

## CLIMATE CHANGE SCENARIO ANALYSIS

**Whereas:** Climate change presents systemic challenges and opportunities to our global economy. The insurance sector has a unique position as society's risk managers and as institutional investors in addressing climate risk. Insurance regulatory bodies including the National Association of Insurance Commissioners<sup>1</sup> and UK Prudential Regulation Authority<sup>2</sup> recognize insurer climate risks, ranging from physical, to legal liability, to investment risks amidst climate change and transition to a low-carbon economy.

Investors require increased transparency on the resilience and adaptability of insurance companies to ensure their long-term stability and profitability. Supported by over 230 CEOs, the Financial Stability Board's industry-led Task Force on Climate Related Financial Disclosures (TCFD) identifies scenario analysis as essential to climate disclosure,<sup>3</sup> including assessing climate risks in the core business operations of underwriting and investment portfolios.<sup>4</sup> Insurance supervisors and regulators identify scenario analysis as a "critical tool to understand how the insurance sector could be impacted by . . . the transition to a low-carbon and climate resilient economy."<sup>5</sup>

Other leading global insurers such as AIG are developing methodologies for assessing the impact of climate change on their business. AXA announced the publication of its first comprehensive TCFD report, including a two-degree Celsius scenario.<sup>6</sup> Aviva committed to disclosure aligned with TCFD recommendations.<sup>7</sup> In 2018 the U.N. Environment's Finance Initiative (UNEP FI) announced a partnership with 16 of the world's largest insurers, to develop new risk assessment tools to assess climate-related risks in insurers' core insurance portfolios and products.<sup>8</sup>

**Resolved:** Given the profound societal impacts of climate change and our company's potentially critical role in mitigating harm to society, shareholders request that AIG, with board oversight, publish an assessment, at reasonable cost and omitting proprietary information, of the plausible impacts of a climate change scenario consistent with a globally agreed upon target of limiting warming to well below 2 degrees Celsius, as well as additional scenarios reflecting higher global average temperatures.

**Supporting Statement:** This requested report can be incorporated into existing reporting and should address business impacts related to the physical effects of climate change and transition to a lower-carbon economy. Climate scenario analysis is an emerging strategic planning tool, and there is an opportunity for AIG to join other leading global insurers in establishing best practices for disclosure that align with TCFD recommendations. This includes TCFD's supplemental guidance for insurance companies and asset owners, their technical guidance for scenario analysis, and the following considerations:

- Assessment of various, feasible climate-related scenarios
- Reporting of critical input parameters<sup>9</sup> such as transition scenarios from the International Energy Agency and physical impact scenarios from the Intergovernmental Panel on Climate Change
- Reporting of time frames used for the scenarios, including short-, medium-, and long-term milestones<sup>10</sup>
- How business strategies across underwriting and investment activities may change to align with climate scenarios.