice so these default arrangements are highly efficient and are delivered at a wholesale cost to members.

Given this, the emerging significant issue in our market is longevity and the ability of consumers to have enough money to live on post retirement. With the pressures on superannuation, in the context of debt and living expenses during the accumulation phase and the impact that people living longer is having on the drawdown phase, we need to take action today for the benefit of our customers tomorrow.

Simplifying old superannuation products

Many old superannuation policies are very complex and over a period of time TAL has also acquired companies with old and complex policies.

Over the past 10 years we have been working to simplify products and produce better value outcomes for customers who hold these policies. It is pleasing to report that most of the work is done and to achieve our goal of simplifying further products in the coming years, we have proposed to the Financial Systems Inquiry that there should be greater flexibility for product manufacturers to make changes to simplify products when there is no disadvantage to customers.

Making life insurance in superannuation more sustainable

In recent years this life insurance market has seen higher than expected claim volumes through superannuation channels. For life insurance in superannuation to be sustainable, product changes are required to assist with affordability and maximising members' retirement outcomes.

We have been working with superannuation schemes to help make life insurance more sustainable and affordable to their members. This has included changing membership eligibility criteria, redesigning the life insurance benefits, including reducing benefits in some cases where lower levels were more appropriate, and making sure the prices better reflect the underlying claims.

We have also been working with our key clients on more sustainable partnerships where, taking claims into account, we include premium buffers and adjust premiums more regularly than the traditional three-year pricing cycle. This will lead to more equitable treatment of members and more stable outcomes for all.

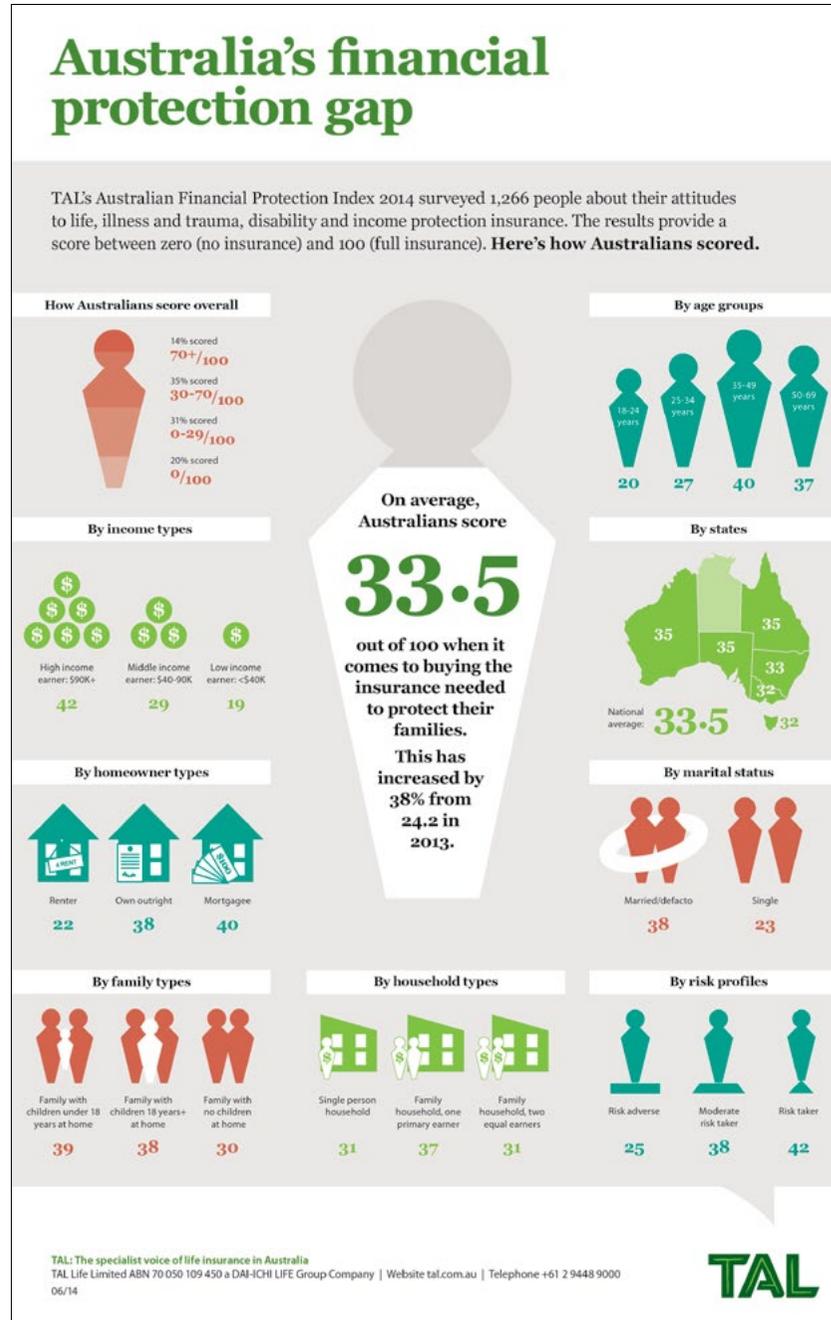
MATERIAL ISSUE: 2 (CONTINUED)
 Ensuring the sustainability of our business so we are there when our customers need us

Keeping our finger on the pulse

Now in its second year, the *TAL Australian Financial Protection Index*, conducted in conjunction with Galaxy Research, tracks and analyses perceptions of underinsurance across the four major forms of personal life insurance.

More than 1,200 Australians are surveyed on the life insurance they hold, and on whether they believe they have enough cover if they or their partner can no longer work. The results are modelled to calculate a score from 0 to 100, where 100 indicate that people have a form of life insurance and believe they have adequate coverage.

The most recent results of the study suggest that while most Australians do not believe they have enough financial protection, the gap is slowly closing.





MATERIAL ISSUE: 2 (CONTINUED)
 Ensuring the sustainability of our business
 so we are there when our customers need us



What are we seeing?

Of all the demographic groups researched, Generation X (aged 35-49), higher income earners, those with children at home, those with mortgages and those who declare themselves as risk takers scored the highest index results at around 40 out of 100.

These results clearly indicate that the level of cover is improving but not to the point where we could confidently say underinsurance is no longer an issue.

These numbers also indicate that the rate of improvement in cover is primarily evident among people with high incomes, suggesting that affordability is still a key factor in underinsurance as the largest improvements are seen in those in the higher age brackets.

The last question in the survey focuses on confidence in adequacy of cover and reflects the key issue for underinsurance: the gap between the cover people have and what they think they need.

While advice, disclosure and the provision of contemporary products will contribute to addressing the causes of underinsurance, we believe the most effective approach is to continue to encourage the development of multi-channel offers and innovative products. The latter can, in part, be addressed through improved flexibility in the regulatory framework, allowing insurers to develop innovative new products that offer a greater range of benefits.

MATERIAL ISSUE: 3

Operating a robust governance framework



The legislation governing the industry is multi-faceted and subject to constant review by the legislature and regulators.

Conducting our business in compliance with regulations and societal norms is a precondition for sustainable growth. Our governance framework is aimed at ensuring we protect our customers' money and the privacy of their data, and respond appropriately to regulatory changes.

