



2020 Climate Risk Management Report

Ping An Insurance (Group) Company of China

Ping An Insurance (Group) Company of China

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Preface

Since 2017, major financial institutions and regulators of different countries have paid extensive attention to environment and climate-related financial disclosures. In particular, TCFD has been supported by more than 2,300 organizations and institutions from 88 countries and regions around the world, including Ping An Insurance (Group) Company of China (hereafter as "Ping An", "the Group", "the Company" or "we") and other 17 Chinese institutions.

In September 2020, President Xi Jinping announced at the General Debate of the 75th Session of UN General Assembly that "China will strive to reach the CO2 emissions peak by 2030 and achieve carbon neutrality by 2060." Since then, the People's Bank of China and other regulators have proposed on many occasions to establish an environmental disclosure system, making it mandatory for financial institutions. Ping An Group, as a comprehensive financial group with social responsibility, is thoroughly implementing the strategy of peaking CO₂ emissions peak and achieving carbon neutrality, as well as the notion of green development, to actively develop green finance. In 2019, Ping An Group disclosed environmental information for the first time in accordance with the framework proposed by the Taskforce on Climate-Related Financial Disclosure (TCFD) of the G20 Financial Stability Board (FSB), as the first financial institution in China to do so. In 2021, Ping An has fully upgraded its action in green finance. The Group and its main subsidiaries have set up green finance committees, to comprehensively reinforce green finance, green operations and "green" charitable activities. Meanwhile, the Group published its TCFD report to enhance its disclosure on environmental information, in which the Group disclosed its operational and portfolio carbon footprint for the first time, scaled up actions from all aspects, and announced its carbon neutrality goal for operations.

In addition, Ping An Group has continuously enhanced international cooperation in recent years, including successively joining or signing up to the United Nations Principles for Responsible Investment (UNPRI), the Climate Action 100+, the Green Investment Principles (GIP) for the Belt and Road, and the Principles for Sustainable Insurance (PSI) of the United Nations Environment Programme Finance Initiative (UNEP FI), demonstrating its strong determination in information disclosure and sustainability and reflecting its unremitting efforts to contribute to the sustainable development and carbon neutrality goals of major industries, regions, and China.



About this Report

Scope of the Report

Reporting scope: The subject of the Report is Ping An Insurance (Group) Company of China, and covers its subsidiaries.

Reporting period: Data analysis covers the period from January 1, 2020 to December 31, 2020, with events happening during the preparation of the Report (during 2021) included in the Report.

Reporting cycle: The Report is released annually.

Basis for Preparation of the Report

The Report is prepared in accordance with the recommended framework of TCFD and discloses information in four areas, namely governance, strategies, risk management, and metrics and targets.

The scope of accounting and measurement of greenhouse gas emissions in the Report is:

- The greenhouse gas accounted for in the Report includes carbon dioxide only;
- The accounting scope covers the greenhouse gas emissions in terms of Ping An's own operations and portfolios (credit and investment¹);
- The scope of emissions for operations include those from direct gas and fuel consumption (Scope I), head-quarters and data centers (Scope II), and travel and paper consumption of employees (Scope III); The scope of emissions for portfolios include carbon emissions of the clients at the production level (i.e. Scope I and Scope II emissions), while excluding Scope III emissions of the clients;
- Risk exposure and results of stress tests of portfolios cover only transition risks, excluding physical risks.

The standards and regulations used in the measurement of carbon intensity and footprint in the Report include:

- 1. Guidelines on Accounting and Reporting of Greenhouse Gas Emissions from Paper and Paper Products Manufacturers (For Trial Implementation)
- 2. Guidelines on Accounting and Reporting of Greenhouse Gas Emissions from Chinese Petrochemical Enterprises (For Trial Implementation)

- 3. Guidelines on Accounting and Reporting of Greenhouse Gas Emissions from Chinese Oil and Gas Manufacturers (For Trial Implementation)
- 4. Guidelines on Accounting and Reporting of Greenhouse Gas Emissions from Chinese Steel Manufacturers (For Trial Implementation)
- 5. Guidelines on Accounting and Reporting of Greenhouse Gas Emissions from Chinese Power Generation Enterprises (For Trial Implementation)
- 6. Guidelines on Accounting and Reporting of Greenhouse Gas Emissions from Chinese Chemicals Manufacturers (For Trial Implementation)
- 7. Guidelines on Accounting and Reporting of Greenhouse Gas Emissions from Chinese Civil Aviation Enterprises (For Trial Implementation)
- 8. Guidelines on Accounting and Reporting of Greenhouse Gas Emissions from Chinese Cement Manufacturers (For Trial Implementation)

Data of the Report

Data of the Report are extracted from the internal systems of the Company and relevant public documents, with manual consolidation. Unless otherwise specified, the currency in the Report is CNY.

Ping An, the Company, the Group, or Ping An Group

Ping An Property & Casualty

Ping An Bank

PAAMC

refers to Ping An Property & Casualty Insurance Company of China, Ltd., a subsidiary of the Company

refers to Ping An Property & Casualty Insurance Company of China, Ltd., a subsidiary of the Company

refers to Ping An Bank Co., Ltd., a subsidiary of the Company

refers to Ping An Asset Management Co., Ltd., a subsidiary of the Company

¹ Asset management covers the overall assets in Ping An Group's investment sector, including financial investments, long-term equity investments, and investment property with the first, second, and third-party funds.

Group Profile

Ping An Insurance (Group) Company of China, Ltd. ("Ping An", "the Group", "the Company" or "we") was established in Shekou, Shenzhen in 1988. The Group was the first insurance company to adopt a shareholding structure in China. It has evolved into one of the three major financial groups in China. The Group's shares are listed on the Stock Exchange of Hong Kong (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318).

Ping An is committed to becoming an internationally leading technology-based personal financial life service group. In 2020, Ping An focused on "financial assets and beyond" and "healthcare and beyond", continued to prompt the transformation into intelligent and data-based operations, and used technology to improve service efficiency, client acquisition capabilities, and risk control of its businesses. Ping An vigorously encouraged innovation in fintech and medical technology, and applied innovative technology to the ecosystem of "financial service, health care, automotive service, and smart city", to reach the goal of "technology-empowered finance and technology-empowered ecosystems and ecology-empowered finance", while reducing operating costs. Ping An continued to optimize the comprehensive financial business model of "one client, multiple products, and one-stop service", aligning corporate governance and operations with international standards while building on local advantages, and provided financial products and services to 218 million individual clients and 598 million Internet users. Constantly focusing on retail finance, Ping An also aims to promote the "1+N" model of corporate finance, through the cooperation among business units to enhance the value of corporate clients and the contribution of corporate finance.

The subsidiaries of Ping An include Ping An Life, Ping An Property & Casualty, Ping An Annuity, Ping An Health, Ping An Bank, Ping An Trust, Ping An Securities, Ping An Fund and so on. Covering the entire financial services spectrum, Ping An has become one of the few financial groups in China that can provide clients with a full range of financial products and services, including insurance, banking, and investment.

To help fulfill China's emission peak and carbon neutrality goals, Ping An fully scales up its green finance initiative, leveraging on its comprehensive financial services, amplifying the impact of green insurance, green investment, and green credit, and taking effective measures to support green development.

CERTIFICATION.

(2) 油发银行

From a climate change perspective, the Report will comprehensively explain the climate-related financial risks and opportunities Ping An Group is facing, and the corresponding internal policies and mechanisms from the four pillars of the TCFD framework: governance, strategies, risk management, and metrics and objectives.



Highlight of the report

Governance

- Ping An attaches great importance to climate-related opportunities and risk. It has also built up a comprehensive
 governance mechanism to manage climate-related affairs, on the levels of the board of directors, committees,
 subsidiaries and functional Units, with explicit goals and responsibilities.
- It has built a sound and efficient working mechanism for climate change, including monthly report and communication, quarterly reviews, biannual meetings and annual appraisal etc.
- Ping An uses multimedia courses, conferences and research to enhance in-house capacity. Also, it is actively communicating with external stakeholders, such as suppliers, clients, investors and other financial institutions.

Strategy

- Sustainable Insurance Strategy: Ping An Property & Casualty Insurance considered climate risks as a part of ESG risk management and integrated climate risk management into processes such as product development, risk prevention, underwriting and claims, product management and reinsurance. Ping An Property & Casualty Insurance developed 439 sustainable insurance products (renewable energy, energy efficiency improvement, green building, and circular economy), with a total green insurance premium of 121 million RMB.
- Responsible Investment Strategy: Ping An vigorously implemented its Responsible Investment Strategy, with the
 investment scale totalling at RMB1.03 trillion as of the end-2020. It actively follows the 5 principles of the Strategy, i.e. ESG Integration, Active Ownership, Thematic Investing, Prudence, and Information Transparency. It
 supports low-carbon industries through its direct investment while restricting direct investment and capital
 market securities investment in coal mining and power plant projects.
- Green Finance Strategy for the 14th Five-Year Plan: Ping An Group issued the "Five-Year Plan for Green Finance Development." By 2025, Ping An aims to achieve the overall targets of RMB400 billion in green investment plus green loan balance, and by 2060 achieve carbon neutral at portfolio level. Ping An also set a plan for exist all the investment regards for high-carbon business. Leveraging its advantage as a comprehensive financial institution, it formulated a specific green finance action plan and set targets and requirements for green loans, green insurances, green investment, Asset-liability matching management with reference to climate-related risks.

Near-Zero Emissions Development Strategy: Ping An is actively expanding its efforts in the field of green and Near-Zero Emissions. It has outlined a clear strategy for brown assets, with the goal of gradually reducing the proportion of coal investment by 30% by 2030. It also seeks to gradually exit from carbon-intensive sectors. Ping An leverages on its banking and securities businesses to support green sectors such as clean energy, new energy vehicles, energy conservation, environmental protection, etc. Meanwhile, Ping An Securities has always been in the top tier in the domestic market in terms of green bond issuance.

