



Sustainability at our Core

The Innovation Group plc and subsidiaries
Sustainability Report 2014

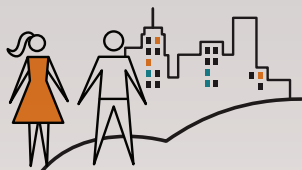
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Theme 1: Impacts on society



We must act in a responsible and ethical manner which respects the societies in which we operate.

 See page 14

Theme 2: Impacts on the environment



We are committed to increasing our resource efficiency and reducing our impact on the environment.

 See page 16

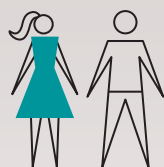
Theme 3: Carbon and climate change



We are focused on lowering the carbon footprint of our own operations whilst supporting our extensive global network of suppliers to lower their emissions also.

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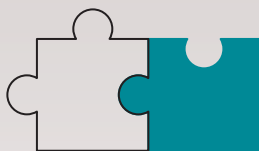
Theme 4: Employee engagement



Our business depends on the talent and teamwork displayed by our employees. We want our employees to feel engaged and motivated.

 See page 28

Theme 5: All stakeholders




The views of our stakeholders are critical to the ongoing relevance of our Sustainability Strategy.

 See page 36

Theme 6: Supply chain management



Our extensive global network of suppliers presents a real opportunity for Innovation Group to make a meaningful and positive impact.

 See page 38

Theme 7: Innovation



Innovation is a continued area for focus in order to meet our clients' expectations for sustainable products and services.

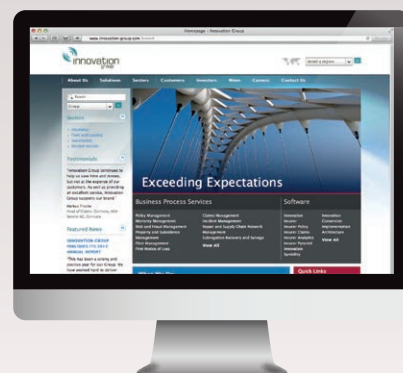
 See page 42

Theme 8: Governance



Acting with integrity is one of our core values and is central to everything we do.

 See page 44



You can find more out about Innovation Group or download our Annual Report and Accounts here:
www.innovation-group.com

You can find more out about our Sustainability Strategy here:
www.innovation-group.com/sustainability

Embedding sustainability



"Climate change is now having a noticeable impact on the Global Insurance Sector. With the number of catastrophic events on the increase, it's important that we work with our clients to help minimise the impact on their customers and their business. To this end we commissioned a research paper earlier this year on how climate change is affecting the industry, and we are now in the process of speaking to our clients about the findings and key actions.



"I am proud that Innovation Group has supported a statement by a leading group of global corporations and investors that was presented at the UN Climate talks in September of this year. This statement commits us to report and make use of climate change information on a common basis in mainstream corporate reports. We take this step primarily out of a sense of fiduciary responsibility.

"Our customers rightly expect that we should do our bit to protect the environment and the societies in which we operate, and minimise our own carbon footprint. I am pleased to reaffirm Innovation Group's support of the Ten Principles of the United Nations Global Compact ('UNGC') in the areas of Human Rights, Labour, Environment and Anti-Corruption.

"What follows is an account of our progress in FY14 against our Planet, People, Profit centred Sustainability Strategy as well as publication of our new targets to 2020. We are focused, motivated and excited by opportunities that sustainability can bring to our business and we are optimistic that by working together with our stakeholders Innovation Group can make a difference."

A handwritten signature in black ink that reads 'A. Roberts'.

Andrew Roberts
Chief Executive Officer
Innovation Group plc



Focusing on sustainability



"I am very pleased with the progress that Innovation Group has made against our FY13-FY15 Sustainability Strategy. As the highlights on page 7 show, there has been a lot of activity over the past year.

"We have a clear vision to have 'Sustainability at our Core' and we are all working hard to embed this within our wider corporate strategy and our everyday business.

"We have reduced our Scope 1 & 2 carbon emissions per person by 15.7% and achieved the reduction target set for 2020. I am particularly pleased that we doubled our Carbon Offset commitment from 828 tCO₂e to 1,656 tCO₂e in FY13 and extended this to 2,890 tCO₂e in FY14. "The award winning Gold Standard Carbon Credits scheme that we support provides more efficient cooking stoves for families in Kampala, Uganda. It will go a good way towards helping people in challenging environments as well as preventing emissions from entering the atmosphere.

"This year we extended our Strategy and I am particularly excited by some of the planned initiatives such as the 'Voices for the Future' programme where children of our employees will have the chance to take part in meaningful climate action. We also have an ambitious plan to extend our UK Carbon Managed Supply Chain project to our global network.

"I look forward to watching our new Strategy to 2020 unfold and help shape our business."

James Liddiard

Group Company Secretary, Chief Legal Officer and Chair of the Sustainability Committee.



Sustainability for growth

At Innovation Group our vision is to have Sustainability at our Core. This means that we must ensure that our wider business strategy focuses on environmental protection, and social justice, as well as our bottom line. This Planet, People and Profit ethos permeates throughout our business.

We have taken steps to understand the expectations of our stakeholders and use this information to inform our strategy and management systems to ensure that we operate in an environmentally and socially responsible way whilst bringing long-term economic benefit to our shareholders and stakeholders.

This report summarises our progress and ambitions with regards to our Corporate Responsibility and Sustainability Strategy, and supplements our Annual Report and Accounts.

In addition to this report, the following documents are also available at this web page: www.innovation-group.com/sustainability

- Sustainability policy.
- Anti-Bribery policy.
- Code of Conduct.
- United Nations Global Compact Communication on Progress.
- GHG Emissions Inventory report FY14

Our business

We manage the complete insurance process, from policy through claims for major motor and property insurers, other risk carriers, and their customers. As a Group we employ over 3,000 people in 14 of the largest insurance markets worldwide and we effectively manage approximately 4m incidents a year on behalf of our clients.

Core operating principle

We believe that the business of insurance should be viewed and run as a complete end-to-end optimised and collaborative process, rather than a series of individual transactions. We apply this principle through our industry-leading business process and data services, flexible software products, extensive repair networks and innovative commercial models that allow insurers to gain market-

leading cost efficiencies and offer a great customer experience. By offering these services in an effective and efficient way we can save resources and reduce the impact of our own business as well as that of our clients.

Our impact

We believe that our business is one with relatively low risk to the environment and societies in which we operate. We are an office based organisation with services delivered largely by call centre operations and field personnel (e.g. client liaison, assessors and loss-adjusters). Some offices are very small (less than ten employees) and some staff are home based. Field people travel predominantly by car, although rail or air travel may be involved.

Some specialist divisions within the UK business do present a slightly higher risk where we own elements of the supply chain (e.g. subsidence, arboriculture, groundworks and drainage services).

We are a responsible business and are managing issues such as energy, waste, paper use and water as explained later in the report. In the UK business and Stuttgart office in Germany, we have Environmental Management Systems ('EMSs') in place to ensure that we understand our significant aspects and minimise our impact on the environment.

However, we do have an extensive supply chain made up of a broad range of organisations of different sizes and sectors. These include garages, plumbers, builders, electricians and repair service providers, for instance. We acknowledge that we have a responsibility to minimise the risk to the environment and society associated with our own direct impacts and in addition to this, our clients also expect us to support our supply chain to minimise their impact.

In particular, we are committed to reducing our own carbon emissions whilst actively working with our supply chain to lower their emission levels. We are progressing this through the Carbon Fix Foundation, a not-for-profit organisation assisting businesses to take effective action to reduce their contribution to climate change.

Focusing on sustainability

Our culture and company values

Our values

- We act with integrity.
- We respect our clients, their customers, our colleagues and suppliers.
- We are reliable.
- We are innovative.
- Our solutions are sustainable.

Our promise

- For our customers: reduce costs and risks, improve efficiency and increase customer satisfaction and loyalty.
- For our employees: provide meaningful jobs and a fulfilling working environment.
- For our shareholders: focus on delivering market-leading returns.

It is clear that sustainability underpins our values and promise. At Innovation Group, we aim to be the organisation of choice for customers, shareholders and employees, not just because of what we do, but because of the way we do it.

Sustainability is integrated into core business strategy

Sustainability runs throughout our core business strategy and is a consistent item on the Audit Committee agenda. All senior leaders of the Group including our CEO and the entire Board are committed to driving sustainability within the organisation.

Innovation Group's global CEO, Andrew Roberts, along with the full Board and the senior management team, have all completed an advanced in-house, three hour e-learning course in sustainability. This course is also open to all employees and completion of it attracts the title of 'Sustainability Ambassador'. There are 66 qualified Sustainability Ambassadors within the organisation and more than 100 employees have indicated that they would like to complete the course.

We aim to be a 'Future-Ready' business by being informed and educated and using this knowledge to develop innovative solutions for our clients, as well as supporting our extensive global supply chain network towards our common goal of better sustainability performance.

Climate change and the insurance industry

The most recent report from the Intergovernmental Panel on Climate Change ('IPCC') confirms that warming of the planet is unequivocal and scientists are 95-100% certain this has been mainly caused by human activities.

Many scientists feel that we may be unable to prevent a rise of global temperatures above 2°C (above pre-industrial levels), the level which is commonly considered safe. What's more we are now on track for a world that could be 4°C warmer (or more) by the end of this century. It is widely accepted that an increase exceeding 2°C could be a tipping point of change from which many natural systems would not be able to recover. Even before this tipping point is reached, experts model that the extra energy being kept in our planet's system, 93% of which is being absorbed into the oceans, will cause sea level rise, increased precipitation, which will be uneven geographically, as well as increased incidences of extreme weather including floods, droughts, heatwaves and storms.

These increased extreme events are predicted to have significant economic costs globally. Accumulated costs linked to climate change are expected to reach US\$4tn by 2030 (4.6% of global Gross Domestic Product ('GDP')), with some regions being hit worse such as South East Asia at 5.3% of GDP².

Note 1 – Intergovernmental Panel on Climate Change (September 2013) First Assessment Report (WG1 AR5)

Note 2 – Protecting our capital. How climate adaptation in cities creates a resilient place for business CDP Cities Report, 2014.

The UK government and the Association of British Insurers ('ABI') are in consensus that managing the risk that flooding poses to people and property is of great importance. This has been evident through the 2007 and 2013 floods throughout the UK. The floods had devastating effects including loss of life, displacement of thousands of people and massive economic losses for both victims and insurance companies. As similar incidents increase, insurance companies will be increasingly dealing with the financial and social costs associated.

We have completed a comprehensive analysis of the risks and opportunities that climate change presents to Innovation Group. The impacts of climate change are likely to lead to increased operational costs and potential disruption through the supply chain.

However, despite the financial and physical risks that we face through climate change, we know that there are also opportunities for our business. At Innovation Group we recognise that increased extreme weather events have the potential to increase our volumes of business with our partners due to peaks in demand for services. We know that our commitment to operating in an ever increasingly sustainable way is a differentiator in the market and makes us a preferred partner. Because of this and our determinism to reduce our impact on climate change, we remain fully committed to our Sustainability Strategy and work to help our partners throughout our supply chain to reduce their impact as well.

Examples of predicted impacts of climate change on the UK Insurance Sector:

The following predictions are based on a model of a 4°C rise (above pre-industrial levels) in temperature with the current population and environment (calculated by the Met Office and AIR Worldwide-catastrophe modelling experts³).

- Annual insured flood losses to increase 14% to £633m.
- 1 in 100 year events could increase in frequency by 30%, raising insured damages to £5.4bn.
- 1 in 200 year events could increase by 32% with the cost of insured losses rising to £7.9bn.
- Insured wind losses could rise by 25% to £827m for annual events.



In June 2014 a hailstone storm damaged around 50,000 vehicles in central Germany.



Cost to the EU of the 2013 Central European floods were reported to reach €6b.

Note 3 – Met Office (2011) The financial risks of climate change. www.metoffice.gov.uk

Our vision

Sustainability at our Core



We have published our Sustainability Charter which is displayed in every office in every region

We have reviewed and updated our ever evolving Sustainability Strategy. At the back of this report (pages 52-57) you can find targets set through to 2020. At the heart of this strategy are 45 initiatives that are grouped around the following eight themes.

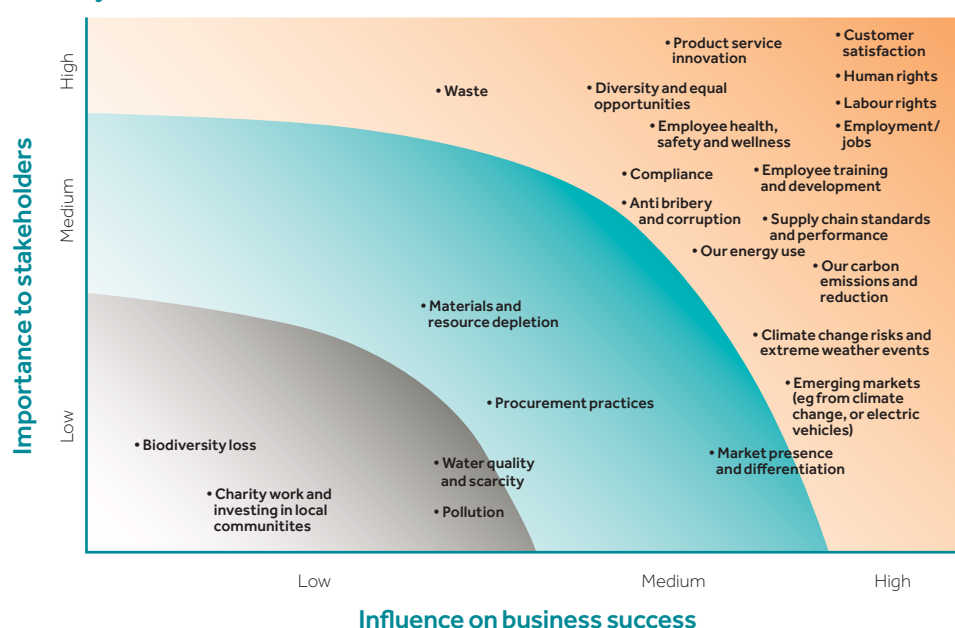
1. Impacts on society.
2. Impacts on the environment.
3. Carbon and climate change.
4. Employee engagement.
5. All stakeholders.
6. Supply chain management.
7. Innovation.
8. Governance.

Our approach

We have completed a review of internal and external stakeholder opinions about sustainability. Each sustainability topic has been analysed, both in terms of stakeholder concern and its relevance to the Company,

and mapped on the Materiality Matrix below. This matrix was then used to inform the themes and actions within the Sustainability Strategy (see pages 52-57).

Materiality matrix



Highlights of our progress FY14

1. We have achieved¹ a Scope 1 & 2 tCO₂e per FTE carbon intensity reduction of 15.7% against our base year². This reduction is 2.5 times that of our target and a year ahead of schedule. When Scope 3 Business Travel is also considered there is a reduction of 12% in our intensity ratio of emissions per person ('FTE'). We have also achieved a reduction in our absolute emissions of Scope 1 and 2 emissions of 5% against our recalculated base year².
2. We have developed and implemented a Carbon Abatement Plan with targets in each region. (see case studies 3 -7 on pages 24-27).
3. We have, for the first year, submitted our complete carbon emissions data for assessment through the CDP (formerly the Carbon Disclosure Project). We received a disclosure score of 80 (out of a possible 100 points), (see page 22 for further details). The CDP is an international, not-for-profit organisation providing the only global system for companies and cities to measure, disclose, manage and share vital environmental information.
4. Last year we doubled up on our previous target of offsetting 6% of our emissions and offset 12% of our FY13 emissions through a Carbon Fix Foundation endorsed and Ashden Award winning, Gold Standard premium quality carbon credits clean cook stove scheme in Kampala, Uganda. This year we extended this to 2,890 tCO₂e to represent 20% of the FY14 footprint (see Case Study 6 on page 26).
5. All suppliers of our Subsidence Management Services Division of UK Property business are required to report their annual carbon emissions via the web-based SmartCarbon™ tool as part of their contractual obligations. Through this system we can assist our supply chain partners to reduce their emissions. We plan to expand the introduction of this system Europe wide and then Globally through a phased roll-out.
6. Our online e-learning course has been launched this year giving every employee an understanding of the importance of sustainability and how it is integral to our operations.
7. We have extended our stakeholder involvement to ensure that we are recognising and acting upon the most important areas of sustainability according to the people who are most important to us. In doing so we have sent questionnaires to all employees to record their feelings and opinions around sustainability and engaged with our senior executives, customers and suppliers. (See more on page 37).
8. We have used the results of our stakeholder engagement programme to develop our first materiality matrix which has informed our ever evolving Sustainability Strategy (see page 6).
9. We have continued to act upon our strategy of embedding innovation into our business through our Kairos team of high calibre employees who have created 'Sustainovation'. The team have come up with an innovative new service aimed at preventing certain types of property claims arising (see Case Study 14 on page 43).
10. We have maintained our commitment to the United Nations Global Compact. This includes our commitment to Human Rights, Labour, Environment and Anti-Corruption.
11. We have maintained our listing on the FTSE4Good index for FY14. The Supersector relative score places Innovation Group in the 86th percentile (where 100 is the highest). The Supersector relative score provides an indication of how each company on the index scores relative to others in its Supersector.
12. Innovation Group Subsidence Management Services have been awarded Gold standard by Investors in People for FY14 ahead of target.

Note 1 – Whilst we have a high degree of confidence in the data reported, and have completed several internal checks and audits of the figures and evidence for each region, we have decided to arrange an external audit by an independent third party in Q1 of 2015 to verify FY13 and FY14 figures. Further detail is available in our separate GHG Emissions Inventory report online.