Why this matters

The financial services industry in Australia is highly regulated. The legislation governing the industry is multi-faceted and subject to constant review by the legislature and regulators. The Acts under which the industry operates include:

- » The Life Insurance Act 1995, under which life insurers are registered and regulated from a prudential perspective
- » The Insurance Act 1973, under which general insurers are registered and prudentially regulated
- » The Insurance Contracts Act 1984 which governs contracts between insurers, policy owners and beneficiaries
- » Chapter 7 of the Corporations Act 2001 which provides for licensing of financial service providers and consumer protection measures
- » The Superannuation Industry (Supervision) Act 1994 which regulates the licensing and conduct of trustees of superannuation funds
- » The Privacy Act 1988 which includes the Australian Privacy Principles

What we are doing

In simple terms, our approach to corporate governance goes beyond legal compliance.

We have maintained structures to ensure the right checks and balances are in place; and that processes are responsive to regulatory change and have implemented innovative ways to understand risk potential.

While we are wholly-owned by Dai-ichi Life, our corporate governance processes remain consistent with APRA-regulated companies. We have retained our independently chaired Board (with a majority of independent directors) and our constituted risk, audit, technology and remuneration committees.

Our governance structure, policies and processes help shape and guide our business culture. This strategic approach to governance supports every part of our organisation by helping people make the best decisions based on the facts, the customer impact and the law. It allows us to maintain the highest standards of professional conduct, and ensures we keep our promises to customers.

On an international level we are into our second year as a signatory to the United Nations Principles for Sustainable Insurance (UNPSI). We are proud to have been the first Australian life insurer to do so and many of the actions we have taken in the last 12 months, outlined in this report, demonstrate an active commitment to the UNPSI sustainability framework.

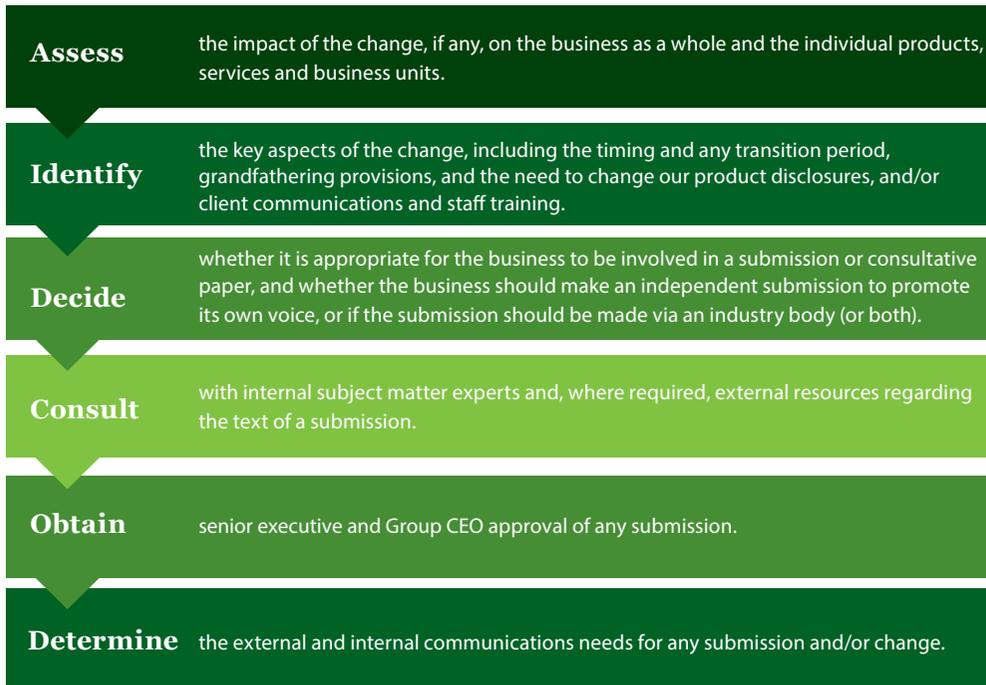
 **MATERIAL ISSUE: 3 (CONTINUED)**
 Operating a robust governance framework

Responding to regulatory changes

We are able to obtain information about legislative and regulatory changes and trends through communications with a number of entities and representation on a number of bodies including:

- » APRA, ASIC, ATO, OAIC, AUSTRAC and Treasury
- » Industry bodies such as ASFA, FSC, SCT, FOS, IAS
- » Attendances at industry conferences
- » Regular updates from law firms and service providers
- » Subscribing to news and information services.

Once a legislative/regulatory change has been identified, we:



MATERIAL ISSUE: 3 (CONTINUED)
 Operating a robust governance framework

Ensuring compliance

Our compliance function reports to the Chief Risk Officer. The function operates as a central independent team, with team members having key specialties and working closely with relevant business units.

The compliance team also works closely with other central functions including TAL legal, risk, the complaints resolution team, internal audit and our team-based quality assurance functions.

The TAL compliance framework includes the following elements:



MATERIAL ISSUE: 3 (CONTINUED)
 Operating a robust governance framework



We have a range of practices and policies in place to provide a robust security environment.

Protecting the privacy of customer data

On a daily basis our customers entrust us with their most confidential information such as data on their health and finances. They expect us to take all reasonable steps to protect that information and it is imperative that we maintain this trust.

Within TAL we take all reasonable steps to keep customer information safe and secure, including precautions to protect the customer information we hold from misuse, interference and loss, and from unauthorised access, modification or disclosure.

We have a range of practices and policies in place to provide a robust security environment. We ensure the ongoing adequacy of these measures by regularly reviewing them.

Our security measures are technology neutral and include:

- » Educating employees as to their obligations with regard to customers' personal information
- » Requiring employees to use passwords when accessing our systems
- » Encrypting data sent from our customers' computers to our systems during Internet transactions and customer access codes transmitted across networks

