



FY23 Group Climate-related Disclosure

August 2023

Contents

This climate-related disclosure is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This is our fifth TCFD-aligned disclosure. As we continue to evolve our approach, from FY24, we will consider the final recommendations for climate-related disclosures from the International Sustainability Standards Board (ISSB).

This disclosure forms part of IAG’s FY23 annual reporting suite, which also includes the Annual Report and ESG Data Summary. Unless specified, this disclosure and all content is specific to IAG’s Group function. Please see IAG’s FY23 New Zealand Climate-related Disclosure | Whakapuakanga e whai pānga ana ki te Āhuarangi for information specific to the New Zealand function.

IAG acknowledges the Traditional Owners of the lands across Australia as the continuing custodians of land and waterways in which we live and work. We pay our respects to Elders and ancestors past and present.

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Important information

This document contains general information current as at 21 August 2023 (unless otherwise stated) and is not a recommendation or advice in relation to any product or service offered by Insurance Australia Group Limited or its subsidiaries (IAG). This document is not an invitation, solicitation, recommendation or offer to buy, issue or sell securities or other financial products in any jurisdiction.

This document does not take into account the financial situation, investment objectives or particular needs of any person. The document should be read in conjunction with IAG’s other periodic and continuous disclosure announcements filed with the Australian Securities Exchange (available at www.iag.com.au) and investors should consult with their own professional advisers. No representation or warranty, express or implied, is made as to the accuracy, adequacy, completeness or reliability of any statements, estimates or opinions, or the accuracy or reliability of the assumptions on which they are based.

This document contains forward looking statements including statements regarding IAG’s strategy, targets, goals, ambitions, intent, belief, objectives, commitments and current expectations. Forward-looking statements may

generally be identified by the use of words such as "should", "would", "could", "will", "may", "expect", "intend", "plan", "forecast", "aim", "anticipate", "believe", "outlook", "estimate", "project", "target", "goal", "ambition", "continue", "guidance", "aspiration", "commit" or other similar words. Guidance on future earnings or performance are also forward looking statements.

These forward-looking statements reflect our current views and expectations of future events and are based on assumptions and contingencies which are subject to change. Such statements involve risks (both known and unknown) and assumptions, many of which are beyond IAG’s control. This may cause actual results to differ materially from those expressed or implied in such statements. You are cautioned not to place undue reliance upon such forward-looking statements. IAG assumes no obligation to update such forward-looking statements (except as required by law).

There are particular risks and uncertainties associated with forward-looking statements and other representations relating to environment, social

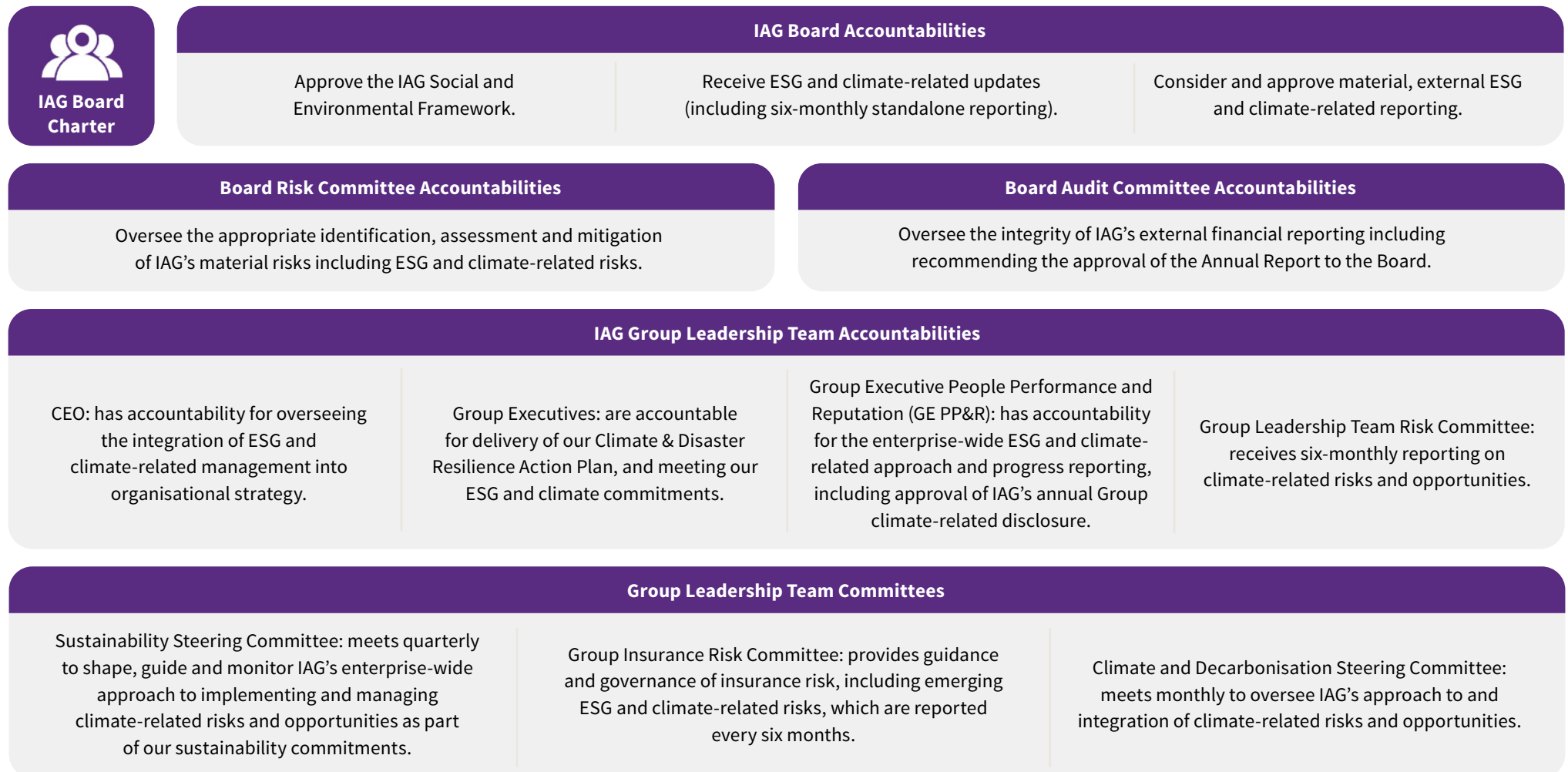
and governance (ESG) issues, including but not limited to climate change, climate and disaster resilience and other sustainability-related statements, commitments, targets, projections, scenarios, assessments, forecasts and expectations. These are subject to risks (both known and unknown), and there are significant uncertainties, limitations and assumptions in the metrics and modelling on which these statements rely. In particular, the metrics, methodologies and data relating to climate and sustainability are rapidly evolving and maturing, including the methodologies to capture and record emissions, and there is uncertainty around future climate and sustainability-related policy and legislation.

To the maximum extent permitted by law, IAG and its respective directors, officers, employees, agents and advisers disclaim all liability and responsibility for any direct or indirect loss, costs or damage which may be suffered by any recipient through use of or reliance on anything contained in, implied by or omitted from this document.

Governance

IAG's Board and the Group Leadership Team have oversight of ESG and climate-related risks and opportunities within our governance framework. Key responsibilities are detailed in Figure 1.

Figure 1: ESG and climate-related accountabilities of IAG Board and Management (Group Leadership Team).



Board and Management oversight

IAG's **Board Charter** includes oversight of the Group's sustainability approach, as a function of the Board, as set out in Figure 1. Our **Social and Environmental Framework** (Framework) provides overarching guidance for our people, detailing our commitments to managing social and environmental risks and opportunities. This year we have uplifted our approach to managing ESG risk, this included a Board-approved update of the Framework.