Note 2 – This base year figure has been recalculated from the figures in our FY13 Annual Report and Accounts. The recalculated figure now includes emissions for Crashworth Limited and LAS Claims Management Limited which were acquired on 31 January and 13 March 2014 respectively. The recalculation has been completed in line with the GHG Protocol guideline. We have recalculated under the fixed base year approach where emissions sources from an acquired company are included both with their emissions in the base year (when the acquiring company didn't control these sources yet) and in the current years. Emissions have also been recalculated for the entire year (all-year option), rather than only for the remainder of the reporting period after the structural change occurred (the pro-rata option). Further detail is available in our GHG Emissions Inventory report at this link: <http://www.innovation-group.com/sustainability>.



Supplychain workshop



Clean cookstoves carbon offsets



FTSE4Good




Moving towards our goals

Progress against Innovation Group's Sustainability Strategy FY13-FY15

(This strategy was first reported in our Sustainability Report FY13)

Note that items recorded as achieved have been removed from the strategy going forward. All other items are carried over to our new Strategy from FY14-FY20 that can be found at the back of this report. Brief comments regarding our progress against each item is included below. Further information can be found in the corresponding chapters¹.

Objectives ¹	Targets	Delivery	Progress	Comments
1.0 Carbon				
1.1 Calculate our global carbon footprint on an annual basis.	1.1.1 Appoint in-house Carbon Champions certified by The CarbonFix Foundation (www.carbonfix.it) in each operational region of our global operation.	1 October 2013.	Achieved.	<ul style="list-style-type: none"> Team established and training complete. This team attends quarterly conference calls to provide peer support. As the team evolves new joiners are required to complete the Carbon footprint training via our online platform.
	1.1.2 Ensure Carbon Champions drive the annual collection and uploading of Carbon data from all operational regions into the SmartCarbon™ web-portal allowing web-based quantification of Carbon emissions.	1 November 2013.	Achieved.	<ul style="list-style-type: none"> Achieved for FY13 and FY14. This is now standard practice going forward and a procedure for Carbon management forms part of our ISO 14001 Sustainability Management System.
1.2 Report our global carbon footprint on an annual basis.	1.2.1 Delivery of an accurate Scope 1 & 2 Carbon emission report for base year FY13.	1 November 2013.	Achieved.	<ul style="list-style-type: none"> FY13 base year has been recalculated following the acquisitions of Crashworth Ltd and LAS Claims Management.
	1.2.2 Extend reported footprint to include some Scope 3 emissions for FY14 onwards.	1 November 2014.	Achieved.	<ul style="list-style-type: none"> Achieved ahead of target as Scope 3 business travel emissions were included in FY13 reported figures.
	1.2.3 Increase the scope of reported emissions to include further Scope 3 emissions from indirect non-owned or controlled sources such as waste emissions.	30 September 2015.	On track.	<ul style="list-style-type: none"> Carbon Champions are currently collating waste data and additional carbon footprinting training is scheduled for Q1 2015.
1.3 Reduce the carbon intensity of the Group.	1.3.1 In order to comply with the Energy Efficiency Directive (2012/27/EU), all large companies will need to complete an assessment of their energy consumption every four years, the first of which must be completed by December 2015.	30 September 2015.	On track.	<ul style="list-style-type: none"> Energy audits are scheduled to take place as part of our ISO 14001 Sustainability Management System. These will be completed by competent lead assessors and the results reported to the regulatory authority before December 2015 deadline.
	1.3.2 Develop a schedule of energy audits to be conducted by a competent energy auditor to meet these requirements.	30 September 2015.	On track.	<ul style="list-style-type: none"> As above, our audit schedule ensures these audits are planned to meet the requirements of our own system as well as the legislation.
	1.3.3 Establish a Carbon Abatement Plan for the Group.	1 October 2014.	On track.	<ul style="list-style-type: none"> Our first global Carbon Abatement Plan was produced in 2012 with reference to regional audits of more than ten key offices completed by WSP. Progress against this plan was reported to CDP in May 2014. The Carbon Abatement Plan is revised and updated on an annual basis.

Key

- Achieved target
- On track to achieve target
- Behind target

Note 1 – The theme numbers in this table may not correspond with the themes as numbered in other sections of this report due to our ever evolving strategy and the addition of a new theme 'Impacts on society'.

Objectives ¹	Targets	Delivery	Progress	Comments
	1.3.4 Expand Carbon Abatement Strategy to our supply-chain.	30 September 2015.	On track.	• We will provide further support for our UK managed carbon supply chain to manage their carbon emissions in line with the GHG management hierarchy.
	1.3.5 Establish measured carbon reduction projects in all operational regions.	30 September 2015.	On track.	• In FY13 we implemented regional projects with an estimated annual saving of 857.27 tCO ₂ e.
	1.3.6 Deliver a 6% reduction in our carbon emissions per FTE by FY15 based on FY13 base year.	30 September 2015.	Achieved.	• We have achieved ² a Scope 1 & 2 tCO ₂ e per FTE carbon intensity reduction of 15.7% against our base year ³ . This reduction is 2.5 times that of our target and a year ahead of schedule. When Scope 3 Business Travel is also considered there is a reduction of 12.24% in our intensity ratio of emissions per person (FTE). We have also achieved a reduction in our absolute emissions of Scope 1 and 2 emissions of 5% against our recalculated base year ³ .
	1.3.7 Deliver a 15% reduction in our carbon emissions per FTE by FY20 based on FY13 base year.	30 September 2020.	Achieved.	• As above, we have achieved ² this target in one year. We have scheduled an external audit to verify reductions and inform new target setting.

2.0 Environment



2.1 Reduce the environmental impact of our operations.	2.1.1 Pilot the development of an Environmental Management System ('EMS') for the Head Office in Whiteley, UK and consider suitable EMS certification schemes.	30 April 2015.	On track.	• Project team established and foundation documents developed including: <ul style="list-style-type: none"> – Sustainability policy – Sustainability charter – Sustainability aspects register – Sustainability legal and other requirements register – A wide range of procedures (e.g. to manage carbon, stakeholder engagement and supply chain network).
	2.1.2 Establish baseline and key performance indicators ('KPIs') for Carbon intensity.	1 October 2013.	Achieved.	• See Carbon Chapter for details of FY13 base year KPI for carbon intensity.
	2.1.3 Establish a baseline and KPIs for waste to landfill and waste recycled.	1 October 2014.	Behind target.	• KPI data collection under way in each region globally.
	2.1.4 Establish a baseline and KPIs for water use.	1 October 2014.	Behind target.	• KPI data collection under way in each region globally.
	2.1.5 Establish a baseline and KPIs for paper consumption.	1 October 2014.	Behind target.	• KPI data collection under way in each region globally.

Key


- Achieved target
- On track to achieve target
- Behind target

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Note 2 – Whilst we have a high degree of confidence in the data reported, and have completed several internal checks and audits of the figures and evidence for each region, we have decided to arrange an external audit by an independent third party in Q1 of 2015 to verify FY13 and FY14 figures. Further detail is available in our separate GHG Emissions Inventory report online.

Note 3 – This base year figure has been recalculated from the figures in our FY13 Annual Report and Accounts. The recalculated figure now includes emissions for Crashworth Limited and LAS Claims Management Limited which were acquired on 31 January and 13 March 2014. The recalculation has been completed in line with the GHG Protocol guideline. We have recalculated under the fixed base year approach where emissions sources from an acquired company are included both with their emissions in the base year (when the acquiring company didn't control these sources yet) and in the current years. Emissions have also been recalculated for the entire year (all-year option), rather than only for the remainder of the reporting period after the structural change occurred (the pro-rata option). Further detail is available in our GHG Emissions Inventory report at this web page: <http://www.innovation-group.com/sustainability>.


Moving towards our goals

Objectives ¹	Targets	Delivery	Progress	Comments
2.2 Reduce the environmental impact of our products.	2.2.1 Collaborate with our key customers to explore expectations for low impact or preventative insurance products.	1 October 2014.	Achieved – ongoing.	<ul style="list-style-type: none"> The Kairos project team held discussions with key parties to establish attitudes and expectations with regards to low impact products. Our CEO Andy Roberts has also spearheaded a programme to discuss sustainability directly with key suppliers.
2.3 Minimise the impact of environmental concerns (e.g. resource scarcity) on the business.	2.3.1 Review the risk to the business of resource scarcity as part of the EMS development and plan access to resources (such as energy).	30 April 2015.	On track.	<ul style="list-style-type: none"> The risks have been detailed within the aspects register in our Sustainability Management System as well as in the risk register in this report. The risks are relatively low however, we are in the process of planning appropriate management responses to these risks.
3.0 Employee Engagement 				
3.1 Engage further with and improve employee understanding of the Sustainability Strategy empowering them to implement effective change.	3.1.1 Launch global e-learning course to be available to entire workforce.	1 October 2014.	Achieved.	<ul style="list-style-type: none"> The course has been launched in every region globally. The evaluation reports indicate that the course has been well received. We plan to run the employee survey again in Q1 FY15 to establish if the course has had a meaningful impact.
	3.1.2 Global newsletter to include regular sustainability items.	31 March 2014.	Achieved.	<ul style="list-style-type: none"> First newsletter sent in February 2014 and there is now a regular programme of newsletters scheduled.
	3.1.3 Distribute a global questionnaire to promote employee engagement in the sustainability agenda and assess how to support our employees in reducing our environmental impacts.	30 June 2014.	Achieved.	<ul style="list-style-type: none"> Survey went to all staff globally in a phased release starting in June 2014. We do aim to rerun the survey approximately six months after the initial release to measure the impact of the training course and other supporting communication activities.
	3.1.4 All employees are to complete 'Code of Conduct' and 'Anti-Bribery' training.	31 December 2014.	On track.	<ul style="list-style-type: none"> Mandatory anti-bribery and corruption training has been rolled out globally. Code of Conduct training to be disseminated before 31 December 2014.
	3.1.5 All UK employees are to complete 'Data Protection' online training.	1 October 2014.	Achieved.	<ul style="list-style-type: none"> Mandatory Data Protection training has been rolled out to all UK employees.
	3.1.6 Continue to generate options for employees to invest in the local community through volunteering opportunities.	31 March 2015.	On track.	<ul style="list-style-type: none"> We are currently developing a procedure to improve how we promote and manage charity giving and community projects.
3.2 Develop sustainability indicators for our people.	3.2.1 Establish baseline KPIs for absenteeism, development, company community investment, disabilities, gender and internal complaints.	1 October 2014.	Behind target.	<ul style="list-style-type: none"> KPI data collection under way in each region globally.

Key

- Achieved target
- On track to achieve target
- Behind target

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Objectives ¹	Targets	Delivery	Progress	Comments
3.3 Continue to invest in our people.	3.3.1 Further develop the Kairos programme to include sustainability learning on the syllabus and a sustainability project as an output.	1 October 2014.	Achieved.	<ul style="list-style-type: none"> A Sustainability module has been added to the Kairos programme as standard going forward. This is mandatory for all Kairos graduates. In FY13 one of the project teams in the Kairos project was assigned the task of developing a sustainable product/service that we could offer clients. (Read more in Case Study 14 on page 43).
	3.3.2 InFront Innovation to achieve Investors in People ('IIP') gold status.	31 December 2014.	Achieved.	<ul style="list-style-type: none"> Achieved ahead of schedule (May 2014).
3.4 Improve health and wellbeing of our staff.	3.4.1 Select a pilot location to review health and wellbeing of our staff to identify enhancement opportunities with a particular focus on enabling healthy workplace behaviours.	1 October 2013.	Achieved.	<ul style="list-style-type: none"> Pilot project complete. (See Case Study 9 on page 33).
4.0 All stakeholders 				
4.1 Engage with our internal and external stakeholders.	4.1.1 Develop a programme to communicate with our stakeholders so that we understand and respond appropriately to their key concerns on sustainability issues.	31 March 2014.	Achieved.	<ul style="list-style-type: none"> We have developed and implemented a stakeholder engagement plan to ensure that we use relevant and appropriate mechanisms to engage with each stakeholder group. This ensures all groups have had the opportunity to contribute their views to our Sustainability Strategy. (Read more on page 37).
	4.1.2 Use the results of stakeholder engagement to complete a materiality review and inform further evolution of the Sustainability Strategy.	1 October 2014.	Achieved.	<ul style="list-style-type: none"> Materiality review completed (see materiality matrix on page 6). Results of materiality review have been fed into new strategy to 2020 (see pages 52-57).
4.2 Communicate more effectively with internal and external parties on sustainability.	4.2.1 Develop new Sustainability Hub on intranet with three different sections for Sustainability Ambassadors, Carbon Champions and all employees.	31 December 2013.	Achieved.	<ul style="list-style-type: none"> There are three separate hubs on the intranet as listed below. <ul style="list-style-type: none"> – Sustainability Hub for all employees. – Sustainability Hub for Sustainability Ambassadors. – Sustainability Hub for Carbon Champions.
	4.2.2 Develop a new Sustainability Hub on the internet site.	31 December 2014.	On track.	<ul style="list-style-type: none"> New page on internet is under development. Current sustainability page can be found at this web page: http://www.innovation-group.com/sustainability.
	4.2.3 Maintain effective governance and annual reporting of our sustainability performance.	28 February 2014 and annually thereafter.	Achieved and ongoing.	<ul style="list-style-type: none"> We produce a range of reports annually including: <ul style="list-style-type: none"> – Section within Annual Report. – Sustainability Report. – GHG Emissions Inventory report. – UNGC Report. – CDP Report. – FTSE4Good Report. – EIRIS Report. – In Germany we also produce an EMAS Report. – In France we also produce Eco-Vadis Reports. – Client requests for information. – Supplier questionnaires.

Key

- Achieved target
- On track to achieve target
- Behind target

Note 1 – The theme numbers in this table may not correspond with the themes as numbered in other sections of this report due to our ever evolving strategy and the addition of a new theme 'Impacts on society'.


Moving towards our goals

Objectives ¹	Targets	Delivery	Progress	Comments
5.0 Supply chain management				
5.1 Establish measured Carbon reduction throughout our global supply chain.	5.1.1 Support 75% of InFront Innovation's top suppliers (based on spend) to calculate and report their carbon footprints.	31 December 2014.	On track.	<ul style="list-style-type: none"> Four workshops delivered to current members of our approved supplier network. Free access to e-learning course provided. Data collection and footprint calculation in progress. (Read more in Case Study 11 on page 40).
	5.1.2 Roll-out this supply chain project across our global network.	30 September 2015.	On track.	<ul style="list-style-type: none"> Project plan is under development to roll out the UK Carbon Managed Supply Chain model across our global network.
5.2 Influence suppliers to meet our Sustainability Code of Practice.	5.2.1 Establish a Sustainability Code of Conduct for our UK suppliers including Sustainability Criteria.	31 December 2014.	On track.	
	5.2.2 Establish a Sustainability Code of Conduct for our global suppliers including Sustainability Criteria.	30 September 2015.	On track.	
6.0 Innovation				
6.1 Embed Innovation for Sustainability into our core business solutions.	6.1.1 Continue to work with our suppliers and employees to assess options so as to reduce the impact of motor and property repairs in the claims handling process and to collaborate with our key customers to assess demand for low impact or preventative insurance products.	31 December 2014.	On track and ongoing.	<ul style="list-style-type: none"> We have a full stakeholder engagement programme which includes visits with customers (see page 37). We have proactively engaged our supply chain in our Subsidence Management Services Division of UK Property business (see Case Study 11 on page 40). We have sent a survey to all employees globally (see more on page 37). Our Kairos programme included a project to engage with customers to develop a new sustainable product or service (see Case Study 14 on page 43).
	6.1.2 Engage with our customers to better understand how we can transfer our technical knowledge to reduce the environmental and social impact of claims and repair handling business.	31 December 2014.	On track.	<ul style="list-style-type: none"> We have a full stakeholder engagement programme which includes visits with customers (see page 37).
	6.1.3 Continue to invest in innovative 'Future-Ready' technological solutions such as the development of our Insurer suite of software products.	30 September 2015.	On track.	<ul style="list-style-type: none"> Read more in Theme 7 on page 43.

Key

- Achieved target
- On track to achieve target
- Behind target

Note 1 – The theme numbers may not correspond with the themes as numbered below due to our ever evolving strategy and the addition of a new theme 'Impacts on society'.

