AIA COAL INVESTMENT STATEMENT

Climate change is poised to impact the Asia-Pacific region significantly

The last decade has been one of the hottest on record, with significant climate-related impacts recorded across our markets, affecting economies and livelihoods across the region.

The global temperature increase, on average, has been approximately 1°C compared to the time of the Industrial Revolution. The Paris Agreement set out a global framework to address climate change with an ambition to limit global warming to less than 2°C above pre-industrial levels, necessitating the need for significant cuts in greenhouse gas emissions and the transition of certain economic sectors to more sustainable models.

The Asia Pacific region is particularly vulnerable to the significant effects of climate change due to the region's dependence on natural resources, agriculture and densely populated coastal areas. In the face of these trends, governments and businesses alike have committed to emissions reduction targets, with an ambition to significantly lower emissions by 2030 and achieve carbon neutrality shortly after 2050. This requires substantially reducing reliance on fossil fuels[1].

Since 2017, AIA has employed a pragmatic and phased approach to addressing our investments in carbon intensive sectors. We have continued to review and evolve our portfolio, taking into account global best practice in order to ensure that we strive to achieve more sustainable outcomes for our customers and communities. Concurrently, we have increased our holdings in more environmentally friendly assets, including renewable energy and green bonds.

Our decision to divest of our equity holdings in coal mining and coal-fired power at the start of 2020 was the latest in a series of steps (set out below) that we have taken as part of our holistic approach to addressing investments in these sectors regardless of asset class.

[1] United Nations 2015
[2] Includes markets where AIA has operational control.

2016

Became a Signatory to the UN Global Compact

2017

Began reporting on the emissions and energy use arising from our direct operations

2018

Confirmed our support for the Paris Agreement and launched our first Climate Statement

One of the first Hong Kong companies to endorse the Task Force on Climate-related Financial Disclosures (TCFD)

2019

Carbon footprinted our portfolio for the first time, reporting on the emissions footprint from equity investments

Joined the Principles for Responsible Investment

Joined the Climate Action 100+, supporting collective engagement with the world's largest carbon emitters

2019-2020

Initiated portfolio analysis and engagement on climate change

Completed 2020

Divested directly managed[2] equity exposure in coal mining and coal-fired power companies generating more than 30% of their revenue from either or both of these activities

2020

Achieved an A- score from CDP with acknowledgement as an industry leader

Finalised and implementing a holistic approach to restricting investments in coal mining and coal-fired power generation

Our Approach to integrating ESG considerations

Our Investment function operates on the foundational belief that investing in companies with sound ESG practices will deliver sustainable outcomes and superior financial returns, and better enable us to meet our longer-term financial commitments. While we are confident that our strategic focus on sustainability is simply the right approach for our communities, this approach and our ability to manage associated risks creates tangible value for the Group, our communities and our shareholders over the long term[3].

ESG considerations are structurally embedded into AIA's investment process through the requirements of our Group-wide Investment Governance Framework, including the fixed income and equity research processes, development and redevelopment of real estate assets, the selection of external investment managers, and the exercise of voting rights. Certain sectors have been determined by the Group to be inconsistent with its mission to pursue sustainable outcomes, and contrary to AIA's Purpose and, as such, have been excluded or restricted from the Group's investment portfolio. These exclusions are maintained and upheld using robust and automated pre-trade control infrastructure.

Addressing the Group's coal exposure

1. Criteria for divestment

In support of sustainability in our markets, and the health and well-being of our customers and communities, AIA has made a significant commitment to address our exposure to mining and coal-fired power businesses and implementation against these commitments is well underway. In 2020, having completed the divestment of directly managed[4] equity exposure in companies that generate more than 30% of their revenue from coal mining and coal-fired power, we are now focused on the remaining exposure within our directly managed equity and fixed income portfolio. This approach will be applied across equities and fixed income investments and will address remaining investments in the sector, regardless of revenue and coal capacity. These criteria will also be applied to our dealings with third-party investment managers.

Our approach, which will be operationalised commencing in 2021, includes the following:

- AIA will divest and/or run off our entire directly managed equity and fixed income exposure to coal mining and coal-fired power businesses by the end of 2021 for equity and 2028 for fixed income; and
- AIA will not permit any new investments within businesses involved directly in either mining coal or generating electricity from coal.

While we are approaching this transition as a matter of urgency, we remain committed to delivering robust returns for policyholders and shareholders given the long-term nature of our commitments within the communities in which we operate.

Investing in Green and Social Bonds

Acknowledging the growing importance of green and social bonds in the transition to a sustainable global economy, in addition to moving out of certain assets, the Group will apply its robust assessment process to increasing investments in green and social bonds issued by coal mining or coal-fired power companies in order to support the important transition being made in many of our communities toward a more sustainable future.

[3] Please refer to the Group's ESG Report for further details on AIA's ESG Governance.
[4] Includes markets where AIA has operational control.

2. Ongoing Surveillance and Analysis

The AIA asset class heads of research have functional responsibility for ensuring that the investment controls in relation to coal mining companies and coal-fired power generation companies remain up-to-date and robust. Such controls are reviewed periodically and updated as determined by the relevant AIA asset class heads. To ensure that we continue to act accordingly, our teams will also be active in surveillance and analysis of current and new issuers which are or may become (through any of their activities), coal mining companies or coal-fired power generation companies.

