

# Our Climate Action Plan

Here's how we're adapting

Scorecard Reporting

iag

Half 1 FY2018/2019 Update  
February 2019



# Our Climate Action Plan and Scorecard

Current science predicts global temperatures will increase between around 1.5 and 3 degrees by 2050, and up to 6 degrees by 2100. That is not a world we, or anyone, can safely adapt to.

We recognise that IAG needs to play a role in climate change adaptation as well as reducing the emissions that are driving it.

In FY17 IAG designed a three-year CAP to do both these things, and we initiated our work in FY18. As we deliver our plan for change, we hope to support and empower our customers, partners and communities to do the same.

## Think big

Ensuring we lead on the right issues and build the right relationships to achieve our ambitions.

## Prepare our people

So we can apply the depth of experience from across our business.

## Reduce our emissions

Because we believe in practising what we preach.

## Invest responsibly

So that our investment activity aligns to our purpose.

## Rethink risk

Because we want our products, systems and partnerships to help our business, customers and communities to make a smooth transition to whatever the future brings.

# Think big

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation H1 FY19	Timing and Milestones		
			FY19	FY20	FY21
<p><b>Help set the standard across our region by creating a business-wide approach to climate change</b></p> <p><i>Accountable: Group CEO</i></p>	<p>Use our purpose, strategy and risk management to address risks and maximise opportunities from climate change</p>	<p>Increased disclosure through H1 investor report with TCFD Disclosure plan in place for disclosure in FY19 results</p> <p>Launched CAP and scorecard at AGM and cascaded Executive General Manager (EGM) accountabilities for each milestone activity</p>	<p>Continue and expand communication with stakeholders on the issue</p> <p>Publicise our CAP and broaden our regular disclosure platforms</p> <p>Annually update progress against our CAP</p> <p>Build on initial TCFD analysis and disclosure in preparation for FY19 results announcements</p>	<p>Implement public climate risk disclosure in compliance with Taskforce on Climate-related Financial Disclosures (TCFD) guidelines</p>	
<p><b>Provide a leadership role for the insurance industry in addressing climate change</b></p> <p><i>Accountable: Group Executive, People Performance &amp; Reputation, Chief Customer Officer</i></p>	<p>Role model industry leadership and drive cross industry programs including Insurance Council of Australia (ICA) and UNEP-FI</p>	<p>IAG representation as Co-Chair of AMOS conference June 2019</p> <p>Co-hosted Principles for Sustainable Insurance (PSI) climate event with insurers, reinsurers and regulator</p>	<p>Help co-ordinate a session on climate extremes at AMOS Annual Conference</p> <p>Work with industry partners (peers, ICA and the PSI) to promote wide understanding of the role of insurance and its interaction with climate-related risks and opportunities</p>	<p>Support industry-wide climate conference</p> <p>Play leadership role in expansion of UNEP-FI climate program</p>	
<p><b>Pursue system-wide change by collaborating widely across our relationships and networks</b></p> <p><i>Accountable: All Group Executives</i></p>	<p>Ensure senior executive engagement in key climate forums</p> <p>Deepen our input and engagement with governments and industry on climate change and its impacts</p> <p>Advocate on important policy and regulation including the need for appropriate mechanisms to price carbon and the importance of increased renewable energy generation</p>	<p>IAG leadership in establishing the Australian Sustainable Finance Initiative, including co-chair representation</p> <p>Active contribution to Australian National Resilience Framework. Completed submission on Discussion Document and met with Minister and officials in New Zealand (NZ)</p> <p>Climate Leaders Coalition in New Zealand completed case study</p>	<p>Continue to support Climate Change and Business Conference in New Zealand in the development of a resilient and sustainable economies roadmap</p> <p>Play a leading role in the development of a Sustainable Finance Roadmap that incorporates climate change and resilience in collaboration with the UNEP-FI, Australian and New Zealand governments and businesses</p> <p>Actively contribute to future government reviews, inquiries and policy setting</p> <p>Participate in development of climate change legislation in New Zealand</p> <p>Actively engage in and contribute to the Climate Leaders Coalition in New Zealand</p> <p>Play an active role as IAG and representing the ABR in the development of the National Disaster Risk Reduction Framework in Australia</p>		
<p><b>Continue our leadership in supporting community resilience and disaster risk management</b></p> <p><i>Accountable: Group Executive, People Performance &amp; Reputation</i></p>	<p>Make the world a safer place and continue community resilience leadership through our programs and partnerships</p>	<p>NZ developing approach to engagement with councils</p> <p>Australia: Preparedness campaign in partnership with SES and Red Cross continuing to drive behaviour change outcomes</p>	<p>Engage local government in New Zealand on approaches to climate adaptation for the community</p> <p>Investigate collaborative partnership with NSW Rural Fire Service to enable community preparedness and support bush fire management</p> <p>Expand Good 'Hoods Incubator program to a third location</p> <p>Expand disaster preparedness communication campaigns to drive behaviour change</p>	<p>Explore opportunities and partnerships to support natural capital in climate resilience</p>	<p>Expand Good 'Hoods Incubator program to a fourth location</p>