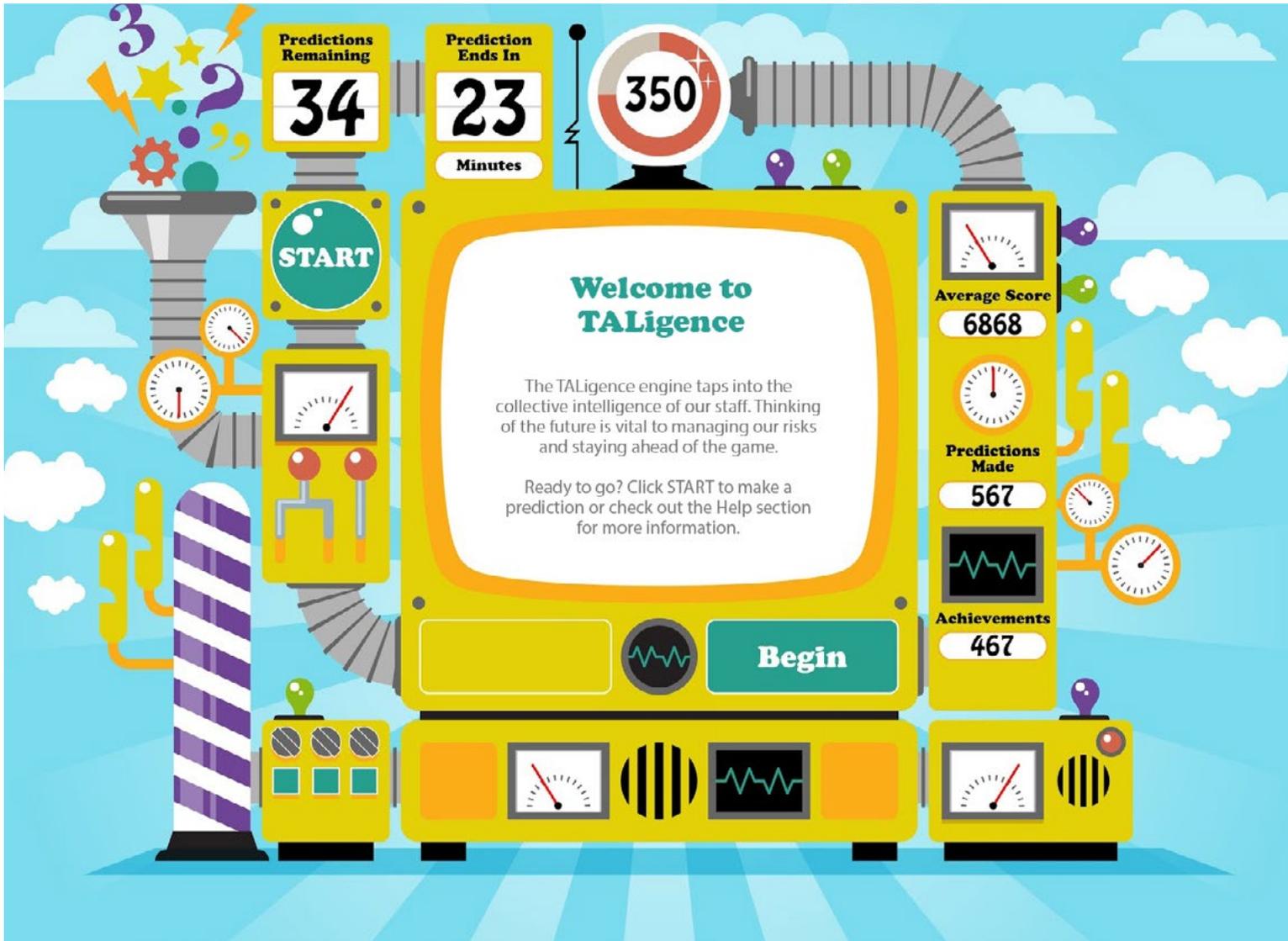
- » Employing firewalls, intrusion prevention systems and virus scanning tools to protect against unauthorised persons and viruses from entering our systems
- » Using dedicated secure networks or encryption when we transmit electronic data for purposes of outsourcing
- » Providing secure storage for physical records
- » Employing physical and electronic means, including access controls (as required) to protect against unauthorised access to buildings
- » Securing paper files in locked cabinets with physical access restrictions.

In March 2014, significant changes were made to Australia's privacy legislation including the Privacy Act 1988 (Cth) including the 13 Australian Privacy Principles.

We have updated our Privacy policy in accordance with the legislative changes and ensured employees were trained in the changes through computer based training that was made available ahead of the changes.

In September 2014, we rolled out additional Information Security computer based training for all employees reinforcing our responsibilities.

MATERIAL ISSUE: 3 (CONTINUED)
 Operating a robust governance framework



Crowdsourcing risk

Engaging employees around risk can sometimes prove a challenge. Quite often employees have insights and information on risks that may not be captured through traditional methods.

This year we used gamification as a means of engaging our employees on risk topics and to crowd-source from them information on potential risks and/or risk topics.

Through an online game, TALigence taps into the collective intelligence of our employees. Through a series of questions we hope to gain insight into what our people think across topics that can cover specific business issues, economic conditions or how we are performing on key functions. In the future with these types of insights we hope to be able to identify risk trends for discussion and potential action.

*Screenshot of the online game TALigence

MATERIAL ISSUE: 4

Making culture matter



Investing in our people is fundamental if we are to do better today for tomorrow.

Culture is not something that happens by accident; it has to be actively managed. We know that what sets us apart in the market is TAL's culture and we work hard to promote one which fosters shared values, embraces difference and encourages the active participation of all in its creation.

Since it is our people who make it possible for us to deliver on our promises, we listen to them and act on their feedback. By doing this and creating a unique working experience, we can attract and retain great people, develop and encourage them to grow, and allow them to be the best they can be so that they deliver on our promises to our customers, partners and each other.

Why this matters

Investing in our people is fundamental if we are to do better today for tomorrow. Creating the right conditions for our employees means that we attract and retain the best people in the industry. We believe that by investing in our people, they will build our brand from the inside out and, in doing so, transform the standard of customer experience Australians can expect from a leading financial services enterprise.

What we are doing

Since every employee at TAL is a custodian of the culture, we involve them in its creation by seeking their feedback on how they experience the current culture and what they believe should change. We use their feedback to inform the actions we take, whether they are to turn policies into action or build the capabilities of our people.

Gauging how we are going

We run surveys to gauge how we are doing:

Culture survey

Our annual culture survey helps us to understand the extent to which employees feel that TAL is a great place to work. Since this survey was introduced in 2011 the health index has improved year-on-year.

Employee engagement survey

Our overall employee engagement score is 64% which is stronger than those of participating Australian insurance companies (61%), global insurance companies (55%), Australian financial services (58%), global financial services (57%) and Australian companies (60%).

Importantly, our people view their workplace positively, with 80% of our employees endorsing the following question in our 2014 employee engagement survey: 'given the opportunity I tell others great things about working here'. The highest scoring driver of employee engagement at TAL is our commitment to diversity and inclusion, with 84% of employees agreeing that: 'this organisation values diversity and inclusion'.

 **MATERIAL ISSUE: 4 (CONTINUED)**
Making culture matter

Diversity and inclusion survey

According to our 2014 diversity and inclusion survey, over 96% of our people believe we are actively creating an inclusive and respectful workplace. Since 2012 there has been a considerable uptake in the percentage of respondents working flexibly (from 30.8% to 48.8%) and a significant reduction in those who have considered leaving TAL due to work/life conflict (from 25.2% down to 12.7%).

We are challenging the stigmas associated with flexible work. This is reflected in enhanced perceptions of equal opportunity and increased awareness of flexible work arrangements as a viable option:

- » 'lack of awareness' down from 13.9% to 8.7%
- » 'manager doesn't support' down from 5% to 3.2%
- » 'role doesn't support' down from 13% to 9.5%.

Results also show enhanced perceptions of equal access to career opportunities irrespective of gender (85.3% to 91.8%) or the decision to work flexibly (66.2% to 76.3%).

Being an Australian leader in diversity and inclusion

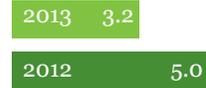
Two years ago we established our Diversity and Inclusion Council, which is chaired by our Group CEO with representatives from across all levels and areas of our business. The four areas we have focused on are gender equality, flexibility, health and wellbeing and inclusion of people with disabilities.

