



CARBON NEUTRALITY AND IAG

FY2020

1. ORGANISATIONAL INFORMATION

Organisation Name:	Insurance Australia Group Limited ABN 60 090 739 923
Inventory Period:	1 July 2019 to 30 June 2020 (FY20)
Date of most recent verification:	30 June 2020 (greenhouse gas emissions)
Carbon Neutral Disclosure Type:	Organisation
Description:	IAG's global businesses under operational control

Introduction

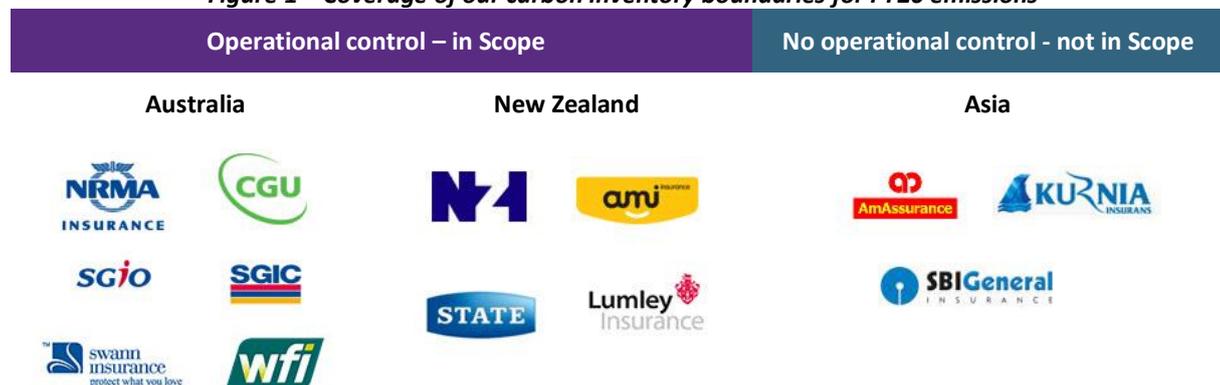
IAG is Australasia's largest general insurance company. Our purpose is to make your world a safer place and our commitment to carbon neutrality reflects our commitment to be a responsible and ethical business meeting the expectations of our customers and community. Our focus on climate change goes to the heart of our purpose and our pursuit of carbon neutrality helps us remain consistent with our **Climate Action Plan**¹. During the FY20 reporting period, we served markets in Australia and New Zealand.

Carbon inventory boundary

IAG's carbon neutrality is for a defined inventory of greenhouse gas (GHG) emissions. These emissions result from the activities of IAG's businesses under operational control as defined within the boundaries set out below. While IAG does not seek certification with Australia's National Carbon Offset Standard (NCOS), IAG recognises and adopts the principles of carbon neutrality set out in the NCOS guidance in our Australian business and where practical in all other businesses.

IAG's Australian and New Zealand operations fall into the scope of the FY20 carbon inventory. IAG's joint venture operations in India and Malaysia are out of scope (see Figure 1).

Figure 1 – Coverage of our carbon inventory boundaries for FY20 emissions



Carbon inventory inclusions

IAG's carbon inventory includes scope 1 and scope 2 emissions that would be required for reporting under Australia's National Greenhouse and Energy Reporting Act (NGER Act). Where appropriate and material, significant scope 3 emissions are also reported in line with the Climate Active Carbon Neutral Standard (previously known as the National Carbon Offset Standard / NCOS). For completeness and transparency IAG has included various scope 3 emission sources within the carbon inventory that represent a small proportion of the overall GHG emissions of the Group.

¹ IAG's activities relating to climate change are outlined at <https://www.iag.com.au/safer-communities/iag-climate-action-plan>



Emission factors are sourced from geographically relevant standards and are disclosed in IAG’s FY20 ESG Data Summary at <https://www.iag.com.au/safer-communities/our-esg-performance>.

As a service-based organisation, the most significant contributor to IAG’s carbon footprint is from electricity consumed throughout the property portfolio, including our data centres. Our electricity use across Australia and New Zealand (including both scope 2 and 3 components) comprised 49% of the Group’s total emissions in FY20. The majority of that percentage pertains to our Australian operations, with the national electricity grid in New Zealand benefitting from a higher proportion of renewable energy generation.

