

Climate Change Report

2022



Foreword

With frequent occurrence of extreme weather events and continuing global warming, tackling climate risks has become a serious challenge for the global community. After announcing its “dual carbon” (i.e., carbon peaking and carbon neutrality) goals in 2020, China stepped up its green economic and social transition by releasing a series of national and local policies on “dual carbon” goals to guide industries in their active response to climate change. The report of the 20th CPC National Congress stated that “the Chinese path to modernization pursues harmonious coexistence between humanity and nature.” We must pursue green development, respect and protect nature and comply with the laws of nature. It is not only the requirements of the endeavour to build Chinese modernization, but also key to achieving the carbon peaking and carbon neutrality goals.

As an important part of the financial industry, insurers play a significant role in the process of achieving the “dual carbon” goals. They help industries mitigate the impact of climate risks and support faster recovery from disaster losses by means of insurance product and service innovation, risk survey and early warning, and disaster relief, etc.; at the same time, they provide risk protection solutions for the development of green industries. On the other hand, the realization of the “dual carbon” goals requires large-scale capital investment, and by implementing systematic green investment strategies, insurance institutions can better serve the national green development strategy while improving their asset allocation capabilities.

As an active player in the effort to address climate change, CPIC has signed up to the UN Principles for Responsible Investment (UN PRI), the UN Principles for Sustainable Insurance (UN PSI) and Green Investment Principles (GIP) for the Belt and Road, and has been actively integrating those principles into its management practices. In 2022, it comprehensively strengthened its ESG and climate change governance system and formulated a 3-year ESG development plan, incorporating climate change into the core strategic ESG objectives. Based on its long-standing innovation in and commitment to green development practices, CPIC has, in both the insurance and investment business, taken an active part in the construction of the country’s green finance system, achieving positive results. It also pays close attention to its environmental impact from its operations and vigorously promotes group-wide green operation to reduce the carbon footprint of operation as much as possible.

This is CPIC’s first stand-alone report on climate change. It systematically outlined the Company’s management practices and major climate impacts. In the future, we will continue to deepen research on climate risks, accelerate the integration of climate factors into our enterprise risk management (ERM) systems. We look forward to continued in-depth discussions and cooperation with stakeholders to support the achievement of the “dual carbon” goals with the help of green finance.



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About CPIC

China Pacific Insurance (Group) Co., Ltd. ("CPIC") was established on the basis of China Pacific Insurance Co., Ltd., which was founded on May 13, 1991. Headquartered in Shanghai, it is a leading integrated insurance group in China, as well as the first insurance company in China to be simultaneously listed on Shanghai Stock Exchange, Hong Kong Stock Exchange, and London Stock Exchange. With a full range of insurance-related licenses covering life insurance, property and casualty insurance, pension, health insurance, agricultural insurance and asset management, CPIC provides customers with comprehensive risk protection solutions, wealth planning and asset management services.

With a focus on insurance business and long-term value growth, CPIC vigorously pursues reform and transformation in key areas and levers. Being customer-oriented, it builds new growth drivers through technological empowerment, and keeps improving synergy for new development; it ensures the prevention of major risks to safeguard long-term stable growth and strives for leadership in healthy and steady development of the insurance industry.

Committed to serving the real economy and people's well-being, the Company gives full play to its professional strengths as an insurer to support the country's green and low-carbon development and enhance the resilience of society. It joins hands with strategic partners as well as partners upstream and downstream the insurance value chain to promote sustainable development of the economy and society, thus contributing to the great cause of Chinese modernization.





2022 · Our Climate Action Achievements

Governance

- We improved top-level design, built a complete ESG governance structure encompassing “board-management-execution” with clear responsibilities at each level, and embedded sustainable development into all business processes;
- promoted the establishment and improvement of ESG organizational structure in each subsidiary to ensure effective implementation of climate change related work plans.

Strategy

- In response to China’s “dual carbon” strategy, CPIC leveraged its insurance expertise to support the green and low-carbon transition of the economy and society, mitigate climate change impact, enhance adaptability to climate change, and improve the climate resilience of upstream and downstream companies along the industry chain, in a bid to become a leader in the sustainable development of the industry.

Risk Management

- We identified climate-related risks and opportunities as per the TCFD framework and categorized them by risk factors, impact duration and impact magnitude, thus supporting more sophisticated climate risk management in the future.
 - We established climate-related risk limits and risk appetite monitoring indicators, and gradually integrated climate factors into our ERM system.
 - With many years of experience in developing catastrophe insurance products and services, we incorporated climate change factors into insurance risk assessment and pricing, by using technical tools such as catastrophe risk models, risk radar, etc.
 - We conducted research into climate change risks and published a series of research results to promote the green development of both the Group and the industry.
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Climate Action Impacts

Green insurance

- Provided coverage to clean energy projects with cumulative sum assured (SA) exceeding RMB **1.2** trillion
- Provided environmental pollution risk coverage to more than **7,000** enterprises with total SA exceeding RMB **11** billion
- Provided catastrophe risk coverage with total SA exceeding RMB **700** billion
- Developed over **50** weather index insurance products
- Provided ecological carbon sink risk coverage to **23** million hectares of forest lands with total SA of about RMB **220** billion

Green investment

- Over RMB **150** billion in total green investments

Green operation

- Digitalized all our approval procedures with “CPIC E-office”
- Utilization of electronic seal reached **94.08** % for CPIC P/C
- Subscription of electronic letters reached **86.5** % for CPIC Life
- **6** CPIC Home retirement communities obtained authoritative green building and healthy building certification.
- Our Data Center in Chengdu became **the first LEED-certified data center in mainland China**

Green advocacy and public good

- Since its launch in 2020, the CPIC Sanjiangyuan Public Welfare Forest project has completed three phases of construction.
 - ◇ CPIC and its employees donated a total of RMB **33.3** million
 - ◇ Completed reforestation of more than **133** hectares, planting nearly **120,000** trees of more than **10** species such as piceacrassifolia, populus, apricot and lilac, etc.

Governance

Good environmental, social and governance (ESG) performance is an important foundation for modern companies to achieve long-term sustainable development. A top-down ESG governance mechanism plays a key role in improving the management of ESG issues, including climate change. CPIC has established and continues to improve its ESG governance structure and embed climate change into its strategic management framework. It is committed to making all-around efforts in its insurance business, investment activities, and own operations to contribute to climate change mitigation and adaptation and the achievement of the “dual carbon” goals.

