

FY22-24 Climate & Disaster Resilience Action Plan

Insuring the net zero world

Version 1.2 - August 2023



A word from our CEO

Weather and climate are core business for IAG. For nearly two decades, we have worked to understand climate change, its impacts on our business, and the ways we can help reduce climate risk for our customers and communities. We launched our first public Climate Action Plan in 2018 and are proud to build on that work in our updated three-year Climate & Disaster Resilience Action Plan.

This plan is focused on finding solutions to address climate risk and sets out our climate commitments across three key areas. Our Group Executives continue to be accountable for delivering on the commitments detailed in this plan, and we publicly report on our progress.

Our first area – **Rethinking Risk** – is about helping our customers and communities reduce their risks and build resilience to the impacts of climate change. Our commitments in this area go to the core of our insurance business, including how we manage capital and how we price, underwrite and design our products to support insurance accessibility and affordability.

Our second area – **Transforming the System** – is about continuing to collaborate with the business, government and community sectors on climate research, resilience and policy to encourage a net zero future.

We share claims insights and the expertise of our own in-house climate specialists to contribute to the scientific discussion about the current and future climate to help inform climate policy.

Together with the US-based National Center for Atmospheric Research, we have released two editions of the *Severe Weather in a Changing Climate* report to advocate for changes in disaster recovery and resilience planning.

We're proud of the work we do to help people and communities adapt and prepare for the changing climate. This includes NRMA Insurance's First Saturday campaign to encourage people to prepare their home for storms, bushfires and other disasters, and the quarterly NRMA Insurance Wild Weather Tracker which raises awareness of the increased frequency and severity of extreme weather.

Finally, our third area – **Driving to Zero** – is about reducing our own emissions. The following page details our emissions targets, including achieving net zero emissions by 2050 across our value chain.

The need to act on climate change has never been more urgent and we're proud to play our part.

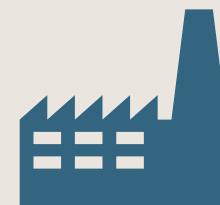
Our Climate & Disaster Resilience Action Plan will make a difference for our organisation and ensure we help Australians and New Zealanders safely and sustainably adapt to a changing climate and transition to a low emissions future.

We know that achieving net zero will require changes outside of our operational control, including technology development across industry, and socio-economic changes to help facilitate a just transition.



Our Climate Targets

Net zero emissions by 2050, with an ambition for 50% emissions reduction by 2030.*



Scope 1 and 2 emissions: Science-based absolute emission reduction target of 38% by 2030 against a FY21 baseline in line with the Paris Agreement goal to limit climate change to 1.5°C**



Underwriting portfolio: Cease underwriting entities predominantly in the business of extracting fossil fuels and power generation from fossil fuels by FY23***



Investment portfolio: Achieve net zero investment portfolio emissions by 2050, in line with Paris Agreement Intermediate targets to reduce the scope 1 and 2 normalised carbon footprint and weighted average carbon intensity for Australian and Global listed equity mandates include:

- Minimum reduction of 25% versus 2020 relevant index level baselines until 2025 ****
- Minimum reduction of 50% versus 2020 relevant index level baselines by 2030 ****

1 million Australians and New Zealanders have taken action to reduce their risk from natural hazards by 2025

For more detail on our performance against these targets, see the FY23 Group and New Zealand Climate-related disclosures on www.iag.com.au

*We know that achieving our net zero target will require changes outside of our operational control, including technology development across industry, and socio-economic changes to help facilitate a just transition.

**In FY22, IAG updated its science-based absolute emissions reduction targets. To simplify communications we have rounded up the target to 38%, where the exact science-based target is 37.8%. IAG's previous targets used an FY18 baseline that aligned to a +2°C future.

***While our target was to have ceased underwriting these entities by the end of FY23, our exposure at 30 June 2023 remained below 0.01% of total GWP. We are in the process of evolving our target to continue working towards phasing out our fossil fuel exposure.

IAG's key parameters for defining business underwriting exposure to fossil fuels are:

- Fossil fuel extraction – including the mining of any hydrocarbon fuels, where extraction makes up over 30% of all the entity's activities.
- Power generation using fossil fuels – where thermal coal makes up over 30% of the electricity generated.

