

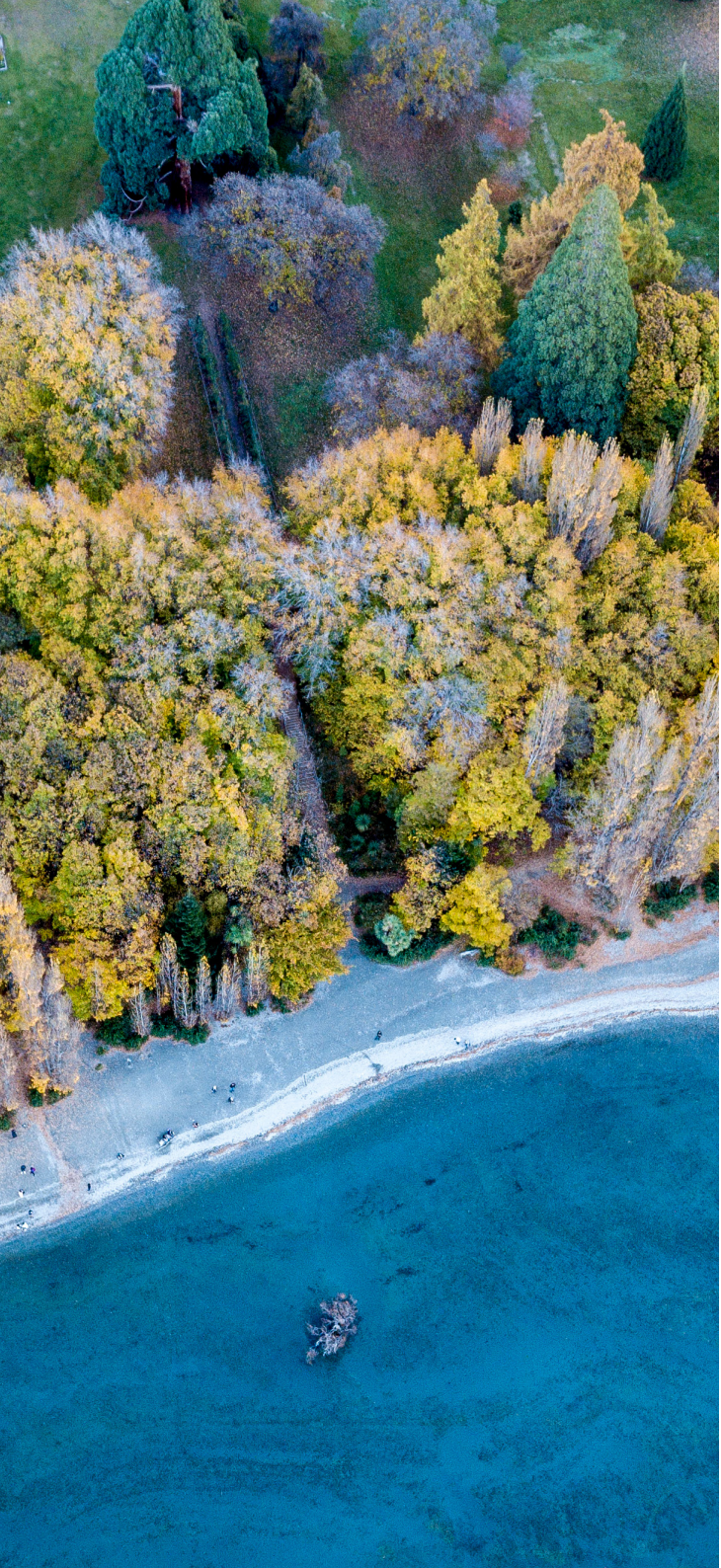


# **Our Climate Action Plan**

Here's how we're adapting

**iag**

October 2018



## A word from our CEO

IAG exists to make your world a safer place. This means we help people, businesses and communities to be safer, stronger and more confident.

From heatwaves and bushfires, to flooding and cyclones, at IAG we see first-hand the damaging consequences of the effects of climate change on people and communities.

In tandem with the effects of climate change, the impacts of natural disasters are becoming more devastating and expensive for communities around the world, due to the increasing concentration of populations in locations with exposures to natural disasters.

IAG supports action on climate change mitigation and we work with government, industry, non-profit groups and local communities to increase resilience and address the risks posed by the changing climate.

For more than a decade, we have made important contributions to the climate change discussion.

