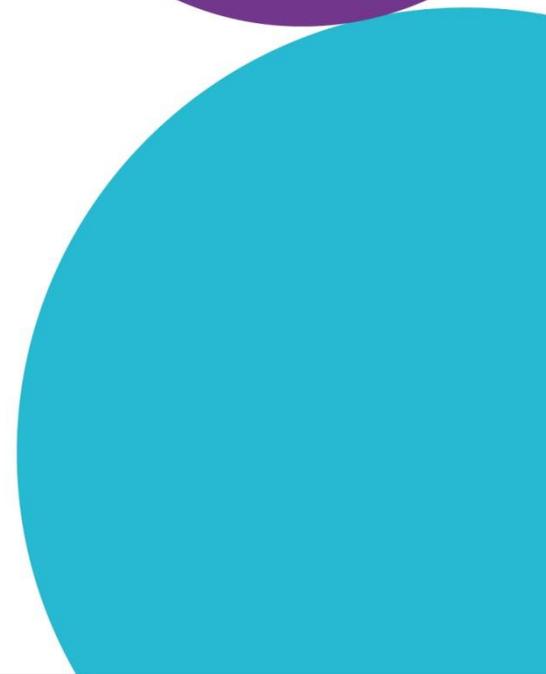
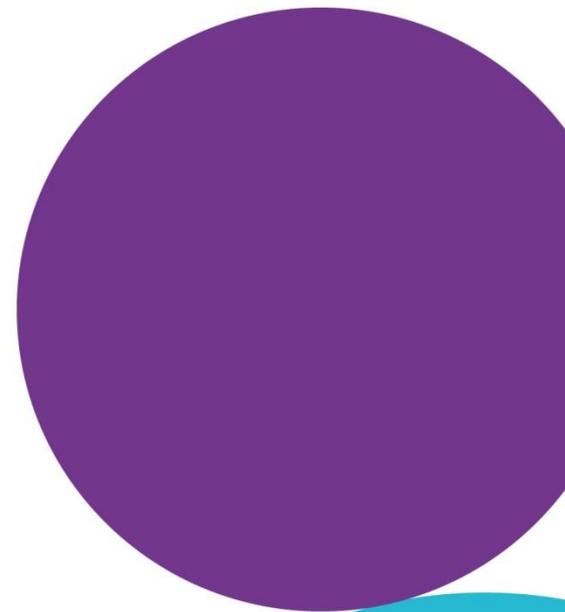
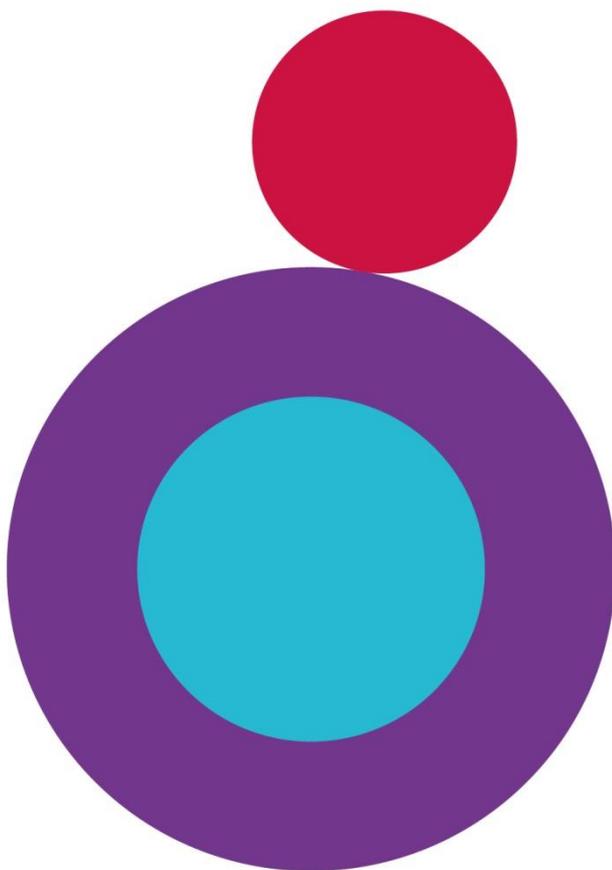

Disclosure 5

2017 Progress Report

Principles for Sustainable Insurance



PSI

Principles for Sustainable Insurance



UNEP Finance Initiative

2017 PSI Progress Report

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.

This document provides an update to IAG's commitments, progress and aspirations for implementing the PSI.¹

IAG on stage: IAG received the following recognition, awards and accolades relating to our performance in implementing the PSI over the past three years (2015-2017).

