

# Our Climate Action Plan

Here's how we're adapting

FY19-21  
Scorecard Reporting



# Our Climate Action Plan and Scorecard

Climate change is one of the world's most pressing issues. Consistent with the scientific reports of the Intergovernmental Panel on Climate Change, global temperatures have the potential to increase between 1.5 and 3.0 degrees Celsius (°C) by 2050.

We recognise that IAG needs to play a role in climate change adaptation as well as reducing the emissions that are driving the change.

In FY17 IAG designed a three-year CAP to do both these things, and we initiated our work in FY18. As we deliver our plan for change, we hope to support and empower our customers, partners and communities to do the same.

This is IAG's final Climate Action Plan Scorecard, summarising how IAG has progressed against the objectives of its three year plan.

## Think big

Ensuring IAG leads on the right issues and builds the right relationships to enable climate action.

## Prepare our people

So that we can apply the depth of experience of people from across our business to support climate action.

## Reduce our emissions

To ensure IAG plays its role in emissions reduction.

## Invest responsibly

To ensure our investment activity aligns to IAG's purpose and appropriately addresses ESG and climate change considerations.

## Rethink risk

To ensure IAG's products, systems and partnerships help customers, businesses and communities to make a smooth transition to whatever the future brings.





# An overview of our first Climate Action Plan

## Introduction

IG's purpose is we make your world a safer place. Climate change is one of the world's most pressing issues and we recognise that to deliver our purpose we need to focus on mitigating the risks the communities, businesses, and individuals we insure are exposed to. The risks, impacts and opportunities that climate change present are seen across the whole life cycle of our business. From our investments to products and pricing, to supporting communities to build back better after natural perils, we are taking action.

We have made good progress against our action plan commitments and continued to ensure climate change risks and opportunities are considered and embedded into our business.

This scorecard provides a detailed review of the progress we have made against our commitments, as well as the challenges we have faced.

## Key achievements

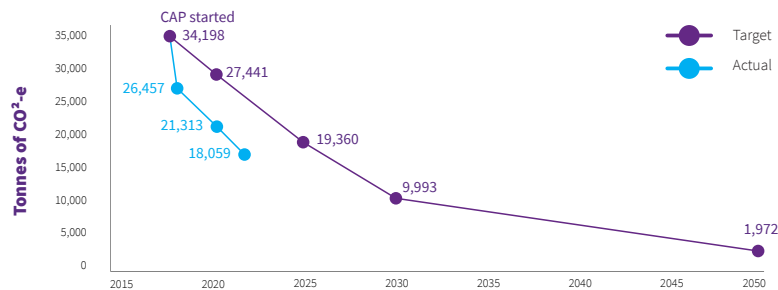
### Managing our emissions

As an organisation, while we have been carbon neutral across our direct operations since 2012, we know it is important to reduce our own emissions to play our part in limiting the severity of climate change.

Since launching our Climate Action Plan we have reduced our scope 1 and 2 emissions by 47%, achieving our science-based target of a 20% reduction by 2020, and we remain on track to achieve our subsequent targets of 43% reduction by 2025, 71% by 2030 and 95% by 2050.

Figure: IAG's emissions performance against its Science-Based Targets:

#### IAG Science based target



We have driven the downward trend in our emissions by:

- Consolidating our property portfolio and improving energy efficiency. IAG moved its Head Office in Sydney to a premise at Darling Park in 2018. The new office achieved a 5-star NABERS Energy Tenancy, which contributed to a significant drop in scope 2 emissions. The move also included enhanced initiatives to reduce our footprint such as the expansion of car sharing facilities, fewer printers, more plants, and sensor lighting and chill beam air-conditioning.
- In 2020 we installed a 99kW solar system on our Melbourne Data Centre in Burwood. The system is expected to generate over 100 megawatt hours of energy each year, equivalent to reducing 116tCO<sub>2</sub>e of IAG's annual emissions, which equates to approximately 0.9% of IAG's Scope 2 emissions. This has roughly the same impact as planting 5000 mature trees or neutralising the impact of 50 cars.
- We have also focused on reducing the impact of our fleet; this includes a commitment in New Zealand to transition to electric and hybrid vehicles and reduce the overall size of the fleet.

### Managing impacts through our value chain

In financial year 2021 we strengthened our investment approach, in line with the goals of the Paris Agreement, with a new Climate Action Plan commitment to align our investment activity with net-zero portfolio emissions by 2050. This is being implemented by a Board-approved Responsible Investment Policy that addresses key ESG risks including climate change. Since 2017 IAG has achieved a 72.5% reduction in the normalised carbon footprint of its equity portfolio, from 218.7 tonnes of CO<sub>2</sub> emissions per million USD invested, to 54.2 tonnes of CO<sub>2</sub> emissions per million USD invested as at 30 June 2021.

We remain committed to cease underwriting entities predominantly in the business of extracting fossil fuels and generating power from fossil fuels, by 2023. This has been implemented by a Board-approved Responsible Investment Policy that addresses key ESG risks including climate change. As at 30 June 2021, the current GWP relating to all fossil fuel mining and fossil fuel power generation is less than \$1 million, which equates to less than 0.005% of the total GWP written by the Group in the current year.

### Collaboration and advocacy

We know climate change cannot be tackled in isolation and our Climate Action Plan recognises this, with focuses on collaboration and advocacy.

IAG has invested in scientific expertise to ensure we have a robust and detailed understanding of climate change, natural perils, and their impact on insurance. Over the last three years we have championed the importance of sharing insights externally to encourage feedback and collaboration across the scientific and insurance industry.

One example of this is the peer-reviewed edition of *Severe Weather in a Changing Climate* co-authored with the US-based National Center for Atmospheric Research (NCAR). The first report was published in 2019, with the second following in 2020. The second report built on the first using the latest scientific findings, including IAG's physical risk modelling assessments for three potential temperature scenarios (+1.5°C, +2°C and +3°C and over) and discussed the increasing risk of multiple types of natural disasters impacting Australia. In contributing to the report, IAG made a deliberate decision to publish its internal research to help other stakeholders across our industry better understand physical climate risk.