The Board considers ESG and climate-related risks and opportunities as part of IAG's core strategy, business model and financial planning processes. Through IAG's standing Audit and Risk **Board Committees**, climate-related impacts are discussed, and progress towards climate-related milestones and targets is measured and monitored. Climate-related impacts were discussed in two of eight Board Risk Committee meetings in FY23.

As part of the ongoing Board education program, a dedicated ESG and climate deep-dive session was held in FY23. This session outlined IAG's approach to managing the long-term physical risk impacts of climate change on our business.

IAG New Zealand Board and Management

The IAG New Zealand Board, its standing committees and IAG's New Zealand Leadership Team, are responsible for directly and indirectly governing climate-related risks and opportunities for IAG New Zealand.

The New Zealand Board received two education sessions on climate-related impacts in FY23. These sessions covered broader ESG considerations with one focusing on physical and transition risks and opportunities.

Strategy

Extreme Weather in FY23

Global atmospheric temperatures are now around 1.2°C warmer than the pre-industrial era. Climate drivers and weather systems impacting our communities are already influenced by human-caused climate change. Our [research](#) indicates the frequency and severity of extreme weather is likely to be strongly influenced by climate change over much of the 21st century.

Australia and New Zealand have recorded multiple extreme weather events in the past 12 months, with \$10,203 million in claims paid out across the Group. The dominant climate drivers of FY23 were a rare third consecutive La Niña and a negative Indian Ocean Dipole. They led to wet conditions across much of southern and eastern Australia in late winter and spring 2022. Warmer-than-average ocean temperatures ultimately caused several significant flooding events throughout inland New South Wales, Victoria, Tasmania, and South Australia.

Although these climate drivers weakened over summer 2022-2023, sea surface temperatures in the Coral Sea and around New Zealand remained above average. These conditions transported a high quantity of moisture, known as an 'atmospheric river', from the tropics toward New Zealand in early 2023. This resulted in the worst flooding event in Auckland's history. Ex-Tropical Cyclone Gabrielle followed, causing record flooding through the Hawkes Bay region during summer 2023.

Extreme weather events across both Australia and New Zealand in FY23 have led to our customers increasingly having to face into the impacts of unexpected loss as well as increased costs and claims numbers for IAG.

There is significant uncertainty surrounding the impacts of climate change, and how IAG's portfolio and the broader economic and physical environment will look in

the long-term. As such, the climate-related physical and transition risk scenario analyses discussed in this Section (page 5 and 9) should only be considered as illustrative for the purposes of driving robust discussion and building resilience within our strategy.



Climate scenario analysis

A climate changed future will result in physical and transition risks and opportunities for IAG. To identify potential impacts, climate scenarios are currently used to inform our business and financial planning processes. This enhances our understanding of future physical and transition climate-related impacts on our business.

In addition to previous scenario analysis (see our [FY22 climate-related disclosure](#)), this year our annual capital stress testing focused on climate-related physical risks. Stress testing is undertaken through the Group's Internal Capital Adequacy Assessment Process (ICAAP) framework. This is a useful tool for exploring the potential implications of climate-related risks, which provide input into our risk appetite, capital target setting, and contingency planning. Our FY23 stress test assumed the world had experienced a 3°C increase in global temperature. Three key areas were tested: natural perils, reinsurance programs, and the economic environment.

In the absence of appropriate risk management or management actions, the following potential impacts were identified:

- Chronic increases in peril risk – moderate impact on group profitability
- Reduced reinsurer risk appetite – increased reinsurance program costs
- Additional regulatory capital – required to offset increased volatility
- Premium increases – required to offset increased gross insurance loss expectations, which would need to be considered in the context of affordability issues.

Future stress tests are expected to incorporate transition and liability risks.

In FY23, IAG New Zealand strengthened its climate scenario analysis using the Shared Climate Scenarios developed by the Insurance Council of New Zealand (ICNZ). Physical and transition risks and opportunities have been identified to understand future impacts to IAG New Zealand.



Anticipated physical risks

Through our annual modelling process, anticipated weather event impacts (Table 1) are applied as overlays to our perils risk models, using global climate scenarios as standardised through the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report. This allows us to understand potential impacts to pricing, claims, reinsurance, capital, and financial metrics.

IAG's exposure to extreme weather events in Australia has the potential for material financial impact on Group performance. It is expected extreme weather events will become more frequent and severe in a warming climate, and may lead to greater property, personal and economic damage resulting in further hardship for our communities.

Understanding the complex relationships between extreme weather and changing climate conditions is an important step in assessing and managing climate-related risk. IAG's understanding of these risks is embedded in our ongoing research. This includes the second edition of the **Severe Weather in a Changing Climate** report, which IAG released in partnership with the US-based National Center for Atmospheric Research (NCAR), in 2020.

Our research shows that climate change will result in more frequent and extreme weather events across Australia, with key insights summarised in Table 1 below.

Based on our internal climate scenario modelling, continued high emissions, resulting in up to 3°C average global temperature rise, could increase the number of properties classed as high risk. This decreases under a 2°C average global temperature rise scenario, with a more modest increase in expected risk for most properties.

Physical risks and potential consequences to IAG identified through our ongoing scenario analysis process have been outlined in Table 2 on the next page.

Table 1 – Anticipated weather event impacts








Rising Temperature	Bushfire	Tropical Cyclones	East Coast Lows	Hail	Rain and Floods	Sea Level Rise
						
Warming will likely continue and could reach 1.5°C by 2030.	Increasing bushfire weather frequency across most parts of Australia.	A higher proportion of tropical cyclones reaching the most intense categories. A shift in tropical cyclone risk region to the south, and intense flooding.	Increasing frequency of damaging East Coast Lows impacting south-east Australia over summer and autumn.	Changes to the frequency and severity of large and giant hail, with an overall trend towards more damaging hail events.	Increasing frequency of intense rainfall leading to increased riverine flooding, flash flooding, and general storm damage.	Accelerating sea level rise to around 80cm by 2100 leading to more frequent coastal inundation and increased severity of flooding.

Table 2: Physical risks and potential consequences to IAG

Theme	Risk	Potential Consequence
Emerging and rapidly changing physical risks	Underestimation of insurance pricing, reinsurance and/or capital requirements.	Reduction in insurance margins, increased loss retention and volatility or capital inadequacy.
Chronic increases in extreme weather risk	Underestimation of insurance pricing, reinsurance and/or capital requirements.	Reduction in insurance margins, increased loss retention and volatility or capital inadequacy.
	Increased reinsurance costs.	Increased costs and/or reduction in insurance margins.
	Increased retention of risk from changing reinsurer risk appetite.	Increased earnings volatility.
Pace of adaptation	Unintentional aggregation of high-risk exposure.	Increased insurance losses and erosion of insurance margins.
Acute extreme weather risk affordability concerns	Size and nature of Government intervention in the private insurance market.	Increased operational costs and decreased insurance margins and loss of market/customer base.

Financial Impacts

Modelled average claims cost increases are one measure of the financial impact that climate-related extreme weather events may have on IAG in Australia and New Zealand. Our focus on climate-related resilience and adaptation is driven by the material projected increases in bushfire, flood, tropical cyclone and storm claims as well as the impacts to our customers and community.

Without further action to address resilience and adaptation from both the public and private sectors, the exposure and vulnerability of insured assets to physical risks will increase. In a high emissions scenario, this is expected to most significantly impact properties in locations that are highly exposed to extreme weather risks and may increase insurance affordability issues.



CASE STUDY

Advocacy and collaboration

We are advancing the conversation on floodplain risk management in Australia and New Zealand by publishing targeted research. IAG advocates for ongoing investment in resilience to protect people from extreme weather events. We also recognise that relocation plans must be considered when communities are facing high or extreme risks and mitigation is not feasible.

