Allianz

Inaugural Net-Zero Transition Plan

A Rationale

Businesses and society face existential threats from climate change in a world warming ever faster. As a society and business community we must manage this risk by mitigating climate change and reducing emissions of greenhouse gases at an unprecedented speed and scale.

The world's top climate scientists from the IPCC re-confirmed that countries need to halve greenhouse gas emissions by 2030, and halve again by 2040, to then achieve net-zero by 2050. This is expected to give the world a 50% chance of limiting global warming to 1.5°C in the year 2100, compared with pre-industrial times. Limiting global warming to 1.5°C would still lead to a warmer and more extreme climate than we experience today. Letting the global temperature rise by more than 1.5°C will lead to even more drastic and unpredictable events; like flooding of major cities, mass migration from then-uninhabitable areas, or a lack of fresh water, to name a few.

Already as of today, more than 150 nations, covering around 90% of global population, emissions and GDP alike, have net-zero ambitions, including the US, the European Union (EU) and India. Within the United States, 25 States and the District of Columbia have set concrete 2030 targets as well as other intermediate decarbonization targets.[1] The European Union has set concrete decarbonization targets to be achieved by 2030.

The world will only meet these goals and commitments if governments follow through on the Paris Agreement ambition of 1.5°C with swift, stable, and reliable polices, action plans and regulations. Governments have started translating their commitments into a range of legislation and initiatives. This includes, for example:

- sectoral transition plans and support schemes for low-carbon technology (such as the US Inflation Reduction Act or the EU Fit for 55 Package), and
- reporting and due diligence directives (like the EU Corporate Sustainability Reporting Directive [CSRD] and the Corporate Sustainability Due Diligence Directive [CSDDD] which is currently under development).

[1] As of August 2022. Source: https://www.c2es.org/document/greenhouse-gas-emissions-targets/

B Allianz Inaugural Net-Zero Transition Plan Overview

As a leading global insurer and a large holder of capital from our proprietary investments, we are experts in risk management and our products seek to help secure our clients' futures. We are committed to transitioning our proprietary investment and P&C underwriting portfolios to net-zero greenhouse gas (GHG) emissions by 2050 – consistent with a maximum temperature rise by the end of the century of 1.5°C, taking into account the best available scientific knowledge, including the findings of the IPCC[2] – and to net-zero GHG emissions by 2030 within our own operations. This is with the expectation that governments will follow through on their own commitments to ensure the objectives of the Paris Agreement are met.

We seize opportunities to drive decarbonization and climate resilience through our resources, partnerships, expertise, and influence. Our ambition is to be a trusted partner for our clients and investee companies across different sectors in their transition toward net-zero. Our climate approach is grounded in the Allianz Group Climate Change Strategy, which has been in place since 2005. With a special focus on UN Sustainable Development Goal 13, Climate Action, we take into account climate risk and opportunity analytics for our organization and across our business areas where we exercise decision-making and have already taken significant steps in the past decade.

2013	2015	2017	2018	2019	2021	2022	2023
Introducing Allianz ESG Integration Framework	Thermal coal guideline	Introducing TCFD to Allianz's disclosure	Commitment to 1.5°C goal Coal guideline for P&C Commitment to decarbonize proprietary investments	Committed to net-zero GHG emissions by 2050 for proprietary investments Co-founded Net-Zero Asset Owner Alliance	Climate targets for proprietary investments	Oil and gas guideline Net-zero 2030 commitment for own operations First time inclusion of net-zero supply chain targets	Renewable / low-carbon energy guideline Climate targets for P&C insurance Inaugural Net-Zero Transition Plan

Figure 1: Key highlights of climate action at Allianz in past decade

As a key next step in our journey, we publish this Inaugural Net-Zero Transition Plan. It is informed especially by the recommendations of the UN High-Level Expert Group on Net-Zero Commitments of Non-State Actors.