Over the past few years IAG has played a leading role in developing sustainable finance roadmaps in Australia and New Zealand. We have continued our involvement with the Australian Sustainable Finance Institute (ASFI), contributing to the development of the Roadmap that aims to support an economy that is both prosperous, environmentally healthy and is effectively managing climate change. IAG has committed to continued support for implementation of the Roadmap, released in November 2020, by becoming the first founding member of the newly created permanent ASFI body, with our CFO Michelle McPherson joining the board.

IAG's close collaboration with the New Zealand Sustainable Finance Forum has also continued, supporting the development of their Roadmap for Action which was released in November 2020.

At an industry level, we have played an active role in the Insurance Council of Australia's Climate Change Action Committee, by chairing and leading the Data and Knowledge sub-committee. From this involvement, IAG has initiated projects that aim to improve and drive industry strategy to influence land planning, development and building codes.

Alongside global industry peers, IAG has contributed to the United Nations Environmental Program Finance Initiatives Principles for Sustainable Insurance (UNEP FI PSI) and has aligned our climate-related disclosure with the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD). This addresses how IAG is acting on climate change through Governance, Strategy, Risk Management, and Metrics and Targets.

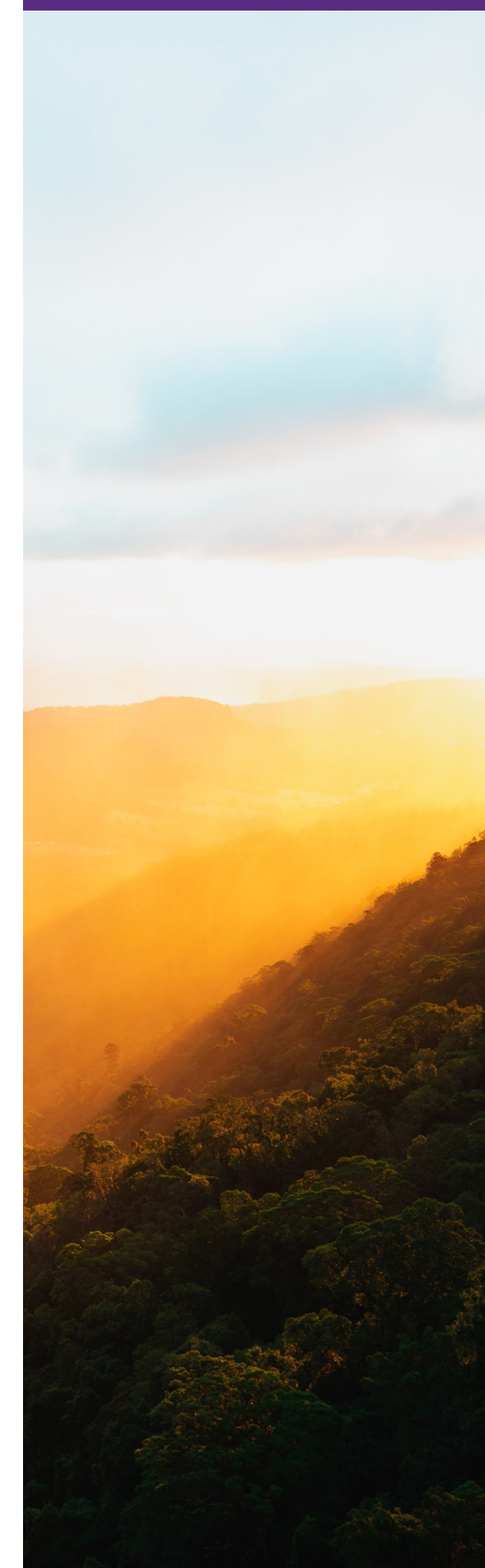
### Strengthening our approach to governance and risk

A strong approach to governance and risk management is vital to ensuring we mitigate the impacts of climate change, while recognising the opportunities to our business.

In the last three years IAG has further embedded the understanding of climate risk in our operations. It is incorporated into our Enterprise Risk Profile and we have focused on uplifting control effectiveness and our risk maturity. Significant progress has been made on implementation and monitoring of business controls and their effectiveness is overseen by the Climate Risks & Opportunities Steering Committee. Regular profiling and assessment of risks are conducted to ensure successful execution of our strategy and purpose.

We have strengthened our governance approach and our commitments through:

- A refreshed Board approved Social and Environmental Framework, which outlines our commitments to managing social and environmental (including climate) risks and helps our people understand their role in upholding our commitments. Furthermore, it aligns commitments across several of our policies including the Code of Ethics and Conduct, Supplier Code of Conduct and Group Procurement Policy.





