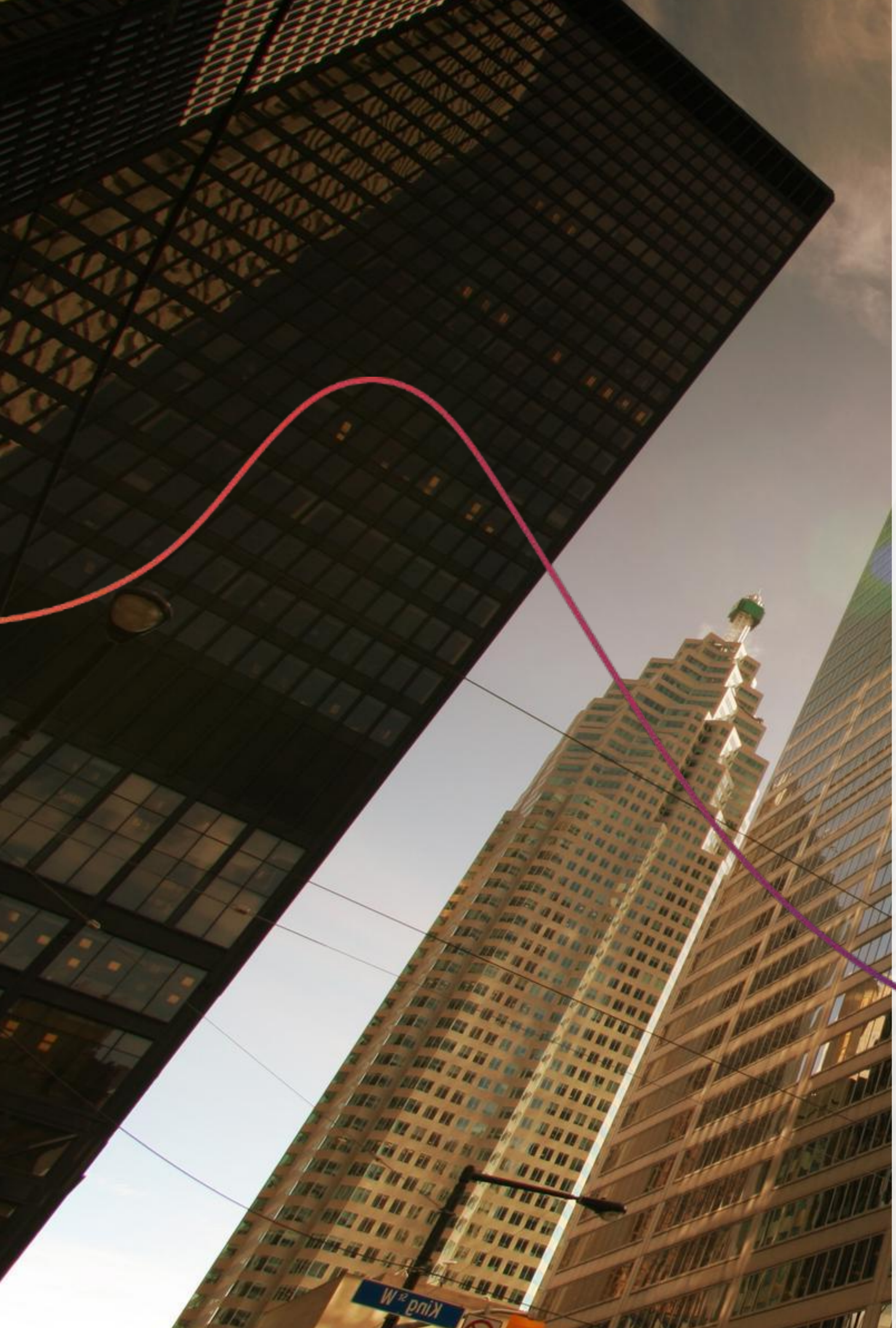

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi Insurance Sector Explanatory Note

Introduction and Q&A

11 May 2026

Today's presenters

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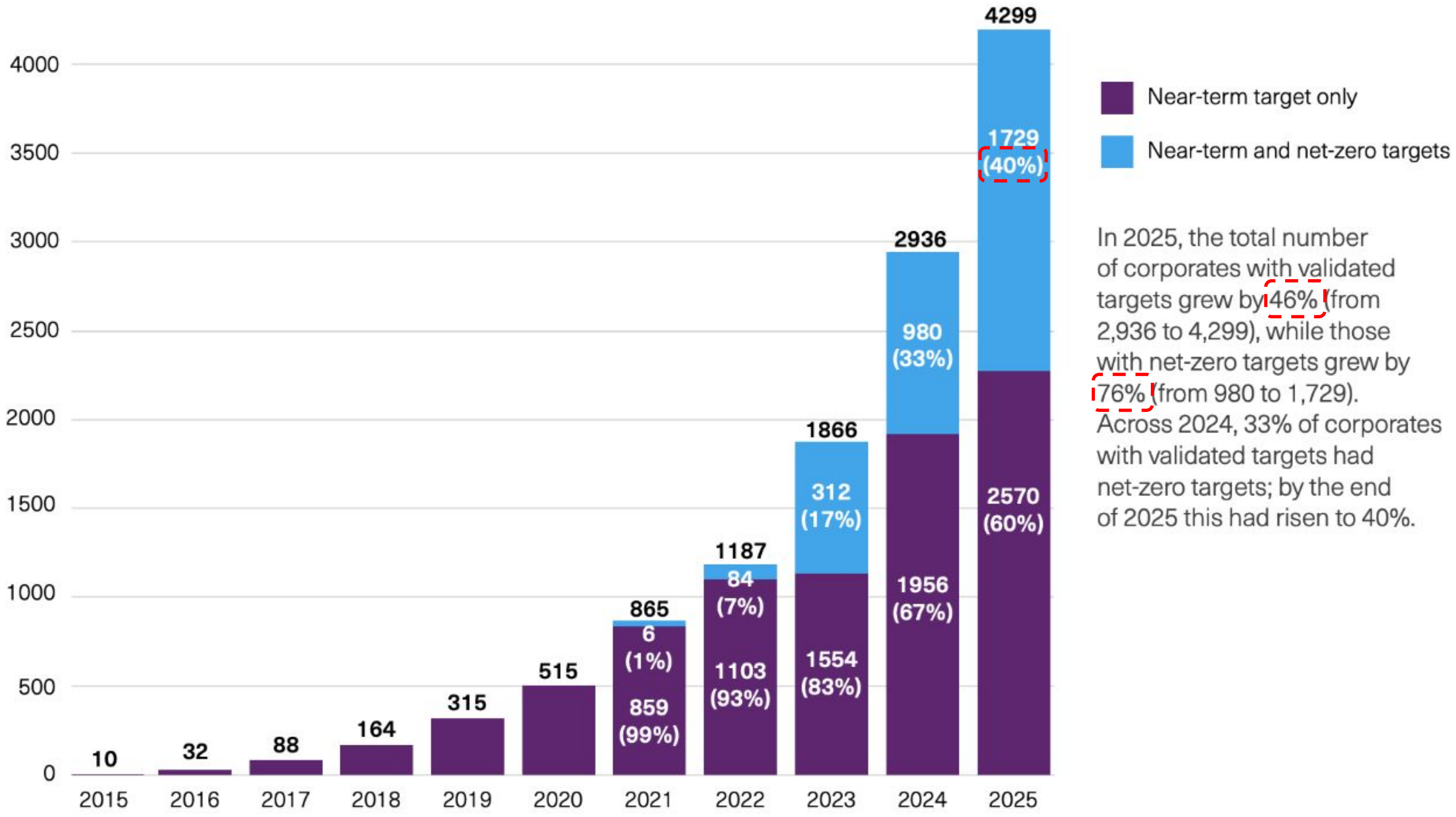
Agenda