3. Measurement and Disclosure

We will continue to measure the carbon footprint of our portfolio, through established methodologies, aligned with market standards. In addition, we will provide regular and ongoing disclosure of our progress in managing down our exposure to coal mining and coal-fired power businesses on an annual basis in the ESG Report.

AIA is also committed to measuring and disclosing our continued contributions to the development and sustainable growth of our markets. As of 31 December 2020, AIA had, within its directly managed portfolios:

- US$407.2 million invested in renewable energy;
- US$1.8 billion invested in green, social and sustainability bonds; and
- A portfolio of six certified green buildings, which are 100% owned by the Group.

4. Accountability

In order to ensure accountability, we have included a number of requirements in our Group-wide Investment Governance Framework. These include:

- Implementation of automated pre-trade controls as part of our trading systems to ensure exclusions from AIA's investment portfolios are properly imbedded in our control framework;
- Research analysts are required to include within their research reports an ESG analysis of their covered companies;
- ESG factors must be considered when acquiring, developing or redeveloping any real estate assets. Furthermore, newly constructed buildings within our portfolio must have, at a minimum, a green building certification accredited by industry-recognised green building association; and
- The ESG policies and practices of all external managers are assessed prior to the award of any mandate and periodically throughout the relationship.

In addition, the framework will provide for ESG-related key performance indicators to be established for the Investment leadership team, to be agreed with the Group Chief Investment Officer, at AIA's Group Office and in all of our business units.

5. Future Investment and Inclusion

I. The need for sustainable and inclusive access to electricity

According to the United Nations, 325 million people live without electricity across the Asia-Pacific region.

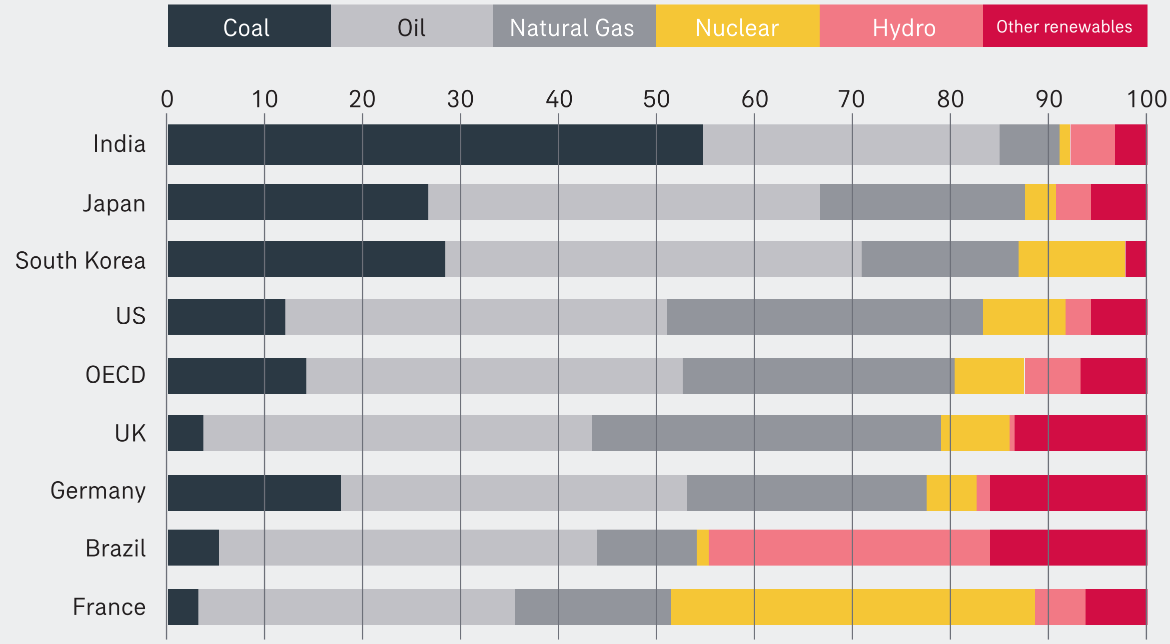
While significant strides have been made in recent years, according to the Asian Development Bank, some of our markets continue to require a sustainable and inclusive approach to power.

Access to electricity (% of population) as of 2018, according to the World Bank

Hong Kong	100
Singapore	100
Mainland China	100
Malaysia	100
Indonesia	98.5
Thailand	100
Vietnam	100
The Philippines	94.9
Sri Lanka	99.6
India	95.2
Australia	100
New Zealand	100
Brunei	100
Cambodia	91.6
Myanmar	66.3
South Korea	100

As our markets continue to incorporate sources of cleaner energy into their fuel mix, we will continue to support and invest in this transition. This includes growing our investments in green bonds and renewable energy, in addition to other sectors.

Share of energy mix, current (%)



Sources: BP; Bernstein
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II. Our Engagement Priorities

In recent years, governments in Asia have accelerated their response to climate change to restrict the development of coal-fired power, while rapidly diversifying their energy mix. We continue to engage with companies in our portfolio on their sustainability performance, including in encouraging the transition toward sustainable power generation. We understand the need for pragmatism, and the incorporation of solutions that support an effective and urgent transition, noting that even the most ambitious developed economies are in the midst of such a transition to sustainable energy generation.

Our self-imposed restrictions on new coal investments became effective from February 2021 and will extend to all of our general account assets, including those managed by external investment managers.

6. Review of this Statement

AIA will continue to review and update sections of this policy in line with the Group's ESG priorities, standards, and any subsequent memberships.