# Think big

## Our Climate Action Plan Scorecard



Our objectives	Activities	3-year Status of Implementation (FY19-21)	Overall Progress	Timing and Milestones		
				FY19	FY20	FY21
<p><b>1.1</b> Help set the standard across our region by creating a business-wide approach to climate change <i>Accountable: Group CEO</i></p>	<p>1.1.1 Use our purpose, strategy and risk management to address risks and maximise opportunities from climate change</p>	<p>This is the seventh and final Scorecard for this Climate Action Plan, as IAG moves to the next stage of its climate action in November 2021. This Scorecard provides a status for the three years of activity since it was launched at the 2018 AGM.</p> <p>Since 2018, IAG saw heightened activity in industry and policy engagement (see 1.2 and 1.3), increased community outreach through its NRMA Insurance brand (see 1.4), continued reducing our emissions (see 3.1), contributed key research on physical climate risks in Australia (5.1) and made commitments to reduce climate risk exposure across our investments (see 4.1 and 4.2) and underwriting (see 5.3) activities. Supporting this, IAG strengthened governance of climate change as a key Enterprise Risk and strategic trend. This includes forming a Climate Risk &amp; Opportunity Steering Committee with senior leader representation across the business and providing a six-monthly update on climate change to the Group Leadership Team Risk Committee.</p> <p>IAG released TCFD-aligned climate-related disclosures for FY19, FY20 and FY21 as part of our annual reporting suite. The disclosures provide further details on IAG's climate risk management approach across our value chain (<a href="https://www.iag.com.au/safer-communities/iag-climate-action-plan/climate-related-disclosure">https://www.iag.com.au/safer-communities/iag-climate-action-plan/climate-related-disclosure</a>).</p> <p>IAG's Investor Relations, Corporate Affairs, Natural Perils and Safer Communities teams continued to meet with investors, analysts and regulators to share IAG's ESG and climate risk management approach. IAG welcomes the increasing focus on both issues as it prepares for its next 3-year Climate Action Plan.</p>		<p>Continue and expand communication with stakeholders on the issue</p> <p>Publicise our CAP and broaden our regular disclosure platforms</p> <p>Annually update progress against our CAP</p> <p>Build on initial TCFD analysis and disclosure in preparation for FY19 results announcements</p>	<p>Provide half yearly updates on progress against our Climate Action Plan</p> <p>Implement public climate risk disclosure in alignment with Taskforce on Climate-related Financial Disclosures (TCFD) guidelines</p> <p>Continue to engage with regulators regarding climate risk disclosure as an entity in all jurisdictions where we operate</p>	
<p><b>1.2</b> Provide a leadership role for the insurance industry in addressing climate change <i>Accountable: Group Executive, People Performance &amp; Reputation, Chief Strategy &amp; Innovation Officer</i></p>	<p>1.2.1 Role model industry leadership and drive cross industry programs including Insurance Council of Australia and UNEP-FI</p>	<p>IAG holds leadership roles in the Insurance Council of Australia's Climate Change Action Committee, including the Data sub-committee and Policy and Advocacy sub-committee. We contribute data and expertise to drive action for our shared vision of an insurable future. More details on specific projects IAG initiated and led through the ICA to drive industry-wide strategies to reduce the vulnerability of buildings to tropical cyclones, floods and actions of the sea are outlined in 5.1.</p> <p>In New Zealand, IAG is Chair of a new Insurance Council of New Zealand standing committee on climate change. IAG has also engaged relevant New Zealand Members of Parliament and key government agencies in direct conversation about the active role insurers play in climate change adaptation and advocating for an improved response.</p> <p>IAG joined 23 global insurers and re-insurers participating in the UNEP-FI Principles for Sustainable Insurance (PSI) Taskforce for Climate-related Financial Disclosures (TCFD) pilot. The pilot enabled industry benchmarking and informed IAG's ongoing approach to risk assessments, scenario analysis and climate-related disclosure. The final PSI TCFD report was published on January 2021, and can be accessed at <a href="https://www.unepfi.org/psi/wp-content/uploads/2021/01/PSI-TCFD-final-report.pdf">https://www.unepfi.org/psi/wp-content/uploads/2021/01/PSI-TCFD-final-report.pdf</a>.</p> <p>In June 2021 IAG launched the NRMA Insurance Wild Weather Tracker. The tracker is a quarterly analysis of NRMA Insurance claims data and research on community attitudes in NSW, Qld and the ACT. It will be released after every season to show the impact of severe weather and help communities prepare and protect themselves.</p>		<p>Help co-ordinate a session on climate extremes at the Australian Meteorological and Oceanographic Society Annual Conference</p> <p>Work with industry partners (peers, ICA and the PSI) to promote wide understanding of the role of insurance and its interaction with climate-related risks and opportunities</p>	<p>Continue working with industry partners (peers, ICA and the PSI) to promote wide understanding of the role of insurance and its interaction with climate-related risks and opportunities</p> <p>Share our knowledge and insights gained through the research project with the US National Center for Atmospheric Research (NCAR) to inform a common view of climate risk</p> <p>Support industry-wide climate conference</p>	

# Think big

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Our objectives	Activities	3-year Status of Implementation (FY19-21)	Overall Progress	Timing and Milestones		
				FY19	FY20	FY21
<b>1.3</b> Pursue system-wide change by collaborating widely across our relationships and networks <i>Accountable: All Group Executives</i>	1.3.1 Ensure senior executive engagement in key climate forums	<p>IAG co-chairs the Australian Sustainable Finance Initiative (ASFI) and is a key contributor to New Zealand's Sustainable Finance Forum (an initiative of The Aotearoa Circle). Both initiatives established roadmaps, launched in November 2020, for realigning the finance sector to support social, environmental, and economic outcomes. IAG is working to prioritise initiatives for implementation across its business.</p> <p>IAG has been active in New Zealand as a member of both the Climate Leaders Coalition and the Sustainable Business Council. IAG has contributed to the development of both of their latest strategies which have an increasing focus on climate action and adaptation. IAG is actively working with these organisations to improve broader understanding and activity on climate adaptation.</p>		Continue to support Climate Change and Business Conference in New Zealand  Play a leading role in the development of a Sustainable Finance Roadmap that incorporates climate change and resilience in collaboration with the UNEP-FI, Australian and New Zealand governments and businesses		
	1.3.2 Deepen our input and engagement with governments and industry on climate change and its impacts	<p>IAG's CEOs (Peter Harmer to 2020, followed on by Nick Hawkins in 2021) continued as chair of the CEO Committee of the Australian Business Roundtable for Disaster Resilience &amp; Safer Communities (ABR). IAG and the ABR continued to engage across governments to influence progress on disaster resilience. This has influenced recent Federal Government commitments, including the establishment of a National Recovery and Resilience Agency (administering a \$600 million disaster mitigation fund) and the Australian Climate Service (with an investment of \$210 million). In 2021, the ABR established the Resilience Valuation Initiative (RVI) coalition of more than 20 organisations to advance an accepted process with enabling methodologies for understanding the value of a resilience-building asset, network, feature or activity.</p> <p>In New Zealand, IAG made a submission to support the New Zealand Climate Change Commission's first draft carbon budget and emissions reduction recommendations. IAG also ran events for New Zealand's business community in 2021 focused on improving understanding of climate adaptation, including science around climate adaptation and Government policy response.</p> <p>IAG was invited by government bodies in Australia and New Zealand to play a role in climate change management, including active engagement and contribution to the National Disaster Risk Reduction Framework National Action Plan in Australia.</p>		Actively engage in and contribute to the Climate Leaders Coalition in New Zealand  Play an active role as IAG and representing the ABR in the development of the National Disaster Risk Reduction Framework in Australia		
	1.3.3 Advocate on important policy and regulation including the need for appropriate mechanisms to price carbon and the importance of increased renewable energy generation	<p>IAG has actively engaged in setting of regulation and policy on climate risk management. This includes publicly supporting the implementation of The Financial Sector (Climate-related Disclosure and Other Matters) Amendment Bill introduced by the New Zealand government. The legislation will require all organisations in the financial sector to disclose climate risks. IAG also made a public submission supporting APRA's prudential guidelines on Climate Change Financial Risks (CPG 229). IAG welcomes the guidelines as a key driver to further uplift climate risk and opportunity management across the Australian finance sector.</p> <p>Through the Insurance Council of Australia (ICA), IAG also participates in the Building Stronger Homes Roundtable, convened by the ICA and Master Builders Australia (MBA), to lead the discussion on policy changes to make Australian homes more resilient.</p>		Contribute to development of National Action Plan for National Disaster Risk Reduction Framework  Actively engage in and contribute to the Climate Leaders Coalition in New Zealand  Play an active role as IAG and representing the ABR in the development of the National Disaster Risk Reduction Framework in Australia		