In March 2023, the Australian Federal Minister for Emergency Management, Senator the Hon. Murray Watt, launched the *Planned Relocation – Protecting our Communities* **research report**. We commissioned this report with Rhelm, a consultancy specialising in natural hazards and resilience. The report provides recommendations to help governments and communities assess planned relocation as an option to protect lives into the future.

The report outlines seven key recommendations for planned relocation, including developing national guidance; prioritisation and funding for social support for residents; and establishing a legislative framework for accelerated approvals, including re-zoning, subdivision, and development approvals. We remain committed to working with governments and communities to help reduce extreme weather risk and help protect lives and property into the future.

Further information on how IAG is collaborating with industry and government can be found on our website at www.iag.com.au.

FACT SHEET – MARCH 2023

PLANNED RELOCATION – PROTECTING OUR COMMUNITIES

This report looks at the enablers and barriers of planned relocation in Australia for residential houses and explores how and when this is feasible for Australian communities to protect them from the impacts of natural hazards.
The report considers the different stages of planned relocation. It considers a number of key elements including, developing a scheme, the role of the community in its success, and the delivery, including policy, management and funding.

KEY CONSIDERATIONS FOR PLANNED RELOCATION

A FRAMEWORK FOR THE STAGES OF PLANNED RELOCATION

Decide

➔

Plan

➔

Implement

➔

Integrate

COMMUNITY

- Community involvement throughout the Planned Relocation process, is key for the successful implementation. However, community issues and needs can be highly complex, and location specific.
- Decision to leave is not always voluntary and lots of social impacts of this decision.
- Social infrastructure and support are a necessity for successful relocation schemes.

DELIVERY

- In either Community Relocation* or Buy Back Schemes**, the ability to move quickly after a natural hazard event requires the appropriate government infrastructure, policies, and frameworks to be in place.**
- Many Local Governments do not have the capacity, scale or skill sets to manage and implement a Planned Relocation Scheme independently.
- Most policy approaches to planned relocation are "voluntary" or opt-in usually with a timeframe, but voluntariness is on a scale, people that opt-in early have other choices.
- A recent natural disaster or history of natural disasters is often the catalyst for a community considering planned relocation.
- Preparing subdivisions ahead of disaster and allocating low risk land ready to be built enables timely success of a planned relocation scheme.

* **Community Relocation** looks not only at removing the people from the area at risk, but also at the subsequent resettlement of those people in the alternative location.
** **Buy Back schemes** is one where assistance is provided in the form of an agency purchasing a property that is at risk. However, no support is provided for the relocation of the individual or community to an alternative location.

Click to read the factsheet

Transition risks

Our most recent Group-level climate transition risk analysis was completed by EY and Climateworks Australia in 2019, and focused on premiums, technology, supply chain and litigation risk. The scenarios assessed for transition risks aligned to the Deep Decarbonisation Pathways Project (DDPP) and are as follows:

- **Business as Usual (4°C)** – Insufficient decarbonisation trajectory of incremental approaches to technology, society and policy
- **Balanced Decarbonisation (2°C)** – Steady decline trajectory aligned to the original 2°C objective of the Paris Agreement
- **Delayed Action (2°C)** – Insufficient trajectory up until 2030, followed by a rapid decline trajectory, driven by strong actions
- **Stretch (1.5°C)** – Rapid decline trajectory driven by strong actions by policy and society, supported by rapid innovation.

Transitioning to a low-carbon, climate resilient future presents medium- and long-term risks and opportunities for IAG's portfolios. We must consider these as part of our strategy and risk management framework. Group transition impacts are currently being re-evaluated, with work underway to align this analysis at a strategic level.

Table 3: Types of climate-related transition risks included in our risk assessment

Transition risks	Examples of risks assessed
Regulatory – current	<ul style="list-style-type: none"> • Mandatory disclosure frameworks, including the Aotearoa New Zealand Climate Standards • Supervision of climate-related risks in the financial sector, including Australian Prudential Regulatory Authority's climate-related guidance (CPG 229), and upcoming Insurance Climate Vulnerability Assessment.
Regulatory – emerging	<ul style="list-style-type: none"> • Mandatory Australian climate and sustainability-related financial disclosures • International Sustainability Standards Board (ISSB) sustainability and climate-related disclosure frameworks • Reserve Bank of New Zealand's guidance on managing climate-related risks • Taskforce for Nature-related Financial Disclosures (TNFD).
Legal	<ul style="list-style-type: none"> • Climate-related litigation risks in respect of IAG, its customers, suppliers, and partners.
Technological	<ul style="list-style-type: none"> • Emerging technologies to support the transition to a low-carbon economy, including electric vehicles, charging and energy storage infrastructure, and renewable energy generation.
Market	<ul style="list-style-type: none"> • Changes in consumer behaviour to support climate action, enabled by government policy, e.g., public transport infrastructure and denser living environments • Climate change continuing to disrupt global supply chains, leading to delays and inflationary pressures.
Reputational	<ul style="list-style-type: none"> • Risk of greenwashing • Increasing affordability and availability challenges due to climate-related hazards could be seen as a market failure and prompt government intervention • Accelerating expectations around transparency of climate-related disclosure.

