



Disclosure 6 2018 Progress Report

Principles for Sustainable Insurance



Introduction

The Principles for Sustainable Insurance (PSI) were launched in Rio De Janeiro in 2012 at the UN Conference on Sustainable Development (Rio+20 Conference). Developed by the UN Environment Program Finance Initiative in collaboration with leading insurance and reinsurance companies, the PSI provide a framework for the global insurance industry to address environmental, social and governance (ESG) risks and opportunities. IAG has been a signatory to the PSI since 2012.

This document provides an update to IAG's commitments, progress and aspirations for implementing the PSI.

IAG On Stage

IAG received the following recognition, awards and accolades relating to our performance in implementing the PSI over the past three years (2016-2018).

Recognition on indices:

- The Dow Jones Sustainability Index: ranked in the DJSI World, Asia Pacific and Australia indices (2016) (2017) (2018)
- Included in the FTSE4Good Index Series (2016) (2017) (2018)
- Top 100 Global Most Sustainable Large Corporations, by Corporate Knights (2016)
- Included in the Climate Disclosure Leadership Index (2005-2016)

Awards and accolades:

- Best Insurance Company in Corporate Social Responsibility, Australian Insurance Awards (2017)
- Listed in Fortune's list of 50 large companies changing the world (Change the World List) (2017)
- Intermediated Insurance Company of the Year (NZI), ANZIIF (2017)
- Innovation of the Year, ANZIIF New Zealand Industry Awards (2017), NZI Fleet Safety RobecoSAM: Bronze Class distinction (2016) (2017) (2018)
- Corporate Organisation Leading Through Shared Value Award, Shared Value Awards (2016)
- Direct General Insurance Company of the Year (NRMA), ANZIIF (2016)
- Ranked 1st of the Top 40 Workplaces to Give Back in Australia, GoodCompany (2018)
- The Australian Council of Superannuation Investors as Leader for reporting practices and disclosure of sustainability risk (2016) (2017)
- Innovation of the Year, ANZIIF New Zealand Industry Awards (2016), NZI Safe Driving Programme
- Large General Insurance Company of the Year (CGU), ANZIIF Australian Insurance Industry Awards (2015)
- Finalist, Best Workplace Diversity & Inclusion Program, 2016 Australian HR Awards (2016)
- Finalist, Women's Employer of the Year, ANZIIF Australia Insurance Industry Awards (2016)
- Finalist, Youth Development Employer of the Year, ANZIIF Australia Insurance Industry Awards (2016)
- Finalist, Women's Employer of the Year, ANZIIF New Zealand Insurance Industry Awards (2016)
- Finalist, Inclusive Workplace Award, Australian HR Institute Awards (2016)
- Finalist, Deloitte NZ Top 200 Diversity Award (2016)



Principle 1: We will embed in our decision-making environmental, social and governance issues relevant to our insurance business

Our Commitment: IAG seeks to embed environmental, social and governance issues across all dimensions of our business.

In 2018, we continued to embed the understanding and management of ESG issues across our group operations by:

- Ensuring our purpose, *to make your world a safer place*, drives the decisions we make as a business and addresses material ESG risks and opportunities through our strategy.
- Refocusing our Shared Value team and strategy by renaming the team and plan to Safer Communities which emphasises the outcomes we are aiming to achieve for the community by delivering on our purpose, rather than focussing on the methods we use to do that.
- Considering our role on key ESG issues, with the Board and our executive team supporting the implementation of our Climate Action Plan. We have further integrated ESG considerations into areas of our business such as asset management, procurement and underwriting.
- Maintaining our carbon neutral status and making improvements in the impacts from our operations.
- Positioning the role of the Safer Communities team as a key function within the business to focus on resilience through key partnerships and contribution to the Australian Government's National Resilience Taskforce.
- Continuing to apply shared value, place-based community engagement, human centred design and social impact models to our approach to ESG and creating safer communities.