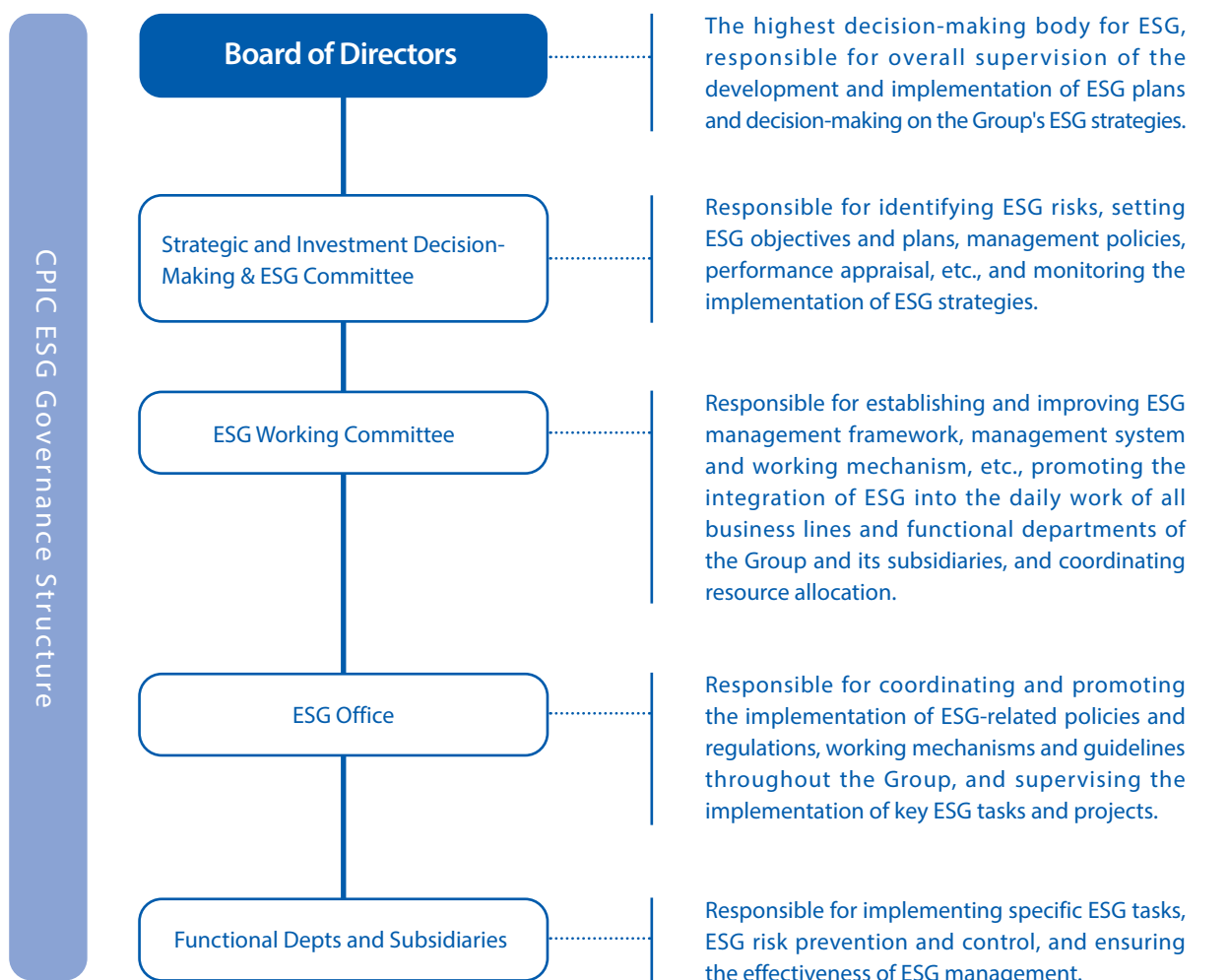
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Governance structure

CPIC has introduced ESG management to provide governance and organizational support to meet the requirements of China’s “dual carbon” initiatives. The Company has set up a complete ESG governance structure encompassing “board-management-execution” with clear responsibilities at each level, and embedded sustainable development into all business processes to promote the green and low-carbon development of the economy and society.



All subsidiaries of the Group have also established their own ESG organizational structure, ESG working committee and ESG office with clearly-defined responsibilities, workflow and evaluation mechanism. In addition, they have set up special work teams. For example, CPIC P/C set up a sustainable development research center to lead the execution of its green finance work, and all its 40 branches also established organizational structure for green finance; CPIC AMC set up an ESG investment and research work team under its Securities Investment Decision-making Committee to promote green investment.

Capacity building

In 2022, focusing on the “dual carbon” goals, CPIC held many internal seminars and developed relevant policies and rules to improve its green governance. It also invited internal and external experts to conduct systematic training for relevant departments on topics such as ESG risk management and ways to address climate change, so as to continuously strengthen capacity building.

At the same time, to build a green development ecosystem in the insurance industry together with our partners, we organized many activities with external organizations such as UN Principles for Responsible Investment (UN PRI), UN Principles for Sustainable Insurance (UN PSI), mainstream ESG rating agencies, ESG research institutions, and strategic partners to exchange views and ideas on green insurance, climate change response, ESG investment, and green services.

Case | CPIC held international exchanges on ESG

CPIC continued to engage in international exchanges and cooperation in the field of ESG to learn from international experience, enhance understanding of global ESG dynamics and trends, and improve ESG governance capabilities.

In September 2022, CPIC held a high-level online meeting with UN PRI to discuss the direction of responsible investment and key topics of interest for Chinese companies.

In December 2022, CPIC and Swiss Re held the second ESG Summit, at which they shared their exploratory efforts and experiences in the ESG field and conducted in-depth communication on topics including global ESG development trends, ESG practices of life and P/C insurance, and responsible investment. Both parties will continue to deepen their strategic cooperation in ESG and jointly promote global sustainable development.

Strategy

In its 14th Five-Year Plan, CPIC identified “enhanced capability for sustainable development” as one of its development goals for the 14th Five-Year Plan period. To strengthen its ESG and climate-related risk response capabilities, the Group set up ESG top-level design and governance structure and integrated ESG and green development factors into daily operation, so as to become a leader, promoter and pioneer in practicing ESG and green development concepts.

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Strategic goals

In 2022, CPIC formulated the Environmental, Social and Governance Plan of China Pacific Insurance (Group) Co. Ltd. (2023-2025) (the ESG Plan). It is a special plan under the framework of the Group's overall strategic framework, which defines the vision and goals of ESG development and ways of implementation. It set outs the guiding principles for the Group's ESG development in the next three years.

Climate change is a key area of the Group's ESG strategy, as it is a great challenge for all mankind impacting the long-term healthy development of the economy and society. In response to China's "dual carbon" strategy, CPIC leveraged its insurance expertise to support the green and low-carbon transition of the economy and society, mitigate climate change impact, enhance adaptability to climate change, and improve the climate resilience of upstream and downstream companies along the industry chain, in a bid to become a leader in the sustainable development of the industry.

CPIC's overall ESG goals

Improve ESG governance and embed ESG concepts into its values and business practices.

Establish a low-carbon and energy-saving operation model, optimize energy consumption and reduce the carbon emission of asset portfolios.

Build an industry-leading sustainable financial product and service system, and improve capacity to supply environment-friendly financial products and services to improve people's well-being and enhance social governance.

Actively shape ESG culture and build ESG brand to enhance future-oriented sustainable development capabilities.

Raise the priority of climate change response strategy

We will further integrate climate change into the Group's strategic management framework, deepen research on climate response policies and market trends, carry out climate risk and opportunity analysis, formulate systematic climate change response strategies and action plans, gradually improve the governance of climate issues, and raise the priority of our climate change response strategy.

Strengthen climate risk management system and capacity building

We seek to further integrate climate risk management into the Group's integrated risk management system, develop relevant management rules, working mechanisms and processes, conduct scenario analysis and stress testing, improve risk analysis, reporting, early warning and response mechanisms, and continue to enhance our climate risks governance and control capability.

Accelerate development of green finance

To promote the country's green transition of economy and society, support national climate strategy and help achieve the "dual carbon" goals, we strive to provide insurance protection and financial support for economic activities that are beneficial to environmental improvement, climate change response and efficient use of resources by leveraging the role of insurance in the underwriting and investment business.

Develop carbon reduction plan for operation

Based on government policies and regulatory requirements, industry trends and the realities of the Group, we will carry out group-wide carbon emission verification for our operational activities as per relevant national and industry technical standards and requirements, to help define our mid/long-term "carbon neutrality" goals for operation. We plan to develop implementation approaches and action plans for our carbon neutral operation, and take multiple measures to reduce greenhouse gas emission from our operational activities.

Policies and regulations

In active response to the national dual carbon strategy, CPIC seeks guidance from important national documents such as the Opinions of the Central Committee of the Communist Party of China and the State Council on Implementation of the New Development Concept to Achieve Carbon Peaking and Carbon Neutrality, the Action Plan for Peaking Carbon Before 2030 and the Integrated Reform Plan for Promoting Ecological Well-being, and implements regulatory policies and requirements. Based on green finance-related policies such as the Guiding Opinions on Building Green Financial Systems and the Green Finance Guidelines for Banking and Insurance Industry, CPIC continues to improve its ESG and climate-related policies and systems.

In 2021, CPIC signed the United Nations Principles for Responsible Investment (UNPRI) as both an asset owner and an investment manager, becoming the fourth asset owner in Chinese mainland to sign the PRI. In the same year, it signed the United Nations Sustainable Insurance Principles (UN PSI), becoming the second signatory in Chinese mainland. In January 2022, CPIC P/C signed the Belt and Road Green Investment Principles (GIP). CPIC will gradually deepen the implementation of these principles in its insurance business, investment activities, and own operations.

CPIC has been actively promoting ESG and climate change related policies and systems across all its businesses.