- **An SBTi recap**
- Financial Institutions Net-Zero Standard
- Explanatory Note: Key implementation challenges
- Q&A

SBTi corporate validations have continued to grow rapidly

Corporates with SBTi targets, cumulative, by company status



In 2025, the total number of corporates with validated targets grew by 46% (from 2,936 to 4,299), while those with net-zero targets grew by 76% (from 980 to 1,729). Across 2024, 33% of corporates with validated targets had net-zero targets; by the end of 2025 this had risen to 40%.

Note: (a) ***Data excludes SMEs and Financial Institutions.*** *Percentages indicate the share of the cumulative total in each year.*
Source: (1) SBTi, [Trend Tracker 2025](), April 2026

While Europe has the most SBTi-validated companies and FIs, Asia is the fastest growing region in terms of target setting

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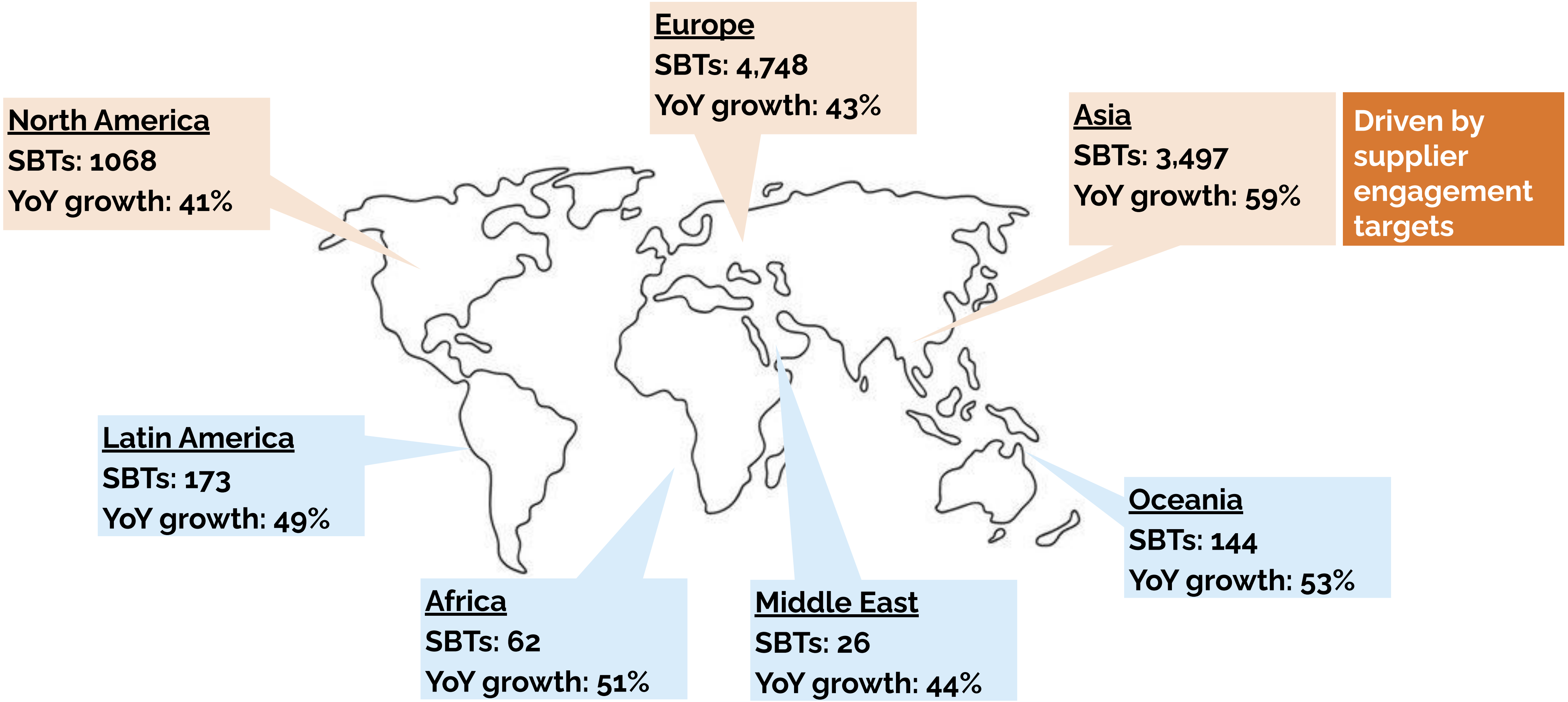
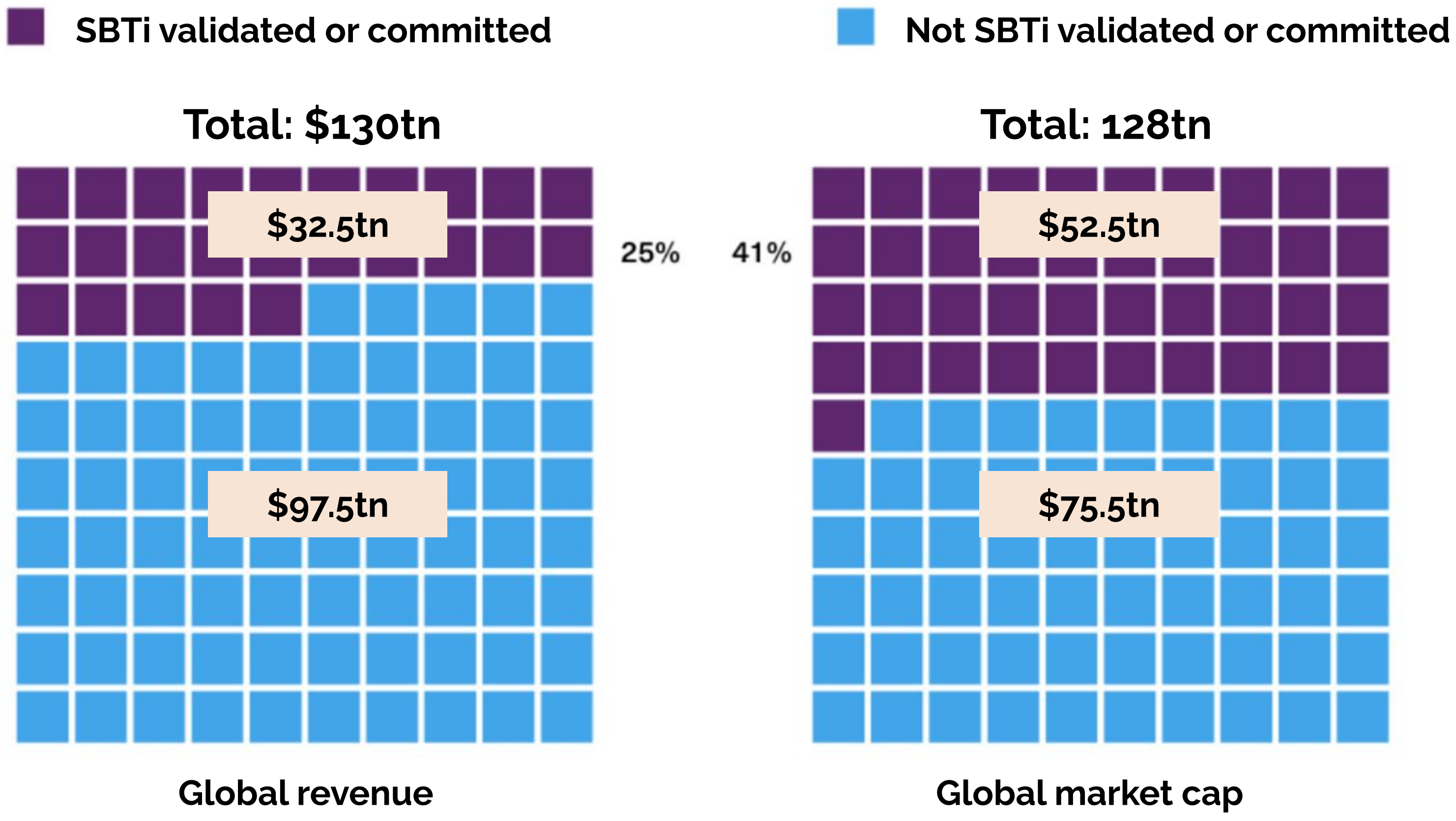
Validated SBTi targets and year-on-year growth by region, end of 2025[1]



