



Disclosure 7 2019 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 (2016-2019).

Recognition on indices:	<ul style="list-style-type: none"> ▪ The Dow Jones Sustainability Index: ranked in the DJSI World, Asia Pacific and Australia indices (2016 – 2018), Australia Index (2019) ▪ CDP (2010 – 2019) ▪ Included in the FTSE4Good Index Series (2016) (2017) (2018) ▪ Included in the Climate Disclosure Leadership Index (2005-2016)
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Awards and accolades:	<ul style="list-style-type: none"> ▪ RobecoSAM: Bronze Class distinction (2016) (2017) (2018) ▪ Ranked 1st of the Top 40 Workplaces to Give Back in Australia, GoodCompany (2018) ▪ 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 ▪ 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 ▪ 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) ▪ Corporate Organisation Leading Through Shared Value Award, Shared Value Awards (2016) ▪ Direct General Insurance Company of the Year (NRMA), ANZIIF (2016) ▪ Large General Insurance Company of the Year (CGU), ANZIIF Australian Insurance Industry Awards (2015)
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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 the management of environmental, social and governance issues across our business.

In 2019, IAG continued to raise awareness and embed the 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.
- Articulating key areas of strategic focus in IAG's enterprise-wide Safer Communities Business Plan which includes:
 - Disaster Risk Reduction and Climate Change
 - Community Connection and Resilience
 - Responsible and Ethical Business
- Considering our role on key ESG issues through IAG's Climate Action Plan, Climate Risks & Opportunities Program, Reconciliation Action Plan and Responsible Sourcing Program by further integrating ESG considerations into areas of our business including 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 collaborations including the Australian Business Roundtable for Disaster Resilience & Safer Communities.
- 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 strategic approach to ESG issues:

- IAG has a clear purpose: to make your world a safer place. IAG is supporting people and communities to be more resilient through connected customer and community experiences which make people feel safer. IAG is also committed to operating a responsible and ethical business which sets the standard for meeting community and customer expectations.
- IAG has evolved its safer communities approach to enhance the delivery of its purpose and organisational strategy. The approach is informed by the United Nations Sustainable Development Goals (SDGs), the material issues identified through stakeholder engagement as facing IAG's business, and the unique resources, capability and assets of the organisation.
- IAG has prioritised three key areas where it can make a meaningful difference to society and business:
 - **Disaster risk reduction and climate change** – enabling communities in Australia and New Zealand to better prepare for, and respond to, natural perils and climate change.



- **Community connection and resilience** – building safer and more connected communities that have the capacity to grow and thrive by partnering, accelerating the role of business in resilience and taking a community-led approach.
- **Responsible and Ethical Business** – behaving in a responsible and ethical way to set the standard for meeting the expectations of our customers and the community.

Our people, processes and facilities:

- Creating world-leading customer experiences starts with our people. In 2019 we increased our focus on our organisational culture to make us a more agile organisation that can continue to deliver ethical outcomes for our customers:
 - Our culture starts with our purpose, which provides a unifying mindset with which we can approach our work. To deliver on our purpose, we are focused on living the behaviours described in our spirit to serve our customers, partners, communities, shareholders and each other.
 - We want to create a work environment where our people feel a sense of belonging, ownership, value and meaning. This means having a truly diverse and inclusive workplace that represents the communities and customers we serve and ensures that all our people feel they are able to contribute.
 - We strive to support our people, both in and outside work. We provide a range of flexible working options for our people and we estimate up to 70% of our workforce works flexibly. This year we launched our Switch app to enable our contact centre employees to change their working times and hours online, to suit how and when they wish to work. We also extended our hugely successful onsite school holiday program Kids@IAG in Australia as part of our effort to support working parents.
 - Equity recognises that we all have different aspirations and different barriers to achieving these aspirations, and some people need more support than others. In 2019, our senior leaders assumed more visible sponsorship for specific diversity initiatives, including gender equity and First Nations representation. This led to pilot programs including a focus on developing the business acumen of women in middle management and partnering with social enterprise Code Like a Girl to promote the development of women in occupations traditionally dominated by men.
 - We continue to focus on our overall gender pay parity across all roles in Australia and New Zealand and our results have improved year-on-year since 2016. We have, on average, achieved pay parity in like-for-like roles.
 - Our business must continually evolve so we can provide great customer experiences in the future. Our workforce strategy development and planning processes help us identify and build the right capability, skills, and experiences now and into the future. The insights we gain from this work are informing our Future ME program to help prepare our people to transition to the future.
- IAG also recognises the importance of understanding and responding to customer, consumer and community issues. We are committed to ensuring insights on current and emerging issues are considered by our business through our work with our Ethics Committee and Consumer Advisory Board.
- In 2019 IAG continued implementing our Climate Action Plan and provided a [1H19 Scorecard Update](#) and a [FY19 Scorecard](#) update which are publicly available on our website.
- Since FY18, IAG has continued the expansion of its climate change-related disclosure to facilitate the phased introduction of the recommendations of the Taskforce on Climate-related Financial

Disclosures (TCFD). In 2019, IAG continued participating in the PSI TCFD pilot, along with other global insurers and reinsurers, informing its approach to climate-related disclosure of opportunities and risks across physical, transitional and liability aspects, and its approach to scenario analysis. IAG's [2019 Climate-related disclosure](#) is publicly available on our website.

