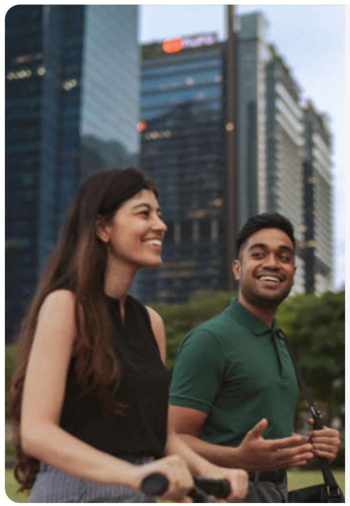
HEALTHIER, LONGER, BETTER LIVES

CLIMATE-RELATED DISCLOSURES

AIA ESG REPORT 2024
SUBSECTION REPORT

CONTENTS



INTRODUCTION

Climate change in Asia Pacific and AIA's ambitions towards climate change

Asia Pacific (APAC) accounted for about 60% of total emissions in 2023.[1] At the same time, the region's conditions make it highly vulnerable to the impacts of climate change. A recent Asian Development Bank (ADB) survey found that 91% of respondents across 14 APAC economies view climate change as a serious issue and are calling for more ambitious government action.[2] Without effective climate mitigation measures, the APAC region could face a 26.5% decline in GDP by 2050.[3]

United Nations Development Programme (UNDP) report on Asia-Pacific Human Development, highlights the disparities exacerbated by recent crisis including climate change. [4]As the largest pan-Asian life and health insurer, AIA is positioned to contribute to a healthier, sustainable and inclusive future for the region.[5]

In December 2021, AIA (the Group) committed to achieving net-zero emissions by 2050 and aligned with the Science Based Targets initiative (SBTi), demonstrating the Group's dedication to take credible action on climate risks and opportunities. To achieve this, AIA targets a 46.2% reduction in Scope 1 and 2 emissions by 2030, aligned with the 1.5°C pathway in accordance with the Paris Agreement. Beyond 2030, AIA is to remain steadfast in our goal of achieving net zero by 2050.[5]

Our first Climate Transition Plan (CTP)[5] was published in 2023 to outline how we plan to reach this target. The document outlines the Group's climate vision, strategy, targets (including near-term targets and long-term commitments in detail) and execution plan, including the emission reduction levers to manage climate-related risks and opportunities across the Group's Operations, Investments, and Life and Health insurance portfolio.

1 UNESCAP. (2024). 2024 *Review of climate ambition in Asia and the Pacific: from ambitions to results sectoral solutions and integrated action.* **https://www.unescap.org/kp/2024/climate-ambition-asia-pacific**
2 Asian Development Bank. (2024, October). *Asia-Pacific Climate Report 2024: Catalyzing Finance and Policy Solutions.* **https://www.adb.org/climate-report/editions/2024**
3 Asian Development Blog (2024, November). *Five Steps to Insure a Safe Future for Climate-Vulnerable Communities.* **https://blogs.adb.org/blog/five-steps-insure-safe-future-climate-vulnerable-communities**
4 United Nations Development Programme (2023, November). *Regional Human Development Report 2023.* **https://www.undp.org/asia-pacific/publications/making-our-future-new-directions-human-development-asia-and-pacific**
5 AIA Group Limited. (2023). *AIA Climate Transition Plan 2023.* **https://www.aia.com/content/dam/group-wise/en/docs/ESG/AIA_Climate_Transition_Plan_2023.pdf**

GOVERNANCE

Oversight of climate-related risks and opportunities

Importance of a robust governance structure

Effective governance is essential to AIA's business and serves as the foundation for our responsible business conduct. Our Board and senior management offer robust oversight, ensuring that responsible operations remain central to our organisational culture. Our governance framework evolves as we expand our business and continue to embed our ESG strategy into our operations.

Governance at Board level

Board responsibility and oversight of climate-related risks and opportunities

The Board of Directors oversees Group ESG matters, including climate-related risks and opportunities. It sets our risk appetite and implements an effective Enterprise Risk Management (ERM) framework.

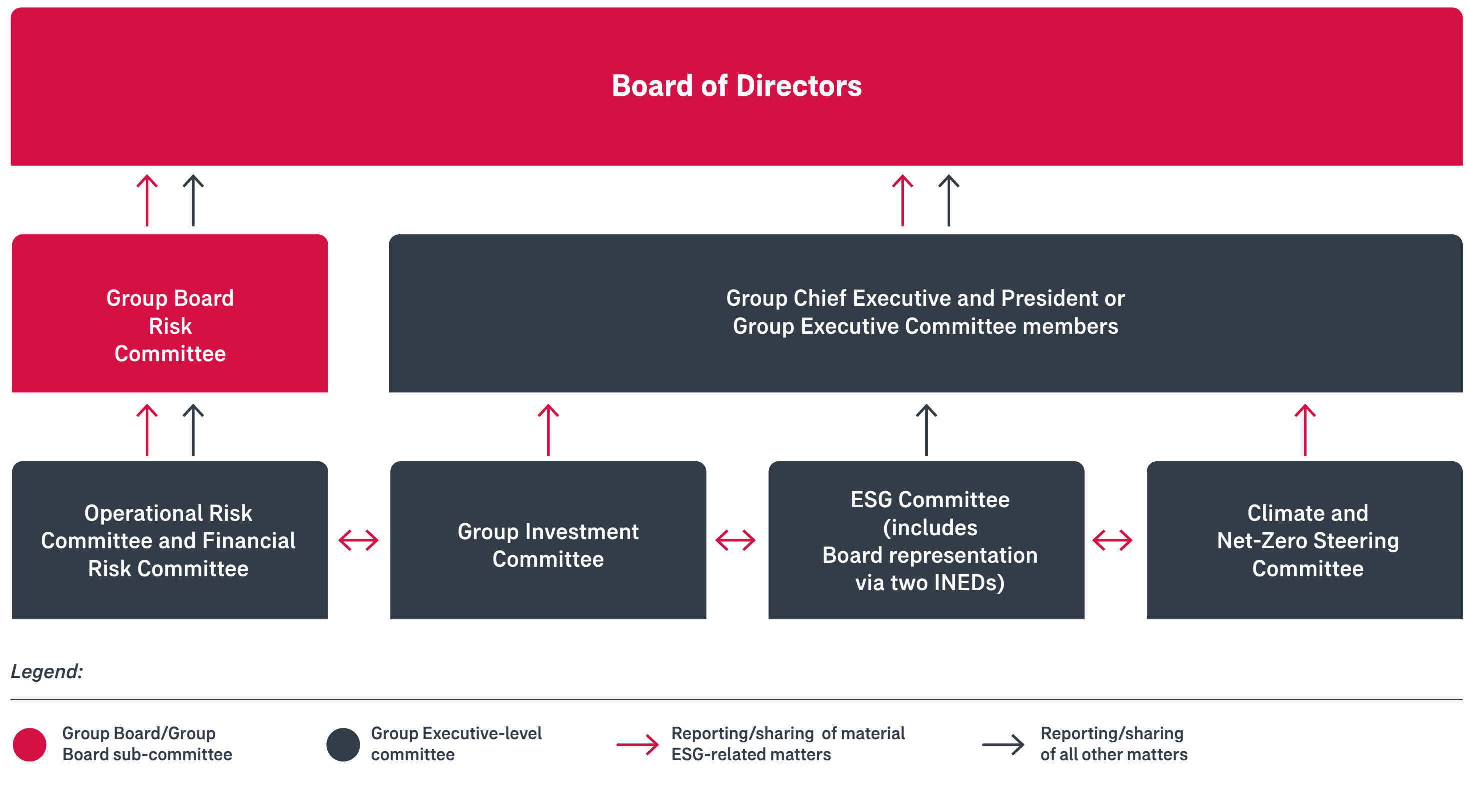
Direct reporting lines and regular meetings ensure clear oversight of climate matters at all management levels.