*Source:(1) SBTi, **Target Dashboard**, 12 February 2026*

Listed SBTi validated or committed companies accounted for 41% of the global market capitalization by the end of 2024

Revenue and market capitalization of listed global companies as at the end of 2024, US$tn



Source: Oliver Wyman analysis of S&P Capital IQ and SBTi's Target Dashboard, end-2024

Companies with validated SBTs have been growing rapidly, achieving significant G7 index penetration

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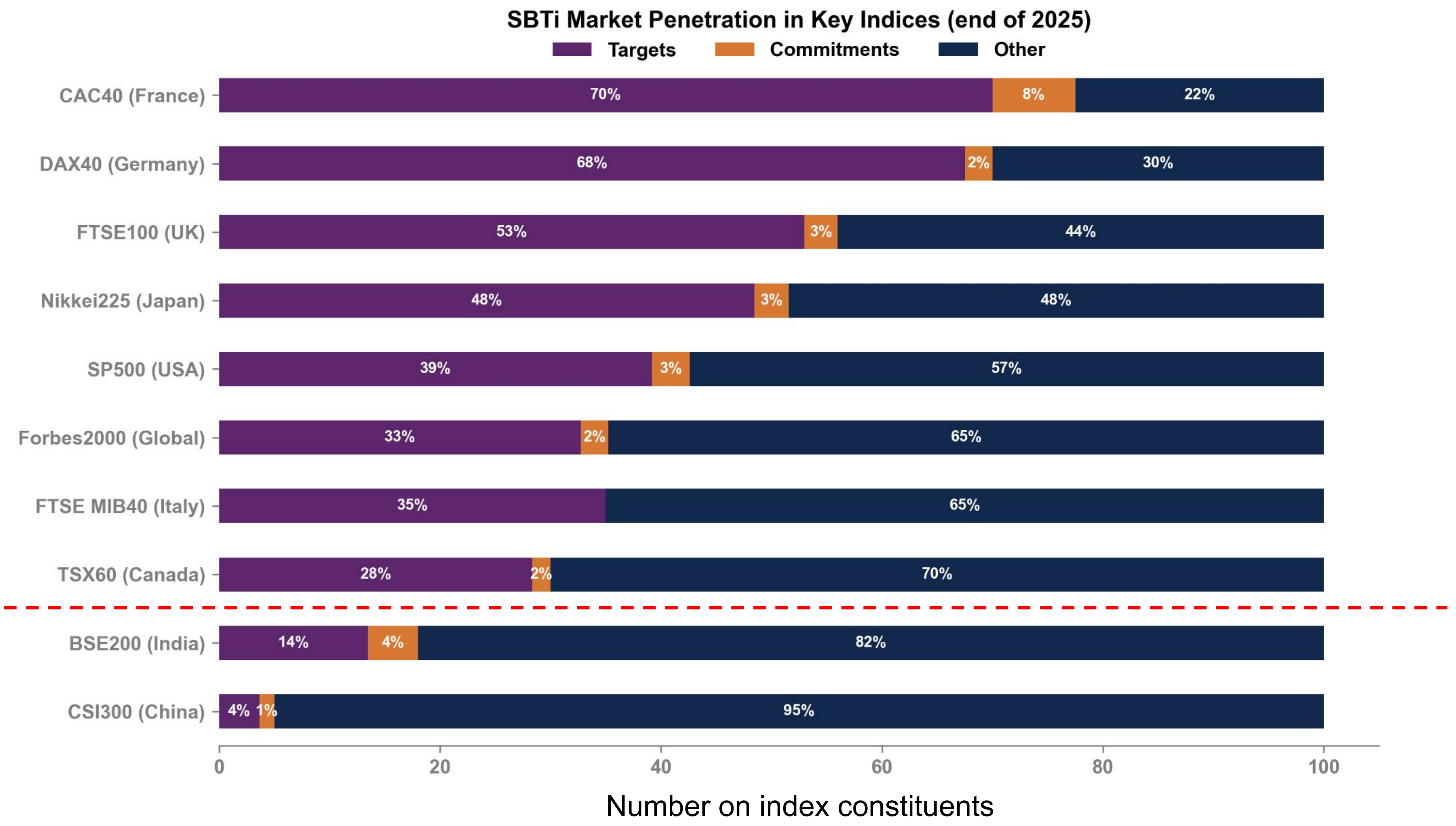

*Source:(1) SBTi, **Trend Tracker 2025**, April 2026*
*(2) SBTi, **Target Dashboard**, as at end of 2025*

