ESG & Climate change in Ping An Group

Crystal GENG, Group ESG Expert
Ping An Group ESG office
Total investments is 3,208 billion RMB as of end of December 2019

- Cash and cash equivalents
- Term deposits
- Bond investments
- Bond funds
- Preferred stocks
- Perpetual bonds
- Policy loans
- Debt schemes
- Wealth management products (Debt)
- Stocks
- Equity funds
- Wealth management products (Equity)
- Unlisted equities
- Long-term equity stakes
- Investment properties
- Other investments
1. ESG express in Ping An
## Core Issues of our Sustainable Development

### Corporate Governance

<table>
<thead>
<tr>
<th>Business Code Of Conduct</th>
<th>Board Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrate an independent, comprehensive business code for external disclosure</td>
<td>Ping An takes both domestic and international board management experiences in the establishment of a series of board and director regulations to increase transparency and credibility.</td>
</tr>
</tbody>
</table>

### Sustainable Business Integration

<table>
<thead>
<tr>
<th>Responsible Investment</th>
<th>Sustainable Insurance</th>
<th>Information Security and AI Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Achieving a systematic and responsible investment system, seize the opportunity and become the domestic benchmark first</td>
<td>Achieve reasonable ESG risk pricing for insurance products; enrich ESG insurance products</td>
<td>Strict management to evade the corresponding risks, matching the ranking and status of peace</td>
</tr>
<tr>
<td>Ping An Group Responsible Investment Policy</td>
<td>Ping An Group Sustainable Insurance System</td>
<td>Ping An Group AI Ethics Governance Policy, Ping An Group Information Security Policy, Ping An Group Privacy Protection Policy</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Responsible Product</th>
<th>Sustainable Supply Chain</th>
<th>Employee Rights and Welfare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restrict all product and service policy systems, regulate the entire life cycle</td>
<td>Screen, monitor, and evaluate suppliers with ESG standards to create a sustainable supply chain</td>
<td>Improve employee satisfaction while avoiding labor disputes and other public opinion risks</td>
</tr>
<tr>
<td>Ping An Group Responsible Product Policy</td>
<td>Ping An Group Sustainable Supply Chain</td>
<td>Employee Rights and Benefits Policy</td>
</tr>
</tbody>
</table>

### Community and Environment

<table>
<thead>
<tr>
<th>Low-carbon Business And Product</th>
<th>Community Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conduct Group's low-carbon operation policy to avoid negative ecological impacts</td>
<td>Support the country's poverty alleviation strategy; achieving the unity of business and social values</td>
</tr>
<tr>
<td>Ping An Group Low Carbon Business and Operations</td>
<td>Ping An Group Community Impact Guide</td>
</tr>
</tbody>
</table>
## The latest result of Ping An ESG in 2019

### How do others invest in Ping An?

<table>
<thead>
<tr>
<th>Rating (Leading Position in China Financial Industry)</th>
<th>Responsible Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019 BBB Included A+ 2nd largest constituent</td>
<td>Ping An incorporates responsible investment concepts into all investment activities to promote ESG integration in business development for stable returns. In 2019, Ping An joined United Nations-supported Principles for Responsible Investment (UNPRI), Climate Action 100+ (CA100+), Green Investment Principles (GIP), CBI, China Green Finance Committee, etc.</td>
</tr>
</tbody>
</table>

### How do we invest in others?

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The latest result of Ping An ESG in 2019

Through the positioning of the five roles of Ping An, we continuously exert the influence on ESG

A Responsible Investor
Objective: investing to create economic, environmental and social value
- Responsible investment: nearly RMB1 trillion
- Loan balance of green credit: RMB24.3 billion
- Loan balance of inclusive credit: RMB898.9 billion

A Trustworthy Insurance Company
Objective: exploring sustainable insurance, while enhancing customer experience
- Sustainable insurance products: 1,053
- Insured amount: RMB121 trillion

An Attractive Employer
Objective: making employees an important and long term driver of the business
- Employee remunerations: RMB59.144 million
- Employees covered by Long-term service plan: 30 thousand+
- Score of employee satisfaction: 4.33