- » **In our insurance business**, we formulated the "2022-2024 Green Insurance (Sustainable Insurance) Strategic Planning and Implementation Plan" to develop green insurance at a strategic level. We issued the "Guidelines for Sustainable (Green) Insurance Standards" among other documents to establish and improve green insurance standards, clarify the scope of sustainable (green) insurance, and promote step-by-step various sustainable (green) insurance business.
- » **In our investment business**, investment-related policies such as Provisions on Management of Green Finance Investment and Implementation Rules on ESG Bond Investment have been formulated, which defined ESG investment philosophy, investment principles, organizational structures and working mechanisms to promote the construction of ESG investment management systems and increase support for green, low-carbon, circular economy, etc. For bond investment, financial product investment and equity investment, the Company provides relevant ESG investment guidelines and principles so as to promote the full integration of ESG and green finance factors into the screening and decision-making of investment targets.
- » **In our own operations**, we actively practice green office, and issued rules such as the "Green Convention on ESG Practice by Headquarters Employees" and "Code of Conduct on Practicing ESG Development and Implementing the Transformation of Company Culture", to enhance employee awareness and change their behaviors in aspects of electricity saving, reduction in meetings, paperless office, shared office supplies, recycling and green public initiatives, etc., thus promoting low-carbon operation in all-round manner.

Case | CPIC P/C formulated Guidelines on Sustainable (Green) Insurance Standards

To implement CBIRC's Guidelines on Green Finance in the Banking and Insurance Industry, push forward the Company's sustainable development strategy in an orderly manner, and establish and improve relevant standards for sustainable (green) insurance, CPIC P/C formulated the Guidelines on Sustainable (Green) Insurance Standards (hereinafter referred to as the "Guidelines") to strengthen the management requirements of sustainable (green) insurance products and business planning, product and business management, assessment and tracking, etc., improve the capacity building of green finance, and serve the transformation of China's national dual-carbon economy.

In terms of scope, the Guidelines proposes that the Company shall use differentiated policies to encourage phased development of sustainable (green) insurance business for four purposes: green transformation, improvement of people's well-

being, resilience of the real economy, and economic opening up. At the same time, we will strengthen the risk identification of high-carbon projects by adjusting relevant products and underwriting policies, and restrict the underwriting of high-energy-consuming and high-emission projects in industries such as steel, non-ferrous metals, building materials, and petrochemical chemicals.

In terms of business orientation, the Guidelines require the establishment of a supporting mechanism for sustainable (green) insurance innovation to encourage the development of sustainable (green) insurance products and innovative services. Incorporate environmental, social and governance risk assessment factors into product pricing factors and models to achieve differentiated product pricing and give special support to sustainable (green) insurance business.

Risk Management

Continued greenhouse gas emissions will further exacerbate global climate change, which in turn will have more catastrophic consequences for the economy and society. The frequent occurrence of extreme weather events, tightening of policy requirements for low-carbon transition, and rapid iteration of clean technologies will impact the real economy and even spill over to the financial sector, causing systemic financial risks. For CPIC, climate change mitigation and adaptation is having an increasingly profound impact on the Company's business development and operation. Identifying and managing climate-related risks will help the Company better turn risks into opportunities.

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Risk and opportunity identification

We can leverage the "Task Force on Climate Related Financial Disclosure (TCFD) Recommendations Report" to identify and analyze the climate change risks and opportunities for us, thus laying a foundation for in-depth climate risk management in the future. Climate-related risks include physical risks and transition risks. We define the impact time frame of risks and opportunities as: short-term (1-2 years), medium-term (3-10 years), and long-term (more than 10 years).

Climate-related Risks

Physical risks

Physical risks due to climate change include acute physical risks - those caused by extreme weather events such as typhoons, heavy rains, and hurricanes - and chronic physical risks - those caused by long-term climate pattern shifts such as sea level rise and average temperature increase.

Risk type	Main risk factors	Time frame	Severity	Impact on CPIC
Extreme weather risks	<p>Insurance business: As climate change intensifies, the frequency of extreme weather and natural disasters increases significantly, and so does insurers' underwriting risk, thus exposing them to higher insurance payouts in property business such as auto, non-auto and agricultural insurance.</p> <p>Investment business: Extreme weather events may expose insurers to impacts on investment targets in infrastructure, real estate and other areas from natural disasters, thus affecting the value of asset portfolios.</p> <p>Operations: The frequent occurrence of extreme weather events may pose more threats to business premises and operational facilities, as well as the health and safety of employees.</p>	Short and mid-term	High	<ul style="list-style-type: none"> With years of experience in developing catastrophe insurance solutions, CPIC has established effective catastrophe risk assessment models, risk radar systems and other technical tools to embed climate change factors into insurance risk assessment and pricing. It focuses on risk survey, which plays an important role in helping customers avoid or reduce disaster losses. It will conduct more in-depth climate scenario analysis and stress testing to ensure that business distribution and pricing take climate factors into account. At the same time, it plans to strengthen research on the impact of long-term temperature rise on people's health and longevity to serve as reference for developing life and health insurance business.
Long-term risks	<p>Insurance business: In the long term, climate change may lead to irreversible risks such as rising sea levels, sustained increases in average temperatures, and frequent heat waves. Insurance clients will be affected by more complex climate impacts, and life and health insurance businesses will face more challenges, in addition to the risk of increased claims for property damage. Climate change affects human health in a variety of ways, including disruptions to food systems, increases in various zoonotic and food-borne, water-borne and vector-borne diseases, and mental health issues leading to death and illness.</p> <p>Investment business: Investment targets are similarly exposed to many risks of loss from irreversible climate impacts, which could increase operating costs and, in turn, harm the value of an insurer's portfolios.</p>	Long-term	Medium-high	<ul style="list-style-type: none"> It has started to promote the integration of ESG into investment research and decision-making, and established a screening methodology for ESG and green-themed investment targets to gradually deepen its understanding of climate-related investment risks. It has a low probability of large-scale business interruption events due to extreme weather and natural disasters. It has formulated an Emergency Response Plan for Major Natural Disasters or Major Fire, Production, Traffic Safety and Other Accidents and Disasters, and actively responds to serious natural disasters such as floods, typhoons and earthquakes.

Transition risks

A wide range of policy, legal, technological and market changes will emerge to mitigate and adapt to climate change, and drive sustained transition towards low carbon economy. These changes may create varying degrees of financial and reputational risks for businesses, known as transition risks.

Risk type	Main risk factors	Time frame	Severity	Impact on CPIC
Policy and legal risks	<p>Insurance business and investment business: The tightening of climate-related policies and legal requirements will expose traditional industries to a more severe test of low-carbon transition, which may affect some of the customers and investment targets of insurers, thereby spilling over relevant risks to them. For example, low-carbon transition may cause new hidden risks for insurance customers, driving up the probability of claims; if an insurer's investment assets are concentrated in high-carbon emitting industries, more stringent carbon emission restrictions may lead to asset impairment.</p> <p>Operations: As China promotes green construction and builds green data centers, insurers may face more low-carbon operation requirements in the future, leading to increased corporate management costs.</p>	Short, medium and long-term	Medium	<ul style="list-style-type: none"> CPIC actively develops innovative climate-related products, continues to optimize and adjust actuarial models while accumulating underwriting experiences in the low-carbon transition. It has formulated "the Guidelines on Sustainable (Green) Insurance Standards" to develop green insurance, and continues to strengthen its capacity to provide professional support to clients in preventing disasters and losses. With "reducing asset portfolio's carbon emissions" as a core ESG objective, CPIC has formulated relevant policies to manage its continued green investment, and gradually strengthened restrictions on investment in high-carbon sectors to achieve a step-by-step reduction in the carbon intensity of its asset portfolios. Key to its CSR commitments, CPIC saw sustained improvement in green operation as shown by its efforts in green office, green data center and green construction in recent years. By the end of 2022, six CPIC Home retirement communities obtained global and domestic green building and healthy building certifications; and the energy efficiency continued to rise in its data centers.
Technology and market risks	<p>Insurance business: The rapid development of clean energy technologies, higher standards for energy use in different sectors and increased market demands for green products and services will accelerate the phasing out of traditional technologies. Due to a lack of historical claims data, accurate pricing for underwriting new technologies might be a challenge.</p> <p>Investment business: Technological improvements and business restructuring may impact the operating costs and competitiveness of some investment targets, or even cause a failure of transition, which may in turn lead to asset impairment risks for insurers.</p>	Mid/long-term	Medium-high	<ul style="list-style-type: none"> CPIC has a professional team of insurance experts with rich experience in risk investigation, assessment and management in many industries. It will continue to strengthen cooperation with third-party institutions and leverage new low-carbon technologies to develop accurate risk management solutions and product pricing mechanisms. CPIC will further incorporate ESG factors into its investment research and decision-making management, strengthen the risk identification and management of high-carbon projects, and keep increasing the proportion of green investments. It will also strengthen its ESG rating systems to promote the low-carbon transition of its asset allocation.
Reputational risks	Climate change has become one of the most important sustainable development issues at home and abroad, and corporate climate action attracts a lot of attention from all stakeholders, including the investors. The strength and effectiveness of climate action is included as a key indicator in mainstream ESG rating systems. Companies not actively engaged in climate action are more likely to be questioned and challenged by their stakeholders, which may have a negative impact on their brand image and reputation.	Short/mid-term	Low	<ul style="list-style-type: none"> Guided by national development strategies, CPIC has been actively fulfilling its social responsibilities since its establishment to strike a right balance between economic, social and environmental benefits. At a time when ESG and climate change response is receiving great attention, CPIC continues to strengthen its internal strengths and strives to contribute to sustainable development with sound management and practices. At the same time, it is vigorously promoting its green branding and advocating green and low-carbon initiatives via close communication with stakeholders.