Board skills and competencies

Having the appropriate skills and competencies is crucial for developing and implementing strategies that address climate-related risks and opportunities.[1] Transitioning towards a sustainable future also requires environmental expertise in decision-making bodies.[2] To achieve this, AIA ensures that at least one member of the Board has climate- and environmental-related expertise, including having executive-level experience in a role focused on climate-related issues; in the environmental department of a government (national or local); or organisation.

Our Independent Non-Executive Directors (INEDs) have served in relevant such committees and have champion expertise in environmental-related matters. For further details, please refer to AIA's Leadership team.[3]

OVERVIEW OF MANAGEMENT OVERSIGHT AND FUNCTIONAL BODIES



1 Hong Kong Exchanges and Clearing Limited. (2024, April). *Implementation Guidance for Climate Disclosures under HKEX ESG reporting framework.* **https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/guidance_enhanced_climate_dis.pdf**
2 Carbon Disclosure Project (2024, April). *CDP Full Corporate Questionnaire.* **https://cdn.cdp.net/cdp-production/comfy/cms/files/files/000/009/100/original/CDP_2024_Corporate_Questionnaire_Guidance_Modules_1-6.pdf**
3 AIA Group Limited. (2024, September). *Leadership team.* **https://www.aia.com/en/about-aia/overview/leadership-team**

To maintain relevant understanding of the topic, Board members undergo trainings on climate and environmental-related matters, such as TCFD and the SBTi. In 2023, Board members received training on climate-related matters including ESG issues and engaged with climate thought leaders. Certain Board members, including the Group Chief Executive and President, completed certificate oriented training on the 'Governance of climate risks and opportunities' that focused on the potential impacts of climate change on business, governance disclosure requirements of the TCFD recommendations and actions to be an effective Board in relation to climate change.

Linkage to incentives and remuneration

A component of the compensation of the Group Head of Sustainability is linked to the organisation's performance on ESG and climate targets. Further details on the Group's remuneration framework can be referred to in the Remuneration Report as part of the Annual Report 2024.

The table below summarises the Board committees' responsibilities on ESG, including climate-related topics.

Governance at management level

The Group General Counsel chairs the ESG Committee and the Climate and Net-Zero Steering Committee, and serves as the highest-ranking official responsible for ESG-related issues. The role reports directly to the Group Chief Executive and President to provide regular updates to the Board.

The Group Head of Sustainability reports to the Group General Counsel and is tasked with embedding the Group's climate strategy across AIA's operations, leading the Group ESG functions and driving the organisation's overall sustainability efforts.

The Group Head of Sustainability is also responsible for overseeing the achievement of ESG KPIs, as outlined in the Sustainability Strategic Plan agreed with the ESG Committee and the Climate and Net-Zero Steering Committee. These KPIs support the Group's net-zero transition commitment for 2050.

A portion of the Group Head of Sustainability's annual performance bonus and salary increases are linked to performance on these KPIs.

The Group Chief Investment Officer (CIO) serves as the highest-ranking management officer for climate issues related to AIA's investment portfolios, reporting to the Group Chief Executive and President and providing updates to the Board on a quarterly basis. The Group CIO oversees the Sustainable Investment pillar of AIA's climate strategy and the progress towards the investment targets. The role also supervises the investment-related content of AIA's ESG reports.

AIA has four management-level committees working collaboratively to ensure effective oversight and implementation of climate-related strategies, aligning the Group's efforts with the sustainability goals. The specific environmental responsibilities of these management-level committees, including for climate-related topics, are outlined in the following table.

BOARD COMMITTEES' RESPONSIBILITIES ON ESG

GOVERNANCE BODY	ROLES AND RESPONSIBILITIES	MANAGEMENT STRUCTURE AND REPORTING LINE	REPORTING FREQUENCY
Board of Directors	• Oversees AIA's risk-management activities, including ESG and climate-related risks and opportunities • Implements an effective Group ERM framework • Monitors overall progress of AIA's climate commitments	• Supported by BRC • Group's BRC and Group Executive Committees report to Board of Directors	Receives updates from respective committees at least four times a year, with bi-annual updates on material issues
Group Board Risk Committee (BRC)	• Determines the Group's risk appetite and ensures that the Group establishes and maintains an appropriate and effective risk management framework, including considerations for ESG-related risks • Ensures that the material risks, including ESG-related risks, are identified with mitigation actions in place • Where material, ESG-related risks and opportunities are assessed and escalated to the Group Board	• Operational Risk Committee and Financial Risk Committee report to Group BRC • Group BRC reports to Board of Directors	At least four times a year

MANAGEMENT COMMITTEES' RESPONSIBILITIES ON ESG

GOVERNANCE BODY	ROLES AND RESPONSIBILITIES	MANAGEMENT STRUCTURE AND REPORTING LINE	REPORTING FREQUENCY
ESG Committee	• Acts as AIA's overarching body for ESG-related matters, including climate-related matters • Develops, monitors and supports the implementation of the ESG strategy (including providing progress updates on the Group's ESG strategy to the Board) • Sets ESG policies and objectives • Endorses targets and KPIs • Monitors and reviews the Group's ESG and climate performance against ambitions and targets • Discusses and escalates ESG risks to the Board through the Risk Committee, when needed • Oversees ESG reporting and disclosure • Provides updates to the Board and senior management on ESG matters • Addresses ESG issues related to climate risk within the business • Shares and reports on pertinent issues around ESG amongst other management-level committees	• Chaired by Group General Counsel • Membership includes two INEDs	At least on a quarterly basis. Bi-annual reporting to Board to update on material issues
Climate and Net-Zero Steering Committee	• Provides regular updates on climate and net-zero matters to the Group Chief Executive and President and the Board to ensure they have all information necessary to fulfil their duties and responsibilities • Collaborates with committees, such as the ESG Committee and the Group Investment Committee, to provide inputs on the above • Oversees the SBTi baseline and decarbonization target setting • Oversees strategy and governance to reduce Group-wide GHG emissions in compliance with the SBTi pathway • Oversees climate-related strategies and the long-term integrated Climate Transition Plan (CTP), building on the SBTi pathway, to achieve the Group's overall climate objectives, including periodic review of the Group's climate targets in compliance with SBTi	• Chaired by Group General Counsel • Group Chief Financial Officer • Group Chief Investment Officer • Group Chief Technology and Life Operations Officer • Group Head of Sustainability • Regional Chief Executive • Group Head of Internal Audit (Group Risk)	As often as needed to undertake its role effectively for the duration of the initiative
Operational Risk Committee and Financial Risk Committee	• Ensures that the material risks facing the Group, including ESG-related risks, have been identified, monitored and mitigated • Reviews the adequacy and effectiveness of the risk management framework that relates to the Group's management of material risks, including ESG-related risks	• Reports to Group Board Risk Committee	At least four times annually
Group Investment Committee	• Reviews and approves ESG requirements in the investment process set out in the Investment Standards under the IGF relating to AIA's general account investment portfolio • Approves and oversees progress towards investment SBTs • Receives input from the Climate and Net-Zero Steering Committee and the ESG Committee	• Chaired by Group Chief Investment Officer • Reports to Group Chief Executive and President • Group Chief Financial Officer • Group Chief Risk Officer • Group Chief Actuary	At least four times annually

STRATEGY

AIA's climate change strategy

In 2021, we developed our ESG strategy, which is a long-term programme aimed at identifying, assessing and managing physical, transition and liability risks and opportunities associated with climate change. This strategy aligns with our commitment to achieve net-zero GHG emissions by 2050. In 2023, we became the first pan-Asian life and health insurer to obtain SBTi-validated near-term targets. We also released our initial CTP in 2023 to support these near-term targets with tangible actions.