Flexible work arrangements

Lack of awareness (%)



Manager doesn't support (%)



Role doesn't support (%)



of our people believe we are actively creating an inclusive and respectful workplace



of people work flexible hours



of people have considered leaving TAL due to work/life conflict



of our people show enhanced perceptions of equal access to career opportunities

 **MATERIAL ISSUE: 4 (CONTINUED)**
Making culture matter



Taking action on equality for all

One of the most significant actions we have taken on one of our policies is closing the gender pay gap. Now, women at TAL earn 99% of a comparable male salary. This compares with 82% in 2012 and a national average of 82.9%.

We are proud to have been invited to be an honorary ambassador for gender-pay equality as a result of this work.

Gender pay isn't the only inequality we are addressing. To close the female-to-male ratio of senior leaders, we have launched a suite of programs aimed at helping women and working parents build confidence, skills and networks to drive their careers.

To make juggling work and life easier for employees with carer responsibilities, we provide an online portal with instant access to information, nanny services and tips and hints for new parents, and parking for women in the third trimester of their pregnancy. We also run training for all managers so that they can identify their personal biases and address them.

Gender pay gap

99%

women at TAL earn 99% of a comparable male salary

Female-to-male salary ratio

2012	82
2012 National Average	82.9

 **MATERIAL ISSUE: 4 (CONTINUED)**
Making culture matter

Creating a flexible workplace

As indicated above, one of the key findings is that our employees value flexibility and need it at different stages in their career and for different reasons.

Rather than simply equating flexible work with parenting or care giving, we take a gender-agnostic approach to flexible work, acknowledging the growing number of men who want flexible work options too.

Flexibility at TAL is about:

- » providing our people with different ways to balance work and personal priorities
- » balancing individual needs with business needs
- » measuring performance by output, not face time
- » giving everyone the opportunity to contribute and develop, no matter when or where they work
- » challenging ourselves to think differently about how work can be done
- » creating a diverse, skilled and committed talent pool.

We have developed a toolkit for managers to help them understand the benefits of flexibility, its relationship to our business strategy and how to translate this into practical solutions for their people. The toolkit is particularly useful for managers when they are creating and recruiting for new roles or when employees request flexible work due to changes in their circumstances or work preferences.

Workplace flexibility is both a driver and an outcome of diversity and inclusion. The benefits for organisations that respond to the different needs of employees at varying stages of their life cycle are widely reported.

Overall, flexibility at TAL provides:

Organisational benefits: aside from the ethical imperatives of creating a supportive and inclusive workplace, promoting a flexible work culture makes good business sense.

Attraction and retention: providing flexible work options enables us to attract and keep the best people.

Productivity and engagement: employees who have access to flexible work advocate for TAL and tend to be highly committed to their role.

Organisational agility: being flexible about how and where work is done enables our business to adapt to change.

Cost savings: reducing work-life conflict makes our people more effective in their roles by lessening the risk of stress, sickness and burnout.

Enhanced customer experience: flexible work arrangements can allow customer service hours to be extended or shifted as needed.

Diversity and inclusion: work options that allow employees to balance paid work with caring responsibilities facilitate gender-balanced leadership.



One of the key findings is that our employees value flexibility and need it at different stages in their career and for different reasons.

MATERIAL ISSUE: 4 (CONTINUED)
Making culture matter

Ensuring TAL has the capabilities and skills to achieve its goals

Our ongoing investment in people includes individual development plans, investment in tertiary and non-tertiary education, attendance at industry events and memberships of industry bodies.

In addition, this year we are making a significant investment in two HR capabilities that will enable the business to make even better talent decisions: a state-of-the-art HR management system and a career-pathway/job architecture framework that maps out the skills, capabilities and remuneration for roles at TAL.

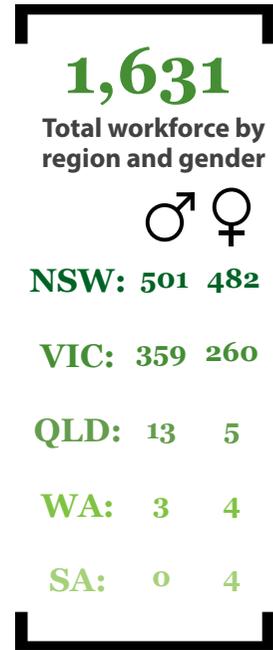
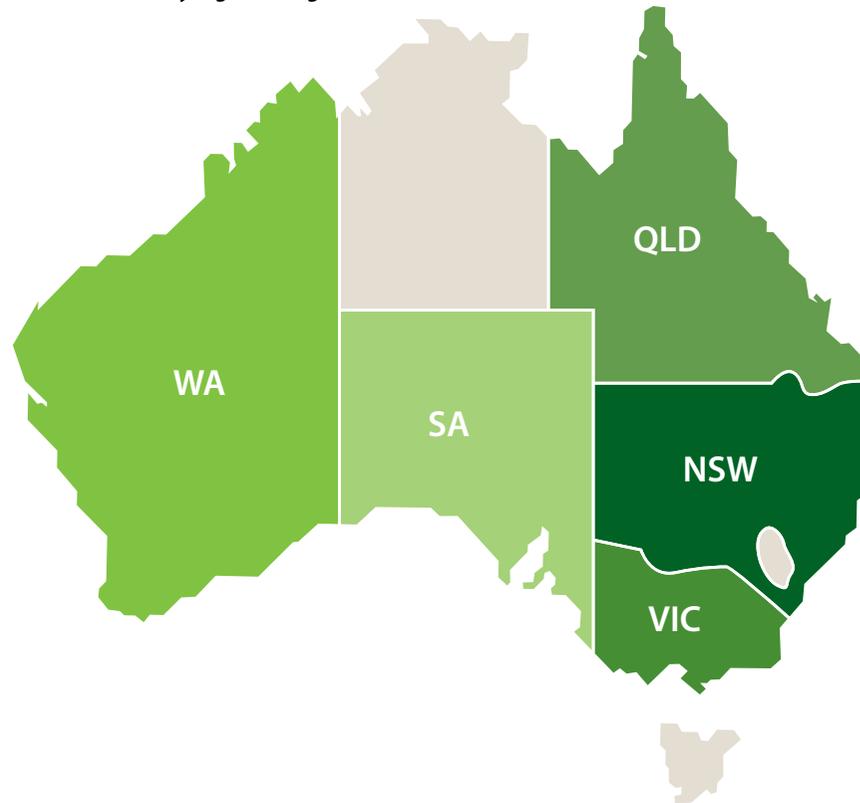
We are changing our talent management from one characterised by here-and-now, top-down, leader-led replacement planning processes to a more future-focused and 'employee-centric' discussion of how to attract talent and develop and reward people.

Finally, our Leadership Matters program is under review to ensure the right investment is made in the right people at the right time.

Total number of employees by employment contract and gender

Casual	19
Fixed Term Contract	77
Permanent	1535
Total employees	1631

Total workforce by region and gender



Total number of permanent employees by employment type and gender

Full Time	
Male	800
Female	620
Part Time	
Male	20
Female	95
Total by gender	
Male	820
Female	715

Total workforce by employees and supervised workers and by gender

Manager	
Male	174
Female	142
Employee	
Male	702
Female	613
Total by gender	
Male	876
Female	755

MATERIAL ISSUE: 5

Boosting confidence and trust in the insurance industry



We advocate for change where we see fit, and invest in education and community initiatives to help people make more informed financial and lifestyle decisions.