Recognition on indices:

- The Dow Jones Sustainability Index: ranked in the DJSI World, Asia Pacific and Australia indices (2015) (2016) (2017)
- Included in the FTSE4Good Index Series (2015) (2016) (2017)
- Top 100 Global Most Sustainable Large Corporations, by Corporate Knights (2015) (2016)
- Included in the Climate Disclosure Leadership Index (2005-2016)
- Included the Climate Performance Leadership Index (2015)
- Included in the MSCI Global Sustainability Index Series (2015)

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 (2015) (2016) (2017)
- Corporate Organisation Leading Through Shared Value Award, Shared Value Awards (2016)
- CDP Australian Climate Leadership Award for Consistently High Quality Climate Change Disclosure (2006-2015)
- Direct General Insurance Company of the Year (NRMA), ANZIIF (2016)
- The Australian Council of Superannuation Investors as Leader for reporting practices and disclosure of sustainability risk (2015) (2016)
- 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)
- Insurer of the Year (CGU), Insurance Business magazine's annual 'Brokers on Insurers Survey' (2015)
- Finalist, Large Business Sustainability Leadership Award, Banksia Sustainability Awards (2015)
- Highly commended, 10 Year Sustainability Award, NSW Government Green Globe Awards (2015)
- Resilient Australia Business Award for 2014/2015 NSW StormSafe campaign (2015)
- Australian Centre for Corporate Social Responsibility's State of CSR report: ranked in the Top 10 (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)
- Winner, Women's Employer of the Year, ANZIIF Australia Insurance Industry Awards (2015)
- CareerTrackers 2015 Business Co-ordinator Award (2015)

¹ Additional information on the activities reported in this document can be found in our [2017 Annual Review and Sustainability Report](#) and on our [website](#).

2017 PSI Progress Report

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 2017, better understanding and management of key ESG issues were further embedded across our group. We:

- identified ESG opportunities through ongoing implementation of our *Shared Value Framework*;
- considered our role on key ESG issues, with the Board and our executive team supporting the establishment and implementation of a climate change action plan and we have further integrated ESG considerations into areas of our business like asset management, and procurement;
- maintained our carbon neutral status and made improvements in the impacts from our operations; and
- rallied behind IAG's purpose to make the world a safer place, our strategy and the organisational competencies that will enable us to realise our vision.

Our Shared Value Framework has enabled us to better understand and manage commercial risks and opportunities related to our ESG performance, and in line with our overall business strategy. Since October 2015, our Shared Value Framework has enabled us to fine-tune what ESG issues we consider in our insurance business, and how we can best respond. It has supported the development and piloting of a range of innovative insurance products, services, partnerships and business initiatives. In 2016, IAG received the Corporate Organisation Leading through Shared Value award at the Shared Value Awards, reflecting how we have embedded and connected shared value to our purpose and within our governance and commercial strategy. In 2017, we worked to deepen and sharpen our use of shared value to realise our purpose and execute our commercial strategy and were recognised by Fortune magazine as one of 50 companies globally that are using their business to Change the World.

We are continuing the iterative process of embedding and improving our management of ESG issues in different parts of our insurance business. We aspire to continuously improve our ESG risk management and to further pursue business opportunities identified through our Shared Value Framework.

We are testing opportunities to become more granular and proactive in our consideration of ESG issues in our underwriting and investment processes, as well opportunities from better consideration of ESG issues like diversity and inclusion, climate change, access and affordability, safety and resilience in the design and delivery of our insurance products, services and investments, and in how we manage our workforce, facilities and operations.

Evidence

Our people, processes and facilities:

- We continued to focus on wellbeing and the development of our safety culture through our Safe and Well strategy. In 2017 we expanded the My Health Portal, an online information hub that gives our people access to health management tools, research, local health-related events and special discounts on related services. We also continued to offer an Employee Assistance Program to make free, confidential and professional counselling available to employees and their immediate family members.
- Environmental and social risks and opportunities continue to be identified and managed through our integrated, company-wide risk management strategy and supporting processes. In 2017, we updated our [Group Social and Environmental Policy](#) to reflect changes in our organisation and connected policies, strategy and processes.

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- In 2017, we continued the application of processes, tools and forums such as our Product Design Principles and the Consumer Advisory Board, to consider ESG-related issues or opportunities and enable us to improve our customer service and aid consumer protection.
- In 2017, we also undertook a broader review of how the business can best address climate change under a strategic approach across our organisation. We established a Climate Change Action plan to guide our work internally, and expanded our engagement on key climate-related issues where we can help society. Details of our Action Plan, and outcomes of our initial work will be released in 2018.
- At our offices, we continued office consolidations across Australia, and began work to shifting our headquarters to a 5 Star Green Star certified building. We are actively connecting with our suppliers and 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 2017, we continued to find opportunities at our facilities which lead to efficiency improvements in our resource consumption.
- In 2017, we met our carbon emissions reduction target ahead of time. Our target was to reduce our absolute carbon emissions from our use of vehicles and electricity by 10% by 2020, based on 2015 levels. We achieved a 28% reduction from 2015 levels by 2017. We also 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 started work to revise our emissions reduction targets and will announce these in 2018.
- 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 products:

- IAG's Natural Perils Research team reviews and undertakes research to understand how the 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.

