



Responsible Investment Policy

Why this is important

1. This Policy outlines IAG's commitments to responsible investment. This Policy is important because we believe in being a responsible and ethical business. We also 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.
2. This Policy is designed to:
 - a) record IAG's commitment to managing environmental, social and governance (**ESG**) risks and opportunities within our Investments; and
 - b) describe IAG's approach to addressing ESG reporting and disclosure for Investments.

Who this applies to and when

3. This Policy applies to all IAG Investments.
4. Due to the scale and complexity of IAG's Investments, some Investment strategies are accessed through collective vehicles where IAG has more limited control and/or influence over investment decisions. For Investments made through collective vehicles where IAG has limited control, IAG aims to apply the principles outlined in this Policy in the selection, assessment and monitoring of the collective vehicle to the extent possible.

How we manage our Investments responsibly

5. IAG is a signatory to, and committed to implementing, the Principles of Responsible Investment. This Policy reflects that commitment. This Policy complements existing policies and governance structures that IAG uses to manage its ESG risks.

Identifying and integrating ESG

6. ESG covers a range of factors. For example:
 - a) **environmental issues** include impacts of climate change and the transition risks of moving to a low carbon economy,
 - b) **social issues** include modern slavery and human rights issues, and
 - c) **governance issues** include an imbalance of board power, lack of board independence, insufficient transparency of governance and accountability and bribery and corruption.
7. The stage of development of, and relevance of ESG issues to, each Investment will depend on the Investment. Non-traditional or alternative asset classes may be less developed in their approach to ESG. There may also be limitations on data availability for some Investments, particularly outside public markets. Subject to these constraints:
 - a) IAG aims to identify and manage significant ESG investment related risks,
 - b) IAG will consider ESG issues (in addition to traditional investment criteria) when constructing portfolios and selecting Investment managers, and
 - c) IAG aims to measure and monitor ESG issues for Investments where those factors may impact IAG's business, reputation or the communities in which we operate.

Active ownership and Investment stewardship

8. IAG believes that engagement - through dialogue and proxy voting - is usually more effective than prohibiting investment in particular companies. By engaging constructively on significant ESG issues, IAG aims to help drive more sustainable business practices. IAG aims to therefore:
 - a) engage constructively to encourage sustainable business practices if significant ESG issues are identified for an internally managed Investment, or through our Investment managers,
 - b) collaborate with other investors on ESG issues where appropriate, and
 - c) sell any Investment, if practicable, where there is no improvement after repeated engagement on significant ESG issues.

Prohibited Investments

9. IAG believes it is necessary, in some circumstances, to exclude Investment in companies undertaking activities. This is due to a lack of alignment with IAG's values and purpose, or because they create an unacceptable risk to the community. To this end, IAG aims not to make Investments in companies which undertake activities or operate in the sectors listed in Attachment 1.

Environment and climate change

10. IAG supports the goals of the Paris Agreement to limit average global temperature rise to well below 2 degrees Celsius above pre-industrial levels and believes in the importance of protecting our environment. IAG will therefore:
 - a) support standardised disclosure of climate change related risks in accordance with the recommendations of the Taskforce on Climate Related Financial Disclosures ("TCFD"),
 - b) review annually and disclose the carbon exposure of IAG equity Investments that are listed on a recognised stock exchange (where the information is available),
 - c) review annually its Investment in any company with poor environmental management strategies and high levels of negative environmental impact,
 - d) sell, if practical, any Investment, which has poor environmental management and high levels of negative environmental impact, and the company is not acting to improve,
 - e) sell, if practical, any Investment which is directly involved in severe environmental pollution which is contrary to the environmental regulations in the country of operation, and where the company is not acting to address the issues.
11. IAG aims to encourage Investment in companies providing solutions to sustainability challenges, where a market rate of return is expected, there is positive impact on the environment or communities and the Investment is within IAG's investment appetite and risk tolerance. IAG also aims to encourage Investment in green bonds and other financing solutions to the impacts of climate change, where consistent with IAG's investment risk and return objectives.

Modern slavery, human rights and labour controversies

12. IAG believes that people have inalienable human rights and that support of these fundamental rights forms the foundations of a successful and prosperous economy:
 - a) IAG aims to monitor Investments for alleged exposure to human rights and labour standard controversies, including modern slavery,
 - b) if, human rights or labour standard controversies are identified, IAG aims to engage with the Investment to seek to improve their practices, and IAG will sell, if practical, any Investment where there is no improvement after repeated engagement.

Reporting and disclosure

13. IAG commits to transparent reporting on the implementation, monitoring and progress of this policy through:
- a) Summary reporting within the IAG Annual Review and Safer Communities Report and/or IAG's website (www.iag.com.au),
 - b) IAG's annual Climate-related Disclosure, in line with TCFD recommendations,
 - c) Reporting on our approach to modern slavery within IAG's Modern Slavery Statement, as required under Australian Modern Slavery legislation,
 - d) Our annual Transparency Report disclosure, through our commitment to the UN Principles of Responsible Investment (PRI)

Application of this policy

14. This Policy will be implemented by 1 July 2021.

Definitions

In this Policy:

"Australian Modern Slavery legislation" means the *Modern Slavery Act 2018* (Cth).

"ESG" means environment, social and governance.

"Invest" means to invest funds from IAG's technical reserves fund or shareholders' fund.

"Investment" means investments made from IAG's technical reserves fund or shareholders' fund.

Policy information

Effective from IAG is currently implementing measures to meet the commitments in this Policy. It is intended to be fully effective from 1 July 2021.

Policy Owner Chief Financial Officer

Approver IAG Board

Next Review due November 2022

Entities this applies to Insurance Australia Group Ltd, its subsidiaries and any other entity or joint venture which it controls (collectively **IAG**)

Exemptions N/A

Related documents Key documents that should be read in conjunction with this Policy:

- IAG Public Policy
- IAG Code of Ethics & Conduct
- IAG Supplier Code of Conduct
- IAG Environment and Social Framework
- IAG Group Risk Management Framework
- IAG Continuous Disclosure Policy
- IAG Group Anti-Money Laundering & Counter Terrorism Financing Policy
- IAG Group Whistleblower Policy
- IAG Safer Communities Plan
- IAG Climate Action Plan

Document history

Version	Date	Amended by	Details of amendment
1.0	Nov 2020	N/A	New Policy

Attachment 1

Prohibited investments

1. *Thermal Coal Mining*: companies that derive more than 10% of their revenue from thermal coal mining.
2. *Prohibited Toxic Chemicals*: companies which produce toxic chemicals known to be linked to severe deterioration of human health or biodiversity, and which are therefore prohibited in Australia.
3. *Controversial Weapons*: companies:
 - a) involved in the manufacture of cluster munitions, antipersonnel mines, biological or chemical weapons, or
 - b) that derive any revenue from the direct manufacture of weapons systems, delivery platforms, or components that were developed or are significantly modified for exclusive use in cluster munitions, anti-personnel landmines, biological or chemical weapons.
4. *Predatory Lending*: companies with more than 5% of their revenue directly linked to the provision of payday loans, instalment loans, pawn loans, title loans, tax refund anticipation loans, and doorstep loans.
5. *Automatic and semi-automatic civilian firearms*: companies that manufacture automatic or semi-automatic civilian firearms.
6. *Tobacco Companies*: companies that manufacture or produce tobacco where 5% or more of their revenue is derived from the manufacture and/or production of tobacco products. This does not include involvement in other parts of the tobacco supply chain such as farming, packaging, transport, machinery or retail.