# Think big

## Our Climate Action Plan Scorecard



Our objectives	Activities	3-year Status of Implementation (FY19-21)	Overall Progress	Timing and Milestones		
				FY19	FY20	FY21
<p><b>1.4</b> Continue our leadership in supporting community resilience and disaster risk management</p> <p><i>Accountable: Group Executive, People Performance &amp; Reputation CEO New Zealand</i></p>	<p>1.4.1 Make the world a safer place and continue community resilience leadership through our programs and partnerships</p>	<p>IAG regularly runs disaster awareness and preparedness campaigns. In FY21, the campaign featuring community partners NSW State Emergency Service and Australian Red Cross had a reach of 7.49m. IAG also launched the NRMA Insurance First Saturday campaign, in collaboration with NSW State Emergency Service, NSW Rural Fire Service and Australian Red Cross, to support customers and communities in improving their risk awareness and action. At close FY21, customers had signed up for 142,000 task reminders to make their homes safer with 1 in 4 acting. IAG has also helped bushfire-fighting efforts by trialling a new biodegradable, non-toxic fire retardant deployed from the NRMA helicopter during the 2019 and 2020 bushfires.</p> <p>In FY19, through the Good 'Hoods program, IAG established partnerships in Blacktown in Greater Western Sydney and Murrindindi in Victoria. Good 'Hoods drives connection and resilience through community-led initiatives that will help communities to address climate risk. Expansion of Good 'Hoods as a national movement was deprioritised, with learnings from the program being applied to support increased in climate and disaster resilience at the community level.</p> <p>For the past four years IAG has carried out a climate change opinion poll of 1,000 New Zealanders each year. In 2021, the poll focused on climate change adaptation, expectations around what changes New Zealanders expected to see and how they were planning to adapt. In tandem with the public opinion poll this year IAG also carried out research with members of the Sustainable Business Council and Climate Leaders Coalition to understand what they were doing around climate change adaptation.</p>		<p>Engage local government in New Zealand on approaches to climate adaptation for the community</p> <p>Investigate collaborative partnership with NSW Rural Fire Service to enable community preparedness and support bush fire management</p> <p>Expand Good 'Hoods Incubator program to a third location</p> <p>Expand disaster preparedness communication campaigns to drive behaviour change</p>	<p>Expand Good 'Hoods program National Movement that aligns to the Climate Action Plan</p> <p>Explore opportunities and partnerships to support natural capital in climate resilience</p>	<p>Timeline progress bar with markers for FY19, FY20, and FY21.</p>

# Prepare our people

## Our Climate Action Plan Scorecard



Our objectives	Activities	3-year Status of Implementation (FY19-21)	Overall Progress	Timing and Milestones		
				FY19	FY20	FY21
<p><b>2.1</b> Maintain Board and Group Leadership Team (GLT) engagement</p> <p><i>Accountable: Group Executive, People Performance &amp; Reputation</i></p>	<p>2.1.1 Support CAP initiatives with accountability, governance and reporting structures with overall ownership by GLT and Board</p>	<p>IAG embedded new governance, accountability and attestation processes, with EGM level sign off on progress against the Action Plan. IAG continued to engage its Group Leadership Team and senior leaders on specific climate-related activities which support the Climate Action Plan, including the Climate Risks &amp; Opportunities Program and updates on controls to manage climate risks.</p> <p>The IAG Board's Charter includes oversight of Safer Communities, sustainability, and climate change. This includes the consideration and approval of the external reporting on safer communities and sustainability strategies and initiatives (including climate change) within the Annual Review and the Annual Report.</p>		<ul style="list-style-type: none"> <li>Further embed a reporting and governance process for CAP scorecard through existing governance functions</li> <li>6-monthly reporting on status of CAP implementation to GLT</li> <li>At least annual reporting to Board on CAP progress</li> </ul>		
<p><b>2.2</b> Demonstrate visible commitment from IAG's senior executives</p> <p><i>Accountable: Group Executive, People Performance &amp; Reputation Chief Strategy &amp; Innovation Officer</i></p>	<p>2.2.1 Ensure CAP accountabilities are translated into performance management process for key roles</p>	<p>Costs for carbon offsets are allocated to IAG's Group Leadership Team (GLT) through the emissions profile of the division they are accountable for. This creates an internal carbon pricing mechanism that translates emissions performance to a direct financial impact on divisional budgets. GLT remuneration and reward is impacted by budget outcomes.</p>		<ul style="list-style-type: none"> <li>Integrate with business plans</li> <li>Ensure GLT and appropriate senior leader performance goals include CAP accountability</li> </ul>	<ul style="list-style-type: none"> <li>Further embed accountability for CAP objectives through integration into IAG's Enterprise Risk Profile and Corporate Strategy which factor into IAG's overall organisational performance, which influence senior executive remuneration and reward.</li> </ul>	
<p><b>2.3</b> Make our CAP everyone's responsibility by incorporating it into our management systems</p> <p><i>Accountable: Group CFO, Group Executive, People Performance &amp; Reputation, CEO Australia, CEO New Zealand</i></p>	<p>2.3.1 Factor climate change risks and performance into partnering considerations</p>	<p>IAG's Group Procurement Policy and Supplier Code of Conduct was launched in FY20 and requires ESG (including climate) risk assessments to be completed as part of procurement activity. At close FY21, 2,426 of IAG's suppliers across Australia and New Zealand had received the Supplier Code of Conduct, which represents an overall 100% completion rate across the regions.</p> <p>IAG formed the Responsible Technology Group to gain a preliminary understanding of its emissions impact through its technology supply chain, and scoped measures for climate-related impacts for technology suppliers that can be integrated alongside IAG's Supplier Code of Conduct.</p>		<ul style="list-style-type: none"> <li>Develop action plan across partnerships (community, commercial, sponsorship, suppliers)</li> </ul>	<ul style="list-style-type: none"> <li>Build systematic approach to engage with procurement and business partners</li> <li>Expand systematic engagement to supply chain partners in claims</li> </ul>	