To substantiate our long-term net-zero commitments, we have set intermediary targets for 2025 for our proprietary investments. We are on a good track to achieving those targets along all levers.[3]

With this Inaugural Transition Plan we are announcing our 2030 targets for proprietary investments and P&C underwriting in our commercial and motor retail businesses.

The targets are informed by IPCC 1.5°C climate scenarios[4] and by credible industry-led approaches, for example the Target Setting Protocol of the Net-Zero Asset Owner Alliance, which was named the "gold standard for credible commitments and transparent targets" by UN Secretary-General António Guterres.[5] When setting these portfolio targets, we are dependent on change in policy and the real economy to achieve them.

Therefore, we are advocating for strong climate policy from governments across the globe. A supportive policy environment is crucial to ensuring the viability of a socially just transition to climate resilience and net-zero emissions. Without decisive and global action by governments, a 1.5°C trajectory is not achievable.[6]

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[2] Intergovernmental Panel on Climate Change
[3] For more details please refer to our Group Sustainability Report 2022, chapter 02 – Link
[4] From IPCC's 6th Assessment Report the so-called C1 scenario set with no or low overshoot of 1.5°C during the century; we used other scenarios such as the IEA's Net-Zero by 2050, when IPCC did not provide the necessary granularity or data points.
[5] Source: Secretary-General's remarks to Global Climate Action High-Level Event.
[6] More on our policy advocacy and related memberships can be found in our Group Sustainability Report chapter 03.2 – Link

For our 2030 targets for proprietary investments and P&C underwriting, we do not see a role for carbon removal offsets. Our own operations seek net-zero by 2030; until then we will prioritize reducing our emissions and use removal-based offsetting only at the end of our net-zero journey.

We are committed to clear and transparent governance principles. This extends to our governance of sustainability matters as we work to embed and deliver sustainable objectives across global businesses under our influence and within our organization. Ultimate responsibility for all matters relating to sustainability resides with the Board of Management of Allianz SE as the Group's parent company, which includes this Transition Plan.[7]

