

# Our Climate Action Plan

Here's how we're adapting

FY19  
Scorecard Reporting

iag

FY19 Update August 2019

# 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 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.

# Think big

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation FY19	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>	<p>Use our purpose, strategy and risk management to address risks and maximise opportunities from climate change</p>	<p>Increased disclosure through annual reporting process with in-depth Climate-related Disclosure included in FY19 Annual Report.</p> <p>Launched CAP and scorecard at AGM; provided scorecard update in 1H19 and made available online.</p>	<ul style="list-style-type: none"> <li>Continue and expand communication with stakeholders on the issue</li> <li>Publicise our CAP and broaden our regular disclosure platforms</li> <li>Annually update progress against our CAP</li> <li>Build on initial TCFD analysis and disclosure in preparation for FY19 results announcements</li> </ul>	<ul style="list-style-type: none"> <li>Implement public climate risk disclosure in compliance with Taskforce on Climate-related Financial Disclosures (TCFD) guidelines</li> </ul>	
<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>	<p>Role model industry leadership and drive cross industry programs including Insurance Council of Australia (ICA) and UNEP-FI</p>	<p>Joined leading global insurers and re-insurers in the UNEP FI Principles for Sustainable Insurance (PSI) Taskforce for Climate-related Financial Disclosures (TCFD) pilot. Ongoing participation in FY20 will enable industry benchmarking and inform IAG's ongoing approach to risk assessments, scenario analysis and climate-related disclosure.</p> <p>In July 2018, IAG co-hosted the PSI climate event with insurers, reinsurers and regulators. In June 2019, IAG Co-Chaired the Australian Meteorological and Oceanographic Society session "Impact and risk assessment for weather extremes".</p>	<ul style="list-style-type: none"> <li>Help co-ordinate a session on climate extremes at AMOS Annual Conference</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Support industry-wide climate conference</li> <li>Play leadership role in expansion of UNEP-FI climate program</li> </ul>	

# Think big (continued)

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation		Timing and Milestones		
		FY19	FY19	FY20	FY20	FY21
<b>Pursue system-wide change by collaborating widely across our relationships and networks</b> <i>Accountable: All Group Executives</i>	Ensure senior executive engagement in key climate forums	IAG leadership in establishing the Australian Sustainable Finance Roadmap Steering Committee and Jacki Johnson elected as Co-Chair.		<ul style="list-style-type: none"> <li>Continue to support Climate Change and Business Conference in New Zealand in the development of a resilient and sustainable economies roadmap</li> <li>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</li> </ul>		
	Deepen our input and engagement with governments and industry on climate change and its impacts	<p>Active contribution to Australian National Disaster Risk Reduction Framework and Climate Leaders Coalition in New Zealand.</p> <p>Recommitment and agreement by Australian Business Roundtable for Disaster Resilience &amp; Safer Communities (ABR) to a strategy and future program of work that makes Australian communities safer by improving disaster resilience and climate change preparedness.</p> <p>Active engagement in the finalisation and planning for implementation of the National Disaster Risk Reduction Framework led by the National Resilience Taskforce, including participation in the National Disaster Risk Information Services Capability Pilot Project.</p>		<ul style="list-style-type: none"> <li>Actively contribute to future government reviews, inquiries and policy setting</li> <li>Participate in development of climate change legislation in New Zealand</li> </ul>		
	Advocate on important policy and regulation including the need for appropriate mechanisms to price carbon and the importance of increased renewable energy generation	Working with the Insurance Council of Australia to develop a Climate Change Action Committee. In New Zealand IAG is working through the Climate Leaders Coalition to ensure businesses are actively adapting and building resilience to climate impacts.		<ul style="list-style-type: none"> <li>Actively engage in and contribute to the Climate Leaders Coalition in New Zealand</li> <li>Play an active role as IAG and representing the ABR in the development of the National Disaster Risk Reduction Framework in Australia</li> </ul>		
<b>Continue our leadership in supporting community resilience and disaster risk management</b> <i>Accountable: Group Executive, People Performance &amp; Reputation</i>	Make the world a safer place and continue community resilience leadership through our programs and partnerships	<p>Get Prepared app developed in collaboration with Australian Red Cross to help communities better prepare for emergencies with over 13,000 downloads since its launch.</p> <p>Through the Good 'Hoods program, IAG has established long-term 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 be stronger, safer and more confident.</p> <p>IAG partners with the SES in New South Wales and Queensland to help communities be safer and more resilient to storm, floods and cyclones.</p>		<ul style="list-style-type: none"> <li>Engage local government in New Zealand on approaches to climate adaptation for the community</li> <li>Investigate collaborative partnership with NSW Rural Fire Service to enable community preparedness and support bush fire management</li> <li>Expand Good 'Hoods Incubator program to a third location</li> <li>Expand disaster preparedness communication campaigns to drive behaviour change</li> </ul>	<ul style="list-style-type: none"> <li>Explore opportunities and partnerships to support natural capital in climate resilience</li> <li>Expand Good 'Hoods Incubator program to a fourth location</li> </ul>	