Evidence

Our people, processes and facilities:

- We are focused on creating a workplace where our people are aligned to and support our purpose and have the skills and capability to respond quickly to the evolving needs of our customers, and the changing nature of work. Our Leading@IAG program builds capability to support this throughout IAG. Leveraging our purpose to guide our decisions helps us create a culture where customers can trust that we will deliver on our promise to them, and our people experience meaningful work. There have been calls for a broad-based cultural shift within the financial sector and we acknowledge culture is pivotal to ensure we meet community expectations.
- We believe building deeper, more trust-based relationships with each other helps us ensure that our culture supports our business to meet the needs and expectations of our people, our customers and the community. We want our workplace to be characterised by a greater sense of collaboration, trust and accountability, and to be a place where people feel safe to speak up and contribute their ideas.



- We began implementing a three-year Climate Action Plan and publicly launched this in July 2018. We are committed to assessing and disclosing risks and opportunities that are aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- At our properties, we continued office consolidations across Australia, and moved our headquarters to a 5 Star Green Star certified building. We actively connected with our suppliers, landlords and our people to make the move and our daily work practices shape and reflect where we stand on ESG issues such as climate change, community connection, resource scarcity and safety. In 2018, we continued to find opportunities at our facilities to lead to efficiency improvements in our resource consumption.
- IAG has been climate neutral since 2012 and achieved our absolute carbon emissions reduction target of 10% ahead of our 2020 commitment. In 2018 we recently set science-based targets for our scope 1 and 2 emissions for a 20% reduction by 2020 and a 95% reduction by 2050. We maintained our Group carbon neutrality commitment and through the purchase of offsets, supported a range of carbon offset projects that deliver co-benefits to local communities in our markets, including conservation outcomes, economic and social empowerment of Indigenous peoples, and improved management of issues like bushfires.
- We established roles and accountabilities to actively integrate consideration of diversity, inclusion and belonging into our products, services and interactions with customers.

Underwriting and insurance projects:

- IAG's Natural Perils Research team reviews and undertakes research to understand how climate and weather-related events affect insurance risk. They have continued to feed critical considerations into our underwriting, strategy and other aspects of our insurance business.
- We continued to review our underwriting portfolio for its exposure to carbon-intensive industries and are comfortable with our limited exposure to these industries through our workers' compensation insurance.
- IAG considers climate-related risks through our Enterprise Risk Profile, supported by our Risk Management Framework and Risk Management Strategy. In the 2018 financial year, we commenced an assessment of physical and transitional risks. We continue to work with leading climate researchers on the trends and impacts of extreme weather events. The first phase modelled different climate futures informing how much, and in what locations, extreme weather may affect claim events and ultimately home insurance costs. Our risk assessments, scenario analysis and disclosure will also be informed by our participation in a global pilot led by the UNEP FI Principles for Sustainable Insurance (PSI).
- The IAG Group leadership team recently signed off and approved a statement to align Commercial Underwriting to the IAG Climate Action Plan. While a public statement on this position / commitment has not been developed, the commitment means that IAG will not cease to insure entities that undertake primary business activities relating to extraction of fossil fuel, power generation using fossil fuels and non-sustainable logging.



- Aligning with our Climate Action Plan focus area of “Invest Responsibly”, our responsible investment objectives are to:
 1. Shift investments to companies that have a lower exposure to climate-related risks or a forward-looking strategy to manage these risks.
 2. Actively support action on climate change and a net zero future.
 3. Measure carbon intensity and include climate-related risks in the (ESG) risk management of our investments.

Principle 2: We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

Our Commitment: IAG is committed to ongoing dialogue with all our value chain stakeholders on environmental, social and governance issues to drive action and develop solutions.

Our work with clients: In 2018 we continued to create a range of product and service innovations to create safer, stronger and more confident communities and reduce customers' exposure to ESG risks.

Our work with business partners: In 2018, we continued and expanded our programs with business partners in our supply chain, and through our brands.

We intend to continue and expand our efforts to support ESG improvements through products and services identified by our Safer Communities Framework, in our own operations, and through our interaction with customers and partners.

Evidence

We have made a range of investments and partnerships to support innovation in new technologies that improve safety at home, on the road and in communities.