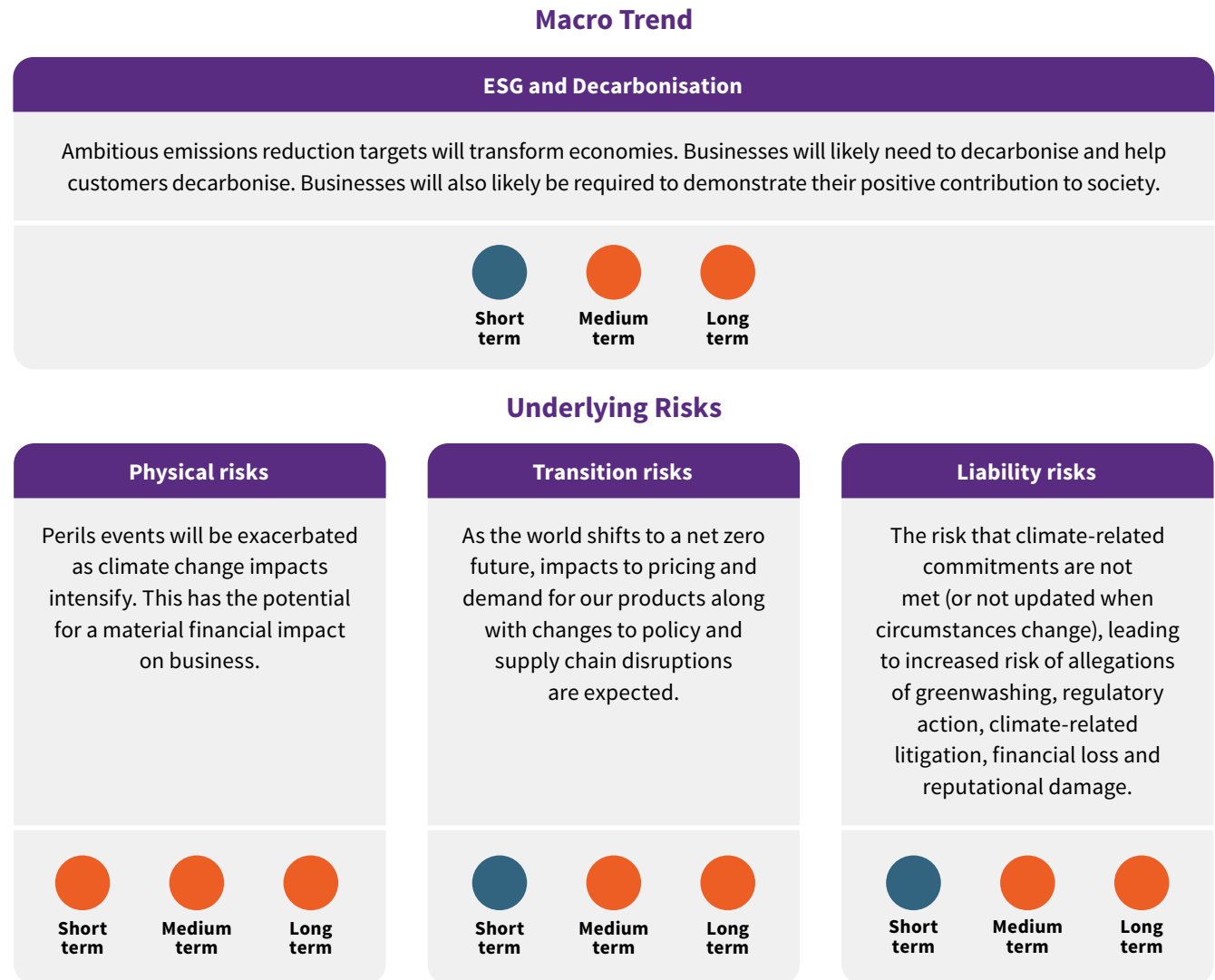
Future climate-related impacts

We incorporate macro trends into our long-term planning horizons. Seven macro trends have been identified as part of our current assessment. Of these, ESG and climate-related risks are the most pressing and are expected to shape the future of IAG’s operating environment (Figure 2).

A changing environment will present IAG with a series of strategic opportunities and challenges in the future. We acknowledge the need to build out our capability and further develop our understanding of climate-related risks and emission reduction opportunities. Our Climate and Decarbonisation Strategy project is enabling us to embed this within our strategy and planning processes.

As described in the climate scenarios section above, our analysis helps us better understand the potential risks and opportunities for our business. We expect climate change to have a gradual but persistent impact. Insights from our macro trend analysis are being used to inform where resilience and adaptation activities should be prioritised, in line with our Climate & Disaster Resilience Action Plan (Action Plan). Key risks stemming from our ESG and decarbonisation macro trends are shown in the graphic on the right.

Figure 2: Underlying risks from ESG and decarbonisation macro trend



Short Term – 0 to 3 years
 Medium Term – 3 to 5 years
 Long Term – 5 to 10 years

● Medium risk ● High risk

An ‘inadequate climate change response’ is part of our Enterprise Risk Profile (ERP) and has been broken down into five component areas across our value chain. These areas are where climate-related physical and transition risks and opportunities will likely have the greatest impact on our business, strategy, and financial planning processes (Table 4).

Table 4: Impact of an inadequate climate change response on IAG’s insurance value chain

	Reinsurance and capital	Product and service pricing	Portfolio and customer segments	Claims and insurance supply chain	Investments
Risk type	Chronic physical	Acute physical	Transition	Chronic physical/transition	Transition
Likelihood	More likely than not	About as likely as not	About as likely as not	About as likely as not	About as likely as not
Primary financial Impact	Decreased access to capital	Increased insurance claims liability	Decreased revenue from reduced demand for products and services	Decreased asset value	Increased volatility of investment returns
Description	Access to economically sustainable reinsurance and capital could be impacted as losses and claims increase.	Increased natural peril costs impact long-term affordability of insurance and can lead to profit volatility.	Affordability and availability of insurance is impacted by risk-based pricing. Market and technology shifts can impact distributions and volume of risks/policies in force.	Increased claims from more severe and/or frequent extreme weather events. Market and technology shifts in response to climate-related impacts with a run-on effect on supply chains.	Climate-related transition will have a varied impact on investments.
Time horizon, velocity and impact	Short-term risks require adjustment to reinsurance programs and premium pricing. Medium-term risks present a concern due to impact on assets not built for extreme weather events.	Medium- to long-term risks and opportunities from new technologies and changes to consumer behaviours.	Medium-term risks from a shrinking insurance market and reputational impacts.	Medium-term risks from increased average claims costs.	Short- and medium-term risks to investments exposed to changes in consumer/ investor preferences and climate-related regulation.

Our transition plan

Our current climate-related risk management is aligned to IAG's strategy, and we continue to support a transition to a climate resilient, low-carbon economy. Details on IAG's strategy can be found in the 'Purpose and strategy' section of the FY23 Annual Report.

We deliver our climate strategy through our enterprise-wide Climate & Disaster Resilience Action Plan (Action Plan). Our Action Plan responds to material short-, medium- and long-term risks and opportunities across three focus areas: Rethinking Risk, Transforming the System, and Driving to Zero. Each includes commitments and supporting goals to drive positive outcomes for IAG and our value chain, while encouraging a transition to a net zero future.

To support our Driving to Zero commitment, we published our Net Zero Roadmap in FY23. We report progress against our commitments in our FY23 Action Plan Scorecard, which can be found on pages 22-25.



Risk management

IAG identifies, assesses and reports on ESG and climate-related risks to support the delivery of our strategy. For more information on our overarching risk management process, see 'Section B – Business Risk and Risk Management' of the FY23 Annual Report, and the 'Managing risk at IAG' section of our website.

Identifying climate-related risks

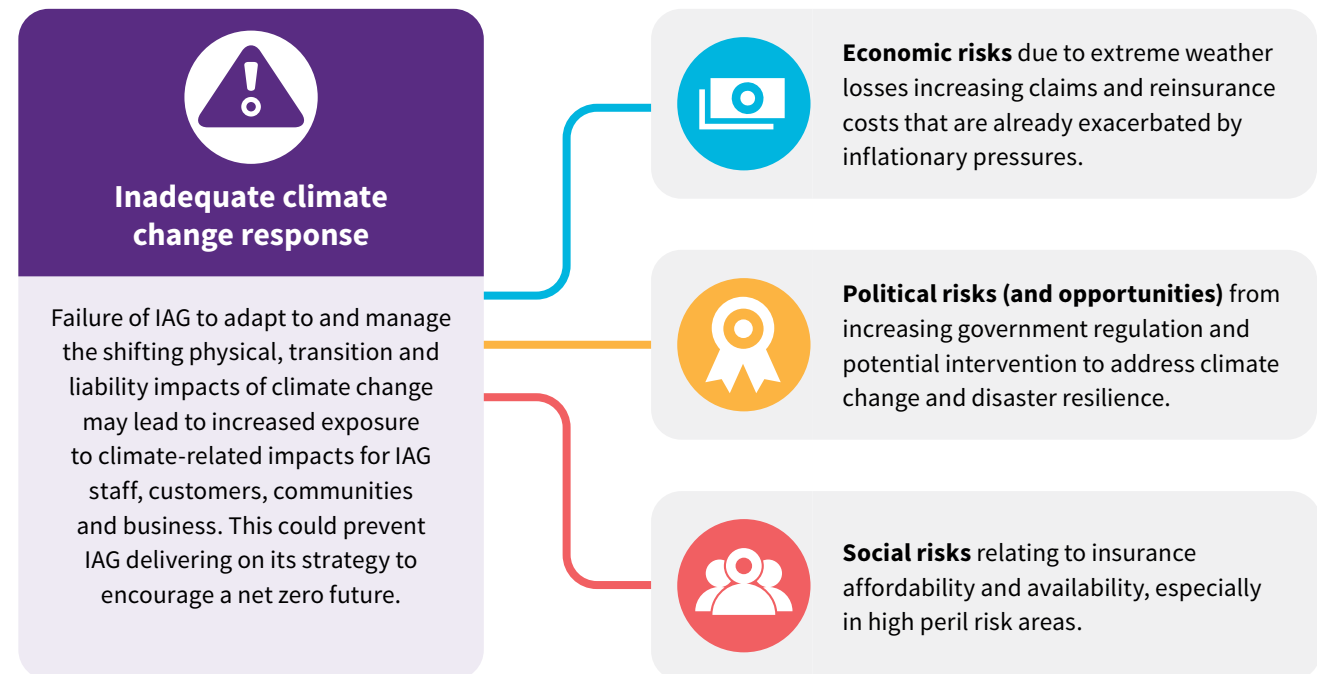
Climate-related considerations are embedded in IAG's risk architecture and are:

- Included in the Risk Management Strategy (RMS), which governs all risk elements
- Assessed for severity, likelihood, velocity, and connectedness in the Enterprise Risk Profile (ERP)
- Quantified or qualified for impacts and managed through associated divisional plan responses

Our ERP articulates risks that may impact our ability to deliver on our strategic objectives, outlines controls to mitigate those risks and supports the implementation of our strategy. Using stress testing, Management reviews the ERP quarterly and reports on it to the Board annually. Emerging regulation is also monitored, identified and managed as part of our broader risk management processes.