C Overview of Inaugural Net-Zero Transition Plan

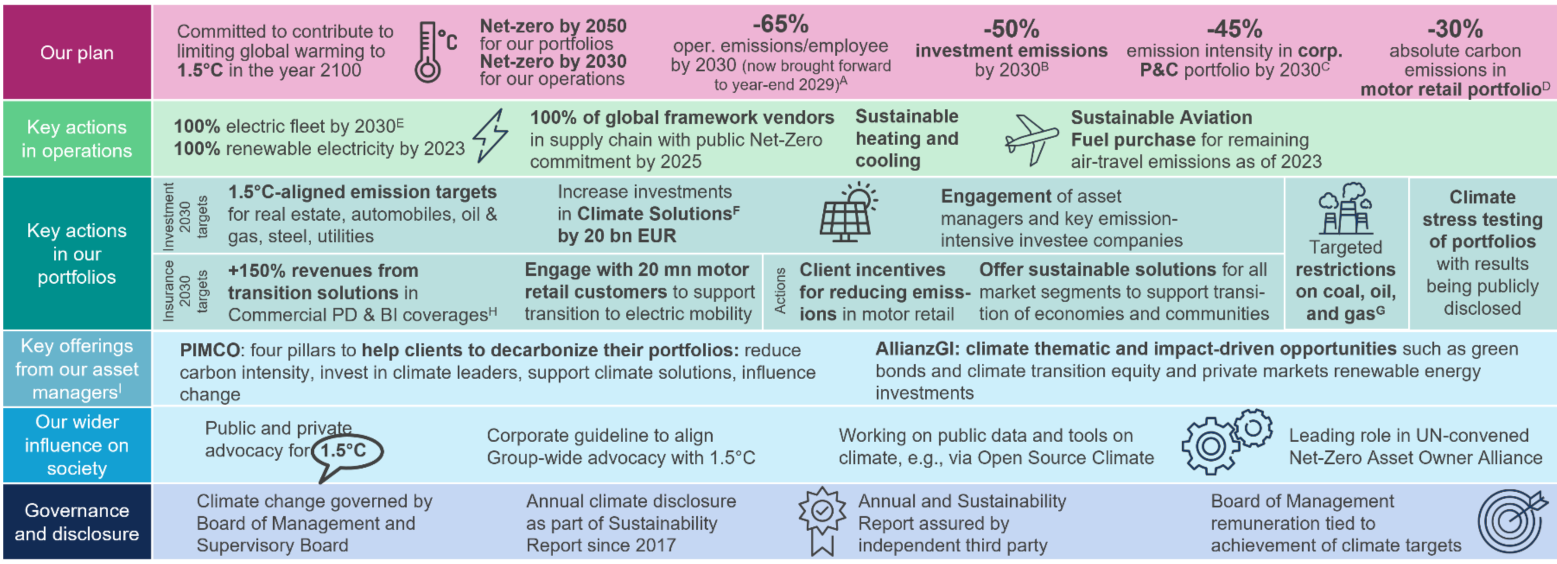

Figure 2: Allianz Net-Zero Transition Plan at a glance

Target year 2030 is defined as using year-end 2029 values for proprietary investments, P&C, and own operations.

A) For own operations and for reporting purposes, we will be moving our year-end 2030 timeline one year forward to year-end 2029 to align with reporting cut-off dates for proprietary investments and P&C insurance. The -70% target is based on end 2030. Year-end 2029 target is -65% vs. 2019. The strategy review for own operations is currently ongoing and will be updated in 2024.

B) Investments in the context of this transition plan document refers always to proprietary investments, i.e., the investments of our insurance clients. Targets an absolute reduction for listed equity and corporate bonds, additionally -50% emission intensity for listed and non-listed investments into corporates. All continue to use base year 2019.

C) Target covers P&C corporate portfolio with reported emissions managed by AGCS. Base year 2022.

D) This inaugural target applies to the following markets: Austria, Belgium, France, Germany, Italy, Netherlands, Spain, Switzerland, UK. Base year 2022.

E) 100% fossil-fuel-independent fleet – technical feasibility to be revisited annually.

F) Climate Solutions are defined as economic activities contributing to climate change mitigation (including transition enabling) and adaptation, in alignment with existing climate-related sustainability taxonomies: EU taxonomy on sustainable finance climate category as well as SFDR Article 9 and beyond.

G) Link: Allianz Energy Guidelines

H) Transition solutions are defined as the technologies from Allianz's Statement on Renewable/Low-Carbon Energy as well as carbon capture and storage, battery storage and grid-stability-related investments, electric transportation: EV & battery manufacturing plants, electric transportation: electric mass transit infrastructure construction (rail), certified green buildings, industry projects related to energy transition (ammonia and bio-based fuels), waste to energy. PD = Property Damage, BI = Business Interruption

I) Net-zero commitment and targets do not apply to assets managed on behalf of third parties

[7] To support the Board of Management in its decision-making, Allianz SE established a dedicated Group Sustainability Board. It is composed of members of the Board of Management of Allianz SE and Group Center heads.

1. Proprietary Investments

For our proprietary investment portfolio, in 2019 we committed to reduce GHG emissions to net-zero by 2050.

In early 2021 we released our intermediary 2025 emission targets, which initially covered listed equities, corporate bonds, and real estate. Our absolute emission reduction target of -25% by 2025 vs. 2019 for listed equity and corporate bonds had already been overachieved by the end of last year with a -35% reduction. This can be attributed to -26%p due to portfolio re-allocations, overarchingly driven by intra-sector shifts to lower-emitting companies. A further -3%p came from a change in the denominator[8] of the carbon footprinting method, aligning with emerging regulatory standards. Real-world emission reductions by investee companies contributed -6%p, which shows that stronger short-term actions by investee companies on emission reductions are necessary.