- IAG continued to raise awareness on climate change and other ESG issues through targeted internal communications campaigns in 2019. This includes the *Natural Perils in a Warming World* event which provided information on the upcoming disaster season outlook for Australia and New Zealand. The event also covered how natural perils are changing in the face of climate change and what IAG is doing to address it with our Climate Action Plan and Scorecard.
- IAG has been climate neutral since 2012 and in 2018 we set science-based targets for our scope 1 and 2 emissions for a 20% reduction by 2020 and a 95% reduction by 2050. We are on track to meet these targets. 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.

Underwriting and insurance projects:

- IAG has a focus on managing climate risk and opportunities through the underwriting of assets. To demonstrate this, IAG is committed to ceasing underwriting entities predominately in the business of extracting fossil fuels and power generation using fossil fuels by 2023. In alignment with our purpose to make your world a safer place we have committed to underwrite workers compensation irrespective of the climate intensity of the industry they work in because everyone needs to be protected at work. Our current exposure is included in the Metrics section of IAG's [2019 Climate-related Disclosure](#).
- IAG manages climate change risks and its impacts on IAG's strategy and business through the development and utilisation of models which map the possible outcomes of natural peril events. The impacts of climate change to IAG's strategy are managed through IAG's established risk management frameworks. The models inform IAG's risk-based pricing and reinsurance requirements, with the ability to adjust premiums annually, ensuring IAG's strategy and business is resilient in the short term.
- The Enterprise Risk Profile (ERP) is IAG's framework to identify risks inherent in IAG's strategy, which may inhibit meeting or achieving its strategic objectives. IAG manages risks through its ERP process, with the impacts of climate change being identified and managed as a high-risk event.
- IAG manages its inherently high risks through cause and effect analysis, known as IAG's bow-tie analysis, which seeks to identify key causes and consequences attached to risks and identifies controls and mitigating strategies from climate change. The bow-tie analysis is embedded within IAG's Risk Response Plan which is integrated with IAG's Risk Management System, Risk Appetite Statement and Risk Management Strategy. These risk management tools inform the implementation of IAG's strategy and safer communities activities.
- In 2019, IAG continued to participate in the UNEP FI PSI TCFD Pilot to develop a new generation of risk assessment tools designed to enable the insurance industry to better understand the impacts of climate change on their business.



- Aligning with our [Climate Action Plan](#) focus area of “Rethink Risk”, our underwriting objectives are to:
 1. Lead climate research and analysis, including on natural perils, to support IAG and our stakeholders to better understand and respond to climate change.
 2. Further embed climate risk into the Enterprise Risk Profile, supported by the Risk Management Framework and Strategy.
 3. Integrate climate insights, risks and opportunities into our strategic choices, portfolio assessments and pricing.
 4. Help our customers and communities to reduce emissions and adapt to climate change.
 5. Drive risk mitigation in the building industry by generating insights into the impacts of natural perils.

Investments and asset management:

- IAG invests responsibly, integrating ESG criteria across its equity portfolio to proactively support a just transition to a low-carbon economy. IAG utilises a third-party controversy screening module, to review its investment exposure, to assess the carbon intensity and exposure to high risk investments and to inform divestment decisions. A detailed outline of our approach and current performance is included in the Metrics section of IAG’s [2019 Climate-related Disclosure](#).
- We reported ESG performance related to our investments to a range of stakeholders in international forums, at our AGM and in IAG’s [2019 Climate-related Disclosure](#).
- We maintain our commitment as a signatory to the UNEP PRI and disclose to the PRI annually.
- 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 2019 our product and service offerings and partnerships with organisations such as the Australian Red Cross and SES continued to support people and communities to be more resilient.

Our work with business partners: In 2019, 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 enterprise-wide Safer Communities Business Plan, in our own operations, and through our interaction with customers and partners.

Evidence

We have made a range of investments and partnerships to make people safer and reduce customers' exposure to ESG risks.

