



Disclosure 8 2020 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 provides 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. It should be read in conjunction with IAG's annual reporting suite, which can be found at www.iag.com.au.

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 2020, 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, continues to drive the decisions we make as a business and addresses material ESG risks and opportunities through our strategy.
- Launching, in March of 2020, our **Financial Inclusion Action Plan** (FIAP), designed to ensure that IAG can better identify and support people who may experience financial exclusion due to culture, language, gender, disability or other life circumstances.
- Further prioritising our work to address Climate and Disaster Resilience, focusing on enabling communities in Australia and New Zealand to better prepare for, adapt and respond to the impacts of natural hazards and climate change.
- Maintaining our carbon neutral status since 2012 and reducing the environmental impact of our operations.
- Replacing our Social and Environmental Policy with a Board approved **Social and Environmental Framework**, which details our commitments to managing social and environmental risks and helps our people understand their role in upholding our commitments.
- Launching a Board-approved **Responsible Investment Policy**, which outlines our commitments to managing environmental, social and governance risks within our investment portfolio.

Evidence

Our strategic approach to ESG issues:

IAG's purpose is to make your world a safer place and the company is committed to being a responsible and ethical business that meets community and customer expectations.

In the face of multiple challenges throughout 2020, IAG continued to deliver on its purpose through its Safer Communities Business Plan, prioritising three key areas where it can make a meaningful difference to society and create commercial value:

- **Climate and Disaster Resilience** – enabling communities in Australia and New Zealand to better prepare for, adapt and respond to the impacts of natural hazards and climate change.
- **Responsible and Ethical Business** – delivering commercial benefit and an uplift in trust by being a responsible and ethical business that meets the expectations of its customers and communities.
- **Community Connection** – building safer and more resilient communities by connecting IAG's people to its purpose through its community partners.



Our people, processes, and facilities:

In March 2020, we launched our Financial Inclusion Action Plan (FIAP), designed to make insurance in Australia more accessible. Access and affordability of insurance remains our key material issue and we expect this to continue during challenging economic times. The FIAP focuses on how IAG can better identify and support people who may experience financial exclusion due to culture, language, gender, disability, or other life circumstances. It is also focused on ensuring IAG's customers are treated equitably and fairly through our Customer Equity Framework.

Throughout 2020 IAG also developed its approach to, and governance of, responsible sourcing, including the introduction of a new Group Procurement Policy. IAG also launched its **Supplier Code of Conduct** and began assessing suppliers against its requirements. The Code includes IAG's minimum expectations of suppliers in relation to ESG issues and lays out IAG's own commitments in this area.

In setting our strategy we recognise climate change as a key trend that directly influences the stability and growth of our businesses. Our **FY20 Climate Action Plan Scorecard** details the framework, commitment, and progress made in mitigating and addressing the impacts of climate change. IAG's **FY20 climate-related disclosure**, aligned with the recommendations of the Taskforce for Climate-related Financial Disclosures (TCFD), provides further details on how IAG is managing climate risks and opportunities.

Underwriting and insurance projects:

IAG is committed to ceasing underwriting entities predominantly in the business of extracting fossil fuels and power generation using fossil fuels by 2023. In alignment with IAG's purpose to make your world a safer place, IAG will continue to underwrite workers compensation irrespective of the climate intensity of the industry they work in as everyone needs to be protected at work. Further to these commitments, IAG is assessing and considering other ESG aspects of its underwriting processes to drive behaviour change across its value chain.

More information, and details on progress, can be found in our **FY20 climate-related disclosure**.

Investments and asset management:

"Invest responsibly" is a focus area in IAG's Climate Action Plan. It commits IAG to:

- Shift investments to companies that have a lower exposure to climate related risks or a have a strategy to manage these risks.
- Actively support action on climate change and a net zero future.
- Measure carbon intensity and include climate related risks in the ESG risk management of investments.

To further support these objectives, in September 2020 IAG made a new commitment to reach net zero portfolio emissions by 2050 and added intermediate targets to reduce the normalised carbon footprint and carbon intensity for its Australian and Global listed equity mandates.

In Nov 2020 IAG also launched a Board-approved **Responsible Investment Policy**, which outlines IAG's commitments. This Policy is important because we believe in being a responsible and ethical business and we believe that successful investing requires consideration of sustainable business practices, as well as traditional financial risk and return assessments. This Policy supports IAG's purpose and strategy by managing IAG's impact and performance on responsible investment issues.



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 2020 our product and service offerings and partnerships with organisations such as the Australian Red Cross and New South Wales (NSW) State Emergency Service (SES) continued to support people and communities to be more resilient.

Our work with business partners: In 2020, we continued and expanded our programs with business partners in our supply chain, and through our brands.