There were 185 near-term validated financial institutions across 33 markets as at end of Q1 2026[(1)]

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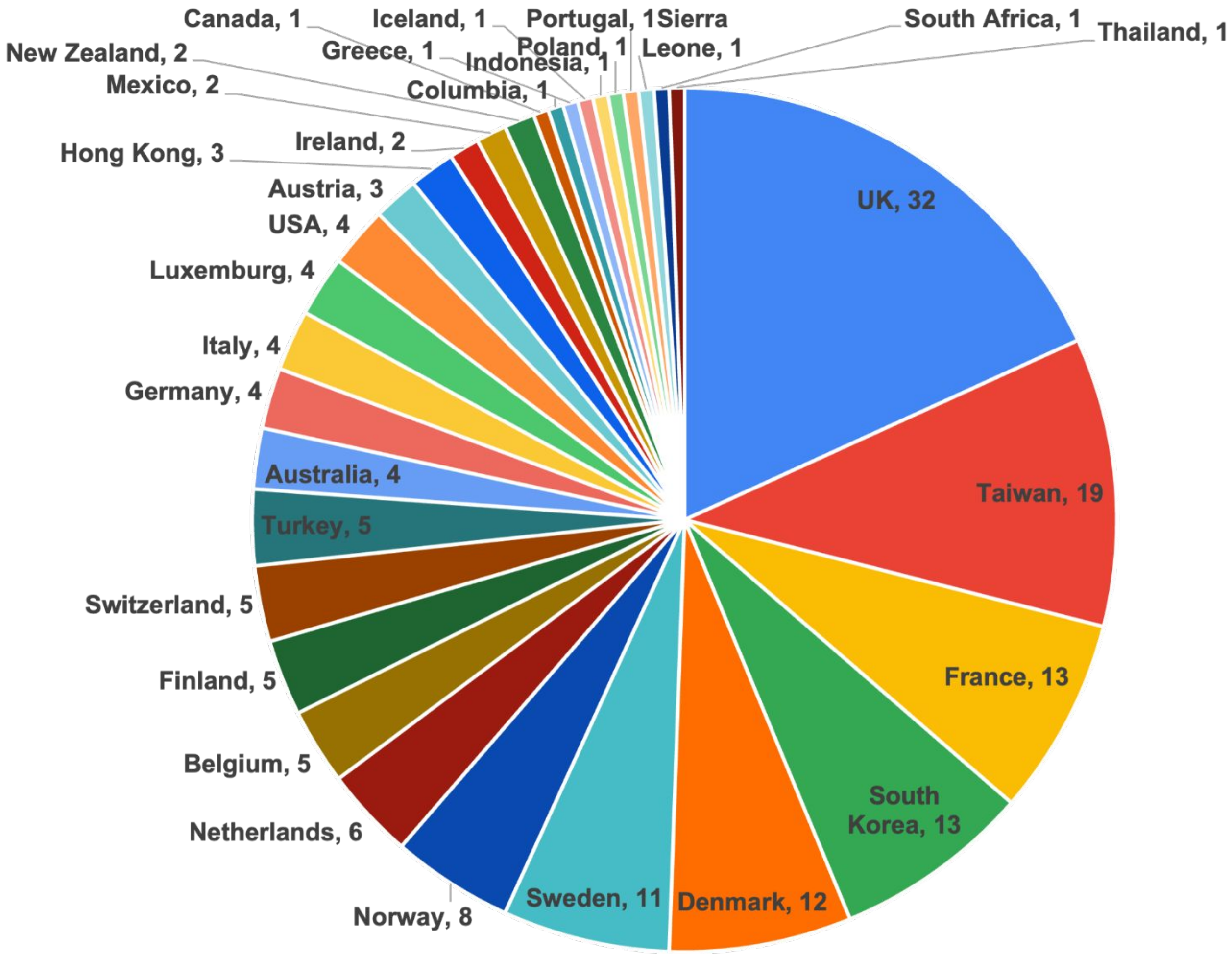

Sources: *(1) Target Dashboard, 2 April 2026*
(2) Diagram shown is based on near-term validated financial institutions as at 13 November 2025

Agenda

- An SBTi recap
- **Financial Institutions Net-Zero Standard**
- Explanatory Note: Key implementation challenges
- Q&A

SBTi is now evolving its standards within a modular structure

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SBTi Standards Modular Structure

Cross-Sector Standards

Core requirements for companies to set and implement net-zero targets

Corporate Net-Zero Standard

(Scope 1, Scope 2, Scope 3, (C1-C14)

Requirements for financial services firms to align portfolios with net-zero goals

Financial Institutions Net-Zero Standard

(Scope 3, C15)

Methods and Pathways

- Entity-level target-setting methods
- Portfolio-level target-setting methods
- Cross-sector pathways
- Sector or activity specific pathways

Underlying methods as well as sector- and activity-specific pathways to support the target-setting process

Sector-Specific Standards

SBTi sector-specific standards

- Apparel and footwear
- Air transport
- Automotive and land transport
- Buildings
- Chemicals
- Cement
- Forest, Land and Agriculture (FLAG)
- Maritime
- Oil and Gas (paused)
- Power
- Steel

The Financial Institutions Net-Zero (FINZ) Standard, launched in July 2025, pivoted towards portfolio climate alignment targets

