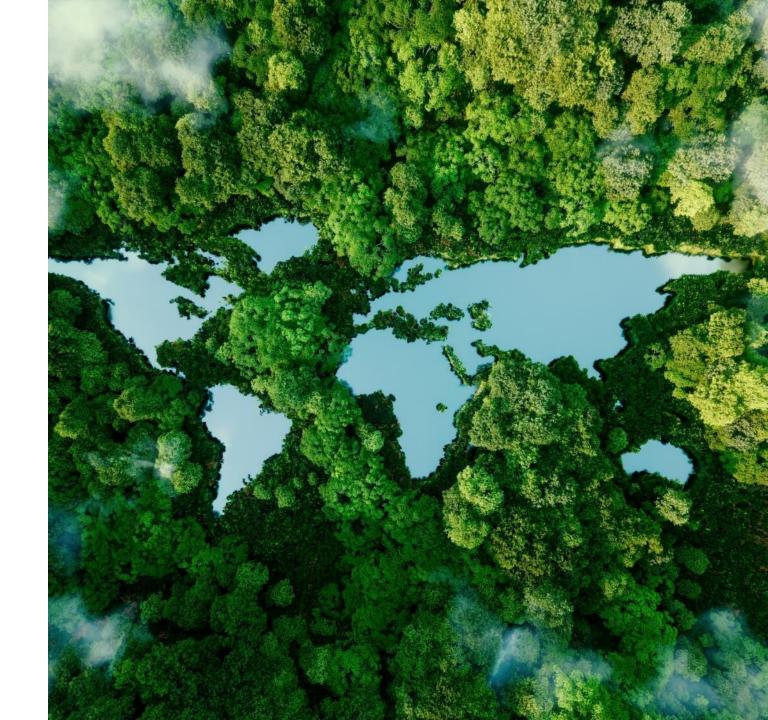


Allianz Use Case A4S

Measurement and Reporting of Insurance-Associated Emissions



Allianz, Global P&C Munich, 30 April 2024

The importance of GHG accounting in the re/insurance industry

GHG accounting can help financial institutions meet multiple business goals

1. Create transparency for stakeholders	2. Manage climate- related transition risks	3. Develop climate- friendly products	4. Develop and set climate targets
 Regulatory requirements to provide transparency on companies' GHG emissions Demand from both internal stakeholders as well as from customers to know more about the organizations' impact on the climate 	 GHG accounting helps companies identify areas of their underwriting activities that fall under carbon-intensive sectors Such activities might be impacted by the introduction of carbon prices and policies and regulations that are aimed at reducing emissions 	 Re/insurers can develop innovative products and services that enable their clients to decarbonize their business activities GHG accounting helps identify which sectors and businesses in their own portfolios require the most help in their decarbonization efforts 	 By undertaking GHG accounting, re/insurers are equipped with a metric that can help track absolute emissions on a yearly basis This quantification is needed for evaluation of climate targets
	Measurement of insu	rance-associated emissior	ns

2

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"Insurance-Associated emissions – top tips for finance teams of insurers and reinsurers"



About A4S

- Accounting for Sustainability (A4S) was established by HM King Charles III in 2004, when he was The Prince of Wales.
- A4S's purpose is to **transform finance** to deliver a sustainable future.
- A4S's spheres of influence are CFOs and finance teams, Capital markets, Accounting community, Business schools and academia, Regulators and policy makers.
- A4S is committed to exploring the **practical steps** and key barriers to action, to implement credible and ambitious transition plans, and accelerate action.



Publication: Top Tips for Finance Teams

- A4S has developed **top tips**, tailored to finance teams. The guidance aims to help re/insurers get started on calculating an emissions baseline and can be used as a resource as re/insurers develop their approach over time.
- The guidance is designed to support re/insurers to **operationalize current guidance** such as those from PCAF.
- This guidance was made possible thanks to contributions from the Association of British Insurers (ABI), Allianz, Partnership for Carbon Accounting Financials (PCAF) and Willis Towers Watson (WTW).
- <u>Read A4S's Top Tips</u> for Finance Teams on how they can establish a baseline on their website for more detail.
- **<u>Read the Allianz case study</u>** for a practical example on how they measured their insuranceassociated emissions



Accounting for Sustainability (A4S)

www.accountingforsustainability.org



Allianz and our commitment to Net-Zero

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Allianz is a global financial services provider with **125 million customers**. We offer products, services and solutions in both **insurance and asset management**. We are committed to transitioning our proprietary investment and property and casualty underwriting portfolios to **net zero greenhouse gas** (GHG) emissions by 2050. Our net-zero transition plan includes emission reduction targets for both our commercial and motor retail lines of business. Using the methodology from PCAF, we calculated our insurance-associated emissions 2022 baseline.