Risk management

- Identification of climate-related risks: Ping An sets climate risk as one of the important topics in its ESG risk management process, integrating them into the Group's "251" risk management system and conducting scenario analyses.
- Physical Risks: Against the backdrop of intensifying natural disasters and climate change, Ping An Property & Casualty Insurance has established the Natural Disaster Lab with a dedicated team of professionals. It leveraged on emerging techniques including numerical simulation, machine learning, time-spatial mining, satellite remote sensing, and drones, and built a comprehensive and integrated platform. It continues to improve its data infrastructure, models and algorithms, to conduct research into climate-related physical risks. Through scientific measures, it strengthens its assessment and management of climate risks, and played a significant role in helping the society and individuals to retain losses from disasters and accidents, contributing to the overall risk mitigation of the whole society.
- Transition risks: Ping An identified its risk exposure in eight key sectors, i.e. coal power, steel, cement, non-ferrous metal, paper making, aviation, petrochemical, and chemical. With regards to green loans and investments, Ping An is establishing a data collection system on the group level and will enhance the labelling efficiency through technological means such as big data and Al. Meanwhile, it will limit its credit line and scope for carbon-intensive sectors, and engage with key clients to plan for full phase-out, to gradually cut down the scale and proportion of its carbon-intensive loans and assets.
- O As of end-2020, the three key sectors of the largest proportion in loans are steel, coal power, and petrochemical.
- O As of end-2020, the three key sectors of the largest proportion in investment portfolios are steel, coal power, and petrochemical.

Metrics and Targets

- Achieving carbon neutrality in operations by 2030: Ping An will follow the principles of scientific emission reduction, prioritising internal emission reduction and supplemented by external ones. It will adhere to green operation, and promote the achievement of the carbon neutrality goal in its own operations by energy conservation, purchase of green power, and self-generated green electricity.
- Exploring Near-Zero Emissions on Portfolios: This report for the first time estimated the financed emissions of Ping An on the banking and investment levels, covering eight sectors including coal power, steel, cement, non-ferrous metal, paper making, aviation, petrochemical, and chemical.



Chapter I Environmental and Climate Governance

Ping An highly values the essential impact of environmental, social and governance (ESG) on the steady development of the Group, constantly innovates its governance regime and incorporates ESG into its sustainability strategy. In the context of China's emission peak and carbon neutrality goals, Ping An recognizes the profound impact of climate-related risks and opportunities on its business development and incorporates them as an important environmental aspect into the structure and process of its ESG management.

1.1 ESG and Climate Governance Structure

To actively respond to the potential impact of climate change on the Group's business and continuously prompt its sustainable development, Ping An integrates sustainability into its development strategy and builds up a specialized and science-based sustainability management system and a clear ESG governance structure.

In its ESG governance structure, Ping An clearly defines the responsibilities of the Board of Directors and the senior Executive Committee for supervising and managing ESG and climate-related issues. It also holds the Board of Directors accountable for the Group's risk management. The Audit and Risk Management Committee under the Board of Directors reports and suggests to the Board of Directors on risk management on a regular basis, to minimize the negative impact of climate-related risks, such as potential market adjustment, delay, or uncertainty.

In addition, the ESG governance structure defines management objectives, responsibilities, and appraisal mechanisms. Through continuously improving the management and regular reporting mechanism of ESG issues and risks, the board and senior management are informed of ESG risk management objectives, plans, implementation and progress, to ensure effective ESG management. Ping An's ESG management runs through from the Board of Directors to all business departments. The internal sustainability management is led by the Board of Directors, with the committees as the core, and driven by the Group ESG Office and other functional departments. The subsidiaries, organized in matrix, are the primary force for ESG implementation (as shown in Figure 1.1 below).

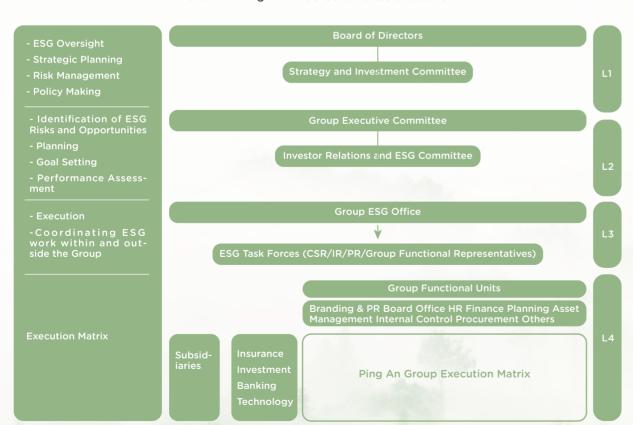


Chart 1.1: Ping An's ESG Governance Structure

Specifically, Ping An's ESG governance structure consists of 4 levels:

Level 1 (L1): The Board of Directors and the Strategy and Investment Committee under it oversee all ESG issues. They are in charge of ESG strategic planning, risk management, and policy making.

Level 2 (L2): The Group Executive Committee and the Investor Relations and ESG Committee under it are responsible for identifying relevant ESG risks and opportunities, formulating concrete plans and objectives, and appraising performance.

Board of Directors

- The Company's Board of Directors assumes overall responsibility for ESG management and climate issues.
- The Executive Committee of the Board of Directors is responsible for reviewing and approving ESG management objectives and strategies. It is also responsible for reviewing and approving and reporting the Company's biannual and annual sustainability performance twice every year.
- For climate-related issues, the Board of Directors monitors the process of identifying, evaluating, and managing important climate issues, in line with the periodic review and approval process, and regularly reviews the progress towards these objectives.

Group executive committee

Main committee responsible:

Investor Relations & ESG Committee

In cooperation with:

- Risk Management Executive Committee
- Investment Management Committee

Level 3 (L3): The Group ESG Office and the ESG Task Forces, formed by Group Functional Representatives coordinate ESG work within and outside the Group.

Level 4 (L4): The matrix of the Group's functional units and subsidiaries are responsible for ESG implementation.

In addition, Ping An Group established in early 2021 the Group Green Finance Committee, presided over by the Chairman of the Board of Directors, with CEOs and major senior executives of the Group in charge of different business acting as deputy directors. The Green Finance Committee serves as the main body for developing and reviewing the green finance strategies, plans, and policies of the whole group. The Green Finance Office under the Green Finance Committee is responsible for the implementation of green finance related work under the overall coordination of the Group ESG Office.

Green Finance Office

• The Group Green Finance Office under the Group Green Finance Committee is responsible for the implementation of all work related to green finance. Under the leadership and overall coordination of the Group ESG Office, Group functional units, including asset management, strategic planning, finance, risk control, and digital economy research, cooperate to guide and supervise the implementation by subsidiaries, with regular compilation and performance appraisal.

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- Each subsidiary establishes its own Green Finance
 Office (or ESG Office) in charge of subsidiary-specific
 operations, with a senior leader assigned to serve as
 the Director of the Office.
- Green loans
- Green insurance
- Green investment
- Asset-liability matching management with reference to climate-related risks

1.2 Working Mechanism for Climate Issues

Ping An has established a sound and efficient working mechanism to ensure that all specific work related to green loans, green insurance, green investment, and asset-liability matching management with reference to the risks in climate change, is carried out smoothly.

In light of strategy formulation, in 2021, the Group's Green Finance Office convened different subsidiaries to discuss the five-year goal and work plan for developing green finance, and consolidated a report, which was submitted to the Green Finance Committee, then the Group's Executive Committee and Board of Directors step by step for their deliberation before taking effect.

In terms of daily operations, Ping An conducted regular review, communication and commending on how the strategic plan for green finance are executed, including:

At the end of each month, the ESG offices of subsidiaries are expected to fill in data on green finance on the AI-ESG platform, summarizing relevant work progress, highlights and difficulties. Each month, the Group convenes the ESG offices of subsidiaries internally to communicate on information and products associated with green finance.

On a quarterly basis, the Group ESG Office reviews the progress of subsidiaries towards objectives and reports to the Group Green Finance Committee. The Group hosts biannual meetings on green finance. Any additional interim meeting, if required, will be held under the unified coordination of the Group ESG Committee.

Annually, the Group summarizes its progress in green finance and recognizes excellence of business units, products, and individuals.

Chart 1.2: Working Mechanism for Climate and Green Finance-Related Matters

At the end of each month, the ESG offices of subsidiaries are expected to fill in data on green finance on the AI-ESG platform, summarizing relevant work progress, highlights and difficulties. Each month, the Group convenes the ESG offices of subsidiaries internally to communication

On a quarterly basis, the Group ESG Office reviews the progress of subsidiaries towards objectives and reports to the Group Green Finance Committee.

The Group holds biannual meetings on green finance, which is one of the topics for the Group IR&ESG Committee. Any additional interim meeting, if required, will be convened by the Group Green Finance Committee on a unified basis. Subsequent adjustments will be made in alignment with working needs until further notice.



1.3 Developing the ESG Ecosystem

In 2019, Ping An launched the "Group ESG Awareness Week", to offer all employees ESG training programs covering ESG values, corporate ESG management, integration of ESG into business, environmental responsibilities, ESG principles such as diversity, and inclusiveness, in the form of online videos during the Ping An TV morning briefings. By doing this, we helped our employees enhance their understanding and awareness of ESG. In addition to morning briefings, ESG programs are available and regularly updated on the "Zhi Niao" mobile app for the ease of future learning.

Building ESG Capacity Within

The green finance offices of subsidiaries are required to fill in relevant data on green finance on the Al-ESG platform at the end of every month by the Group, to summarize relevant work progress, highlights and challenges.

At the end of 2020, Ping An Bank hosted an information session on carbon neutrality at the corporate meeting, and a press conference for publishing the White Paper on "Finance + Technology" Facilitating the Transition of Energy Industry (2021) together with the Research Institute of Ping An Securities in Shenzhen. The White Paper was formulated by the Energy Finance Division of Ping An Bank, together with the Research Institute of Ping An Securities, relevant industry associations and academic institutions. Based on the analysis of the statistics from reputable institutions at home and abroad, it discusses the trends, key points, and opportunities in sectors such as oil and gas, chemicals, power, coal, clean energy, and environmental protection, centering on how "Finance + Technology" can empower and facilitate the transition of energy industry. In addition, it proposes a number of targeted financial solutions.