Investments and asset management:

- We continued to consider and report on how ESG issues may impact our investment across different asset classes in investments we make with shareholder and policyholders' funds. We remain comfortable with our ESG performance related to our insurance business and improved our consideration of ESG risks in our equities space. We reported ESG performance related to our investments to a range of stakeholders in international forums and in our AGM.
- We maintain our commitment as a signatory to the UNEP PRI.

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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 of our value chain on environmental, social and governance issues to drive action and develop solutions.

Our work with clients: 2017 saw us continue 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 2017, 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 Shared Value Framework, in our own operations, and through our interaction with customers and partners.

Evidence

- We encouraged customers to make purchasing decisions that reduce their impact or exposure to ESG issues by continuing to provide discounts on premiums for cars that have autonomous emergency braking and 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 their communities.
- We designed insurance products to better solve the social and financial priorities specific to different customers; in 2017 we reviewed travel insurance policies for NRMA Insurance, SGIO and SGIC to ensure that mental health conditions are removed from general exclusions.
- We explored new and innovative opportunities to connect with customers, testing an app with employees and customers in Australia that is designed to decrease distracted driving by incentivising safe driving. In 2017, we helped test DipStik flood monitoring technology in flood prone locations, and we worked with our partners the Australian Red Cross to develop and launch the *Get Prepared* smartphone application, helping users to understand their risks and take simple steps to prepare for emergencies. We also piloted a successful road safety initiative with Selwyn District Council in New Zealand to reduce serious accidents through installation of active stop signs in at high-risk intersections.
- Recognising the importance of farm productivity and economic stability in rural communities and the impact that volatile climatic conditions are having on crop production. we are piloting multi-peril Crop Income Protection cover with Landmark to help protect farmers against a reduction in yield caused by a range of natural peril events.
- We continued to extend counselling support to our customers to help them overcome trauma through our partnership with Lifeline.
- 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.
- We supported smash repairers to get accredited, continuing to embed and expand IAG's environmental accreditation program EcoSmash, which has been designed to help repairers understand and comply with environmental legislation and regulations that relate to their business. Platinum level compliance is now a requirement for all new exclusive repairers.
- We implemented our plan to support the growth of Indigenous enterprise through a selective procurement policy. With our partner Supply Nation, we have achieved our target of increasing the number of Indigenous certified suppliers we use to 12 suppliers ahead of its 2018 deadline.

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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 2017, 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

- At the international level, we supported UNEP FI activities through our position on the PSI board, and initiatives such as the Global Resilience Project remained active for use by a range of stakeholders.
- 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 national governments to effect change in public policy and increase investment in safer and more resilient infrastructure and communities, and by improving the capacity of people and businesses to better withstand future natural disasters.
- In 2017, we continued collaboration with Sustainable Business Australia as a Working Group member of the Sustainable Mobility Project
- We've released an *Insuring Shared Value* research paper in partnership with the Shared Value Project.
- We remain actively involved in the 100 Resilient Cities initiative, serving on Steering Committees and Working Groups in Christchurch, Wellington, Melbourne and Sydney. We've also continued work with local councils across New South Wales to expand pilots for DipStik, 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 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.

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- We were part of the New Zealand Government's Climate Change Adaptation Working Group, which 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 2017, we continued our Confident Communities program to create "a nation ready for anything", promoting community resilience by helping combat the growing lack of connection within communities. In 2017, we built on the Good 'Hoods national movement, profiling proven community resilience initiatives from across Australia, New Zealand and internationally. We also continued our Good 'Hoods place-based approach in 2017, partnering with two communities across Australia to help build resilience to specific challenges at the local level over the longer term. Through a community co-creation approach, we are working collaboratively with local community leaders, organisations, government and social enterprises to realise initiatives that improve community connection and resilience.
- We work with various community organisations, sharing our risk management expertise to help communities better manage environmental and social risks. Under our 10-year collaboration agreement with the Australian Red Cross, we continue our partnership supporting community resilience to natural disasters and in 2017 co-created and launched our first collaborative initiative, the *Get Prepared* app. In New Zealand, we entered a partnership with the New Zealand Red Cross and continued to support Neighbourly and a variety of other community organisations and events in order to foster local community connections and improve community safety. We also continue to run community awareness and behaviour change campaigns including the Storm 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.

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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 2017, 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 were²:

- We actively participated in indices requiring detailed information about ethical, environment, social and governance strategy and performance. In 2017, 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
 - FTSE4Good index series
- We released public commitments on responsible business and ESG performance regarding key topics in our business in our 2017 Annual Review & Sustainability 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.

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.

² Detailed information on our commitments, performance and recognition can be found in results reported in our 2017 Annual Review and Sustainability Report and on the IAG website <https://www.iag.com.au/shared-value/our-performance>