The FY23 ERP process revalidated 'inadequate climate change response' as a critical enterprise risk. This is consistent with previous years, reflecting the systemic impact of climate change on IAG (Figure 3).

Figure 3: Climate change risk interdependencies



Managing climate-related risks

Climate-related risk management at IAG leverages the ‘three lines of defence’ model, as outlined in the Risk Management Framework (RMF):

Line 1

Own and manage – as an enterprise-wide priority, IAG is maturing its approach to identifying and actioning climate-related risks through day-to-day operations. This includes upcoming training to select IAG employees on ESG and climate-related risks.

Line 2

Oversight and challenge – IAG’s Group Risk division provides independent risk management advice, develops risk strategies and frameworks, and oversees general risk performance, including climate-related risks.

Line 3

Independent assurance – Group Audit monitors the effectiveness and adequacy of the RMF. This includes performing quality reviews and assurance on how strategic risks in the ERP, and how ESG and climate-related governance is being managed.

Key tools

IAG uses a variety of models to identify, price, and manage climate-related risks. Stress testing undertaken through the Group’s Internal Capital Adequacy Assessment Process (ICAAP) framework during the financial year has been a useful tool for exploring the potential implications of climate-related risks. This provides input into risk appetite, capital target setting and contingency planning.

We also updated our perils technical pricing tool as part of our roll-out of our Enterprise Platform Delivery. This tool helps IAG to better price our own perils models as well as respond to government climate-related programs.

In FY23, we have improved our risk governance processes by adding six ESG and climate change risk statements to our risk and controls architecture. The ESG-related risks focus on integrating reporting and our response to the regulatory environment. The climate-related risks support adaptation to physical and transition risks and meeting our public commitments.



Metrics & Targets

IAG is committed to a net zero future. We track performance against commitments outlined in our Climate & Disaster Resilience Action Plan (Action Plan) and Net Zero Roadmap. The overall progress of the Action Plan is reported in our FY23 Scorecard (see pages 22-25).

The Action Plan helps us to address climate-related impacts by reducing our own emissions, supporting our customers and communities to build resilience and reduce their risk (see the 'Communities' section of the FY23 Annual Report for more detail), and collaborating across sectors to encourage a just transition. The Action Plan helps us to drive our efforts to further embed sustainability considerations across IAG.

The metrics we use

We use several metrics to monitor the progress of our climate-related commitments. They relate to:

- Scope 1, 2 and 3 greenhouse gas emissions
- Carbon footprint and intensity of investments
- Fossil fuel exposure in underwriting
- Customer engagement

In FY23, we developed an approach to better link Executive performance to ESG outcomes, with the intent being to include a 5% sustainability metric in our FY24 Group Balanced Scorecard, focused on scope 1 and 2 emissions management.

We are working towards providing more detail on measuring physical and transition risks and opportunities using climate scenarios, our scope 3 emissions baseline, and an updated internal price on carbon. As an interim carbon pricing mechanism, IAG has offset measured emissions since 2012. Offset purchases are allocated across the business to link emissions and divisional performance outcomes. This year we have selected high quality Australian Carbon Credit Units from Indigenous-led projects in Australia (see the FY23 ESG Data Summary for more detail on our carbon offsets).

Selected metrics outlined in this section are included in the scope of third-party limited assurance provided by KPMG. For further details see the limited assurance report on our website.

Emissions reduction

Recognising the need for a transition plan to deliver on our net zero commitments in our Action Plan, we published our Net Zero Roadmap in FY23. This roadmap outlines IAG's approach to help meet our 2050 net zero emissions target by setting interim targets, including for priority scope 3 emission sources by FY25. Our targets and ambitions have been developed against our current business model. We will continue to revisit and update our roadmap as our business evolves.

Targets

Net zero

Net zero emissions by 2050 with an ambition for 50% emissions reduction by FY30.

Science-based target (aligned with 1.5°C of warming)

A 37.8% reduction in our scope 1 and 2 emissions by 2030, using a baseline year of FY21.

100% renewable energy

100% renewable energy sourced for IAG-operated Australian sites by FY25.

Performance

Details of IAG Group and New Zealand emissions are available in IAG’s FY23 ESG Data Summary. Emissions have been quantified in line with our basis of preparation, which is informed by the Greenhouse Gas Protocol using relevant Australian, New Zealand and international emission factors.

IAG includes the following scope 3 emission sources within the boundary of our reporting:

	air travel		car hire
	waste		taxi travel
	paper		transmission & distribution losses*
	staff working from home		

* This includes transmission and distribution losses from electricity, natural gas, stationary LPG, and company vehicles fuel sources.

As climate-related reporting requirements emerge, we acknowledge the need to build our capability and provide more detail on calculating our scope 3 emissions baseline. Aligned with our Net Zero Roadmap, we have begun work to estimate additional scope 3 sources including:




	tier 1 supply chain		employee commuting emissions
	insurance-associated¹ emissions		

Table 5: Greenhouse gas emissions overview

	Year-on-year	FY23	FY22	FY21	FY20	FY19	FY18
Scope 1	15%	5,617	4,869	5,601	6,751	8,357	11,461
Scope 2	-11%	9,729	10,902	12,458	14,562	18,100	22,738
Scope 3	21%	10,761	8,868	4,552	11,606	21,721	23,498
Total	6%	26,107	24,640	22,611	32,920	48,177	57,696

Scope 1: Direct emissions from owned and controlled sources, e.g. fuel usage from IAG-owned vehicles.

Scope 2: indirect emissions from the generation of purchased energy. We use a location-based approach, which reflects the average emissions intensity of the grids on which our energy consumption occurs.

Scope 3: indirect emissions that occur upstream and downstream of our business operations.

Understanding the business and societal impact of our supply chain and underwriting portfolios is an important focus for IAG, and something the insurance industry in general is contending with. We acknowledge there are inherent challenges around data completeness and accuracy, resourcing, and capability, combined with the ongoing evolution of calculation methodologies. As we continue to develop our approach to effectively manage risk and integrate opportunities, we anticipate the scope of our calculation, and therefore our baseline, will evolve. We will respond and adapt to these developments accordingly. We know that achieving our net zero target will also require changes outside of our operational control, including technology development across industry, and socio-economic changes to help facilitate a just transition.

Table 5 and Figure 4 provide an overview of our greenhouse gas emissions footprint (tCO₂e), and progress towards our scope 1 and 2 FY30 emissions reduction target. Alongside our targeted emissions reduction activities, COVID-19 significantly reduced our emissions footprint between FY20 and FY22.

