



Disclosure 9 2021 Progress Report

Principles for Sustainable Insurance



Introduction

The Principles for Sustainable Insurance (PSI) launched in Rio De Janeiro in 2012 at the UN Conference on Sustainable Development (Rio+20 Conference). Developed by the UN Environment Programme - Finance Initiative (UNEP FI) 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 was a founding signatory to the PSI in 2012 and the Principles help inform our approach to implementing ESG considerations throughout our business. As a signatory, we are required to make an annual disclosure that details our progress towards implementing the four Principles. This document provides a brief update on IAG's ESG-related commitments, progress, and key actions during the 2021 calendar year and should be read in conjunction with our annual reporting suite, notably the **FY21 Annual Review and Safer Communities Report**, and **Climate-related disclosure**, 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

IAG has a company-wide focus on sustainability, including the environment, social, and governance (ESG) issues that underpin our approach to looking after our customers, our suppliers, our employees, and the communities in which we operate. Our management of ESG issues is driven by a Board-approved **Social and Environmental Framework**.

Key updates in 2021

- In November, we launched our **Climate & Disaster Resilience Action Plan** for FY22-24, building on the success of our first Climate Action Plan. The Action Plan is centred on managing climate and disaster risk across IAG's core insurance business and improving the safety of communities and customers most exposed to climate-related hazards. It responds to material short-, medium- and long-term risks and opportunities across three focus areas: Rethinking risk, Transforming the system, and Driving to zero.
- As part of the Action Plan launch, we committed to net zero emissions by 2050, with an ambition for 50% emissions reduction by 2030. A roadmap to achieving net zero across our value chain will be published in 2022.
- We committed to reducing the size of our New Zealand vehicle fleet and to transition all remaining vehicles to electric and hybrid. An EV Early Adopter program was initiated with a small group of drivers. This program will be expanded over the coming years, with more vehicles being removed where not needed, additional EVs and hybrids added, and increased use of pool vehicles and alternative modes of transport.
- We published our second **Modern Slavery Statement** in December 2021, setting out actions taken to identify, assess and remediate modern slavery risks in our operations, supply chains and investments; we also updated our Code of Ethics & Conduct to specifically reference modern slavery and human rights.

Responsible Underwriting:

IAG's underwriting approach incorporates ESG considerations and criteria across all insurance portfolios. These criteria are included in IAG's Business Division Licences, which define Insurance Risk appetite and our approach to underwriting.

We are committed to ceasing underwriting entities predominantly in the business of extracting fossil fuels and power generation using fossil fuels by the end of 2023. In alignment with IAG's purpose, we will continue to underwrite workers compensation irrespective of the climate intensity of the industry they work in as IAG believes everyone needs to be protected at work. In FY21, we further refined the exclusion criteria to clarify that this commitment to cease underwriting does not apply to supporting businesses that provide supply, transport, or distribution services to these entities.



Further to our fossil fuel commitment, we are developing an enterprise-wide responsible underwriting approach to assess and consider other ESG (including climate-related) impacts across our insurance portfolios. This will further embed an ESG lens in strategic decision-making across all underwriting portfolios.

Responsible Investment:

IAG is a signatory to, and committed to implementing, the Principles for Responsible Investment. Our Responsible Investment Policy reflects this commitment and records IAG's commitment to managing ESG risks and opportunities across our investment portfolios.

In FY21, IAG established intermediate targets to reduce the normalised carbon footprint and carbon intensity for its Australian and Global listed equity mandates. This includes:

- a target minimum reduction of 25% versus 2020 relevant index level baselines until 2025 (implemented over FY21)
- and a target minimum reduction of 50% versus 2020 relevant index level baselines by 2030.

The relevant baselines refer to the ASX200, excluding IAG, for Australian equities, and the MSCI World for Global Listed equities as of June 2020.