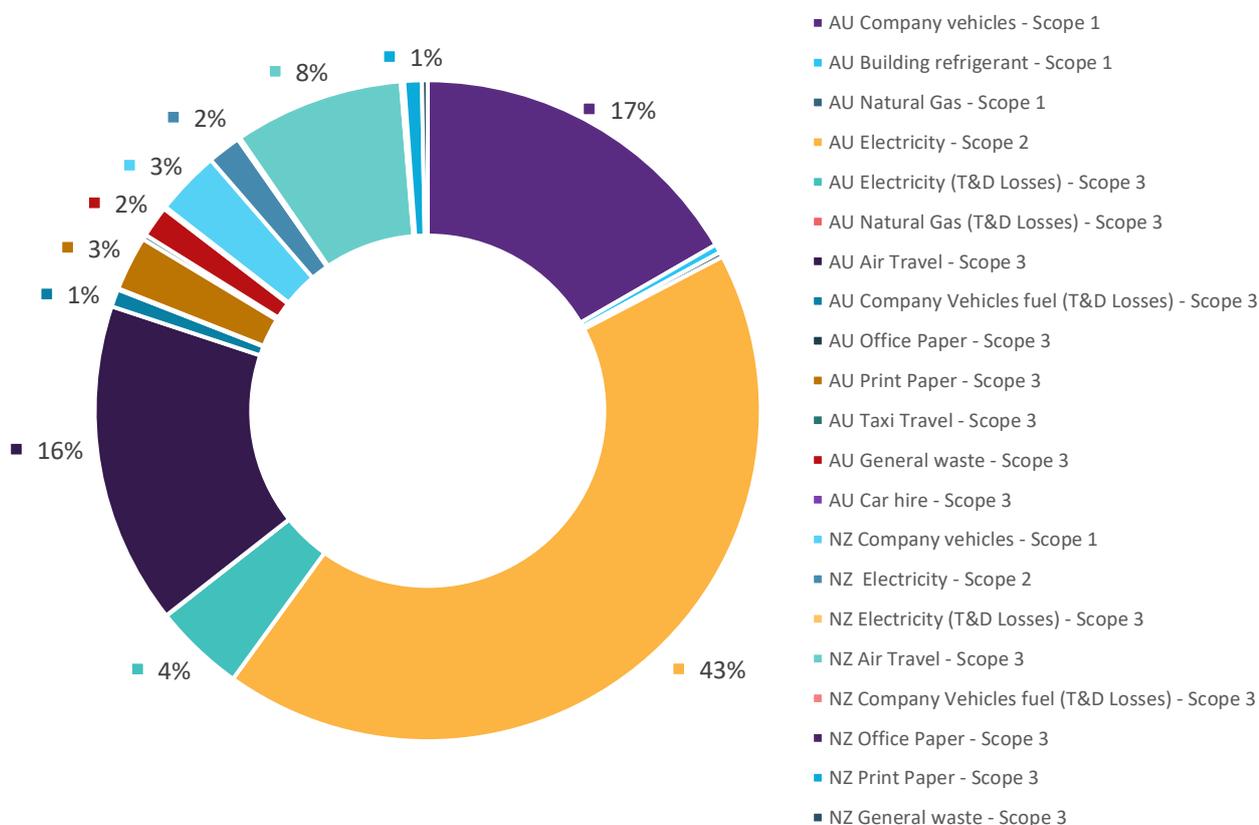
Figure 2 illustrates the percentage breakdown of the Group’s carbon inventory by emission source.

Carbon inventory exclusions

IAG’s carbon inventory excludes emissions from wastewater (Scope 3). Given the nature of IAG’s operations, this emission source has been assessed as exerting an immaterial contribution to the Group’s carbon footprint and is therefore excluded. In New Zealand, a number of emissions sources have also been excluded based on low materiality. This is detailed in section 2 of this document.

There are a number of other exclusions which we are not currently in a position to measure or report on. These include: value chain emissions, employee commuting, and the impact associated with employees working from home. This latter category is of particular note given the changed working conditions imposed towards the end of FY20 following the outbreak of COVID-19.

Figure 2 - IAG FY20 Emissions profile by activity and area of operation (% CO2e)



2. FY20 - TOTAL CARBON FOOTPRINT

The FY20 carbon footprint for all in-scope carbon inventory items for the entities where operational control is exercised has been set out in the table below. All GHG emissions reported are presented as a gross figure in metric tonnes of carbon dioxide equivalent (tCO₂-e). IAG's FY20 carbon emissions have been verified by Ernst & Young (EY). Refer to <https://www.iag.com.au/safer-communities/our-performance> for the limited assurance statement.

Emissions Source	Australia (tCO ₂ -e)	New Zealand (tCO ₂ -e)	Group Total (tCO ₂ -e)
Scope 1	5,685.64	1,030.14	6,715.78
Company vehicles fuel	5,466.65	1,030.14	6,496.79
Building refrigerant	136.66	-	136.66
Natural gas	82.33	-	82.33
Scope 2	14,024.98	537.45	14,562.43
Electricity	14,024.98	537.45	14,562.43
Scope 3	8,431.40	3,175.09	11,606.49
Electricity (T&D Losses)	1,449.67	40.72	1,490.39
Natural Gas (T&D Losses)	6.64	-	6.64
Air travel	5,178.29	2,707.89	7,886.19
Company vehicles fuel (T&D Losses)	283.75	54.84	338.59
Office paper	18.83	-	18.92
Print paper	874.08	280.11	1,154.19
Taxi travel	77.90	0.00	77.90
General waste	504.76	91.44	596.20
Car hire	37.47	-	37.47
Total tCO₂-e emissions	28,142.02	4,742.68	32,884.71

See IAG's 2020 Data summary and Glossary of Terms in the Safer Communities section of www.iag.com.au for definitions and calculation methodologies underpinning each emission source. Note, Scope 3 items with "T&D Losses" refer to emissions related to the transportation and distribution of the energy feedstocks.



