



# CARBON NEUTRALITY AND IAG

FY2019

## 1. ORGANISATIONAL INFORMATION

<b>Organisation Name:</b>	Insurance Australia Group Limited ABN 60 090 739 923
<b>Inventory Period:</b>	1 July 2018 to 30 June 2019 (FY2019)
<b>Date of most recent verification:</b>	30 June 2019 (greenhouse gas emissions)
<b>Carbon Neutral Disclosure Type:</b>	Organisation
<b>Description:</b>	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 the responsible approach we take in business. Our focus on climate change goes to the heart of our purpose and our pursuit of carbon neutrality helps us remain consistent with our **public position on climate change** and our **Climate Action Plan**<sup>1</sup>. During the FY19 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 FY19 carbon inventory. IAG's joint venture operations in India and Malaysia are out of scope (see Figure 1)<sup>2</sup>.

**Figure 1 – Coverage of our carbon inventory boundaries for FY19 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

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

<sup>2</sup> On 19 June 2018, IAG announced that it was selling its operations in Thailand, Indonesia and Vietnam, hence their exclusion from FY19 non-financial data.

(previously known as the National Carbon Offset Standard / NCOS). 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 2019 ESG Data Summary at [www.iag.com.au/safer-communities/our-performance](http://www.iag.com.au/safer-communities/our-performance).

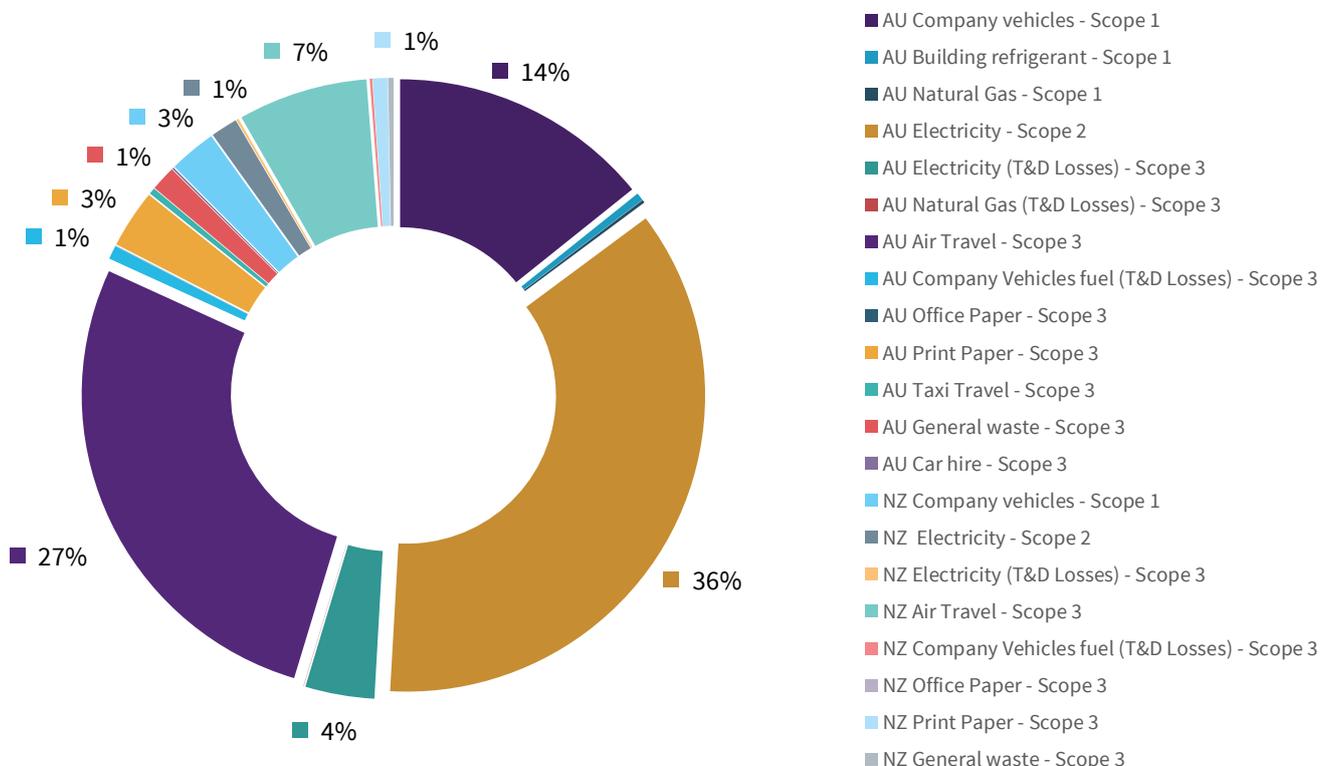
As a service-based organisation, the most significant contributor to IAG’s carbon inventory is from electricity consumed throughout the property portfolio and data centres in Australia. Our electricity use in Australia and New Zealand (including scope 2 and 3 components) comprised 41% of the Group’s total emissions in FY2019. **Figure 2** 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, other immaterial sources of emissions have also been excluded. This is detailed in section 2 of this document.