Since 2021, the Research Institute of Ping An Securities publishes carbon neutrality research papers every two weeks, including the development of green industries such as wind power and solar photovoltaic, as well as the transition of traditional industries such as steel, coal, and cement. Research findings were also shared with other business lines.

In March 2021, the Executive Committee of Ping An Bank decided to establish the Energy Finance and Green Finance Department at the Bank level. In the same month, Ping An Bank organized the China Photovoltaic Industry-Finance Integration Forum with the China Photovoltaic Industry Association in Hefei, and jointly issued the Analysis and Photo Gallery of China Photovoltaic Industry (2021) with the China Photovoltaic Industry Association and Ping An Securities.

In April 2021, Ping An Bank and Ping An Securities jointly organized the "Forum on Business Development for Emission Peak and Carbon Neutrality Goals (2030-2060)" in Shenzhen. The attendees discussed industry-specific policy trends, opportunities and challenges under the carbon peak and neutrality goals, and how financial products can provide support.

Column 1.1 Ping An Forum: Green Finance **Development in the Context of Carbon Neutrality**

To raise awareness of green finance in the context of "carbon neutrality" both internally and externally, on October 15, 2021, Ping An Group hosted the "Ping An Forum: Green Finance Development in the Context of Carbon Neutrality".

Fan Feilong, deputy general manager of Ping An Capital, introduced that since the carbon peaking and carbon neutrality goals were put forward, Ping An Capital has focused on five major areas: consumption upgrades, modern services and technologies, healthcare, advanced manufacturing, and energy conservation and environmental protection. Among them, there are many excellent green investment cases, including Shenzhen Environmental Protection, Sanchuan Energy, Beiging Energy, China Tianying, CATL, Innovent, WuXi AppTec, etc. According to incomplete statistics, up to now, Ping An's carbon neutrality-related equity investment has reached a total amount of RMB25.6 billion, including RMB13.2 billion related to clean energy and RMB7.76 billion related to energy-saving and environmental protection technology, taking up two largest proportions.





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Chapter II **Environmental and Climate Strategy**

Through the analysis of climate-related risks and opportunities, Ping An constantly adjusts its business development strategies and resource allocation, under the guidance of the sustainable development ideology. It has formulated strategies of sustainable insurance, responsible investment, green finance development, and near-zero emission development, to cope with various risks emerging from climate change. It seizes opportunities of low-carbon development and transition to realize its own green development, promote the transition towards a low-carbon economy and society, and contribute to the national emission peak and carbon neutrality goals.

2.1 Sustainable Insurance Strategy

2.1.1 Sustainable Insurance Policy

Insurance is one of the major industries faced with climate change risks in the financial sector, including physical risks and transition risks, and will be affected at both the asset and the insured object sides. Therefore, Ping An keeps on studying and monitoring climate-related risks such as rising temperature and extreme climate disasters, to reasonably price insurance products and control underwriting risks.

Committed to becoming a trustworthy insurance company, Ping An has incorporated the idea of ESG into its insurance business, to guide the design of insurance products towards sustainability. In September 2020, Ping An became the first insurance company in the mainland China to sign the Principles of Sustainable Insurance, and issued its Sustainable Insurance Policy, putting forward four principles of sustainable insurance:

- Integrating ESG factors into our decision-making model of insurance business;
- Working together with our clients/business partners to raise awareness of ESG issues, manage risks, and develop solutions;
- Working together with governments, regulators, and other key stakeholders to promote widespread actions across the society on ESG issues;
- Regularly disclosing our progress in implementing the Principles for Sustainable Insurance, showing our accountability and transparency.

Ping An has established and implemented insurance-specific ESG risk management measures and processes, covering product development, underwriting, claims, product management, reserve evaluation, and reinsurance management. Senior management is informed of insurance risks at least semi-annually on routine monitoring and internal reporting.

Chart 2.1 Climate Risk Management in Insurance Business



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2.1.2 Sustainable Insurance Products

In recent years, Ping An has further developed insurance products and services, including new energy vehicle insurance, green building insurance, green credit enhancement insurance, and index insurance for climate and green bulk commodities. Ping An has launched preferential insurance policies for green enterprises or green projects, to support projects in renewable energy, energy efficiency improvement, green building, and circular economy.

Ping An Property & Casualty developed 439 sustainable insurance products as of the first half of 2021. They are: 1) environment and ecosystem related products, including environmental liability insurance, catastrophe insurance, and wildlife protection insurance; 2) society and livelihood related products, including engineering insurance for large projects, food safety insurance, and medical malpractice insurance; and 3) inclusive insurance targeting small and micro-businesses, agricultural workers, and other groups with special needs. Moreover, Ping An watches closely the demographic and public health trends in China and changes in insurance market demand brought about by enhanced insurance awareness, and promote the development of protection-oriented products. Overall, Ping An offers 614 sustainable products, including medical insurance, critical illness insurance, and endowment insurance, through Ping An Life, Ping An Annuity, and Ping An Health

Ping An's sustainable insurance products fall into three categories: environmental insurance, social insurance, and inclusive insurance.

- (1) Environmental insurance: insurance designed against property losses from environmental liability, environmental accidents, climate disasters, and climate change.
- (2) Social insurance: personal insurance designed against high-incidence diseases and health threats brought about by China's demographic and health trends, as well as property insurance and liability insurance related to social livelihood.
- (3) Inclusive insurance: personal insurance and property insurance designed for small and micro businesses, farmers, and agriculture, including but not limited to insurance for agricultural, forestry, animal raising, fishing, and other ancillary production industries, personal insurance for farmers, and business insurance for small and micro businesses, as well as personal insurance and property insurance designed for vulnerable groups such as elders, teenagers and children, and people with disability.

Chart 2.2 Ping An's Sustainable Insurance Products

Unit: RMB million

	Environmental Insurance	Social Insurance	Inclusive Insurance
Original premium income	121	173,821	47,377
Insured amount	120,199	381,219,430	11,215,527

Note: Data are as of December 31, 2020.

Column 2.1 Green Insurance Product Innovation

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Shenzhen's Compulsory Environmental Pollution Liability Insurance

On July 28, a press conference was held on Shenzhen's compulsory environmental pollution liability insurance. The conference officially publicized Shenzhen's compulsory environmental pollution liability insurance, and the first batch of compulsory environmental pollution liability insurance deals underwritten by Ping An Property & Casualty were signed at the scene. Around the same time, the smart service platform for environmental liability insurance, with the support of Ping An's Smart City, was launched, becoming an important digital platform for Shenzhen to promote compulsory environmental pollution liability insurance.

Ping An Property & Casualty Shenzhen Branch was the lead company for the development of terms and rates. After comparing the terms of environmental liability insurance across the country and investigating the market demand from pollution discharge companies and environmental impact assessment companies, it optimized Shenzhen's original environmental liability insurance support plan, including basing the calculation of insured amount on pollution data, linking the floating rate to actual pollution discharge, and adjusting the cumulative compensation limit. At the same time, the Branch has expanded the scope of protection and increased the emergency liability compensation fee to more effectively help enterprises in Shenzhen improve their risk awareness, risk management, and environmental pollution treatment capabilities.



Wildlife public liability insurance

Since April 16, 2021, a group of Asian wild elephants that originally inhabited the Xishuangbanna National Nature Reserve in Yunnan has begun to migrate northward. They walked more than 1,300 kilometers in a roundabout way in 110 days, passing through 8 counties (cities, districts) of Yuxi, Honghe, and Kunming. According to data from Ping An Property & Casualty Insurance Yuxi Central Branch, as of August 12, those elephants caused 1,726 incidents, damaging 968 households and causing estimated economic losses of nearly RMB1.65 million. This involved damages to property such as crops, households, gates and vehicles, etc., mainly in Yuanjiang and Eshan, and the damaged crops were mainly flue-cured tobacco, sugarcane, and corn.

Ping An Property & Casualty has highly prioritized the incident, maintained close communication with local governmental departments in charge of forestry and grassland, agricultural and rural affairs and others, and taken multiple measures to provide service, liability verification, loss assessment and compensation in a timely manner. As of June 19, Ping An Property & Casualty Yuxi Central Branch has completed the first stage of loss determination and compensation, in respect of the wildlife public liability insurance, and compensated RMB1,171,200 for 411 cases caused by the elephant group. The second stage of loss determination and compensation is underway in an orderly manner. Compensation will be made for the losses of residents along the route upon determination of loss.

In the context of climate change, the migration of wild animals triggered by the shrinking of habitats may also become a challenge for Yunnan and other areas rich in biodiversity. Ping An will strengthen cooperation with relevant local departments to further explore and improve compensation mechanisms for incidents caused by wildlife.

2.2 Responsible Investment Strategy

2.2.1 Responsible Investment Policy

Under the supervision of the Strategy and Investment Committee, the Group ESG Office, together with the Group's functional departments and four pilot subsidiaries (Ping An Securities, Ping An Asset Management, Ping An Trust, and Ping An Bank) jointly set up a dedicated expert group for responsible investment in 2020, to advance the application and implementation of the Group's responsible investment policy, and integrate ESG elements into investment and business decisions. Moreover, Ping An amended the Group Responsible Investment Policy to clarify applicability of responsible investment principles and elaborate on the methods of implementation.

The five principles of Ping An's responsible investment policy are ESG Integration, Active Ownership, Thematic Investing, Prudence, and Information Transparency, which are set out as follows:

Chart 2.3 Five Principles of Responsible Investment

Ping An integrates ESG factors into investment decision-making, actively develops the CN-ESG Smart Rating System, and forms evaluation standards for ESG due diligence on listed companies, bond issuers, and projects as well as the basis for investments

Through ESG communication and coaching as well as post-investment due diligence, Ping An gives full play to the positive influence of shareholders, urges investee companies to improve ESG performance, and puts forward feasible suggestions according to respective actual conditions to support the healthy development of investee companies

Ping An profoundly practices the notions of inclusive finance and green finance, and promotes thematic investing strategies focused on the environment, including environmental protection, remediation, and clean energy. Ping An is also committed to poverty alleviation, financial inclusion, and other thematic investing strategies that can generate extra social benefits

Ping An promises not to invest in controversial industries including gambling and pornography, while adopting the strategy of conditional exclusion for high-pollution and energy-intensive projects, and prudently invests in thermal power and coal industries

Information

Qualitative and quantitative information about responsible investment is disclosed in interim

Guided by the responsible investment principles, Ping An has made full use of AI-ESG tools to gradually integrate ESG risks into the Group's investment risk management system, and established a responsible investment product system, which covers equities, bonds, financial products, mutual funds, and lease receivables. Ping An's responsible investment amounted to RMB1.03 trillion as of the end of December 31, 2020.