Herewith, we are presenting our 2030 targets, in line with our promise to continuously expand the scope of targets. They have been developed with learnings from the Target Setting Protocol of the Net-Zero Asset Owner Alliance (NZAOA), of which Allianz was one of the founding organizations and holds the Chair position. The targets expand across four different target dimensions, sub-portfolios, sectors, engagement and climate solution investments.

For our corporate portfolio, we now aim to reduce -50% by 2030 compared with our base year 2019. For traded equity and corporate bonds, this is an absolute target. For all corporate, including infrastructure, private equity and debt, and similar, it is an additional intensity target. It expands to almost half of our total proprietary investment portfolio of 701 bn EUR as of 31.12.2022. For those real estate portfolios where data is available, we target a 1.5°C alignment as per Carbon Risk Real Estate Monitor (CRREM) methodology.

Table 1: New 2030 Sub-portfolio Emission Targets for Proprietary Investments

Underlying Class	% of total 707 bn EUR[9]	Actual 2022	2030 Target	2019	2030
Corporates (debt & equity)	47%	€214 bn	Traded equity/ corporate bonds: -50% absolute emissions	**24.9mnt CO_2e**	**12.5mnt CO_2e**
		€329 bn	All corporates (incl. Infra, PE, etc.) -50% emission intensity	**108.08 tCO_2e** per €mn invested	**54.04 tCO_2e** per €mn invested
Real Estate (incl. 50% of real estate funds)	15%	€43 bn	Equity: 1.5°C-aligned as per CRREM	No reduction vs. baseline but external benchmark	**~24.1 $kgCO_2/sqm/a$**
		€64 bn[10]	Debt: 60% of Commercial Mortgages 1.5°C-aligned as per CRREM		

[8] From Enterprise Value (EV) to Enterprise Value incl. Cash (EVIC)
[9] As per year-end 2022
[10] Excl. retail mortgages

For the other parts of the portfolio, Covered Bonds & Others and Sovereign Bonds & Public Debt, which respectively account for 13% and 22% of the total portfolio, as well as the remainder of real estate, methodologies for emission accounting as well as target-setting are under development.

The emission targets on the sub-portfolio level are supported by existing guidelines such as our fossil fuel guideline[11]. In addition, we decided on further targets, which cover investee and asset manager engagement, and high-emission sectors, as well as climate solutions, as shown in Table 2.

Table 2: New 2030 Targets for Proprietary Investments

Target Type	
Engagement	• Engagement with all external asset managers "below expectations" based on systematic assessment • Be in the lead or supporting group of 30 multilateral engagements (at least 15 with climate focus) • Engage with 15 among Top 100 non-multilaterally engaged / not AGI-PIMCO engaged portfolio emitters
Sector Targets	Oil & Gas (company scope as per Allianz Statement on Oil & Gas) • Scope 1, 2 and 3 (cat 11) 43.07 gCO_2e/MJ in line with IEA Net Zero Emissions by 2050 scenario • 100% of AuM to set net-zero targets across all 3 emission scopes (target year: 2025)[12]
	Utilities (coverage as per Transition Pathway Initiative universe): • Scope 1 0.17 tCO_2e/MWh in line with IEA Net Zero Emissions by 2050 scenario • Coal phase-out in line with 1.5°C pathways of IPCC AR6 C1 scenarios[13]
	Steel (coverage as per Transition Pathway Initiative universe): • Scope 1 and 2 1.18 tCO_2e/t steel in line with IEA Net Zero Emissions by 2050 scenario
	Automobiles (coverage as per Transition Pathway Initiative universe): • Scope 3 (cat 11) 41.68 gCO_2e/km in line with IEA Net Zero Emissions by 2050 scenario
Climate Solutions	• Increase Climate Solutions investments by at least € 20bn from current level (€ 31bn as of 31.3.2023) until 2029, subject to market environment and constraints • Asset Class–specific targets will support the overall group target

[11] Allianz Energy Guidelines – Link
[12] As per oil & gas guideline – Link
[13] As per our thermal coal guideline – Link

2. Property & Casualty Insurance

For our Property & Casualty (P&C) insurance portfolio, we have committed to reduce GHG emissions to net-zero by 2050.