# Prepare our people

## Our Climate Action Plan Scorecard



Our objectives	Activities	3-year Status of Implementation (FY19-21)	Overall Progress	Timing and Milestones		
				FY19	FY20	FY21
<b>2.3 (Continued)</b> Make our CAP everyone's responsibility by incorporating it into our management systems  <i>Accountable: Group CFO, Group Executive, People Performance &amp; Reputation, CEO Australia, CEO New Zealand</i>	2.3.2 Establish incentives and accountabilities for individual climate change elements through our systems	IAG senior leaders were engaged on climate-related issues that support the Climate Action Plan accountabilities, including taking part in the various Steering Committees that supported the Climate Risks & Opportunities Program, Energy Renewables and Efficiency and Climate Resilient Living projects. Overall implementation of the Climate Risks & Opportunities Program is on track, with the GLT Risk Committee updated every six months on prioritised initiatives to strengthen IAG's climate risk controls.  The next Climate Action Plan for FY22-24 looks to continue strengthening ownership of climate risk and opportunities across IAG's business divisions and key functions.		Engage promising talent (as well as business leaders) in programs of work in the CAP		
	2.3.3 Support learning and development of our people to support our organisational capacity to manage climate change issues across roles and functions	Following the launch of IAG's Social and Environmental Framework in October 2020 and IAG's Code of Ethics and Conduct in November 2020, staff training modules for IAG's updated Code of Ethics have now integrated ESG (including climate) considerations. This training is mandatory for all IAG staff.  Climate change awareness was embedded as a component of IAG's Purple Onboarding Program for all employees. IAG's onboarding microsite is sent to new employees before their employment start date and includes references to IAG's Climate Action Plan. A Climate Challenge Project was included in Game Changers (IAG's talent development program for female leaders), providing insights into how IAG can lean into the challenge of climate change.  IAG's Group Executive People, Performance and Reputation, Christine Stasi and Chief Risk Officer, David Watts, along with Non-Executive IAG Directors, Helen Nugent and Sheila McGregor, completed the Cambridge Institute for Sustainability Leadership Program. The program engages participants on specific strategic issues that global challenges pose, including climate change.		Develop and embed climate topics into induction, learning and development programs		
<b>2.4</b> Create simple pathways for our people to remain involved and contribute to our plan  <i>Accountable: Group Executive, People Performance &amp; Reputation</i>	2.4.1 Engage our people to successfully implement emissions reduction initiatives at our offices	IAG regularly engaged employees across Australia and New Zealand on climate change and sustainability issues through internal communications channels. With IAG's response to the COVID-19 crisis seeing close to 100% of its workforce able to work remotely, IAG published information on its intranet sharing tips with employees on how to make working from home during the crisis more eco-friendly, relating to the environmental, mental health and economic benefits of sustainable living.		Develop and deliver resources for leaders and teams on climate-related issues		
	2.4.2 Maintain and implement internal engagement plan on climate change	IAG launched its three-year Climate Action Plan internally in October 2018 with a significant number of employees attending in person in our Sydney and Melbourne offices.  IAG regularly engages its people through articles on the intranet detailing sustainability and climate-related initiatives, including the announcement of Sydney's Darling Park office achieving a 5-star NABERS rating, and highlighting the media attention IAG's Natural Perils team has received since Severe Weather in a Changing Climate was launched.		Support internal engagement program through Green Ninjas	Explore additional ways for our people to be engaged in activities that contribute to the plan	

# Prepare our people

## Our Climate Action Plan Scorecard



Our objectives	Activities	3-year Status of Implementation (FY19-21)	Overall Progress	Timing and Milestones		
				FY19	FY20	FY21
<p><b>2.5</b>  <b>Enable and support our people to access tools and initiatives that help them manage their own climate change impacts</b>  <i>Accountable: Group Executive, People Performance &amp; Reputation</i></p>	<p><b>2.5.1</b>            Support our people with tools, information and programs to contribute</p>	<p>IAG has encouraged climate advocacy and action from employees. This includes providing volunteer opportunities related to climate change, communicating how to take volunteer leave to help communities impacted by the summer bushfires in FY20, matching staff donations to the Australian Red Cross and introducing five days of emergency services leave for IAG employees who are members of emergency services. IAG also saw widespread employee attendance at the 2019, 2020 and 2021 Shared Value Summit Asia Pacific events, of which IAG was a major partner. Climate change is a key theme featured at all the Shared Value Summits.</p>		<p>Mobilise our people to take action on climate change</p>	<p>Integrate vehicle CO2 emissions into revision of salary sacrificed packaged vehicle scheme</p>	<p>Develop climate-related opportunities in employee program</p>



