

CARBON NEUTRALITY AND INSURANCE AUSTRALIA GROUP

1. ORGANISATIONAL INFORMATION

Organisation Name:	Insurance Australia Group Limited ABN 60 090 739 923
Inventory Period:	1 July 2014 to 30 June 2015 (FY2015)
Date of most recent verification:	30 June 2015 (Greenhouse gas emissions)
Carbon Neutral Disclosure Type:	Organisation
Description:	IAG's Global businesses under operational control

Introduction

Insurance Australia Group (IAG) is a financial services organisation that has a portfolio of general insurance businesses with leading and established brands across its home markets of Australia and New Zealand, with a growing presence in Asia.

Carbon inventory boundary

IAG's carbon neutrality is for a defined inventory of greenhouse gas (GHG) emissions. These emissions result from the activities of IAG's global businesses under operational control as defined within the boundaries set out below. Whilst Australia's *National Carbon Offset Standard (NCOS)* certification is not being sought, IAG recognises and adopts the principles of carbon neutrality set out in the NCOS guidance in our Australian business and where practical in all other businesses.

IAG's Australian, New Zealand, Asia head office, Thai and Vietnam businesses fall into the scope of the 2015 financial year carbon inventory. In Australia and New Zealand, the former Wesfarmers business has been included for the first time. IAG's joint venture operations in India, China and Malaysia are all out of scope. The newly acquired Indonesia business¹ is excluded from the carbon footprint calculation.

Figure 1 sets out IAG's businesses by brands and country, and demonstrates those businesses included and excluded from the scope of our carbon inventory for carbon neutrality based on operational control.

Figure 1 - Group Operating Model



¹ PT Asuransi Parolamas was acquired on 30 April 2015. IAG is including this business in our carbon footprint calculations from 1 July 2015.

As a service based organisation, the most significant contributor to IAG's carbon inventory is from stationary energy (scope 2 electricity) consumed throughout the property portfolio and data centre. This emission source contributed 54.3% of the Group's total emissions in FY2015. Figure 3 illustrates the percentage of the Group's carbon inventory by significant emission source.

Carbon inventory inclusions

IAG's carbon inventory includes scope 1 and scope 2 emissions that would be required for reporting under Australia's *National Greenhouse and Energy Reporting Act* (NGER Act), and where appropriate and material, in line with NCOS significant scope 3 emissions. For completeness and transparency IAG has included various emission sources within the carbon inventory that represent a small proportion of the overall GHG emissions of the Group.

Emission factors are sourced from geographically relevant standards and are disclosed in IAG's Data summary and glossary of terms at www.iag.com.au/shared-value/reports.

Carbon inventory exclusions

IAG's Group carbon inventory excludes emissions from wastewater (scope 3). Given the nature of the operations of IAG, this emission source has been assessed as exerting an immaterial contribution to the group's GHG emissions and is therefore excluded from the reported carbon footprint.

In IAG's other in-scope businesses in New Zealand and Asia, other immaterial sources of emissions have also been excluded. This is detailed in section 2 of this document.

The FY2015 emission profile of the group is summarised below.

Figure 2 - IAG FY2015 Emissions profile by area of operation (% CO2e)