We are a member of several local and global organisations which deal with climate change and its impacts, and IAG initiated the establishment of the Australian Business Roundtable for Disaster Resilience & Safer Communities and of Resilient New Zealand.

We are also an active contributor to the strategies for several participating cities in the 100 Resilient Cities initiative, and a range of research organisations such as the James Cook University Cyclone Testing Station.

Through our leadership position with the United Nations Environmental Programme Finance Initiative (UNEP-FI), we are driving conversation within the financial services industry to help understand the myriad issues related to climate change and natural disasters, and to develop potential solutions.

Our Climate Action Plan (CAP) sets out the framework and, importantly, commitment and steps to address this important and complex issue that requires immediate and ongoing action to mitigate its worst effects.

Underpinning this action plan is the primary objective identified in the Paris Agreement - to limit global climate change to two degrees of global warming above pre-industrial levels.

Our plan incorporates a range of responses to this objective, across all aspects of our business. We will continue to embed consideration of climate change into our systems and how we work, and equip our people to understand the relevant issues and take action.

Having been climate neutral since 2012, and achieved a 22.6% reduction in carbon emissions since 2015, we are now pleased to introduce science-based emissions reduction targets to ensure our own accountability. We will achieve these targets through a reduction in emissions from energy use, vehicle fleet and workplace travel.

Managing both the necessary carbon emissions reductions and the preparation and resilience of our economy, systems, assets and communities will require a cross sector and collaborative approach. We know we can play a part but don't have all the answers, and are committed to partnering with others to address this macro societal challenge. That is why we are proud to play a part in the development of Australia's Disaster Risk Reduction Framework, working with the National Resilience Taskforce and other key cross-sector stakeholders.

We've done a lot so far, but there's more to be done if we are to play our part in safeguarding communities from climate change. That's why, over the next three years, we are committing to the initiatives set out in this plan and scorecard and we will continue to help our customers adapt to the challenges and opportunities that climate change brings.

**Peter Harmer**

Managing Director and Chief Executive Officer



# Changing how we do things

## Adapting our thinking

**As the climate changes, our business models and systems need to change too. As does our way of thinking.**

For example, when we buy a home, insurance currently comes after the purchase. In a changing world, consideration of the cost of insuring a property - and steps to reduce that risk - need to be built into every step of the process. The way we think about planning, zoning, construction and how we build connected and resilient communities all needs to adapt.

Adapting our thinking opens up opportunities to create new solutions. For IAG, our scale gives us the ability to play a role and deliver on them - and, in doing so, help lead change.

## Collaborating for change

**Climate change is too big for one business, organisation, or even government to solve. It is only through collaboration the necessary change will happen.**

Already, the built environment is being rethought with climate change in mind. We need to continue to be part of this change by leading our industry and working with other organisations.

All kinds of organisations have a role to play: government, banks, construction companies, non-profit groups, emergency services and businesses, big and small.

And, at IAG, we have a strong history in bringing them together.

We help lead the conversation through forums. We partner with the United Nations, 100 Resilient Cities, the Australian Business Roundtable for Disaster Resilience & Safer Communities and Resilient New Zealand.

Like many of the world's leading organisations - and almost all of its governments - we have committed to play our part in delivering on the Paris Agreement to limit climate change to two degrees above pre-industrial levels.

We've already been working to help respond to climate change and make communities safer. We are committed to doing more and it's time to share our plan.



# Our Climate Action Plan and Scorecard

Current science predicts global temperatures will increase between around 1.5 and 3 degrees by 2050, and up to 6 degrees by 2100. That is not a world we, or anyone, can safely adapt to.

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

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.

## Think big

Ensuring we lead on the right issues and build the right relationships to achieve our ambitions.

## Prepare our people

So we can apply the depth of experience from across our business.

## Reduce our emissions

Because we believe in practising what we preach.

## Invest responsibly

So that our investment activity aligns to our purpose.

## Rethink risk

Because we want our products, systems and partnerships to help our business, customers and communities to make a smooth transition to whatever the future brings.

# What we've achieved so far

## Think big

We've published an Australia-first report in 2002 on the impact of climate change on insurance and continued our contribution to scientific research on climate change and its impacts.

IAG initiated campaigns to connect communities and increase risk awareness, preparedness and community resilience through partnerships with the NSW and QLD SES, the Australian Red Cross, GIVIT and 100 Resilient Cities.

IAG has actively contributed to Australia's National Resilience Taskforce to develop a national disaster risk reduction framework, and shape resilience and mitigation policy.