Climate-related opportunities

Actions to mitigate and adapt to climate change brings many opportunities, for example the demand for new products and service models, the need for reducing energy and resource costs, and access to new markets.

Opportunity type	Main opportunity factors	Time frame	Severity	Impact on CPIC
Product, service and market-related opportunities	<p>Insurance business: The low-carbon transition of society has given rise to demand for green insurance products and services. Insurers can leverage their risk management expertise to help corporate customers conduct climate risk assessment, monitoring and early warning and offer them climate risk reduction services.</p> <p>Investment business: China's green finance market has been growing faster since the release of the "dual carbon" goals, driving up demand for green financing, which means huge potential growth for green investment by insurers.</p>	Short, medium and long term	High	<ul style="list-style-type: none"> In recent years, CPIC launched a variety of climate change-related products including climate insurance and catastrophe insurance products, and made active efforts to innovate products and services in the field of low-carbon technology, carbon market, ecological carbon sink, green transportation and so on, continuously expanding its green insurance product pool to cover renewable energy power generation and new energy vehicles, among other green and strategic emerging industries. Through climate risk assessment, CPIC stands committed to providing customers with professional and in-depth risk management solutions to serve as a "stabilizer". To increase the share of green investment, CPIC directly participates in the investment and construction of green projects by means of debt investment plans, equity investment plans, asset-backed plans and industrial funds, and has launched a number of ESG and carbon-neutrality themed asset management products.
Resource efficiency and energy source related opportunities	<p>Operations: Key to greenhouse gas reduction, enhancing resource efficiency and utilizing clean energy helps companies reduce their mid/long-term operating costs and become role models for addressing climate change.</p>	Mid/long-term	Medium	<ul style="list-style-type: none"> CPIC made great efforts in formulating low carbon operation policies, implementing energy saving and carbon reduction initiatives, accelerating the application of digital systems and cultivating green habits among employees. While reducing energy and resource consumption, it also cut down on costs. CPIC is purchasing more new energy vehicles and making systematic efforts to promote carbon neutral operation to help achievement the "dual carbon" goals.

Climate response

Integrated risk management system

As per the CPIC risk management organizational structure, the Board of Directors assumes ultimate responsibility and the management offers direct leadership for risk management, with daily management work performed by the risk management department together with relevant functions and departments to cover all units and positions of the Group. The Boards of Directors of the Group and its subsidiaries are ultimately responsible for their respective risk management systems and risk profiles. Both the Group and subsidiaries have set up a relatively independent risk management department, and each functional department and branch is the first responsible party for risk management.

In 2022, CPIC optimized its risk management system and mechanism, strengthened its risk appetite guidance and constraints, and enhanced the monitoring, early warning of and response to key risks to improve all-round risk management capabilities. It also improved the stress testing and measurement system for risk management and enhanced the effectiveness and coverage of risk limits management. Responding to climate change risks such as typhoons, CPIC put into its risk limits system indicators such as the "percentage of property insurance sum assured (SA) from typhoon-prone areas" and regularly monitored relevant underwriting data in areas vulnerable to climate disasters to prevent concentrated payout risks caused by catastrophic events such as typhoons.

Based on its risk appetite, CPIC P/C developed corresponding risk tolerance scheme from five dimensions - capital, value, profitability, liquidity and risk management. The capital dimension includes solvency adequacy ratio and minimum capital requirements for insurance risks, and the calculation of the latter includes the capital requirements for catastrophe risks. CPIC P/C has incorporated in its risk limits monitoring indicators such as the P/C insurance concentration in typhoon-prone areas and the minimum capital requirements for catastrophe risks. Moreover, it added ESG risk-related contents to the Rules on Comprehensive Enterprise Risk Management and regulations on the management of key risks, to evaluate and monitor catastrophe and other risk factors.

Core risk response practices

Insurance business

In response to the ever-increasing impact of climate change, CPIC has been innovating and updating its environmental and climate-related products over the years. Continued efforts were made to strengthen research and investment in climate change and catastrophe risks to keep CPIC up-to-date on the cutting-edge catastrophe risk assessment techniques and tools. Based on professional catastrophe models and data from years of meteorological observation, it developed catastrophe insurance solutions for disaster relief and other types of innovative and index-linked solutions. When developing products, it strengthened the analysis of the impact of extreme weather events on the claims payout of traditional crop insurance, innovative agricultural price index insurance and income index insurance.

The "Risk Radar", an intelligent risk control platform developed by CPIC, adopts key technologies such as numerical weather forecasting, geographic information system and quantitative risk assessment to build a visualized risk map that integrates multiple data elements such as underwriting information, insurance claims, risk assessment and natural disasters. It can provide over 130 hazard assessment maps with 1km grid accuracy for 11 types of natural disasters, including typhoons, rainstorms, lightning, hailstorms and snowstorms. During the typhoon season, for example, the platform can automatically track the real-time path of typhoons, lock in insured subjects in advance, use catastrophe models to estimate potential damages, accurately identify targets for early warning, and arrange engineers to help major-risk-profile enterprises carry out risk assessment before disaster strikes, thus effectively reducing the occurrence of large claim cases caused by typhoon and economic losses for the society.

In addition, CPIC has piloted the construction of an Internet of Things (IoT) for disaster prevention. By installing IoT-based alarms such as flooding and electric leakage alarms as per on-site risk assessment by professional disaster prevention teams, it helps customers make timely rescue efforts and avoid losses to the greatest extent.

We also use reinsurance tools and instruments to better manage catastrophe risks caused by climate change and reduce the impact on our profitability brought by large claims caused by typhoon, rainstorm or other natural disaster. We have established long-term partnership with world renowned reinsurers including Swiss Re and Munich Re to deepen our insight into and management of climate risks and improve our capabilities for and coverage of catastrophe insurance. CPIC P/C has established a catastrophe loss sharing model between its headquarters and branches. By setting up special support for catastrophe losses, the headquarters further enhanced the branches' capability to underwrite catastrophe risks and boosted their enthusiasm to carry out climate risk management.

Case | CPIC incorporated climate change factors into risk assessment models

To effectively respond to climate change risks, CPIC uses the AIR catastrophe model, AIR multi-disaster model and rainstorm model to assess the impact caused by extreme weather such as typhoons, earthquakes and rainstorms. They play an important role in risk exposure analysis, risk warning, risk loss measurement and product pricing.

- ※ **AIR catastrophe model:** Targeting typhoons and earthquakes, it can predict the losses caused by catastrophes to auto, P/C and engineering insurance based on hundreds of thousands of historical and random simulation scenarios and data analysis of the geographic locations and building conditions of the insurance subjects.
- ※ **AIR multi-disaster model:** Targeting staple crops (rice, wheat, maize), forest, etc., it can predict the cumulative risks of in-force agricultural insurance policies under the influence of multiple disasters such as drought, heat, wind, flood, pests and diseases.
- ※ **Rainstorm model:** Modeling on top of historical rainfall data and information on the insurance subjects, it can calculate the expected losses of insurance subjects based on real-time rainstorm warnings from the National Meteorological Center and send real-time warning messages to its branches facing high potential losses.