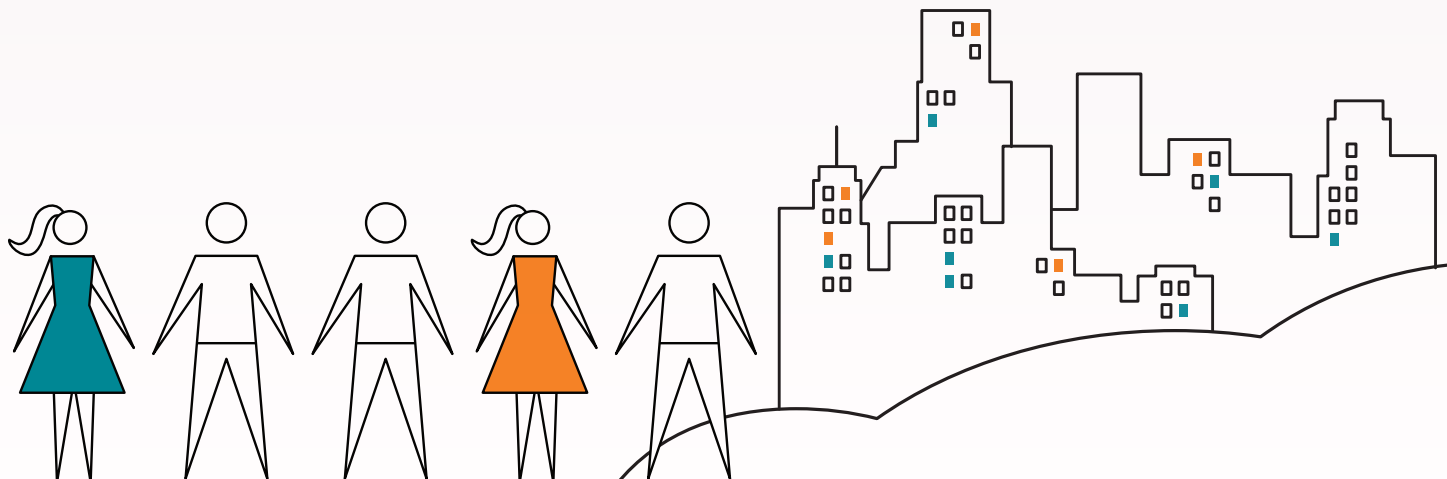
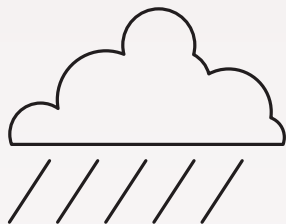
Objectives ¹	Targets	Delivery	Progress	Comments
7.0 Governance				
7.1 Achieve best practice in sustainability governance.	7.1.1 Maintain listing on FTSE4Good index.	31 January 2014 and annually thereafter.	Achieved.	<ul style="list-style-type: none"> We have maintained our listing on the FTSE4Good index for FY14. The Supersector relative score places Innovation Group in the 86th percentile (where 100 is the highest). The Supersector relative score provides an indication of how each company on the index scores relative to others in its Supersector.
	7.1.2 Maintain listing on United Nations Global Compact.	31 January 2014 and annually thereafter.	Achieved.	<ul style="list-style-type: none"> We have maintained our commitment to the United Nations Global Compact. This includes our commitment to Human Rights, Labour, Environment and Anti-Corruption.
	7.1.3 Consider registration with other sustainability initiatives.	31 March 2015.	On track.	<ul style="list-style-type: none"> We have initiated this process with ClimateWise.
	7.1.4 Report to the Carbon Disclosure Project.	31 May 2014.	Achieved.	<ul style="list-style-type: none"> We are delighted to be able to say that Innovation Group has been awarded a score of 80/100 for our level of disclosure, three points higher than average in our sector. We were assessed as Band D for performance (from bands A-E). This is the average band for a first time FTSE 350 responder. As this was our base year now we can aim to show a year-on-year improvement in this area (see more detail on page 22).

Key

- Achieved target
- On track to achieve target
- Behind target

Note 1 – The theme numbers may not correspond with the themes as numbered below due to our ever evolving strategy and the addition of a new theme 'Impacts on society'.

Theme 1: Impacts on society



The Group recognises that it must act in a responsible and ethical manner which respects the societies in which we operate. We have developed and implemented relevant policies, procedures and training to ensure we protect these communities. We also run a number of charity giving and community programmes across the Group and have established objectives to increase support for local communities in our Sustainability Strategy.

Acting with integrity is one of our core values and is central to everything we do as a Group. Fraud, bribery and corruption are not only illegal but also represent a significant reputational and financial risk. Data protection also represents a material risk.

It is Innovation Group's policy to conduct business in an honest way, and without the use of corrupt practices or acts of bribery to obtain an unfair advantage.

We are committed to adhering to the Universal Declaration on Human Rights and International Labour Organization ('ILO') Core Conventions.

We have responded by implementing controls including our 'Code of Conduct' and 'Anti-Bribery and Corruption policy', to support legal, ethical and responsible behaviour in all our business interactions.

Our policies are available on our website and all of our employees are required to take online training so that they understand these requirements and can behave in an ethical manner.

Our Code of Conduct sets out our business principles that we will uphold including: all human rights issues e.g. discrimination, child labour and labour standards, adhering to minimum work ages and ensuring that forced labour does not occur within the Company. These principles further state that Innovation Group recognises and respects worker's rights to organise and join trade unions. Furthermore, the application of the Code of Conduct ensures that there is no place for any kind of discrimination at Innovation Group. Our employees must be recruited, selected, and promoted on the basis of objective criteria only. Harassment or discrimination based on race, colour, sex, religion or on any other basis, is not tolerated by Innovation Group.

Disabled employees

The Group is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination. The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the Group's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

The Board of Directors, as well as regional and business area management, are responsible for ensuring that this Code of Conduct is communicated to and observed by all employees.

These commitments are reaffirmed in our submission to the United Nations Global Compact available at: www.innovation-group.com/sustainability.



Theme 2: Impacts on the environment



At Innovation Group we are committed to running our business in an environmentally responsible manner. We recognise that the nature of our business requires the use of energy, water and resources such as paper and fuel for business related travel.

However, we regard ourselves to be a company with relatively low environmental impact, although some divisions of our business, where we own parts of the supply chain, do give greater environmental risk than others (e.g. subsidence, drainage and ground works). Not only are we concerned about our direct impacts, but we are also working closely with our partners across the supply chain, encouraging them to also operate with a sustainable mindset.

Case Study 1: EMAS in Germany

In the Stuttgart office in Germany we hold and operate an externally verified Eco-Management and Audit Scheme ('EMAS'). At the end of each business year, we publish a summary of the achieved targets and the most effective measures. Some examples of key achievements include:

- Since September 2011, we have obtained our electricity from 100% renewable energy sources.
- Through the increased use of video conferences, using the train instead of flying and restructuring of management, CO₂ emissions from business travel have reduced by 39% since 2011.
- The number of printouts per employee reduced by 14% by the end of 2013 compared with 2012 figures. With the number of cases processed as a reference value.
- The number of printers in our offices was halved. From this we expect to reduce printing-related energy use by 25%.
- Our vehicle leasing offers have been expanded to Category C and E low-carbon vehicles. As a result, we are in a position to offer environmentally friendly cars to all our partner companies as courtesy car options.

Case Study 2: ISO 14001 in the UK

We are currently developing a comprehensive Sustainability Management System ('SMS') which will be implemented at head office, Whiteley, UK by April 2015 and throughout the UK business by September 2015. We plan to have the system certified to the forthcoming updated ISO 14001 standard. The SMS ensures that we are fully compliant with all social and environmental requirements, both legal and other, and promotes continual improvement of environmental performance as standard, as well as prevention of pollution.

Our system, as noted above, is a SMS, expanding beyond the coverage of a traditional Environmental Management System ('EMS'), to incorporate fully society and economy alongside the environment. Not only does this help us keep sustainability at our core, but it also accounts for the revisions being made to ISO 14001 standard in early 2015. The ISO standard is undergoing a fundamental revision with far broader implications for businesses who are certified. In readiness of these changes, Innovation Group is ensuring that our SMS will satisfy the proposed revisions.

The proposed revisions are expected to expand the scope of the ISO standard and focus on¹:

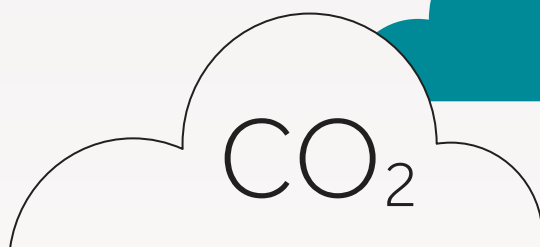
1. Greater expectation for top management to understand the organisation's environmental issues, support the SMS and champion improved performance;
2. Broader strategic consideration of the organisation's environmental context, including the interests of stakeholders and the direction of the business;
3. Making specific commitments to sustainable development and social responsibility;
4. Extending environmental influence into the supply chain, with implications for procurement;
5. Embracing opportunities for using environmental design as a tool for improvement;
6. Being able to demonstrate an understanding of the organisation's environmental compliance status at all times; and
7. Using performance indicators to track improvement.

We have established the core elements of our system including our:

- Sustainability policy.
- Sustainability charter.
- Aspects register.
- Legal register.
- Sustainability Strategy.
- Objectives and targets.
- Procedures for:
 - Stakeholder engagement.
 - Carbon management.
 - Internal and supplier audits.
 - Resource efficiency and waste management.

Note 1: Reference – Conestoga-Rovers & Associates (Europe) Ltd ('CRA Europe') website: www.cra.co.uk (2014)

Theme 3: Carbon and climate change



As published in the fifth IPCC report, climate scientists state that warming of the climate system is unequivocal and that they are more than 95% certain that human activity is the dominant cause of this warming¹.

Our clients in the insurance industry know that climate change is already happening. We know that mitigation of risk is better than adapting to impact. Innovation Group wants to show our stakeholders that we are focused on lowering the carbon footprint of our own operations whilst supporting our extensive global network of suppliers to lower their emissions also.

The road to Paris

As part of our continuing efforts to show our support for change towards a low carbon future, we have voluntarily entered ourselves into a game-changing commitment co-ordinated by the Climate Disclosure Standards Board ('CDSB') and supported by the UNEP Finance Initiative. CDSB's board members include the CDP (formerly the Carbon Disclosure Project) and other influential groups including CERES (NGO leading an investor group with total value exceeding £11bn) and the World Resources Institute. The commitment is part of the CDP initiative titled 'Road to Paris 2015: Highlight Business Leadership on Climate Change' initiative. It aims to get businesses to sign up to one or more of six commitments they have set in order to demonstrate the business community's support for action to keep below a 2°C rise. The support from participating organisations has been highlighted by CDP at the 2014 UN Climate Summit and will also contribute to the 2015 negotiations in Paris, arguably the last best chance of creating a policy framework that can achieve a sub-2°C rise.

Innovation Group has made a commitment to achieve the fourth goal of the initiative: 'Provide climate change information in mainstream findings' and has therefore signed the 'Statement on Fiduciary Duty and Climate Change Disclosure'.

We, like dozens of other large companies who have also pledged their commitment, will produce and use climate change information in our mainstream corporate reports out of our sense of fiduciary and social responsibility. As a signatory to this goal we believe that a lack of disclosure in climate change information is preventing investors and businesses from sufficiently considering climate change risk and opportunities. This information gap undermines the efficiency by which markets are able to allocate capital to its most productive uses over the medium to long term – a crucial enabler of strong and sustainable economic growth. By signing the Statement, we have agreed to work toward the production and use of climate change related information in mainstream corporate reports, using a recognised international framework such as the CDSB Climate Change Reporting Framework. We have also included a target in our strategy to review the suitability of the other commitments and we will support these also where possible.

Our carbon performance:

Our Scope 1 & 2 emissions for year ending 30 September 2014 were 10,180 tCO₂e compared with 10,734 tCO₂e² for our base year ended 30 September 2013. Our intensity performance for FY14 was 3.45 tCO₂e per FTE. This is a 15.7% reduction against our base year intensity ratio of 4.09 tCO₂e per FTE². This is particularly good news as, it appears that, we have not only achieved the target we set to reduce our emissions by 6% per FTE by FY15 but we have also achieved the 15% per FTE reduction target we set for FY20³. We have also achieved a reduction in our absolute emissions of Scope 1, and 2 emissions of 5% despite organic growth. However, as noted below, we will be carrying out an independent external audit in early 2015 to further validate this data. We also observe that the milder weather in many of our locations have contributed to this achievement and are not complacent about the need to seek out further measures to deliver a sustained reduction in our overall emissions.

Note 1 – Reference Intergovernmental Panel on Climate Change (September 2013) First Assessment Report (WG1 AR5)

Note 2 – This base year figure has been recalculated from the figures in our FY13 Annual Report and Accounts. The recalculated figure now includes emissions for Crashworth Limited and LAS Claims Management Limited which were acquired on 31 January and 13 March 2014. The recalculation has been completed in line with the GHG Protocol guideline. We have recalculated under the fixed base year approach where emissions sources from an acquired company are included both with their emissions in the base year (when the acquiring company didn't control these sources yet) and in the current years. Emissions have also been recalculated for the entire year (all-year option), rather than only for the remainder of the reporting period after the structural change occurred (the pro-rata option). Further detail is available in our GHG Emissions Inventory report at this link: <http://www.innovation-group.com/sustainability>.

Note 3 – Whilst we have a high degree of confidence in the data reported, and have completed several internal checks and audits of the figures and evidence for each region, we have decided to arrange an external audit by an independent third party in Q1 of 2015 to verify FY13 and FY14 figures. Further detail is available in our separate GHG Emissions Inventory report online.



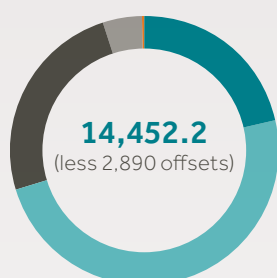
We have now achieved³ the Group's global carbon intensity reduction targets set last year

The Group's global carbon intensity reduction target (set last year)

Reduce our full time equivalent Scope 1 and Scope 2 emissions intensity (tCO₂e/FTE) by 6% by the end of FY15 against a FY13 base year. Extend this reduction to achieve 15% by the end of FY20.

Carbon and climate change

CO₂ emissions (total annual tCO₂e) for FY14



Total Scope 1 & 2 tCO₂e
per FTE = 3.45

- 3,122 Scope 1: Fuels (vehicles and non-transport)
- 7,058 Scope 2: Electricity
- 3,572 Scope 3: Business travel
- 678 Scope 3: Transmission and distribution of electricity
- 22.1 Outside of scopes (UK biofuel)

CO₂ emissions (total annual tCO₂e) for FY13¹



Total Scope 1 & 2 tCO₂e
per FTE = 4.09

- 3,238 Scope 1: Fuels (vehicles and non-transport)
- 7,496 Scope 2: Electricity
- 3,211 Scope 3: Business travel
- 716 Scope 3: Transmission and distribution of electricity
- 11.7 Outside of scopes (UK biofuel)

In addition to reporting our Scope 1 & 2 emissions as required by legislation, we think it is appropriate to also report our Scope 3 emissions from business travel. In FY13 the total scope 1, 2 and 3 intensity performance was 5.31 tCO₂e per FTE¹.

This has reduced to 4.66 tCO₂e per FTE in FY14 which represents a 12.24% reduction².

These reductions have been achieved through a number of actions managed across our global network as detailed in our Carbon Abatement Plan.

Table 3.1 Greenhouse Gas ('GHG') Emissions disclosure

The quantity of emissions in tonnes of carbon dioxide equivalent (tCO₂e) resulting from activities for which the Group is responsible has been calculated for year ended 30 September 2014 as follows:

Emissions source	FY13 tCO ₂ e (as reported in FY13 Annual Report)	FY13 tCO ₂ e (including base year adjustment to account for acquisitions ³)	FY14 tCO ₂ e	% change FY13 revised to FY14
Scope 1 emissions (including combustion of fuel, fugitive emissions and emissions from owned or controlled vehicles)	2,694	3,238	3,122	-3.58
Scope 2 emissions (including purchase of electricity)	7,468	7,496	7,058	-5.84
Total Scope 1 & 2 tCO₂e	10,162	10,734	10,180	-5.16
Total Scope 1 & 2 tCO₂e per FTE	4	4.09	3.45	-15.65
Total Scope 1 & 2 tCO ₂ e per m ²	0.28	0.28	0.24	-14.29
Scope 3 emissions (including business travel in aeroplanes, cars, taxis, trains, ferries buses and motorbikes)	2,921	3,211	3,572	+11.24
Total scope 1, 2, and 3 emissions tCO₂e (excluding scope 3 transmission and distribution and distribution)	13,083	13,945	13,752	-1.38
Total scope 1, 2, and 3 emissions tCO₂e per FTE (excluding scope 3 transmission and distribution)	5.15	5.31	4.66	-12.24
Scope 3 transmission and distribution for electricity	711	716	678	-5.31
Outside of scopes (figures for biofuel blend for UK car travel only)	11	11.7	22.1	+88.9
Total Scope 1, 2 & 3 tCO₂e	13,805	14,673.7	14,452.2	-1.51
Total Scope 1, 2 & 3 tCO₂e per FTE	5.43	5.59	4.89	-12.52
Carbon credits purchased from certified offset projects.	828 (1,656) ⁵	1,656	2890	+74.52
Total tCO₂e less offsets	12,977 (12,149)⁵	12,149	11,561.8	-4.83

Note 1 – This base year figure has been recalculated from the figures in our FY13 Annual Report and Accounts. The recalculated figure now includes emissions for Crashworth Limited and LAS Claims Management Limited which were acquired on 31 January and 13 March 2014. The recalculation has been completed in line with the GHG Protocol guideline. We have recalculated under the fixed base year approach where emissions sources from an acquired company are included both with their emissions in the base year (when the acquiring company didn't control these sources yet) and in the current years. Emissions have also been recalculated for the entire year (all-year option), rather than only for the remainder of the reporting period after the structural change occurred (the pro-rata option). Further detail is available in our GHG Emissions Inventory report at this link: <http://www.innovation-group.com/sustainability>

Note 2 – Whilst we have a high degree of confidence in the data reported, and have completed several internal checks and audits of the figures and evidence for each region, we have decided to arrange an external audit by an independent third party in Q1 of 2015 to verify FY13 and FY14 figures. Further detail is available in our separate GHG Emissions Inventory report online.

Note 3 – We reported the purchase of 828 tCO₂e for FY13 in last year's Annual Report and Accounts. However, we later doubled our offset commitment and purchased a further 828 tCO₂e to account for 12% of the Scope 1, 2 and 3 emissions for FY13.