Application of these parameters do not include:

- Policies and/or portfolios that IAG has divested from where the liability for future claims will exist until expiry of the policy.
- Workers' compensation, irrespective of the climate intensity / fossil fuel exposure of the industry they work in, as everyone needs to be protected at work.
- Supporting businesses that supply, transport or provide distribution services to these entities.
- Small and medium size enterprises with turnover less than \$100 million, where the primary industry classification of the business is not related to mining or power generation, however more than 30% of their turnover may be generated through engagement in these industries.

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

Rethinking Risk

Keeping people insured by enabling customers and our business to manage risks and opportunities more effectively in a changing climate.

As an insurer, we help our customers protect themselves from risk – and climate change is fundamentally changing the nature of the risk. If climate-related risks are not managed, they can impact the affordability and availability of insurance, especially in high peril risk areas.

By rethinking how we manage, price and adapt to risks, we can support people to reduce their risk and lower our insurance claims costs. Not only does this help make our business stronger and more sustainable, but it also ensures we can continue to protect our customers and make their world a safer place.



1.1 Our portfolio choices, underwriting, product and pricing approach manages climate risk for our business and supports affordability and availability of insurance for our customers

1.1.1 Our pricing signals the level of climate risk our customers are exposed to by being based on the level of risk for each climate-related hazard

1.1.2 Our insurance products are designed to factor in current and future risks, providing protection from a changing climate to Australians and New Zealanders

1.1.3 Our portfolio and customer segment decisions are informed by climate risks and opportunities that impact insurance product availability and price

1.1.4 Evolve our underwriting approach to include climate risk reduction and behaviour change across priority industry sectors

1.2 We develop solutions to help our customers adapt to a changing climate and transition to a net zero future

1.2.1 Develop ways for our customers to adapt to climate change and reduce the impact of climate-related hazards on homes and businesses

1.2.2 Develop ways for our customers to reduce their environmental footprint to drive climate action through our value chain

1.3 Our insurance claims response embeds climate resilience for the long term

1.3.1 Engage supply chain partners to manage climate-related impacts, including risk exposure of key claims materials and services to improve claims supply security

1.3.2 Engage supply chain partners on rebuilding/repairing customer assets to climate-resilient standards to reduce the number and size of future claims

1.4 Our management of capital is strengthened by regularly stress testing our climate resilience against best-practice quantitative and qualitative scenarios

1.4.1 Address our businesses vulnerability to climate change by maturing our understanding of physical, transition and liability impacts

1.4.2 Ensure our investment approach and portfolio management aligns to our understanding of climate risks

Transforming the System

Building community climate and disaster resilience by delivering and collaborating on preparedness initiatives, research, adaptation and policy.

Collaborating with others is critical to addressing the impacts of climate change to our business, customers and communities. By sharing our understanding of climate risks and opportunities and partnering with organisations, governments and industries, we can help transform the system to better adapt to a changing climate.

By helping our customers and communities understand their risks and protect themselves against extreme weather, we can reduce the financial, social and economic impact of extreme weather on communities and our business.



2.1 Our programs, partnerships and campaigns help our customers and communities become better prepared and more resilient to climate-related hazards

2.2 Our climate and disaster research and insights are shared with stakeholders to inform the management of climate change impacts and drive broader action

2.3 We advocate for and help develop climate adaptation and emissions reduction policies, planning and standards in collaboration with business, industry and government

2.1.1 Improve preparedness for climate-related hazards through our brands and in collaboration with our community partners