- **Customer Incentives:** We encouraged customers to make purchasing decisions that reduce their impact or exposure to ESG issues by continuing to provide fuel efficiency discount of 10% on premiums for cars insured under a Comprehensive or Comprehensive Plus policy under our NRMA Insurance and NZI brands. Cars that have a fuel consumption between 1 to 5.5L are eligible for the discount.
- **Financial Inclusion:** To support our ambition to create world-leading experiences for all customers, regardless of age, gender identity, sexual orientation, mental and physical abilities, culture, language or financial situation, we developed a Customer Inclusion Program to



- **Safer Journeys:** We developed the NRMA Safer Journeys app to address the risk of distracted driving.
- **Safety Hub:** We invited 200,000 QLD and NSW home and motor insurance customers in high risk areas to participate in piloting Safety Hub, a purpose-led loyalty smartphone app designed to build awareness to our customers around common risks at home, how to be proactive about their safety, and reward them for taking action to mitigate the risk. The Safety Hub prototype was built and sent to 2,000 customers with over 4,500 personalised safety tasks completed and thousands of dollars in potential claims prevented. The Safety Hub trial proved that our customers are willing to engage with us beyond insurance and value safety advice.
- **Flood Warning Devices:** As part of the NRMA Insurance partnership with the New South Wales and Queensland State Emergency Service, we continued to trial the “DipStik” flood-warning device – a flashing beacon that warns motorists not to drive through flood-prone locations and communicates with emergency services – in six flood-prone areas of Australia.
- **Get Prepared App:** Our research has indicated that while 80% of Australians believe preparing for an emergency is important, fewer than 20% prepare. Through our 10-year partnership with the Australian Red Cross we co-created and launched the Get Prepared smartphone app. The app provides an easy way to prepare for emergencies, such as identifying tasks, and allows users to digitally share their plan. A study conducted with a cohort of users showed that 63% increased their awareness of potential risks in their local area and 56% felt more prepared than they did before using the app. As a supporter of the 100 Resilient Cities strategies in Sydney and Melbourne, we have set a commitment with the City of Sydney to target 100,000 downloads of the Get Prepared app in the city.
- **IAG Research Centre:** IAG is the only insurance group in Australasia that invests in its own Research Centre. We conduct vehicle testing and research on cars, motor vehicles and building materials with a focus on safety, security and the impacts of changes like autonomous technology. We share this information with our customers and partners to help them manage the risks that they face.
- **EcoSmash:** Our environmental accreditation program, EcoSmash, is designed to help repairers understand and comply with environmental legislation and regulations that relate to their business. We supported smash repairers to get accredited, with “Platinum” level compliance now a requirement for all new exclusive repairers.
- **Partnering with Supply Nation:** IAG supports Indigenous enterprises by partnering with Supply Nation, and we are proud to now be working with 18 Indigenous suppliers, surpassing our original target of 12 by December 2018. While our impact has expanded, several engagements were one-off events, so our new Elevate Reconciliation Action Plan, which was launched in February 2019, aims to expand our Indigenous supplier engagement and find opportunities for longer-term relationships.
- **Responsible Sourcing Program:** Through our Supplier Governance Framework, we have established systems to pull real-time data from more than 500,000 sources to monitor risk exposure across our global supply chain and engaged Made In A Free World to help us monitor human rights across our network. In 2019, we will continue these initiatives, focusing on modern slavery and climate change as well as review our Supplier Code of Conduct,



Principle 3: We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

Our Commitment: IAG is committed to working with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

In 2018, we continued our work with government, community, industry and research partners on the international stage and in our local markets to promote better understanding and action on ESG issues. This includes:

- Continued leadership through our involvement with international organisations and collaborations such as the UNEP; national initiatives such as the Australian Business Roundtable for Disaster Resilience & Safer Communities and Resilient New Zealand; and participation and engagement with a range of organisations and industry groups focusing on local and topical issues.
- Expanded our Confident Communities initiative that supports community resilience in our key operating markets.
- Promoted and shared our knowledge on climate risk through research collaborations and promoted the concept of shared value as a successful and strategic business model.

Evidence

Research and advocacy

- In July 2018, we worked with NAB, Responsible Investment Association of Australia, Investor Group on Climate Change, Principles for Responsible Investment and the United Nations Environment Programme – Finance Initiative to host the Financing a Resilient and Sustainable Economy conference in Sydney. We are now helping to develop a regional plan for Australia and New Zealand, focused on creating sustainable finance solutions that support progress against the United Nations Sustainable Development Goals.
- We continue to work with leading climate researchers on the trends and impacts of extreme weather events, particularly through the work to understand physical and transition risk of climate scenarios to our business. Our risk assessments, scenario analysis and disclosure will also be informed by our participation in the TCFD global pilot led by the UNEP FI Principles for Sustainable Insurance (PSI).
- We continued our work to pursue national efforts to make communities safer and more resilient to extreme weather events through Resilient New Zealand and the Australian Business Roundtable for Disaster Resilience and Safer Communities. Through these, we partner with major businesses and community organisations to work collaboratively with



an early flood warning system that relies on flood monitoring devices on roads across rural areas. There are now 18 devices in six flood prone locations across Australia testing the technology.

