

CARBON NEUTRALITY AND INSURANCE AUSTRALIA GROUP

1. ORGANISATION AND PRODUCT INFORMATION

Organisation Name:	Insurance Australia Group Limited ABN 60 090 739 923
Inventory Period:	1 July 2013 to 30 June 2014 (FY2014)
Disclosure Period:	1 July 2014 to 30 June 2015 (FY2015)
Date of most recent verification:	30 June 2014 (Greenhouse gas emissions)
Carbon Neutral Disclosure Type:	Organisation
Description:	IAG's Global businesses under operational control

ORGANISATION DESCRIPTION

Introduction

Insurance Australia Group (IAG) is a financial services organisation that has a portfolio of general insurance businesses with leading and established brands across its home markets of Australia and New Zealand, with a growing presence in Asia.

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 global businesses under operational control as defined within the boundaries set out below. Whilst Australia's National Carbon Offset Standard (NCOS) certification is not being sought, 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, New Zealand, Asia head office, Thai and Vietnam businesses fall into the scope of the 2014 financial year carbon inventory. IAG's joint venture operations in India, China and Malaysia are all out of scope, along with the acquisition of the insurance underwriting businesses of Wesfarmers Limited. Figure 1 sets out IAG's businesses by brands and country, and demonstrates those businesses included and excluded from the scope of our carbon inventory for carbon neutrality based on operational control.

Figure 1 - GROUP OPERATING MODEL



As a service based organisation, the most significant contributor to IAG's GHG emissions inventory is from stationary energy (scope 2 electricity) consumed throughout the property portfolio and data centre. This emission source contributed 55.2% of the Group's total emissions in FY2014. Figure 3 illustrates the percentage of the Group's carbon inventory by significant emission source.

Carbon inventory inclusions

IAG's carbon inventory includes scope 1 and scope 2 emissions that would be required for reporting under the Australian National Greenhouse and Energy Reporting Act (NGER Act), and where appropriate and material, in line with NCOS significant scope 3 emissions. For completeness and transparency IAG has included various emission sources within the carbon inventory that represent a small proportion of the overall GHG emissions of the group.

Emission factors are sourced from geographically relevant standards and are disclosed in IAG's business sustainability reporting data summary and glossary at www.iag.com.au/sustainable/other/index.shtml.

Carbon inventory exclusions

In Australia, IAG's carbon inventory excludes vehicle refrigeration (scope 1) and waste water (scope 3). Given the nature of the operations of IAG, these emission types have been assessed as exerting an immaterial contribution to the group's GHG emissions and are therefore excluded from the reported carbon footprint.

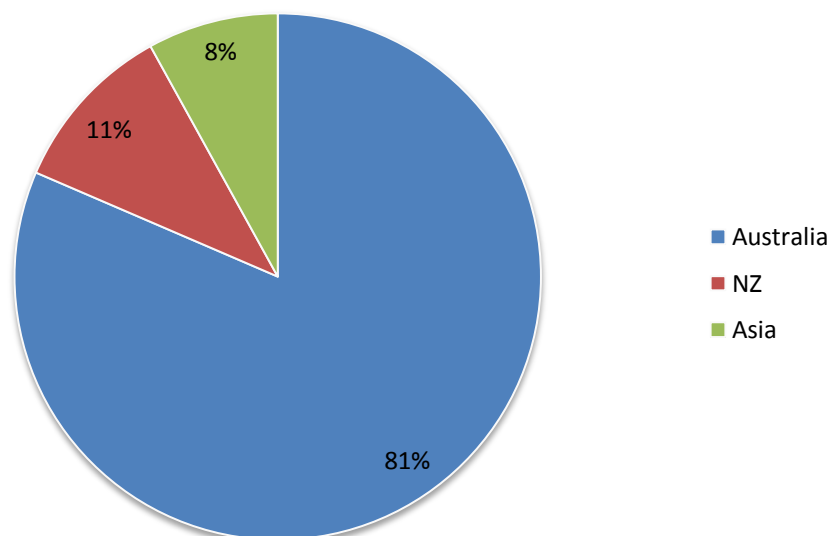
In IAG's other in-scope businesses, other immaterial sources of emissions have also been excluded. This is detailed in section 2 of this document.

