

PRINCIPLES FOR SUSTAINABLE INSURANCE

REPORT ON PROGRESS

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Overview

IAG is proud to be a founding signatory to the United Nations Principles for Sustainable Insurance (PSI), a global sustainability framework for the insurance industry. On 19 June 2012 we reaffirmed IAG's commitment to integrating Environmental, Social and Governance management within our business by signing up to the four PSI Principles, now comprising over 60 leading signatories.

The insurance industry plays an important role in the economy and it is critical that we take account of the changing and complex risks that we and our communities face. We are seeing increasing exposures to ESG risks which are impacting our traditional risk models. We must manage and adapt to these new risks to ensure a sustainable and resilient industry that is able to continue to fulfill its promises to customers.

Through our active participation in the PSI, we are committed to delivering outcomes that will help our communities better prepare for and respond to risks, protect our environment, and sustain our economies.

At IAG we are addressing this through a focus on the proactive management of risk and we do this because risk not only matters to our business, it matters to our economy, it matters to our communities and it matters to our way of life.

Our Progress

This summary report provides a public disclosure of the progress IAG has made in implementing the four PSI Principles over the twelve months from 1st July 2013 to 30th June 2013.

A complete view of the progress IAG has made in managing ESG issues in the previous Australian Financial Year can be found in IAG's Annual Report 2013 and the Sustainability section of IAG's website at www.iag.com.au/sustainable

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

Embedding a broad perspective in our strategy

- IAG has a strategic approach to ensure that financial, customer, community, people and environmental aspects are taken into account in how we think about our business.

Our Balanced Score Card system manages business performance, and a number of specific indicators, tracking our performance quarterly. In addition, senior executives from IAG speak regularly on the relevance of ESG issues to our business e.g. the earthquake in Canterbury, New Zealand, and governance of Asian operations.

- In 2013 full responsibility for the management of all ESG issues was moved to the IAG Board. Previously this was delegated to a sub-set of the Board.

Risk Management Strategy

- IAG's Risk management strategy clearly requires the consideration ESG risks together with all other business risks when considering the risk profile of each of our businesses.

Natural Perils / Research Centre

- IAG's dedicated Natural Perils team and Research Centre places us in a leading position to inform key areas of risk such as increasing extreme weather events. We also provide feedback to car manufacturers on safety and repair costs.

Employee value proposition

- Risk has been put at the heart of IAG's recently reviewed employee value proposition.

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

Product disclosure

- In 2013 IAG's Direct Insurance and CGU business informed customers of important changes to the Fire Services Levy in the State of Victoria and how this will impact their insurance premiums.
- IAG is working with Government and the insurance industry to inform the development of key facts sheet related to product disclosure statements that will become mandatory in Australia in 2015.

Supplier tender and selection process

- IAG's suppliers are required to answer questions during tender processes on how they are managing sustainability issues, their goals and targets.
- Additional ESG questions are also asked during supplier review process. Responses are documented and points are given depending on the level to which they are integrating ESG issues into their business.

Working with suppliers to improve ESG performance

- Our EcoSmash training and accreditation program supports the smash repairers who work with IAG's Direct Insurance business to improve their ESG performance. It provides training in basic environmental compliance through to best practice in environmental management for the smash repairer industry in Australia. <http://ecosmash.com.au>

Improving risk awareness with our customers

- Our SafeHouse website helps IAG's Direct Insurance customers better understand the steps they can take to avoid common safety risks and reduce environmental impacts in the home. <http://www.helphouse.com.au>

Carbon neutrality Strategy

- In FY13 IAG again fulfilled its commitment to carbon neutrality. This, combined with a focus on decreasing our carbon emissions, is a clear demonstration to our clients, business partners and other stakeholders that we are taking responsibility for our carbon emissions.

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.

Collaborating with stakeholders on Risk Matters

- In FY13 IAG defined the most important risks we will be addressing through our Risk Matters program, in consultation with our stakeholders, **on the road, at home, in business and in the natural environment.** We are focusing on reducing risk and supporting resilience. We are identifying the actions to prevent, reduce, or insure against these risks, and the role IAG can play in leading these initiatives.
- **IAG's Risk Matters commitments:**
 - We will implement a national engagement strategy to develop comprehensive information about a broad range of natural perils and cost the economic impacts of land planning decisions. We will promote research about which communities are most affected by natural perils and harness action on policies which can help create more resilient communities.
 - We'll share our insights to effect change to the built environment to reflect local property risks and use risk data in land planning decisions, and we'll work to increase mitigation funding to support community resilience.
 - We will increase personal and shared community understanding and awareness of risks at home and on the road, leading to better informed and conscious decisions and action.
 - We will improve understanding of the causes of high risk driver behaviour to encourage improved behaviour, with the aim of ultimately reducing the frequency and severity of road trauma.
 - We will improve small and medium sized enterprise industry specific risk awareness to create more sustainable businesses.

- In 2013 IAG was instrumental in establishing the National Business Roundtable on Disaster Reliance and Safer Communities, bringing together leading organisations in the financial services, built environment, telecommunications and emergency assistance industries. The Roundtable launched a fact-based, comprehensive White Paper, *Building our Nation's Resilience to Natural Disasters* in June 2013. The White Paper aims to considerably assist decision making about the allocation of scarce resources and support the development of policy around natural disaster mitigation.

For more information on Risk Matters and the White Paper visit <http://iag.com.au/sustainable/approach/riskmatters.shtml>

Relationship with government

- IAG has for a long time recognised the importance of building relationships with government at all levels, both face to face and through the participation in submissions.

In 2013 IAG participated in the Submission to the Senate Standing Committee on Environment and Communications inquiry into recent trends in preparedness for extreme weather events

http://iag.com.au/news/gov_submissions/20130206_IAG_Sub144.shtml

Disclosing and managing our carbon risks

- IAG continues to be an investor signatory to the Carbon Disclosure Project (CDP), which asks organisations about their carbon risks and how they are being managed. Once again we publically disclosed our annual carbon emissions in 2013.

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

Measuring, monitoring and publically disclosing our performance on ESG issues

- This report marks IAG's first public disclosure against the PSI Principles and we commit to completing a disclosure document annually.
- For the past 8 years, IAG has publically reported on its ESG performance in an annual Sustainability Report. For the first time, our FY13 sustainability performance will be included in IAG's Annual Report.

Other ESG disclosure and reporting frameworks

- In addition to the Carbon Disclosure Project, IAG is listed on the Dow Jones Sustainability Index, which requires us to disclose annually our approach to managing ESG issues within our business. IAG is also listed on the FTSE4GOOD and the Global 100 Most Sustainable Corporations in the World.

IAG will develop a specific set of future commitments to deliver the PSI Principles to be published by the end of 2013.