Case | Multi-pronged efforts to improve climate change response in agriculture

- Product development. CPIC P/C made exploratory efforts to combine weather index insurance with local specialty agriculture, using weather data and agronomic models to find sensitive climate factors of key crop farming periods and develop targeted weather index insurance, such as flowering period frost insurance and harvest period typhoon insurance.
- Underwriting and claims. CPIC P/C developed and upgraded its “E-agricultural insurance” system. By integrating massive data from multiple fields and using international agricultural risk management data models, we effectively assess the risks for agricultural production under different conditions; by leveraging authoritative meteorological data, we can monitor in real time the meteorological conditions of the area where the underwritten asset is located, with claims processes automatically triggered by weather events to improve claims settlement efficiency.
- Enhancing customer risk management. CPIC P/C branches invited experts to give lectures on agriculture and provided training on disaster prevention and loss reduction to customers to enhance their risk management capabilities for farming business. In anticipation of upcoming risks, it would take measures to prevent and reduce losses, such as issuing forecasts to customers before typhoons and rainstorms and offering them guidance and assistance to prepare for disasters; collaborating with meteorological departments during hailstorm seasons to eliminate hailstorms artificially; organizing manpower to help customers harvest crops and contacting sales channels to sell products in advance, etc. After the disaster, it would arrange experts to guide on-site post-disaster management and strive to revive the insurance subjects, reduce the loss of agricultural products, and distribute agricultural supplies to customers.

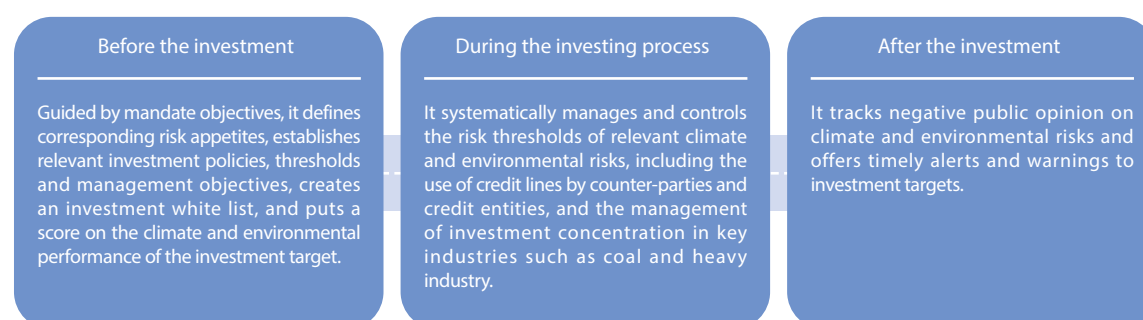


Investment business

As an active supporter of national strategies over the years, CPIC has made many green investments in energy conservation and environmental protection, clean energy, ecological environment, green infrastructure upgrading and green service industries. On top of "value investment, long-term investment and prudent investment", CPIC is actively adopting "responsible investment" philosophy, and its subsidiaries such as CPIC AMC, Changjiang Pension and CPIC Capital have initially developed their ESG investment strategies and started to embed climate change factors into their investment research and decision-making management.

Case | CPIC Capital incorporated climate risks identification and management into its investment process

To address climate change risks, CPIC Capital focuses on the risk management before, during and after the investment. Leveraging external data, it has built a multi-dimensional scoring system to measure the environmental and climate change risks of its investment portfolio at the industry, issuer and asset level. An alerts and feedback mechanism has been set up between the its risk management department and investment research department to ensure that its investment portfolio's environmental and climate change risk performance aligns with its overall management objectives.



Case | Changjiang Pension continued to enhance ESG investment capabilities

Changjiang Pension has set up an ESG investment and product development project team, established a bottom-up ESG investment research system, and developed an ESG investment strategy for fixed income and equity investment, featuring positive and negative screening.

Fixed income investment

Focusing on ESG investment opportunities, it invests part or all of its product assets in ESG-themed bonds. Using both positive and negative screening strategies, and as per its internal credit rating methodology, it excludes optional ESG-themed investment targets failing to meet the rating requirements and selects those with outstanding ESG performance.

Equity investment

It pays attention to the environmental information disclosure of investee companies, including their carbon emission data, their environmental performance score of CSI ESG Rating, and the environmental pollution penalties imposed on them by regulators. It may exclude companies that have been penalized for not meeting environmental standards. In addition, it adopts a strategy of exclusion or gradual reduction of investment based on the ESG rating of the investment target.

Climate risk-related research

Actively conducting forward-looking research in green finance, CPIC maintained close communication with governmental and regulatory bodies, research institutions and enterprises in different sectors to forge an industry-research cooperation mechanism. CPIC stood committed to exploring climate risk solutions with its partners and leveraging its strength as an insurer to help achieve the “dual carbon” goals. In 2022, it actively participated in the research on green insurance, green investment, green operation and ESG disclosure organized by the Insurance Association of China, offering professional support for the development of industry standards; at the same time, CPIC conducted a number of joint research studies with external partners, which achieved fruitful results.

Case | CPIC published White Paper on Promoting Green Insurance to Help Achieve “Dual Carbon” Goals

At the 5th China International Import Expo (CIIE), CPIC and the Green Finance Research Center of Fudan University jointly released the White Paper on Promoting Green Insurance to Help Achieve 'Dual Carbon' Goals. By analyzing policy background, relevant theories and development trends, the Paper reviews the rules and regulations on green insurance, as well as the status quo of green insurance products and market development in China. Highlighting the opportunities and challenges, the Paper also analyses how green insurance can

help achieve the "dual carbon" goals from the perspective of strategic guidance, standard system construction, policy and regulation development, product and service innovation, information disclosure, capacity building and international cooperation. At the same time, the Paper includes a number of best practice cases of CPIC in climate change to provide practical references for the development of green insurance in China.



Case | In-depth research on the impact of climate change on agricultural insurance

As the world gets warmer, frequent extreme weather and climate disaster events made a huge impact on the agricultural industry in recent years. Actively conducting research on how climate change impacts agricultural insurance, the Tai An Agricultural Insurance Institute, an entity sponsored by CPIC P/C, completed a number of research reports, including the "Difficulties for Agricultural Insurance Operation under Extreme Weather Conditions and Countermeasures", "Research on Agricultural Insurance Risk Indices and Premium Rates Based on Disaster Data" and "Securitization of Agricultural Catastrophe Insurance in Shanghai", to further enhance the capacity to manage climate change risks and promote sustainable agricultural development.

Focusing on key regions and issues while allowing for significant regional differences in China's climate, the Institute conducted in-depth research and analysis on the pain points and bottlenecks in local agricultural risk management and agricultural insurance practices. With study trips to provinces and autonomous regions including Hainan, Guangxi, Xinjiang, Gansu, and Inner Mongolia, and it came up with a number of research reports and policy recommendations to innovate agricultural insurance products based on the findings from its field research and discussions. At the same time, it initiated the

establishment of many regional research centers, including the South China Agricultural Development Research Center, the Central China Agricultural Development Research Center, the Northwest Agricultural Risk Management Research Center, the Northern Border Ecological Protection Research Center and the Greater Bay Area Agricultural Insurance Innovation Research Center, bringing together the wisdom of top experts and scholars from around the world to improve local adaptation to new climate environment and help modernize and industrialize local agriculture.



Case | CPIC conducted regional green finance studies

CPIC took an active part in regional green finance research, sharing its market insights, management methods and practical cases accumulated over the years to help build local green finance governance capacity and institution. In January 2022, CPIC and the Shanghai Energy Efficiency Center jointly released the "Research on Demand for Green Insurance in Industrial Sector in the Context of Dual Carbon Goals", which analyzed the carbon emissions in Shanghai, as well as the development basis, market demand and various risks for

green insurance and proposed a number of innovative green insurance products based on market realities. It also co-led the "Shanghai Green Insurance Joint Research" project together with the Shanghai Academy of Environmental Sciences, which published its first research result "Basic Research on the Development History and Status of Shanghai Green Insurance System" in November 2022. The project will culminate in several municipal-level policies and technical guidelines for green insurance in Shanghai.