An Upright and Transparent Listed Company
Objective: achieving long-term stable operation with excellent corporate governance
- Integrity promotion activities: 2,046
- Suppliers received ESG training: 100

A Caring Corporate Citizen
Objective: environment friendly and promoting harmonious community
- Poverty alleviation provide: RMB15.745 million
- Village doctors: 11,175
- Village teachers: 11,826
- Carbon emissions: 797,251 tCO₂e
- Carbon emissions reduction potential: 64,497 tCO₂e
Green Bond Fund—BY Ping An asset mgt HK

Model portfolio

By Ratings

AVERAGE credit rating as high as A-.

By Country

Focusing in China EM green bond offerings, complimentary to existing Developed Market in regard to ESG.

By Sector

Well recognized CBI green standard to ensure ongoing green requirements compliance by issuers, maximizing environmental impact of investment.

Expected yield per annum
3-5%

Expected duration
3-6 years

Expected credit rating
A-BBB-

Annualized volatility ex-ante
2.12%

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2 Climate change under TCFD
### Overview of Report Framework

Align with 4 core elements of TCFD Recommendations:

<table>
<thead>
<tr>
<th>Report Content</th>
<th>Description of TCFD Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Governance</strong></td>
<td>Ping An’s governance around climate-related risks and opportunities</td>
</tr>
<tr>
<td><strong>Strategy</strong></td>
<td>The actual and potential impacts of climate-related risks and opportunities on Ping An’s businesses, strategy, and financial planning</td>
</tr>
<tr>
<td><strong>Risk Management</strong></td>
<td>The processes used by Ping An to identify, assess, and manage climate-related risks</td>
</tr>
<tr>
<td><strong>Matrix and Targets</strong></td>
<td>The metrics and targets used to assess and manage relevant climate-related risks and opportunities</td>
</tr>
</tbody>
</table>

- Sustainable insurance strategy
- Responsible investment strategy
- Low carbon Investment
- ESG risk management
- Investment
- Insurance
- Low carbon potential
- GHG emissions
- Target setting

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http://www.pingan.com/app_upload/images/info/upload/9444926f-d35c-42ee-a9b7-f0e565fbc8ad.pdf

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Governance – Integrating climate risks into ESG governance structure

Ping An understands climate change poses impacts to Company’s business. Thus, Ping An integrates climate risks into ESG governance structure, reiterating the Board’s and senior management’s responsibility in monitoring and managing ESG-related risks and opportunities.

- Oversee climate risk management of Ping An
- Review and approve Ping An’s climate change management targets and strategies
- Identify, assess and manage climate change issues and KPI assessment
- Conduct climate risk assessment on investment/insurance products by respective subsidiaries
Strategy - Responsible Investment

Ping An’s responsible investment procedure

Cognition
• BOD
• Investment business lines

Strategy
• Statement & committent
• Management structure
• Champion

Policy & Tool
• DMOS
• Tools and model

Practice
• Convergence of asset portfolios
• Communication
• Periodic reports

Ping An’s responsible investment strategy

1. Exclusion
Equities/Fixed income/other equity assets
eg: Coal, thermal power, tobacco, alcohol and other industries can be excluded conditionally

2. ESG integration
Equities/Fixed income/other equity assets
All industries become necessary factors for investment risk control.

3. Positive screening
Equities/Fixed income/other equity assets
Comprehensive evaluation of ESG performance & White list

4. Impact investing other equity assets
Focus on the industry segments in poverty alleviation, environmental protection and other directions

5. Norm-based screening
Equities/Fixed income/other equity assets
Referring to international conventions, investment in gambling, pornography and controversial areas should be eliminated

6. Active Owership
Equities/other equity assets
Through communication and guidance, we will guide sound development and initially focus on finance, energy and infrastructure construction

7. Sustainability themed investing
Equities/Fixed income/other equity assets
Focus on the industry segments in climate change and population health structure change

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Strategy – Low carbon Investment & Sustainable Insurance Strategy

PING AN GROUP Coal Business

Defined the investment exclusion list of coal related industry.