Our inaugural 2030 targets, released for the first time as part of this Transition Plan, focus on two core portfolios within our book:

1. Corporate, which is managed by Allianz Global Corporate & Specialty (AGCS), and
2. Motor Retail

For corporate, the targets are set for those companies for which greenhouse gas emissions data is available. These targets represent roughly 16% of the Commercial segment premiums for which emission accounting methodologies are currently available[14], and 33% of its estimated insurance- associated emissions.

Therefore, we focus on the highest-impact portfolio and target a reduction of -45% in emission intensity by 2030 compared with our base year 2022.

Addressing the corporate portfolio with reported emissions allows for an effective partnership with clients and supports steering with focus. In parallel, we will further encourage more transparency and reporting going forward. To this end, we will follow through on our existing energy guidelines, engage the top 100 clients per year that do not yet disclose their emissions, and work together with key clients in hard-to-abate sectors to foster knowledge exchange and arrive at emission reductions.

In addition, we aim to continue scaling up renewable energy and low-carbon technology solutions in our portfolio, supported now by the target to profitably grow revenues from transition solutions in Commercial Property Damage as well as Business Interruption coverages by +150% by 2030 vs. 2022.[15]

For motor retail, the targets cover roughly half of the premium and associated emissions of the motor retail segment. We are focusing our efforts on the most relevant markets for Allianz, where adequate and reliable data is also available.[16] We aim to reduce carbon emissions in these portfolios by 30% by 2030 vs. our 2022 base year. The biggest levers to achieving this will be increasing our share of electric vehicles as well as incentivizing customers to drive less. Therefore, we have set two additional sub-targets: by 2030, we will engage with 20 million current and potential customers to support their transition to electric mobility and we are committing to offering comprehensive insurance products for battery electric vehicles and the related ecosystem, to support our customers in transitioning to this new technology. Therefore, the share of battery electric vehicles (based on the number of passenger vehicles) in the Allianz motor portfolio will exceed the share of battery electric vehicles in the respective markets. Another key lever will be providing incentives for reducing emissions via mileage-based product offerings, as part of our existing sustainable solutions offering, which is explained in detail in our Group Sustainability Report 2022.[17]

The scope of these targets is to be expanded over time, similarly to our proprietary investment targets.

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[14] As per the PCAF Standard for Insurance-Associated Emissions – Link

[15] Transition solutions are defined as the solutions mentioned in the Allianz renewable/low-carbon energy guideline plus additionally carbon capture and storage, battery storage and grid-stability-related investments, electric transportation: EV & battery manufacturing plants, electric mass transit infrastructure construction (rail), certified green buildings, industry projects related to energy transition (ammonia and bio-based fuels)

[16] This inaugural target applies to the following markets: Austria, Belgium, France, Germany, Italy, Netherlands, Spain, Switzerland, UK.

[17] Group Sustainability Report 2022 Chapter 2.1.4 – Link

Table 3: New 2030 Targets for Property & Casualty Insurance

Target Sector	Target Layer	Measure (Target year 2030)
Corporate	Sub-portfolio	• AGCS Corporate portfolio (all sectors) GHG emission intensity reduction of 45% (2022 base year)
	Engagement	• Transparency Engagement for top 100 clients with no emissions disclosure per year
		• Knowledge sharing and exchange on best practices with transportation clients (marine and aviation)
		• Transition Engagement for 2–3 companies per year
	Insuring transition	• Ambition of at least 150% business growth of transition solutions in Allianz Commercial Property Damage & Business Interruption coverages
Motor Retail	Sub-portfolio	• Motor retail carbon emission reduction of 30% (2022 base year) (PCAF scope)
	Engagement	• Engage with 20 million customers / potential customers to support their transition to electric mobility
	Insuring transition	• Share of battery electric vehicles (number of passenger vehicles) in the Allianz motor portfolio will exceed the share of battery electric vehicles in the respective markets