This year marks our inaugural publication of progress tracking against our near-term targets (further details available in our 2024 ESG Report).

Climate risks and opportunities

Climate risks are an important topic for our internal and external stakeholders, and are classified into three categories:

1. Physical risks from climate change, such as acute events like storms and floods (event-driven), and chronic events like increased temperatures and sea levels (driven by longer-term shifts in climate patterns)
2. Transition risks being the costs of transitioning to a low-carbon economy, driven by policy action, technology or market changes
3. Liability risks resulting from the potential litigation or regulatory exposure against companies that are deemed to contribute to climate change or inadequately respond to its impacts.

The table on the following page provides an overview of common climate-related risks that may present within our taxonomy. Our journey in climate risk management will mature as we collect more granular data and methodologies become more developed, refined and robust.

TYPICAL CLIMATE-RELATED RISKS FOR LIFE AND HEALTH INSURERS		COMMON MANIFESTATIONS	PRIMARY EXPOSURE TO INSURERS	EXPOSURE TO INSURANCE LIABILITIES	EXPOSURE TO INVESTMENT ASSETS
Physical	Acute	• Increased severity of extreme weather events such as cyclones and floods	Business Operations Risk Insurance Risk Market Risk Other Financial Risks	●	●
	Chronic	• Changes in precipitation patterns and extreme variability in weather patterns		●	●
		• Rising mean temperatures		●	●
		• Rising sea levels		●	●
Transition	Policy and Legal	• Increased carbon pricing	Business Operations Risk Other Financial Risk Insurance Risk Persistency Risk Expense Risk Reputational Risk	●	●
		• Enhanced emissions reporting obligations		●	●
	Market and Technology	• Substitution of existing products and services with lower emissions options		●	●
		• Costs of transition to lower emissions technology		●	
		• Changing customer behavior		●	
	Reputation	• Shifts in consumer preferences		●	●
		• Increased stakeholder concerns or negative stakeholder feedback		●	●
Liability	Litigation	• Exposure to litigation	Legal and Regulatory Risk Business Operations Risk		●
	Regulatory Law Enforcement	• Mandatory disclosure of climate-related information		●	●

AIA's climate resilience and scenario analysis

Climate scenario analysis is important in identifying and assessing climate-related risks under different conditions.

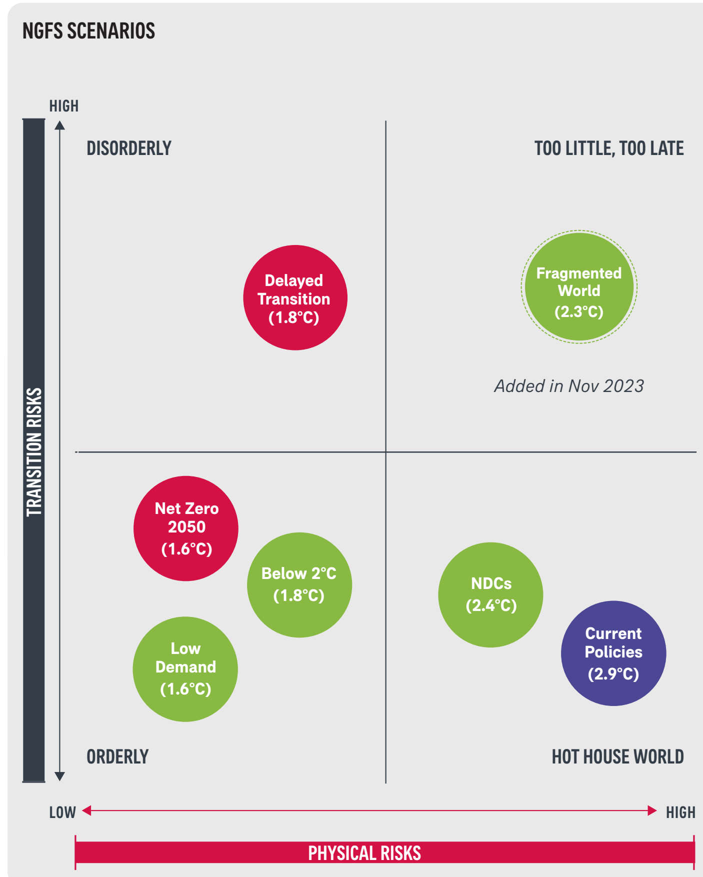
In 2023, our scenario analysis examined the resilience of our Investment, Operations, and Life and Health (Liabilities) portfolios against three Group-wide scenarios[1] to consider AIA's resilience to withstand climate-related risks and impacts across various time periods. The climate-related opportunities differ across these scenarios.

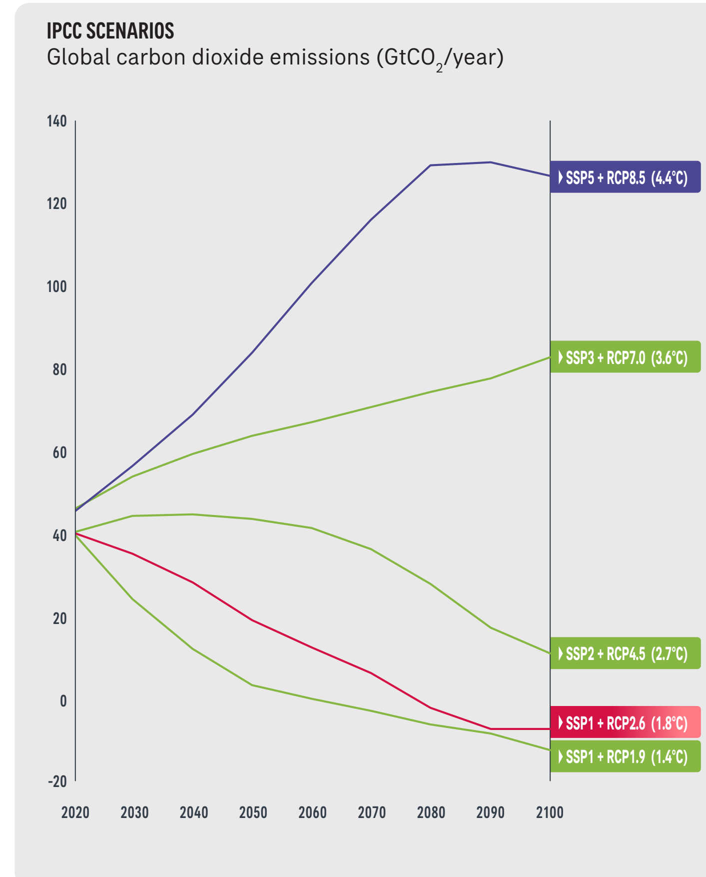
In 2024, AIA continued to use the scenarios developed by the Network for Greening the Financial System (NGFS)[2] as the primary data source for identifying and understanding transition risks. Since 2023, AIA has incorporated additional data from the Intergovernmental Panel on Climate Change (IPCC), specifically scenarios (SSP1[3]+RCP2.6[4] and SSP5+RCP8.5), for greater granularity in climate peril data for physical risk evaluations.

Our current approach assumes no correlation between different hazards. Recognising that global average temperatures have already exceeded 1.5°C above pre-industrial levels,[5,6] we consider the temperature rise pathway SSP1+RCP1.9 to be unlikely. We will continue to evolve our approach to climate scenario analysis as new credible data and methodologies.

See the graphics on the right for the NGFS[7] and IPCC scenarios.[5]

We assessed physical and transition risks over three distinct time horizons. We continued using the time horizons in alignment with our business strategies and global best practices.