Chart 2.4 Ping An's Responsible Investment

Unit: RMB million

	Equities	Bonds	Financial products	Mutual funds	Lease receivables
Green investment	28,982	16,032	38,015	15,987	4,260
Social and inclusive investment	30,032	463,773	380,476	335	55,916

Notes: Data are as of December 31, 2020.

(1) Responsible investment data covers all financial products on which the Group serves as financier or product issuer.

(2) Green investment includes projects recommended by the Green Bond Guidelines from the National Development and Reform Commission and the Guidelines for Green Investment from the Asset Management Association of China.

(3) Social and inclusive investment includes infrastructure, support for small and micro-businesses, eldercare and healthcare, education and culture, support for agriculture, farmers and rural areas, rural revitalization, and retrofitting of shanty area.

2.2.2 Low-carbon Investment Practices

In line with relevant guidance from domestic regulators, Ping An incorporates low-carbon investment into its Group development strategy, and becomes the first asset owner to sign up to the United Nations Principles for Responsible Investment (UNPRI), Climate Action 100+, and Green Investment Principles (GIP) for the Belt and Road. It is also a member of the China Green Finance Committee. Meanwhile, Ping An has facilitated the integration and development of responsible investment throughout its governance structure and policy, investment and risk control as well as the development and application of financial products.

Column 2.2 Ping An's Statement on Coal-related Business



In response to China's strategic targets to peak carbon emissions and reach carbon neutrality, Ping An has released a five-year plan for its Green Finance Initiative (2021-2025), with a view to increasing its green assets to RMB400 billion by 2025 and achieving carbon neutrality of its asset portfolios by 2060. Thus, it is necessary for Ping An to focus on limiting coal mining and coal-fired power projects of low efficiency and high emissions. Meanwhile, it is worth noting that coal will remain an important energy source for China in the short term, given the need to balance the country's electric power supply, social impacts (such as employment stability), and environmental impacts (such as climate change). In conclusion, we have tightened investment conditions as listed below:

Direct investment

From 2022 onwards, evaluation of all thermal coal mining and coal-fired power generation projects will be required, with the issuance of an evaluation report for record keeping. In principle, it is expected that Ping An will divest from all unlisted projects in this regard, such as direct equity or debt by the end of 2035 (except for projects that can achieve net-zero emissions).

Capital market securities investment

It is expected that by the end of 2035 Ping An will exit from holding of shares, bonds, and other capital market securities of companies with more than 30% of revenue generated from thermal coal and coal-fired power businesses.

Proactive engagement and communication

Ping An will communicate with key carbon-intensive clients to clarify that financial support needs to be linked to their transition pathways and targets. Those companies will be requested to develop transition plans, such as a goal that carbon intensity will decline at a rate of no less than a certain percentage per year (the extent of control at different time stages is determined by the interval reduction rate in the carbon emission roadmap). At the same time, Ping An will support their green and low-carbon transition financing through green bonds, green loans, as well as green asset-backed securitization, and closely follow up on the progress over time.

In September 2021, Chinese President Xi Jinping announced at the 76th Session of United Nations General Assembly that China would no longer build new overseas coal power projects. Ping An will also follow this requirement in subsequent financing for overseas projects. In the future, Ping An will make dynamic adjustments to its divestment and exit plans, as well as carbon neutrality targets, in accordance with relevant national policies and market reactions.

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Column 2.3 Clean Energy Equity Investment



In 2020, Ping An Trust made an equity investment of RMB1 billion in Beiqing Clean Energy Investment Co., Ltd., a wholly-owned subsidiary of Beijing Enterprises Clean Energy Group. The funds will be first invested in the construction of photovoltaic and wind power plants in 6-7 poverty-stricken areas in Tibet, Inner Mongolia, Shaanxi, and Hebei. The projects, after coming into operation, are expected to create tax revenue of RMB15 million/year for the local governments. As at December 2020, the photovoltaic/wind power plants invested in by Beiqing Clean Energy had operation capacity of over 3GW, the reserve project scale of Beiqing Clean Energy was about 2.5GW, and the reserve heating area of Beiqing Clean Energy was about 300 million square meters, a leading level in China.



2.3 Green Finance Strategy for the 14th Five-Year Plan Period (2021-2025)

In response to China's carbon neutrality goals, Ping An comprehensively utilizes green insurance, green investment and green loans to actively support the low-carbon and green development of the real economy. In April 2021, Ping An Group issued the "Five-Year Plan for Green Finance Development." Leveraging its advantage as a comprehensive financial institution, it formulated a specific green finance action plan and put forward specific requirements for each business line

Green finance action plan

- Ping An set targets of no less than 20% for the annual growth rate of its green investments, no less than 70% for green insurance premiums, and no less than 20% for green loan balance.
- By 2025, Ping An aims to achieve the overall targets of RMB400 billion in green investment plus green loan balance, and RMB250 billion in total green insurance premiums. It will actively promote green investment and climate change risk management, provide premium concessions, green loan "fast lane" or preferential interest rates on loans to green projects and green companies, and diversify green financial products.

Specific requirements for business lines

(I) Green loans (including credit and lease business)

Ping An will gradually reduce loan financing to industries and enterprises of high pollution, high energy consumption and overcapacity, strengthen loan audits, and reduce the loan size for emission-regulated enterprises. It will increase financing support for green enterprises and green projects by opening fast-track channels and accelerating the loan disbursement process by reference to the green credit guidelines and catalogues of the People's Bank of China and the China Banking and Insurance Regulatory Commission; and provide special financial offers in the form of loan interest rate subsidies (subject to local preferential policies).

As of June 30, 2021, the total amount of Ping An's green credit lines reached RMB96.7 billion, with an increase of 1.9% compared to end-2020; the balance of green credit loans reached RMB57.1 billion, up 59% from end-2020.

Chart 2.5 Growth Rate of Ping An's Green Credit

Unit: RMB 100 million

	December 31, 2020	June 30, 2021	Range of Variation (%)
Total amount of green credit lines	949	967	1.9%
Outstanding balance of green loans	359	571	59%

Note: Data are as of June 30, 2021

Column 2.4 Wind Power Green Credit Project Won the "Green Finance Pioneer Innovation Award"



Ping An Bank has innovated its business strategy to provide green loans for a wind power project supported by a central enterprise. Ping An Bank streamlined risk control measures and designed flexible credit plans for the company's wind power projects in Shandong. Distinct from the traditional financing model backed by the credit of large central enterprises, the bank leveraged the professional capabilities of new energy equity investment funds and focused on the capital balance capabilities of the wind power projects, to quickly approve and launch a wind power project with a capacity of 150MW and a value of nearly RMB1 billion. The project is expected to reduce carbon dioxide emissions by 347,000 tons, sulfur dioxide emissions by 3,300 tons, and nitrogen oxide emissions by 539.1 tons per year. This case won the Green Finance Pioneer Innovation Award at the Shenzhen 2020 Excellent Green Finance Case Exhibition and Exchange Conference.

(II) Green insurance

Ping An will further diversify its insurance products and services, such as new energy vehicle insurance, green building insurance green credit enhancement insurance, and index insurance for climate and green bulk commodities.

It will introduce corresponding preferential policies to green enterprises or green projects on renewable energy (photovoltaic energy, water conservancy, wind energy, biomass energy, etc.), energy efficiency, green building, circular economy, forestry and others, as well as related engineering insurance.

Life insurance, pension, and health insurance subsidiaries should also actively develop and promote green personal insurance products or services for corporate or individual clients.

(III) Green investment

Ping An will increase investment in green assets, including but not limited to, listed company securities, bonds, mutual funds, private equity, debt plans, special asset management and trust plans, and encourage innovation in forms and fields of green financial products (e.g. carbon finance).

It will closely follow relevant laws, regulations and guiding opinions on carbon neutrality from the national government and regulators under the "14th Five-Year Plan," put forward detailed risk analysis and investment plans for industries with high pollution and high carbon emissions, and develop withdrawal or exit plans as soon as possible.

(IV) Asset-liability matching management with reference to climate-related risks

Under the coordination of the Group, the asset risk management and actuarial departments of all units will gradually conduct climate risk testing and take management measures on the asset and liability sides. They will assess the impact of climate change risks on the asset side while considering the impact of insurance products affected by climate risks on the liability side, and ensure that assets and liabilities match each other in terms of maturity, revenue, and cost, to improve macro-level planning for future asset allocation.

Column 2.5 Other Business Lines of Ping An are also contributing to domestic ecological civilization



Ping An Leasing: Helping the revitalization of western rural areas - Ping An Leasing's first green direct leasing project for poverty alleviation in Tibet

The project is a photovoltaic power generation plant for poverty alleviation, located in the key region of the national Western Development Strategy. In 2017, Ping An Financial Leasing signed a poverty alleviation agreement with the local government to help Xikaxue Village in Zhanang County, which will provide the local government with a poverty alleviation fund of RMB2.4 million each year. Focusing on the funding needs of the project, after several months of repeated negotiations, the team finally settled on the provision of RMB70-million funding for the photovoltaic power generation plant developed by a central energy enterprise, through direct leasing products, helping the client receive the tax deduction and thus lowering its operating costs. The successful implementation of the project echoes with the Group's green finance strategy, and contributed to the economic development of Zhanang County and even the whole Tibet Autonomous Region.