# Prepare our people

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation H1 FY19	Timing and Milestones		
			FY19	FY20	FY21
<b>Maintain Board and Group Leadership Team (GLT) engagement</b> <i>Accountable: Group Executive, People, Performance &amp; Reputation</i>	Support CAP initiatives with accountability, governance and reporting structures with overall ownership by GLT and Board	Update on progress and areas of focus for H2 identified Cascaded accountability to EGM milestone owners	Further embed a reporting and governance process for CAP scorecard (eg Risk, Customer and Strategy) through existing governance functions 6-monthly reporting on status of CAP implementation to GLT At least annual reporting to Board on CAP progress		
<b>Demonstrate visible commitment from IAG's senior executives and apply appropriate remuneration and rewards</b> <i>Accountable: Group Executive, People, Performance &amp; Reputation, Group Executive, Strategy &amp; Corporate Development</i>	Ensure CAP accountabilities are translated into performance management process for key roles	Integration underway with business planning and performance goals for GLT and senior leaders	Integrate with business plans Ensure GLT and appropriate senior leader performance goals include CAP accountability		
<b>Make our CAP everyone's responsibility by incorporating it into our management systems</b> <i>Accountable: Group Executive, People Performance &amp; Reputation, CEO Australia, CEO New Zealand</i>	Factor climate change risks and performance into partnering considerations	Commenced Responsible Sourcing Program with Supplier Code of Conduct and ESG Questionnaire under development	Develop action plan across partnerships (community, commercial, sponsorship, suppliers)	Build systematic approach to engage with procurement and business partners Expand systematic engagement to supply chain partners in claims	
	Establish incentives and accountabilities for individual climate change elements through our systems like Leading@IAG	Two day scenario workshop scheduled for February 2019 with 60 participants identified as key roles that need to incorporate climate change into decisions making			
	Support learning and development of our people to support our organisational capacity to manage climate change issues across roles and functions	Ran digital climate simulation with IAG Distribution Partnering team to support increased climate change knowledge and capability While we are working on link to learning and development looking like it might not be factored in until early FY20 now	Engage promising talent (as well as business leaders) in programs of work in the CAP Develop and embed climate topics into induction, learning and development programs		
<b>Create simple pathways for our people to remain involved and contribute to our plan</b> <i>Accountable: Group Executive, People, Performance &amp; Reputation</i>	Engage our people to successfully implement emissions reduction initiatives at our offices	Targeting 5 star GreenStar Interiors rating at new Sydney office	Develop and deliver resources for leaders and teams on climate-related issues Support internal engagement program through Green Ninjas		
	Maintain and implement internal engagement plan on climate change	Delivered climate simulation experience to 100+ staff			
<b>Enable and support our people to access tools and initiatives that help them manage their own climate change impacts</b> <i>Accountable: Group Executive, People Performance &amp; Reputation</i>	Support our people with tools, information and programs to contribute	Evaluating existing policies to ensure carbon emissions can be a consideration Developing future milestone activities for delivery in FY20-21	Integrate vehicle CO2 emissions into revision of salary sacrificed packaged vehicle scheme	Develop climate-related opportunities in employee reward program	