To take account of the impact of these omitted GHG emissions, an uplift of 5% has been applied to the level of carbon offset units that have been purchased and retired by IAG's businesses to offset its carbon footprint.

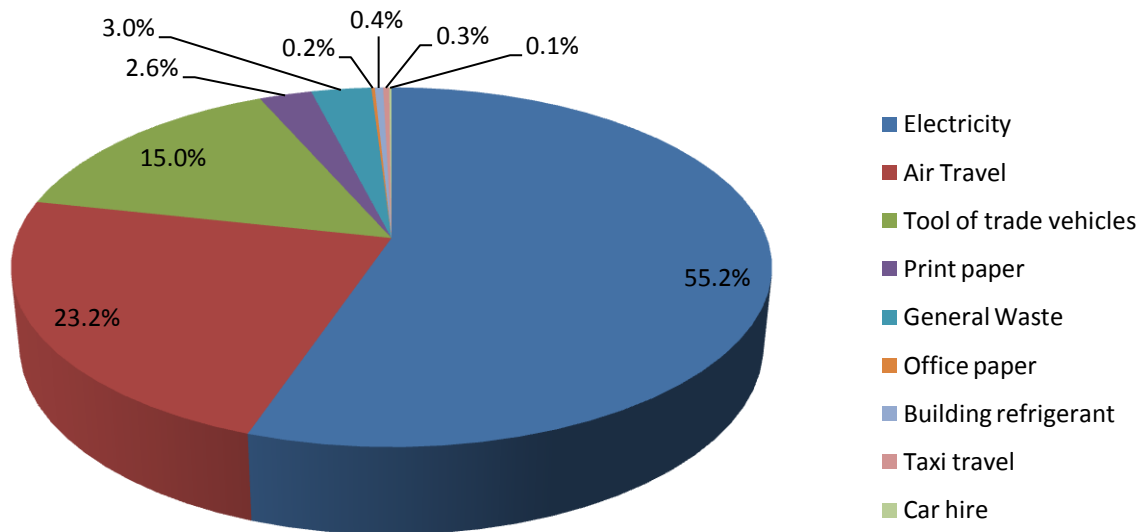
Figure 2 & 3 - GROUP EMISSIONS PROFILE

The FY2014 emission profile of the group is summarised below.

IAG FY14 Carbon emissions by area of operation



IAG FY14 Carbon emissions by source



2. TOTAL CARBON FOOTPRINT

The total 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. Emissions for financial year FY2014 are shown. All GHG emissions reported are presented as a gross figure in metric tonnes of CO₂-e. IAG's FY2014 carbon emissions have been verified by Net Balance. Refer to www.iag.com.au/sustainable/media/2014/AssuranceStatement.pdf for the assurance statement.

Emissions source	Australia (tonnes CO ₂ -e)	New Zealand (tonnes CO ₂ -e)	Asia (tonnes CO ₂ -e)	TOTAL (tonnes CO ₂ -e)
Tool of Trade Vehicle Fleet fuel consumption	5,794	1,676	1,464	8,934
Building Refrigerants	247	N/R	N/R	247
Electricity Consumption	29,679	1,530	1,738	32,947
Air Travel	9,982	2,494	1,339	13,815
Print Paper	985	339	236	1,560
Office Paper	10	79	12	101
Taxi Travel	180	N/R	N/R	180
Rental Car	67	N/R	N/R	67
Waste To Landfill	1,638	144	N/R	1,782
Total	48,582	6,262	4,789	59,633

Please refer to IAG's business sustainability reporting data summary and glossary at www.iag.com.au/sustainable/other/index.shtml for details of how each emission source is calculated.

The 2014 financial year inventory is used to forecast the carbon footprint for the 2015 financial year.

