UPDATE ON SUSTAINABLE, RESPONSIBLE INVESTING - AN INSURANCE INVESTMENT PERSPECTIVE

BMCG, 12 June 2019
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Climate Change drives risk and opportunity in three ways...

### Physical Change

- **Increased intensity and volatility** of extreme weather, chronic changes like sea-level rise, crop nutrition alteration and more.

### Low-carbon Transition

- **Structural shift** from carbon-intensive fuels and products to low-carbon alternatives, induced by regulation, technology, market.

### Climate Litigation

- Companies sentenced for **insufficient response to climate change** mitigation and adaptation.
WHAT’S THE ROLE OF THE INSURANCE INDUSTRY?

**INSURE AGAINST CLIMATE RISKS**
Impacts from extreme weather events are likely to increase with global warming and insurers play a vital role in strengthening resilience.

**SUPPORT LOW-CARBON SOLUTIONS**
Insurers can support the global transition by insuring and investing in low-carbon solutions, including green real estate, renewable energy, and energy efficiency.

**DECARBONIZE INVESTMENTS**
As large-scale institutional investors, insurers can engage with their investee companies to have them set emission reduction targets in line with the Paris Agreement’s target.
ALLIANZ COMMITMENT – SHAPING A SUSTAINABLE FUTURE

Insurance Operations

Allianz Operations has been carbon neutral since 2012 (partly by offsetting)

We are committed to source 100% renewable power for our group-wide operations by 2023

Investment Portfolio

Carbon neutrality by 2050 in the Allianz Investment Portfolio: We joined the Science Based Targets initiative (SBTi) and committed to set long-term climate goals to decarbonize Allianz’ portfolio

Currently EUR 25bn* sustainability-themed investments with strong growth in the Allianz Investment Portfolio

* As of reporting year 2018
DEEP DIVE: SBTI

WHAT?

- Non-profit initiative by UN Global Compact, WRI, CDP and WWF
- Supports companies in the preparation and setting of science-based climate targets (<2°C) and the associated implementation paths
- 534* companies signed up for SBTi. SBTi is open for all sectors

*Status as of 05.03.2019

WHY?

- Climate change threatens to radically change our environment, our lives, and our business
- Limiting global warming to below 2°C is necessary to prevent the most severe consequences of climate change
- Companies with science-based targets are ahead of future policy and regulation

HOW?

- Allianz joined SBTi and committed to set targets for the decarbonization of its proprietary investments and global corporate operations
- Goal is to reach near-zero emissions by 2050
- For all sectors in scope, SBT must be defined and accepted (by large leading companies), i.e. Sectoral Decarbonization Approaches
OUR SUSTAINABILITY APPROACH FOR INVESTMENTS

COMPREHENSIVE

ALL PORTFOLIOS

IMPACT ORIENTED

TRADITIONAL

ALL ASSET CLASSES

HOLISTIC ESG APPROACH

REAL WORLD IMPACT

+ Exclusions
+ Support transition
+ Engagement
+ New investment opportunities

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ENGAGEMENT

What is engagement about?

- Target orientated and collaborative dialogue
- Various means of engagement: letters, calls, personal meetings, on-site visits, proxy voting
- Successful engagement can often require several years

Reasoning for Allianz engagement

- We are active owners
- We contribute to solutions. Thus, we do not exclude or divest ESG laggards automatically, but engage with them to induce improvement
- We provide further justification to companies to make the sustainability sound business decisions

Objectives of our engagement?

- Increase transparency of companies’ ESG performance and targets
- Provide incentive for companies to include long term sustainable thinking into decision processes
- Strengthen attention towards ESG issues and spur improvements of companies’ business performance
- Mitigate financial and reputational risks
NEW INVESTMENT OPPORTUNITIES

Real Estate

- Hudson Yards in Manhattan: First commercial office building in New York to receive LEED Platinum Certification
- EUR 13.3bn* invested in certified green buildings

Renewables

- EUR 6.8bn* investments in large and small scale renewable projects
- 86 wind farms & 9 solar farms*
- Mini Hydro Power Plant Fund in Indonesia

Infrastructure

- Partnership with the International Finance Corporation (IFC), commitment of $500mn in infrastructure projects in emerging countries
- Tideway Tunnel, London: Investment in a clean river preventing million tonnes of untreated sewage to be discharged into the tidal River Thames per year
- Investment into fiber to the home business (FttH) comprising 5mn homes in France

* As of reporting year 2018

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Establish taxonomy of „sustainable“ investments
- No clear taxonomy yet but best efforts will lead over time to a clearer picture
- Incomplete ESG data coverage

Introduce standards for ESG reporting
- e.g. Article 173 of the French Energy Transition Law is a step into the right direction

Strengthen regulatory guidance
- Transparency requirements
- Regulatory minimum standards to consider sustainable investments

Increase pipeline of impact investment opportunities

Dynamic taxonomy based on long-term transition pathways
Achieving robust and internationally consistent climate and environmental-related disclosure (NFGS Recommendation #5)
Real World Impact & attractive investments are not a contradiction

Doing well by doing good is possible!
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