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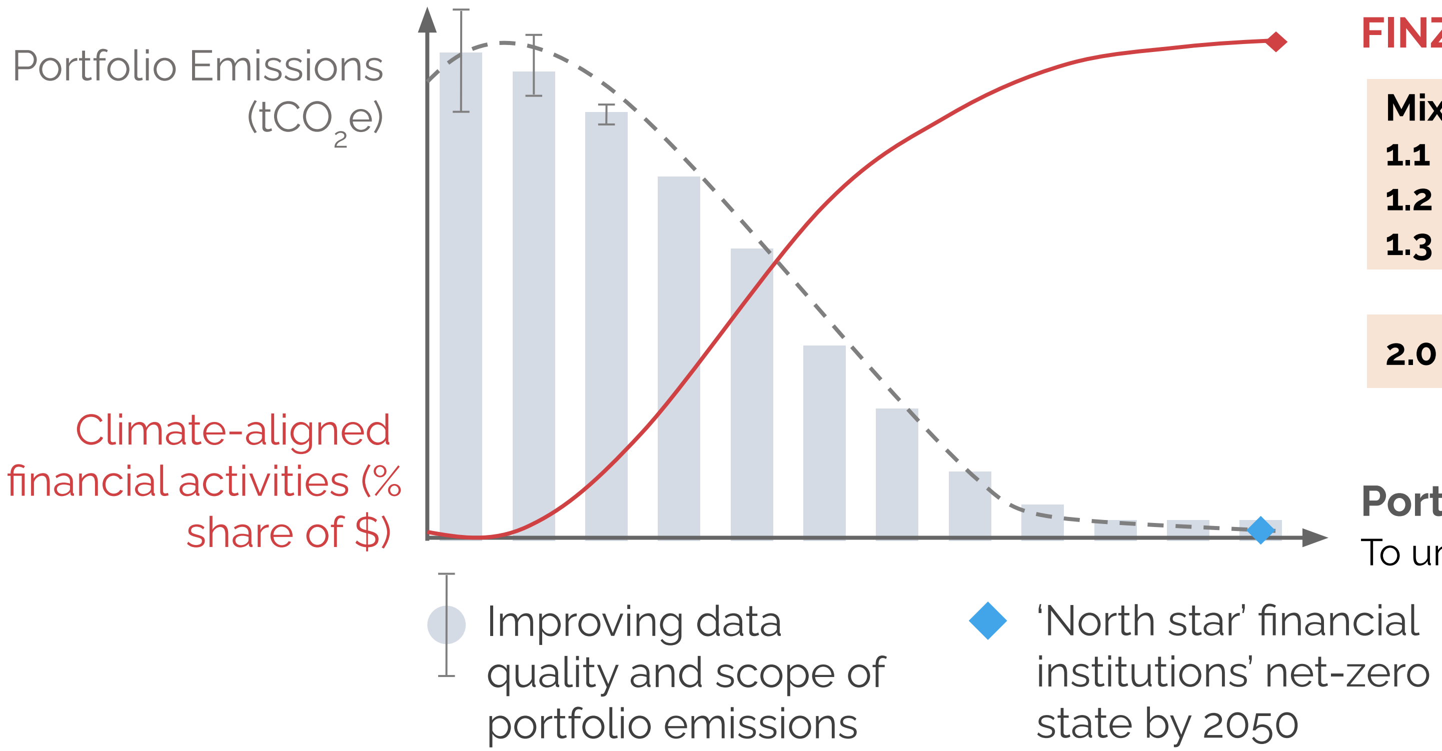
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



FINZ portfolio climate alignment targets

Mix of:
1.1 Net-zero state (no operational emissions)
1.2 In transition (on a path to net-zero)
1.3 Climate solutions (per eligible taxonomies)

Including:

2.0 Sector emissions intensity benchmarks

Portfolio emissions tracked

To underpin credible claims in net-zero year

- **Financed emission reductions are the outcome**
- **Intention of FINZ is to align finance with "pathways consistent with net zero by 2050"**

The Standard is designed primarily for financial institutions, defined via a revenue threshold of 5%

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Lending	Asset Owner Investing	Asset Manager Investing	Insurance Underwriting	Capital Market Activities

Each financial activity that **generates 5% or more of revenue** is considered **in-scope.**

The Standard comprises 19 criteria, 16 which are relevant at initial validation

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1. Commitment	**FINZ-C1:** Commitment	**C2:** Organizational boundary	**C3:** Portfolio boundary	**C4:** Governance
2. Assessment	**C5:** Base year selection	**C6:** GHG Inventory	**C7:** Climate alignment assessment	**C8:** Exposure Assessment
3. Policies and target-setting	**C9:** Fossil fuel transition policy	***C10:** No deforestation plan*	**C11:** Non-portfolio targets	**C12:** Near-term targets
	C13: Long-term targets	***C14:** Net-zero state*	**C15:** Communication	**C16:** Target recalculation
4. Reporting	**C17:** Reporting	***C18:** Progress and target renewal*		
5. Claims	**C19:** SBTi Claims			

C10, 14 and 18 are not assessed at initial validation

6 criteria reference tables support the application of the criteria

In the following slides we will drill down on the criteria that give rise to most questions

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1. Commitment

- **C3:** Portfolio boundary

2. Assessment

- **C7:** Climate alignment assessment
- **C8:** Exposure Assessment

3. Policies and target-setting

- **C9:** Fossil fuel transition policy
- ***C10**: No deforestation plan*
- **C12:** Near-term targets
- **C13:** Long-term targets

C3: Establishing the portfolio boundary includes a segmentation of asset classes and sectors to facilitate prioritization of action

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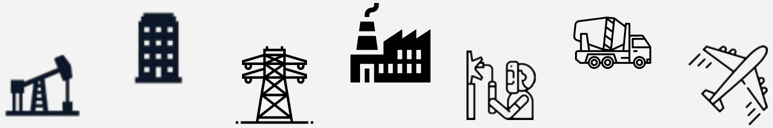
Sub-asset classes and lines of business

Tables 1.1 - 1.5 per financial activity (e.g. lending, or insurance underwriting)

Emissions-intensive sectors

Table 2



Segment A
Fossil fuels

Segment B
Transport, industrial, energy, real estate, FLAG

Segment C
Other sectors (not A or B)

Segment D
Specified subsets (e.g. mortgages or SMEs)

Climate alignment methodologies and data are used to identify portfolio elements as:

- **In transition**
- **Net-zero state**
- **Climate-solutions**
- **Not aligned**
- Not assessed (not eligible for segments A and B)

C7: Financial institutions target setting options

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Definition of climate-alignment

In transition: Counterparties on a science-based pathway to net-zero

E.g. A company that has a validated 1.5C SBTi target

Climate solutions: Activities necessary for economy-wide transition to net-zero

E.g. A climate solution according to an eligible taxonomy

Net-zero state: Counterparties that have reached zero or near-zero emissions levels

E.g. A company producing no or residual emissions that are neutralised

C7: Financial institutions target setting options

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Definition of climate-alignment

In transition: Counterparties on a science-based pathway to net-zero

Climate solutions: Activities necessary for economy-wide transition to net-zero

Net-zero state: Counterparties that have reached zero or near-zero emissions levels

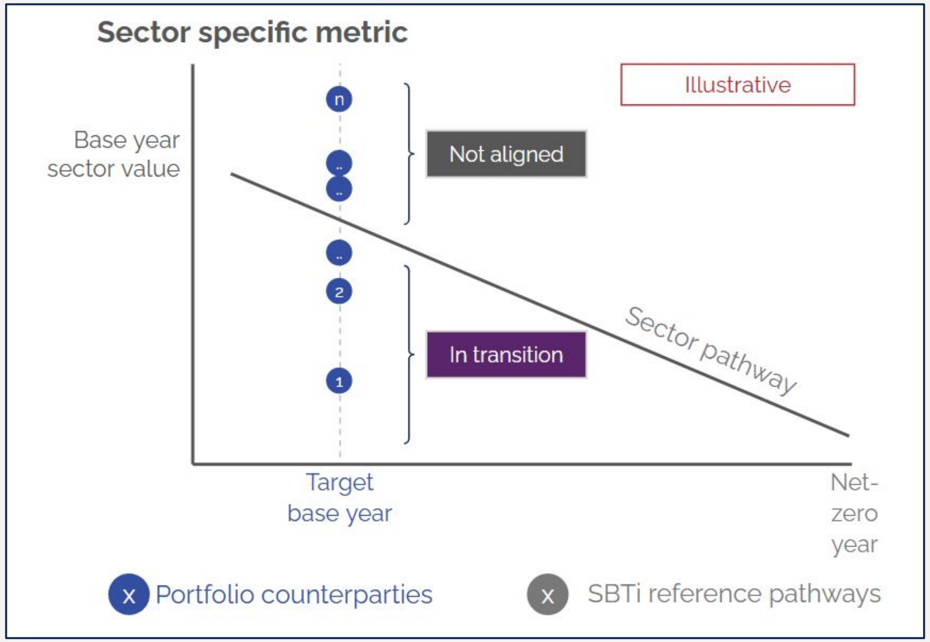
Two options to assess (e.g. as per Implementation List)

