



CARBON NEUTRALITY AND IAG

FY2018

1. ORGANISATIONAL INFORMATION

Organisation Name:	Insurance Australia Group Limited ABN 60 090 739 923
Inventory Period:	1 July 2017 to 30 June 2018 (FY2018)
Date of most recent verification:	30 June 2017 (greenhouse gas emissions)
Carbon Neutral Disclosure Type:	Organisation
Description:	IAG's global businesses under operational control

Introduction

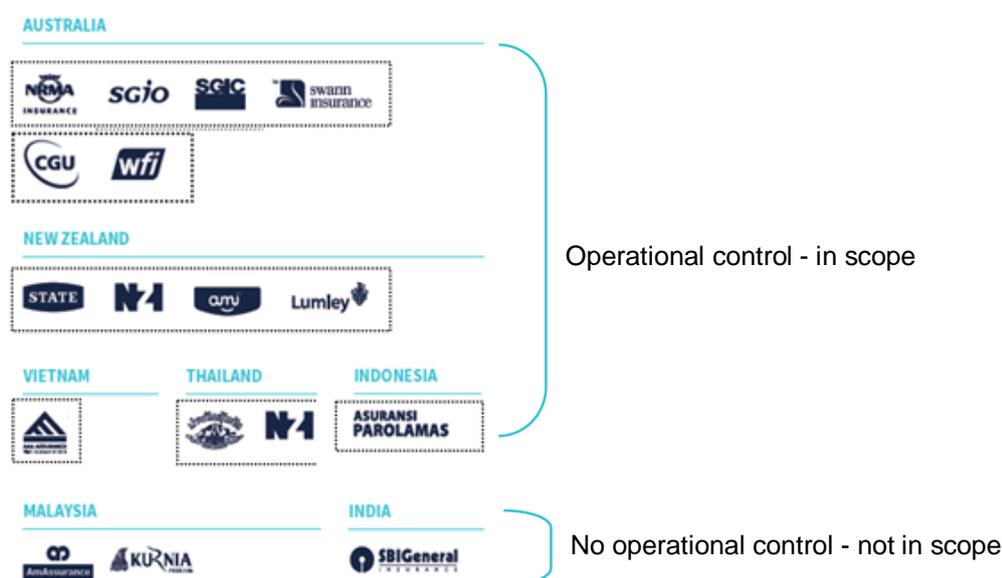
IAG is Australasia's largest general insurance company. During the FY18 reporting period, we served markets in Australia, New Zealand and Asia. Our purpose is to make your world a safer place and our commitment to carbon neutrality reflects the responsible approach we take in business. Our pursuit of carbon neutrality helps our actions to remain consistent with our purpose and supports our public position on climate change¹.

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 and Asia head office fall into the scope of the FY2018 carbon inventory, as does the Indonesian, Thai and Vietnam businesses we held interests in during the FY18 period. IAG's joint venture operations in India and Malaysia are out of scope (see Figure 1)².

Figure 1 – Coverage of our carbon inventory boundaries for FY18 emissions



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

² On 19 June 2018, IAG announced that it was selling its operations in Thailand, Indonesia and Vietnam. Figures for these business units have been included in this FY18 data summary. From FY19, we will not report non-financial data for these business units.

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), 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 Data summary and glossary of terms at www.iag.com.au/safer-communities/our-performance.

As a service-based organisation, the most significant contributor to IAG's carbon inventory is from electricity consumed throughout the property portfolio and data centres. Our electricity use (including scope 2 and 3 components) comprised 43% of the Group's total emissions in FY2018. **Figure 3** illustrates the percentage of the Group's carbon inventory by significant 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 and Asia, other immaterial sources of emissions have also been excluded. This is detailed in section 2 of this document.

The FY2018 emission profile of the Group is summarised below.