Ping An Securities: Exclusively undertaking SPIC's green corporate bonds, the first batch of carbon-neutral green corporate bonds on the Shanghai Stock Exchange

State Power Investment Corporation Limited (SPIC), for which Ping An Securities acts as the sole lead underwriter, successfully issued green corporate bonds (first phase) (specially used for carbon neutrality) with a scale of RMB500 million on the Shanghai Stock Exchange on March 1, 2021. It is the first batch of carbon neutrality-related corporate bonds on the Shanghai Stock Exchange. The funds will be used for the Shandong Haiyang Nuclear Power Plant Project. According to estimates, the project can reduce carbon dioxide emissions by more than 13 million tons per year, comparing to thermal power plant of the same capacity, which has significant environmental benefits in carbon emission reduction.

3

2.4 Near-Zero Emissions Development Strategy

Against the backdrop of China's emission peak and carbon neutrality goals, Ping An will launch a near-zero emission development strategy in due time. In combination with the sustainable development strategy, responsible investment strategy, and green finance development strategy above, Ping An will achieve near-zero emissions of greenhouse gas including CO2 in its own operations and asset portfolios no later than the carbon neutrality of the whole nation, through energy saving and emission reduction in its own operations, optimizing and adjusting the structure of portfolios of different carbon intensities, increasing the support for zero-carbon assets, etc.

Based on the inventory of asset carbon footprints, Ping An will plan and formulate its near-zero emissions development strategy in its own operations and asset portfolios. It aims to publish a roadmap of goals and actions for emission peak and carbon neutrality in due time, in accordance with the policy requirements and unified deployment of financial regulators and relevant national industry authorities, and in line with the actual conditions of the industries. Specifically:



Ping An's near-zero emissions development strategy will be developed under the coordination of the Group. The Green Finance Committee will take the lead in relevant planning and formulation.



Relevant subsidiaries will initiate the labelling of and data collection on green and brown assets, to lay the foundation for climate goals, and manage asset portfolios according to the direction of action: Green assets need to be categorized into zero-carbon assets and general green assets first, followed by forecast and target setting of growth rates, with the expectation of rapid growth. For brown assets, a gradual exit policy that conforms to both short-term realities and long-term goals shall be formulated and implemented.



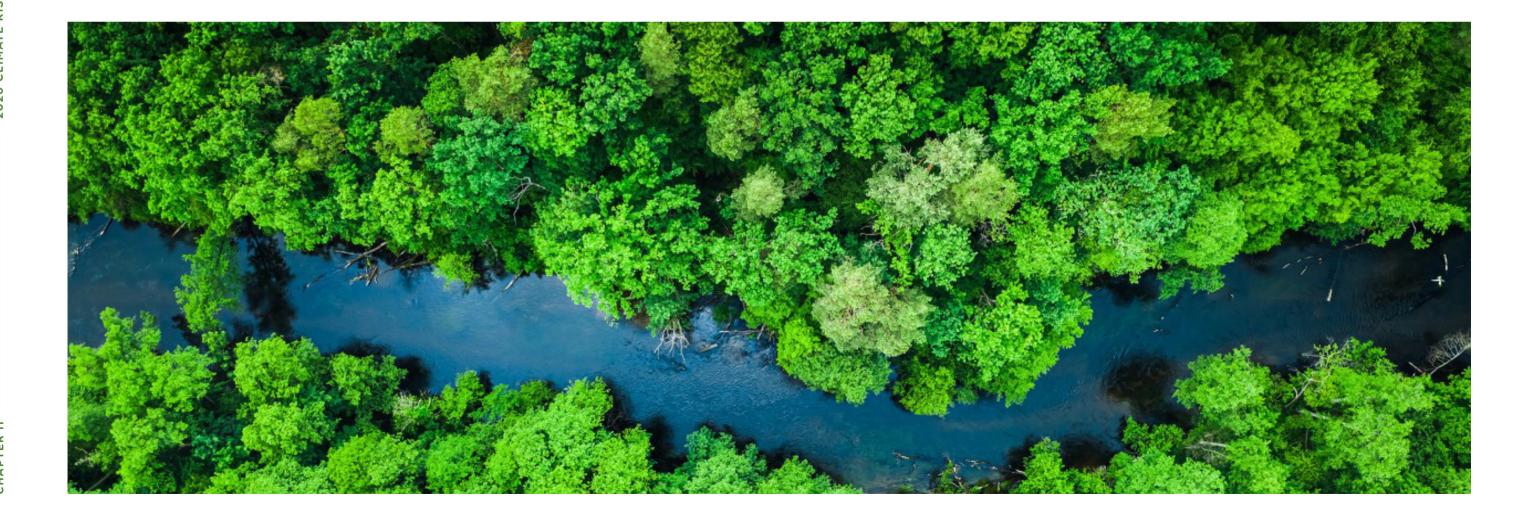
We shall strengthen communication and engagement for key clients with significant carbon emissions: Through targeted communication, the clients are requested to formulate their transition direction and pathway, clarifying that future financial support needs to be linked with the transition pathway and objectives.

Ping An will achieve the near-zero carbon emissions strategy mainly by increasing investment in green and zero-carbon assets, while reducing and withdrawing investment in high-carbon assets:

(1) Increasing investment in green and zero-carbon assets: Prioritize investments in green assets with reduced carbon emissions, zero-carbon assets with near-zero carbon emissions or assets with carbon removal effects. For the support plan for the coming five years, please refer to Ping An Group's 14th Five-Year Plan for Green Finance. The plan will be renewed every five years with stronger support for green finance.

(2) Reducing and gradually withdraw from carbon-intensive assets and utilizing the positive effect of active investor communication: Communicate with enterprises or clients with significant carbon emissions, clarifying that financial support needs to be linked with the transition path and objectives, and requiring them to formulate their transition direction and path. At the same time, Ping An will support their transition financing through green bonds, green loans, as well as green asset-backed securitization, and follow up on the progress over time.

In September 2021, Ping An Group updated its policy related to coal investment, (see Column 2.2).





Chapter III Risk Management

Ping An actively practices the notion of sustainable development and integrates climate change as a key topic into the Group's long-term development strategy. Specifically, the identification and management of climate-related financial risks are core in the response to climate change.

Based on its own characteristics, Ping An identifies the types, time horizons, impacts of and business lines involved in climate change-related risks, including physical risks and transition risks, and assesses the exposure of its banking and investment to climate risks. The results of risk identification and assessment will serve as the basis for business decisions in banking, insurance, and asset management sectors. The climate-related financial risks will be mitigated by increasing green low-carbon assets and reducing carbon-intensive ones



3.1 Identification of Climate-Related Risks

Ping An identifies the materiality of climate-related physical and transition risks in its business lines on different time scales, such as short term (1-2 years), medium term (3-5 years), and long term (10 years and above).

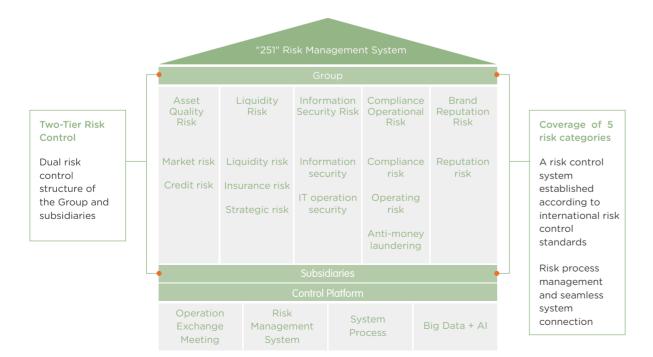
Chart 3.1 Identification Matrix of Ping An's Climate Risks Identification Matrix

Risk Type	Climate Risk Factor	Risk Categories	Example	Time Horizon	Business lines Involved	Extent of Influence
Physical	Climate disasters	Operational risk	Climate disasters may cause physical losses to the physical assets in the affected areas, resulting in asset devaluation	Long term	The whole Group	Significant
risks	Climate change	Credit risk	Climate change leads to the loss in businesses with certain clients	Medium to long term	Banking (including lease), investment, etc.	Minor
	New economic policies on low-carbon transition	Credit risk, market risk, etc.	If the government issues new policies to support low-carbon transition, high-emission economic activities will be under pressure, and low-carbon industries may benefit from the polices. That is, the policies may have a positive/negative impact on the business of specific clients	Medium to long term	Banking (including lease), investment, etc.	Medium
Transition risks	Emerging low-carbon technologies	Credit risk, market risk, etc.	Emerging low-carbon technologies rapidly occupy the market, while the development of clients in traditional sectors is hindered	Medium to long term	Banking (including lease), investment, etc.	Medium
	Fluctuation of carbon market prices	Market risk, reputation risk, etc.	The cash flows of clients involved in high emissions are affected by the fluctuation of carbon prices	Medium to long term	Banking (including lease), investment, etc.	Significant
	Mandatory information disclosure required by regulators	Operational risk, reputation risk, etc.	In the mandatory climate-relat- ed financial disclosure required by regulators, the lack of historical data and accurate accounting methods will affect the disclosure quality	Short term	The whole Group	Minor
	Higher environ- mental standards	Credit risk, market risk, etc.	Higher standards for energy use in buildings may create demand for additional investment in renovation for energy conservation and environmental protection purposes	Long term	The whole Group	Significant



Ping An has deeply embedded the notion of ESG into the Group's existing "251" risk management framework. The ESG risk control requirements are covered in the existing comprehensive financial risk management system. The original risk management system is supplemented and strengthened in accordance with the ESG concept on different levels: "2"- dual control of the Group and subsidiaries in terms of ESG governance, "5"- integration of ESG risks and the current five risk categories, "1"- establishment of a unified ESG management system and tools, to further improve the Group's risk governance capability and achieve long-term sustainable development.

Chart 3.2 Ping An's "251" Risk Management System



As one of the important issues of Ping An's ESG development strategy, the climate change-related financial risks also correspond to the five categories of risks covered by the Group's "251" risk management system.