# Reduce our emissions

## Our Climate Action Plan Scorecard



Our objectives	Activities	3-year Status of Implementation (FY19-21)	Overall Progress	Timing and Milestones		
				FY19	FY20	FY21
<b>3.1</b> <b>Manage our own impacts in line with a transition to a low-carbon future</b> <i>Accountable: Group CFO, CEO Australia, CEO New Zealand</i>	<b>3.1.1</b> Meet IAG's science-based emission targets for scope 1 and 2 emissions	Since FY19, IAG's Property Strategy incorporated sustainability as one of the four strategic priorities with a plan to achieve IAG's science-based emissions reduction targets.  IAG's FY21 Scope 1 and 2 emissions of 18,059 tCO2e represents a 45% drop from its FY18 baseline. This is well under its 2020 science-based target of 27,443 tCO2e, and on track to continue reducing its Scope 1 and 2 emissions to meet its 2025 science-based targets of 19,360 tCO2e. While continued low emissions from operational energy and transport-related activities are partially attributed to the impact of COVID-19 in FY21, IAG's activities outlined in 3.2.1 all contributed to reduced emissions.  As part of our next 3-year Climate Action Plan, IAG will update its science-based absolute emissions reduction targets in line with net zero emissions and consider material changes to its emissions profile.		Implement property consolidation strategy to support reduction in emissions	Integrate renewable energy into Australian electricity procurement	
	<b>3.1.2</b> Maintain carbon neutrality	IAG has maintained carbon neutrality via purchases of carbon offsets. IAG retires carbon offsets based on a forward estimate of Scope 1, Scope 2 and measured Scope 3 emissions footprint. Costs of purchasing carbon offset units are allocated to each IAG division based on their emissions profile, creating an internal carbon pricing mechanism.  A diverse range of Australian, New Zealand and international carbon offset projects are supported through this approach. To offset IAG's FY20 emissions, Australia grew the proportion of Indigenous offsets purchased to 24%, and a further 3% of offsets supported New Zealand native reforestation forestry projects. This was IAG's first purchase of New Zealand native forestry credits.		Continue to purchase a portion of our carbon credits from Aboriginal and Torres Strait Islander communities as part of our ongoing Reconciliation Action Plan	Engage other corporate organisations and First Nations communities to develop a new carbon offset project that will provide an economic opportunity and employment outcomes for a local community as part of our ongoing Reconciliation Action Plan	
<b>3.2</b> <b>Leverage the latest thinking and technology to reduce the impact of our work practices</b> <i>Accountable: CEO Australia, CEO New Zealand</i>	<b>3.2.1</b> Create and implement a strategy to align our operational footprint with the carbon budget for a lower than two-degree future	The impact of IAG's property footprint reduced significantly. IAG's largest office, Darling Park in Sydney, achieved a 5 star NABERS rating. New Zealand's largest office, the NZI Centre in Auckland, transitioned to activity-based working which helped improve energy efficiency of the site.  An Energy Renewables and Efficiency project commenced and identified opportunities for renewables and energy efficiency in both Australia and New Zealand to support achievement of our science-based target to 2025 and beyond. From this, a 99-kilowatt solar photovoltaic system was installed on the IAG data centre in Burwood East, Melbourne in November 2020. This system reduces around 115 tCO2e of IAG's annual emissions, roughly the same impact as planting 5,000 mature trees or neutralising the impact of 50 cars.  In New Zealand, IAG committed to transition its corporate fleet to electric and hybrid vehicles to support the reduction of IAG's emissions from company vehicles. IAG has four electric pool cars in its New Zealand fleet and has developed an EV Early Adopter Programme that will be launched in early FY22 to introduce our first EV drivers.		Introduce pilot to reduce emissions from Australian fleet	Develop approach to fleet transition in New Zealand	
				Include carbon footprints into air travel dashboard	Continue and expand our internal carbon pricing mechanism	

# Invest responsibly

## Our Climate Action Plan Scorecard



Our objectives	Activities	3-year Status of Implementation (FY19-21)	Overall Progress	Timing and Milestones		
				FY19	FY20	FY21
<p><b>4.1</b></p> <p>Shift investments to companies that have a lower exposure to climate-related risks or a forward-looking strategy to manage these risks</p> <p><i>Accountable: Group CFO</i></p>	<p>4.1.1</p> <p>Continue to implement climate-related risk management measures through external fund managers as part of broader ESG risk management</p>	<p>In FY20, IAG committed to no longer investing in companies that are predominantly engaged in mining thermal coal (using a threshold of greater than 10% of revenue from the mining of thermal coal) in investment mandates where investment restrictions can be determined. In FY21, IAG published its Responsible Investment Policy, outlining IAG's commitment to managing impact and performance on responsible investment issues and including environmental climate related topics.</p>	●	<p>Maintain and extend ESG screening criteria for portfolios</p>	<p>Assess feasibility to further expand asset class coverage and adapting integrated climate focused sustainability approach for equity mandates.</p>	→
	<p>4.1.2 Deliver on commitment to Net Zero Investment Portfolio Emissions by 2050</p>	<p>IAG is committed to reducing the overall emissions contained in our portfolio to be aligned with the Paris Agreement (Art. 2.1c). In doing so, IAG committed to incentivising and require decarbonisation pathways of a scale and pace consistent with the 1.5°C objective of the Paris Agreement. Once companies start to transition towards low-carbon business models, IAG will see its portfolio decarbonise as well.</p> <p>IAG has established intermediate targets to reduce its Normalised Carbon footprint</p> <ul style="list-style-type: none"> <li>• Target minimum reduction of 25% versus 2020 relevant index level baselines until 2025 (to be implemented over FY21).</li> <li>• Target minimum reduction of 50% versus 2020 relevant index level baselines by 2030.</li> </ul> <p>Progress on how IAG is tracking against these commitments for Australian and Global Listed Equity Mandates was reported at end FY21 in IAG's Climate-related disclosure.</p>	●	●	<p>Develop external Responsible Investment Policy in alignment with IAG Environment and Social Framework. Agree framework and governance for key controversies and exclusions</p>	<p>Publish Responsible Investment Policy on IAG website.</p>



# Invest responsibly

## Our Climate Action Plan Scorecard



Our objectives	Activities	3-year Status of Implementation (FY19-21)	Overall Progress	Timing and Milestones		
				FY19	FY20	FY21
<b>4.2</b> Actively support action on climate change and a net-zero future  <i>Accountable: Group CFO, Group Executive, People Performance &amp; Reputation</i>	4.2.1 Continue to invest in reputable green bonds	At June 2021, and the close of this Climate Action Plan, Green Bond investments totalled A\$219M, exceeding IAG's FY20 target of A\$200M. Noting a milestone to 'explore alignment of investment process to allow customer choices in investment allocation of customer premiums' was removed from this Climate Action Plan in FY20 due to a reprioritisation of customer focused initiatives.		Continue to support thematic investments for a low carbon transition  Target an increase in green bond allocation to A\$200M		
	4.2.2 Leverage our investments to support climate resilient infrastructure and emission reduction	The Resilience Investment Vehicle (RIV) project was developed in partnership with National Australia Bank to develop an investment vehicle that will direct capital to finance new and/or adapt existing infrastructure that builds resilience to natural hazards. IAG continues to work on cross-sector collaboration to understand the financial incentive and investment mechanisms that could be applied to shortlisted cyclone and bushfire household resilience projects. Through the ABR, IAG joined the Resilience Valuation Initiative to identify and assess tools and methodologies for valuing resilience to natural hazards in assets and activities.		Explore pilot opportunities for a resilience investment vehicle		
<b>4.3</b> Measure carbon intensity and include climate related risks in the ESG risk management of our investments  <i>Accountable: Group CFO</i>	4.3.1 Measure ESG and carbon risk exposures in our portfolio	IAG uses external ESG research data and the capabilities of its investment managers to review climate-related investment exposures, assess carbon exposure and transition risks and to inform portfolio management. Ongoing investment due diligence considered investment managers' capabilities to incorporate ESG issues where appropriate. IAG's Investment Portfolio carbon intensity and related metrics are included in our annual climate-related disclosures. IAG continues to review and refine investment criteria, including by assessing and using ESG research, engaging with other like-minded investors and counterparties, and participating in organisations like the UN-supported Principles for Responsible Investment.		Assess and consider appropriate carbon and climate-related investment risk metrics for disclosure  Expand climate-related financial disclosure for carbon and climate-related investment risk  Engagement with research providers and fund managers on ESG and more explicit climate risks transition assessments.  Continue to review criteria for alignment with future climate targets and for expansion to other asset classes		