As Australia's largest life insurer, we have a duty to contribute to local and global solutions for a sustainable industry.

We therefore participate in industry bodies and in national and international debate on matters that impact the financial services industry, advocate for change where we see fit, and invest in education and community initiatives to help people make more informed financial and lifestyle decisions.

Why this matters

Like our consumer landscape, our regulatory landscape is equally dynamic and looking to adapt and evolve to meet changing domestic and international environments.

In December 2013, the Australian Government announced the Financial System Inquiry – the first major review of our financial system since the Wallis Inquiry in 1997. This Inquiry has invited two rounds of submissions from interested parties throughout the year ahead of issuing a final report in November 2014. Throughout 2014, the quality of financial advice available to Australians and the education standards of financial advisers has been the subject of widespread debate. This has also been the topic of an ASIC investigation.

Also on the public agenda has been the debate about the two major public health issues affecting Australian society: obesity, which leads to complications such as cardio-vascular disease, diabetes and joint injury, and mental health conditions, especially depression.

Statistics sourced from the Australian Bureau of Statistics substantiate the growing impact of these issues. In 2001, 9.6% of Australians were identified as suffering from a mental health condition. This increased to 11.2% in 2007-8 and to 13.6% (or three million people) in 2011-12. It is clear that these issues will continue to have a major impact on Australians, their families and their ability to contribute effectively to the economy. In addition, the cost to the community of caring for the individuals affected is immense and increasing.

13.6%

of Australians identified as suffering from mental health conditions in 2011-12

 **MATERIAL ISSUE: 5 (CONTINUED)**
Boosting confidence and trust in the insurance industry

What we are doing

As Australia's largest life insurer we have a duty to participate in industry and national debate on matters that impact the financial services industry over the short and long term. Above and beyond forging constructive working relationships with regulators, we believe that we do this best by working with the appropriate industry bodies on a regular basis. We participate in the normal course of our business as well as in response to specific issues.

Across the regulatory issues that we faced this year, a common theme that has emerged has been the level of financial literacy in our country. In the context of boosting confidence in our industry we have actively taken steps to improve literacy levels.

Over the reporting period we have remained a full member of the Association of Superannuation Funds of Australia (ASFA) and the Financial Services Council (FSC). We have also continued to be a member of, and our people serve on boards, committees and working groups of:

- » Association of Financial Advisers (AFA), Financial Ombudsman Service
- » Australian Life Underwriting Claims Association (ALUCA), Senior Underwriters Forum
- » SuperFriend, Fund Executives Association Ltd (FEAL), Women in Super, Certified Practising Accountants (CPA) Australia, International Actuarial Association
- » Actuaries Institute of Australia.

As part of our responsibilities associated with these memberships, we provide information or relevant statistics to enable the development of industry wide positions. In addition to joining policy committees, on occasion we also partner with an industry body on a specific project or topic.

Our people spoke at a number of industry events, including:

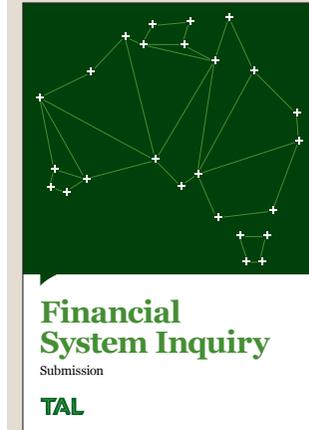
- » **ASFA on The future of insurance in super**
- » **FSC Life Conference on Keeping the promise** – *how direct to consumer products can bridge the gap between awareness and understanding and Life Insurance legal and regulatory update: opportunities for reform in the short, medium and long term*
- » **TAL/FSC Thought Leadership Roundtable** – *the rise of direct insurance, the regulatory landscape and industry sustainability.*

In addition, we participate in industry debate in our own right and in the past year have provided major submissions to the Annuities review by Treasury and APRA's Draft Prudential Practice Guide LPG 270 Group Insurance Arrangements.

The Financial System Inquiry

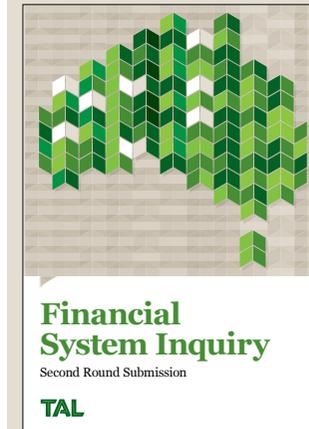
We participated in the Government's Financial System Inquiry through two public submissions.

The first was in response to terms of reference for the Inquiry and our recommendations were as follows:



[Click here to view the recommendations on the website](#)

Our second submission was in response to the request for further information by the Inquiry and our recommendations were as follows.



[Click here to view the recommendations on the website](#)

 **MATERIAL ISSUE: 5 (CONTINUED)**
Boosting confidence and trust in the insurance industry

Strengthening the advisory profession

In recent years we have co-led the AFA Female Excellence in Advice Award initiative with the Association of Financial Advisers and the support of the Macquarie Graduate School of Management (MGSM). The award, offered annually, recognises female financial advisers who are making a significant contribution to their profession, their community and particularly to female clients. This year as part of the Award program, TAL & the MGSM delivered a two-day MasterClass to all nine semi-finalists. This focused on leadership training and provided an opportunity for semi-finalists to participate in a media roundtable to debate issues and opportunities facing the financial advice industry.

In July 2014 the AFA and national dealer group Affinia Financial Advisers joined forces to strengthen practitioner professional development. As part of the new arrangement, advisers who join Affinia will become members of the AFA (if not already) and be offered Australia's leading Masters-level professional development training for specialist risk advisers that leads to AFA's Chartered Life Practitioner (ChLP) designation.

Supporting programs that help our customers live better and healthier lives

It is important that life insurers like TAL work much closer with the medical profession and, in many cases, a customer's place of employment, when managing a claim to help the recovery process and pave the way for a return to work and a normal life.

In July 2014 we became a signatory to the *Consensus Statement on the Health Benefits of Work*, released by the Australasian Faculty of Occupational and Environmental Medicine of The Royal Australasian College of Physicians (RACP). The statement intends to bring together a wide range of stakeholders to affirm the importance of work as being good for health and wellbeing.

We did this in response to work done by the Faculty which looked at the relationship between health, wellbeing and work both in Australia and internationally including the impacts of being out of work.

The faculty has found that being out of work for a period of time can in itself become one of the major barriers to returning to a normal life. If a person is off work for:

- » 20 days, the chance of ever getting back to work is 70%
- » 45 days, the chance of ever getting back to work is 50%
- » 70 days, the chance of ever getting back to work is 35%.

The statement says: "Realising the health benefits of work for all Australians requires a paradigm shift in thinking and practice. It necessitates cooperation between many stakeholders, including government, employers, unions, insurance companies, legal practitioners, advocacy groups, and the medical, nursing and allied health professions."