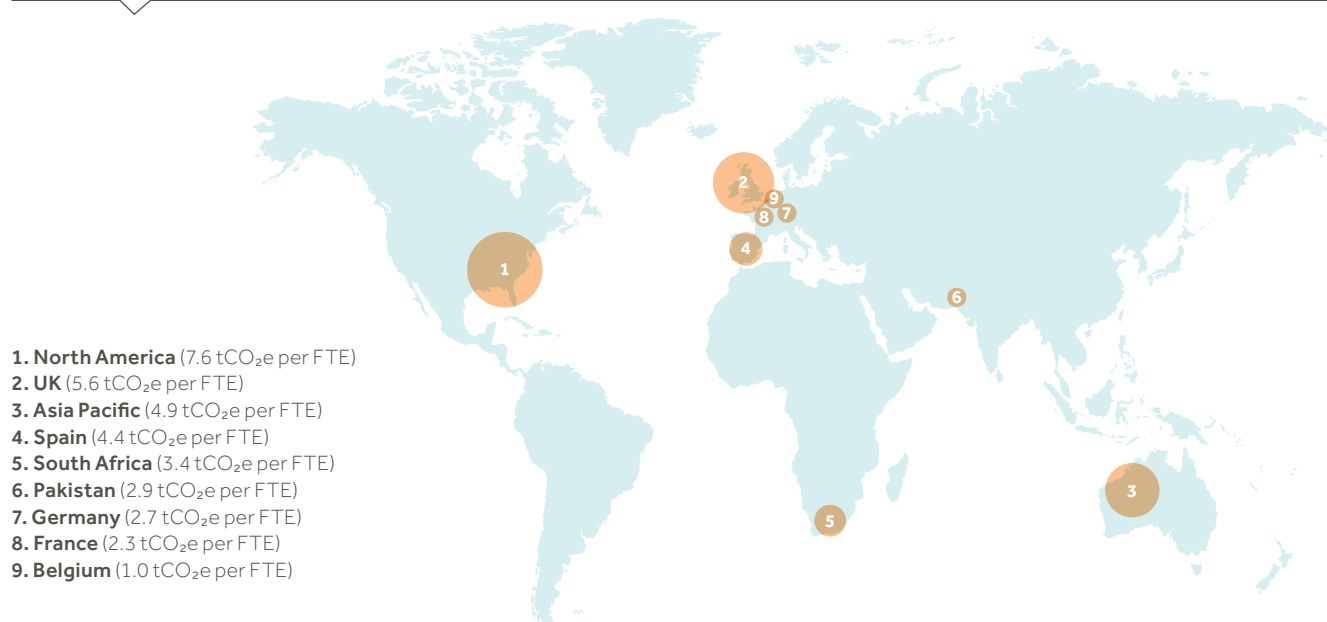
Map 1. Percentage total Scope 1, 2 and 3 emissions per region (absolute tCO₂e in brackets).

The map below shows the percentage total Scope 1, 2 and 3 emissions from each region. The highest emitters for FY14 in absolute tonnes are the UK, North America and South Africa. However, these are our three largest regions with more employees and increased energy demand from servers.



Map 2. Carbon footprint per region ranked by intensity ratio (tCO₂e per FTE shown in brackets).

The ratio adopted by management of the Group to quantify overall total Scope 1, 2 and 3 emissions in order to gauge a reduction is that of emissions per full time equivalent ('FTE'). The Group's carbon intensity is 4.66 tCO₂e per FTE. The map below shows the emissions of each region ranked by the intensity ratio.



Carbon and climate change



Our carbon footprint

We have been reporting our Greenhouse Gas Emissions in our Annual Report since FY11, two years before it became a legal requirement for all quoted companies listed on the London Stock Exchange. By proactively striving to reduce our environmental impact, we have created strong foundations and promoted a culture of carbon measurement, management and reduction. As of FY13 we aligned our reporting to the Green House Gas Protocol and CDSB Climate Change Reporting Framework. These standards help ensure compliance with the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the Greenhouse Gas Emissions (Directors' Reports) Regulations 2013. The footprint published for financial year ending 30 September 2013 has been set as our base year¹.

This year, for the first time, we also voluntarily submitted our data for assessment via CDP's 2014 climate change programme as we continue to evolve our commitment to carbon reporting.

We are delighted to be able to say that Innovation Group has been awarded a score of 80 (out of a possible 100 points) for our level of disclosure, three points higher than average in the FTSE 350 sample. We were assessed as Band D for performance (from bands A-E). (The average FTSE 350 first time responder was awarded a disclosure score of 58 and Band D for performance). As this was our base year now we can aim to show a year-on-year improvement in this area.

Methodology

The GHG protocol requires that companies account for and report Scope 1 direct and Scope 2 indirect emissions as a minimum to meet the voluntary corporate standard. We have also decided to report our Scope 3 emissions from business travel activities such as cars, taxis, aeroplanes and trains as we believe this to be a key area of our business activity that contributes to GHG emissions.

Carbon Champions

We have a team of regional Carbon Champions who have all attended formal training on Carbon Footprinting and have taken responsibility for the upload of data for each region onto the

SmartCarbon™ web based tool. This has all been managed at a Group level by the Group Sustainability Manager.

Boundaries

The scope of our carbon inventory covers all activity within our Financial Control boundary (as defined by the GHG Protocol). This includes all our main buildings including regional head offices, call centres and data centres globally. We have excluded any Scope 1 (e.g. gas consumption or fugitive emissions from refrigeration equipment) and Scope 2 (electricity use) from home workers as well as serviced offices with ten or less employees. However, we have reported Scope 3 (business travel) for all employees.

Omissions and assumptions

All data used in this calculation is based on primary data retrieved by each regional Carbon Champion, with the exception of the North America Region and LAS Claims Management within the UK Property Division. The North American footprint is based upon a mixture of primary data which has been supplemented with robust assumptions. LAS Claims Management was acquired by Innovation Group on 13 March 2014 and as a result the task to gather 24 months data for FY13 and FY14, to enable us to recalculate our base year, was challenging. The majority of data for this period was primary data but this has been supplemented with robust assumptions where gaps exist.

Verification

There has been no external verification of our footprint data. However, the SmartCarbon™ tool has been designed to conduct a range of automated verification checks of the data against pre-determined comparison factors. Any shortfall is highlighted and must be checked before authorisation by the Group Sustainability Manager. Comparisons can also be run amongst the intensity ratios of different offices and regions as well as total footprints for each office over time, in order to highlight any potential irregularities in the data. In addition, our in-house Carbon Accountant (Chartered) has completed an internal audit of the results. We have arranged an independent, third party audit of our FY13 and FY14 data to verify reductions².

Note 1 – This base year figure has been recalculated from the figures in our FY13 Annual Report and Accounts. The recalculated figure now includes emissions for Crashworth Limited and LAS Claims Management Limited which were acquired on 31 January and 13 March 2014. The recalculation has been completed in line with the GHG Protocol guideline. We have recalculated under the fixed base year approach where emissions sources from an acquired company are included both with their emissions in the base year (when the acquiring company didn't control these sources yet) and in the current years. Emissions have also been recalculated for the entire year (all-year option), rather than only for the remainder of the reporting period after the structural change occurred (the pro-rata option). Further detail is available in our GHG Emissions Inventory report at this link: <http://www.innovation-group.com/sustainability>.

Note 2 – Whilst we have a high degree of confidence in the data reported, and have completed several internal checks and audits of the figures and evidence for each region, we have decided to arrange an external audit by an independent third party in Q1 of 2015 to verify FY13 and FY14 figures. Further detail is available in our separate GHG Emissions Inventory report online.

Greenhouse Gas Emissions Inventory report

A full breakdown of boundaries, methodologies and factors used; together with any assumptions and omissions and reasons for them is provided in our separate Greenhouse Gas Emissions Inventory report (FY14). This is at this link: www.innovation-group.com/sustainability.

Carbon abatement

We understand that measuring our footprint is only the start of reducing our environmental impact and we have developed a Carbon Abatement Plan with regional actions to reduce our emissions, in order to achieve our carbon

reduction targets. We are implementing a range of carbon reduction initiatives across the Company. In Whiteley, UK, for instance, where we have installed new high efficiency condensing boilers, we are implementing a phased lighting replacement plan and have signed up to a green tariff.

In summary, we have adopted a range of carbon management actions that span across the IEMA (Institute of Environmental Management and Assessment) Greenhouse Gas Management Hierarchy³ as shown below.

Greenhouse Gas Management Hierarchy³

Capture emissions (Carbon sequestration)

- Marishal Thompson⁴ (which is a business that was acquired as a Division of UK Property in 2012) has previously planted over 2 million Native Broadleaf trees in the UK. This significant project was intended to contribute to enhanced habitat creation and biodiversity, but has also achieved the added benefit of carbon capture through sequestration as this planting vastly exceeds the rate of tree removal by the business which was approximately 2,000 p.a. during the period of planting (see Case Study 3 on page 24).

Avoid emissions

- We have developed an innovative, sustainable service which focuses on preventing certain property claims arising, therefore avoiding emissions associated with the claim handling process (see Case Study 14 on page 43).
- We have a target to investigate the feasibility of making home working more widely available, which would avoid emissions associated with the commute of those employees following the policy.

Reduce emissions

- Our Carbon Abatement Plan implemented actions that are estimated to save 857.27 tCO₂e in the first year (see Case Study 4 on page 24 and Case Study 7 on page 27).
- Our employee 'Introduction to Sustainability' e-learning course is a carbon efficient way to deliver training to our global workforce and the course content promotes energy efficient behaviour.
- We encourage virtual meetings.
- In Germany, our vehicle leasing offers have been expanded to Category C and E low-carbon vehicles. As a result, we are in a position to offer environmentally friendly cars to all our partner companies as courtesy car options.

Substitute emissions sources

- Our UK Property Division approved supplier network includes a contractual requirement for suppliers to measure and report their carbon emissions (see Case Study 11 on page 40).
- We are investigating opportunities to increase the amount of energy produced on site through renewables.

Compensate for emissions

- Our Gold Standard carbon offset credits compensate for 12% of our FY13 and 20% of our FY14 total emissions. This is a Carbon Fix Foundation endorsed and Ashden Award winning clean cookstove project in Kampala, Uganda (see Case Study 6 on page 26).
- Planting trees has allowed us to compensate for trees removed through one division of our business (see Case Study 3 on page 24).
- Several of our offices (e.g. Stuttgart in Germany and Whiteley in the UK) purchase electricity from a green tariff.

Emit to atmosphere

- The remaining portion of our carbon footprint is emitted to atmosphere. We are working hard to reduce this further.

Note 3 – Adapted with permission from published IEMA GHG Management Hierarchy.

Note 4 – Innovation Group completed the acquisition of Marishal Thompson & Co (Environmental) Ltd on 23 May 2012.

Carbon and climate change



Planted trees, Sandhall Lincolnshire.



Tree planting, Beal, Northumberland.



Planted trees, Lincolnshire.



Planted trees, Causey Park, Northumberland.

Case Study 3: Tree planting to compensate for the activities of our Subsidence Management Services Division in the UK

Background

The operations of our Subsidence Management Services Division means that we remove an estimated 2,000 trees every year. Unfortunately, it is not possible to replace forest type trees (oak etc.) at the property due to the risk of future damage.

However, through our work with the Carbon Fix Foundation we have committed to re-planting trees with a number at least equal to those cut down through our operations. Through this we are offsetting the loss of carbon sinks caused by our activities and reducing our impact on ecosystems and the wider environment.

Since 1992 our Environmental Services Division (previously trading as Marishal Thompson¹) has planted in excess of 2,000,000 broadleaf indigenous trees in the UK and we are still committed to our replanting programme.

Deliverables

1. We have carried out 156 site operations this year which have required trees to be removed with approximately ten trees being removed per site.
2. We have committed to replacing this loss with at least the same number of trees or more meaning we never create a deficit in the number of trees through our operations.
3. All trees we plant are native broad leaves.
4. Specific planting events have been organised that have included school children and families with our partners the Woodland Trust.
5. The CarbonFix Foundation estimates that when complete, the planting will capture 2,160 tonnes equivalent of carbon.
6. An annual report will be prepared until 2018 advising on progress of the woodlands and biodiversity.

Case Study 4: Carbon reduction in South Africa

Our South African region is showing the greatest reduction in their carbon footprint. The Region has reduced absolute Scope 1, 2 and 3 emissions from 3,010 tCO₂e in FY13² to 2,607 tCO₂e in FY14, a reduction of 13.4%.

When looking at the emissions per person (FTE), our standard intensity metric, the reduction is even more impressive. In FY13² the region emitted 4.4 tCO₂e of Scope 1, 2 and 3 emissions per FTE. In FY14 this dropped to 3.4 tCO₂e per FTE. A reduction of 23% and a move from fourth to fifth place in comparison with the other regions and well below the Group average of 4.66 tCO₂e of Scope 1, 2 and 3 emissions per FTE. When this is considered in the context that the region's national electricity supply is fossil fuel intensive and the Group's business has continued to grow in this region, the reduction in emissions is all the more notable.

So how have they achieved this? There has been significant focus on communicating the Group's vision to have Sustainability at our Core and a co-ordinated marketing and communications campaign. This has been supplemented by the global mandatory, 'Introduction to Sustainability', course for all employees, contributing to a culture change and an increased focus on energy efficiency from staff. In addition, a dedicated and committed Facilities Manager, with access to an effective and well managed 'Building Management System' enabled optimisation of heating and cooling across long-term (e.g. seasons) and short-term (e.g. weekends) fluctuations in demand. Finally, the region developed and implemented their Carbon Abatement Plan. Specific actions are listed in the example internal communication in Case Study 5 opposite.

Note 1 – Innovation Group completed acquisition of Marishal Thompson & Co (Environmental) Ltd in 23 May 2012.

Note 2 – This base year figure has been recalculated from the figures in our FY13 Annual Report and Accounts. The recalculated figure now includes emissions for Crashworth Limited and LAS Claims Management Limited which were acquired on 31 January and 13 March 2014. The recalculation has been completed in line with the GHG Protocol guideline. We have recalculated under the fixed base year approach where emissions sources from an acquired company are included both with their emissions in the base year (when the acquiring company didn't control these sources yet) and in the current years. Emissions have also been recalculated for the entire year (all-year option), rather than only for the remainder of the reporting period after the structural change occurred (the pro-rata option). Further detail is available in our GHG Emissions Inventory report at this link: <http://www.innovation-group.com/sustainability>.

Case Study 5: Example internal communication to staff in the South African region



OUR REDUCTION ACTIVITIES

Did you know that Innovation Group South Africa is currently ranked second in terms of absolute tCO₂e emissions and the fourth biggest contributor of greenhouse gas emissions per full time equivalent out of the entire global group?

From the statistics we can see why sustainability is becoming so important and why we need to start taking it seriously.

Since the launch of the 2013 Annual Sustainability report, the following activities have been activated in South Africa in an attempt to curb and reduce our greenhouse gas emissions:

- All halogen down lighters have been replaced with more energy efficient LED down lighters
- Installation of motion sensors on all floors, bathrooms and basement parking areas
- Implemented a recycling program with Waste Giant
- Replaced kettles and urns with Hydroboils which are up to three times more energy efficient
- Rationalising the number of fittings to T5 fluorescents with high polished reflectors

Taking action is the first step in reducing our emissions and saving the planet for future generations!

We are committed to reducing our carbon footprint and impact on the environment – what are you doing to become more sustainable?



Carbon and climate change

Clean cook stoves in Kampala, Uganda.



Clean cook stoves for sale.



Clean cook stove in use.



The project allows for increased production.



Inefficient traditional fire.



Case Study 6: Carbon offsetting through clean cook stoves in Kampala, Uganda

Through our partnership with the Carbon Fix Foundation we have invested in a carbon offsetting project which reflects sustainability values of Innovation Group. The clean cook stove project allows us to offset 20% of our FY14 emissions whilst delivering social, economic and environmental benefits. The project overcomes accessibility barriers faced by poor communities by integrating carbon finance with market-based approaches to increase supply and demand, driving the creation of a thriving cookstove market. This initiative supports local entrepreneurs to grow their businesses and ensure a lasting supply chain. As a non-profit project, revenues from carbon finance are reinvested into scaling the project's activities. This project helps families reduce their fuel wood consumption by $\frac{1}{3}$ meaning that an average of US\$100 a year can be realised with every stove. For the people in these communities, predominantly women, who spend up to six hours a day collecting fuel wood, a reduced amount of time spent on this task can allow generation of alternative sources of income. Each cookstove has the potential to save 2.8 tCO₂e. As well as the primary benefit of reducing carbon emissions the scheme reduces deforestation and reduces the health risks that those using traditional stoves face. These health risks are caused by the dangerous smoke emitted with the use of inefficient stoves which is estimated to cause 4m premature deaths per year, exacerbating poverty. This project has been awarded Gold Standard™ recognition as a premium carbon offsetting project.

Carbon offsets

We recognise that achieving sustainability in business requires a diverse approach. We also recognise that carbon reduction is the best way to reduce our environmental impact. However, we know that businesses produce emissions despite reduction efforts and consequently we cannot prevent 100% of emissions. Through recognising this, we have worked to help others reduce their emissions via a Carbon Fix Foundation endorsed, Ashden Award winning, Gold Standard premium quality carbon credits clean cook stove scheme in Kampala, Uganda. The offsetting scheme produces carbon credits which we purchase, in effect reducing our net emissions. Last year we doubled up on our previous target of offsetting 6% of our emissions and offset 12% of our FY13 emissions. This has been extended to 20% of the FY14 footprint.