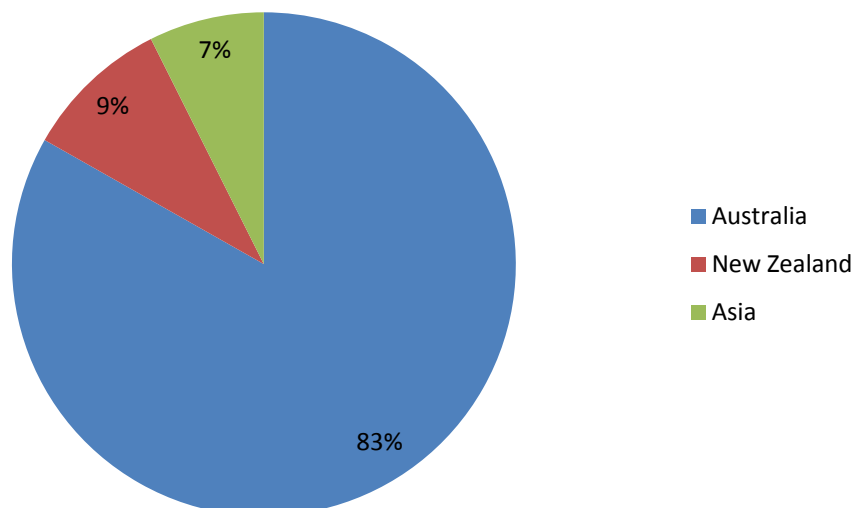
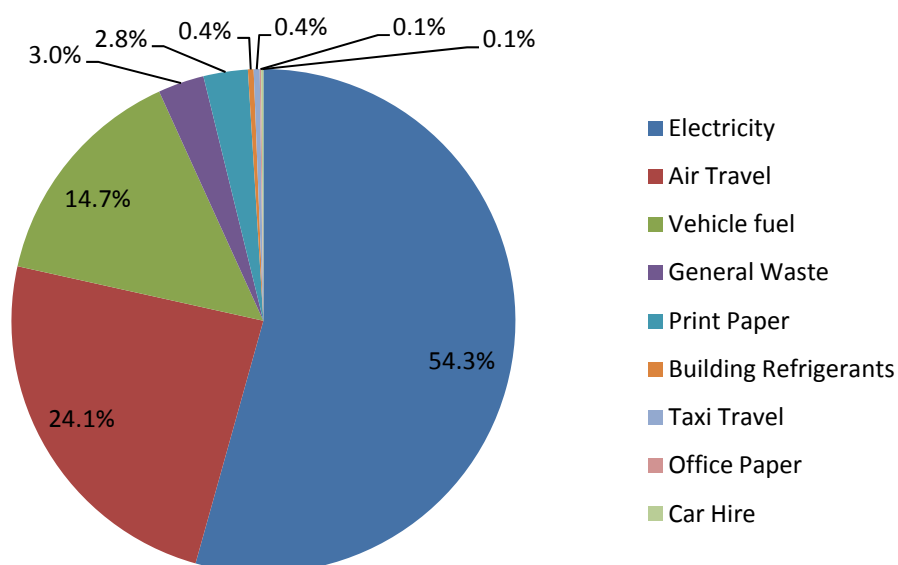


Figure 3 - IAG FY2015 Emissions profile by source (% CO₂e)



2. TOTAL CARBON FOOTPRINT

The FY2015 total carbon footprint for all in-scope carbon inventory items for the entities where operational control is exercised has been set out in the table below. All GHG emissions reported are presented as a gross figure in metric tonnes of carbon dioxide equivalent (CO₂-e). IAG's FY2015 carbon emissions have been verified by Ernst & Young (EY). Refer to www.iag.com.au/shared-value/reports for the assurance statement.

Emissions source	Australia (tonnes CO ₂ -e)	New Zealand (tonnes CO ₂ -e)	Asia (tonnes CO ₂ -e)	TOTAL (tonnes CO ₂ -e)
Tool of Trade Vehicle Fleet fuel consumption	6,770	1,879	1,696	10,345
Building Refrigerants	255	N/R	N/R	255
Electricity Consumption	34,556	1,657	1,948	38,161
Air Travel	13,166	2,496	1,297	16,959
Print Paper	1,386	372	238	1,996
Office Paper	9	31	20	60
Taxi Travel	275	N/R	N/R	275
Rental Car	102	N/R	N/R	102
Waste To Landfill	1,913	165	N/R	2,078
Total	58,432	6,600	5,199	70,231

Please refer to IAG's Data summary and glossary of terms at www.iag.com.au/shared-value/reports for details of how each emission source is calculated.

In FY2015 Group CO₂-e emissions increased by 18% (10,598 tCO₂e) since prior year. In Australia and New Zealand, the increase was primarily due to the acquisition of the former Wesfarmers business which was included in the carbon inventory for the first time. Our emissions profile for Asia increased by 9% (410 tCO₂e) since prior year, which can be partially attributed to the inclusion of

the Vietnam business for the full 2015 financial year, compared to the second half of the 2014 financial year, as well as an increasing number of acquisitions and activity in Asia. Emissions intensity for the Group has remained consistent with FY2014 (4.7 tCO₂e / FTE) demonstrating that the increase in emissions is in line with the acquisition.