 **MATERIAL ISSUE: 5 (CONTINUED)**
 Boosting confidence and trust in the insurance industry

Returning people to health and work

Case study 1

Dr H, 54 years old, was a general practitioner doctor who had been on an income protection claim for many months having suffered from diabetic-related symptoms in his leg. TAL arranged and paid for rehabilitation over an extended period, supporting both him and the rehab provider during this time. He returned to work full-time as a result.

Case study 2

Mr G, a courier driver, had been on an income claim for an extended period due to Hodgkin's lymphoma. He underwent chemotherapy and while it was accepted he would be on claim long term, he revealed he was determined to get better and return to work one day. TAL actively supported Mr G during this time with a rehabilitation program which included him taking part in a job seeking service. Mr G returned to work full time.

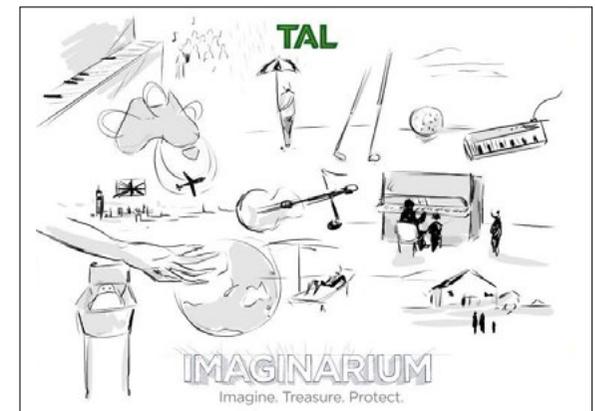
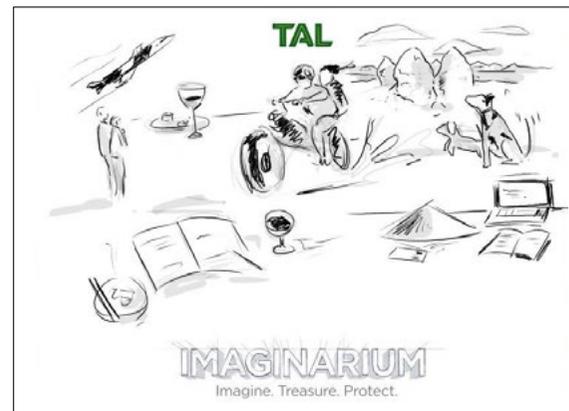
Case study 3

A 28-year-old office worker was suffering from chronic pain due to a broken wrist and nerve damage. She was unable to do her job because she could no longer type. TAL arranged rehabilitation services and a graduated return to work plan. We purchased voice-activated software to assist her and the customer eventually returned to full employment.

Improving financial literacy

A key approach to improving financial literacy is to provide channels or environments where consumers can access information that is easy to digest and understand. Where possible we participate in industry initiatives. In 2014 we complemented this by expanding our own efforts to improve financial literacy.

TAL is a silver partner of MoneySmart Week, a national not-for-profit initiative that helps people take simple steps to improve their financial fitness. In 2014, to support this great initiative, we created the Imaginarium which was an experiential environment that allowed people to connect with the things that are truly important to them, emphasising the importance and value of life insurance.



Some drawings from Imaginarium visits

 **MATERIAL ISSUE: 5 (CONTINUED)**
Boosting confidence and trust in the insurance industry

Our other initiative during MoneySmart Week 2014, was to collaborate with Megan Dalla-Camina, bestselling author of *Getting Real About Having it All*, and Zoe Lamont, founder of 10thousandgirl campaign, on a female financial literacy education and networking event entitled Life Lessons 101: How to have it all.

Using consumer polls to drive engagement

The TAL Australian Financial Protection Index includes most of our consumer polling research.

Packaging the findings from these polls in consumer friendly stories helps provide 'dry' information in new and accessible ways. Examples of stories we have shared over the last year include:

Should pocket money be entitled or earned?

This poll looked at two groups of children – aged 7 to 10, and 11 to 14. It revealed 52% of the former group and 55% of the latter need to help around the house to earn pocket money. However, many parents (23%) also pay pocket money as a reward for good behaviour.

In addition, more than a quarter (29%) do not receive any pocket money, while less than one in ten children receive pocket money regardless of whether they help around the house.

DOES YOUR CHILD RECEIVE POCKET MONEY?	AGE 7-10	AGE 11-14
Yes, it's earned for work around the home	52%	55%
Yes, it's earned as a reward for good behaviour	23%	14%
Yes, a set amount is given to them regardless of help around the home	5%	11%
Yes, as and when they need it for food or outings	9%	12%
No, they don't generally get pocket money	29%	29%

FOR THOSE WHO RECEIVE POCKET MONEY, AVERAGE AMOUNT RECEIVED EACH WEEK	AGE 7-10	AGE 11-14
\$1-\$4	32%	7%
\$5-\$9	38%	39%
\$10-\$14	20%	31%
\$15-\$19	4%	6%
\$20+	4%	17%



of parents pay pocket money as a reward for good behaviour



of children do not receive any pocket money

 **MATERIAL ISSUE: 5 (CONTINUED)**
Boosting confidence and trust in the insurance industry

Using extra savings

This survey asked Australians what they would spend an extra 10% increase in income on. All generations said they would first use extra income to build savings and pay down debt as their main priorities. After these immediate financial needs, they would next put the extra income towards paying for a holiday.

WHAT WOULD AUSTRALIANS SPEND A 10% INCREASE IN INCOME ON?	GEN Y (18-34 YEARS)	GEN X (35-49 YEARS)	BABY BOOMERS (50-69 YEARS)
Build up savings	63%	55%	59%
Pay off bills	33%	31%	21%
Put towards the mortgage	35%	49%	30%
Pay off credit card and personal debt	29%	33%	27%
Fund a holiday	35%	35%	44%
Look at upgrading your car	15%	12%	17%
Spend it on shopping (clothes etc)	15%	6%	7%
Go out to dinner more often	11%	7%	7%
Buy or upgrade technology	14%	6%	6%
Pay for additional training and study	11%	6%	2%
Take out life insurance or increase cover	6%	4%	1%
Take out other types of insurance	6%	3%	0%

Providing A Voice for Life

As part of our customer led strategy it is important that we are seen as the largest and first choice in the eyes of our customers, partners and stakeholders. Our thought leadership site A Voice for Life is a key milestone in this journey. As mentioned, social media and new technology have changed how consumers wish to receive information. Leading brands need to change how they communicate and interact with people if they are to sustainably drive trust, new business and loyalty.

A Voice for Life aims to:

- » share our extensive knowledge of the life insurance industry to help customers make more informed financial and lifestyle decisions
- » reinforce the important role that life insurance can play in protecting the lives we create and the future we imagine
- » adopt a leadership position where we can advocate for change, champion a sustainable life insurance sector and position TAL more broadly as the authority on all things relating to life insurance.

This centralised content hub houses thought leadership articles, blog posts, infographics and animations. To promote dialogue we are also making our content hub interactive with the ability for people to share our content across 293 social media channels and leave comments to give us feedback on what they have read and what they would like to see next.