Actively engage existing investee companies/underwriting clients to improve climate resilience in their business operations.

Low carbon investment

Reduce 30% of coal related industry by 2030

Increase investment and underwritings of clean energy each year

Sustainable Insurance Product Development

Category of sustainable insurance products

- Climate insurance
  - Disaster insurance
  - Environmental and ecological insurance

- Social insurance
  - Property insurance
  - Liability insurance
  - Medical insurance
  - Annuity insurance
  - Medicare
  - Critical illness insurance
  - Others

- Inclusive insurance
  - Business operation insurance
  - Agriculture insurance
  - Special groups

Note:
1 Using 2015 as the baseline

Product development: Research on climate change and resilience for fair pricing and reasonable coverage

Risk prevention, underwriting and claim settlement:

Product management: Accurately identify and monitor ESG risks

Reinsurance: Reasonably arrange catastrophe insurance

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Climate risk management action taken by Ping An

Ping An has a very robust and comprehensive risk management system. Climate risk is part of ESG risk mgt in Ping An, which is correlated with the Group General risk mgt.
**Risk Management – Climate Risk in Investment**

### Transition Risk Analysis

Regulatory change, technology development etc., low carbon economy transition can affect long term investment return.

<table>
<thead>
<tr>
<th>Opportunity ratings</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport and logistic (railway)</td>
<td>Low</td>
<td>Medium</td>
<td>High</td>
</tr>
<tr>
<td>Bank, Non-bank FI</td>
<td>Medium</td>
<td>Bank, Non-bank FI</td>
<td>Real Estate</td>
</tr>
<tr>
<td>Construction and Decoration, Utilities (power generation)</td>
<td>High</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### PACTA Analysis

Paris Agreement Capital Transition Assessment (PACTA) tool helps to assess the gap of our investment to align with Paris Agreement goals.

**Step 1**
Input Ping An’s investment portfolio into the PACTA tool.

**Step 2**
PACTA tool analyzes portfolio’s performance in the upcoming 5 years and benchmark it using IEA’s climate scenarios.

**Step 3**
Ping An reviews and adjust investment portfolio based on the outcome of the PACTA tool.

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**Opportunity Ratings¹**

<table>
<thead>
<tr>
<th>Risk Ratings²</th>
</tr>
</thead>
<tbody>
<tr>
<td>High 12.2%</td>
</tr>
<tr>
<td>Medium 65.4%</td>
</tr>
<tr>
<td>Low 22.4%</td>
</tr>
</tbody>
</table>

Note:
1, 2 by investment amount

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Matrix and Targets

Listed Company ESG Disclosure

Companies maintain partial disclosure, especially on environmental data.

- A-share companies only disclosed 9.4% of ESG KPIs on average
- Only 38% of the sampled Hong Kong listed companies complied with all 11 aspects

In the near future, more engagement with investee companies and disclosure carbon emission of the top 10 companies by investment amount.

Ping An’s Low carbon potential

![Graph showing CO2 emission reduction](image)

Low carbon potential (emission reduced by online business)

Major 2025/2030 Environmental Targets of Ping An

- **Coal business**: Using 2015 as baseline, reduce at least 30% of coal related industry by 2030
- **Carbon intensity**: Using 2018 as baseline, reduce 5%, 10% and 20% in 2020, 2025 and 2030 respectively;
- **Low carbon potential**: Using 2016 as baseline, increase 60% and 80% in 3 and 5 years respectively, realizing routine business digitalization eventually;
- **Green building**: All Ping An’s newly built buildings obtained CGB 2 stars or LEED certification. Green building retrofitting of Ping An’s headquarter will be completed by 2020.

Note & Source:
2 HKEx’s Analysis of Environment, Social and Governance Practice Disclosure in 2016/2017  
3 In 2018, Ping An indirectly reduced 61,552.3 tons of carbon emission, increased by 18.7% from 2017.  
4 In 2018, Ping An’s GHG emissions is 197,904 tonnes CO₂e, increased by 14.4% from 2017.
THANKS!