Disaster risk reduction and climate change

Supporting communities to better manage risks from storms:

- We partnered with the State Emergency Service (SES) in New South Wales and Queensland to help communities be safer during, and more resilient to, extreme weather. We focus much of this work on raising awareness of storm risks and encouraging better storm preparation in at-risk communities. Some of our activities include:
 - Storm preparedness campaigns to raise awareness of how to better prepare for and respond to storms, floods and cyclones: 94% of people in New South Wales and 97% of people in Queensland who heard or saw this year's campaign took storm preparedness action.
 - Localised and targeted community preparedness programs in high risk areas. Grants and awards programs that support local volunteers and units to enable their communities to better mitigate their risk.

Helping people be prepared and get back on their feet:

- We have developed and implemented a range of programs and initiatives at a state and local level aimed at supporting communities to prepare for and respond to disasters.
- Through our 10-year partnership with Australian Red Cross we've co-created the Get Prepared app to help communities better prepare for emergencies. The app helps people prepare with an easy process to establish a network of contacts, consider the risks relevant to where they live and create checklists of actions to undertake.

Supporting communities to recover:

- One of the other ways we support communities to recover from the impact of extreme weather events is by partnering with GIVIT. GIVIT helps connect people who have items to donate to those in the community who need them.



- GIVIT mobilised after the floods in Townsville, Queensland in January 2019 and managed the donation of over 224,000 items, helping those people worst affected to recover quickly.

Emergency Essentials Packs for New Zealanders:

- In New Zealand, AMI partnered with New Zealand Red Cross to provide an Emergency Essentials Pack to the 65,000 New Zealanders who participated in Red Cross training last year. The Emergency Essentials Pack is a water-resistant pouch, designed to store essential documents for easy access in an emergency, with details on how to create an emergency plan, pack an emergency kit and download the Red Cross First Aid and Emergency app and the Red Cross Hazard app which alerts users to emergencies in their region.

Community connection and resilience:

Enabling customers to take proactive safety action:

- NRMA Insurance Safety Hub was created as an online platform to test a process for rewarding customers for being proactive about their safety in their homes, on the roads and in the local community. We used weather and geographical data to identify the greatest insurance risks to Australian homes and targeted our highest risk customers. We then suggested a series of tasks outlining the steps they can take to reduce risk and increase safety in their homes.

Ensuring IAG's customers are treated equitably:

- In 2019, IAG developed our Customer Equity Framework, designed to ensure our customers have world-leading customer experiences and that we work to remove barriers that stop our customers from fully accessing our products and services. We are committed to treating our customers fairly, with care and compassion.
- Our Product Design Principles and Pricing Principles support the delivery of minimum standards to our customers. The framework also acknowledges that there are some circumstances where a higher level of care is required and is designed to ensure that customers are treated equitably.

Building safer and stronger First Nations communities:

- In February 2019, we launched our Elevate Reconciliation Action Plan (RAP), our third RAP. An Elevate RAP is subject to a strict quality assurance process by Reconciliation Australia. The Elevate status is awarded to organisations with a proven track record of embedding effective RAP initiatives in their organisation through their previous Stretch RAPs. Elevate RAP organisations take a leadership role to advance reconciliation nationally and champion initiatives that empower Aboriginal and Torres Strait Islander peoples and communities and create societal change.
- We demonstrate leadership within the RAP community through a number of initiatives including our commitment to endorsing the principles of the Uluru Statement from the Heart and to reducing the incarceration rates for First Nations peoples. Last year, we developed a RAP partnership with Just Reinvest NSW, to explore a justice reinvestment approach in the Mount Druitt, Sydney community, with an overall aim of reducing interactions with the criminal justice system by addressing the drivers of crime and lowering the incarceration rates among young people over the long term.

Building resilient communities by sharing community spaces:

- CGU has worked with start-up Vennu® to pilot its community spaces marketplace in the Illawarra and Shoalhaven regions of New South Wales.
- Vennu launched in August 2018 promoting community spaces owned by various organisations, which it calls Hosts; increasing awareness with guests who book spaces; and continuously improving the operation of its system.

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 2019, 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 United Nations Environment Programme; national initiatives such as the Australian Business Roundtable for Disaster Resilience & Safer Communities, Australian Sustainable Finance Initiative and New Zealand Sustainable Finance Forum; and participation and engagement with a range of organisations and industry groups.
- Continued IAG's Good 'Hoods initiative which 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