We've led initiatives through the UNEP-FI, Principles for Sustainable Insurance (PSI) and the Geneva Association and created risk management tools for our region.

In 2004, we convened The Climate Group (Australia) with WWF-Australia and other businesses and published papers including "Climate Change: Solutions for Australia" and the "Business Case for Early Action".

In 2012 IAG founded the Australian Business Roundtable for Disaster Resilience & Safer Communities and then in 2016 founded Resilient New Zealand, both working with partners to understand the economic and social impacts of natural perils.

## Prepare our people

We've reviewed how climate-related risks interact with our business and are embedding how we respond into core processes and people accountabilities.

In 2018, our CEO and senior leaders presented to the Australian Government Disaster and Climate Resilience Reference Group on climate change.

We've introduced and deepened the conversation with senior management, discussing our climate change ambitions at Senior Leaders Summits.

IAG is a member of the UNEP-FI. Our Group Executive People, Performance & Reputation sits on the Global Steering Committee and our Customer Chief Officer is Co-Chair of the Board of the Principles for Sustainable Insurance (PSI).

Our New Zealand CEO was one of 60 corporate leaders to launch the Climate Leaders Coalition, a commitment to help New Zealand transition to a low-carbon economy.

Our people have been involved in emission reduction initiatives and supporting our work with partners on community resilience.

## Reduce our emissions

IAG has been carbon neutral since 2012, and have reduced our carbon emissions by 22% since 2015.

We've calculated and set science-based emission reduction targets for our fleet and electricity use.

We have created internal pricing on carbon by allocating offsetting costs proportionally to areas where emissions occur.

We have implemented emissions reduction programs, including increased Video Conference use to reduce travel as well as data centre energy efficiency initiatives.

Our new Corporate Office in Sydney is an accredited 5-Star Green Star office environment where we're exploring innovative energy initiatives as well as engaging and effective ways to involve our people.

## Invest responsibly

We have been a signatory to the UN-supported Principles of Responsible Investment (PRI) since 2008.

When constructing our investment portfolio, we are considerate of, and balance, environmental, social and governance (ESG) issues against our commercial investment criteria and strategy.

We are working to leverage our investment potential to support a transition to a low carbon economy or develop infrastructure that can reduce the risks (and premium costs) faced by the community.

We have moved our equities holdings away from companies with the highest exposure to, and poor strategies to manage, ESG factors, including climate-related risks.

In 2018, we held more than \$70m in green bonds and provided \$50m in financing to National Australia Bank's (NAB) Low Carbon Shared Portfolio backing renewable energy projects in wind and solar.

## Rethink risk

IAG's Climate Risk Project, in line with the Taskforce for Climate-related Financial Disclosures (TCFD), is helping us better consider climate change and the impacts to, and options for, our business under potential future weather systems and economic policies.

We have a low emissions vehicle pricing factor, introduced to encourage emissions reduction.

We've supported research on the effects of changing climate on cyclones and cost impacts for property.

We've increased our levels of engagement with global industry bodies, governments, business and community partners. In FY18, we presented directly to government departments and working groups to share our insights.

We continue sponsorship and work with the James Cook University Townsville Cyclone Testing Station to improve our understanding of risk drivers from cyclones and options for risk reduction.

IAG is working with the US National Center for Atmospheric Research in a research project aimed to better quantify the impacts of climate change on extreme weather in the Australia-New Zealand region.