1 Group-wide scenarios refer to those that are applicable to entities under AIA Group based on a standardised methodology and/or assumption.
2 NGFS is a group of central banks and supervisors who share best practices, contribute to developing climate and environment risk management in the financial sector, and mobilise mainstream finance to support the transition to a sustainable economy.
3 Shared Socioeconomic Pathway.
4 Representative Concentration Pathway.
5 Chen, D., Rojas, M., Samset, B. H., Cobb, K., Diongue Niang, A., Edwards, P., Emori, S., Faria, S. H., Hawkins, E., Hope, P., Huybrechts, P., Meinshausen, M., Mustafa, S. K., Plattner, G. K., & Treguier, A. M. (2021). *Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change* (Report No. 6). Cambridge University Press. **https://doi.org/10.1017/9781009157896.003**
6 Copernicus Climate Change Service. (2023, August 8). July 2023: *Global air and ocean temperatures reach new record highs.* **https://climate.copernicus.eu/july-2023-global-air-and-ocean-temperatures-reach-new-record-highs**
7 NGFS (Network for Greening the Financial System). (2023). *Climate Scenarios for Central Banks and Supervisors: Phase IV*. Retrieved from **https://www.ngfs.net/sites/default/files/medias/documents/ngfs_climate_scenarios_for_central_banks_and_supervisors_phase_iv.pdf**

The three NGFS scenarios chosen were shaped by AIA's vision of potential future conditions:

1. **Net Zero 2050:** This scenario assumes immediate and stringent policy action combined with innovation to limit global warming to 1.5°C. Carbon dioxide removal techniques are utilised to expedite decarbonization but are kept within sustainable levels of bioenergy production. Global net-zero CO_2 emissions are achieved by 2050, with some markets like the US, EU and Japan also reaching net zero for all greenhouse gases.
2. **Delayed Transition:** This scenario assumes that annual emissions do not decrease until 2030, followed by the implementation of strong policies to limit warming to below 1.8°C. Climate policies and actions vary significantly across different markets and regions, with limited CO_2 removal. As a result, emissions temporarily exceed the carbon budget and then decline more rapidly than in other scenarios, leading to increased transition and physical risks in some markets compared to the Net Zero 2050 scenario.
3. **Current Policies:** This scenario assumes the continuation of currently implemented climate policies with no additional action. Emissions continue to rise until 2080, resulting in 2.9°C of warming and leading to severe physical risks.

SHORT TERM (0-3 YEARS)

Aligned with our strategic planning cycle

MEDIUM TERM (3-10 YEARS)

Aligned with our near-term SBTs, providing a sufficient timeframe for various climate-related pathways to unfold.

LONG TERM (10-30 YEARS)

Aligned with our long-term net-zero commitments, offering sufficient time to observe long-term climate impacts.

The graphic above illustrates the different time horizons defined as well as the alignment with AIA planning and net-zero pathway.

Methodology summary

AIA accounts for quantitative and qualitative elements when conducting scenario analysis. This approach considered the materiality of climate risks to each portfolio, the availability of reliable data, measurement uncertainty, and resource requirements. Assessments for our Investment, Operations, and Life and Health portfolios from 2023 are summarised below. For 2024, we refreshed the analysis for Investment and Operations only.

OVERVIEW OF SCENARIO ANALYSIS AND SCOPE

	METHODOLOGY	PORTFOLIO SCOPE	RISK TYPES	DATA SOURCES	METHODOLOGY	PORTFOLIO SCOPE	RISK TYPES	DATA SOURCES
INVESTMENTS	• **Bottom-up** assessment at **issuer level**	• **Listed Equities** and **Corporate Bonds holdings** • **6 CPRS[1] sectors**	• **Regulatory**, **technology** and **market risks** • Unique risk drivers for each subsector	• NGFS, MSCI,[2] expert inputs, etc	• **Bottom-up** assessment at **issuer level**	• **Listed Equities**, **Corporate Bonds**, **Direct Real Estate** holdings • **6 CPRS[1] sectors**	• **5 physical risks** (Flood, Wind, Wildfire, Heat, Cold)	• OS Climate, IPCC,[3] S&P,[4] proprietary asset location mining tool, expert inputs, etc
OPERATIONS	*Immaterial*				• **Bottom-up** assessment across **AIA occupied buildings**	• Both **employee** and **agent** footprint	• **5 physical risks** (Flood, Wind, Wildfire, Heat, Cold)	• OS Climate, IPCC, expert inputs, etc
LIFE AND HEALTH (LIABILITIES)	*Immaterial*				• **Top-down** qualitative assessment	• **5 largest BUs** by Embedded Value	• Transmission of 5 physical risks into **7 types of Life and Health risks**	• OS Climate, IPCC, WHO,[5] expert inputs, etc

1 Climate Policies Relevant Sectors. CPRS is a classification of economic activities to assess climate transition risks. https://www.ngfs.net/ngfs-scenarios-portal/data-resources/
2 Morgan Stanley Capital International.
3 Intergovernmental Panel on Climate Change.
4 Standard & Poor's.
5 World Health Organization.

Climate risks and opportunities in AIA Operations

Portfolio boundaries and methodology

AIA evaluated the physical risks impacting its operations, with a specific focus on real estate and vehicles owned or leased at all locations utilised by employees and agents.

Operations risks

Methodology

We evaluated our physical risks across operations by examining five key hazards – flood, wind, wildfire, heat and cold – spanning our operational footprint in 18 markets. Data sources such as the IPCC, OS Climate and expert inputs are utilised. For each operating location, we assessed the severity of each hazard based on:

- **Exposure:** The probabilistic magnitude of each physical hazard event.
- **Vulnerability:** The predisposition of the building's investment value to be adversely affected by the hazard.

We consider transition risks to be immaterial for our operations, given the minimal impact of increasing transition drivers. For example, while an increase in carbon pricing might affect utility bills, we anticipate that our SBTs will mitigate this impact as we move towards greater energy efficiency and the consumption of renewable energy.[1]

Results and impact on strategy

Flooding is considered as the most significant hazard due to potential business interruptions. We will improve our understanding of this hazard and its impacts as more data becomes available and verifiable. The short-term nature of most leases grants AIA the flexibility to continuously monitor physical hazard data and relocate if necessary, while also providing the option to optimise property insurance coverage.

Operations opportunities

AIA commits to reducing any adverse environmental impact arising from our day-to-day operations and we rely on behavioural change as well as the use of efficient technology, processes and systems to drive and monitor reduction initiatives. One of our goals we have is to increase the use of energy-efficient technology in our operations to reduce energy consumption.

Benefits include cost savings from energy-efficient technologies and the use of renewable energy. This is particularly relevant if the price of carbon increases. Our key markets continue to identify, evaluate and execute initiatives in buildings we operate in. This includes retrofits and demand management initiatives.

For more on climate-related opportunities in our operations, see our 2023 CTP.[2]

Our transition plan relies on key assumptions and dependencies with factors beyond our control, including government policies, regional infrastructure and shifts in technology. Moving forward, we will update our roadmap to reflect evolving methodologies, new learnings and best practices.

Climate risks and opportunities in AIA Investments

Portfolio boundaries and methodology

AIA evaluated both physical and transition risks for Listed Equities, Corporate Bonds[3] and Direct Real Estate holdings within its general account investment portfolio. The assessment covered assets directly managed by AIA as well as those managed by external managers under segregated mandates. The scenario analysis for resilience testing concentrated on six material Climate Policy Relevant Sectors (CPRS) – Fossil Fuels, Electricity/Utilities, Energy-Intensive Industries, Buildings, Transportation and Agriculture. This methodology aligns with practices adopted by peers and key authorities, such as the NGFS[4] and the Monetary Authority of Singapore (MAS).[5]

To determine the risk level of each asset, we evaluated the climate exposure and vulnerability across both transition and physical risk drivers.