Figure 2 - IAG FY2018 Emissions profile by area of operation (% CO₂e)

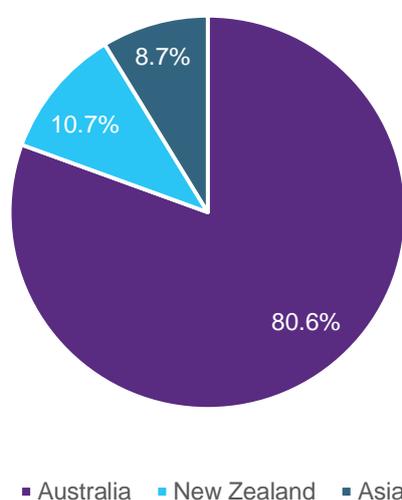
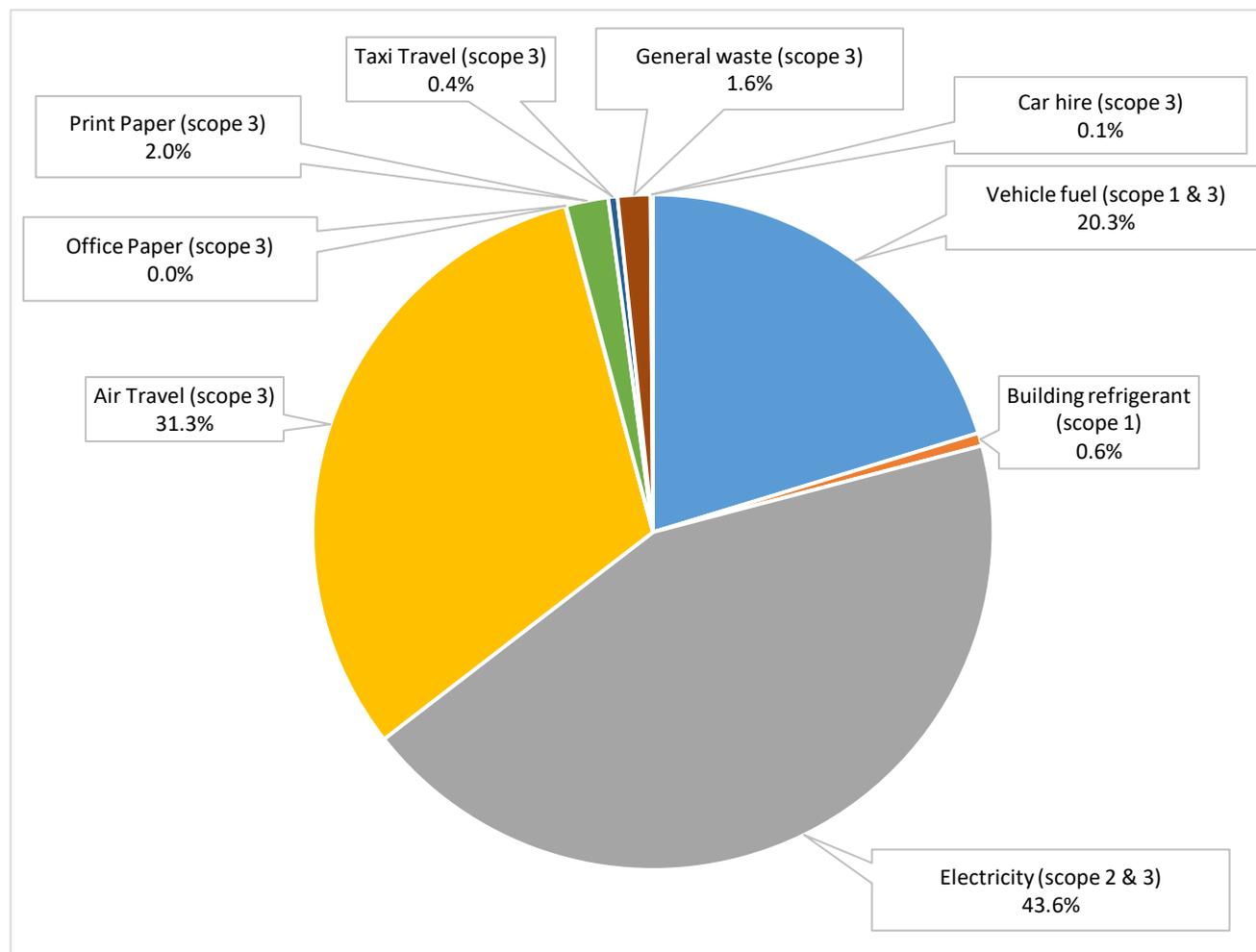


Figure 3 - IAG FY2018 Emissions profile by source (% CO2e)