Chart 3.3 Ping An's "251" Risk Management System and Climate Change Risks

Risk	Relevant Climatic Factor	Possible Scenario	
Asset Quality	Physical risks (decrease in productivity of relevant industries and increase in premium expenditure due to changes in weather and climate conditions)	Corporate revenue is affected and there is a problem or even default in loan repayment	
Risk	Transition risks (technological innovation rules out the original technologies, and the introduction of carbon prices increases the production costs)		
Liquidity Risk	Physical risks (extreme weather events)	The market sells carbon-intensiv assets in large quantities, and th amount of compensation fo extreme weather events increase	
	Transition risks (market preference for carbon-intensive assets declines, and policy control is tightened)		
Information Security Risk	Physical risks (extreme weather events)	Extreme weather events affect production activities and data infrastructure	
Compliance Operational Risk	Transition risks (tightened policy control)	Client's environmental compli- ance risk and joint and several liability	
Brand Reputation Risk	Transition risks (tightened policy control and market investors' preference)	Corporate image and social responsibility	

3.2 Physical Risks

Physical risks refer to the risks associated with abnormal weather events that can cause significant loss on the balance sheets of enterprises, households, banks, and insurers and lead to financial and macroeconomic instability. These risks, mainly financial risks caused by the failure to effectively mitigate climate change, are the cost of failure in climate actions. Depending on the duration of weather events, there are short-term and long-term physical risks.

Balance sheets are key channels for the transmission of climate-related risks. Physical losses mostly affect the stability of individual financial institutions and even the entire financial system, through the balance sheets of affected subjects and financial institutions. Insurers in particular are among the most impacted because the costs of physical losses upon insurance are mainly borne by insurers.

Taking advantage of technology, Ping An Property & Casualty researches into climate-related physical risks, focusing on extreme weather events exacerbated by climate change, such as typhoon, heavy rain, and flood, building on technologies including numerical simulation, machine learning, spatiotemporal data mining, satellite remote sensing, and drones. It enables sound risk assessment and management to help property owners protect their belongings and limit their financial losses.

Furthermore, Ping An independently developed DRS, a digital platform for physical risk identification and management. It consolidates knowledge in geography, disaster science, meteorology, and insurance, embedding over 1.4 billion data points on national disasters, internal underwriting and claim records. DRS can assess risks from nine types of natural disasters (including landslide, flood, tsunami, typhoon, tornado, lightning and snowstorm) and the major natural disaster risks for five common crops. It facilitates risk analysis of natural disasters, extreme wind and precipitation and environmental pollution at any location across the country. Connected with the national meteorological management and warning system, DRS can issue ex-ante disaster warnings and suggest loss-mitigating actions for our clients.

Ping An Property & Casualty continuously improves the data availability, establishes the spatial-temporal data set on natural disaster, meteorology, geography data, remote sensing, and socio-economic data, and gather experts in natural science and finance fields to form a professional natural disaster team.



Column 3.1 Physical Risk Management Measures of Ping An Property & Casualty



(1) Building an integrated platform: Ping An Property and Casualty Insurance has formed a laboratory and research team on natural disaster, and built an independent and controllable platform. It developed a temporal-spatial database for insurance, to enhance the prediction capacity for average temperature increase and more frequent extreme weather events in the longer run, accelerate the integration of climate impact into traditional business lines, and improve pricing, risk management, and underwriting.

Figure 1: Technical Structure of the Natural Disaster Risk Platform















Risk Identification

and Warning

Pricing

Product Development

Damage Prevention

Catastrophe Simulation

Natural Disaster Risk Platform





Hydrological

Model









Catastrophe



Data

Assimilation



Model



Recognition

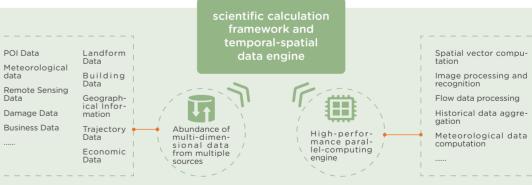


Modeling

In SAR Pattern Calculation Model

Scientific Calculation Model smoothly-coupled scientific models, open source and extensible, parallel structure, flexible deployment of microservices



















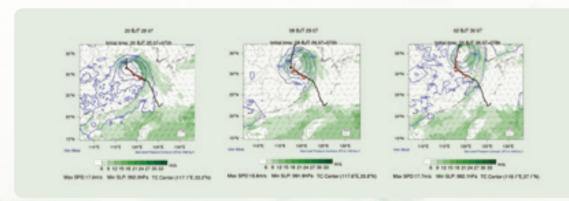




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- (2) Abundance of raw data: Ping An Property & Casualty Insurance has collected abundant data and information on damage caused by meteorological disasters, as well as the occurrence, intensity, and impact of extreme weather events, with relatively high spatial granularity and stationarity in forecast. For instance, claims and settlements for floods and storms caused by severe convective weather, large-scale immersion and property loss caused by floods, which are significant acute impact from climate change. Our temporal-spatial database on natural disaster covers data of 5 categories:
- •Natural disaster: database on disasters including rainstorm, typhoon, earthquake, and mudslide.
- •Natural disaster: database on 19 disasters, including rainstorm, typhoon, earthquake, and mudslide, e.g. past typhoons in China, long-term time series on snow depth, spatial distribution of geological hazard sites, past earthquakes.
- •Geographical data: including land cover, basic geographical features, soil, landforms, river basins.
- •Remote sensing: including optical and radar remote sensing data.
- •Socio-economic data: including GDP, population density, nighttime light, urbanization, etc.
- (3) Scenario analysis and stress testing: In terms of timescale, insurance pricing and risk management models tend to use historical experience data, and less forward-looking when it comes to risk tendencies related to climate change. Sole dependence on historical data may lead to potential deviation, while sole dependence on previous losses occurred and past models may lead to the underestimation of losses. We have referred to climate scenarios by the IPCC, e.g. for the coming two or three decades, to capture the "gray rhino" and complexity of climate-related risks. Based on profound analyses of climate risk mechanisms, we set up possible scenarios for impact assessment on key sectors, clients, objects, and even all assets, and apply the results in risk management. Our data scientists will conduct data mining and modelling, through adding the impact of certain factors such as GDP growth and urbanization on risk and losses, building on the data and disaster scenarios.

Figure 2: World-leading computation mode used in Ping An Property & Casualty
Insurance's Natural Disaster Laboratory



(4) Developing models and methodologies that fit local features: Combining data on landform, land use, hydrology and meteorology, we develop models and methodologies, as well as adaptive measures that fit local features. We have built a natural disaster lab in Sichuan Province. We integrate latest scientific findings into related models, and are planning to do that for climate change tendencies. Through adjustment of models and development of advanced algorithms, we will further adapt to and simulate higher risks resulted from climate-related extreme weather events and floods.



- (5) Improving actuarial models and product designs: We have closely combined findings from natural sciences and actual insurance scenarios, integrated them into the risk and actuarial models of property insurance, and continuously iterate and design more sustainable products and services, of more reasonable pricing. For example, our green insurance products cover environmental pollution, green resources, green sectors, catastrophes, weather events, and environmental-friendly behaviors, as well as special products and services for green sectors.
- (6) Adjusting business layouts (temporal and spatial): We have adjusted our business structure and designed our insurance policies in alignment with scientific calculations of different timescales. For example, we have exclusively developed the high-resolution flood hotspots based on data on meteorology, landform, hydrology, building outline, and insurance business, which helps adjust pricing or avoid deals of excessively high risks, and ultimately reduce investment in regions and sectors of high risks. Most property (re)insurance companies underwrite or renew their contracts annually, which allows us to adjust the premium rate, terms, and conditionalities for the key portfolios of debtors that are affected by physical impact of climate change. That is, we continuously adjust risk opinions and preferences based on different timescales and arrange reinsurance to lower the risk accumulation in regions of high risks, such as typhoon regions on the southeast coast or the earthquake regions in Sichuan.

Column 3.2 Henan Flood Insurance Claims and Management Mechanism Related to Extreme Weather Events



the weather forecast and flood forecast independently developed by the Ping An Natural Disaster Laboratory are used for disaster risk warnings. When the system calculates and simulates the rainstorm area or flood inundation area according to the natural disaster laboratory model, it will, 24 hours before the disaster occurs, send disaster warnings to business owners and car owners through SMS, AI smart phones, Ping An Car Owners , Qiyebao APP and others, to inform clients of disaster prevention strategies, and remind car owners to move their vehicles to safe areas to reduce the risk of flooding vehicles. At the same time, this is convenient for offline allocation of rescue resources such as manpower and vehicles in advance for proper flood prevention.

From July 16, 2021 onwards, Henan Province suffered extremely heavy rainfall, with 16 cities including Zhengzhou, Xinxiang, and Hebi affected. According to the statistics from the Ministry of Emergency Management, 14.786 million people, including 303 deaths and 49 missing people, were affected by the heavy rainfall in Henan, causing direct economic losses of RMB108.09 billion. According to data from the China Banking and Insurance Regulatory Commission, as of September 8, Henan insurance industry received 522,500 claims. The estimated losses covered were RMB12.432 billion, of which RMB7.74 billion were paid.

After the occurrence of the disaster, Ping An activated Level I response to major disasters and initiated investigations in a timely manner. It established "fast lane" for claim settlement to simplify the process. On the morning of July 19, Ping An Property & Casualty concluded the first car claim online through remote damage determination. As of July 23, Ping An Property & Casualty received 46,585 disaster-related claims, including 45,283 car insurance claims, 1,216 property insurance claims, 46 accident insurance claims, and 40 agricultural insurance claims.

With the development of society, the scale of damage caused by natural disasters on social economy has evolved from simple cumulative risk to compound systemic risk. Disasters of the same intensity will now cause economic losses that are exponentially higher than those happening under simpler economic and social conditions in the past. "Ping An Natural Disaster Laboratory is still in its early stage of development. We hope to connect more platforms and research institutions through the basic application of the open platform to jointly establish a more complete natural disaster prevention and early warning capability in the insurance industry, so as to truly prevent natural disasters before they occur", said relevant personnel in charge of Ping An Property & Casualty.

In the future, Ping An Property & Casualty will identify risks in advance and effectively prevent disasters and reduce losses based on the research of the Natural Disaster Laboratory, through building capacities in disaster identification, monitoring, prediction, and catastrophe management, and combined with big data and artificial intelligence, to help react to catastrophes and enhance the level of social governance.



3.3 Transition Risks

Transition risks are one of the main content of climate risks. As defined by the IMF, transition risks refer to changes in asset prices or economic crises, in a broad sense, resulting from changes in climate policies, technologies, market sentiment, etc. during the transition to a low-carbon economy. They are financial risks arising from effective policies and actions taken by the public or private sectors to mitigate climate change, as the cost of responding to climate change. Transition risks mainly affect financial stability through channels such as asset prices, policies, and credibility.