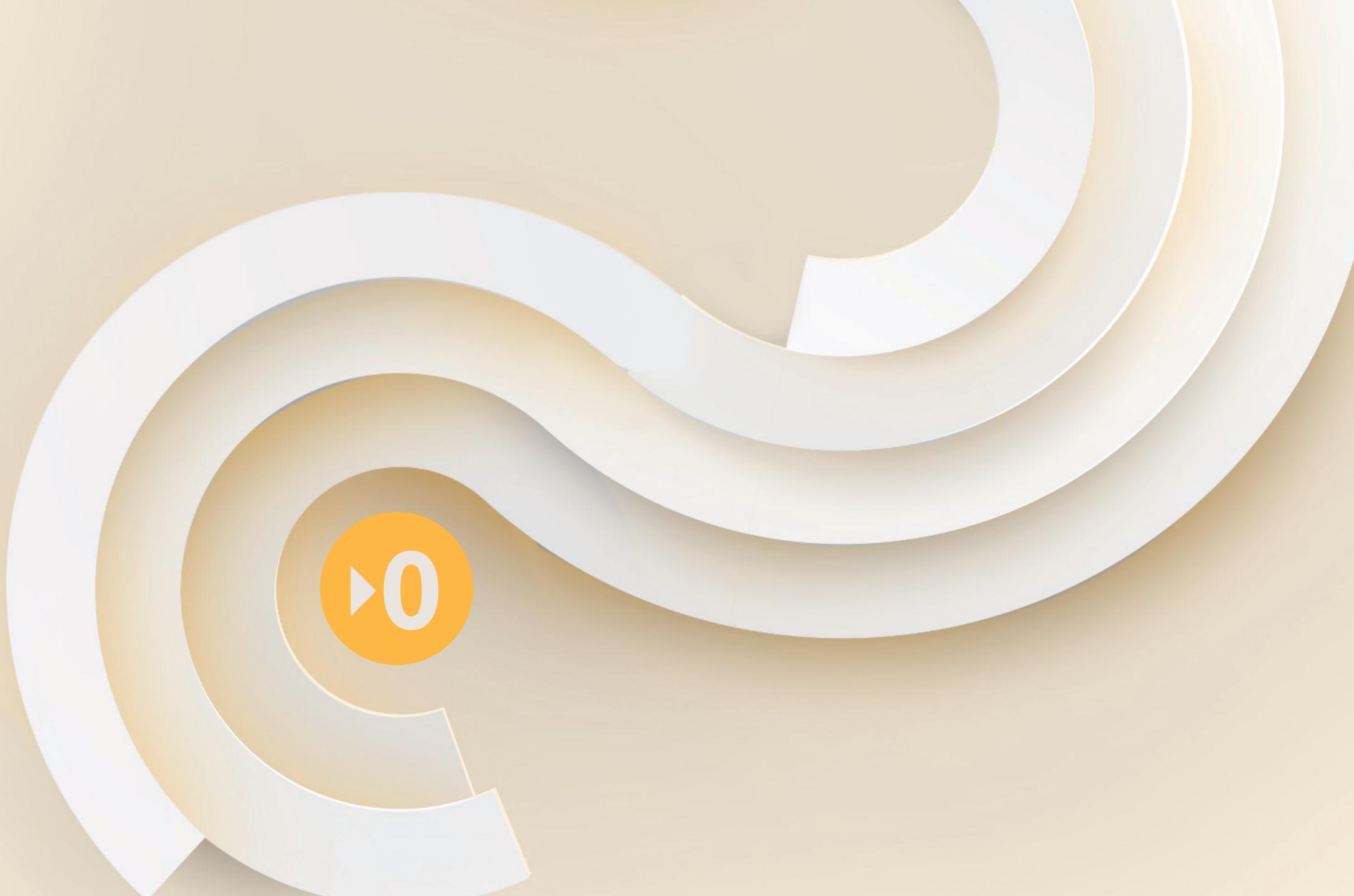
2.1.2 Support response and recovery from climate-related hazards through collaboration with our community partners

2.1.3 Support climate change management and disaster resilience in First Nations communities

2.2.1 Guide greater community and business outcomes by contributing our science-based knowledge, research and experience, participating in key industry initiatives and leading development of a common understanding of climate change impacts, risks and opportunities

2.3.1 Address common insurance climate and disaster risks, such as driving stronger land use planning and building codes and supporting customers as they transition to net zero emissions by collaborating with our insurance sector peers

2.3.2 Collaborate with wider industry sectors and governments to support systemic change, policy and plans to enable a just transition to a safer, net zero emissions future



Driving to Zero

Reducing our emissions footprint and achieving net zero by 2050 to limit climate change.

Our data tells us that the more severe climate change becomes, the more it will cost our customers and the servicing of claims. This makes reaching net zero carbon emissions as soon as possible in our business interest.