Climate Action Impacts

Incorporating green development into its values and development strategies, CPIC has developed a series of best practices in green insurance, green investment, green operation and green public welfare. While responding to China's "Dual Carbon" goals and green development strategies, CPIC encourages its employees, customers, the public and other stakeholders to pay attention to green and low-carbon issues and contribute to climate solutions with carbon reduction actions. In 2022, CPIC was included in the first-ever "Blue Book on Social Responsibility of State-owned Enterprises (2022)" issued by the State-owned Assets Supervision and Administration Commission of the State Council, as well as the "Local State-owned Enterprises Social Responsibility - Pioneer 100 Index", the FTSE Russell ESG Index, the CSI CUFU SH-SZ 100 ESG Leading Index, and the Beautiful China ESG Index.

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04

Awards received

Granted by

 2022 China ESG Top 50

Forbes

 The 17th Corporate Social Responsibility Awards -
Green Development Award

 People's Daily Online with guidance
from People's Daily

 Exemplary Award for Social Responsibility

China Business News

 2022 China Insurance Ark Award for Social
Responsibility

Securities Times

 Company of the Year Award for Green Finance

The Paper

 2022 ESG Star Award for Green Company

China Investment Network

 Company of the Year Award for "Carbon
Neutrality" Action and Social Influence

 Phoenix Satellite Television, World Wide
Fund for Nature (WWF)

 2022 ESG Excellence Award

China Times

 2022 Low Carbon Company of the Year

 21st Century Business Herald

Green insurance

Leveraging its risk management expertise, CPIC continues to innovate insurance offering to support the green and low-carbon energy transition, pollution and carbon-emissions reduction, climate insurance, ecological carbon sink insurance and carbon asset insurance, so as to facilitate the society's low carbon transition in a steady and orderly manner.

Support green and low-carbon energy transition

CPIC began underwriting hydropower, photovoltaic and nuclear power projects in the late 20th century and wind power projects in the early 21st century, providing coverage to green energy projects against various types of natural disasters and accidents that might happen during their construction and operation. We were deeply involved in the property insurance projects of China's top 5 hydropower plants, including the Three Gorges, Baihetan, and Wudongde, and for many years in a row, had been the sole or lead underwriter of employer liability insurance for the builders of the above-mentioned hydropower plants. In addition, our deep involvement could also be seen in the photovoltaic projects of China's five major power generation groups and the renewable energy projects of large groups such as the China Guangdong Nuclear Power Group, China Energy Conservation and Environmental Protection Group.

As of the end of 2022, CPIC provided a total SA of RMB **1.2** trillion to clean energy projects

Case | Participation in construction of Baihetan Hydropower Station

The Baihetan Hydropower Station is the second largest in China and known as the "Mt. Everest" of the hydropower industry in the world, playing an important role in the green transformation of China's economy and society. In June 2021, the station's No.1 Generator Set was put into operation, followed by Set No. 5 and 6 in 2022. CPIC has been providing the station with on-site service ever since 2011 – successively offering insurance coverage for both its construction and

operation with total SA reaching tens of billions. Moreover, the Company was deeply involved in its risk management, for example helping to conduct on-site risk surveys and establish local emergency rescue teams, with totally 800+ risk inspections made covering over 45,000 kilometers. As a participant and builder of the Baihetan Hydropower Project, CPIC leverages its strengths to safeguard the development of the renewable energy industry in China.

Case | Empower risk reduction management with technology

CPIC attaches great importance to the application of cutting-edge technologies such as big data, artificial intelligence and cloud computing to build a digital platform for green insurance, accelerate climate and environmental risk analysis and modeling to support the simulation and stress testing of climate and environmental risks in different scenarios, and help prevent the occurrence of systemic financial risks in climate change risk response.

CPIC designed and built the industry's first insurance technology platform for renewable energy risk management - "Feng Guang Wu Xian", as an initial platform for risk reduction management in the energy industry. This platform consists of five modules (underwriting, claims, risk control, system and industry chain) to support whole-process management. Using this tool, CPIC helped onshore photovoltaic projects in Anhui Province to carry out risk warning and flood emergency response, thereby preventing losses of over RMB 100 million for them.

Help reduce pollution and carbon emissions

As an important social issue bearing on economic and social sustainability, managing environmental pollution is all about improving people's well-being. Environmental pollution liability insurance (EPLI) is a classic type of "green insurance" and key component of the green financial system. Since the 1990s, CPIC has been participating in domestic EPLI projects and improving relevant product development. It leveraged third-party environmental risk assessment agencies and assessment techniques to offer enterprises targeted risk control recommendations and better monitor their efforts in preventing environmental damage, so as to reduce both pollution and carbon emissions.

As of the end of 2022, CPIC provided environmental pollution risk protection to over **7,000** enterprises across **30** provinces, municipalities and autonomous regions, with total SA exceeding RMB **11** billion.

Develop climate insurance offering

To better respond to climate change and meteorological disaster risks, CPIC leveraged its unique strengths and years of experience in product development to launch products to protect the planting and farming industry from damages caused by high temperatures, heavy rainfall, drought and frost, including weather index insurance, catastrophe insurance such as natural disaster insurance (for typhoons, earthquakes and so on) and catastrophe index insurance.

As of the end of 2022, CPIC's catastrophe risk coverage reached a total of RMB **700** billion in SA; CPIC developed more than **50** weather index insurance products covering **18** provinces, municipalities and autonomous regions.

Case | Weather index insurance helps farming and aquatic industry cope with extreme weather

The frequent occurrence of extreme weather often changes the agricultural production environment, impacting the yield and quality of crops. In the case of hairy crab farming, a long stretch of high temperature leads to rise of water temperature in crab ponds, rapid evaporation of water, drastic change in water quality and weakening purifying effect of water plants, which in turn harms the growth of hairy crabs at the critical shelling stage and even leads to their death, causing considerable losses to crab farmers.

In the summer of 2022, to reduce the impact of continuous high temperature, CPIC P/C Suzhou Branch developed a temperature index product for local farm produce such as hairy crabs, grapes and open field vegetables, which are vulnerable to high temperature. As a protection against climate risks, it supports the farmers and their production by paying them compensation when the temperature reaches a certain threshold.

Case | Oyster farming weather index insurance helps "blue carbon" development

Blue carbon refers to a process, activity and mechanism which uses marine activities and marine organisms to absorb carbon dioxide from the atmosphere and then lock in and store it in the ocean. Compared to other carbon sinks, blue carbon features high carbon sequestration volume, high efficiency and long storage time. The Company is an active promoter of "blue carbon" insurance to boost the development of blue carbon sinks.

Among marine organisms, oysters not only eliminate seawater eutrophication and pollution caused by mariculture, but

also have a strong carbon capture effect, with a carbon sequestration capacity 7 times that of mangroves. In July 2022, CPIC P/C Ningbo Branch underwrote the first oyster farming weather index insurance policy in Zhejiang Province, providing SA of RMB6 million for over 133 hectares of local oyster farm. This product was tailored to the oyster farming in Ningbo and its main weather risks. When the wind speed measured by the weather station reaches the threshold agreed in the insurance contract, the oyster farmers will be compensated as per relevant terms of the policy.

Actively explore eco-carbon sink insurance

Ecosystem carbon sink is an important way to achieve the "dual carbon" goals and a key area of China's ecological well-being. CPIC made exploratory efforts to develop the right product and service models for forest carbon sink insurance, grassland carbon sink insurance and wetland carbon sink insurance. Since July 2021, it has launched a series of eco-carbon sink insurance products in Hainan, Zhejiang, Inner Mongolia, Guangxi, Fujian and Guizhou, thus making innovative and effective efforts to use the power of insurance to build China's ecological well-being.

As of the end of 2022, CPIC had provided total SA of about RMB **220** billion for **23** million hectares of forest land.

Case | CPIC underwrote China's first wetland carbon sink ecological value insurance policy

As the "kidney of the earth", wetlands join oceans and forests to be the three major ecosystems of the planet. On 7 April, CPIC underwrote a wetland carbon sink ecological value insurance policy for Qianwan New Area, Ningbo, the first of its kind in China, providing carbon sink loss protection to the Hangzhou Bay wetlands in the New Area. It took a 3-in-1 approach composed of the "product-model-pathway", first of its kind in the country.