1. Eligible third-party methodologies [1]

For assessing "**in transition**" and **taxonomies** to assess "**climate solutions**"

2. Benchmark divergence assessment

"In transition" when demonstrating better performance than the relevant sector benchmark (in the reporting year)



Source: (1) SBTi, **Implementation List for Climate Aligned Target setting**

C7: Alignment targets may be set using sector specifications or the implementation list

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Alignment targets

Table 4.3: Sector specifications

Metrics, net-zero-aligned benchmarks, and target-setting methods for identifying near-term "in transition":

- Coal (phase out)
- Oil & gas
- Power generation
- Air transport
- Maritime
- Automotive
- Cement
- Steel
- Buildings
- FLAG

Implementation List[a][1]

Eligible third-party methodologies for assessing "in transition"

- Entity level
- Implied temperature rise
- Benchmark divergence assessment

Climate Bonds Initiative, Science Based Targets, CDP, WWF, Sustainalytics, MSCI, Transition Pathway Initiative, World Benchmarking Alliance, ACT Accelerate Climate Transition, Trucost, Pegasus Guidelines, Poseidon Principles, Sustainable Steel Principles

Eligible taxonomies to assess "climate solutions"

15, including the following, global taxonomies

- Climate Bonds Taxonomy
- Independent Science Based Taxonomy

More taxonomies may be added over time

Note: (a) Please see the details set out in the implementation list.

Source: (1) SBTi, Implementation List for Climate Aligned Target setting

C9 & C12: Fossil fuel financing is addressed via both policy and targets

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DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

C9 Policy: Cessation of support of the expansion of unabated fossil fuel production capacity

&

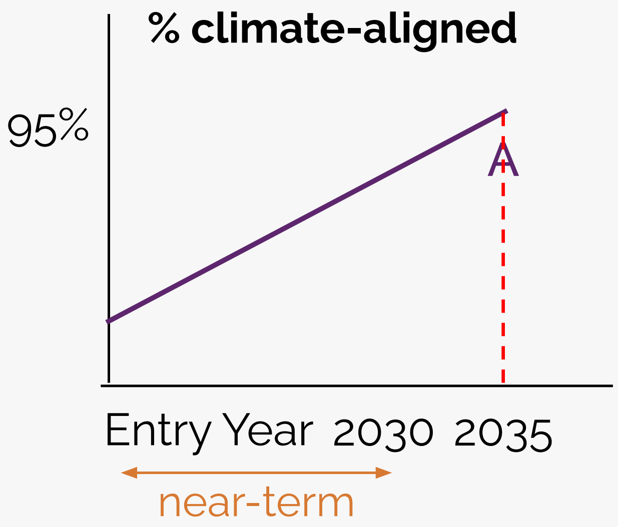
C12 Targets: Use influence to align companies with a net-zero transition

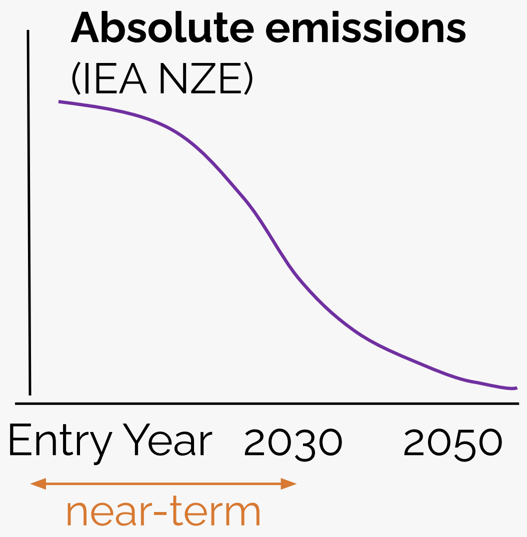
Three key transition policy components:

1. **No new** financing or insuring of **coal expansion**
2. **No new project** financing or insuring of **oil and gas expansion**
3. **No new general-purpose** financing or insuring of companies involved in **oil and gas expansion** immediately, or by **2030** at the latest

Coal phase out: OECD by 2030 and non-OECD by 2040

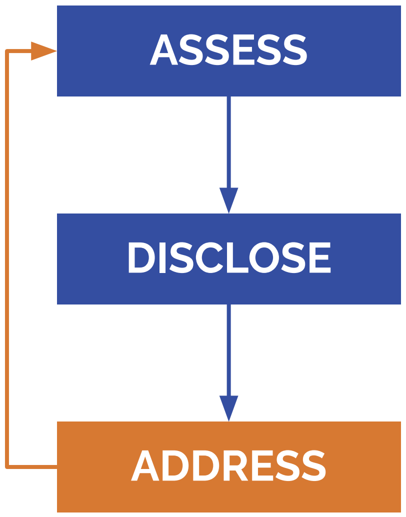
Oil and Gas: Select one or both:



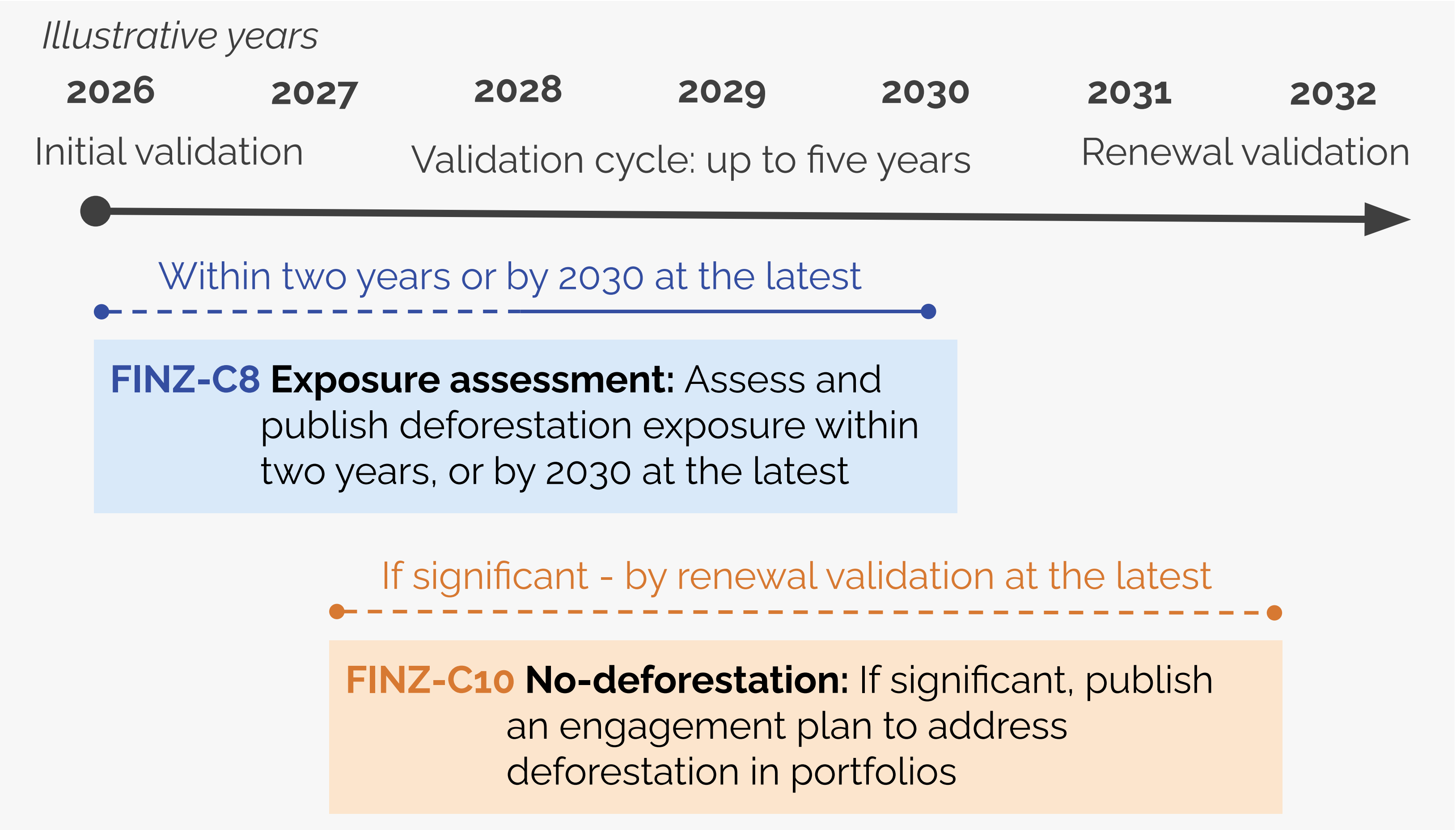


C8 & C10: No-deforestation: Commit to assess, disclose and address, if significant

Actions



Timing of actions

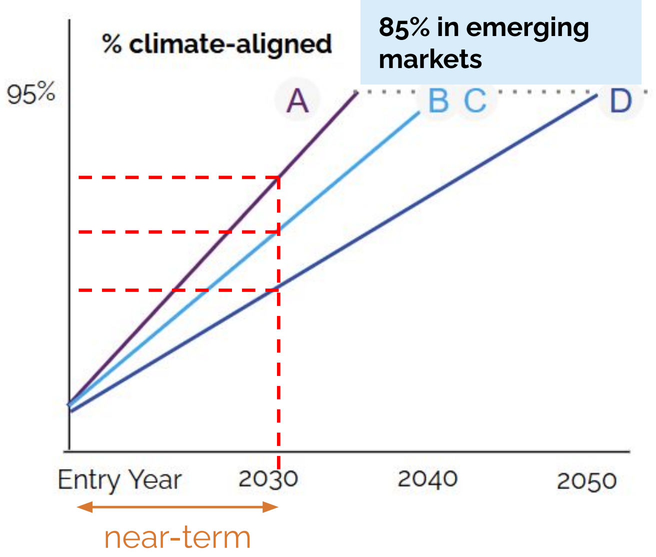


C12: Financial institutions must set near-term targets for in-scope financial activities

Near-term portfolio target flexibility

Portfolio climate-alignment targets: Linear increase of climate-aligned financial activities

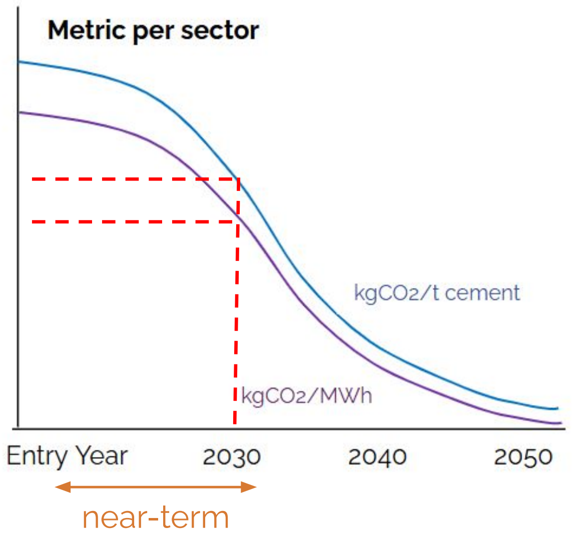
Ambition level: segment dependent



OR

Sector targets via sectoral benchmarks (e.g. physical intensity, technology share)

Ambition: sector pathway dependent



Target timeframe:

Up to five years

Target coverage:

Segment dependent

← 100% coverage →

Segment A	Segment B	Segment C	Segment D

← Minimum coverage of 67% →

C13: Financial institutions must also set long-term targets, with increased coverage of in-scope financial activities

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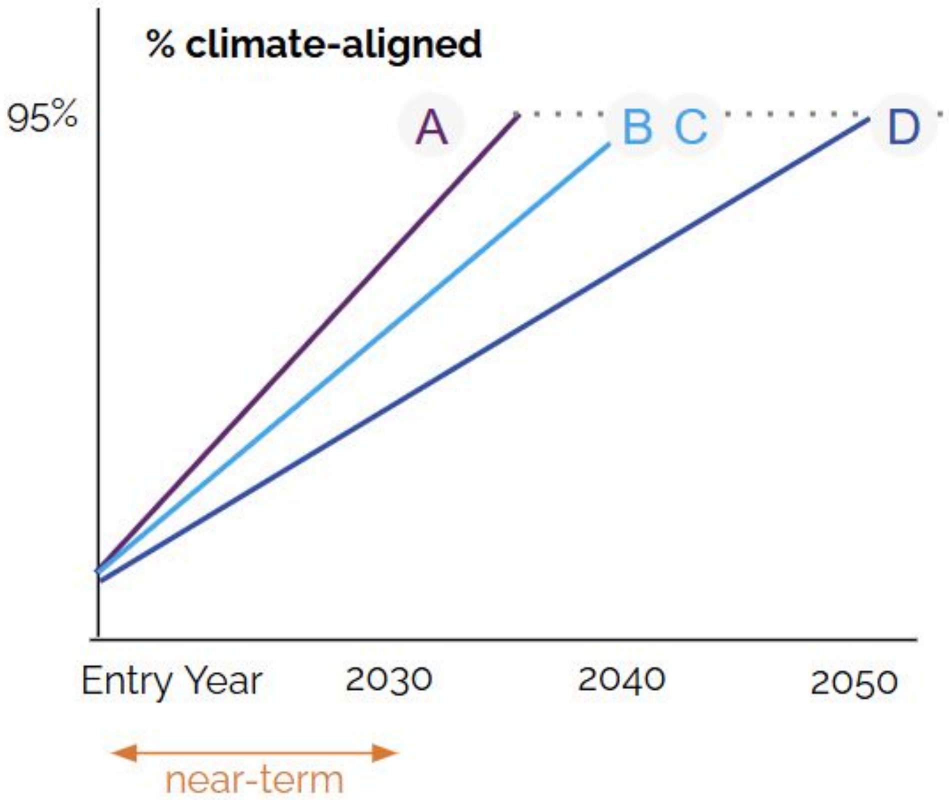
Long-term portfolio climate-alignment targets