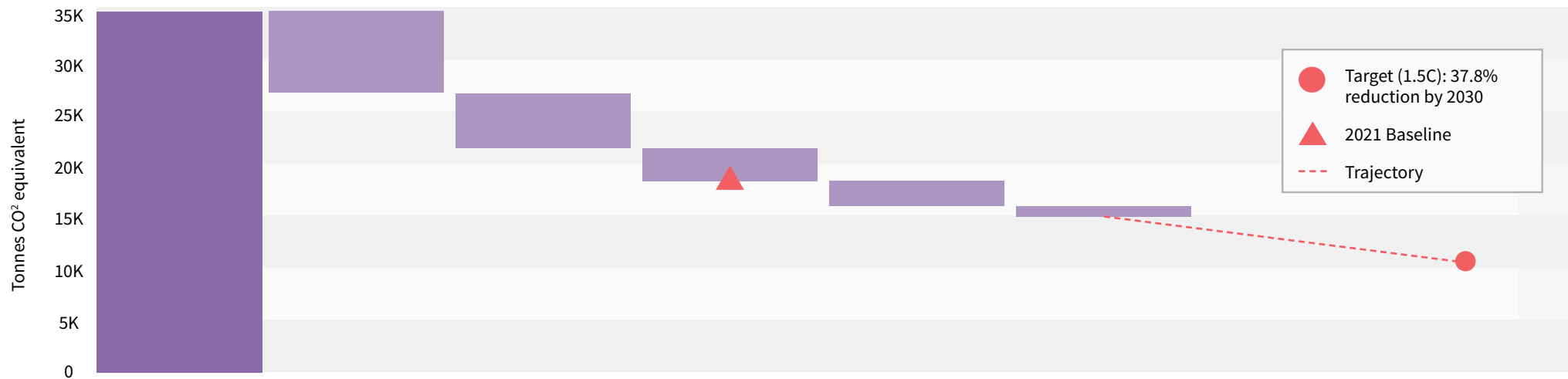
We note our total measured emissions increased year-on-year in FY23. This is due to an ongoing ramp-up of activity following the easing of restrictions imposed by COVID-19, and has led to increases in:

- Vehicle use as business operations continue to normalise
- Domestic and international air travel.

In addition, emissions from IAG New Zealand increased due to the expansion of our Repairhub network, which is in IAG New Zealand’s operational control.

1. Guided by standards being developed by the Partnership for Carbon Accounting Financials (PCAF), we have begun a project to baseline the emissions associated with our underwriting portfolios, also known as insurance-associated emissions.

Figure 4: Scope 1 and 2 emissions performance – progress against our science-based targets



	YoY	FY19	FY20	FY21	FY22	FY23	FY25	FY30
Emissions reduction activities	Scope 1 & 2 year-on-year emissions reduction/increase	-23%	-19%	-15%	-13%*	-3%**	Further 23% reduction required to meet our FY30 target	
	Key activities	Energy efficiency initiatives, including relocation to 5-star rated buildings	Introduction of solar panels on IAG's data centre	Reduction in fleet size and introduction of fuel-efficient vehicles	Property refurbishments and energy efficiency measures, and fleet initiatives	IAG Sydney office achieved 5.5-star NABERS rating LED lighting introduced at Victoria sites	FY25: 100% renewable energy sourced for IAG operated Australian sites*** Uptake of electric and hybrid vehicles across Group fleet	

*Alongside our targeted emissions reduction activities, COVID-19 significantly reduced our emissions footprint between FY20 and FY22. Certain emissions sources have rebounded since the easing of COVID-19 restrictions.

**Note: due to the ongoing shift to renewable electricity generation in Australia, the emissions intensity of electricity transmission, distribution and consumption is decreasing. This has driven the decrease in our reported scope 2 emissions in FY23.

***This commitment will drive delivery of our scope 1 and 2 emissions reduction target. The FY25 timeline is reflective of our current operations and will be revisited if our business environment changes.

Targets for managing climate-related risks and opportunities

In addition to the emissions reduction targets outlined above, we have the following climate-related targets:

1 million Australians and New Zealanders target

IAG has a target of 1 million Australians and New Zealanders taking action to reduce their risk from natural hazards by 2025.



Progress

To date, IAG has prompted over **522,000²** Australians and New Zealanders to take action to reduce their risk from natural hazards. This includes preparedness campaigns such as IAG's Wild Weather Trackers in Australia and New Zealand, and the NRMA Insurance First Saturday of the Season campaign. See the 'Communities' section of the FY23 Annual Report for more detail.



Underwriting portfolio target

IAG had a target to cease underwriting entities predominantly in the business of extracting fossil fuels and power generation from fossil fuels, by the end of FY23.

When defining business underwriting exposure to fossil fuels our key parameters are:

- Fossil fuel extraction – including the mining of any hydrocarbon fuels where extraction makes up over 30% of all the entity's activities
- Power generation using fossil fuels – where thermal coal makes up over 30% of the electricity generated.

Application of these parameters does not include:

- Policies and/or portfolios that IAG has divested from where the liability for future claims will exist until expiry of the policy
- Workers' compensation, irrespective of the climate intensity/fossil fuel exposure of the industry they work in. Everyone needs to be protected at work
- Supporting businesses that supply, transport or provide distribution services to these entities
- Small and medium size enterprises with turnover less than \$100 million, where the primary industry classification of the business is not related to mining or power generation, however more than 30% of their turnover may be generated through engagement in these industries.



Progress

Within the parameters of our underwriting portfolio target (set out previously), we have less than \$1.0 million in gross written premium (GWP) in outstanding exposure to underwriting of entities predominantly in the business of extracting fossil fuels and power generation from fossil fuels as of 30 June 2023. While our commitment is to have ceased underwriting these entities by the end of FY23, our exposure remains below 0.01% of total GWP. We are in the process of evolving our commitment to continue working towards phasing out our fossil fuel exposure, while supporting customers whose decarbonisation efforts are consistent with a just transition to a net-zero carbon emissions future.

Customer engagement

As part of our Net Zero Roadmap commitments, we are developing a customer engagement target for our insurance-associated emissions. This target would allow us to bring our customers along on the journey as our underwriting approach evolves and we work towards setting our scope 3 emissions reduction targets.

To support a just transition, collaboration is required across all stakeholder groups, including with our customers. Addressing climate-related opportunities on a social level allows us to help our customers transition to a net zero future. We intend to develop additional climate-related targets for our underwriting portfolio as best practice methodologies evolve.

2. This commitment is measured through actions that encourage either risk or emissions reduction. An action is counted when an individual takes a step to understand their risk or emissions, or understand options to reduce their risk or emissions, or implement or maintain an initiative to reduce their risk or emissions. This measure equates actions to individuals, as those in high-risk areas will need to take multiple actions to reduce their risks from natural hazards. An example of an Australian action counted to date was the number of downloads of our co-created Get Prepared App with the Australian Red Cross.

Investment portfolio target

We have a target to reduce the emissions within our investment portfolio, consistent with an objective of 1.5°C of warming. Across our equity investments, which cover 5% of our total portfolio at 30 June 2023, we set intermediate targets to reduce the scope 1 and 2 normalised carbon footprint and weighted average carbon intensity for Australian and Global listed equity mandates, including:

- Minimum reduction of 25% versus 2020 relevant index level baselines until 2025
- Minimum reduction of 50% versus 2020 relevant index level baselines by 2030.

The relevant baselines refer to the following equity indices: the ASX200 (excluding IAG) for Australian equities; and the MSCI World for Global Listed equities, as of June 2020. A normalised carbon footprint enables

comparisons with a benchmark, between multiple portfolios, and over time, regardless of portfolio size.

During FY23, we reviewed IAG’s Responsible Investment Policy and the Policy refresh expanded IAG’s aim to prohibit investments in companies that derive more than 10% of their revenue from thermal coal mining to also include oil and gas production.