2. FY2018- TOTAL CARBON FOOTPRINT

The FY2018 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 (CO₂-e). IAG's FY2018 carbon emissions have been verified by Ernst & Young (EY). Refer to <https://www.iag.com.au/safer-communities/our-performance> 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)
Scope 1				
Vehicle fuel use (tool of trade)	5,409.55	1,329.33	2,217.04	8,955.92
Vehicle fuel use (salary package)	2,149.30	-	-	2,149.30
Building Refrigerants	355.41	N/R	N/R	355.41
Scope 2				
Electricity	20,059.41	815.50	1,862.65	22,737.56
Scope 3				
Electricity	2,247.88	66.47	117.52	2,431.88
Vehicle fuel use (tool of trade)	284.10	70.62	115.74	470.46
Vehicle fuel use (salary package)	112.65	-	-	112.65
Air Travel	13,987.24	3,655.02	442.91	18,085.16
Office Paper	0.57	0.09	22.02	22.68
Print Paper	792.13	126.77	241.07	1,159.96
Taxi Travel	251.75	-	-	251.75
Waste to landfill	777.48	119.90	-	897.39
Car hire	65.70	-	-	65.70
Total	46,493.17	6,183.70	5,018.95	57,695.82

See IAG's Data summary and Glossary of Terms at <https://www.iag.com.au/safer-communities/our-performance> for details of how each emission source is calculated.



3. EMISSION REDUCTION MEASURES

In FY2018 we managed our emissions through a combination of efficiency initiatives to decrease our footprint and the purchase of carbon offsets for those emissions remaining. Efficiency initiatives included the following:

- Improvements to computer room AC, airflow and temperature controls;
- Efficiency gains at our main Australian Data Centre via dual fluid unit;
- Moving to a new office headquarters at Darling Park Sydney which was an opportunity to move to a building that incorporates sustainable design, maximising natural light and using energy efficient lighting while targeting a 5 star Greenstar rating.
 - The new office headquarters was designed with an open plan layout to facilitate “Activity Based Working” that aims to boost productivity while reducing consumables such as paper and energy. Activity Based Working also includes advanced teleconferencing facilities aimed at reducing the need for inter-state and trans-Tasman business travel as well as encourage flexible work-from-home arrangements that factor into IAG’s scope 3 emissions

IAG remains committed to managing and reducing carbon emissions across our businesses. In FY2018, IAG took the step of setting science-based emission reduction targets for our operational (scope 1 and 2) emissions. This is accompanied by a range of work being explored to reduce emissions from our electricity use, air travel and fuel use.



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 the offsets we have purchased up until the end of FY2017 against our measured carbon emissions footprint until the end of FY2018.

Period	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-)
FY2017	97,689 tCO ₂ e	54,370 ⁵ for FY17 period	85,397 units purchased during FY17	128,716t CO ₂ e available for FY18 and beyond
FY2018	128,716t tCO ₂ e	74,345t CO ₂ e for FY18 period This includes: <ul style="list-style-type: none"> ▪ 57,696 tonnes from IAG activities in FY18, ▪ 16,649 tonnes due to historical gap in carbon inventory for package vehicles 	8,000 units purchased during FY18	62,371t CO ₂ e remain available to offset future emissions

During FY18, IAG recognised that we had historically not accounted for emissions from vehicles in our salary package schemes since our carbon neutral commitment in FY12. Hence, we amended our historic scope 1 and scope 3 emissions disclosed in our FY18 annual review. This represents a combined gap of 16,649 carbon units over 6 years of salary package vehicles.

Overall, through the purchase of offsets in FY16 and FY17, this review shows IAG remained carbon neutral throughout FY18. 62,371 tonnes of carbon offset units remain available for IAG to use in future. Retired units and certificates from the projects IAG purchased credits from over FY16, FY17 and FY18 are listed in the table below

³ Refer to IAG's Data Summary and Glossary of Terms for details on IAG's carbon footprint. These can be found at www.iag.com.au/shared-value.

⁴ Refer to IAG's Carbon Neutral Disclosure Reports for additional details on offsets that were purchased prior to FY18. These can be found at www.iag.com.au/shared-value.



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;
- Ensuring all projects are additional, permanent, measurable, transparent, independently audited and registered; and
- 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.



5. FURTHER INFORMATION

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