The FY2019 emission profile of the Group is summarised below.

**Figure 2 - IAG FY19 Emissions profile by activity and area of operation (% CO2e)**



## 2. FY2019- TOTAL CARBON FOOTPRINT

The FY2019 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 (tCO<sub>2</sub>-e). IAG's FY2019 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 (tCO <sub>2</sub> -e)	New Zealand (tCO <sub>2</sub> -e)	Group Total (tCO <sub>2</sub> -e)
<b>Scope 1</b>	<b>7,120.92</b>	<b>1,235.68</b>	<b>8,356.60</b>
Company vehicles fuel	6,836.74	1,235.68	8,072.42
Building refrigerant	204.31	-	204.31
Natural gas	79.87	-	79.87
<b>Scope 2</b>	<b>17,397.11</b>	<b>702.42</b>	<b>18,099.53</b>
Electricity	17,397.11	702.42	18,099.53
<b>Scope 3</b>	<b>17,684.28</b>	<b>4,036.49</b>	<b>21,720.77</b>
Electricity (T&D Losses)	1,805.13	60.10	1,865.23
Natural Gas (T&D Losses)	6.46	-	6.46
Air travel	13,104.47	3,386.44	16,490.91
Company vehicles fuel (T&D Losses)	356.72	65.72	422.44
Office paper	8.20	0.21	8.41
Print paper	1,534.73	384.89	1,919.62
Taxi travel	166.87	-	166.87
General waste	656.38	139.13	795.51
Car hire	45.32	-	45.32
<b>Total tCO<sub>2</sub>-e emissions</b>	<b>42,202.31</b>	<b>5,974.59</b>	<b>48,176.90</b>

See IAG's 2019 Data summary and Glossary of Terms in the Safer Communities section of [www.iag.com.au](http://www.iag.com.au) for details on how each emission source is calculated. 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 FY2019 decreased 16.5% from FY2018, however about half of this can be attributed to IAG divesting from the Asian businesses IAG owned and operated until 19 June 2018 (namely the Thai brand Safety Insurance, the Vietnamese brand AAA Assurance Corporation and the Indonesian brand PT Asuransi Parolamas). Emissions from both IAG's Australia and New Zealand businesses decreased 9.23% and 3.38% from FY2018 respectively.

IAG achieved these emissions reductions in Australia and New Zealand through a combination of efficiency initiatives to decrease our footprint and the purchase of carbon offsets for those emissions remaining.

Efficiency initiatives included:

- Supporting our strategic priority for an agile workforce, IAG encourages more flexible activity-based working arrangements for our people that sees a greater proportion of staff working from home, rather than in the offices. This is complemented by investments in technology infrastructure to enable remote working, such as video conferencing.
- Initiatives to reduce air travel, supported by the investment in technology infrastructure above.
- Further property consolidation across our Australian and New Zealand portfolios, with a material decrease in energy usage attributed to our move to a new 5 Star Greenstar rated office at Darling Park Sydney in June 2018.

IAG remains committed to managing and reducing carbon emissions across our businesses. In FY2019, IAG took the step of setting science-based emission reduction targets for our operational (scope 1 and 2) emissions based on FY18 baseline by 20% by 2020, 43% by 2025, 71% by 2030 and 95% by 2050. IAG is on track to achieve its FY20 science-based emission reduction target.

## 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 FY2018 against our measured carbon emissions footprint until the end of FY2019.

Period	A: Balance of units at start of period	B: IAG's carbon footprint to offset (tonnes CO <sub>2</sub> e)	C: Carbon offsets purchased (tonnes CO <sub>2</sub> e-)	Balance at end of period (A - B + C) (tonnes CO <sub>2</sub> e-)
FY2018	128,716t tCO <sub>2</sub> e	74,345t CO <sub>2</sub> e for FY18 period This includes: <ul style="list-style-type: none"> <li>57,696 tonnes from IAG activities in FY18,</li> <li>16,649 tonnes due to historical gap in carbon inventory for package vehicles</li> </ul>	8,000 units purchased during FY18	62,371t CO <sub>2</sub> e
FY2019	62,371t CO <sub>2</sub> e	48,176.90t CO <sub>2</sub> e	41,046 units purchased during FY19	55,241t CO <sub>2</sub> 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, South Africa).
- 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.

<sup>3</sup> Refer to IAG's ESG Data Summary for details on IAG's carbon footprint. These can be found in the Safer Communities section of <https://www.iag.com.au/>

<sup>4</sup> 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/esg-commitments-and-performance>



## 5. FURTHER INFORMATION

Should you require any further information, please send queries to [safercommunities@iag.com.au](mailto:safercommunities@iag.com.au)