# Rethink risk

## Our Climate Action Plan Scorecard



Our objectives	Activities	3-year Status of Implementation (FY19-21)	Overall Progress	Timing and Milestones		
				FY19	FY20	FY21
<p><b>5.1</b> Lead climate research and analysis, including on natural perils, to support IAG and our stakeholders to better understand and respond to climate change</p> <p><i>Accountable: Chief Strategy &amp; Innovation Officer, Chief Risk Officer</i></p>	<p><b>5.1.1</b> Support research on natural perils and changing climatic conditions important to our business and the region</p>	<p>IAG's Natural Perils team continued in-house research and development, and collaborated with international scientific organisations to understand the impact of climate change on peril risks that affects IAG and our communities. The release of Severe Weather in a Changing Climate in November 2019 was a deliberate decision by IAG, as part of its research program with US-based National Center for Atmospheric Research (NCAR), to publicly release a large body of internal work to help other stakeholders across our industry better understand climate risk. A second edition of this report was released in September 2020 following further peer review of research and knowledge gaps.</p> <p>IAG and NCAR have also investigated climate change impacts to tropical cyclones along the east coast of Australia. Some of this work was published in the Journal of Weather and Climate Extremes, Volume 26, December 2019 "Physically-Based Landfalling Tropical Cyclone Scenarios in Support of Risk Assessment".</p> <p>IAG chairs the Insurance Council of Australia (ICA) Climate Change Action Committee Data &amp; Knowledge sub-committee. This has enabled us to drive projects identifying risk reduction options for houses at risk of cyclone and flood. These include:</p> <ul style="list-style-type: none"> <li>• Cyclone and Flood Vulnerability Project</li> <li>• Actions of the Sea Vulnerability Study</li> <li>• Queensland Fire and Emergency Services (QFES) Severe Wind Hazard Assessment</li> </ul> <p>IAG's ongoing support of the James Cook University Cyclone Testing Station is identifying risk reduction options to reduce affordability challenges. The Cyclone Testing Station research was picked up by the Queensland Government in the rollout of their Household Resilience Program.</p>		<p>Undertake research into potential climate futures through</p> <ul style="list-style-type: none"> <li>(i) research into extreme events due to current and future changes to climate for North Eastern Australia,</li> <li>(ii) support for flood projects within the Bushfire and Natural Hazards Cooperative Centre to improve floodplain management</li> </ul>	<p>Reconstruction of cyclone record for key events to establish more accurate historical record</p> <p>Undertake research into potential climate futures in New Zealand</p> <p>Release 'Severe weather in a changing climate' scientific report sharing our knowledge and insights gained through the research project with the US National Center for Atmospheric Research (NCAR)</p>	<p>Undertake further research into the impacts of climate change including hail, to identify risk drivers of weather-related events and risk reduction</p> <p>Use 'Severe weather in a changing climate' report to inform financial and economic modelling to demonstrate the opportunities to adapt the built environment</p>
				<p>Enterprise Risk Profile process includes climate research inputs</p>	<p>Scenario analysis informs Enterprise Risk Profile</p>	<p>Further embed scenario analysis into Enterprise Risk Profile</p>
<p><b>5.2</b> Further embed climate risk into the Enterprise Risk Profile, supported by the Risk Management Framework and Strategy</p> <p><i>Accountable: Chief Risk Officer, Group Executive, People Performance &amp; Reputation</i></p>	<p><b>5.2.1</b> Climate research and modelling used to inform the Enterprise Risk Profile process</p>	<p>Climate change has long been a key risk identified in IAG's annual Enterprise Risk Profile processes. In 2021, an updated identification of climate risk - specifically an "Inadequate Response to Climate Change" - was approved by GLT and Board Risk Committees.</p> <p>IAG's Enterprise Risk Response Plan for climate change integrates key objectives of this Climate Action Plan as risk controls, with clear accountability across the business.</p>		<p>Enterprise Risk Profile process includes climate research inputs</p>	<p>Scenario analysis informs Enterprise Risk Profile</p>	<p>Further embed scenario analysis into Enterprise Risk Profile</p>