Why purchase carbon offsets?

In addition to reducing the amount of climate changing Green House Gases that are released in one part of the world (this is rigorously measured and independently verified), purchasing carbon credits creates economic development opportunities, aids environmental conservation and helps improve people's lives by delivering household savings, health benefits among other social benefits. A recent report by the International Carbon Reduction and Offset Alliance ('ICROA') and Imperial College London¹ demonstrates that every tonne of carbon offset can deliver up to US\$664 in economic, social and environmental benefits outside carbon reduction.

Note 1: Reference: <http://www.icroa.org/42/icroa-research>

Case Study 7: Australia – Carbon Abatement

The following have been implemented across our Australian offices during FY14 as we strive to reduce our environmental impact:

- New heating equipment was installed in Melbourne office replacing equipment believed to be around 30-years-old. The new equipment should result in reduced gas usage while providing a more stable temperature during winter.
- Installation of secure bike parking facilities in the basement car park of the Melbourne building makes bicycle commuting to work a more convenient option for employees. While commuting to work is not measured as part of Innovation Group's current carbon-footprint reporting, the benefits in terms of reducing carbon emissions are no less valid. As an alternative to using cars or public transport, bike commuting also provides health benefits.

Carbon Fix Foundation recognition

The Carbon Fix Foundation (www.carbonfix.it) has endorsed Innovation Group for our commitment to managing our carbon emissions and reducing the contribution of the organisation to climate change. Carbon Fix Foundation recognition is based on a four level scale with each ascending level requiring a more comprehensive commitment to reducing climate change impact than the last. Level 1 requires an organisation to be aware of the issues surrounding climate change via a one day e-learning course. Level 2 requires an organisation to use the learning from level 1 to report at least 12 months carbon data using the SmartCarbon™ online reporting tool.

Innovation Group has been globally awarded Level 3 Carbon Managed status in recognition that as well as reporting our emissions, we have acted to reduce our FY13 emissions by implementing our Carbon Abatement Plan and offsetting through a Carbon Fix Foundation endorsed Carbon Offset project. As a result we proudly display the Level 3 logo on our publications and email correspondence.

Further to this, our Environmental Services Division (within UK property) has been awarded Level 4 Carbon Managed status in recognition that all of the above steps have been completed and, in addition, the Division has engaged with their supply chain members to support them to also manage their carbon emissions following the same model.

More information on this topic can be found at the following web page:
www.innovation-group.com/carbon-managed.



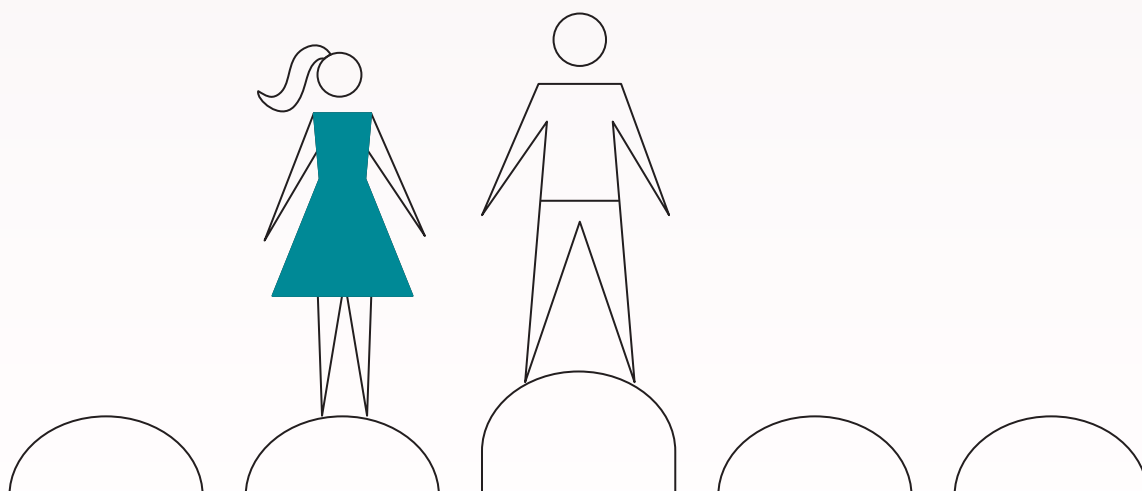
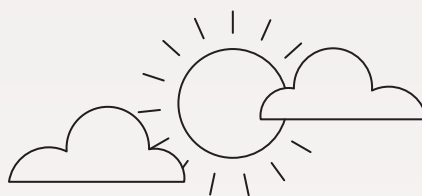
Level 3:
Act (Offset +12%)
Endorsed by Carbonfix.it Nov 13



Level 4:
+ Supply Chain
Endorsed by Carbonfix.it Nov 13

Our progress

Theme 4: Employee engagement



Our business depends on the talent and teamwork displayed by our employees. As such, we consider it critical that our employees feel engaged and motivated to produce their best in order to provide the best service possible to our clients.

As a Group we employ over 3,000 people in 14 countries, all of whom contribute to the success of our business. As required by legislation, we report the split of our employees as detailed in Table 4.1 below.

Due to the geographical spread of our business, we feel it is inappropriate to report diversity on any measure other than gender.

Our employment policies meet the requirements of the local jurisdictions that we operate in. We do not discriminate on any basis and we encourage our people to speak out if they believe something is wrong. We operate a whistleblowing telephone hotline and a whistleblowing web-reporting service.

Table 4.1: Employee breakdown

Segment	Female	Male	Female (%)	Male (%)
AsiaPacific ¹	135	322	30	70
Germany	119	87	58	42
North America ¹	252	203	55	45
Rest of Europe	113	94	55	45
South Africa	444	397	53	47
United Kingdom	405	527	43	57
Total	1,468	1,630	47	53
Directors of the Company	1	4	20	80
Senior Managers of the Company ²	7	34	17	83

¹ Group and development employees included in their normal home country.

² Senior management (excluding Directors) is considered to be those who form part of the senior management team within regions and make decisions which could impact the results of the Group. This includes all officers of subsidiary undertakings.

Investors in People

Investing in and supporting our workforce is key to us. Innovation Group Subsistence Management Services, part of the UK Property Division of Innovation Group, has been awarded the Investors in People Gold standard, joining the top 7% of accredited organisations across the UK who believe in realising the potential of their people. Mr Sharpe, the Managing Director of Subsistence Management Services, explained that the team set out to win the gold award 12 months after achieving the silver status. He said that to meet the standards, each employee was given a personal development plan, and there was a systematic exercise to put "the right people in the right job with the right skills." He added: "The management team underwent training to develop new behaviours, including coaching and mentoring skills, and we also closed skills gaps that were holding managers back from high performance."

We also continue to hold liP Bronze status for our Environmental Services Division and have done so for ten years. However, in line with progressive values, we are aiming to achieve liP Silver standard in this part of the Division within FY15. UK Motor also have a goal to achieve liP Bronze by January 2015.



Employee survey

An internal global survey shows that 93% of those employees that responded agree that sustainability is important and 90% feel that Innovation Group has a responsibility to care for the environment and its local communities. Our other sustainability activities, therefore, whilst making business sense in their own right, are also aligned to the interests of our most valuable asset – our people.

Employee engagement



Our introduction to sustainability e-learning course is mandatory for all employees.

E-learning

We are committed to providing our employees with the information, education and support they need to help us drive our Sustainability Strategy. In our efforts to achieve this we have also developed the following bespoke innovative and exciting e-learning courses:

1. **Sustainability at our Core.** This one hour e-learning course provides employees with an introduction to the topic of sustainability. It has been made available to all employees worldwide. The course is mandatory for all employees and completion is monitored. The course also encourages participants to move onto the advanced course, of 'Sustainability for Ambassadors' should they wish.
2. **Sustainability for Ambassadors.** This advanced three hour course has been completed by all members of the Sustainability Committee, the senior management team, the full Board and our CEO. It is available to any individual who would like to achieve Sustainability Ambassador status. This is gaining growing interest within the organisation with more than 100 employees requesting a place.
3. **Carbon Footprinting.** This technical five hour course has been designed to provide our Carbon Champions with the knowledge, skills and resources needed to contribute to the data collection, calculation and reporting of our global carbon footprint. It is also made available to members of our UK Carbon Managed Supply Chain. (see Case Study 11 on page 40).

All three courses include advice on what the individual can do to reduce their personal and the Group's impact on the environment. We have relaunched our Anti-Bribery and Corruption training which is mandatory for all employees globally. Further to this all UK employees must complete Data protection e-learning with training on the Company's Code of Conduct being launched in 2015.

We are continuously communicating with our employees keeping everybody up-to-date through staff email newsletters, the intranet and our Sustainability Hub which provides a wide range of resources, providing our employees with the knowledge they need to act more sustainably.

Employees are also encouraged to become involved in the success of the Company through our Sharesave scheme, so that they may benefit from the opportunity to acquire shares at a discount in the future.

We want our employees to feel proud of Innovation Group's sustainability performance and have set a target to increase the proportion of staff who feel positive about our sustainability agenda. Currently 63% of employees who completed our global survey have stated that they feel either pleased, encouraged or proud of our Sustainability Strategy.

Kairos programme

Our Kairos management training scheme, which takes employees from every region of the Group, is allowing us to further support our employees with the information and guidance needed to continue driving towards our sustainability goals. This investment into our workforce provides technical skills to our excelling employees who have the potential to drive our business's future performance.

The Programme, which has been developed in conjunction with Cranfield School of Management, includes work on the most significant challenges faced by Innovation Group, namely achieving targets for profitable growth. As part of this exercise, employees on this year's Kairos project teams worked on drivers of growth for the Company: Big Data, Sustainability and Performance Culture. We believe that our Kairos programme is not only an investment in our employees but also an investment for the whole Group and all stakeholders, driving innovation and long-term sustainable growth. In FY14 we added a Sustainability module to the syllabus and set one team a Sustainability project to deliver. An example of the great work carried out by the Kairos team can be found in Case Study 14 on page 43.

Case Study 8: Kairos South Africa

As a result of the Kairos programme, our operations in South Africa are introducing career development plans and reviewing career opportunities within the Company. Through this they aim to become an employer of choice leading to reduced HR costs, increased employee retention and a happy workforce. As part of this, South Africa run a junior management training programme and a Gibbs programme in addition to the Group wide Kairos Programme. In the last three years, this has allowed a total of 82 South African employees to gain further skills and improve career opportunities.

Creating a performance culture

At Innovation Group we understand that the performance of our people underpins everything we aim to achieve. Because of this we are driven to create a high performance culture within Innovation Group that fully engages the skills and talents of our employees. Maximising the potential of our employees by ensuring they are given support, responsibility and trust not only ensures that our teams are at their most satisfied, but also gives us competitive advantage in industry and ensures we retain our outstanding pools of talent.

Performance Culture is about ensuring that employees feel valued, feel secure in their roles, believe in the goals of Innovation Group and that they are enabled in making significant changes in the way things are done, the processes followed and products supported by the business, thus generating growth through team efficiencies and employee satisfaction.

Cranfield
UNIVERSITY
School of Management

Employee engagement



CCTV Drainage survey carried out by one of our Underground Services division operatives. Our safety management systems are carefully aligned to mitigate the hazards that are faced by our colleagues out in the field.



Tree work operations conducted by our Environmental Services Division involves management of multiple risks in a demanding work setting. Contractor auditing and compliance is a vital safety function of the Innovation Group.



On-site safety auditing is key to our safety management system and is integrated with what we do all day, every day.

Health & Safety ('H&S')

Innovation Group takes Health & Safety very seriously. Each region in which our business operates manages its own Health & Safety systems. Health & Safety data is reported to the Board on a bi-annual basis from all the regions.

The UK business operates a comprehensive Health & Safety Management System which is currently aligned to the requirements OHSAS 18001. The Management System comprises:

- the Health & Safety Policy statement signed by the Chief Executive Officer;
- a breakdown of the roles and responsibilities for the management of Health & Safety; and
- a series of safe working procedures supporting forms, checklists, permit systems and risk assessments for all work activities undertaken.

Our UK Property division is a member of the Safecontractor scheme. We are undergoing assessment for and expect to attain full accreditation by late 2014.

Adherence to the UK management system aids the Company in complying with all relevant UK and European Health & Safety legislation and is fundamental in achieving Company values.

Our UK H&S management system has performance improvement targets namely:

- To increase efficiency of our H&S policy and procedures by ongoing review, simplification and integration with operational function.
- Promote a collaborative H&S effort through enhancement of employee representation and communication.

The Health & Safety Policy and supporting documentation is reappraised and updated at least annually or as required to take account of changing circumstances and applicable changes in legislation.

Health & Safety data is recorded at all sites and reviewed during regional Safety, Health and Environment ('SHE') meetings.

All employees receive Health & Safety awareness training which has recently been updated to a new E-learning system. New employees receive awareness training during their Induction and additional role specific training is provided where relevant, particularly for those employees engaged in the higher risk activities undertaken.

Innovation Group employs a team of full time, fully qualified Health & Safety Managers to manage all of its UK based operations. In addition, all accidents and instances of absenteeism are recorded and monitored. Each incident is broken down and trend analysis is conducted on a regular basis in order to identify root causes enabling the Company to implement corrective actions and actions to prevent reoccurrence. Health & Safety data is reported to the Board on a bi-annual basis from all the regions.

The Company has identified Key Performance Indicators ('KPIs') for which it aims to establish a 2014/15 baseline, against which it monitor future global performance.

Case Study 9: Employee engagement through wellness

We recognise that employees are significantly more likely to be engaged and productive when wellness is a priority in the workplace. In 2012, we began to explore how we might improve employee engagement through an enhanced focus on employee wellness. In doing so, we expect to reduce costs related to sickness absence and employee turnover, as well as improving workforce effectiveness, thereby delivering commercial benefits.

We conducted a pilot study and are now developing a wellness programme for the UK Motor Business. This programme is developed around twin themes of 'Work well and Live well'. For each theme we recognise a set of wellness drivers. Work well encompasses: behaviours and values; communication; employee involvement; training and development; and feedback and performance management. For Live well we recognise: health support; mental and emotional resilience; physical activity and healthy diet.

For each of these drivers we have identified our key strengths, key areas for development and a set of priority actions for implementation. We have implemented some of these actions in the UK (Motor Division) (see below). Our next steps will be to consider how to monitor their impact and introduce the programme across the rest of the business.

Employee Wellness in the UK (Motor Division)

1. Maps of the park are provided to new and existing employees showing routes where people can walk during their lunch times in less than an hour.
2. Lunchtime running groups are available to all staff based at head office.
3. Sporting activities are promoted such as department rounder competitions and football matches etc.

Charity giving and Community programmes in the UK

In the UK, Cancer Research is our chosen Charity of the Year 2014, along with the charities we support every year, namely Comic/Sport Relief, Children in Need and Movember. This year each site has chosen a local homeless charity to support in December.

UK employees have done fantastically well, again raising money for charities, this year. For Cancer Research we have had teams enter Race for Life events in different areas of the Country raising a combined total of £3,295.

Other UK events include:

- A pancake day (made fresh on site).
- Charity boxing match.
- Raffles.
- Themed days, e.g. Easter, Wimbledon.
- Great British Bake Off style cake competition and cake sale.
- Ice Bucket Challenge.
- Monthly Charity Dress Down Days.
- Tuck shops.

Between January to end September 2014 employees have raised £9,243. (None of this is Company funded.)



Innovation Group employees at a Race for Life fundraising event for Cancer Research.

Employee engagement



Harvest Aid



Ikholwa



Animal Ambulance



H.A. Jack School



Aurora Girls High School

Charity involvement and Community programmes in South Africa

Innovation Group South Africa places great value on Corporate Social Investment programmes. Through these programmes, the Company is committed to supporting and giving back to the communities in which it and its employees operate. The Group's programme focuses on providing support and assistance to the following:

- **Harvest Aid:** Harvest Aid assists orphaned and vulnerable children through school feeding projects, family food parcels, clothing banks, school uniforms, blankets, school stationery and any other needed items to normalise the lives of children and ensure that they stay in school. For the period October 2013 – August 2014 the Group have donated a total of R46,220.00 (£2,607) towards Harvest Aid.
- **Ikholwa Homes:** Ikholwa is an organisation that assists children who have been affected or infected by HIV/AIDS. They provide these children with a home, food and education. For the period October 2013 – August 2014 the Group have donated a total of R5,750.00 (£325) towards Ikholwa Homes.
- **Animal Ambulance:** Animal Ambulance is a registered not for profit organisation ('NPO') that provides care and shelter for abandoned and neglected animals. As an NPO they receive no government funding and rely heavily upon donations from the public to look after the animals in their care. Our employees contribute monthly to this initiative and volunteer their services to help clean up the shelter and to clean and feed the animals. For the period October 2013 – August 2014 the Group have donated a total of R9,000.00 (£508) towards Animal Ambulance.
- **H.A. Jack Primary School:** H.A. Jack Primary School is a government owned school which caters predominantly for learners from single parent homes. The school receives minimal government funding and is dependent upon assistance from the private sector in order to ensure optimal functioning. A critical need by the school highlighted during FY14 was to provide adequate transport for their learners to and from the school. Innovation Group partnered with the school and assisted in purchasing a school bus which is now being used for this purpose. To showcase its further commitment to the school, the Group will be hosting its first annual charity golf day in November 2014 to raise funds to assist in building on new classrooms.
- **Mandela Day:** Annually, on 18 July, South Africans unite to celebrate Mandela Day. Mandela Day is aimed at honouring the legacy of Nelson Mandela and giving back 67 minutes to organisations or communities that are in desperate need of help – whether through volunteer work or financial support. Various initiatives are activated each year by the Group and for 2014 the following charities/ organisations were selected and supported:
 - **H.A. Jack Primary School:** The Group donated various material to the school which would be used towards upgrading their classrooms, perimeter fencing and playgrounds.
 - **Animal Ambulance:** Innovation Group employees donated a variety of items to the charity which included dog and cat food, towels and washing powder.
 - **Aurora Girls High School:** The plight of the female learners of the school was brought to the attention of the Group by a member of staff and the female employees of Innovation Group were able to collect and donate much needed sanitary items to these learners.