Our approach to responsible investment has achieved a reduction in the normalised carbon footprint of our equity portfolio through a shift in investments to companies that have a lower exposure to climate-related risks, or a strategy to manage these risks.

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.

In 2021 we released the first iteration of the NRMA Insurance Wild Weather Tracker, a seasonal analysis of NRMA Insurance claims data and research on consumer attitudes on natural hazards, climate change, and preparedness levels. The tracker is being released quarterly and aims to help people understand the impact natural hazards are having in their communities.

In November 2021, NRMA Insurance and the Minderoo Foundation founded the Australian Resilience Corps (The Corps), a national volunteer network to harness the collective power of communities to help improve resilience. The Corps represents a huge opportunity to uplift and scale preparedness action. Looking ahead, we are increasing focus on creating opportunities for volunteers to join activities in their communities and help prepare for fire and flood.

In New Zealand we launched a new partnership with Habitat for Humanity NZ through our brand AMI. The partnership aims to improve the lives of 75,000 New Zealanders over the next three years by helping those living in substandard housing to make their homes more liveable

In early 2020, IAG released its first Financial Inclusion Action Plan (FIAP). The FIAP program, led by Good Shepherd, focuses on actions to improve financial inclusion and resilience. At the end of 2021 our FIAP progress was attested to by senior management and verified by Good Shepherd and EY. We progressed 65 of the 69 initiatives outlined, which was an important milestone, and solid foundation for IAG's financial inclusion journey. Key initiatives delivered included language interpreter services for customers, employee training on family and domestic violence, and publishing research on mental health and financial wellbeing.

IAG continued to support the community through the ongoing challenges presented by COVID-19. In September 2021, NRMA Insurance and RACV provided \$2 million in funding to the GIVIT platform, which provides people and communities impacted by the pandemic with critical items and services. At the end of 2021, IAG's support had enabled over 290,000 individual donations and supported 174 new charity registrations to the platform. The funding provides IAG's people with the opportunity, through the GIVIT platform, to support those Australians most in need.



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.

We continued to share IAG's expertise and collaborate through co-chairing and contributing to the development of the Australian Sustainable Finance Institute's (ASFI) sustainability Roadmap. To support the implementation of the Roadmap, IAG became the first founding member of the newly created permanent ASFI body and IAG's CFO Michelle McPherson joined the newly created permanent Board. We also actively contributed to New Zealand's Sustainable Finance Forum (an initiative of The Aotearoa Circle) and the development of its Roadmap for Action .

Alongside other global insurers, IAG contributed to the United Nations Environment Programme – Finance Initiative's Principles for Sustainable Insurance Task Force on Climate-related Financial Disclosures (TCFD) pilot to enable industry benchmarking and standardisation of disclosure. The report, titled *Insuring the climate transition: Enhancing the insurance industry's assessment of climate change futures*, was launched on 19 January 2021. We are assessing which methodologies outlined in the report can be applied to improve strategic integration of climate risks into its core business, risk assessments, scenario analysis and climate modelling.

In New Zealand, IAG made a submission to support the New Zealand Climate Change Commission's first draft carbon budget and emissions reduction recommendations. IAG also ran events for New Zealand's business community in 2021 focused on improving understanding of climate adaptation, including science around climate adaptation and Government policy response.

We have been invited by the governments in Australia and New Zealand to play a role in climate change management, including active engagement and contribution to the National Disaster Risk Reduction Framework National Action Plan in Australia. We welcomed the Australian Government's (May 2021) \$600 million investment in disaster mitigation and the creation of The National Recovery and Resilience Agency and look forward to supporting these in the future.

Further information on IAG's support for global and Trans-Tasman initiatives, as well as our partnerships promoting climate action and disaster resilience priorities, can be found at www.iag.com.au/safer-communities

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

This overview serves to communicate the progress we have made in implementing the Principles for Sustainable Insurance in 2021. 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 **Climate-related disclosure**.

This report represents IAG's ninth annual disclosure update.