# Prepare our people

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation FY19	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	Quarterly updates provided to GLT throughout FY19 including climate change trends analysis and ongoing awareness and education. 	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	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	Continued implementation of Responsible Sourcing Program with Supplier Code of Conduct and ESG Questionnaire developed. 	Develop action plan across partnerships (community, commercial, sponsorship, suppliers)	Build systematic approach to engage with procurement and business partners	
	Establish incentives and accountabilities for individual climate change elements through our systems like Leading@IAG	Scenario workshop held in February 2019 with 60 internal participants identified as promising talent taking part for two full days. Individual accountability for Climate Action Plan activities are being further refined and embedded in performance frameworks in FY20. 	Engage promising talent (as well as business leaders) in programs of work in the CAP	Expand systematic engagement to supply chain partners in claims	
	Support learning and development of our people to support our organisational capacity to manage climate change issues across roles and functions	Green Ninjas led employee engagement war on waste competition at Sydney head office en-couraging competition between floors to achieve an improved understanding of how to recycle and reducing waste to landfill. 	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	Achieved 5 star GreenStar interiors rating in new Sydney office. On 31st March 2019, IAG continued our ongoing support of Earth Hour participating at IAG's two main buildings in Sydney and Melbourne. 	Develop and deliver resources for leaders and teams on climate-related issues		
	Maintain and implement internal engagement plan on climate change	Delivered safer communities climate simulation experience to around 100 staff. Collaborated with Munich Re to deliver a Climate Change 'Future of Insurance' event with 110 in attendance across both organisations, and over 100 watching online. 	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	Evaluating existing policies to ensure emissions reduction can be a consideration in decision making. 	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	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	IAG has reduced our emissions by 22% since FY18 and is on track to achieve its FY20 Science Based Target due to reductions in emissions in both our Australian and New Zealand operations. Active management of fleet has seen a reduction in our emissions in Scope 1 emissions. Scope 2 emissions have reduced due to a continued focus energy efficiency and property consolidation.		Implement property consolidation strategy to support reduction in emissions	Integrate renewable energy into Australian electricity procurement	
	Maintain carbon neutrality	Neutrality maintained since 2012.		Localise operational emissions targets to Australia and New Zealand context	Review opportunities for science-based emission targets across additional emission sources	
<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	Property strategy incorporates sustainability as one of the four strategic priorities with a plan to achieve IAG Science Based Target to 2025 and beyond.		Develop approach to fleet transition in New Zealand	Introduce pilot to reduce emissions from Australian fleet	Continue and expand our internal carbon pricing mechanism