Case Study 10: Community Action in South Africa



The H.A. Jack Fun Walk took place on Saturday 1 March 2014 and saw Innovation Group staff joining the H.A. Jack learners and their parents on a 3km walk in Highlands North. **A big thank you to everyone who took the time to support the initiative and more importantly the kids!**

Julie Somiah, H.A. Jack teacher and Head of the Fundraising Committee, had the following to say: *"Thank you from the bottom of our hearts. Your support and assistance is highly appreciated. You are making a major difference in the lives of our young children. Your presence on Saturday had a huge impact on our staff, learners and parents. They were impressed and grateful to everyone for sacrificing their Saturday morning to be with us. Thank you!"*

To add to all the festivities, and to solidify our support to the school, Innovation Group handed over a Toyota Quantum to the school which will be used to transport school children and staff! This will ensure that the kids arrive to school safely and on time!



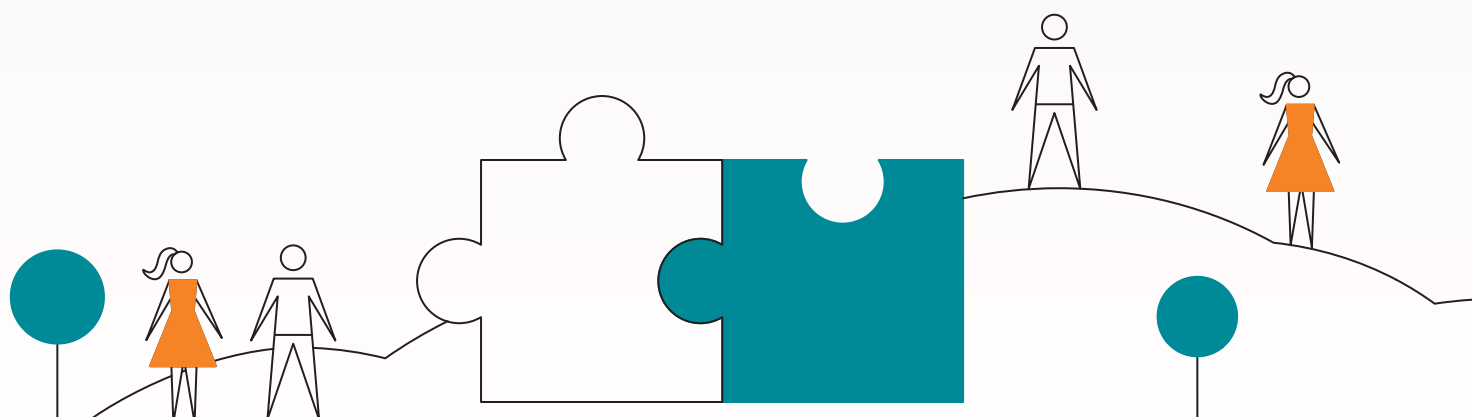
Thank you to all involved for making the day a success and for showing your support to H.A. Jack.



OUR BUSINESS - OUR PEOPLE

Our progress

Theme 5: All stakeholders



Materiality and stakeholder engagement

This year we have further extended our programme to communicate with our stakeholders on sustainability, and more importantly understand and respond to their key concerns on sustainability issues. This materiality review will ensure the ongoing relevance of our sustainability activities and focus our efforts on the issues that matter. Each year we will continue to have discussions with our stakeholders, review how we are responding to their concerns, and where necessary, adjust and refresh our related strategies and programmes.

Stakeholders are the people and organisations interested in and affected by what we do. Our future depends on their views and actions. By demonstrating that we are taking action to ensure a responsible and sustainable service, we can provide assurance to our stakeholders that we will protect brand value and minimise risk of non-compliance. In this way, effective engagement helps us manage our risks and maximise opportunities.

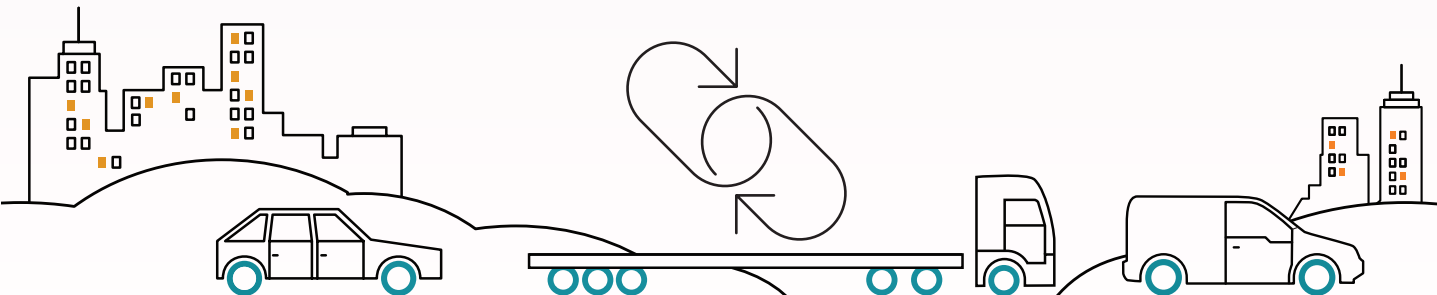
We have completed a stakeholder mapping exercise to identify our key parties (table 5.1). We know that working with all of these groups will help us broaden our perspective in relation to sustainability which will help to influence our ongoing strategy. We have developed a stakeholder engagement plan to ensure that we use relevant and appropriate mechanisms to engage with each stakeholder group. This ensures all groups have had the opportunity to contribute their views to our strategy.

Based on the research we have conducted amongst our stakeholders, we have agreed our priorities and considered these when developing our ever evolving Sustainability Strategy. To be clear and transparent in explaining our priorities we have decided to publish our first materiality matrix (see page 6). We will review this each year and make adjustments if required, as the external and business context changes.

Table 5.1 Stakeholder engagement plan

Stakeholders	Purpose of Engagement	Method of Engagement
Customers	Ensure we are providing the products and services they need, identifying opportunities for new products, horizon scanning for emerging issues affecting our business, and getting feedback on the materiality of our sustainability issues.	Customer interviews, review of customer websites and reports, review of Requests For Information. Andrew Roberts, our CEO, has spearheaded a consultative process with our key UK clients to identify opportunities for low impact or preventative insurance products.
Employees	Listening to and respecting our employees, encouraging behaviour change and recognising their contributions as individuals.	Global employee survey, e-learning exercises, evaluation questionnaires, newsletters, posters, email suggestions, Sustainability Intranet Hub, employee committees and forums.
Senior executives	Focus on issues that are material to the organisation, engage in strategy building, exploring how each business unit can contribute towards reducing the sustainability issues and any innovative ideas that have not yet been fully explored.	Surveys, meetings and networks.
Business partners and suppliers	To ensure we are the partner of choice, and to support and assess supply partners on sustainability issues and performance.	In our Subsidence Management Services Division (within UK Property), we operate a Supplier Code of Conduct and have trained our suppliers to calculate and report their carbon footprint through workshops and e-learning courses.
Investors and other interested parties	To ensure transparency at every level we submit our information to leading global indexes. Results allow us and others to identify areas for improvement, and demonstrates to stakeholders how we perform compared to others.	Annual Sustainability report, online Sustainability Hub, results of external benchmarking exercises: United Nations Global Compact We work with the United Nations Global Compact ('UNGC'), and other global businesses, to help deliver ten universally accepted principles. These are based on Human Rights, Labour, Environment and Anti-Corruption. FTSE4Good Index Series measures the performance of companies against globally recognised corporate responsibility standards. CDP (formerly the Carbon Disclosure Project) measures companies' climate management performance, taking into consideration risks and opportunities.

Theme 6: Supply chain management



Supply chain management

Our extensive global network of suppliers presents a real opportunity for Innovation Group to make a meaningful and positive impact and our clients expect us to manage the risk in our supply chain.

The Group is keenly aware that there are a wide range of potential environmental and social impacts from the activities of our repair services network and wider suppliers. Carbon emissions, resource efficiency, business ethics, labour rights and health and safety, among others, are all issues that we seek to manage within our supply chain.

We are committed to supporting our supply partners on sustainability issues given that the activities of our suppliers form part of the Group's overall environmental and social footprint. We see it as our role to encourage our suppliers to be compliant with social and environmental regulations and to support them to improve their sustainability performance, whilst ensuring the highest quality of service to the customers of our clients.

As discussed in the carbon chapter, we have calculated, reported and acted to reduce our carbon footprint. However, we are also assessing emissions throughout the supply chain. In our Subsidence Management Services Division (within UK Property), we have trained over 84% of our top 20 suppliers to calculate and report on their carbon footprint, helping our partners to report, and hopefully encouraging them to reduce their carbon footprints too (see Case Study 11 on page 40).

In addition, we have set a target to roll out this managed carbon supply chain project across our supply chains in the UK, Europe and globally in a phased programme as detailed in our Sustainability Strategy. We also plan to extend our Code of Conduct to our global network. Our Code of Conduct sets minimum levels of sustainability standards which we expect our suppliers to achieve and will form part of an annual audit process. In order to promote adherence to the Code, we will develop assessment criteria which we will use to monitor supplier performance. Where appropriate, we will share knowledge with our suppliers and collaborate to improve their sustainability performance.

"It is exciting for us as a business to be part of a bigger project which raises the profile of all contractors on this network and to hopefully make a difference to the bigger environmental issue so we can all do our bit."

Liam Hanlon
Forshaw Group



"I'm excited that we were invited to be part of this event. It is an opportunity to be part of something that is going to make a difference. If we can teach our employees sustainability, they can take it away and use it in their lives."

Mark Robinson
Lanmarc Ltd

Supply chain management

"The project is really interesting... it also makes you think about issues and what you can do as an individual and a company. Bringing individuals and companies together, highlighting what we can all do enables us to come up with ideas which we can put in place."

Laura Baybutt
Hawthorn NW

Case Study 11: Supply chain carbon management project

We have developed a 'Carbon Managed' supply chain project which has been piloted through the Subsidence Management Services ('SMS') Division of UK Property. It is now a contractual requirement for all suppliers to our SMS Division to report their carbon emissions to Group. We have provided workshops, e-learning and use of the SmartCarbon™ web platform to support our suppliers with this requirement. This will now be rolled out across the wider UK Property business as a whole, meaning that over 80% of Innovation Group's UK property business suppliers overall will be engaged on this project. We then plan to roll-out this programme across our supply chains in Europe and Globally.

By supporting and enabling our suppliers to measure and manage their carbon emissions, we are able to bring the long-term benefits of reduced energy and material usage to our clients, suppliers and shareholders. This capability is seen by our clients as a differentiator.

Our Subsidence Management Services Division has been awarded Carbon Fix Foundation Level 4 Carbon Managed status in recognition that the Division has engaged with their supply chain members to support them to also manage their carbon emissions (see page 27 for more information).



Case Study 12: Root protection system for the supply chain



ArborRaft protection for tree roots.

Through the Planning and Development department of our Environmental Services Division (within UK Property) we have worked in partnership with InfraGreen, a creator of innovative, tree protection and sustainable land/water use management products to allow our supply chain to operate with lower environmental impacts. We are now approved installers of their products and so are passing the low impact benefits onto our customers upon installation.

A key product has been the 'ArborRaft', an urban tree root protection and planting system that is laid both above ground and sub-surface with minimal disturbance and allows trees to grow freely in urban areas whilst preventing damage to infrastructure such as pavements and roads. The system is suitable to loading by all types of vehicle as the structure spreads the surface weight, preventing any underlying tree root systems from sustaining damage.



ArborRaft creating sustainable infrastructure as cyclepath.



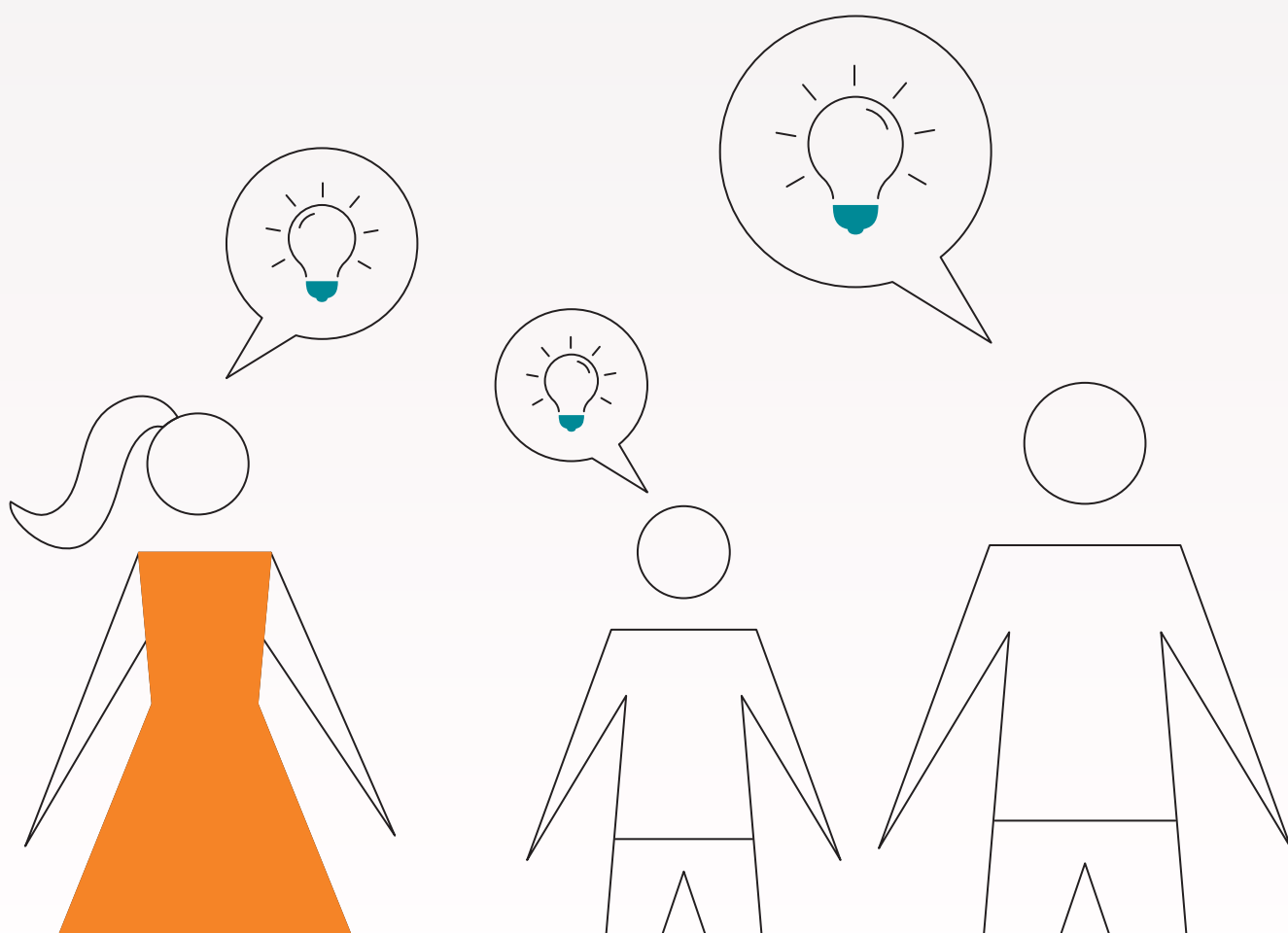
ArborRaft protection for infrastructure.

Further to this, 'ArborRaft' provides a sustainable drainage solution due to its 90% void ratio, reducing surface runoff and the risk of subsequent flooding. It even allows the potential for reduced fresh water use in populated areas as water within the layer can be used for grey water purposes.

By having these systems installed, the policy holders of our customers are reducing the impact on their local environments, allowing greater numbers of trees to be grown in built-up areas thus improving local air quality. This also adds to the global carbon sink which helps to absorb ever increasing carbon emissions and provides customers with the opportunity to reduce their environmental impacts by using grey water held in the system for suitable purposes.

Our progress

Theme 7: Innovation



There is a continued need for us to focus on using new technology and innovative thinking in order to provide our clients with the sustainable products and services that they expect from Innovation Group.

Technology is a catalyst to develop new products and services, as well as produce efficiencies with our existing business model. Because of this, we continue to invest in innovative software solutions to increase process efficiency (both internally and for licensees of our Insurer Suite), assess the impact of new technology

to the industry and explore new ways to reduce impacts.

Our unique position in the claims handling process enables us to identify how new technologies can be used to streamline the claims handling process and to enable us to reduce the length, and hence cost and environmental impact of an insurance claim's lifecycle (e.g. by printing less paper and reducing the number of onsite loss adjusting visits).

We have also set up a dedicated group from the Kairos programme, the 'Sustainovation' team, to focus on generating innovative products and services for our customers that are designed to prevent claims arising therefore avoiding the impacts associated with the whole lifecycle of the claim resolution process, see Case Study 14 below.