MOTOR RETAIL DEEP DIVE

Internal

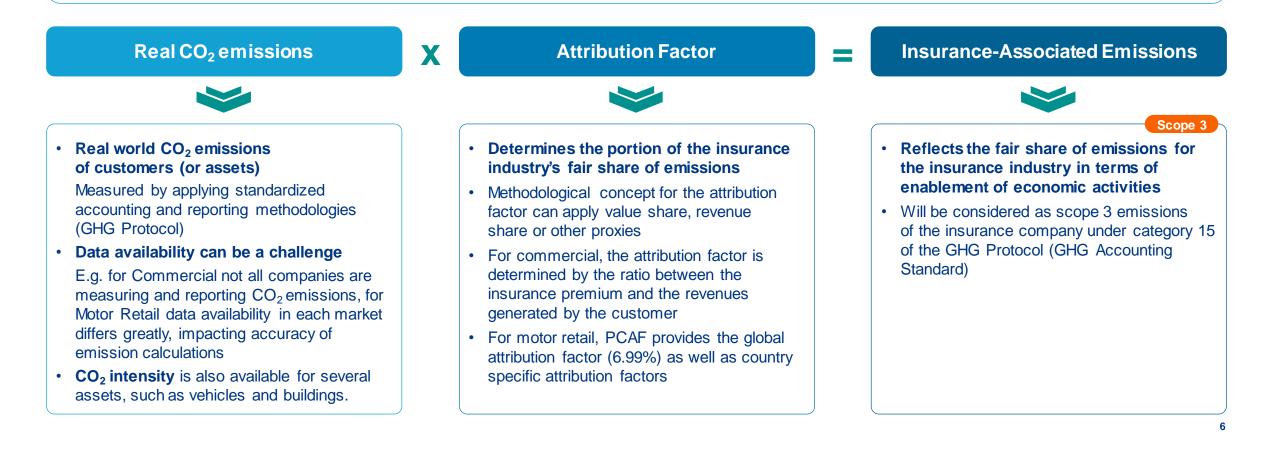
Allianz decarbonization pathway on setting effective Allianz (II) and meaningful targets to drive change

	1	2	3	4
Step	Publish Net-Zero Transition Plan	Publish baseline	Monitor progress	Expand scope
Date	→ September 2023	→ March 2024	2023 →	2024 →
Status	 Allianz Inaugural Net-Zero Transition Plan including intermediate targets (2030) was developed Intermediate targets (2030) were set based on bottom- up road testing with OEs Plan was published in September 2023 	 Baselining conducted during 2023 by 14 OEs with the largest motor retail portfolios 2022 Baseline was published in the Allianz Group 2023 Annual Report and 2023 Sustainability Report. (2.10 mn t CO₂, in- scope premiums 55%)¹ 	 Regular quarterly reporting implemented in 2023 External reporting on 2022 Baseline published in 2024 Assessment of 2023 emissions already begun, including audit activities 	 Allianz chairs the PCAF IAE Working Group to include Treaty Insurance & Project-based Insurance in the methodology Review of other markets/portfolios which could be included in our future emissions reporting

Allianz (II)

The PCAF standard sets a framework for measuring Insurance-Associated Emissions

The lack of ownership or direct control over a customer's activity or asset is a key differentiation from investments and impacts the influence a re/insurer has on the customers decisions to reduce emissions. The role of the insurance industry is as an **enabler** (alongside others in the value chain of the customer). Consequently, the fair share of emissions has to be determined using the attribution factor for the insurance portfolio.



MOTOR RETAIL DEEP DIVE

Motor Retail deep dive: Building on the PCAF standard to develop an internal Allianz methodology

We remain **consistent with other financial institutions**, using the PCAF Standard as a base, however we recognized the need to **tailor the standard** to our own organization:

- To align with internal practices
- To avoid confusion
- To help educate employees

Internal guide developed

01

- Translated the PCAF
 methodology into our
 internal methodology
- Detailed what was in scope e.g. inclusions and exclusions for the motor retail line of business were outlined
- Signposted internal tools including pricing tools, best practice documents and data sources.

Gathered data and established a baseline

02

- Step 1: Setting the scope: Identified markets with biggest relevance where data was available, adequate and reliable
- Step 2: Sourcing data: Guidelines, methodologies and processes were issued to local operating entities
- Step 3: Checking data quality: After running data cleaning exercises and data quality checks (globally and locally), processes were amended to correct highlighted errors
- Step 4: Iterating and improving data quality: Average data quality score obtained was 2.61 for the 2022 Baseline¹

Considering our long history of gathering financial data, we have relied on already established systems, data processes, governance and controls

03

Integrated

approach

Allianz (II)

 Allianz Group has the overarching governance responsibility for the data we reported, however each operating entity as well as Global P&C undergo additional external audits

Stakeholders involved ensured a collaborative and successfully integrated approach



- Pricing and data experts were the technical leads
- Employees across our operating entities were fully integrated into the approach and processes, constantly working together to assess feasibility of targets, financial impact etc.
- Finance staff became more involved throughout the process in terms of reporting and assurance, being the bridge between our business and our auditors

Focus on upskilling employees

- · Presentations were given to top management
- Internal training sessions (expert level) on insurance associated emissions were developed and conducted
- E-Learning sessions and trainings (ground level) for the rest of the organisation were also developed and successfully rolled out
- In total, more than 111 employees were trained in-person since the beginning of Q4 2023

Allianz (II)

Key takeaways

Learn by doing

Get started now and address challenges as you come across them.

You're unlikely to get the perfect baseline immediately, so don't be disappointed if the data isn't robust enough on your first attempt. Complete several iterations of your baseline, refining and improving your approach each time.

Choose appropriate departments to lead the calculation

It is crucial to give responsibility to the most appropriate team, for instance, a team already experienced in handling complex data or conducting the necessary analysis using specific tools.

You might choose to have the finance team lead some of the work, or teams specializing in pricing and data management lead in other areas.

start. The PCAF Standard will be updated, and the lines of businesses included will expand. Be ready to respond and adapt your approach

accordingly.

for changes



Educate employees continuously and get Internal buy-in

Use the PCAF Standard – But be ready

A consistent approach across the industry is key, use the PCAF Standard as a guide and focus

on the lines of business it currently covers to

As this is a new area for all of us, **knowledge sharing and upskilling are essential.**

Involve key employees from across the business, including different levels, departments and job roles. Also focus on frontline employees, so they can spread the word and promote the approach in their own areas of the organization as well as externally.

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Thank you!