



30 July 2021

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Submitted by email: PolicyDevelopment@apra.gov.au

**CONSULTATION ON DRAFT PRUDENTIAL GUIDANCE CPG 229 CLIMATE CHANGE FINANCIAL RISKS**

Dear [REDACTED],

Insurance Australia Group (**IAG**) welcomes the opportunity to provide feedback on draft prudential guidance CPG 229 Climate Change Financial Risks (**CPG 229**).

Our purpose is to make your world a safer place. We recognise that climate change is already well underway with devastating impacts to our customers and communities through catastrophic natural disaster events, which will worsen with a warmer climate<sup>1</sup>.

We commend APRA for developing CPG 229 and the work being done by the Council of Financial Regulators (CFR) to encourage financial institutions to address the financial risks that are emerging from climate change. We agree with APRA's characterisation of climate change as a financial risk, and that urgent action should be taken to rapidly reduce greenhouse gas emissions and adapt to and mitigate immediate and future impacts of climate change.

We launched our own Climate Action Plan in 2018 and are currently developing the next iteration of this plan for FY22-24. Since 2018, we have aligned our climate-related disclosures to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). We also contributed to the United Nations Environmental Program Finance Initiative's Principles for Sustainable Insurance TCFD pilot to enable industry benchmarking and standardisation of disclosure. We are committed to cease underwriting entities predominantly in the business of extracting fossil fuels and power generation from fossil fuels by 2023. IAG is committed to cease underwriting entities predominantly in the business of extracting fossil fuels and power generation from fossil fuels by 2023. In FY21, IAG has refined this definition to clarify that this commitment

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<sup>1</sup> Severe Weather in a Changing Climate, C. Bruyère, G. Holland, A. Prein, J. Done, B. Buckley, P. Chan, M. Leplastrier, A. Dyer, IAG, November 2019.

to cease underwriting does not apply to supporting businesses that provide supply, transport, or distribution services to these entities. IAG is assessing and considering other ESG impacts across its insurance portfolios to determine what additional commitments can be undertaken to further align its underwriting approach to IAG's climate action objectives.

We are committed to net zero investment portfolio emissions by 2050, supported by intermediate targets to reduce the Normalised Carbon Footprint and Carbon Intensity for IAG's Australian and Global Listed Equity Mandates.

To fulfill our purpose and deliver on our Climate Action Plan, we work collaboratively with government, industry bodies, community groups and international organisations to reduce the impacts of climate change. IAG is a founding member of the Australian Business Roundtable for Disaster Resilience & Safer Communities that works on a sustainable, coordinated national approach to making communities safer and more resilient.

IAG also contributes to sector-wide approaches on insurance affordability and availability, and sustainability issues affecting financial systems. Throughout FY21, IAG was the Co-Chair of the Australian Sustainable Finance Initiative (ASFI) and a key contributor to New Zealand's Sustainable Finance Forum (an initiative of The Aotearoa Circle). Both initiatives established roadmaps for realigning the finance sector to support social, environmental and economic outcomes and have a strong focus on climate change and risk management. To build community connection and resilience to climate change that also support business outcomes, we have strategic partnerships with Australian Red Cross and the State Emergency Service and Rural Fire Service in New South Wales.

On September 2020, IAG released the second edition of its landmark report, "Severe Weather in a Changing Climate", co-authored with the US National Center for Atmospheric Research (NCAR). This publication outlines key physical risks Australia can experience in 1.5°C, 2°C and +3°C futures. Our intent with "Severe Weather in a Changing Climate" is to create a shared central source of information for the broader insurance industry and scientific community to build on and inform decisions on climate action.

IAG endorses the Insurance Council of Australia (ICA) submission and welcomes the opportunity to discuss anything raised in this submission. Please contact [REDACTED], Executive Manager, Regulatory Affairs on [REDACTED]

Sincerely,

[REDACTED]

[REDACTED]

Executive General Manager, Safer Communities