# Think big

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation	Timing and Milestones		
			FY19	FY20	FY21
<p><b>Help set the standard across our region by creating a business-wide approach to climate change</b></p> <p><i>Accountable: Group CEO</i></p>	Use our purpose, strategy and risk management to address risks and maximise opportunities from climate change	<p>FY18: Publish Climate Action Plan (CAP) and climate perils integrated into end of year reporting suite</p> <p>FY19: Established internal/external reporting frameworks and web platforms for more frequent disclosure</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>Implement public climate risk disclosure in compliance with Taskforce on Climate-related Financial Disclosures (TCFD) guidelines</p>	
<p><b>Provide a leadership role for the insurance industry in addressing climate change</b></p> <p><i>Accountable: Group Executive, People Performance &amp; Reputation, Chief Customer Officer</i></p>	Role model industry leadership and drive cross industry programs including Insurance Council of Australia (ICA) and UNEP-FI	<p>FY18: Continued to partner with Cyclone Testing Station on research on built form extreme weather impacts</p> <p>Shared climate knowledge at various conferences including National Climate Change and Adaptation Research Facility and Australian Meteorological and Oceanographic Society (AMOS)</p> <p>FY19: Co-hosted PSI climate event with insurers, reinsurers and regulator</p>	<p>Help co-ordinate a session on climate extremes at AMOS 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>Support industry-wide climate conference</p> <p>Play leadership role in expansion of UNEP-FI climate program</p>	
<p><b>Pursue system-wide change by collaborating widely across our relationships and networks</b></p> <p><i>Accountable: All Group Executives</i></p>	<p>Ensure senior executive engagement in key climate forums</p> <p>Deepen our input and engagement with governments and industry on climate change and its impacts</p> <p>Advocate on important policy and regulation including the need for appropriate mechanisms to price carbon and the importance of increased renewable energy generation</p>	<p>FY18/FY19: Key forums in Australia and New Zealand supported and led by IAG and partner organisations</p> <p>New Zealand - Climate Leaders Coalition;</p> <p>Australia - Financing a Resilient and Sustainable Economy roadmap with NAB and UNEP-FI</p> <p>FY18: Senate Inquiries, and feedback on Federal Government Climate Change Review</p> <p>FY18: Senate Inquiries, and feedback on Federal Government Climate Change Review</p>	<p>Continue to support Climate Change and Business Conference in New Zealand in the development of a resilient and sustainable economies roadmap</p> <p>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</p> <p>Actively contribute to future government reviews, inquiries and policy setting</p> <p>Participate in development of climate change legislation in New Zealand</p> <p>Actively engage in and contribute to the Climate Leaders Coalition in New Zealand</p> <p>Play an active role as IAG and representing the ABR in the development of the National Disaster Risk Reduction Framework in Australia</p>		
<p><b>Continue our leadership in supporting community resilience and disaster risk management</b></p> <p><i>Accountable: Group Executive, People Performance &amp; Reputation</i></p>	Make the world a safer place and continue community resilience leadership through our programs and partnerships	<p>FY18: Continue to partner with NSW and QLD SES on Storm Season preparedness campaigns</p> <p>FY18: Launched Get Prepared emergency planning app with the Australian Red Cross</p> <p>FY18: Launched 5th ABR report on natural perils resilience in states and territories</p> <p>FY18: Presented to Federal Government cross department group on climate change and resilience</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>Explore opportunities and partnerships to support natural capital in climate resilience</p>	<p>Expand Good 'Hoods Incubator program to a fourth location</p>

# Prepare our people

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation	Timing and Milestones		
			FY19	FY20	FY21
<b>Maintain Board and Group Leadership Team (GLT) engagement</b> <i>Accountable: Group Executive, People, Performance &amp; Reputation</i>	Support CAP initiatives with accountability, governance and reporting structures with overall ownership by GLT and Board	FY18: Completion of two IAG Board and GLT climate change education sessions 	Further embed a reporting and governance process for CAP scorecard (eg Risk, Customer and Strategy) through existing governance functions 6-monthly reporting on status of CAP implementation to GLT At least annual reporting to Board on CAP progress		
<b>Demonstrate visible commitment from IAG's senior executives and apply appropriate remuneration and rewards</b> <i>Accountable: Group Executive, People, Performance &amp; Reputation, Group Executive, Strategy &amp; Corporate Development</i>	Ensure CAP accountabilities are translated into performance management process for key roles	FY18: Accountabilities included in a number of key roles FY19: Integration underway with business planning and performance goals for GLT and senior leaders 	Integrate with business plans Ensure GLT and appropriate senior leader performance goals include CAP accountability		
<b>Make our CAP everyone's responsibility by incorporating it into our management systems</b> <i>Accountable: Group Executive, People Performance &amp; Reputation, CEO Australia, CEO New Zealand</i>	Factor climate change risks and performance into partnering considerations	FY18: Developed due diligence tools and systems to support priorities in procurement FY19: Kicked off plan to review ESG risks across partners 	Develop action plan across partnerships (community, commercial, sponsorship, suppliers)	Build systematic approach to engage with procurement and business partners Expand systematic engagement to supply chain partners in claims	
	Establish incentives and accountabilities for individual climate change elements through our systems like Leading@IAG	FY18: Activities established at initiative level FY19: Developing systemic tools as people and culture systems mature 	Engage promising talent (as well as business leaders) in programs of work in the CAP		
	Support learning and development of our people to support our organisational capacity to manage climate change issues across roles and functions		Develop and embed climate topics into induction, learning and development programs		
<b>Create simple pathways for our people to remain involved and contribute to our plan</b> <i>Accountable: Group Executive, People, Performance &amp; Reputation</i>	Engage our people to successfully implement emissions reduction initiatives at our offices	FY18: Climate considerations embedded in new Sydney office via flexible working practices and paperless environment FY18 and 19: Execution of emissions reduction initiatives across portfolio 	Develop and deliver resources for leaders and teams on climate-related issues		
	Maintain and implement internal engagement plan on climate change	FY18: Engaged through senior leader's forum and broader employee population via internal communications channels FY19: Delivered climate simulation experience to 100+ staff 	Support internal engagement program through Green Ninjas		
<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>	Support our people with tools, information and programs to contribute	FY18: Kicked off internal communications of the CAP 	Integrate vehicle CO2 emissions into revision of salary sacrificed packaged vehicle scheme	Develop climate-related opportunities in employee reward program	