- We conduct research at our IAG Research Centre and share the results with manufacturers. This helps to improve car design in areas like anti-theft security, crash safety and whiplash reduction through head restraint design. In 2018, the IAG Research Centre broadened its focus on emerging issues affecting vehicles and mobility, such as the development of autonomous vehicles. In partnership with the National Motor Vehicle Theft Reduction Council we created a program to look at cyber security and vehicle theft.
- We entered a 10-year partnership with iMOVE Australia to get insights into the future of smart, connected transport.
- In 2018 we supported the waste industry through a forum with the Environment Protection Authority, fire brigades, government, regulators and insurers. This investigated best practice operating standards, risk management and contingency planning.
- We are using insights from our claims data together with our knowledge and experience in assessing and managing environmental and social risks to better understand customer and community need and inform initiatives that encourage action and behaviour change. Through our partnership with Suncorp and James Cook University (JCU) Cyclone Testing Centre we are helping to study the impact of tropical cyclones on strata properties in North Queensland by sharing our claims data, expertise and funding. The work is providing designers, builders and insurers with a better understanding of what increases claims costs after cyclones, so we can help build resilience in affected communities.
- Our NZ CEO and business signed up to the New Zealand Government's Climate Leaders Coalition, that is recommended options for New Zealand's approach to climate change adaptation.
- Across industries and geographies, we have continued our ongoing dialogue with business and industry associations to better understand and manage ESG issues they face. This included our work using with human-centred design techniques through our Industry Practice Groups to better understand risk profiles and appetites specific to different industries, and ultimately facilitate action.

Community outreach and partnerships

- Through our products and marketing, we have supported knowledge of risk in the community beyond our customers. In Australia, our brands run Safer Homes, an online mapping tool that communicates bushfire, flood and other key risks in customers' and communities' suburbs. In New Zealand, our Need2Know website helped New Zealanders understand more about home insurance.
- In 2018, we continued to grow our local community partnerships through our Good 'Hoods program. We have focused our efforts on co-creating a framework with the Blacktown community to improve economic inclusion, increase community connection and reduce the impact of severe weather events; and partnering on a community-led planning framework and strategic alliance with the City of Moreland, Melbourne, to plan for climate change in the 2020s.



Season program with our partners in the New South Wales and Queensland State Emergency Service, which raises awareness of storm-related risks and encourages people to take simple steps to protect lives and property.

Principle 4: We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles.

Our Commitment: IAG discloses our progress on implementing the principles annually, and we aspire to raise the status of ESG issues through our annual reporting suite.

In 2018, we deepened and expanded our commitment to transparency and accountability by improving our public disclosure on ESG issues relevant to the PSI.

As an organisation that is purpose-led, we recognise the importance of going beyond reporting our progress on implementing these Principles. Three key areas of performance in 2017 were¹:

- We actively participated in indices requiring detailed information about ethical, environment, social and governance strategy and performance. In 2018, our disclosure and performance on ESG risks and issues was reflected in our inclusion on key global indices:
 - DJSI World, Asia Pacific and Australian indices and DJSI Yearbook
 - FTSE4Good index series
- We released public commitments on responsible business and ESG performance regarding key topics in our business in our 2018 Annual Review & Safer Communities Report.
- We frankly and transparently reported the processes and performance of ESG management in our insurance and investment decisions to shareholders during our Annual General Meeting, and to a broad range of financial, industry and community stakeholders through our work with the UNEP FI. Specifically, we activated our expanded Climate Action Plan as a centrepiece of the FY18 Annual General Meeting in October to emphasise the critical role IAG plays in climate advocacy and leadership to address the risks posed by a changing climate.
- We are making progress to better integrate reporting on our financial and non-financial performance to effectively communicate the materiality of ESG issues to our shareholders and other stakeholders.