Evidence

Climate and Disaster Resilience

In 2020, our partnership with the NSW SES helped to support communities be safer and more resilient to natural peril events. The NRMA Insurance Get Ready grant applications support local volunteers and SES units to enable their communities to better mitigate their risk. In 2020 these grants supported 15 projects focused on supporting local New South Wales communities with practical preparedness solutions which will lead to better prepared properties for storms; raised awareness of the dangers of flood waters; and built SES connections with the deaf and hard of hearing communities.

Through our 10-year partnership with Australian Red Cross, we have been working together to improve individual and community resilience through enabling community led and owned solutions. The Get Prepared smartphone app, developed in partnership between IAG and Australian Red Cross, helps users establish a network of contacts, consider the risks relevant to where they live and create a list of actions to undertake.

Over the summer bushfires in 2019 and 2020, GIVIT helped impacted communities to get back on their feet by calling for donations for specific items needed to help them recover. In 2020, IAG also supported GIVIT's growth beyond Queensland into New South Wales and Victoria, helping even more communities get back on their feet with much needed supplies.

IAG Community connection

We are committed to 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. Connected and more resilient communities are better prepared and bounce back faster from disasters. This in turn can lower our claims frequency and costs.

In 2020 we continued to deliver on our Indigenous Engagement Strategy and Elevate Reconciliation Action Plan to enable First Nations businesses through mentoring and to reduce the incarceration and re-offending rates for Indigenous Australians. Through IAG's relationship with Just Reinvest NSW, in FY20 we supported a number of community consultations to inform a place-based approach for Just Reinvest in Mount Druitt, Western Sydney NSW which focuses on unpacking the data around incarceration and crime in the area.

We continued to roll out our Customer Equity Framework this year with the establishment of our **Family and Domestic Violence Policy** to ensure our people are equipped to deal with customers in Australia who are experiencing family and domestic violence. The policy is a key requirement of the General Insurance Code of Practice. It will be applied to our New Zealand business next financial year.



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 2020, 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 Finance Initiative; 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.
- 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

Addressing climate change and disaster risk reduction cannot be tackled in isolation; collaboration is key to making progress and throughout 2020 IAG continued to show leadership and advocate for change.

This year, as part of the New Zealand Climate Leaders Coalition, we signed up to an ambitious pledge reflecting the latest science that illustrates the need to limit global warming to 1.5 degrees. The new pledge also aligns to the New Zealand Government's ambitions outlined in the Zero Carbon Act. Signing this pledge declares our ambitions around reducing emissions and our commitment to working with our people, suppliers, customers, and the wider community along the way.

This year we have continued our long-term collaboration with other businesses and the Australian Red Cross in the Australian Business Roundtable for Disaster Resilience & Safer Communities (ABR). Together, ABR members lead and influence public policy and deliver programs that improve disaster resilience and climate change preparedness. Work over the past 12 months included identifying options to leverage its collective knowledge and programs with strengths in financial and insurance services, telecommunications, critical infrastructure, and humanitarian support to influence resilience-based decision making.

IAG continued its involvement with the Australian Sustainable Finance Initiative (ASFI) by contributing to the development of a Roadmap, released in November 2020.

- The Roadmap makes 37 commitments aimed at aligning Australia's financial system to 'support a thriving Australian society, a healthy environment and a strong and prosperous economy'.
- The recommendations encompass social and environmental issues, including support for a transition to net-zero emissions by 2050.

IAG has also continued to work closely with the New Zealand Sustainable Finance Forum supporting the development of their Roadmap for Action, which was also released in November 2020.

In September 2020, IAG released the second edition of its landmark report, *Severe Weather in a Changing Climate*, co-authored with the US National Center for Atmospheric Research (NCAR). IAG worked with the Climate Measurements Standards Initiative (CMSI) to coordinate scientific feedback into the original report released in November 2019.



This publication underscores IAG’s collaborative approach to engage and share insights to scale up climate resilience activities by individuals, communities, businesses, and governments. This can help society adapt to changing physical impacts while addressing related impacts such as underinsurance and financial inclusion. Physical risk insights are also leveraged to address issues beyond IAG’s direct control, including advocacy to update building codes and land planning measures to account for future climate risks.

In 2020, we continued to collaborate with the Shared Value Project and other entities to research how strengthening mental health and wellbeing 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

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.

This overview serves to communicate the progress we have made in implementing the Principles for Sustainable Insurance in 2020. An in-depth review of IAG’s activities that support our compliance with the Principles can be found in our suite of annual disclosures at www.iag.com.au, including our Annual Report, **Annual Review and Safer Communities Report** and our latest **FY20 climate-related disclosure**. This is in addition to our participation in key external assessments, including the Dow Jones Sustainability Index and the Carbon Disclosure Project.

This report represents IAG’s eighth annual disclosure update.