3. EMISSION REDUCTION MEASURES

Group emissions in FY20 decreased 32% from FY19 (33% for IAG's Australia business and 21% for IAG's New Zealand business). Part of this drop can be attributed to the material reduction in corporate air travel as a direct consequence of the COVID-19 travel restrictions imposed from March 2020.

The impact of the pandemic in the final quarter of the year also had a notable impact on electricity usage across the portfolio, as employees moved to working from home, and on our fleet-based emissions with lockdown across both regions restricting operations. Looking past the impact of the pandemic however, IAG continued to achieve emissions reductions in both Australia and New Zealand through a combination of efficiency initiatives and consolidations:

- Reduced fleet emissions as vehicles continue to be upgraded to more fuel-efficient models.
- Initiatives put in place to reduce air travel across the organisation, supported by investment in technology infrastructure to support remote ways of working.
- Ongoing property consolidation across our Australian and New Zealand portfolios where office space is no longer required.

IAG remains committed to managing and reducing carbon emissions across our businesses, setting science-based emission reduction targets for our operational (scope 1 and 2) emissions based on an FY18 baseline: 20% reduction by 2020, 43% by 2025, 71% by 2030, and 95% by 2050. IAG achieved its FY20 science-based emission reduction target and is continuing to implement initiatives to reduce emissions further. These include:

- A 99kWh solar photovoltaic system at our data centre facility in Melbourne, which began operation in November 2020.
- Renovation work across a number of the larger Australian properties, including upgraded heating and cooling infrastructure.
- Consolidation of the New Zealand property portfolio via the closure of the AMI branches.
- The addition of electrical vehicles to the New Zealand pool vehicle fleet as well as accelerating the timeframe for vehicle upgrades in the Australian fleet.
- Integrating renewable energy into IAG's Australian electricity procurement process to support the growth of clean energy within the Australian national electricity grid.



4. OFFSET BALANCE, PURCHASE AND RETIREMENT

Approach

Since 1 January 2012, IAG has purchased and retired carbon offsets to meet its carbon neutral commitment. Our approach is to forward estimate our emissions footprint and purchase sufficient offset units to maintain our carbon neutral status over time.

At the end of each year, we compare the offsets purchased and retired against our actual footprint to confirm our carbon neutral position. This alerts us to any discrepancy and guides the forward management of our offset program. Units that are in excess of our measured footprint are assigned to offset the emissions of the subsequent year.

Reconciliation of historic carbon offsets purchased and carbon emission footprints

IAG reviewed the balance of offsets we purchased up until the end of FY19 against our measured carbon emissions footprint through the end of FY20.

Period ²	A: Balance of units at start of period	B: IAG's carbon footprint to offset (tonnes CO ₂ e)	C: Carbon offsets purchased (tonnes CO ₂ e)	Balance at end of period (A - B + C) (tonnes CO ₂ e)
FY2019	62,371 tCO ₂ e	48,176.90 tCO ₂ e	41,046 units purchased during FY19	55,241 tCO ₂ e
FY2020	55,541 tCO ₂ e	32,884.71 tCO ₂ e	38,300 units purchased during FY20	60,655 tCO ₂ e remain available to offset future emissions

Carbon offset selection

IAG considers the following to guide the purchase of carbon offsets:

- Sourcing projects that support our purpose and strategic focus areas including resilience to natural perils, community resilience and enabling resilient and responsible business operations.
- Sourcing projects in countries where IAG has business interests (Australia and New Zealand) as well as operational partners (India, Philippines).
- Ensuring all projects are additional, permanent, measurable, transparent, independently audited and registered.
- Where possible, carbon offsets are purchased through a formally regulated market. Where this is not possible due diligence is carried out to ensure that the offsets are genuine, not subject to fraudulent issue and not previously traded and retired.

As part of our Elevate Reconciliation Action Plan (RAP)³, IAG is committed to supporting carbon credit projects developed by Aboriginal and Torres Strait Islander communities, to help provide an economic opportunity and employment outcomes for those communities. To that end, through both FY19 and FY20 IAG was able, via its carbon offset purchases, to support an Indigenous led savanna burning project in the Cape York region of Northern Queensland. In FY20 we have also provided support to a native forest management and regeneration project in the Marlborough region of New Zealand's South Island.

² Refer to IAG's Carbon Neutral Disclosure Reports for additional details on offsets that were purchased prior to FY19. These can be found at <https://www.iag.com.au/safer-communities/our-esg-performance>

³ For more information on IAG's RAP commitments, see the Our Elevate Rap section of the website at <https://www.iag.com.au/our-elevate-rap>



5. FURTHER INFORMATION

Should you require any further information, please send queries to safercommunities@iag.com.au