CPIC developed wetland carbon sink ecological value insurance and joined hands with the Agricultural Bank of China

Hangzhou Branch to increase the credit line granted to the Hangzhou Bay Wetland Construction and Management Co., Ltd. based on the wetland's operational realities and its carbon sink ecological value. This model helped to turn wetland carbon sink value into a form of financial support and served as a new way to ensure the "carbon balance" when introducing new enterprises to the New Area. As the first wetland carbon sink value insurance product in China, it was also an exploration in developing financial models for cooperation in the construction of green finance ecosystem.

Case | CPIC rolled out China's first grassland carbon sink remote sensing index insurance product

Grassland is a large land type in terrestrial ecosystems, and utilizing its carbon sink potential has positive implications for improving ecological carbon sink system and developing local green economy. In January 2022, CPIC P/C and the Shanghai Environment and Energy Exchange jointly launched an innovative green finance product - grassland carbon sink remote sensing index insurance, to offer ecological risk protection to farmers and herders in Damao Banner, Baotou. Drawing on grassland carbon sink methodology and the

principles of grassland growth, it is an innovative insurance solution that uses third-party remote sensing technology to assess the growth of grassland throughout the year. Its implementation was part of CPIC P/C's innovative efforts to support the construction of the forestry and grassland carbon sink pilot zone in Baotou, and also preparation for subsequent participation of grasslands or other types of ecosystem carbon sinks in carbon trading.

Case | CPIC launched China's first carbon sink insurance for individual trees

As a public welfare project featuring Liuzhou's carbon sink, the Liuzhou Rural Revitalization Carbon Sink Project, supported by the national "dual carbon" policy, aims to prevent poverty-prone people from returning to poverty by unlocking the value of forest carbon sinks. The project plans to complete carbon sink development for 380 forest households and gather carbon sinks from 260,000 trees. CPIC P/C developed an innovative carbon sink insurance product to insure the

project, using carbon measuring methodology for individual trees. The product covers the loss of forest carbon sinks caused by natural disasters such as rainstorms, forestry pests and wildlife-inflicted damages. When damage occurs, the insurer will compensate for the surplus value of the carbon sink of individual tree to mitigate the risk of carbon sink loss for the insured farmers.

Innovate carbon asset insurance

CPIC launched innovative products such as carbon asset loss insurance, guarantee insurance for carbon emission allowance pledged loan, insurance for carbon loss caused by damage to carbon emission reduction equipment, and performance guarantee insurance for carbon asset buy-back, and was the first insurer to underwrite those policies in China. It made efforts to help key emission control enterprises utilize their carbon assets by unlocking the financial potential of such assets, thus contributing to the construction and development of the domestic carbon market.

Case | CPIC rolled out China's first guarantee insurance product for carbon emission allowance pledged loan for greenhouse gas emission control enterprises

On 25 May, CPIC and the Shanghai Environment and Exchange and Bank of China Shanghai Branch jointly launched the "carbon emission allowance + pledge + insurance" service to industrial enterprises to offer financial service support to Huaфон Microfibre (Shanghai) Co., Ltd., a company on the 2021 Shanghai List of Units Under Carbon Emission Allowance

Management. It was the first insurance policy for carbon emission allowance pledged loan in China for a greenhouse gas emission control enterprise - a good example of how key emission control enterprises utilize their carbon assets by releasing the financial potential of those assets.

Green investment

Insurance funds are usually large-volume funds with long maturity seeking stable returns, which matches the green industry's huge need for long-term funding. CPIC was directly involved in investments of green projects spanning clean transport, clean energy, energy conservation, recycling and pollution treatment, ecology and environment, green infrastructure upgrading, and green service, etc., via debt investment plans, equity investment plans, asset-backed plans and industry funds. At the same time, the Company innovated asset management products and launched ESG-themed and carbon-neutrality-themed insurance asset management products to explore investment opportunities in sustainable development.

As of the end of 2022, CPIC's total green investments exceeded RMB **150** billion.

Case | Two CPIC AMC insurance debt plans received green certification

In 2022, CPIC AMC completed the registration for the Lushan Yuneng Debt Investment Plan and the ZhongyuanYuzi Infrastructure Debt Investment Plan with the Insurance Asset Management Association of China. Both products were given the highest level (G-1) certification, becoming the first batch of insurance debt investment plans in Henan Province to be filed and issued with green certification.

The total investment of the Lushan Yuneng Debt Investment Plan was RMB5 billion, with the proceeds raised mainly used for the Lushan Pumped Storage Power Station Project. The project improves the peaking capacity of thermal power and reduces the system's coal consumption, air pollutant emissions, and wastewater and heat pollution. When completed, it will cut the annual standard coal consumption of the power grid

by 140,200 tons, the emission of carbon dioxide by 309,800 tons, sulphur dioxide by 4,004.11 tons, and nitrogen oxide by 647.72 tons.

The total investment of the ZhongyuanYuzi Infrastructure Debt Investment Plan was RMB2.2 billion, with the funds mainly used for the PPP project relating to the ecological and environmental governance of the middle parts of the Shenshui River in Zhengyang County and the lower reaches of the Qingshuihe River, and the PPP project for all-round improvement of the Sihui Leisure Area in Ningling County. The projects aim to restore the ecological self-purification capacity of the water bodies, improve the ecological environment of the river system, and promote sustainable urban development.

Case | Changjiang Pension launched innovative ESG-themed asset management product

Set up in May 2021, Changjiang Pension's No.6 Jin Se Zeng Ying asset management product was the first ESG investment-themed asset management product issued in China's insurance asset management industry. With an initial size of RMB1.1 billion, the product targeted green-labeled assets such as green bonds and green asset-backed securities. At the same

time, Changjiang Pension invested in the product with its own funds and donated 50% of the management fees to the Lujiazui Financial Center Development Foundation, earmarked for the "Lujiazui Financial Center Green and Low-Carbon Building Action Project".

Green operation

To boost green operation in daily activities, CPIC continued to promote energy saving, carbon reduction and paperless operation and improve power usage effectiveness (PUE) in its data centers. It also builds green CPIC Home retirement communities to reduce its operational carbon footprint.

Implement low carbon operation

To promote low-carbon operation, CPIC adopted a series of green initiatives in recent years - digitalize insurance scenarios, promote green working at all levels and encourage employees to embed low-carbon development in their daily work.

Energy conservation

- We have centralized control of optimized lighting in public places including corridors, staircases and halls; used LED lighting and require employees to ensure "Lights out and power off when they leave the room."
- At our data centers, the temperature of water coolant and the air speed and temperature at the outlets of air-conditioning units are dynamically adjusted, and natural cooling sources are fully utilized.
- CPIC Chengdu Data Center was the first LEED-certified data center in mainland China. Our three data centers in Tianlin, Chengdu and Luoqing all enjoyed decreases in their operational PUE (the lower the value, the higher the effectiveness) in recent years.

Paperless operation

- We increased the usage of digital systems for office work, procurement and business travel to reduce paper consumption as much as possible.
- We promoted paperless operation by offering electronic policy owner services, electronic policies and letters to expand our online services.

Reducing business travel

- We encourage employees to use online meeting software to reduce offline meetings involving participants from different locations and avoid unnecessary business trips.

Using new energy vehicles

- We took an incremental approach to purchase energy-efficient and environment friendly vehicles, which made up 23.5% of all vehicles bought by CPIC P/C in 2022.

Green Procurement

- We formulated the "Provisions on Supplier Management" and established a supplier management mechanism. Suppliers interested in our procurement activities are required to register relevant information with our procurement department and sign the ESG commitment letter; vendors with relevant ESG qualifications are preferred over those without.
-

Case | CPIC Life continued to promote paperless services

In 2022, CPIC Life further enhanced the usage of e-service systems and will continue to promote the low carbon philosophy among consumers to enhance their take-up of electronic documents.

- ※ **It upgraded e-letter service.** E-letters are sent to customer's mobile phones in the form of pictures so that they can easily grasp the key information and forward to others. By the end of 2022, **86.5%** of customers subscribed to its e-letter service, which reduced paper consumption by **29.07** million pieces in annual dividend report and universal life insurance statements alone.
- ※ **It promoted electronic policy owner service (POS).** It deployed electronic signature screens at service counters and enabled customers to make enquiry and signature confirmation through WeChat or SMS. By the end of 2022, electronic POS was used by **98.12%** of its customers, thus reducing paper consumption by **42.41** million pieces.
- ※ **It continued to promote e-policies for long term insurance.** In 2022, its agency channel issued **1.128** million e-policies for long term insurance.