# Reduce our emissions

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation	Timing and Milestones		
			FY19	FY20	FY21
<b>Manage our own impacts in line with a transition to a low-carbon future</b> <i>Accountable: CEO Australia, CEO New Zealand</i>	Meet IAG's science-based emission targets for scope 1 and 2 emissions	FY18: Developed and published science-based emission targets in our FY18 Annual Review		<ul style="list-style-type: none"> <li>Implement property consolidation strategy to support reduction in emissions</li> </ul>	<ul style="list-style-type: none"> <li>Integrate renewable energy into Australian electricity procurement</li> </ul>
	Maintain carbon neutrality	Neutrality maintained since 2012		<ul style="list-style-type: none"> <li>Localise operational emissions targets to Australia and New Zealand context</li> </ul>	<ul style="list-style-type: none"> <li>Review opportunities for science-based emission targets across additional emission sources</li> </ul>
<b>Leverage the latest thinking and technology to reduce the impact of our work processes</b> <i>Accountable: CEO Australia, CEO New Zealand</i>	Create and implement a strategy to align our operational footprint with the carbon budget for a two degree future	FY18: Publish CAP and integration of climate performance into 2018 financial reporting suite		<ul style="list-style-type: none"> <li>Develop approach to fleet transition in New Zealand</li> </ul>	
		FY19: Establish internal/external reporting frameworks and web platforms for more frequent disclosure		<ul style="list-style-type: none"> <li>Introduce pilot to reduce emissions from Australian fleet</li> <li>Include carbon footprints into air travel dashboard</li> </ul>	<ul style="list-style-type: none"> <li>Continue and expand our internal carbon pricing mechanism</li> </ul>



# Invest responsibly

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation	Timing and Milestones		
			FY19	FY20	FY21
<p><b>Shift investments to companies that have a lower exposure to climate-related risks or a forward-looking strategy to manage these risks</b></p> <p><i>Accountable: Group CFO</i></p>	<p>Continue to implement climate-related risk management measures for investment portfolios as part of broader ESG risk management</p>	<p>FY18: Implemented an ESG and climate risk management approach for equity portfolios Developed an ESG policy framework for investments</p>	<p>Maintain and extend ESG screening criteria</p>	<p>Review and assess all programs for expansion</p>	
<p><b>Actively support action on climate change and a net-zero future</b></p> <p><i>Accountable: Group CFO</i></p>	<p>Continue to invest in reputable green bonds</p>	<p>FY18: Maintained investment in green bonds with current exposure of \$76m Made a \$50m investment in financing NAB Low Carbon Shared Portfolio (participated alongside Clean Energy Finance Corporation)</p>	<p>Continue to support thematic investments for a low carbon transition</p>	<p>Review and assess all programs for expansion</p>	
	<p>Leverage our investments to support climate resilient infrastructure and emission reduction</p>	<p>FY18: Assessed our investment portfolio against carbon intensity criteria</p>	<p>Explore pilot opportunities for a resilience investment vehicle</p>	<p>Explore alignment of investment process to allow customer choices in investment allocation of customer premiums</p>	
<p><b>Measure carbon intensity and include climate-related risks in the (ESG) risk management of our investments</b></p> <p><i>Accountable: Group CFO</i></p>	<p>Measure ESG and carbon risk exposures in our portfolio</p>	<p>FY18: Continued to assess exposure to high risk carbon companies in investment portfolio</p>	<p>Assess and consider appropriate carbon and climate-related investment risk metrics for disclosure</p>	<p>Review and assess all programs for expansion</p>	