Case Study 13: Examples of sustainable solutions

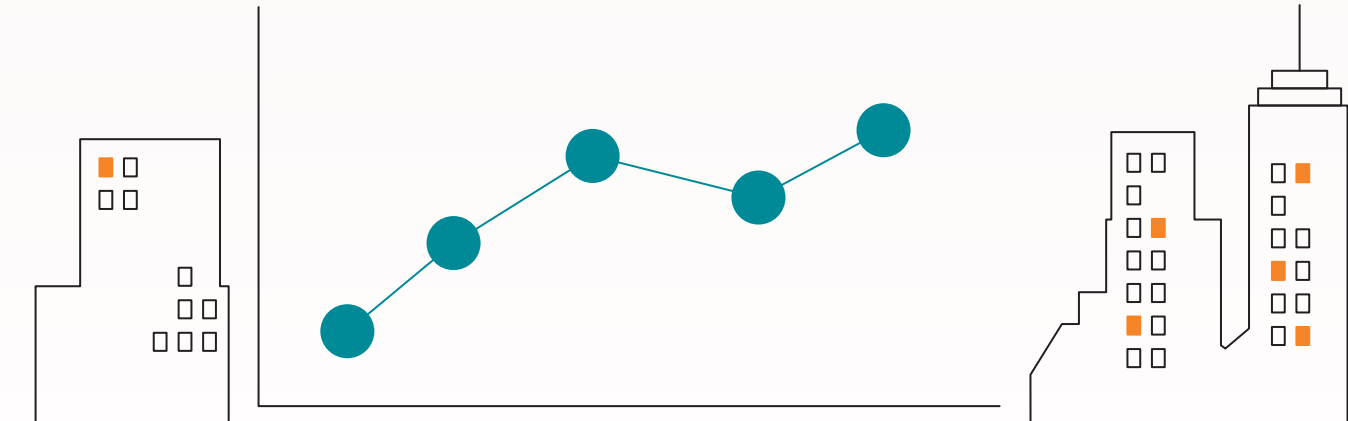
- For UK Property Division, the aerial and digital imagery capabilities allow the use of technology to assess subsidence risk and claims rather than having someone manually assess and map these, thus saving on carbon emissions.
- Our Innovation Insurer Suite, allows for the use of electronic documents, pictures, mobile technology and electronic communications. This straight through processing (automation of business processes) reduces or eliminates the need for paper.
- Innovation Symbility offers both a field and desktop option for triaging a property claim depending on the scope and complexity of the claim. By using this software, our customers will reduce the need for paper files and allow the claim to be processed faster.
- Our extensive suite of employee e-learning courses reduces the environmental impact and carbon footprint of training our global workforce whilst also reducing down time.

Case Study 14: Developing new services for clients

A key area of our Sustainability Strategy has been embedding innovation into our core business solutions. As part of this we established a team of high calibre managers, engaged on our Kairos Programme, to produce an innovative, 'Future-Ready', sustainable service for our customers.

The team generated an exciting solution. The proposed service has great potential in the market. The service will focus on identifying risks and recommending actions that could prevent losses arising in the home that typically otherwise may result in an insurance claim; thus saving our clients money, enabling them to deliver value added services and enhance their brand with their end customer. This work from the Kairos team represents an example of an ideal sustainable solution by effectively delivering economic, social and environmental long-term gain.

Theme 8: Governance



Our governance structure supports the integration of sustainability into our business decisions, ensuring that our sustainability activities make a lasting and worthwhile difference.

We continue to demonstrate our commitment to good governance through our involvement with voluntary initiatives.

Our Environment, Social and Governance ('ESG') performance is subject to regular review by the Ethical Investment Research Services ('EIRIS') Ltd., a global leader of reporting corporate governance performance. EIRIS maintain fluid, independent profiles of clients which are available to responsible investors.

In FY14, we were scored as being grade B (Scale of A-E) in a sector specific ranking indicating that at this time we are within the top 20% of Software and Computing Companies for ESG performance. It should be noted that these scores are subject to change at any time.

We also report annually to the United Nations Global Compact ('UNGC'). The UNGC is a policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of Human Rights, Labour, Environment and Anti-Corruption.

"FTSE Group confirms that Innovation Group has been independently assessed according to the FTSE4Good criteria and at the September 2014 review satisfied the requirements to remain a constituent of the FTSE4Good Index Series. The Supersector relative score places Innovation Group in the 86th percentile (where 100 is the highest). The Supersector relative score provides an indication of how each company on the index scores relative to others in its Supersector."

"Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent environmental, social and governance criteria, and are positioned to capitalise on the benefits of responsible business practice."

By doing so, business, as a primary driver of globalisation, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere (UNGC, 2013). We have again successfully reported to UNGC for FY13, demonstrating our continued commitment to the ten principles. Our full FY13 UNGC report can be found at the following link: www.innovation-group.com/sustainability. The table below summarises how we have integrated these principles into our business practices in FY14.



FTSE4Good

EIRIS



WE SUPPORT

Ten principles of the United Nations Global Compact

Read more at these locations

Human rights	Principle 1:	Businesses should support and respect the protection of internationally proclaimed human rights; and	Theme 1: Impacts on society
	Principle 2:	make sure that they are not complicit in human rights abuses.	
Labour	Principle 3:	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Theme 1: Impacts on society
	Principle 4:	the elimination of all forms of forced and compulsory labour;	
	Principle 5:	the effective abolition of child labour; and	
	Principle 6:	the elimination of discrimination in respect of employment and occupation.	
Environment	Principle 7:	Businesses should support a precautionary approach to environmental challenges;	Theme 2: Impacts on the environment
	Principle 8:	undertake initiatives to promote greater environmental responsibility; and	Theme 2: Impacts on the environment and Theme 3: Carbon emissions
	Principle 9:	encourage the development and diffusion of environmentally friendly technologies.	Theme 7: Innovation
Anti-corruption	Principle 10:	Businesses should work against corruption in all its forms, including extortion and bribery.	Theme 1: Impacts on society



"Future generations have no control over the environment they will inherit. Our generation does. I am keen to act positively to help ensure future generations inherit a better environment."

John Velezis
Marketing Manager and Sustainability Ambassador, Australia

Sustainability infrastructure within Group
Our Audit Committee is ultimately accountable for our Sustainability Strategy. This allows us to offer full visibility for progress against our Strategy at the very highest level.

The Group Company Secretary and Chief Legal Officer is the appointed Chair of the Sustainability Committee and ensures the agenda is embedded within core business.

Our dedicated Group Sustainability Manager is responsible for designing and implementing our Sustainability Strategy and reports to the Group Company Secretary and the Audit Committee regularly.

There is a global infrastructure of appointed Sustainability Ambassadors and Carbon Champions in each region. Each of these individuals volunteered for their roles and are motivated and committed.

Sustainability Ambassadors have responsibility for contributing to, and implementing the Group's Sustainability Strategy within their regions. All Ambassadors have completed an advanced e-learning course in sustainability. Ambassadors attend the quarterly Sustainability Committee meetings and the Sustainability conference, which occurs every two years.

Carbon Champions have responsibility for Greenhouse Gas Emissions data collection and reporting onto the SmartCarbon™ website in order to calculate and report the carbon emissions for their region. The Carbon Champions must also contribute to, and implement the Carbon Abatement Plan within their region to progress the Group towards its' published targets to reduce carbon emissions. All Carbon Champions have completed advanced training in GHG reporting in line with the internationally recognised Green House Gas Protocol. There are regular Carbon Champion conference calls throughout the year where there is the opportunity to obtain support from the Chair of the Group Sustainability Committee and Group Sustainability Manager as well as peers.

Regional Managing Directors' contribute directly to the Sustainability Committee as appropriate and a regular briefing document is sent to the Managing Director for each region reporting progress against our Sustainability Strategy.

Our sustainability infrastructure

The diagram below shows the global infrastructure of sustainability roles across the Group.



Managing our Sustainability risks and opportunities

Mitigating our risks and maximising our opportunities

Sustainability issues such as climate change have the potential to impact our business directly in the short and the long term. As a responsible Company and business partner, it is crucial that we develop a clear understanding of the potential business risks and opportunities related to sustainability issues and in particular climate change. We also wish to demonstrate to our clients and other stakeholders how we are working to manage and reduce both our own impact on the environment and society, as well as the impact of environmental and societal change on our business operations. We also recognise that process efficiency, doing more with less, reducing energy intensity and doing things right first time, will all drive both cost and carbon efficiency. This will benefit us, our business partners and the environment.

We believe our operations have relatively low environmental and social risk. We do not produce any tangible products and our sector and services are also low risk. Some Divisions of our business, where we own parts of the supply chain, do pose a greater risk than others (e.g. subsidence, drainage and ground works).

Please note that in addition to the table on pages 48-51 we hold a more comprehensive in-house risk and opportunities register and report our climate related risks and opportunities in much greater depth in our annual CDP response.

We believe this detailed risk and opportunities register combined with our forward thinking strategy promotes business resilience in an ever changing world of social, environmental and financial risk and opportunity.

Our challenges

In our mission to implement change to become more sustainable we have faced challenges along the way. Despite this, our efforts to report our performance and our work on implementing initiatives have been largely successful as outlined throughout this report.

Our two main challenges this year have been:

1. Collecting and reporting 24 months' carbon data for LAS Claims Management, an organisation we acquired on 13 March 2014 in order to recalculate our base year. We overcame this challenge by working with the ISO 14001 management representative within LAS and providing training and support. Senior management also ensured full support was provided.
2. Key Performance Indicator data. We are behind on our target to establish base lines for Sustainability Indicators (other than carbon). However, we wanted to prioritise and focus on collecting and reporting carbon data as this is our number one sustainability concern.

What we will do next

Our 2015-2020 Strategy listed in the final pages of this report shows all of our established targets. Our Strategy for this period has been based on what the Company and all of its stakeholders have determined to be the most significant issues (see materiality matrix on page 6). The strategy will continue to be reviewed annually to ensure that it evolves alongside the focus of the Company and our stakeholders.

Managing our Sustainability risks and opportunities continued

Regulatory risk	Implication	Innovation Group's response
Mandatory carbon reporting requirements.	Under the Companies Act 2006 (Strategic report and Directors' report) Regulations 2013, quoted companies in the UK must include in their Directors' report the amount of Greenhouse Gas ('GHG') Emissions their activities produced that year.	We have met this requirement with systems in place to calculate and report GHG emissions for our global operations. This is reported in our Annual Report and Accounts as well as the Annual Sustainability report. Furthermore, we aim to achieve a reduction in the carbon intensity of our operations.
Mandatory submission of Sustainability issues within the Annual Report and Accounts.	The European Parliament adopted on 15 April 2014 the Directive on disclosure of non-financial and diversity information by large public-interest entities with more than 500 employees. The Directive will enter into force once adopted by the Council and published in the EU Official Journal. Companies concerned will need to disclose information on policies, risks and outcomes as regards environmental matters, social and employee-related aspects, respect for human rights, anti-corruption and bribery issues, and diversity in their board of Directors.	We currently report on all of the information annually. We will continue to report on all of these issues in our Annual Report and Accounts as well as our more comprehensive Sustainability report.
Energy audits.	To meet the requirements of the EU's Energy Efficiency Directive (2012/27/EU), all large companies – those with more than 250 employees and an annual turnover exceeding €50 million – will have to complete an assessment of their energy consumption every four years. The assessment, the first of which must be completed by December 2015, must be completed by an 'approved assessor' and include a list of 'cost-effective efficiency measures' that the firm can implement.	In 2012 we appointed WSP to complete an energy audit of our offices globally. We have set an objective in our Strategy to ensure an ongoing schedule of energy audits is planned and conducted by competent energy auditors to meet these legal requirements.
Additional environmental or social regulations.	Our own global operations and those of our suppliers are governed by a range of region specific regulations relating to labour standards, health and safety and environmental legislation. Policies, systems and controls are required to minimise non-conformance and ensure best practice throughout our value chain.	We have established a governance structure to ensure that our operations strive to achieve our Sustainability policy and include sustainability requirements in our supplier contracts in a number of our regions including the UK, France and Germany. We have Environmental Management Systems in a number of regions which provide a framework for legal compliance. We have identified in our Strategy that we will extend the EMS for the head office with a plan to roll this system out globally.

Physical risk	Implication	Innovation Group's response
Extreme weather events including changing temperature and rainfall patterns.	<p>An increase in severe weather events will result in peak demands for our services.</p> <p>This will impact the volume of claims managed during times of weather stress and will require the capacity to respond efficiently and without delay.</p>	<p>We optimise the utilisation of our workforce to ensure that we can meet additional demand following extreme weather events.</p> <p>We have a mature and extensive supply chain which enables us to source support from a range of suppliers as required.</p>
Extreme weather events including changing temperature and rainfall patterns.	<p>Climate change can directly influence our operating costs due to heating and cooling requirements in our buildings.</p>	<p>We continue to assess ways to improve the energy efficiency of our buildings.</p> <p>We have undertaken site level energy assessments of our regional head offices and data centres globally to identify opportunities to improve building efficiency and reduce our carbon emissions and operating costs.</p> <p>We have invested in training and communication with our workforce to promote behaviour change and more efficient use of energy.</p>
Extreme weather events including changing temperature and rainfall patterns.	<p>Extreme weather could impact on staff commute to work or supply chain speed of response.</p> <p>Potential for flooding or other weather-related damage to our premises or those of our supply chain members.</p>	<p>We have a flexible variable staffing model and home working options are promoted when appropriate.</p> <p>We have a mature and extensive supply chain which enables us to source support from a range of suppliers as required.</p>
Longer term impacts of advanced climate change.	<p>Wide ranging impacts such as increased water and resource scarcity and social pressures.</p>	<p>Our business model encourages the use of less resources to achieve the correct outcome, therefore reducing both the cost of the claim, but also the use of energy intensive materials.</p> <p>We believe that our Sustainability Strategy promotes business resilience to the potential impacts associated with climate change.</p> <p>These risks and opportunities have also been considered in our aspects and impacts register. This forms part of the management system that we are developing to meet the requirements of ISO 14001.</p> <p>This ensures that we are indeed a 'Future-Ready' business.</p>
Reduced access to energy supply.	<p>Reduced capacity to operate and therefore a potential loss of money to the business.</p>	<p>Whilst this is considered low risk, we are investigating options to further diversify our energy supply through increasing the amount of energy produced on site via renewable sources.</p>
Risk to the environment.	<p>Biodiversity loss, pollution e.g. oil, chemicals, CFC's, HCFC's, GHG's.</p>	<p>Our direct business operations pose relatively low risk to the environment.</p> <p>Our comprehensive Sustainability Management System has guidance and procedures to prevent pollution and minimise the impact of all unavoidable risks to the environment such as the release of GHG's.</p> <p>Our carbon sequestration activity of tree planting will also help to counter biodiversity loss.</p>

Managing our Sustainability risks and opportunities continued

Reputational risks	Implication	Innovation Group's response
Reputational risks.	Failure to meet our publically disclosed carbon reduction target and wider Sustainability objectives.	<p>We understand the importance of the Sustainability Agenda to our business brand and reputation. We have allocated resources and a budget to ensure our Sustainability Strategy is a success.</p> <p>We have set a target to arrange an audit and verification of our carbon footprint by an independent third party in FY15.</p>
Client requirements.	<p>There is increased focus in the insurance community on Sustainability and our clients place a requirement on our business to demonstrate improvements in our Sustainability performance.</p> <p>If we fail to adapt to this requirement and innovate in this area, then we will increase the risk of potential loss of our client base, thereby impacting the value to our shareholders.</p> <p>In order to obtain a top three market share in our chosen territories, it is clear that we have to be fully aware of the increased requirements of our customer base.</p>	<p>We have completed a stakeholder engagement exercise to understand what is expected by our clients in the area of Sustainability and furthermore how to differentiate ourselves from our peers to achieve best practice.</p> <p>This has presented opportunities to move beyond annual questionnaire reporting towards a collaborative approach to reduce the impact of claims handling and repairs.</p> <p>Our CEO, Andrew Roberts, has launched a consultative process with our key UK clients to identify opportunities for low impact and preventative insurance products.</p> <p>We are recognised for our achievements in sustainability by various voluntary initiatives such as FTSE4Good, EIRIS, CDP and UNGC. Some of our key customers have also recognised our carbon-managed supply chain (UK Property Division) as a differentiator in the marketplace.</p>



Opportunities	Implication	Innovation Group's response
Increase in demand for responsible insurance products.	<p>Some insurance companies are exploring innovative options for new eco or preventative insurance products that reduce the impact to the environment and reduce the volume of claims.</p> <p>The development of responsible products could influence the conventional methods that our suppliers employ for damage repair.</p> <p>There is an opportunity to use our technical understanding of damage assessment and repair to contribute towards the development of low impact repair options.</p>	<p>Part of our Strategy is to engage with our clients to better understand how we can transfer our technical knowledge to reduce the impact of claims and repair handling business.</p> <p>Collaboration with our clients in this emerging area would act to strengthen our relationship with them, differentiate us from our peers and create new customer product choices.</p> <p>We have a dedicated team focused on developing new and innovative solutions to the increasing demand for responsible insurance products.</p>
Increase in the development of new technologies.	<p>We will need to ensure we have the capacity to adapt and utilise technological advancements to help improve efficiency in our operations and dealings with suppliers.</p> <p>This will also impact the development of new products e.g. the accumulation and analysis of data from telematics in the motor industry can help tailor insurance products.</p>	<p>We continue to invest in innovative technological solutions such as the development of our Insurer software.</p> <p>We consider ourselves to be aware of relevant technology and we remain alert to opportunities to increase revenue and efficiency through innovative solutions.</p>
Increased volume of climate related insurance claims could increase revenue for the business.	<p>It is possible that the impacts of climate change and the predicted increase in the number and severity of catastrophes could lead to an increased demand for Innovation Group products and services.</p>	<p>We are deeply concerned about the predicted impacts of climate change and are committed to reducing our own contribution to these, whilst also supporting our extensive global supply chain to reduce their contribution.</p>
Cost savings as a result of improved resource efficiency.	<p>Resources such as energy, water and paper cost money to acquire and to dispose of. Any waste, therefore, is effectively paid for twice.</p> <p>By reducing the amount of resources used we can reduce our environmental impact as well as save resources and compliance costs.</p>	<p>We have invested in energy audits for each of our global head offices and data centre locations and have identified opportunities for energy reduction. These are documented in our Carbon Abatement Plan.</p> <p>We have set a global carbon reduction target and will meet this through a specific action plan. We are also committed to setting targets to reduce our consumption of water and paper as well as waste disposal.</p>
Engagement with our people and local communities.	<p>We want to provide a healthy working environment for our employees as well as supporting our employees to care for local communities and the environment.</p> <p>We believe that this will help us to continue to engage with our people who will have a positive perception of us as an employer and help ensure a productive and high quality service.</p>	<p>We have completed a global employee questionnaire. Results show that 93% of those that responded agree that sustainability is important and 90% feel that the Group has a responsibility to care for the environment and its local communities.</p> <p>We have an employee Sustainability Hub on the intranet and a dedicated email address to encourage employees to communicate ideas and increase awareness of our sustainability activities.</p> <p>This is supported by training, newsletters, posters and other forms of communication to encourage employee engagement.</p>


Sustainability Strategy

1 October 2014 to 30 September 2020

Our sustainability ambitions

The following commitments summarises our full Sustainability Strategy for 2014-2020 and forms the basis of our submission to the UNGC.