 **MATERIAL ISSUE: 5 (CONTINUED)**
 Boosting confidence and trust in the insurance industry



Providing the community with A GIFT FOR LIFE

A Gift for Life remains our sponsorship and corporate social responsibility (CSR) program. The cornerstone of the program remains the TAL and Dai-ichi Life Derby Collection. It enables us as an organisation to make a positive contribution to the Australian community and give back to the Australian people. Over the last six months we have undertaken a review of this program to ensure that it is tightly aligned to our strategy and allow us to forge stronger and deeper partnerships within the community in which we operate.

While the review is underway we have continued to engage with selected charities. The selection criteria used were consistent with those of the broader A Gift for Life program in that the charity partners reflect TAL's customer base across all walks of life and align with the following:



They are also Australian-based and focused, free of any political or religious affiliation and, where possible, they provide an opportunity to reduce the costs of claims to our industry.



The charity partners we have worked with over the last year include:

Assistance Dogs Australia (ADA)

Assistance Dogs Australia (ADA) contributes to improved mental health, addressing and alleviating loneliness and social isolation. ADA's mission is to help people with a physical disability achieve greater freedom and independence.



Melanoma Institute Australia

The Melanoma Institute Australia (MIA) is world-renowned for the quality of its research and support programs. Australia has the highest rates of the disease in the world. It is the third most common cancer in men and women and the most common cancer in the 15 - 44 year old age group. Australians have a one in 20 life time risk of getting melanoma. The cancer kills around 1,300 a year, about the same number who die annually on our roads.



Australian Paralympic Committee

Inspiring a new generation of young Australians with a disability to take up a sport reflects our commitment to diversity and inclusion. Both TAL and APC are deeply committed to resources and solutions which inspire and enable all Australians to control their destiny and fulfill their own potential.



 **MATERIAL ISSUE: 5 (CONTINUED)**
 Boosting confidence and trust in the insurance industry

In addition to the above, TAL also provides seed funding for community projects which support or benefit women in our community, gives all permanent employees a paid Community Leave Day and is one of the sponsors of the Mother's Day Classic, which raises money for breast cancer.

Contributing to solutions for a sustainable insurance industry

With the ongoing increases in people suffering from a mental health condition, it is clear these issues will continue to have a major impact on Australians, their families and their ability to contribute effectively to the economy. In addition, the cost to the community of caring for those affected is immense and increasing.

These are complex issues and as we continue to explore how best to participate in initiatives that will be additive to our customers and the community at large we also believe that major public health issues such as obesity and mental health should be addressed at a national level through:

- » joint government, industry and professional fora, in which TAL would actively participate
- » awareness campaigns
- » investment in measures to help prevent these conditions.

We are also a major sponsor of Superfriends, which provides support for mental health issues for superannuation members. As part of its association with Superfriends, TAL has provided training to all staff who deal with customers to raise awareness of mental health issues and handle them with sensitivity and empathy.



We continue to explore how best to participate in initiatives that will be additive to our customers and the community at large.

GRI Index

GENERAL STANDARD DISCLOSURES		
Description		TAL 2014 Sustainability Report
STRATEGY AND ANALYSIS		
G4-1	Statement from the most senior decision-maker of the organisation (such as CEO, chair, or equivalent senior position) about the relevance of sustainability and strategy for addressing sustainability	Pg2 CEO's message
ORGANISATIONAL PROFILE		
G4-3	Name of organisation	Pg 1 About this report
G4-4	Primary brand, products, and services	Pg 3 & 17 Our business, Providing access to insurance
G4-5	Location of headquarters	Pg 1 About this report
G4-6	Number of countries where the organisation operates, and names of countries where either it has significant operations or that are specifically relevant to the sustainability topics covered in the report	Pgs 1 & 3 About this report, Our business
G4-7	Nature of ownership and legal form	Pgs 1 & 3 About this report, Our business
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	Pgs 3 & 17 Our business, Providing access to insurance
G4-9	Scale of the organisation, including: <ul style="list-style-type: none"> » Total number of employees » Total number of operations » Net sales (for private sector organisations) or net revenues (for public sector organisations) » Total capitalisation broken down in terms of debt and equity (for private sector organisations) » Quantity of products or services provided 	Pg 3 Our business
G4-10	a) Total number of employees by employment contract and gender b) Total number of permanent employees by employment type and gender c) Total workforce by employees and supervised workers and by gender d) Total workforce by region and gender e) Report whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors f) Any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries)	Pg 35 (a-d) Making culture matter N/A N/A
G4-11	Percentage of total employees covered by collective bargaining agreements	7.17%
G4-12	Supply chain	Not reported

GRI INDEX
(Continued)

G4-13	Significant changes during the reporting period regarding size, structure, ownership, or supply chain	On 21 October 2013 TAL Distribution Holdings Limited (a group subsidiary) acquired 100% of National Financial (from a 10% holding)
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation	N/A
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	Pgs 6–7 Operating a robust governance framework
G4-16	Memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: <ul style="list-style-type: none"> » Holds a position on the governance body » Participates in projects or committees » Provides substantive funding beyond routine membership dues » Views membership as strategic 	Pgs 6–7 Operating a robust governance framework

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES

G4-17	a) All entities included in the organisation's consolidated financial statements or equivalent documents b) Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	TAL Dai-ichi Life Australia Pty Limited, ACN 150 070 483: holding company for the Group TAL Dai-ichi Life Group Pty Limited ACN 150 070 509: holding company, non-trading TAL Life Limited ACN 050 109 450: Life Insurance Company TAL Distribution Holdings Limited ACN 095 839 179: holding company, non-trading TAL Superannuation Limited ACN 003 059 407: superannuation trustee TAL Services Limited ACN 076 105 130 : services company for the Group TAL Direct Pty Limited ACN 084 666 017: direct marketing company for life insurance TAL Australia Distribution Limited ACN 002 037 452: marketing and distributing company Affinia Financial Advisers Limited ACN 085 335 397: financial adviser dealer group National Financial Solutions Pty Limited ABN 93 083 177 011: holding company for the Lifebroker group of companies Lifebroker Pty Limited ACN 115 153 243: distribution company
G4-18	a) Process for defining the report content and the aspect boundaries b) How the reporting principles for defining report content have been implemented	Pgs 8–12 Stakeholder engagement
G4-19	List all the material aspects identified in the process for defining report content	Pgs 13–14 Material issues overview
G4-20	For each material aspect, report the aspect boundary as follows: <ul style="list-style-type: none"> » Report whether the aspect is material within the organisation » If the aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: <ul style="list-style-type: none"> » The list of entities or groups of entities included in G4-17 for which the aspect is not material or » The list of entities or groups of entities included in G4-17 for which the aspects is material » Report any specific limitation regarding the aspect boundary within the organisation 	Not reported

GRI INDEX (Continued)