# Invest responsibly

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation		Timing and Milestones		
		FY19	FY19	FY20	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>	Continue to implement climate-related risk management measures through external fund managers as part of broader ESG risk management	Maintained and reviewed ESG and climate-related criteria for equity portfolios, ESG and risk management questionnaire completed by all external fund managers.	●	<p>Maintain and extend ESG screening criteria for external fund managers</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>	Continue to invest in reputable green bonds	Green/Social Bonds and related thematic investments - \$79m allocation to green/social bonds in IAGAM managed portfolios - \$50m initial allocation to NAB Low Carbon Share Portfolio - \$10m Climate Change Property Fund - \$2m Generation Climate Solutions Fund Continued engagement with green issuers (bonds and RMBS).	●	<p>Continue to support thematic investments for a low carbon transition</p>	<p>Review and assess all programs for expansion</p>	→
	Leverage our investments to support climate resilient infrastructure and emission reduction	Resilience Investment Vehicle being developed in partnership with NAB.	◐	<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>	Measure ESG and carbon risk exposures in our portfolio	<p>ESG and carbon risk metrics analysed and reported to IAG Asset Management Investment Committee and portfolio managers.</p> <p>IAG's Investment Portfolio carbon intensity and exposure to high risk companies included in the FY19 Climate-related Disclosure in the Safer communities section of <a href="http://www.iag.com.au">www.iag.com.au</a></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 FY19	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	<p>Research project with National Center for Atmospheric Research addressed the uncertainty in the science relating to climate change. IAG received an award for its presentation at the Flood Management Australia conference on the impacts of flooding and sea level rise as a result of climate change.</p>	<p>Implement scenario-based planning on climate change futures</p> <p>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</p>	<p>Reconstruction of cyclone record for key events to establish more accurate historical record</p>	
	Use scenario-based planning for considering climate change strategy and CAP	<p>Scenario workshop held in February 2019 with 60 internal participants and 8 external stakeholders. Commenced climate change transition risk and opportunities scenario project.</p>	<p>Collaborate on climate-related risk assessment with local and global partners, including participation in the UNEP-FI pilot</p>	<p>Research Southern Australia impacts of climate change including hail, to identify risk drivers of weather-related events and risk reduction</p>	
<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	<p>Climate change identified as a strategic risk in IAG Enterprise Risk Profile resulting in a cause and effect analysis, known as IAG's bow-tie analysis being undertaken. This identified key causes and consequences and identifies controls and mitigating strategies from climate change. The bow-tie analysis is embedded within IAG's Risk Response Management Framework and Strategy.</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>
<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	<p>Initial Physical Risk Assessment undertaken at 1.5°C, 2°C and 3°C identifying vulnerability to different perils with significant regional variability in some areas.</p> <p>Commenced a project assessing the risks and opportunities of transitioning to a low carbon economy for IAG and potential liability impacts as a result of climate change.</p> <p>See IAG's Climate-related Disclosure in the Safer communities section of <a href="http://www.iag.com.au">www.iag.com.au</a></p>	<p>Ensure we can demonstrate how we have factored climate risk into product pricing and reinsurance</p> <p>Complete internal climate risk project and review core capabilities and processes for management of mid-term climate-related risks</p>	<p>Apply lessons from climate risks and opportunities into future of home research</p> <p>Integrate and embed climate risk analysis into portfolio assessment process</p>	

# Rethink risk (continued)

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation		Timing and Milestones		
		FY19	FY20	FY19	FY20	FY21
<p><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 Customer Officer</i></p>	<p>Pursue commercial opportunities to support customers and communities to pursue climate adaptation and a low-carbon transition</p>	<p>Reviewing fuel efficiency pricing factor and investigating low emissions transport product offering linked to relevant customer segments.</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>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 Customer Officer</i></p>	<p>Assign resources to gain insights from claims and promote adaptation in the building industry</p>	<p>Natural Perils team commenced a detailed assessment of claims history to understand financial impacts of natural peril events on the built environment with a dedicated resource leading this work. The insights are being used to inform products and pricing, and to influence the built form to make it more resilient in Australia and New Zealand. Natural Peril insights also being used through continued engagement with government agencies on planning and adaptation activities to support risk reduction.</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>Where commercially viable, apply incentives for risk mitigation and insights into supply chain activities</p>	

# 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