A broad range of data sources were used to analyse risk exposure and vulnerability, incorporating quantitative metrics (e.g. flood depths, carbon pricing, emission intensities) and qualitative assessments (e.g. companies' ability to mitigate financial impacts).

Transition risk

Methodology

Throughout 2024, AIA continued to apply its enhanced transition risk assessment methodology, first introduced in 2023, to evaluate the risks impacting each issuer.

We employed a detailed bottom-up analysis to assess transition risks across our Listed Equities and Corporate Bonds holdings within our investment portfolio.

For each subsector, drivers related to regulatory, technology and market risks were identified and evaluated. We used data sources from NGFS, Morgan Stanley Capital International (MSCI) and expert inputs. For each risk driver, we evaluated both the exposure and vulnerability of the issuer.

These assessments were conducted as follows:

- **Exposure:** The forecasted magnitude of each risk driver, including factors like carbon price and low-carbon fuel adoption, across different time horizons and climate scenarios.
- **Vulnerability:** The susceptibility of the issuer to financial loss due to the risk driver. This evaluation included factors such as the issuer's ease of mitigation and their own planned mitigation actions.

Results and impact

The highest risks were identified in the fossil fuels and electric utilities sectors, particularly in the Net Zero 2050 scenario. They are expected to face increasing technology and market risks due to the pressure to decarbonize and shifting global energy trends. The electric utility sector faces mounting regulatory risks as markets adopt carbon pricing and shift towards renewables.

In the short term, the impact of these transition risks on our investment portfolio remains relatively insignificant. However, we anticipate a more material impact in the long term, particularly as we approach 2050, especially under the Net Zero 2050 and Delayed Transition scenarios.

Our near-term emissions reduction targets, validated by the SBTi, can play a role in mitigating transition risks, particularly for sectors with higher transition risks. For example, our Sectoral Decarbonisation Approach (SDA) target for the power generation sector can help us to track emission intensity across issuers within the higher-risk electric utilities sector.

AIA has integrated various ESG factors into our bottom-up investment processes for general account assets.

We have developed our proprietary ESG Rating Scorecard for issuers within our directly-managed Fixed Income and Listed Equity general account portfolios. Our Third-Party Investment Manager ESG Assessment assesses external asset managers on their ESG frameworks and processes, providing us with the ability to engage with investee companies and managers on their climate risk positions and practices.

We will continue updating our transition risk assessments as data availability and impact quantification methods improve. In the future, we will review our assessment methodology to quantify risks at a portfolio level and potentially integrate these assessments into our bottom-up investment processes.

1 National Climate Change Secretariat. (2023, December). *Carbon Tax.* **https://www.nccs.gov.sg/singapores-climate-action/mitigation-efforts/carbontax/**
2 AIA Group Limited. (2023). *AIA Climate Transition Plan 2023.* **https://www.aia.com/content/dam/group-wise/en/docs/ESG/AIA_Climate_Transition_Plan_2023.pdf**
3 Including Power generation project finance.
4 NGFS. (2023, November). Data & Resources. NGFS Scenarios Portal. **https://www.ngfs.net/ngfs-scenarios-portal/data-resources/**
5 Monetary Authority of Singapore. (2022). ***Financial Stability Review 2022.*** **https://www.mas.gov.sg/-/media/MAS-Media-Library/publications/financial-stability-review/2022/Financial-Stability-Review-2022.pdf**

Physical risk

Methodology

Physical risk assessments were done using bottom-up analysis across Listed Equities, Corporate Bonds and Direct Real Estate holdings in the general account portfolio. We assessed five significant physical hazards – flood, wind, wildfire, heat and cold – at the individual asset locations of each issuer. Data was extracted from sources such as IPCC, OS Climate, S&P, a proprietary asset location mining tool, and expert inputs.

The severity of each hazard was measured based on exposure and vulnerability:

- **Exposure:** The probabilistic magnitude of each physical hazard event at a particular location.
- **Vulnerability:** The predisposition of a company's assets or business being adversely affected by the hazard. A physical risk assessment (location-by-location) was performed using a bottom-up approach for the largest 161 positions in our CPRS holdings.

Results and impact

Floods, wildfires and heat were identified as the most significant long-term hazards for our Listed Equities and Corporate Bonds holdings, particularly in the scenario where mean surface temperatures could potentially exceed 3°C by 2100 under current policies. However, our geographically diversified portfolios provide some protection against adverse climate effects.

Our aim is to monitor physical risks at the issuer level, with the objective of integrating physical risk assessments into our bottom-up investment processes as data availability and impact quantification methods improve.

For our Direct Real Estate portfolio, floods and heat emerged as the most significant long-term climate hazards.

Our aim is to ensure all new constructed or acquired commercial property investments adhere to key building certification standards such as LEED (Leadership in Energy and Environmental Design) and WELL certification. The certification standards need to meet specific environmental requirements, which helps to mitigate the impacts of severe weather events.

Investment opportunities

AIA is committed to pursuing climate-related opportunities within its investment portfolio, focusing on low-carbon assets and investees that align with climate transition goals. Impact investing, which aims to achieve financial returns along with environmental or social benefits, represents a significant climate-related opportunity for AIA, which we are pursuing through our partnership with LeapFrog Investments. For more on our climate-related investment opportunities, see our 2023 CTP (3.2 Portfolio Coverage Approach, 3.3 Sectoral Decarbonisation Approach: Power Generation, and 3.4 Sectoral Decarbonisation Approach: Real Estate).[1]

Climate risks and opportunities in AIA life and health products

Portfolio boundaries and methodology

AIA analysed the physical risks impacting our life protection and health products by assessing how major health risks are influenced by various physical hazard factors.

Life and health product risks

Methodology

We mapped exposure to seven critical life and health risks – extreme events, vector-borne diseases, water-borne diseases, malnutrition, heat-related illness, reduced air quality and cold-related illness – against physical hazard drivers such as floods, wildfires, wind, heat and cold to evaluate the physical risks affecting AIA's life protection and health products. Our data sources included the IPCC, OS Climate, the World Health Organization and expert inputs. This evaluation concentrated on medium-to-long-term effects in AIA's largest markets, including Hong Kong, Mainland China, Singapore, Malaysia and Thailand. Transition risks for our life protection and health products were deemed less significant and assessed as immaterial.

We conducted a vulnerability assessment to examine how each market's mortality and morbidity rates were influenced by each health risk, utilising public health research, population data and actuarial studies.

Results and impact on strategy

The impact of physical risks on life and health outcomes was found to be relatively insignificant across our largest markets. We acknowledge the current limitations of literature and data for quantifying the influence of climate on life and health risks with high certainty. We anticipate that this understanding will improve as more research becomes available, allowing us to better identify risks and opportunities across our product range.