# Rethink risk

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation	Timing and Milestones		
			FY19	FY20	FY21
<b>Lead climate research and analysis, including on natural perils, to support IAG and our stakeholders to better understand and respond to climate change</b> <i>Accountable: Group Executive, Strategy &amp; Corporate Development, Chief Risk Officer</i>	Support research on natural perils and changing climatic conditions important to our business and the region	FY18: Commenced work with leading climate researchers on the trends and impacts of extreme weather events <div style="text-align: right;"></div>	Implement scenario-based planning on climate change futures <div style="text-align: right;"></div>		
	Use scenario-based planning for considering climate change strategy and CAP	FY18: Completed study on extreme events under climate futures against Australia home portfolio FY19: Established Oxford-based scenario workshop with cross-functional participation to explore strategic implications of climate change <div style="text-align: right;"></div>	Undertake research into potential climate futures through (i) research into extreme events due to current and future changes to climate for North Eastern Australia, (ii) support for flood projects within the Bushfire and Natural Hazards Cooperative Centre to improve floodplain management Collaborate on climate-related risk assessment with local and global partners, including participation in the UNEP-FI pilot	Reconstruction of cyclone record for key events to establish more accurate historical record Research Southern Australia impacts of climate change including hail, to identify risk drivers of weather-related events and risk reduction	
<b>Further embed climate risk into the Enterprise Risk Profile, supported by the Risk Management Framework and Strategy</b> <i>Accountable: Chief Risk Officer, Group Executive, People Performance &amp; Reputation</i>	Climate research and modelling used to inform the Enterprise Risk Profile process	FY18: Climate and portfolio concentration included in Enterprise Risk Profile Commenced an assessment of physical and transitional risks <div style="text-align: right;"></div>	Enterprise Risk Profile process includes climate research inputs	Scenario analysis informs Enterprise Risk Profile	Further embed scenario analysis into Enterprise Risk Profile
<b>Integrate climate insights, risks and opportunities into our strategic choices, portfolio assessments and pricing</b> <i>Accountable: Chief Risk Officer, Group Executive Strategy &amp; Corporate Development</i>	Assess short, medium and long-term exposure of our portfolio to changing climatic conditions and potential future carbon policy	FY18: Systems to review climate considerations built into Product Governance process Completed climate modelling for future temperature increases to inform scenario assessment <div style="text-align: right;"></div>	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	Apply lessons from climate risks and opportunities into future of home research Integrate and embed climate risk analysis into portfolio assessment process	
<b>Help our customers and communities to reduce emissions and adapt to climate change</b> <i>Accountable: CEO Australia, CEO New Zealand, Chief Customer Officer</i>	Pursue commercial opportunities to support customers and communities to pursue climate adaptation and a low-carbon transition	FY18: Assessed fuel efficiency product offering Commenced testing product opportunities with customer segments <div style="text-align: right;"></div>	Identify and assess climate-related growth opportunities in customer and brand segments through qualitative and quantitative customer research Update existing fuel efficiency discount and expand to low-carbon mobility incentive	Test and develop insights for products and services relating to resilience, safety and a low-carbon transition Review and update incentives and education to support low-carbon behaviour through existing products	Target and scale new climate-aligned products that enable emission reduction and adaptation
<b>Drive risk mitigation in the building industry by generating insights into the impacts of natural perils</b> <i>Accountable: CEO Australia, CEO New Zealand, Chief Customer Officer</i>	Assign resources to gain insights from claims and promote adaptation in the building industry	FY18: Role created and filled to analyse event/claims data and support internal and external insights Assessed built form vulnerability to extreme events in partnership with Cyclone Testing Station to inform building industry practices <div style="text-align: right;"></div>	Provide discount to customers as part of QLD household resilience program Undertake further research and use insights to continue influencing built form through products, pricing, partnerships and customer education	Provide practical solutions to customers to mitigate risks that cause damage	Where commercially viable, apply incentives for risk mitigation and insights into supply chain activities

# Did you know?

IAG has been a member of UNEP-FI since 2004 and was a founding member of the UNEP-FI PSI Principles for Sustainable Insurance. Our Chief Customer Officer is co-chair of the PSI Board.

IAG represents and consults with forums that will make a difference to climate change – from consumer bodies (via our Consumer Advisory Board), to the Geneva Association.

**Less than 1%** of our premiums covered carbon intensive industries in FY18, and most of that insured people's safety through workers' compensation.

**77%** of Australians agree "a company can take specific actions that both increase profits and improve the economic and social conditions in the community where it operates".

**84%** of New Zealanders think we can reduce climate change and 78% say we need to act even if other countries don't.