3. Asset management[18]

For clients seeking net-zero products, our asset managers Allianz Global Investors and PIMCO offer a set of approaches and tools to decarbonize portfolios over time. As fiduciaries, our asset managers work with clients who are interested in various ESG[19] aspects, on investment strategies and considerations to help achieve climate-related objectives, including decarbonization and net-zero emissions.

PIMCO has developed an approach for clients seeking to align their fixed-income portfolios to their decarbonization goals including net-zero objectives. It consists broadly of four pillars to help clients decarbonize their portfolios, which can all be sub-targets: reduce carbon intensity, invest in climate leaders, support climate solutions, and influence change. [20]

AllianzGI offers climate thematic and impact-driven opportunities such as green bonds and climate transition equity and private markets renewable energy investments. These specialized assets can help to align an asset owner's portfolio with climate transition targets.[21]

Further information on the offerings of our asset managers can be accessed here: our approach to sustainable investing (allianzgi.com) and ESG at PIMCO (pimco.com).

[18] For the avoidance of doubt, this Inaugural Transition Plan applies only for Allianz's proprietary investments, not for third-party assets
[19] Environmental, social, and good governance.
[20] For more details see PIMCO ESG Investing (ESG Investing Report | PIMCO).
[21] For more details see AllianzGI Sustainability and Stewardship Report 2022 (Sustainability and Stewardship Report 2022 | AllianzGI).

4. Operations

For our own operations we are already committed to net-zero GHG emissions by 2030. The main operations in scope are Travel and Fleet, Procurement, Facility Management, and IT.

To this end, we target to reduce GHG emissions arising from Allianz sites and operational activities in over 70 markets to net-zero by 2030, earlier than 2050 as originally planned. We have accelerated our climate targets for our own operations and by 2025 plan to reduce GHG emissions per employee by 50% versus a 2019 baseline across Scope 1, Scope 2, and relevant Scope 3 emissions (currently energy-related emissions, business travel, and paper use). For year-end 2030, we target GHG emission reductions of 70% and for year-end 2029, -65%.[22]

Key drivers will be sourcing 100% renewable electricity by 2023, implementing energy efficiency and reduction measures in heating and cooling, shifting to a fully electric corporate car fleet by 2030 at the latest, covered by a commitment to EV100 with the Climate Group, and achieving a 40% reduction of GHG emissions from travel activities by 2025 against a 2019 baseline. To address the remaining 30% of the emissions, we will use high-quality carbon removal solutions.

Beyond our own operations, we will ask 100% of global framework vendors in our supply chain that provide services globally to establish a public commitment to net-zero GHG emissions in line with the 1.5°C path by 2025.

D Call to action to governments

However, further action is needed from national governments in order to close the still wide ambition gap, including setting nationally determined contributions (NDCs) and country pathways in line with 1.5°C.

For the long-term success of our global economy and society, the actions of businesses and financial institutions that have set 1.5°C-aligning net-zero commitments need to be matched by governments and regulators.

Note: This Inaugural Net-Zero Transition Plan is to be continuously enhanced over the coming years to learn from most up-to-date scientific and technological findings and to comply with evolving regulation.

[22] Target year 2030 is always defined as using year-end 2029 values for investment and P&C targets. For own operations and for reporting purposes, we will be moving our year-end 2030 timeline one year forward to year-end 2029 to align with reporting cut-off dates for proprietary investments and P&C insurance. -70% target is based on end 2030. A pro-rata calculation at the end-2029 would correspond to -65%. The strategy review for own operations is currently ongoing and will be updated accordingly in 2024.