Progress

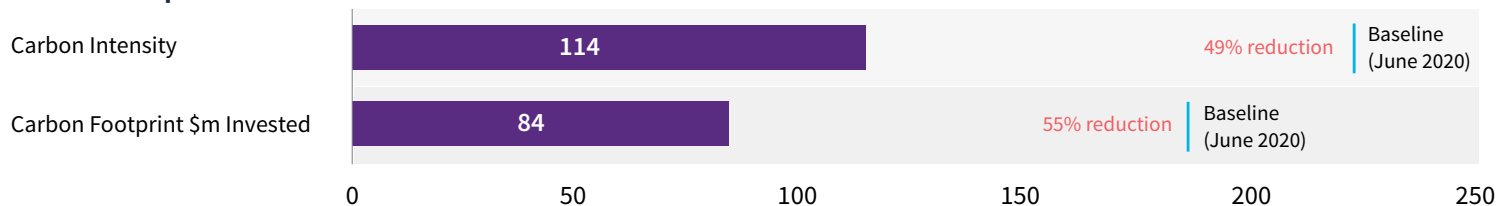
We use the MSCI ESG Carbon Footprint Calculator to report on investment-related emissions. Since 2017, our responsible investment approach has achieved an aggregate reduction in normalised carbon footprint and weighted average carbon intensity for our Australian and Global listed equity mandates (see figure 5 and figure 6).

We are on track to stay ahead of our 2025 target and have shifted our equity investments to companies that have lower exposure to climate-related risks or a strategy to manage these risks.

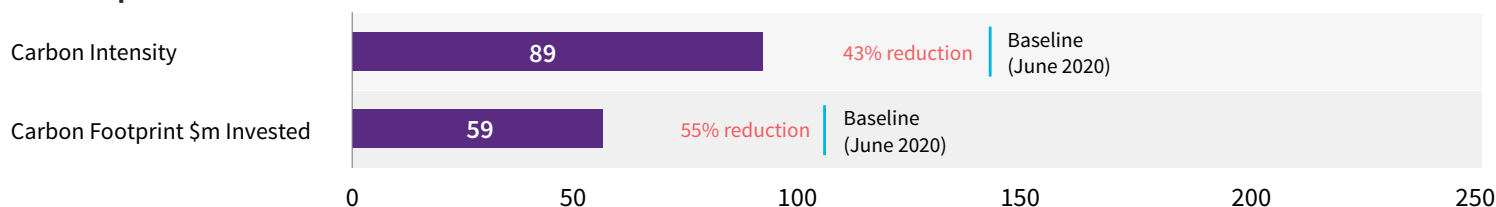
Building on current targets for our equity portfolios, during FY23 we reassessed the carbon intensity of directly held corporate issuers in fixed interest and cash portfolios, which represent 41% of our total investment portfolio. The assessment concluded that intensity was very low (based on MSCI Carbon Risk categorisation)³ at less than 15 tonnes of CO2 emissions per USD million sales. We continue to assess methodologies for attributing carbon exposure to other fixed interest and cash holdings, which consist primarily of government securities and securitised and fund investments, as they develop.

Figure 5: Scope 1 and 2 emissions of IAG’s Listed Equity Investment Portfolios

Australian equities



Global equities



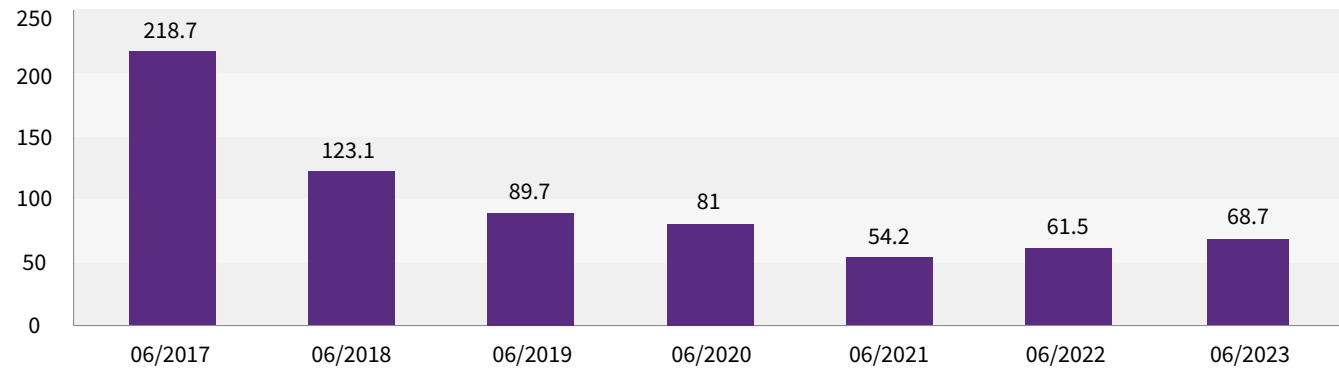
Intensity: Weighted Average Carbon Intensity tCO2e / \$million sales

Footprint: Carbon Emissions tCO2e / \$million invested

Notes: The reduction targets are set as 25% below the footprint and intensity measures for the relevant benchmarks at 30 June 2020.

Over FY23, we experienced a 7.3tCO₂e increase in the normalised carbon footprint for the combined listed equity portfolio when compared to FY22. This is primarily due to the rebound in economic activity post the COVID-19 pandemic period and resultant rebound in emissions for certain companies, along with the depreciation of the Australian dollar. Where carbon emissions data is not publicly available, the scope 1 and 2 carbon emissions of the investee are estimated using MSCI's proprietary carbon estimation model.

Figure 6: Normalised Carbon Footprint of Listed Equity Portfolio



The normalised carbon footprint is a measure of a portfolio's emissions that enables comparisons with a benchmark, between multiple portfolios, and over time, regardless of portfolio size.

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3. MSCI Carbon Risk measures exposure to carbon intensive companies. At the issuer level, Carbon Intensity is the ratio of annual scope 1 and 2 carbon emissions to annual revenue. Carbon Risk is categorised as Very Low (0 to <15), Low (15 to <70), Moderate (70 to <250), High (250 to <525), and Very High (>=525)

KPMG assurance statement

Scope of Information Subject to Assurance

KPMG was engaged by IAG to undertake limited assurance over the following quantitative and qualitative claims for the year ended 30 June 2023:

- Selected Data Claims presented throughout pages 15 to 20 of 2023 the Group climate-related disclosure; and
- Selected qualitative disclosures relating to the Selected Data Claims and selected qualitative disclosures within pages 15 to 20 of the 2023 Group climate-related disclosure.

KPMG's limited assurance opinion is available at www.iag.com.au



FY23 Climate & Disaster Resilience Action Plan Scorecard



Our progress to date

15%

Total scope 1 and 2 emissions reduction since FY21 (baseline year for our emissions reduction target)

Over
3,000

IAG people took action to build personal and community resilience on Resilience Day

38%

of our NZ vehicle fleet is either EV or hybrid

Committed to
100%

renewable energy for IAG-operated Australian sites by FY25

65,000

people preparing an emergency plan via our co-created Get Prepared app with the Australian Red Cross

9 million

the estimated average reach of each edition of the quarterly NRMA Insurance Wild Weather Tracker since June 2022

Commitment

1.1 Our portfolio choices, underwriting, product and pricing approach manages climate risk for our business and supports affordability and availability of insurance for our customers

1.2 We develop solutions to help our customers adapt to a changing climate and transition to a net zero future

1.3 Our insurance claims response embeds climate resilience for the long term

1.4 Our management of capital is strengthened by regularly stress testing our climate resilience against best-practice quantitative and qualitative scenarios

Goals and progress

1.1.1 Our pricing signals the level of climate risk our customers are exposed to by being based on the level of risk for each climate-related hazard.

1.1.2 Our insurance products are designed to factor in current and future risks, providing protection from a changing climate to Australians and New Zealanders.

1.1.3 Our portfolio and customer segment decisions are informed by climate risks and opportunities that impact insurance product availability and price.

- Updated physical risk impact modelling in New Zealand, which has improved our baseline dataset.
- Rolled out a perils technical pricing tool as part of our Enterprise Platform Delivery. This enables better perils models.



1.1.4 Evolve our underwriting approach to include climate risk reduction and behaviour change across priority industry sectors.

- Developing an enterprise-wide Responsible Underwriting Approach to assess and consider ESG impacts across our insurance portfolios including incorporating climate risk vulnerability and net zero pathways.
- In New Zealand we are engaging with our major customers, including around ESG-related topics.