The latest science suggests reaching net zero carbon emissions by 2044-2052 can limit the impact of dangerous climate change. We can help achieve this future by aligning our own operations and influencing our wider value chain to net zero emissions.

3.1 We achieve net zero emissions by 2050, with an ambition for 50% emissions reduction by 2030

3.1.1 Our science-based emissions reduction targets for our direct operations (scope 1 & 2 emissions) align our business to a net zero future

3.1.2 Integrate climate risk assessments into our supplier governance and risk management frameworks to understand how our supply chain aligns to a net zero future

3.1.3 Phase material scope 3 emissions and other emissions gaps into our emissions reduction, reporting and net zero boundaries

3.2 We leverage our underwriting and investment approach to drive net zero emissions across our business value chain

3.2.1 Deliver interim targets for equity portfolio emissions reductions on pathway to net zero investment portfolio emissions by 2050

3.2.2 Mature our understanding on impacts and options of a net zero underwriting approach

3.3 Our people are prepared for a changing climate and net zero future

3.3.1 Support our people to become more resilient to climate-related hazards and reduce their emissions at work, home and in their communities

IAG Net Zero Roadmap



Scope 1 & 2:

Direct operations

Scope 3:

Supply chain

Scope 3:

Commuting & business travel

Scope 3:

Underwriting

Scope 3:

Investments

Scope 3:

Subsidiaries

FY23

FY24

FY25

FY
25-30

2050
net zero
emissions
across value chain

FY24: Interim targets for air travel emissions set

FY24: Interim 2030 targets for insurance portfolio emissions set

FY24: Maintain \$200m Green Bonds commitment and introduce supplementary target to increase investments in carbon positive solutions

FY24-25: Ongoing engagement with subsidiaries on emissions reduction and net zero targets

FY30: 38% scope 1 & 2 emissions reduction from FY21 baseline

FY30: Interim 2030 target for claims and procurement supplier emissions achieved

FY30: Interim 2030 target for air travel and commuting emissions achieved

FY30: Interim 2030 target for insurance portfolio emissions achieved

FY30: Interim 2030 target of a minimum 50% reduction versus 2020 relevant index for equities portfolio emissions intensity achieved

FY23: Maintain carbon neutrality for all scope 1 & 2 emissions ongoing

FY23: Target for ceasing underwriting entities predominantly in the business of extracting fossil fuels and power generation from fossil fuels achieved

FY25: 100% renewable energy sourced for Australia

FY25: Interim 2030 targets for claims and procurement supplier emissions set

FY25: Interim 2030 targets for commuting emissions set

FY25: Continued achievement of interim 2025 target of a minimum 25% reduction versus 2020 relevant index for equities portfolio emissions

Glossary

Climate risk

Climate change impacts a broad range of environmental, social and economic systems. Recognising climate change as a financial risk is a key step for companies to begin managing, addressing and adapting to its impacts. Referred to collectively as climate risks, financial-related climate risks can be classified as:

- **Physical Risks** - also referred to as ‘climate-related hazards’ in this Action Plan, these are the physical impacts resulting from climate change. These can be event driven (acute) or longer-term shifts (chronic) in climate patterns.
- **Transition Risks** - transitioning to a lower-carbon economy may entail extensive policy, legal, technology, and market changes to address mitigation and adaptation requirements related to climate change.
- **Liability Risks** - risk of litigation if institutions and boards do not adequately consider or respond to the impacts of climate change.

Greenhouse Gas Emissions

Greenhouse Gases, such as carbon dioxide and methane, trap heat in the atmosphere. While naturally occurring, human activities are increasing the amount of greenhouse gases in the atmosphere, which is causing global warming and dangerous climate change. Measuring and reducing greenhouse gas emissions (in terms of carbon dioxide equivalent emissions – or CO₂-e) is a way for companies and organisations to reduce the impact on climate change. To do this, emissions are classified into three scopes:

- **Scope 1** – Direct emissions from owned or controlled sources, e.g. fuel, natural gas
- **Scope 2** - Indirect emissions from the generation of purchased energy, i.e. electricity
- **Scope 3** - All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions, e.g. business travel, energy distribution, employee commuting and working from home, supply chain, customers, investees.



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