1 AIA Group Limited. (2023). ***AIA Climate Transition Plan 2023.*** **https://www.aia.com/content/dam/group-wise/en/docs/ESG/AIA_Climate_Transition_Plan_2023.pdf**

Material climate-related risks and opportunities

MATERIAL CLIMATE RISK AND MITIGATION STRATEGY

FINANCIAL SERVICES INDUSTRY RISK CLASSIFICATION	CLIMATE-RELATED RISK CLASSIFICATION	RISK DRIVER	RISK DESCRIPTION	FINANCIAL EFFECT	MITIGATION STRATEGIES
Reputational Risk	Transition Risk	**Partner and stakeholder concern or negative partner and stakeholder feedback**	AIA's long-standing reputation for responsible business practices is essential for delivering sustainable, long-term value to our stakeholders. However, this reputation faces potential threats from climate change related risks, especially increased partner and stakeholder concerns or negative feedback. This risk occurs primarily in the upstream value chain which includes failure to act on climate change and possible concerns of 'greenwashing', which may influence consumer preferences and raise stakeholder concerns.	• 100% of our portfolio value is vulnerable to this risk, with the primary effect being decreased revenues due to reduced demand for products and services. • The impact on our solvency position is relatively immaterial, and we do not expect any breaches of Regulatory Capital Risk Tolerance. While it may be difficult to anticipate/gauge the impact for the medium to long term, we will closely monitor regulatory and customer activities in our markets, as well as external stakeholder expectations.	• Multi-Stakeholder Engagement: AIA engages in multiple channels to capture feedback and opinions from a variety of stakeholders. This approach helps us align our actions with stakeholder expectations. Our ESG Committee regularly briefs the Board and senior management on the outcomes of these engagements, appraising them on the adequacy of our responses. • ESG Evaluations: AIA actively participates in ESG evaluations conducted by independent, reputable third-party rating agencies such as DJSI, CDP, Sustainalytics and MSCI. Participation in these evaluations helps us identify potential controversies early and ensures effective stewardship on ESG and climate action.
Market Risk	Transition Risk	**Transition to lower emissions technology and products**	AIA makes large investments in diversified assets and portfolios of companies. The impact of climate change on various asset classes can be substantial if changes in asset values are not sufficiently understood and managed. There is a significant possibility that stranded assets in carbon-intensive industries may rise due to a systemic shift towards a low-carbon future. Inadequate valuation of these assets and the lack of integration in investment decisions could negatively affect the performance of our investment portfolio.	Devaluation of collateral and the potential for stranded, illiquid assets.	Greater due diligence: We integrate on a mandatory basis, the consideration of various ESG factors in our bottom-up investment process applicable to general account assets. We have developed our proprietary ESG Rating Scorecard which applies to our directly managed general account assets. We have also developed a distinct scorecard in relation to our general account assets to assess external asset managers on their ESG frameworks and processes. We also engage with our investee companies to understand their position on various climate risks.

MATERIAL CLIMATE OPPORTUNITY AND REALISATION STRATEGY

OPPORTUNITY TYPE	OPPORTUNITY DESCRIPTION	RESULT AND ACTION TO REALISE THE OPPORTUNITY
Increased diversification of financial assets	As an asset owner, this opportunity primarily occurs in our investment portfolio. AIA plays a crucial role in supporting the development of regional capital markets by participating in sustainable financing within the communities in which we operate. Through the mobilisation, aggregation and productive deployment of long-term capital, we provide access to important investments that fund infrastructure and support both economic prosperity and sustainable outcomes. We actively engage with our investees, peers and the public sector to share technical expertise and perspectives on sustainability, helping us deliver on our Purpose. Our support may result in the continued investment in instruments such as green bonds, sustainability bonds, renewable energy and alternative energy infrastructure within AIA's investment portfolio.	AIA has been investing in companies that demonstrate sound ESG practices as part of our bottom-up investment process (i.e. AIA general account investment portfolios held US$6.8 billion in ESG bonds – being the aggregate of green bonds, social bonds and sustainability bonds – as of 31 December 2024). This strategy allows us to seek and earn financial returns by driving sustainable outcomes and behaviours consistent with the values outlined in our Sustainable Investment pillar.

Other climate-related impacts on AIA's strategy and financial planning

Impacts on strategy and our responses

As a global business, we have a responsibility to our customers, employees, shareholders and the world at large to take strong, decisive action on climate change. One climate-related opportunity that has influenced our strategy is the increased demand for funds that invest in companies with positive environmental credentials.

For example, in 2022 AIA Singapore collaborated with Robeco, a leading Netherlands-based investment firm at the forefront of sustainable investing, to deliver the AIA Sustainable Multi-Thematic Fund for the Singapore Investment Linked Products (ILP) market. This bespoke multi-thematic fund consists of underlying strategies focused on sustainable outcomes surrounding the fields of Smart Energy, Sustainable Water, Smart Materials, Smart Mobility, Circular Economy and Sustainable Healthy Living, with the intention of taking exposure to equities of companies that exhibit a higher level of sustainability and which present a positive influence on the UN SDGs.

Additionally, AIA also requires in-scope front-line investment professionals to obtain the CFA Certificate in ESG Investing.

Impacts on financial planning and our responses

Our capital allocation and asset planning have been impacted by climate-related risks. As a leading asset owner, we are able to deliver long-term value by allocating capital to companies committed to sustainable outcomes, investing for the future and lowering AIA's exposure to the risk of stranded assets in a future low-carbon economy. One example is our coal exclusion policy, whereby, following our complete divestment from coal in our general account investment portfolio, we remain committed to making no new investments in businesses directly involved in either mining coal or generating electricity from coal. Meanwhile, we retain the ability to invest in green or social bonds issued by such companies if they genuinely meet our requirements, including the use of proceeds and objectives.

The effects of the material risks and opportunities have been separately identified and disclosed in ***Material climate risk and mitigation strategy*** and ***Material climate opportunity and realisation strategy*** of this report. However, given the nascent stage of analysis on quantifying financial impacts, the level of measurement uncertainty is deemed too high to allow for meaningful quantitative disclosure.

RISK MANAGEMENT

Climate risk management overview and integration

AIA's climate strategy is core to the identification, assessment and monitoring of climate risks, which are managed within AIA's Enterprise Risk Management Framework (RMF).

The RMF is built on a 'Three Lines of Defence' model, designed to bolster resilience against a spectrum of principal risks, encompassing operational risks, business risks, structural risks, investment risks and insurance risks. This framework includes five essential components: Risk Governance, Risk Culture, Risk Strategy and Appetite, Risk Management Process and Risk Reporting, Systems and Tools.

The table outlines the roles and responsibilities of AIA's Three Lines of Defence.

Within our robust RMF, we effectively manage climate-related risks across our organisation, including direct operations and value chain.

THREE LINES OF DEFENCE	ROLE (BUSINESS UNITS AND LEADERSHIP)	RESPONSIBILITIES
First Line	Business Management	Responsible for operating within the RMF and implementing controls to mitigate risks, including climate-related risks
Second Line	Risk and Compliance	Ensures the appropriateness and effectiveness of the Group RMF to ensure that risks, including climate-related risks, are effectively managed
Third Line	Internal Audit	Independent assessment of overall effectiveness of risk management, controls and governance, including those relating to climate-related risks

Our approach is guided by:

- **Regulatory Alignment:** We closely monitor any climate-related regulatory developments across our markets, for example, the Hong Kong Stock Exchange, the Monetary Authority of Singapore, and Bank Negara Malaysia, to ensure compliance with evolving regulatory expectations.
- **Stakeholder Engagement:** It is also central to our strategy to engage with diverse groups – NGOs, regulators, customers, communities, employees, investors and suppliers – toward our net-zero transition pathway so that we can ensure that we meet stakeholders' expectations with respect to climate-related activities.
- **Risk Types:** The definition of climate risk in our risk landscape covers physical, transitional and liability risks. This covers acute physical risks such as extreme weather events to chronic physical risks such as sea level rise, but may also include policy change, reputational shifts, technological transitions and liability exposures. As the nature of climate risk is transverse and can present itself across existing taxonomies in our risk landscape.
- **Tools and Methods:** We deploy a range of tools and methodologies for addressing climate-related risks, including scenario analysis, risk models, stress tests as well as leveraging IPCC and NGFS databases and input from external experts.