- IAG is a member of the UNEP FI Principles for Sustainable Insurance and IAG's Chief Strategy and Innovation Officer, Julie Batch was the Co-Chair for the UNEP FI PSI. IAG makes annual public disclosures to the PSI which are publicly available.
- In November 2019, IAG released *Severe Weather in a Changing Climate*, a report co-authored with the US National Center for Atmospheric Research (NCAR) which included the latest data on the state of the climate and predictions on future extreme weather events based on a range of warming global temperatures. It aims to help eliminate unnecessary duplication of work on the subject and to encourage feedback to move towards establishing a central source of best scientific information.
The research includes tropical cyclones, hail / severe convection storms, east-coast lows, floods and bushfires, and identified bushfire risk as one of the fastest-growing climate risks in Australia..
- In November 2019, IAG hosted a UNEP PSI Oceania market event at its office in Sydney. The event demonstrated how the PSI is shaping the global sustainable insurance agenda through collaborative initiatives across key ESG issues and the insurance industry's roles as risk managers, insurers and investors. It provided a forum to discuss key sustainability developments in the insurance industry and financial sector in Australia and New Zealand. It also worked to shape and identify core elements of a sustainable insurance agenda in the region.
- IAG is Co-Chair of the Australian Sustainable Finance Initiative (ASFI), which is working to set a roadmap to realign the finance sector to support greater social, environmental and economic outcomes. In December 2019, ASFI released its first progress report, identifying six critical challenges that the finance sector must address to navigate risks and opportunities for Australia's future resilience, prosperity and wellbeing.



- In New Zealand, IAG plays a key role in the Sustainable Finance Forum, an initiative of The Aotearoa Circle, which is a partnership of public and private sector leaders committed to sustainable prosperity and the conservation of natural resources across the country. In both forums, IAG contributes knowledge, insights and capability towards developing sector-wide approaches to the availability and affordability of insurance products and addressing sustainability issues which are affecting financial systems.
- IAG is a founding member of the Australian Business Roundtable for Disaster Resilience and Safer Communities (ABR) which was established at the end of 2012. The ABR works with Emergency Management Australia and other key stakeholders to contribute to the development of the national action plan to deliver on the National Disaster Risk Reduction Framework. The ABR's research has continued to be used by a diverse range of stakeholders to inform the national conversation around disaster resilience and climate resilience.
- In 2019, we continued collaboration with the Business Council for Sustainable Development as a Working Group member of the Sustainable Mobility Project.
- IAG has collaborated with the Shared Value Project (which it has been a founding member of since 2014) and other corporate entities to research how strengthening mental health and well-being can improve economic productivity and social resilience outcomes. The collaboration launched a report – Creating Shared Value: The Business Imperative to Improve Mental Health – in conjunction with World Mental Health Day on 10 October 2019. With 45% of Australian workers experiencing mental illness which costs Australian business \$13bn each year in lost wages, decreased productivity and support services, mental health has a significant impact on personal well-being, social connection and business productivity and profitability. The report demonstrates how companies can gain a competitive advantage by proactively addressing mental health challenges faced by employees, customers and communities. IAG is committed to using the research to deepen its approach on this key issue with its employees, value chain and the communities it works with.

Community outreach and partnerships

- IAG's Good 'Hoods program has established long-term partnerships with the communities within Blacktown in Greater Western Sydney to build connection and resilience. Our work in Blacktown is community-led while being developed to support the success of our business and brands: we work closely with local stakeholders on a range of projects designed to grow economic enterprise, enable and empower local leaders and address the impact of natural perils on the local community.
- Through Good 'Hoods, IAG has partnered with Catalysr through our CGU brand to help grow economic inclusion and bring refugee and migrant business ideas to life.
- In 2019, we partnered with Blacktown City Council to support the Cool Streets program, an initiative designed by Dr Libby Gallagher to empower communities to cool their neighbourhoods and combat climate change, one street at a time. In the Blacktown pilot, residents decided the layout and type of trees on their street, taking into account a specific focus on improving environmental outcomes and climate resilience. Western Sydney can be up to 10 degrees hotter than Sydney's central business district. This initiative is expected to provide shade in heat-affected urban areas, reduce CO2 emissions, reduce the price of electricity bills, and build community connection and local pride.
- In November 2019, IAG used Good 'Hoods to help bring to life the work of fifteen Blacktown-based organisations, working on issues as diverse as domestic violence to multicultural services, through an innovative NRMA Insurance 'High Five for Blacktown' event.

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 2019, we deepened and expanded our commitment to transparency and accountability by improving our public disclosure on ESG issues relevant to the PSI.

Evidence

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 2019 were¹:

- We actively participated in indices requiring detailed information about ethical, environment, social and governance strategy and performance. In 2019, our disclosure and performance on ESG risks and issues was reflected in our inclusion on key assessments:
 - DJSI Australian index
 - CDP
 - FTSE4Good index series
- We released public commitments on responsible business and ESG performance regarding key topics in our business in our 2019 Annual Review & Safer Communities Report.
- 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.

¹ Detailed information on our commitments, performance and recognition can be found in results reported in our 2019 Annual Review and Safer Communities Report and on the IAG website <https://www.iag.com.au/sites/default/files/Documents/Results%20%26%20reports/2019-annual-review-safer-communities-report.pdf>