# Reduce our emissions

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation		Timing and Milestones		
		H1 FY19		FY19	FY20	FY21
<b>Manage our own impacts in line with a transition to a low-carbon future</b> <i>Accountable: CEO Australia, CEO New Zealand</i>	Meet IAG's science-based emission targets for scope 1 and 2 emissions	Property strategy review continues with consideration of Science Based Target		Implement property consolidation strategy to support reduction in emissions	Integrate renewable energy into Australian electricity procurement	
	Maintain carbon neutrality	Neutrality maintained since 2012		Localise operational emissions targets to Australia and New Zealand context	Review opportunities for science-based emission targets across additional emission sources	
<b>Leverage the latest thinking and technology to reduce the impact of our work processes</b> <i>Accountable: CEO Australia, CEO New Zealand</i>	Create and implement a strategy to align our operational footprint with the carbon budget for a two degree future	Development of fleet strategy commenced in NZ		Develop approach to fleet transition in New Zealand		
				Introduce pilot to reduce emissions from Australian fleet	Include carbon footprints into air travel dashboard	Continue and expand our internal carbon pricing mechanism

# Invest responsibly

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation H1 FY19	Timing and Milestones		
			FY19	FY20	FY21
<p><b>Shift investments to companies that have a lower exposure to climate-related risks or a forward-looking strategy to manage these risks</b></p> <p><i>Accountable: Group CFO</i></p>	<p>Continue to implement climate-related risk management measures through external fund managers as part of broader ESG risk management</p>	<p>Maintained and reviewed ESG and climate related criteria for equity portfolios. Assessing appropriate criteria for other asset classes. External fund manager engagement on ESG practices, integration and risk management</p>	<p>Maintain and extend ESG screening criteria for external fund managers</p>	<p>Review and assess all programs for expansion</p>	
<p><b>Actively support action on climate change and a net-zero future</b></p> <p><i>Accountable: Group CFO</i></p>	<p>Continue to invest in reputable green bonds</p>	<p>Maintained investment in green/social bonds with current exposure of \$77m, \$50m allocation to NAB Low Carbon Share Portfolio. Continued engagement with green issuers</p>	<p>Continue to support thematic investments for a low carbon transition</p>	<p>Review and assess all programs for expansion</p>	
	<p>Leverage our investments to support climate resilient infrastructure and emission reduction</p>	<p>Resilience Investment Vehicle pilot under development</p>	<p>Explore pilot opportunities for a resilience investment vehicle</p>	<p>Explore alignment of investment process to allow customer choices in investment allocation of customer premiums</p>	
<p><b>Measure carbon intensity and include climate-related risks in the (ESG) risk management of our investments</b></p> <p><i>Accountable: Group CFO</i></p>	<p>Measure ESG and carbon risk exposures in our portfolio</p>	<p>ESG and carbon risk metrics analysed and integrated into investment portfolio reporting framework. Consideration underway as to appropriate portfolio metrics for disclosure. Engagement with ESG research provider, investment managers and other investors on relevant metrics</p>	<p>Assess and consider appropriate carbon and climate-related investment risk metrics for disclosure</p>	<p>Review and assess all programs for expansion</p>	