Additionally, we track and assess investment data relevant to our ESG commitments, engagement outcomes linked to such commitments, and other climate-related metrics and ESG-related ratings, effective 1 October 2024.

This information is shared with relevant prties such as our Group Investment Committee, Business Unit Investment Committees, and Asset Management Company Boards. This informs decision-making allowing for alignment of investment portfolios with the achievement of our ESG commitments, including our PCA, Power Generation SDA, and Real Estate SDA SBTi targets. This reporting framework also indirectly supports the identification of exposure to transition risks, as it highlights in-scope companies most unaligned with our portfolio decarbonization targets.

This governance mechanism facilitates evidence-based top-down investment decisions, where appropriate, aligned with our sustainability objectives. We are committed to continuously refining the framework to improve data availability, reliability and transparency, including enhancing forward-looking assessments of climate-related risks. By enabling this reporting to flow through the Group Investment Committee and Business Unit Investment Committees, information may be passed through to their respective Boards, Financial Risk Committees and Operational Risk Committees where applicable, supporting the integration of investment ESG-related metrics into broader risk and governance processes.

Risk identification

AIA's Group risk landscape includes a standalone climate risk taxonomy to manage the impacts of physical, transitional and liability risks to the Group.

AIA considers climate-related risk as a transverse risk that will potentially impact other existing risks being managed and factors climate considerations into key business activities. For example:

- We factor the climate-related events or trends into business continuity for Group and business units, which enable us to maintain uninterrupted access to premises, systems and people.
- We seek to reduce AIA's carbon footprint within our internal operations, including a commitment to green certifications in our newly constructed or acquired commercial properties (office, retail and hotel) to alleviate potential increases in energy costs resulting from carbon pricing.
- Our life and health product offerings account for climate-driven changes in morbidity and mortality risks.

Assessment and measurement

AIA has performed a climate risk assessment covering Investments, Operations and Life and Health (Liabilities). This bottom-up approach assessed the impacts of transition and physical risks across the short, medium and long term. We will continue to reassess climate related risks as the enhanced data, methodologies and guidelines (such as ISSB guidance) are released.

Management and monitoring

Our RMF outlines the necessary controls and procedures to effectively manage and monitor any material climate risks, ensuring their ongoing management. The risk management process includes but is not limited to:

- **Management and Response:** Executives in the First Line are crucial in executing targeted actions and risk mitigation strategies to address risks considered outside of risk tolerances. This includes transferring, mitigating or eliminating such risks and ensuring material risk developments are escalated in a timely manner.
- **Risk Monitoring:** Continuous evaluation of risks against approved risk tolerances and risk limits provides a comprehensive understanding of both current and future risk profiles. An understanding of risk implications supports an informed decision-making process.
- **Risk Controls:** Like all risks in the AIA Group risk landscape, climate-related risks are managed through an effective internal control system which operates to maintain exposures within acceptable residual levels.

By adhering to these structured approaches within our RMF, AIA remains proactive in its risk management practices, especially in the context of evolving/dynamic climate-related risks.

Illustration of AIA's climate-related risk management process

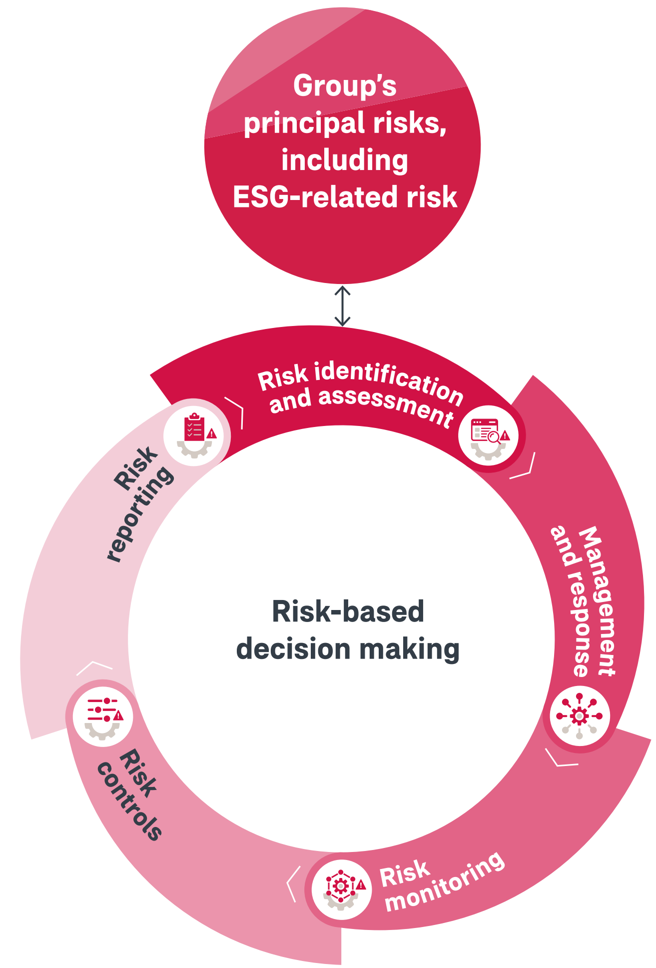
The graphic on the right illustrates AIA's comprehensive risk management process, outlining how we identify, assess and manage climate-related risks. Our process includes the assessment of physical, transitional and liability risks associated with climate change and the strategies we implement in response.

- **Physical Risks:** We evaluate event-driven risks such as floods, storms, and wildfires (acute), as well as those arising from longer-term shifts in climate patterns (chronic). For acute physical risks, AIA properties and facilities are assessed for potential financial losses, business interruptions and reduced real estate values.
- **Transitional Risks:** Transitional climate risks refer to the potential financial risks associated with the transition to a low-carbon economy. We monitor regulatory changes in our markets, indications of shifts in external stakeholder expectations, and changes in technology which may impact AIA's operations or portfolio values. In time, we anticipate that climate-related scenario analysis will provide insights into the impact on operations, financial performance and investment opportunities. In the interim, AIA will continue in its strategic commitment to achieve sustainable business models, sustainable investing and reducing our carbon footprint.
- **Liability Risks:** The potential legal and financial risks associated with climate change are attentively surveilled. Regulatory and legal activities, along with stakeholder expectations, are comprehensively monitored, facilitating proactive risk mitigation.

The quality of climate-related data is equally crucial. Therefore, AIA seeks external limited assurance on key metrics, like emissions, to ensure their accuracy and reliability. By adhering to these established procedures, we demonstrate our commitment to regularly monitoring and adapting to evolving climate risks as part of our comprehensive risk management strategy.

Opportunities

We integrate climate opportunities into our decision-making processes and action plans. To support our progress towards achieving our SBT Portfolio Coverage Approach (PCA) target, we will work with our investees to expedite their adoption of decarbonization targets. The PCA offers valuable insights into the percentage of our holdings that are committed to the SBTi. It also enabled us to set our general account investment portfolio coverage target and communicate such both to our investees and to the public. By utilising PCA, we can gain better visibility into the climate-related risk profiles, especially the transition risks to our investments, thereby enhancing our awareness of climate risks across the entire portfolio.