3. EMISSION REDUCTION MEASURES

In FY2015 we achieved carbon neutrality through a combination of efficiency initiatives to decrease our footprint and the purchase of carbon offsets. Efficiency initiatives included the following:

- Installation of an evaporative cooling system to assist with weather performance at our Data Centre; and
- Ongoing business as usual replacement of failed lamps with more efficient options at Sydney and Melbourne Head Offices including LED, T5 and CF1 lighting.

IAG remains committed to managing and reducing carbon emissions across our businesses. IAG has reported its environmental performance in the IAG Annual Review and Data Summary at www.iag.com.au/shared-value/reports.

4. OFFSET PURCHASE AND RETIREMENT

Approach:

Since 1 January 2012, IAG has adopted a forward purchasing offset model to meet its carbon neutral commitment. Last year we forecast our FY2015 carbon footprint using the FY2014 carbon inventory and purchased and retired offsets in advance of the FY2015 estimated GHG emissions occurring.

A total of 65,000 tonnes CO₂-e of offsets were retired in FY2014 to cover the forecast emissions for the FY2015 reporting period.

Offset type	Project name	Registry	Serial numbers	Offset quantity (Tonnes CO ₂ -e)
Voluntary Carbon Standard (VCU) – Voluntary Carbon Standard (VCS)	Sichuan Huadian Xixi River Hydro-electricity Development Co., Ltd. Luogu Hydroelectric Project in China	APX	3433-154141324-154168615-VCU-008-APX-CN-1-877-26122010-25122011-0 3434-154191324-154201323-VCU-008-APX-CN-1-877-25032010-25122010-0 2714-118028621-118035828-VCU-008-APX-CN-1-877-25032010-25122010-0	44,500
VCU-VCS	Siam Cement Biomass Project in Thailand	Markit	1755-72574316-72590815-VCU-008-MER-TH-4-403-01072007-31122007-0	16,500

Offset type	Project name	Registry	Serial numbers	Offset quantity (Tonnes CO2-e)
VCU-VCS	Redd Forests Grouped Project: Protection of Tasmanian Native Forest in Australia	Markit	3291-148283712-148286415-VCU-016-MER-AU-14-641-16042012-15042013-0 3228-145701305-145702600-VCU-016-MER-AU-14-605-13032012-12032013-0	4,000
Total Quantity (CO2-e) of carbon offsets purchased and retired:				65,000

The estimation of the FY2015 carbon inventory and forward-purchase of offsets did not take into account the increase in emissions associated with the acquisition of the former Wesfarmers business. Therefore at the end of the 2015 financial year we performed a reconciliation to confirm the purchase and retirement of offsets from the inception of our carbon neutral commitment to confirm our carbon neutrality.

Period	Carbon inventory (Tonnes CO2-e)	Carbon offsets purchased and retired (Tonnes CO2-e)
1/1/12 – 30/6/12	32,658	105,000
1/7/12 – 30/6/13	65,151	
1/7/13 – 30/6/14	59,663	65,000
1/7/14 – 30/6/15	70,231	65,000
Total	227,582	235,000

Based on the reconciliation above we have confirmed our carbon neutrality at the end of the 2015 financial year.

We intend to maintain our forward purchasing offset model in FY2016. In the first half of the 2016 financial year, we will forecast our FY2016 carbon inventory and purchase and retire carbon offsets for this period. We will report on the offsets purchased and retired in next year's Carbon Neutral Disclosure.

Carbon offset selection:

IAG has offset purchasing guidelines for the purchase of robust and verified offsets. This includes criteria such as:

- All projects are additional, permanent, measurable, transparent, independently audited and registered;
- Where possible, carbon offsets are purchased through a formally regulated market. Where this is not possible due diligence will be carried out to ensure that the offsets are genuine, not subject to fraudulent issue and not previously traded and retired;
- Sourcing projects either domestically or in countries that align to IAG's operations e.g. China, India, Thailand, Vietnam and Australia; and
- Sourcing projects that align to the business and/or strategic focus areas of risk management, disaster reduction, social inclusion and responsible business operations

5. FURTHER INFORMATION

Should you require any further information, please send any queries to sharedvalue@iag.com.au