1.2.1 Develop ways for our customers to adapt to climate change and reduce the impact of climate-related hazards on homes and businesses.

- We are collaborating with the Queensland Government on the Resilient Homes Fund. The current phase supports resilient retrofits of homes impacted by the 2021-2022 floods.



1.2.2 Develop ways for our customers to reduce their environmental footprint to drive climate action through our value chain.

- NRMA Insurance's Carbon Offset Program enables motor customers to offset their yearly driving emissions. Since launch we have had over 500 customer transactions.
- We are developing a target to engage with our customers and bring them along the journey as our underwriting approach evolves and we set our scope 3 insurance-associated emissions reduction targets.
- NZI published a comprehensive guide to support EV and hybrid adoption for business fleets.



1.3.1 Engage supply chain partners to manage climate-related impacts, including risk exposure of key claims materials and services to improve claims supply security.

- We have begun engaging with selected direct claims supply chain and procurement partners to better manage emissions across our value chain, including through supplier surveys and climate-related clauses in service agreements.



1.3.2 Engage supply chain partners on rebuilding/repairing customer assets to climate-resilient standards to reduce the number and size of future claims.

- NRMA Insurance, in partnership with the Resilient Building Council and Shoalhaven City Council, published its first set of guidelines for FORTIS House. This provides free, open-source house designs and building principles for extreme weather and disaster resilience, sustainability, self-sufficiency and quality.



1.4.1 Address our businesses vulnerability to climate change by maturing our understanding of physical, transition and liability impacts.

- In FY23 we conducted a stress test for both Group and IMA which focused on climate-related physical risks for the following areas natural perils, reinsurance program, and the economic environment.
- Kicked-off a climate and decarbonisation project to support delivery of IAG's 2030 strategy, which includes updating our Group climate scenario analysis.
- Using shared climate scenarios developed with the Insurance Council of New Zealand, we matured our climate-related risks and opportunities assessment and engaged with the NZ Board and Leadership teams.



1.4.2 Ensure our investment approach and portfolio management aligns to our understanding of climate risks.

- At the end of FY23, we held \$238 million in green bonds which finance climate change mitigation and adaptation projects.





Transforming the System

Commitment

2.1 Our programs, partnerships and campaigns help our customers and communities become better prepared and more resilient to climate-related hazards

2.2 Our climate and disaster research and insights are shared with stakeholders to inform the management of climate change impacts and drive broader action

2.3 We advocate for and help develop climate adaptation and emissions reduction policies, planning and standards in collaboration with business, industry and government

Goals and progress

2.1.1 Improve preparedness for climate-related hazards through our brands and in collaboration with our community partners.

- Since launch, the NRMA Insurance First Saturday of Winter campaign with our partner, Australian Red Cross, resulted in over 65,000 people preparing an emergency plan via our co-created Get Prepared app.
- Our IAG New Zealand CEO shared a three-step approach to addressing flood risk with government in August 2022.



2.1.2 Support response and recovery from climate-related hazards through collaboration with our community partners.

- In 2022, NRMA Insurance provided a \$200,000 donation for communities affected by flooding in Victoria and Central West New South Wales. Through our partners GIVIT, we were able to support local communities to recover from flood events.



2.1.3 Support climate change management and disaster resilience in First Nations communities.

- Partnered with the Aboriginal Carbon Foundation to support the creation of Indigenous-led carbon farming and climate resilience projects across Australia. This delivers on both our Reconciliation Action Plan commitment and supports ongoing work around climate change management.



2.2.1 Guide greater community and business outcomes by contributing our science-based knowledge, research and experience, participating in key industry initiatives and leading development of a common understanding of climate change impacts, risks and opportunities.

- Since June 2022, the quarterly NRMA Insurance Wild Weather Tracker, has had an estimated average reach of 9 million. We are continuing to track the reach of our six-monthly NZ Wild Weather Tracker.
- Published the results of our fifth climate change opinion poll, which asks New Zealanders about their attitudes towards climate change and how to adapt to its impacts.
- Launched a report in collaboration with SGS Economics and Planning, which highlights the acute economic and social impacts that natural disasters have on small businesses.
- In NZ, 38% of our vehicle fleet is either EV or hybrid, with an emission reduction of around 86% per EV driver.



2.3.1 Address common insurance climate and disaster risks, such as driving stronger land use planning and building codes and supporting customers as they transition to net zero emissions by collaborating with our insurance sector peers.

- Engage with relevant decision-makers through the Insurance Council of Australia, Master Builders Association and Resilience Valuation Initiative to improve planning and construction for new and legacy building stock in high-risk tropical cyclone, flood, bushfire and low-lying coastal areas.
- Started working with NEMA and the Federal Government on development of the Hazards Insurance Partnership.
- Part of the New Zealand Ministry for Environment working group on managed retreat, as well our CEO chairs the insurance sub-group of the Cyclone Recovery Taskforce.
- Partnered with the Environmental Defence Society on advocacy research around managed retreat.



2.3.2 Collaborate with wider industry sectors and governments to support systemic change, policy and plans to enable a just transition to a safer, net zero emissions future.

- Contributing member of the ICA's Net Zero Working group, including supporting the development of the ICA Climate Change Roadmap.
- Chair the Climate Change Committee of the ICNZ and the Climate Adaptation Working Group with Sustainable Business Council New Zealand.
- Through the ICNZ, we collaborated with industry on the creation of shared climate scenarios.



▶0 Driving to Zero

Commitment

3.1 We achieve net zero emissions by 2050, with an ambition for 50% emissions reduction by 2030

3.2 We leverage our underwriting and investment approach to drive net zero emissions across our business value chain

3.3 Our people are prepared for a changing climate and net zero future

Goals and progress

3.1.1 Deliver interim targets for equity portfolio scope 1 & 2 emissions reductions on pathway to net zero investment portfolio emissions by 2050.

- Set and continue to stay ahead of our 2025 targets to reduce the normalised carbon footprint and intensity for our Australian and Global listed equity mandates.



3.1.2 Mature our understanding on impacts and options of a net zero underwriting approach.

- We have less than \$1.0 million in gross written premium in outstanding exposure to entities predominantly in the business of extracting fossil fuels and power generation from fossil fuels.



3.1.3 Phase material scope 3 emissions and other emissions gaps into our emissions reduction, reporting and net zero boundaries.

- We have begun work to estimate our insurance-associated, supply chain, and employee commuting emissions.



3.2.1 Our science-based emissions reduction targets for our direct operations (scope 1 & 2 emissions) align our business to a net zero future.

- Published our Net Zero Roadmap, including updated scope 1 and 2 targets and key activities to support meeting our net zero commitment.
- Committed to 100% renewable energy sourced for IAG-operated Australian sites by FY25.
- In NZ, 38% of our vehicle fleet is either EV or hybrid, with an emission reduction of around 86% per driver.



3.2.2 Integrate climate risk assessments into our supplier governance and risk management frameworks to understand how our supply chain aligns to a net zero future.

- Completed a baseline assessment, with Toitū Envirocare, to estimate our scope 3 supply chain emissions.
- We are now working to include ESG criteria in our sourcing and tender processes. This includes collaborating with our supply chain to increase the accuracy of our emissions baseline.



3.3.1 Support our people to become more resilient to climate-related hazards and reduce their emissions at work, home, and in their communities.

- Climate Action Employee Network Group has led multiple engagement campaigns to educate IAG staff on climate-related issues including on employee commuting, Earth Day and Earth Hour.
- Our inaugural Resilience Day included 140 activities and enabled over 3,000 IAG people to take action to build personal and community resilience.
- In FY23, we developed an approach to better link Executive performance to ESG outcomes, with the intent being to include a 5% sustainability metric in our FY24 Group Balanced Scorecard, focused on scope 1 & 2 emissions reduction management.