# Rethink risk

## Our Climate Action Plan Scorecard



Our objectives	Activities	Status of implementation H1 FY19	Timing and Milestones		
			FY19	FY20	FY21
<p><b>Lead climate research and analysis, including on natural perils, to support IAG and our stakeholders to better understand and respond to climate change</b></p> <p><i>Accountable: Group Executive, Strategy &amp; Corporate Development, Chief Risk Officer</i></p>	<p>Support research on natural perils and changing climatic conditions important to our business and the region</p> <p>Use scenario-based planning for considering climate change strategy and CAP</p>	<p>Research project with National Centre for Atmospheric Research (NCAR) defined and commenced</p> <p>Commenced a series of workshops with Geoscience Australia and RMIT to access IAG flood data and insights</p> <p>Scenario workshop planned for 2 days in February 2019 with 60 internal participants and 8 external stakeholders</p>	<p>Implement scenario-based planning on climate change futures</p> <p>Undertake research into potential climate futures through (i) research into extreme events due to current and future changes to climate for North Eastern Australia, (ii) support for flood projects within the Bushfire and Natural Hazards Cooperative Centre to improve floodplain management</p> <p>Collaborate on climate-related risk assessment with local and global partners, including participation in the UNEP-FI pilot</p>	<p>Reconstruction of cyclone record for key events to establish more accurate historical record</p> <p>Research Southern Australia impacts of climate change including hail, to identify risk drivers of weather-related events and risk reduction</p>	
<p><b>Further embed climate risk into the Enterprise Risk Profile, supported by the Risk Management Framework and Strategy</b></p> <p><i>Accountable: Chief Risk Officer, Group Executive, People Performance &amp; Reputation</i></p>	<p>Climate research and modelling used to inform the Enterprise Risk Profile process</p>	<p>Climate change prioritised in the Enterprise Risk Profile and a risk 'bow-tie' developed to support effective IAG wide management</p>	<p>Enterprise Risk Profile process includes climate research inputs</p>	<p>Scenario analysis informs Enterprise Risk Profile</p>	<p>Further embed scenario analysis into Enterprise Risk Profile</p>
<p><b>Integrate climate insights, risks and opportunities into our strategic choices, portfolio assessments and pricing</b></p> <p><i>Accountable: Chief Risk Officer, Group Executive Strategy &amp; Corporate Development</i></p>	<p>Assess short, medium and long-term exposure of our portfolio to changing climatic conditions and potential future carbon policy</p>	<p>Initial Physical Risk Assessment undertaken at 1.5C, 2C and 3C identifying vulnerability to different perils with significant regional variability in some areas</p>	<p>Ensure we can demonstrate how we have factored climate risk into product pricing and reinsurance</p> <p>Complete internal climate risk project and review core capabilities and processes for management of mid-term climate-related risks</p>	<p>Apply lessons from climate risks and opportunities into future of home research</p> <p>Integrate and embed climate risk analysis into portfolio assessment process</p>	
<p><b>Help our customers and communities to reduce emissions and adapt to climate change</b></p> <p><i>Accountable: CEO Australia, CEO New Zealand, Chief Customer Officer</i></p>	<p>Pursue commercial opportunities to support customers and communities to pursue climate adaptation and a low-carbon transition</p>	<p>Reviewing fuel efficiency pricing factor and investigating low emissions transport product offering linked to relevant customer segments</p>	<p>Identify and assess climate-related growth opportunities in customer and brand segments through qualitative and quantitative customer research</p> <p>Update existing fuel efficiency discount and expand to low-carbon mobility incentive</p>	<p>Test and develop insights for products and services relating to resilience, safety and a low-carbon transition</p> <p>Review and update incentives and education to support low-carbon behaviour through existing products</p>	<p>Target and scale new climate-aligned products that enable emission reduction and adaptation</p>
<p><b>Drive risk mitigation in the building industry by generating insights into the impacts of natural perils</b></p> <p><i>Accountable: CEO Australia, CEO New Zealand, Chief Customer Officer</i></p>	<p>Assign resources to gain insights from claims and promote adaptation in the building industry</p>	<p>Natural Perils team have assigned a resource and commence promoting adaptation in the building industry</p> <p>Supported customers with discounts as a part of the QLD household resilience program</p>	<p>Provide discount to customers as part of QLD household resilience program</p> <p>Undertake further research and use insights to continue influencing built form through products, pricing, partnerships and customer education</p>	<p>Provide practical solutions to customers to mitigate risks that cause damage</p>	<p>Where commercially viable, apply incentives for risk mitigation and insights into supply chain activities</p>

# Did you know?

IAG has been a member of UNEP-FI since 2004 and was a founding member of the UNEP-FI PSI Principles for Sustainable Insurance. Our Chief Customer Officer is co-chair of the PSI Board.

IAG represents and consults with forums that will make a difference to climate change – from consumer bodies (via our Consumer Advisory Board), to the Geneva Association

**Less than 1%** of our premiums covered carbon intensive industries in FY18, and most of that insured people's safety through workers' compensation

**77%** of Australians agree "a company can take specific actions that both increase profits and improve the economic and social conditions in the community where it operates"

**84%** of New Zealanders think we can reduce climate change and 78% say we need to act even if other countries don't