3. EMISSION REDUCTION MEASURES

Total Group CO₂-e emissions continue to reduce year on year, with a 5.5% reduction achieved in comparison to FY2013. The Australian and New Zealand businesses achieved reductions of 6.8% and 9.9% respectively. The inclusion of the Vietnam joint venture for the first time in FY2014 saw an increase in emissions from the Group's Asian businesses. Overall, this represents a 10.5% reduction in carbon emission per full time equivalent (FTE) employee with a reduction from 5.1 tonnes per FTE to 4.6 tonnes per FTE in FY2014. Reductions were driven by the following most significant initiatives:

- Continuing to rationalise hardware, moderated temperature controls, improved air flow and continued our server virtualisation programme in our Data Centre;
- Installation of LED lighting in both our Australian and New Zealand head offices;

IAG has reported on progress in reducing emissions in the IAG Annual Review at www.iag.com.au.

IAG believes that efficient management of all resources across our business is part of good business management. Through a focus on IAG's carbon neutral commitment and internal balanced score card measures, IAG's Australian and New Zealand businesses have reduced emissions by 26% since 2006, when the business made the commitment to become carbon neutral. IAG began reporting on emissions from its Thai business in FY2010 and has reported a limited number of environmental metrics for the Vietnam joint venture for the first time in FY2014. IAG remains committed to managing and reducing carbon emissions across our businesses.

4. OFFSET PURCHASE AND RETIREMENT

Approach:

IAG has adopted a forward purchasing offset model to meet its carbon neutrality commitment. IAG has calculated its forecast GHG emissions for financial year FY2015 using the GHG emissions reported in the FY2014 carbon inventory.

IAG has purchased and retired offsets in advance of FY2015 estimated GHG emissions occurring.

At the end of the FY2015, IAG will undertake a reconciliation process to confirm actual GHG emissions for the year, and purchase and retire additional offsets, if required.

Forecast Group GHG emissions in scope for FY2015 at the time of purchase: 60,000 tonnes CO₂-e.

Carbon offset selection:

IAG has clear offset purchasing guidelines for the purchase of robust and verified offsets. This includes criteria such as:

- 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 will be carried out to ensure that the offsets are genuine, not subject to fraudulent issue and not previously traded and retired
- Sourcing projects either domestically or in countries that align to IAG's operations e.g. China, India, Thailand and Australia
- Sourcing projects that align to the business and/or divisional strategic focus areas of risk management, disaster reduction, social inclusion and sustainable operations

IAG has purchased only those offsets that meet NCOS requirements.

Governance and oversight of the purchase of IAG's offset portfolio has been undertaken by the Carbon Offset Purchase Steering Committee, drawn from across the business and from various functions, sponsored by IAG's Group General Manager, Strategy.

Offsets retired:

A total of 65,000 tonnes CO2-e offsets have been retired to cover the forecast emissions for the FY2015 reporting period.

Offset type	Project name	Registry	Serial numbers	Offset quantity (Tonnes CO2-e)
Voluntary Carbon Standard (VCU) – Voluntary Carbon Standard (VCS)	Sichuan Huadian Xixi River Hydro-electricity Development Co., Ltd. Luogu Hydroelectric Project in China	APX	3433-154141324-154168615-VCU-008-APX-CN-1-877-26122010-25122011-0 3434-154191324-154201323-VCU-008-APX-CN-1-877-25032010-25122010-0 2714-118028621-118035828-VCU-008-APX-CN-1-877-25032010-25122010-0	44,500
VCU-VCS	Siam Cement Biomass Project in Thailand	Markit	1755-72574316-72590815-VCU-008-MER-TH-4-403-01072007-31122007-0	16,500
VCU-VCS	Redd Forests Grouped Project: Protection of Tasmanian Native Forest in Australia	Markit	3291-148283712-148286415-VCU-016-MER-AU-14-641-16042012-15042013-0 3228-145701305-145702600-VCU-016-MER-AU-14-605-13032012-12032013-0	4,000
Total Quantity (CO2-e) of carbon offsets purchased and retired:				65,000

5. Further information

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