# Rethink risk

## Our Climate Action Plan Scorecard



Our objectives	Activities	3-year Status of Implementation (FY19-21)	Overall Progress	Timing and Milestones		
				FY19	FY20	FY21
<b>5.3</b> Integrate climate insights, risks and opportunities into our strategic choices, portfolio assessments and pricing  <i>Accountable: Chief Risk Officer, Chief Strategy &amp; Innovation Officer</i>	5.3.1 Assess short, medium and long-term exposure of our portfolio to changing climatic conditions and potential future carbon policy	IAG's Climate Risks & Opportunities Program improved understanding and embedded consideration of climate-related impacts on our business model. This includes using IAG's research on physical and transition risk to assess climate risks and opportunities to key areas of IAG's business value chain. This is detailed in IAG's climate-related disclosures. This assessment has also prioritised where IAG should prioritise its activities to strengthen its climate risk controls.  In FY21, IAG focused on a reset of its strategy in the context of COVID-19 and the transition of our new CEO, including the announcement of a new operating model aligned to the strategy. The new operating model enhances IAG's ability through more dedicated resourcing to reset/refresh the Strategic Portfolio Management process and incorporate more specific climate change parameters. This work is feeding into the broader strategy and planning cycle.  IAG's Group Insurance Risk Framework was updated in the second half of FY21. The framework now references the Group Social & Environmental Framework as a related document to the governance and management of Insurance Risk. As further work on embedment is undertaken, IAG is assessing and considering other ESG impacts across its insurance portfolios to determine what additional commitments can be undertaken to further align its underwriting approach to IAG's climate action objectives.  IAG has also commenced work to have natural perils pricing integrated into technical pricing systems as part of its Serenity program. The Serenity program will ensure improved pricing will signal risks and inform on community and household investment in risk mitigation.		Ensure we can demonstrate how we have factored climate risk into product pricing and reinsurance  Complete internal climate risk project and review core capabilities and processes for management of mid-term climate-related risks	Integrate and embed climate risk analysis into portfolio assessment process  Use climate risk and opportunities project insights to embed into decision making through business planning and prioritisation processes  Apply lessons from climate risks and opportunities into future of home research	
	5.3.2 Deliver on commitment to cease underwriting entities mainly in the business of extracting fossil fuels and power generation from fossil fuels by 2023	IAG committed to cease underwriting entities predominately in the business of extracting fossil fuels and power generation using fossil fuels by 2023. This commitment is embedded within IAG's Business Division Licence. The commitment does not apply to supporting businesses that provide supply, transport, or distribution services.  At 30 June 2021, and the close of our three-year Climate Action Plan, IAG remained on track to meet this commitment by 2023, with Gross Written Premium (GWP) relating to all fossil fuel mining, and fossil fuel power generation being less than \$1m.			Publish and implement carbon exclusion process for underwriting  Assess and consider appropriate carbon and climate-related underwriting risk metrics for disclosure	
	5.3.3 Use scenario-based planning for considering climate change strategy and CAP	Through the UNEP-FI Principles for Sustainable Insurance TCFD pilot (see 1.2.1), IAG helped contribute to a globally harmonised approach to scenario disclosure across the wider insurance industry.  IAG held scenario testing workshops with stakeholders from across IAG to identify opportunities for our product and pricing models. In FY21, IAG refreshed its Oxford Climate scenario prototypes due to the impact of COVID-19 on the context. The prototypes are being used, combined with work done on IAG's Enterprise Risk Profile to engage and build broad ownership across the business for the next FY22-24 Climate Action Plan.			Collaborate on climate-related risk assessment with local and global partners, including participation in the UNEP-FI pilot  Implement scenario-based planning on climate change futures	

# Rethink risk

## Our Climate Action Plan Scorecard



Our objectives	Activities	3-year Status of Implementation (FY19-21)	Overall Progress	Timing and Milestones		
				FY19	FY20	FY21
<p><b>5.4</b>  <b>Help our customers and communities to reduce emissions and adapt to climate change</b></p> <p><i>Accountable: CEO Australia, CEO New Zealand, Chief Strategy &amp; Innovation Officer</i></p>	<p>5.4.1            Pursue commercial opportunities to support customers and communities to pursue climate adaptation and a low carbon transition</p>	<p>In FY20, IAG commenced a Low Carbon Living Project to investigate customer desirability towards low carbon mobility and integrating energy efficiency and renewable energy into their homes. The Project progressed from discovery to Steering Committee endorsement of the program direction and funding.</p> <p>IAG's Product, Pricing and Governance implemented the Product Lifecycle Management (PLM) process in the second half of FY21 to ensure IAG's products meet the current and future likely needs of our customers while coverage remains affordable and accessible.</p> <p>To further reduce risks for customers exposed to climate-related perils, IAG launched the NRMA Insurance First Saturday preparedness campaign. This campaign complements the disaster season programs IAG runs in partnership with the NSW State Emergency Service and Australian Red Cross (see 1.4).</p> <p>The NRMA Insurance "every home is worth protecting" campaign in partnership with Conservation Volunteers Australia, saw IAG plant a tree for every home insurance policy sold. This planting of more than 67,000 has helped restore koala habitat and reduce the impacts of climate change.</p>		<p>Identify and assess climate-related growth opportunities in customer and brand segments through qualitative and quantitative customer research</p> <p>Update existing fuel efficiency discount and expand to low-carbon mobility incentive</p>	<p>Test and develop insights for products and services relating to resilience, safety and a low-carbon transition</p> <p>Review and update incentives and education to support low-carbon behaviour through existing products</p>	<p>Target and scale new climate-aligned products that enable emission reduction and adaptation</p>
<p><b>5.5</b>  <b>Drive risk mitigation in the building industry by generating insights into the impacts of natural perils</b></p> <p><i>Accountable: CEO Australia, CEO New Zealand, Chief Strategy &amp; Innovation Officer</i></p>	<p>5.5.1            Assign resources to gain insights from claims and promote adaptation in the building industry</p>	<p>IAG provided CGU and NRMA customers with a discount on their home insurance products if they were a part of the Queensland Government's Household Resilience Program. Through this initiative, IAG's Natural Perils team leveraged claims history to understand the financial impacts of natural perils events on IAG. This in turn informs the key risk reduction opportunities IAG can influence through products and pricing or changes to building codes and practices.</p> <p>IAG supports the recommendations from the Royal Commission into National Natural Disaster Arrangements calling for resilience to be built into the National Construction Code and consideration of disaster risk into land use planning. The recommendation focuses on the work insurers need to do with stakeholders to recognise and provide incentives for risk reduction initiatives.</p> <p>This supports the work IAG is involved in with the Building Stronger Homes Roundtable. This Roundtable is convened by the ICA and Master Builders Australia and is leading the discussion on policy changes to make Australian homes more resilient.</p>		<p>Provide discount to customers as part of QLD household resilience program</p> <p>Undertake further research and use insights to continue influencing built form through products, pricing, partnerships and customer education</p>	<p>Provide practical solutions to customers to mitigate risks that cause damage</p> <p>Drive alignment in risk assessment methodologies/data across land planning, building code/practices, insurance and banking</p>	<p>Where commercially viable, apply incentives for risk mitigation and insights into supply chain activities</p>