Specifically, as of the end of 2020, among the eight key industries, namely thermal power, steel, cement, nonferrous metal, paper making, aviation, petrochemical, and chemical industries, steel, petrochemical, and thermal power industries are the top three in terms of loan balance in Ping An; The top three industries by investment proportion are thermal power, chemical, and nonferrous metal industries, respectively.

Chart 3.4 Loan Portfolio Brown Industry Distribution

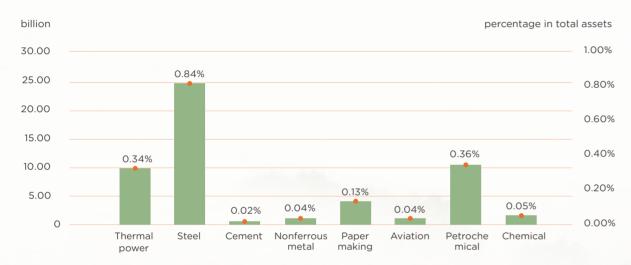
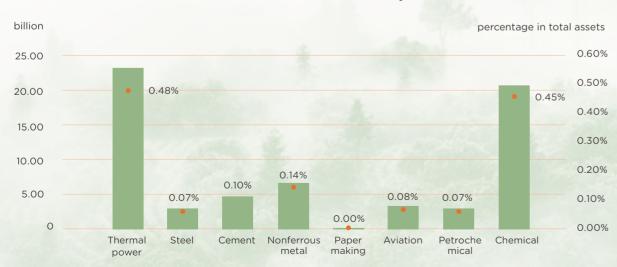


Chart 3.5 Investment Portfolio Brown Industry Distribution



Loan business: Currently, Ping An Bank is re-labeling and sorting out green loans, and will further improve labeling efficiency via big data, Al, and others. in terms of reduction of carbon-intensive assets, Ping An Bank will gradually reduce the scale and proportion of carbon-intensive loans.

In terms of incentivizing green finance, there are five main aspects: the first is to provide FTP subsidies for eligible green credits. The second is to grant strategic green credit lines. The third is to give branches greater autonomy in external pricing of green loans. The fourth is to carry out the Q3 incentive plan for RMB loans to non-real estate companies, and establish increment awarded marks for green credit. The fifth is to link the performance appraisal with the adjustment of asset structure, which shall be incorporated into the performance assessment of branches, departments, and individuals.

Chart 3.6 Climate Risk Management Process of Banking Business



Perfect the labeling of green assets

Ping An Bank is re-labeling and sorting out green loans, and will improve labeling efficiency by big data, Al, and other means



Track and increase the size and proportion of near-zero emissions assets

Establish a statistical mechanism; take multiple measures to encourage expansion of green finance business



Classify assets/clients

Divide them into different green classes ("dark green", "light green", "dark brown" and "light brown") according to environmental/climate benefits



Reduce the size and proportion of brown assets

Reduce the balance of credit lines; if there is no balance, the assets will not be included in the scope of credit line



Integrate green classification into the credit examination and approval process

Establish a statistical mechanism; take multiple measures to encourage expansion of green finance business



Link performance assessment to optimization of asset structure

Incorporate optimization of asset structure into the performance assessment of branches, departments, and individuals

Next, Ping An will establish a statistical mechanism to track and increase the size and proportion of near-zero emissions assets; Assets and clients are divided into different green classes ("dark green", "light green", "dark brown" and "light brown") according to environmental/climate benefits, and such classes are integrated into the credit approval process;

Investment business: Ping An Group is taking the lead in building the Group Green Finance Statistics Platform and improving the internal green projects and the Company's labeling mechanism to improve the labeling efficiency by big data, Al, and other means; investments are divided into different green classes ("dark green", "light green", "dark brown" and "light brown") according to environmental/climate benefits, and such classes are integrated into the investment decision-making process; the Group communicates with key clients, urging them to take measures to reduce carbon intensity and formulate a gradual exit plan; the Group will establish a statistical mechanism to track and increase the size and proportion of near-zero emissions assets; the performance assessment shall be linked to the optimization of asset structure, which shall be incorporated into the performance assessment of departments and individuals.

Chart 3.7 Climate Risk Management Process of Investment Business



Perfect the labeling of green assets

Classify assets/clients

Ping An Bank is re-labeling and sorting out green loans, and will improve labeling efficiency by big data, Al, and other means

Divide them into different green classes

("dark green", "light green", "dark brown"

and "light brown") according to environmen-



Track and increase the size and proportion of

near-zero emissions assets

Establish a statistical mechanism; take multiple measures to encourage expansion of green finance business



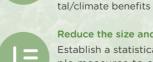
Integrate green classification into investment decision-making process

Take green classes as one of factors in the decision-making process



Link performance assessment to optimization of asset structure

Incorporate optimization of asset structure into the performance assessment of departments and individuals



Reduce the size and proportion of brown assets Establish a statistical mechanism; take multiple measures to encourage expansion of green finance business



Chapter IV Targets and Metrics

In the context of China's emission peak and carbon neutrality goals, Ping An fully recognizes the urgency to promote the transition towards low-carbon operation and business and to grasp low-carbon development opportunities. Based on Ping An's overall strategy on climate change, in combination with the TCFD requirements, Ping An has selected a series of indicators related to climate risks, including greenhouse gas emissions from its own operations, carbon intensity of asset portfolios, and targets of climate-related investment and financing activities, for quantitative disclosure of the Group's actions to address climate change.

In the future, Ping An will study and improve the near-zero emissions development strategy in addition to the existing sustainable development strategy, responsible investment strategy, and green finance development strategy. Based on the inventory of the footprint of various assets, Ping An will plan and propose an appropriate carbon neutrality goal including the roadmap of the carbon neutrality goal in its own operations and asset portfolios and actions in accordance with the policy requirements and unified deployment of financial regulators and relevant national industry authorities, based on the actual development conditions of the industries.

4.1 Achieving Carbon Neutrality in Operations by 2030

In 2020, the total carbon emissions from Ping An in its operations shall be 530,600 tons, with the emissions from power consumption in workplaces, employee travel, and data centers ranking top three. Specifically, the proportion of emissions from workplaces and data centers is 90%. The details are shown in the following table:

Chart 4.1 Main Sources of Carbon Emissions of Ping An in Its Operations

No.	Scope	Type of Power Consumption	Main Content	Carbon Emissions	Proportion
1	1	Natural gas	Mainly from gas consumption in canteens at Ping An's workplaces	2,100 tons	0.4%
2	ı	Fuel (diesel)	Mainly from daily power consumption for related fleets of Ping An and its affiliates	10 tons	0.002%
			Total of Scope I	2,100 tons	0.4%
3	II	Data centers	Mainly from power consumption during operation and maintenance of Ping An's data centers	19,000 tons	3.6%
4	II	Workplaces	Mainly from power consumption at Ping An's own and leased workplaces, including operation of infrastructure, lighting, offices, and air conditioning	459,300 tons	86.5%
			Total of Scope II	478,300 tons	90.1%
5	III	Paper consumption	Mainly from paper consumption at workplaces, excluding paper consumption in business halls	330 tons	0.06%
6	III	Business travel of employees	Mainly from means of transport (cars, ships, high-speed rail, aircraft, etc.) during employees' business travel	49,900 tons	9.4%
			Total of Scope III	49,900 tons	9.5%

Notes

- 1. Data scope: Cover more than 95% of data on group headquarters and all members companies in 2020.
- 2. Data source: The operation data were compiled from the Group AI ESG Platform and the 2020 ESG reports submitted by subsidiaries; the Group's carbon emissions (greenhouse gas emissions) were measured by Ernst & Young, and Deloitte conducted limited certification in the process of data extraction and calculation.
- 3. Carbon emissions in operation: The Scope 1 GHG emission in the Report is stationary source emission. The Scope 2 GHG emission is converted electricity emission data (consumption of 1 kWh of electricity discharges 0.87 kilograms of CO2). The Scope 3 GHG emission is emission from business travel by airplanes, excluding the environmental impact and measurement of Ping An's investment and financing activities in China (measured at the asset portfolio level).

Ping An will follow the principles of scientific emission reduction and internal projects having priority over external ones, adhere to green operation, and promote the achievement of the carbon neutrality goal in its own operations by the following means:

- (1) Priority is given to energy conservation. Ping An will consider hiring energy conservation experts, to measure and evaluate power consumption in workplaces and data centers, design energy conservation plans and provide guidance on the implementation, put forward energy-saving requirements for centralized operation and maintenance suppliers, conduct effective training, management and assessment of service personnel, improve service personnel's awareness of energy conservation, and cultivate low-carbon concepts and behavior guidance for employees.
- (2) Purchase green power and have qualified workplaces directly connected to green power.
- (3) Prepare for sufficient green power and discuss the installment of sufficient distributed photovoltaic power generation equipment in workplaces or data centers at physical places with centralized power consumption.

On the basis of continuous internal emission reduction, the unavoidable carbon emissions can be solved by investing in green assets or purchasing carbon emission quotas, to ultimately achieve the carbon neutrality goal in operation by end-2030.

Column 4.1 Green Operation: Building Low-Carbon Buildings and Data Centers



Shenzhen Ping An Financial Center is one of the first super high-rise buildings in China and even East Asia that adopts LEED green building certification as an important construction indicator. By adopting cutting-edge technologies such as "free refrigeration" system, heat recovery system, high-performance facade design and energy regeneration elevators, it can save up to 46% of energy consumption. The building has recently obtained LEEDv4.10+M: EB (Operation and Maintenance: Existing Building) Platinum Certification and China Green Building Three-Star Certification.