Objectives	Targets	Comments	Delivery	KPIs
Theme 1: Impacts on society 				
We have not set any specific targets within this theme as they have been integrated into the other Themes (e.g. 4.1.4, 4.1.5, 4.1.7, 4.2.1, 8.1.2)				
Theme 2: Impacts on the environment 				
2.1 Reduce the environmental impact for our operations.	2.1.1 Pilot the development of an Environmental Management System ('EMS') for the Head Office in Whiteley, UK and consider suitable EMS certification schemes.	Progress has been made (see table on page 9). Consider certification to revised ISO 14001 standard expected in 2015.	30 April 2015.	EMS Certificate.
	2.1.2 Roll out EMS globally.	Once system is complete for the UK business, share this with other regions.	Phased roll out from 30 April 2018 – 30 April 2020.	Document system on shared resource.
	2.1.3 Establish a baseline and key performance indicators ('KPIs') for waste to landfill and waste recycled.	Progress has been made (see table on page 9).	30 September 2015.	Tonnes of waste to landfill per FTE.
	2.1.4 Establish a baseline and KPIs for water use.	Progress has been made (see table on page 9).	30 September 2015.	m ³ water use per FTE.
	2.1.5 Establish a baseline and KPIs for paper consumption.	Progress has been made (see table on page 9).	30 September 2015.	Sheets of paper used per FTE.
2.2 Reduce the environmental impact of our products.	2.2.1 Collaborate with our key customers to explore expectations for low impact or preventative insurance products.	Progress has been made (see Case Study 14 on page 43).	30 September 2015.	Records of stakeholder analysis.
2.3 Minimise the impact of environmental concerns (e.g. resource scarcity) on the business.	2.3.1 Review the risk to the business of resource scarcity as part of the EMS development and plan access to resources (such as energy).	Progress has been made.	30 April 2015.	Environmental Aspects and Impacts Register.

Objectives	Targets	Comments	Delivery	KPIs
Theme 3: Carbon and climate change 				
3.1 Reduce the carbon intensity of the Group.	3.1.1 Increase the scope of reported emissions to include further Scope 3 emissions from indirect non-owned or controlled sources.	Investigate feasibility of reporting emissions linked to waste disposal.	30 September 2015.	tCO ₂ e for the Group (Scope 3).
	3.1.2 Complete regular energy audits across our business.	In order to comply with the Energy Efficiency Directive (2012/27/EU), we have planned an assessment of our energy consumption every four years, the first of which will be completed by December 2015.	30 September 2015.	Completed Energy Audit Reports including recommendations for improvement.
	3.1.3 Establish measured Carbon Reduction Projects in all operational regions.	Continue to implement Group Carbon Abatement Strategy.	30 September 2015.	tCO ₂ e for the Group.
	3.1.4 Expand Carbon Abatement Strategy to our supply chain.	Provide support to encourage supply chain members to develop and implement Carbon Abatement Strategies.	30 September 2015.	Carbon Abatement Plans.
	3.1.5 Deliver a 6% reduction in our carbon emissions per FTE by FY15 based on FY13 base year.	We have achieved this target ¹ (see page 20). Once this has been audited and verified we will set new targets.	30 September 2015.	tCO ₂ e per FTE.
	3.1.6 Deliver a 15% reduction in our carbon emissions per FTE by FY20 based on FY13 base year.	We have achieved this target ¹ (see page 20). Once this has been audited and verified we will set new targets.	30 September 2020.	tCO ₂ e per FTE.
	3.1.7 Commission external audit and assurance statement for carbon data.	We have already committed to: Audit and verify footprint figures for FY13 and FY14 and reported reductions ¹ .	30 June 2015.	Assurance statement.
	3.1.8 Review the 6 CDP and CDSB 'Road to Paris: Highlight Business Leadership on Climate Change' initiatives and establish which of the initiatives we can sign up to.	<p>We have already signed up to initiative 4 and we are reviewing the remaining 5 initiatives:</p> <ol style="list-style-type: none"> 1. Commit to GHG emissions reduction targets that limit global warming to 2°C. 2. Commit to having a strategy in place to procure 100% of electricity from renewable sources. 3. Commit to removing commodity-driven deforestation from all supply chains. 4. Provide climate change information in mainstream findings 5. Responsible Corporate engagement in climate policy 6. Put a price on carbon. 	30 September 2015.	Documented commitments.

Note 1 –Whilst we have a high degree of confidence in the data reported, and have completed several internal checks and audits of the figures and evidence for each region, we have decided to arrange an external audit by an independent third party in Q1 of 2015 to verify FY13 and FY14 figures. Further detail is available in our separate GHG Emissions Inventory report online.

Sustainability Strategy



1 October 2014 to 30 September 2020 continued



Objectives	Targets	Comments	Delivery	KPIs
Theme 4: Employee engagement 				
	4.1 Engage further with and improve employee understanding of the Sustainability Strategy empowering them to implement effective change.	<p>4.1.1 Establish bi-annual sustainability refresher training for all employees.</p> <p>A new Sustainability e-learning course has been launched in every region globally in FY13. This course is to be updated and reissued biannually.</p> <p>Sustainability has now been added to induction training and posters and other supporting material is also displayed.</p>	30 September 2016.	Training records.
	4.1.2 Make optional advanced training for Sustainability available to all employees.	Update and refresh existing advanced Sustainability Ambassador course.	31 March 2015.	Training records.
	4.1.3 Establish annual employee surveys.	The first global survey was completed in FY13 (see table on page 10). We plan to run it again to measure any change in six months then annually after thereafter.	31 December 2014.	Analysis of completed surveys.
	4.1.4 Establish bi-annual Code of Conduct training for all employees.		31 March 2015.	Training records.
	4.1.5 Establish bi-annual Anti-Bribery and Corruption refresher training for all employees.	A refresher of the Anti-Bribery and Corruption e-learning course has been launched in every region globally in FY14.	31 December 2016.	Training records.
	4.1.6 Establish bi-annual Data Protection refresher training for all employees all UK.	Data Protection training has been launched in the UK	30 September 2016.	Training records.
	4.1.7 Continue to generate options for employees to invest in the local community through volunteering opportunities.	Develop a charity and community engagement policy for UK.	31 March 2015.	Records of staff involvement in community projects.
	4.1.8 Increase the proportion of staff who feel positive about our Sustainability agenda.	Currently 63% of employees who completed our global survey have stated that they feel either pleased, encouraged or proud of our Sustainability Strategy.	30 September 2014 (and annually thereafter).	% score on employee survey.

Objectives	Targets	Comments	Delivery	KPIs
4.2 Develop additional Sustainability KPIs.	4.2.1 Establish baseline KPIs for community investment, absenteeism, development, disabilities, gender and internal complaints.	Progress has been made (see table on page 10).	1 October 2015.	<ul style="list-style-type: none"> Community investment £ per annum Days absent per FTE. Development days per FTE. % of employees with disabilities. % of employees male/female. Number of internal complaints raised against number of internal complaints satisfactorily resolved per annum.
4.3 Support employees.	4.3.1 Review options to promote flexible working within one region.		30 September 2016.	Flexible working policy.
	4.3.2 UK Motor Division to achieve Investors in People (IiP) Bronze status.		31 January 2015.	IiP certificate.
	4.3.3 Implement findings from Health and Wellbeing pilot project in UK Motor Division.		30 September 2015.	Health and Wellbeing report.
4.4 Incentivise sustainability good practice.	4.4.1 Establish programme of incentives to encourage and reward sustainability good practice.	Some progress has been made.	30 September 2015.	Programme of incentives.
4.5 Engage the next generation.	4.5.1 Establish annual 'Voices for the Future' project in UK initially.	Employees to invite their children to produce and submit 'Sustainability message' video clips to Company competition. Three winning videos will be produced to a professional standard and posted on our website whilst also being used to influence policy.	30 September 2016.	Video clips.
	4.5.2 Establish annual 'Voices for the Future' project globally.		30 September 2017.	Video clips.

Sustainability Strategy

1 October 2014 to 30 September 2020 continued

Objectives	Targets	Comments	Delivery	KPIs
Theme 5: All Stakeholders 				
5.1 Engage with our stakeholders.	5.1.1 Develop a procedure for continual stakeholder engagement in UK and regular review of materiality matrix.	Progress made (see pages 39-40).	30 June 2015.	<ul style="list-style-type: none"> • Procedure. • Records of engagement. • Updated materiality matrix.
	5.1.2 Develop a procedure for continual stakeholder engagement across our global network and regular review of materiality matrix.		30 June 2017.	<ul style="list-style-type: none"> • Procedure. • Records of engagement. • Updated materiality matrix.
5.2 Communicate more effectively with internal and external parties on Sustainability.	5.2.1 Develop a new Sustainability Hub on the internet site.	Under development.	31 December 2014.	Completed Sustainability Hub on our external website.
Theme 6: Supply chain management 				
6.1 Encourage carbon reduction throughout our global supply chain.	6.1.1 Support UK Property top suppliers (by spend) to calculate and report their carbon footprints.	Progress has been made (see table on page 12 and Case Study 11 on page 40).	31 December 2014.	Training records and data upload on SmartCarbon™.
	6.1.2 Support UK Property top suppliers (by spend) to reduce and/or offset some of their carbon emissions.			Carbon Abatement Plans. Receipts for Offsets purchased.
	6.1.3 Roll out this supply chain project across our global network.	Develop a plan for phased roll-out.	Initiate 30 September 2015. All data reported by September 2020.	Data upload on SmartCarbon™.
6.2 Influence suppliers to meet our Sustainability Code of Conduct.	6.2.1 Establish a supplier Code of Conduct for our UK suppliers, including Sustainability criteria.	This will include a requirement to comply with the Bribery Act.	31 December 2014.	Updated terms of trade documents.
	6.2.2 Establish a supplier Code of Conduct for our global suppliers, including sustainability criteria.		31 September 2015.	Updated terms of trade documents.

Objectives	Targets	Comments	Delivery	KPIs
Theme 7 – Innovation for Sustainability 				
7.1 Embed innovation for Sustainability into our core business services.	7.1.1 Continue to work with our suppliers and employees to assess options so as to reduce the impact of motor and property repairs in the claims handling process and to collaborate with our key customers to assess demand for low impact or preventative insurance products.	Progress has been made (see table on page 12 and Case Study 14 on page 43).	31 December 2014.	Records of new ideas.
	7.1.2 Engage with our customers to better understand how we can transfer our technical knowledge to reduce the environmental and social impact of claims and repair handling business.	Progress has been made (see page 37).	31 December 2014.	Records of communications.
	7.1.3 Continue to invest in innovative 'Future-Ready' technological solutions such as the development of our Insurer suite of software products.	Progress has been made (see page 43).	30 September 2015.	New technological solutions available.
Theme 8 – Governance and Business Integrity 				
8.1 Achieving best practice in sustainable governance.	8.1.1 Maintain listing on FTSE4Good Index.		Annually.	Record submission and results of reports.
	8.1.2 Maintain commitment to the United Nations Global Compact.		Annually.	Record submission and results of reports.
	8.1.3 Consider registration with other sustainability initiatives.	Progress has been made with ClimateWise.	31 March 2015.	Registration.
	8.1.4 Report to CDP (formerly the Carbon Disclosure Project) with annual improvement to score.		Annually.	Record submission and results of reports.

Glossary of terms and acronyms

BMS	Building Management System	Ceres	Ceres is a non-profit organisation advocating for sustainability leadership. They mobilise a powerful network of investors, companies and public interest groups to accelerate and expand the adoption of sustainable business practices and solutions to build a healthy global economy.
Carbon Abatement Plan	Innovation Group's Carbon Abatement Plan is our method of listing the actions that we currently, or plan to, carry out in order to reduce our carbon emissions. Examples of which include installing more efficient boilers to save gas or fitting motion sensors in common areas to ensure lights are only turned on when required.	CEO	Chief Executive Officer.
Carbon footprinting	Assessing an organisation's carbon impacts.	ClimateWise	A collaborative insurance initiative through which members aim to work together to respond to the myriad of risks and opportunities linked to climate change.
Carbon offsetting	Purchasing credits to fund environmental/ social projects. This compensates for carbon emissions that the organisation cannot avoid.	CO₂e	Carbon dioxide equivalent. A way of measuring Greenhouse Gas Emissions.
Carbon sequestration	In the Case Study 3 on page 24 the capture, sequestration and long-term storage of carbon associated with reforestation with long-lived native trees (>100 years) which sequesters carbon over a longer period and ultimately allows for a more graduated release, minimising impact during the expected carbon crisis of the 21st century.	EIRIS	(Ethical Investment Research and Information Service (UK)). A leading global provider of research into corporate environmental, social and governance performance for responsible investors.
CDP	(Formerly the Carbon Disclosure Project). An independent not-for-profit organisation and global disclosure system for organisations to report and improve environmental performance.	EMAS	Eco-Management and Audit Scheme, is a voluntary initiative designed to improve companies' environmental performance.
CDSB	(Climate Disclosure Standards Board). A non-profit organisation working to provide material information for investors and financial markets through the integration of climate change related information into mainstream financial reporting.	EMS	Environmental Management System.
CDSB Framework	Created in line with the objectives of financial reporting and rules on non-financial reporting, the climate change reporting framework seeks to filter out what is required to understand how climate change affects a company's financial performance.	ESG	Environmental, social and corporate governance.
		FTE	Full Time Equivalent employee.
		FTSE4Good Index	A series of ethical investment stock market indices.
		FY	(Financial Year). In the case of this report 1 October 2013 – 30 September 2014.
		Greenhouse Gas ('GHG')	A gas that contributes to the Greenhouse effect by absorbing infrared radiation. Carbon dioxide and chlorofluorocarbons are examples of Greenhouse Gases.
		GHG Protocol	Greenhouse Gas ('GHG') Protocol, developed by World Resources Institute ('WRI') and World Business Council on Sustainable Development ('WBCSD'), sets the global standard for how to measure, manage, and report Greenhouse Gas Emissions.
		GDP	Gross Domestic Product

HSE	Health, Safety and Environment.	SMS	Subsidence Management Services, a Division of UK Property. (As featured on page 38).
ICROA	International Carbon Reduction and Offset Alliance: is a non-profit professional industry body hosting a membership of businesses that deliver carbon reduction and offset services.	UNEP Finance Initiative	United Nations Environment Programme Finance Initiative is a global partnership between UNEP and the financial sector. Over 200 institutions, including banks, insurers and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance.
IEMA	The Institute of Environmental Management & Assessment (IEMA) IEMA's role is to support individuals and organisations to set, recognise and achieve global sustainability standards and practice.	UNGC	United Nations Global Compact.
IiP	Investors in People.	WRI	World Resources Institute (WRI) is a global research organisation that turns big ideas into action at the nexus of environment, economic opportunity and human well-being.
ILO	The International Labour Organization is a United Nations agency dealing with labour issues, particularly international labour standards and decent work for all.	WSP	Consultancy providing integrated solutions across many disciplines including energy management.
IPCC	Intergovernmental Panel on Climate Change is a scientific intergovernmental body under the auspices of the United Nations.		
KPIs	Key Performance Indicators.		
LAS	A claims management and loss adjuster company acquired by Innovation Group in 2013.		
Materiality	The quality of being relevant or significant. Sustainability issues are reviewed to assess their relevance and significance to stakeholders.		
NGO	A non-governmental organization is neither a part of a government nor a conventional for-profit business.		
OHSAS 18001	The Occupational Health and Safety Assessment Series. OHSAS 18001 is an internationally applied British Standard for occupational health and safety management systems.		
SHE	Safety, Health and Environment.		
SMS	Sustainability Management System. (As featured on page 17).		



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The Innovation Group plc

1300 Parkway
Solent Business Park
Whiteley
Hampshire
England PO15 7AE

T +44 (0)1489 898300
F +44 (0)1489 579181
E info@uk.innovation-group.com