G4-21	For each material aspect, report the aspect boundary outside the organisation, as follows: » Report whether the aspect is material outside of the organisation » If the aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the aspect is material. In addition, describe the geographical location where the aspect is material for the entities identified » Report any specific limitation regarding the aspect boundary outside the organisation	Not reported
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	N/A
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	N/A
STAKEHOLDER ENGAGEMENT		
G4-24	Stakeholder groups engaged by the organisation	Pgs 8–9 Stakeholder engagement
G4-25	Basis for identification and selection of stakeholders with whom to engage	Pg 9 How we engage with our stakeholders
G4-26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	Pg 9 How we engage with our stakeholders
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	Partially reported (throughout report)
REPORT PROFILE		
G4-28	Reporting period for information provided	Pg 1 About this report
G4-29	Date of most recent previous report	Pg 2 CEO's message
G4-30	Reporting cycle	Pg 1 About this report
G4-31	Contact point for questions regarding the report or its contents	Pg 49 Contact us
G4-32	a) 'In accordance' option chosen b) GRI Content Index for the chosen option c) Reference to the External Assurance Report, if the report has been externally assured.	Core Pg 44 N/A
G4-33	a) Policy and current practice with regard to seeking external assurance for the report b) If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided c) Relationship between the organisation and the assurance providers d) Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report	N/A
GOVERNANCE		
G4-34	Governance structure of the organisation, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	Pgs 4–7 Our business
ETHICS AND INTEGRITY		
G4-56	Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Pg 6 Ethics and integrity

GRI INDEX
(Continued)

SPECIFIC STANDARD DISCLOSURES

TAL MATERIAL ISSUE: MANAGING CHANGING CUSTOMER NEEDS AND EXPECTATIONS

Category: Social

Sub-category: Product responsibility

Aspect: Marketing communications

GENERIC DISCLOSURES ON MANAGEMENT APPROACH

G4 DMA	<p>a) Why this is material and the impact that makes it material</p> <p>b) How organisation manages it or its impacts</p> <p>c) Management approach, including:</p> <ul style="list-style-type: none"> » Mechanisms for evaluating its effectiveness » Results of the evaluation » Any related adjustments to the management approach 	<p>Pgs 15–16 Why this matters</p> <p>Pgs 16–20 What we are doing</p>
PR7	<p>Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes</p> <p>a) Report the total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by:</p> <ul style="list-style-type: none"> » Incidents of non-compliance with regulations resulting in a fine or penalty » Incidents of non-compliance with regulations resulting in a warning » Incidents of non-compliance with voluntary codes <p>b) If the organization has not identified any non-compliance with regulations and voluntary codes, a brief statement of this fact is sufficient.</p>	<p>a) Nil</p> <p>b) We have due diligence processes in place to review and sign off on marketing material and no marketing incidents of non-compliance have occurred during the period.</p>

TAL MATERIAL ISSUE: ENSURING THE SUSTAINABILITY OF OUR BUSINESS SO WE ARE THERE WHEN OUR CUSTOMERS NEED US

Category: Social

Sub-category: Product responsibility

Aspect: Marketing communications

GENERIC MANAGEMENT DISCLOSURES

G4 - DMA	<p>a) Why this is material and the impact that makes it material</p> <p>b) How organisation manages it or its impacts</p> <p>c) Management approach, including:</p> <ul style="list-style-type: none"> » Mechanisms for evaluating its effectiveness » Results of the evaluation » Any related adjustments to the management approach 	<p>Pg 21 Why this matters</p> <p>Pgs 22–25 What we are doing</p>
PR6	<p>a) Report whether the organization sells products that are the subject of stakeholder questions or public debate</p> <p>b) Report how the organization has responded to questions or concerns regarding these products.</p>	<p>a) We sell Funeral Plans which have been the subject of public debate.</p> <p>b) We have responded to the concerns raised in public debate by product enhancements to address consumers' needs. For example, level premiums have replaced stepped premium structures. As well, capped premiums options have been introduced where customers have an option of paying maximum premiums set at either the sum insured or twice the sum insured.</p>

GRI INDEX
(Continued)

TAL MATERIAL ISSUE: OPERATING A ROBUST GOVERNANCE FRAMEWORK

Category: Social

Sub-category: Product responsibility

Aspect: Customer privacy

GENERIC MANAGEMENT DISCLOSURES

G4 - DMA	<p>a) Why this is material and the impact that makes it material</p> <p>b) How organisation manages it or its impacts</p> <p>c) Management approach, including:</p> <ul style="list-style-type: none"> » Mechanisms for evaluating its effectiveness » Results of the evaluation » Any related adjustments to the management approach 	<p>Pg 26 Why this matters</p> <p>Pgs 26–30 What we are doing</p>
PR8	<p>Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data</p> <p>a) Report the total number of substantiated complaints received concerning breaches of customer privacy, categorized by:</p> <ul style="list-style-type: none"> » Complaints received from outside parties and substantiated by the organization » Complaints from regulatory bodies <p>b) Report the total number of identified leaks, thefts, or losses of customer data.</p> <p>c) If the organization has not identified any substantiated complaints, a brief statement of this fact is sufficient.</p>	<p>a) Nil</p> <p>b) Nil</p> <p>c) Through our Privacy Office we have processes to manage privacy related complaints and none of them have been substantiated during the period.</p>

TAL MATERIAL ISSUE: MAKING CULTURE MATTER

Category: Social

Sub-category: Labour practices and decent work

Aspect: Equal remuneration for women and men

G4 - DMA	<p>a) Why this is material and the impact that makes it material</p> <p>b) How organisation manages it or its impacts</p> <p>c) Management approach, including:</p> <ul style="list-style-type: none"> » Mechanisms for evaluating its effectiveness » Results of the evaluation » Any related adjustments to the management approach 	<p>Pg 31 Why this matters</p> <p>Pgs 31–35 What we are doing</p>
LA13	<p>Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation</p> <p>a) Report the ratio of the basic salary and remuneration of women to men for each employee category, by significant locations of operation.</p> <p>b) Report the definition used for 'significant locations of operation'.</p>	<p>Pg 33 Gender pay gap</p>

TAL MATERIAL ISSUE: BOOSTING CONFIDENCE AND TRUST IN THE INSURANCE INDUSTRY

Category: Social

Sub-category: Product responsibility

Aspect: Compliance

G4 - DMA	<p>a) Why this is material and the impact that makes it material</p> <p>b) How organisation manages it or its impacts</p> <p>c) Management approach, including:</p> <ul style="list-style-type: none"> » Mechanisms for evaluating its effectiveness » Results of the evaluation » Any related adjustments to the management approach 	<p>Pg 36 Why this matters</p> <p>Pgs 37–43 What we are doing</p>
PR9	<p>Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services</p> <p>a) Report the total monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.</p> <p>b) If the organization has not identified any non-compliance with laws or regulations, a brief statement of this fact is sufficient.</p>	<p>a) Nil</p> <p>b) We have corporate governance processes in place to identify non-compliance with laws and we have incurred no significant fines for breaches reported to regulators during the period.</p>

Contents	CEO's message	Our business	Strategy & stakeholders	Material issues overview	1: Customer needs and expectations	2: Sustainability of our business	3: Governance framework	4: Making culture matter	5: Boosting confidence and trust	GRI Index	Contact us
----------	---------------	--------------	-------------------------	--------------------------	------------------------------------	-----------------------------------	-------------------------	--------------------------	----------------------------------	-----------	------------

CONTACT US



We trust you have enjoyed reading about sustainability at TAL. We would welcome your feedback.

If you'd like to provide us with feedback on any part of this report or want more information about any of our sustainability activities please contact:

Michael Cook
Head of Brand and Reputation

Peter Noble
TAL UN PSI Representative

brand@tal.com.au
www.tal.com.au