METRICS AND TARGETS

Carbon emissions metrics and targets

SBTi progress tracking and validation

Our GHG reduction targets for Investment and Operations are summarised in the following graphics. Additional information about how we calculate, assure and review our SBTs is outlined in our 2023 CTP.[1]

SUMMARY OF OUR CLIMATE ACTIONS

Our SBTi and Climate Commitments

Near-term target

2030

-46.2% reduction of Scope 1 and 2 emissions

Long-term commitment

2050

Net-zero Scope 1 and 2 emissions

Levers for our near-term target

- Explore opportunities to **improve energy efficiency** of buildings
- Explore opportunities to **lease greener buildings**
- **Transition company fleet to EVs,** based on market feasibility
- **Procure renewable energy** based on regional availability

1 AIA Group Limited. (2023). *AIA Climate Transition Plan 2023.* https://www.aia.com/content/dam/group-wise/en/docs/ESG/AIA_Climate_Transition_Plan_2023.pdf

OVERVIEW OF OUR EMISSIONS TRACKING AGAINST SBTi TARGETS

METRIC	2019 (BASELINE)	2024	PROGRESS AGAINST TARGET
Reduce Scope 1 and 2 emissions	74 $ktCO_2e$	56 $ktCO_2e$	2030 target; -25%; -46.2%
Increase share of in-scope portfolio with validated SBTi targets (% of AuM)	4%	30%	2025 target; 30%; 31%
Reduce power generation portfolio GHG emissions intensity	474 $kgCO_2e/MWh$	258 $kgCO_2e/MWh$	2030 target; -46%; -49.3%
Reduce real estate portfolio GHG emissions intensity	115 $kgCO_2e/m^2$	78 $kgCO_2e/m^2$	2030 target; -32%; -58.5%

>105 GwH

GwH of total energy consumption

2.46 tonnes

of CO_2 per employee

25%

of CO_2e decrease compared to 2019 SBTi baseline

Carbon credits

AIA follows SBTi's guidance regarding the use of carbon credits and offsets for renewable energy instruments. At present, SBTi does not recognise carbon credits as a credible decarbonisation lever towards near-term targets, except when they are used to neutralise residual emissions or finance climate mitigation beyond science-based emission reduction targets. We will continue to monitor the guidelines regarding carbon credits and offsets periodically to ensure compliance and effectiveness.

Other investment and operations metrics

Operations metrics

This year's climate-related disclosure discloses our operational Scope 1 and 2 emissions, along with Scope 3 Category 6: Business travel (refer to our 2024 ESG Report for more details on metrics covered and the calculation approach).

1. Total energy consumption across the Group was 106,465,755 kWh, amounting to 4,105 kWh per employee.
2. The largest contributor to our operational footprint is the electricity use in our buildings, which contributes to 53,132 tonnes out of our total Scope 2 emissions of 53,138 tonnes.
3. Other sources of emissions include those from our rented and owned corporate vehicle fleet, and business travel.

This year, the Group's operational Scope 1 and Scope 2 emissions accounted for 56 $ktCO_2e$ or 2.46 tonnes per employee, which was a decrease of 25% against the 2019 baseline. The decrease was driven by energy efficiencies being activated across our markets, a general plateau in office space growth and the grid emission factors across the markets in which we operate declining.

In 2024, we continued socialising our Group's net-zero ambitions across business units and formulating action plans to achieve our operational decarbonisation targets.

AIA plans to measure other Scope 3 emission categories and we have identified other material categories for our Company and sources of those emissions. Those categories include Category 1: Purchased goods and services, and Category 7: Employee commute. The calculation and verification of these baseline emissions for these categories is in progress.

Investment metrics

AIA started reporting the Total Financed Emissions (TFE) across our Listed Equity, Corporate Bonds and Direct Real Estate holdings in the general account investment portfolio in 2022. TFE is a metric recognised and required by the SBTi.

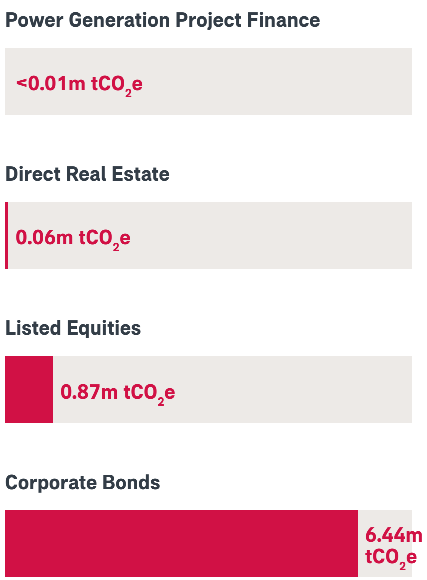
In 2024, we measured our TFE across our in-scope general account investments matching our SBTi boundary using the Partnership for Carbon Accounting Financials (PCAF) methodology.[1]

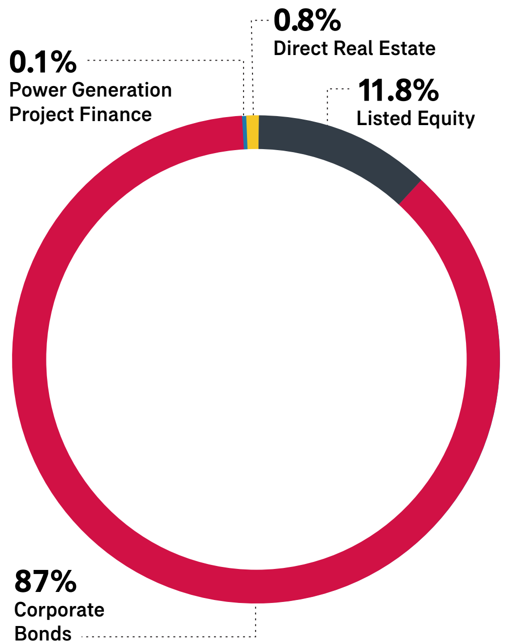
As of 31 December 2024, the total financed emissions of our in-scope general account investment portfolio were 7.4 $mtCO_2e$, which consists of 0.87 $mtCO_2e$ for Listed Equity, 6.44 $mtCO_2e$ for Corporate Bonds, 0.06 $mtCO_2e$ for Direct Real Estate and <0.01 $mtCO_2e$ for Power Generation Project Finance (see graphics).

AIA will continue to measure the Weighted Average Carbon Intensity (WACI) for Listed Equities to maintain consistency with reporting in previous years, as recommended by TCFD. We do not set targets or manage WACI performance. More details on the methodology and application for TFE and WACI are outlined in our 2024 ESG Report.

1 PCAF (2022). The Global GHG Accounting and Reporting Standard Part A: Financed Emissions. Second Edition.

TOTAL FINANCED EMISSIONS (AIA'S IN-SCOPE GENERAL ACCOUNT INVESTMENT PORTFOLIO)





1.3 Billion USD

investment in renewable energy

6.8 Billion USD

investment in ESG (Green, Social and Sustainability bonds)

4.7 Billion USD

of total investment assets in Green bonds

Opportunities metrics

The graphics outline AIA's climate-related opportunity metrics, including investments in renewable energy and ESG bonds as of FY2024.

Data calculation methodology

AIA calculates its investment emissions according to the PCAF guidelines. The criteria used by the Company to prepare the Identified Sustainability Information is set out in the guidelines provided by the GHG Protocol Corporate Accounting and Reporting Standard and the Environmental Protection Department of the Hong Kong SAR Government. The emission factors of electricity consumption for each region are referred to the list of emission factors published by the International Energy Agency (IEA).

AIA relies on third-party data where this is available for air travel information. At our other markets where these data are not available, we refer to the Carbon Neutral Calculator for short to medium haul flights by the United Kingdom's Department for Environment, Food and Rural Affairs (DEFRA) emission factors.

We calculate emissions from any private air travel according to the recommended practice of the International Air Transport Association (IATA). AIA also refers to the Sixth Assessment Report from the International Panel on Climate Change, in reference to any Global Warming Potential (GWP) factors used.

HEALTHIER, LONGER, BETTER LIVES

AIA ESG REPORT 2024

Feedback from our diverse set of stakeholders is crucial for us to continue improving on our ESG performance and disclosure practices.

If you have any questions, comments or feedback please contact our ESG team at esg@aia.com or write us at the address below:

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