Creating green and healthy buildings

CPIC is committed to building CPIC Home into green retirement communities that combines high-quality service with healthy environment. Those communities were constructed and operated as per green and healthy building standards. The 10 communities already in operation help to reduce around 5,000 tons of CO₂ emissions each year.

Green and healthy building certification of CPIC Home communities

CPIC Home at Chengdu	WELL Healthy Building Certification (US), 3-star Green Building Design Certification (China)
CPIC Home at Hangzhou	WELL Healthy Building Certification (US)
CPIC Home at Xiamen	WELL Healthy Building Certification (US)
CPIC Home at Shanghai (Chongming)	3-star Green Building Design Certification (China)
CPIC Home at Shanghai (Putuo)	WELL Healthy Building Certification (US)
CPIC Home at Nanjing	WELL Healthy Building Certification (US)

Key low carbon measures at CPIC Home communities

Green roof and environmental greening

- Green roofs were adopted to reduce the heat island effect.
- Green community with high green space ratios.

Sponge-like design

- Sponge-like designs were employed to improve water permeability and filtration, for example bio-retention ponds, permeable surfaces, sunken green areas, rainwater gardens, etc.; rainwater collection and reuse systems were set up, whereby rainwater was treated and used for miscellaneous outdoor purposes, thus reducing the use of tap water and rainwater discharge.

Resource Conservation

- Optimized relevant designs to improve the thermal performance of supporting structures and install shading facilities to reduce energy consumption for cooling and heating by improving the building's insulation performance.
- High energy-saving and consumption-reducing standards were adopted for air-conditioning systems, water-using appliances and electrical equipment.
- Local building materials were used as much as possible to reduce carbon emissions from transportation.
- Building Information Modeling (BIM) technology was used for all-round control from design to construction so as to identify and optimize design deficiencies and reduce unnecessary consumption of resources due to rework.

Green advocacy and public good

CPIC has been implementing an ecological forest project in Sanjiangyuan of Qinghai Province since 2020. Leveraging its expertise in green finance and technology, the Company also took other innovative measures, for example the “zero-carbon” China International Import Expo initiative and the personal carbon credit platform, to promote green awareness and public welfare. It embeds sustainable development into its branding and creates a brand image of “Green CPIC” to advocate green development. To disseminate green and low-carbon philosophies, the “Green CPIC” column on CPIC’s official WeChat account offers to the public interactive and informative contents with vivid illustrations.

Jointly build a green Sanjiangyuan

In 2020, CPIC began the construction of an ecological forest project in Sanjiangyuan to afforest the Deji Beach in Gonghe County, Qinghai Province, the eastern gateway of Sanjiangyuan National Park. By the end of 2022, the Company and its employees had donated a total of RMB33.3 million, completed three phases of the project, and planted nearly 120,000 trees over 133 hectares of land, including over 10 species of trees such as piceacrassifolia, poplar, bilberry and lilac. The forest greatly improved local tree species structure and living environment, reduced soil erosion and promoted local employment, thus generating solid ecological, social and economic benefits.

On the National Tree-planting Day in 2022, the Company launched a customer campaign to promote afforestation, whereby RMB 0.3 would be donated to the Sanjiangyuan Forest project for each long-term personal insurance or auto insurance

policy signed from 12 March to 31 December 2022. Also on that day, we launched the revised "CPIC Forest" mini app, which combines online tree planting with the offline adoption of real trees in Sanjiangyuan. Its users can accumulate points for using CPIC digital systems for paperless operation, and with enough points they can adopt real trees in Sanjiangyuan. At the 2022 China International Import Expo (CIIE), CPIC showcased the history of the Sanjiangyuan Forest and released the first Sanjiangyuan-themed digital collection, enabling the audience to scan a QR code to acquire the product or adopt trees of the forest.



Create a "Zero Carbon CIIE"

CPIC had served the CIIE for five consecutive years as a core supporter and designated insurance provider. Since the 4th CIIE, CPIC has established strategic cooperation with external partners to launch the "Carbon neutrality" project. With the purchase of carbon allowances and carbon neutral insurance, the innovative "Carbon neutrality" solution neutralized the greenhouse gas emissions generated by the 4th CIIE, thereby creating a first ever "Zero Carbon CIIE".

Building on the "Carbon neutrality" solution for the 2021 CIIE, we introduced a "Carbon inclusion, zero plastics" action plan for the 2022 CIIE, encouraging all CIIE participants to help make it a global benchmark in the exhibition industry for low carbon living and sustainable development by recording their carbon footprints and offsetting their personal carbon emissions during their stay at the CIIE. From 5 to 10 November, nearly 60,000 people took part in our carbon inclusion action plan, offsetting approximately 3,300 tons of personal carbon emissions.

"Tan Xian Jia" app

In 2022, CPIC launched an innovative "Personal Carbon Credits Platform"- the "Tan Xian Jia" app, which covers the Company's digital office scenarios such as office work, travel and procurement, and interactive scenarios between the Company and its customers including underwriting, claims and value-added services. It converts the emissions reductions from low-carbon behaviors under those scenarios into reward points to encourage employees and customers to take practical actions to fulfill their low carbon responsibility.

The points calculation rules were completed for "Tan Xian Jia" at the end of November 2022 and the first round of group-wide promotion was conducted in early December, which included the launch of low-carbon initiatives, carbon points weekly ranking, adoption of trees in the Sanjiangyuan Forest, granting digital medals, quiz on low-carbon practices and online carbon reduction monthly reports.

Appendices

Task Force on Climate-Related Financial Disclosure Framework (TCFD) Index

TCFD recommendation	Disclosure index
Governance: Disclose organization's governance of climate-related risks and opportunities	
a) Describe the Board's oversight on climate-related risks and opportunities.	10
b) Describe the management's role in assessing and managing climate-related risks and opportunities.	10
Strategy: Disclose the actual and potential climate-related impacts on the organization's businesses, strategy and financial planning.	
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.	18-20
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	14-15; 18-20
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or worse scenario.	11; 14-15; 20-25
Risk Management: Disclose how the organization identifies, assesses and manages climate-related risks.	
a) Describe the organization's processes for identifying and assessing climate-related risks.	10; 20-23
b) Describe the organization's processes for managing climate-related risks.	10; 20-23
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.	20-21
Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related issues where such information is material.	
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	21; 28-36
b) Disclose the green house gas emissions and related risks within Scope 1, Scope 2, and Scope 3 (if applicable).	18-19
c) Describe the targets used by the organization to manage climate-related risks and opportunities and the target performance.	14-15; 28-36

People's Bank of China Guidelines for Financial Institutions Environmental Information Disclosure index

Indicators	Disclosure index
Annual overview	6-7; 14-15; 20-23; 33-35
Environment-related governance structures for financial institutions	10
Environment-related policies and regulations for financial institutions	15
Innovations in environment-related products and services by Financial Institutions	28-32
Environmental risk management process of financial institutions	20-22
Impact of environmental factors on financial institutions	18-23
Environmental impact of the investment and financing activities of financial institutions	20-25; 28-32
Environmental impact of financial institutions' business activities	33-36
Results of innovation and research in green finance	24-25
Other environment-related information	11

About this report

This is the first climate change report released by China Pacific Insurance (Group) Co., Ltd. to disclose to the stakeholders the Company's climate change governance, strategy, risk management, practices and performance.

Scope of the report

China Pacific Insurance (Group) Co., Ltd., its wholly-owned subsidiaries, its holding subsidiaries and the branches thereof.

Appellation of the Company

For ease of presentation, in this report, China Pacific Insurance Co., Ltd. is referred to as CPIC, the Group, the Company, we or us.

Reporting cycle

This is an annual report. Unless otherwise stated, the practices covered in this report occurred during the period from 1 January 2022 to 31 December 2022.

Basis for preparing this report

The formulation of this report is based on the Guidelines for Financial Institutions Environmental Information Disclosure issued by the People's Bank of China and the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) set up by the G20 Financial Stability Board.

Information sources of the report

The information on the events and data in this report is mainly obtained from CPIC's internal documents and relevant public disclosure documents, which have been consolidated and disclosed by the report preparation team. Unless otherwise stated, all financial data in this report is measured in RMB.

How to access this report

The electronic version of this report is available for download on the website of CPIC (www.cpic.com.cn).