Lize Ping An Financial Center, located between Beijing's west second and third ring roads, adhering to the notion of "low-carbon and environmental protection", built an ecological park covering an area of 70 acres and formed an ecological slow-walking trail of 34 kilometers. The building has energy saving rate of 65% with 39.1% domestic hot water provided by solar energy, non-traditional water source utilization rate of 31.4%, greening rate of 20.4%, and reusable and recyclable building material use ratio of 12.5%. Lize Ping An Financial Center has obtained the dual certification of "LEED Gold Certification" and "China Green Building Two-Star Certification"

Ping An Guanlan No.3 Data Center will become a benchmark for domestic energy-saving technology after it is put into production. Among Shenzhen's financial-level data center projects, it is the first to achieve data center PUE of less than 1.25 and renewable energy use ratio of more than 30%.



4.2 Exploring Near-Zero Emissions in Investment and Financing Portfolios

Apart from the emissions from operating activities, Ping An Group estimated the financing emissions data of banking and investment business for the first time. It measured the total emissions from key and typical clients in eight high-emission industries such as coal power, steel, cement, non-ferrous medal, paper making, aviation, petroleum, and chemical industries based on the average emission intensity (emission factor) of the industries. The proportion of loan balance provided by Ping An or bonds or stocks held in the total revenue of the current year was taken as the attribution factor to measure the carbon emission associated with the financial support provided by Ping An. For the measurement methods of carbon emissions from Ping An's investment and financing activities, please refer to the Appendix.

Based on this, Ping An estimated the carbon emissions and proportions of investment and loans by industry. At the end of 2020, The total size of assets included in the estimation in the current year was RMB7.92 trillion, and the total emission was about 108 million tons, with high-carbon assets taking no more than 2% of the total assets; specifically, the total size of assets in high-carbon industries was about RMB122.3 billion, and the total emission was about 36.49 million tons, accounting for 33.7% of the financed emissions; the total size of other assets was RMB7.80 trillion, and the total emission was 718.3 billion tons, accounting for 66.3%. The average carbon intensity of high-carbon assets held by Ping An was about 2.98 tons per RMB10,000, and that of non-high carbon assets was about 0.0921 tons per RMB10,000.

By business lines, Ping An Bank's loan balance was RMB 2.95 trillion, with the corresponding carbon emissions of about 33.63 million tons. About 27.13% of the associated carbon emissions came from the eight high-carbon industries. The breakdown of proportions by industry is set out as follows: coal power (19.24%), steel (3.63%), cement (1.49%), non-ferrous metal (1.47%), and other industries (less than 1%). Although the proportion is relatively small, Ping An still attaches great importance to the potential transition risks of loans in the high-carbon industries. It is pushing for stress tests for the relevant business lines.

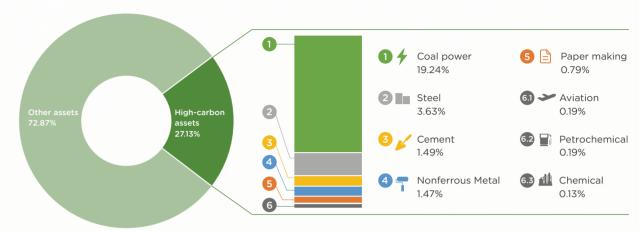


Chart 4.2 Proportions of Total Carbon Emissions in Loan Balance

Ping An's investment was RMB4.97 trillion², with the corresponding carbon emissions of about 71.69 million tons. the emissions from high-carbon industries accounted for 37.03%, slightly higher than that of loans. Specifically, coal power accounted for 23.64%, followed by cement (7.27%) and non-ferrous metal (4.52%), and each of other industries accounted for less than 1%.

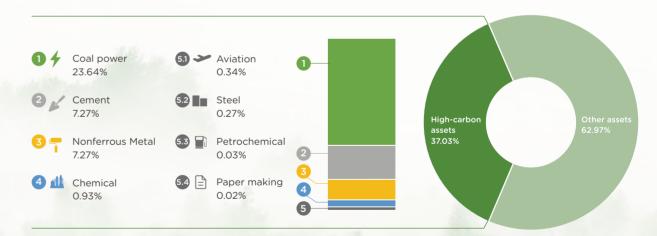
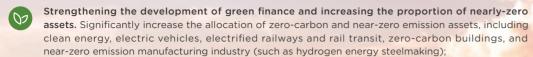


Chart 4.3 Proportions of Total Carbon Emissions in Investment Balance

² The overall assets in Ping An Group's investment sector include financial investments, long-term equity investments, and investment property with the first, second, and third-party funds.

In order to achieve near-zero emissions in investment and financing portfolios, Ping An will take various measures to actively deploy low-carbon business transition:



- Developing transition-related financial products and promoting the low-carbon transition of high-carbon assets. For key industries, communicate with key clients from now on, requiring them to formulate the transition direction and path, and clarify that future financial support needs to be linked with the transition path and objectives, for example, requiring unit carbon intensity to decline at a certain rate per year to reach the overall goal of reducing the carbon intensity of asset portfolious:
- Reducing the growth rate of carbon-intensive assets and others, and strictly control the asset volume of the coal industry (see Column 2.2 "Ping An's Statement on Coal-related Business" for details):
- Deploying investment in CDR in due time.

Chart 4.4 Breakdown of Green Finance Business Scale of Ping An Group

Indicator	As of December 31, 2020 (Unit: RMB million)	As of June 30, 2021 (Unit: RMB million)
Green investment		
• Equities	28,982	72,646
• Bonds	16,032	61,514
Non-standard assets	38,015	44,998
• Mutual funds	15,987	13,172
• Lease receivables	4,260	3,263
Balance of green credit lines	94,867	96,703
Balance of green credit loans	35,897 -	57,109
Original environmental premium income	121	166
Amount of environmental insurance	120,199	69,716

In the near future, Ping An will continue to actively respond to China's climate goals and launch Ping An's own targets and pathways in due time. By actively prompting further clarification of national identification standards for carbon-intensive and green assets, investment and loan control policies for various assets, and carbon emission intensity standards for various industries, and in line with the actual development of various industries, Ping An's carbon neutrality methodology and path planning for assets will continuously improve. After China's "1 + N" policy system for carbon neutrality is clarified, Ping An's roadmap of dual-carbon goals and actions in asset portfolios will be launched at the appropriate time.

Column 4.2: Ping An Green Bond Fund Contributes to Global Low-Carbon Transition

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On September 30, 2020, Ping An invested RMB600 million to establish the China Green Bond Fund, aiming to actively promote the global green economy. As of the end of 2020, the Fund had invested in 46 eligible green bonds, benefiting 833 infrastructure projects in 26 countries with long-term environmental, social and economic impacts on local communities.

The Fund will help Belt and Road countries increase renewable energy capacity by 181 MW and generate 71,770 MWh electricity each year. As a result, the energy saved will reduce 135,012 tons of carbon dioxide emissions annually; the invested sewage treatment facilities can purify 61,224 m³ of sewage daily; we finance the construction of 433 km railways in China, India, Indonesia and other countries, providing green and environmentally friendly transportation for over 3.7 million people in underdeveloped areas; we fund 167 green construction projects from 12 green developers to support the construction of new energy-efficient residences and offices, as well as implement waste and sewage treatment solutions, to build green communities for our next generation.

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Column 4.3 Online Monitoring Platform for Carbon Emissions

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Ping An Bank is piloting a monitoring platform for carbon emissions based on the Internet of Things, and the corresponding functions will be officially launched in October 2021. The Ping An Bank Division selected a power plant in Shanxi as the first pilot project, and will gradually replicate the project for promotion and application at a later stage. The data platform can enrich corporate profiles based on real-time monitoring of carbon emissions, which is helpful for carbon asset quality review and post-loan management. It can be applicable to corporate environmental performance evaluation, green financial project evaluation, and carbon asset management. Meanwhile, as Ping An Bank's specific innovative practice that combines scientific and technological means to fulfill social responsibilities in facilitating carbon neutrality work, it will enhance the overall brand reputation.

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This Report is the second climate disclosure report issued by the Group, and two years has lapsed since the release of the first one. In the past two years, the financial sector worldwide has continuously raised awareness of climate change risks, constantly improved assessment and analysis methods, and increasingly accelerated their actions. This Report is a milestone deliverable of Ping An's response to climate change. In the future, Ping An will also strive to improve its capability to cope with climate change risks, deepen the communication and cooperation with stakeholders, and reasonably plan and deploy business transformation, so as to make an active contribution to the realization of global climate goals.

Appendix: Calculation Methods of Carbon Footprint for Portfolios (Credit and Investment)

Background assumptions for carbon footprint estimation

- The high-carbon asset portfolios include credit, bonds, equities, and other assets in coal power, petrochemical, steel, cement, aviation, and other industries;
- The average carbon intensity data of carbon-intensive assets is calculated by dividing the carbon emissions corresponding to brown assets by asset size, where the carbon emission data is the sum of results calculated by multiplying the size of asset portfolios by industry by the corresponding emission factor. The basic assumption for the estimation is that carbon intensity remains the same in the same industry and there is no difference in carbon intensity under different financing methods (i.e. credit or asset management).
- Since the non-high carbon industries are not split for estimation purpose, in the estimation of the average carbon intensity data of non-high carbon assets, it is assumed that the carbon emission intensity of all non-high carbon industries is consistent. The calculation formula is as follows:

Carbon intensity of a non-high carbon asset portfolio = emissions of a non-high carbon asset portfolio/size of a non-high carbon portfolio

• Since the breakdown of financing data is difficult to obtain nationwide, the carbon intensity corresponding to the credit is estimated as the average carbon intensity of the entire asset portfolio:

Carbon intensity of credit in non-high carbon industries = proportion of credit in total size of social financing * emissions of non-high carbon industries/credit balance of non-high carbon industries = (national credit balance/total size of social financing) * (total national emissions - emissions of high-carbon industries)/ (national credit balance - credit balance of high-carbon industries)5.

• The methodology is aligned with the methodology proposed by Partnership for Carbon Accounting Financials (PCAF).

Potential limitations:

1.Due to limited data availability, the estimation of sectoral carbon intensity was based on the emissions of typical clients (most being large enterprises) in the sector, and could not taken into consideration the difference among enterprises within the same sector.

2.Due to the absence of widely-recognized standards and the inability to directly measure carbon intensity, there could be deviation in the estimation.

3.Limited by the methodology, the scope of the calculation only covers carbon dioxide and no other greenhouse gases.