Align at least 95% of financing with net-zero benchmarks by 2050 at the latest.



Target timeframe:

Selected net-zero year

Target coverage:

100% coverage

Segment A	Segment B	Segment C	Segment D

Agenda

- An SBTi recap
- Financial Institutions Net-Zero Standard
- **Explanatory Note: Key implementation challenges**
- Q&A

Key implementation challenges for (re)insurers

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Organizational boundary

- FINZ application to diversified financial institutions
- Groups with multiple entities and subsidiaries

Portfolio boundary

- Application of 5% revenue threshold
- Insurers with Asset Liability Matching (ALM) Book: Asset Owner investing
- Portfolio segmentation, particularly for SMEs

Data (particularly for SMEs)

- GHG calculation: insurance-associated emissions
- Alignment indicators
- Deforestation exposure

Fossil Fuel Transition Policy

- Company level versus asset or project level application
- New, versus existing contracts post 2030

Target setting approaches

- Sector benchmarks (table 4.3)
- Using the implementation list: third party methods, or eligible taxonomies

Organizational boundary

Challenges

- **Define the organizational boundary:** Challenging for insurance groups with multiple entities and subsidiaries

How the Explanatory Note addresses organizational boundary

- Clarify the treatment of subsidiaries, representative offices, and asset management activities, including edge cases and documentation

Practical application

1. **Map the group structure** — E.g. Identify all legal entities consolidated in the group (from audited financial statements).
2. **Select and document the boundary approach** — E.g. Confirm that the organizational boundary follows the financial statement consolidation perimeter.
3. **Test edge cases** — E.g. Assess whether specific entities, representative offices, asset management entities, or captive structures should be included
4. **Apply boundary decision consistently** — E.g. Apply the chosen consolidation approach consistently across all entities
5. **Create a "boundary coverage table"** — E.g. Document all in-scope entities, their activity type, consolidation method, and any justified exclusions

Portfolio boundary

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Challenges

- **Address diversified group structures:** Groups combine insurance underwriting with asset-owner investing or lending activities
- **Manage heterogeneous underwriting portfolios:** Underwriting exposure spans multiple lines of business
- **Apply the materiality threshold:** Determine in-scope activities meeting the ≥5% revenue threshold

How the Explanatory Note addresses portfolio boundary

- Assess insurance underwriting separately from other financial activities
- Include all in-scope insurance underwriting activities (as per Table 1.4) meeting the materiality threshold

Practical application

1. **Determine total company revenue** — E.g. Revenue by financial activity as reported in the financial statements
2. **Identify total insurance underwriting revenue** — E.g. Identify all insurance underwriting revenue streams prior to any scoping exclusions
3. **Identify in-scope insurance underwriting activities** — E.g. Apply the underwriting scoping defined in Table 1.4 of the Standard
4. **Determine materiality of in-scope insurance underwriting activities** — E.g. Assess whether aggregated GWP of in-scope insurance underwriting activities generates ≥5% of total group revenue.
5. **Interpret the result** — E.g. ≥5% apply the Standard to insurance underwriting

Data (particularly for SMEs)

Challenges

- **Address limited emissions data:** Insurance-associated emissions (IAE) especially for SMEs are not directly observable
- **Manage methodological uncertainty:** Reliance on proxies, estimates, and third-party datasets
- **Navigate uneven data availability:** Deforestation data remains constrained

How the Explanatory Note addresses data challenges

- Collect minimum data collection through light questionnaires
- Support prioritisation through "hotspotting" on material sectors, exposures, and engagement areas using portfolio-level analysis

Practical application

1. **Define the underwriting scope** — E.g. Commercial motor insurance written for SME counterparties
2. **Select pragmatic IAE approach** — E.g. Vehicle-type emission factors as a proxy for underlying emissions (aligned with PCAF Part C hierarchy) given absence of data at SME level
3. **Build an initial emissions inventory (proxy-based)** — E.g. Disaggregate the SME commercial motor portfolio according to vehicle type and apply emissions intensive proxies
4. **Calculate financial exposure using GWP** — E.g. "Hotspot" SME commercial motor exposure by allocating GWP by fleet type (e.g. ICE vs electric vehicles) to identify high-emissions exposure

Fossil Fuel Transition Policy

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Challenges

- **Address company vs asset level exclusions**: Apply exclusions at the company level prevent (re)insurers from insuring low-carbon or renewable activities and support their transition
- **Manage new vs existing contracts:** Apply fossil fuel policy for new and legacy financial activities

How the Explanatory Note addresses fossil fuel transition policy

- Renewable projects of O&G companies can be insured beyond 2030 where ring-fenced.
- Policy applies to new contracts only; existing contracts are unaffected.

Practical application

1 Project level flexibility

- **O&G company (expanding beyond 2030) with a renewable business:** There are no impediments to insuring, lending to, or investing in the renewable businesses of O&G companies that expand capacity through to 2030 and beyond so long as such renewable energy projects are clearly ring-fenced.

2 New vs existing contracts flexibility

- **(Re)insurer underwriting:** Stop new project insurance for O&G expansion after policy publication; continue general-purpose insurance for companies with Final Investment Decision (FID) ≤2030 or no post-2030 expansion to maintain engagement.
- **(Re)insurer ALM book (i.e., an asset owner)**: Existing fund holdings with post-2030 O&G expansion may be retained, but no new investments added.
- **(Re)insurer lending activities:** Loans issued before 2030 may be honoured to maturity, even if expansion occurs post-2030.

Target setting: Using eligible Taxonomies for SMEs

Challenges

- **Address limited entity-level data**: SMEs rarely disclose emissions, transition plans or Science Based Targets (SBTs)
- **Manage high SME portfolio relevance**: SMEs often represent a material share of underwriting exposure

How the Explanatory Note addresses target setting for SMEs

- Assess SMEs using eligible Taxonomies (as per Implementation List) for those with no SBTs or transition plans

Practical application in the Note

Step	Action	Example
1	Identify the insured activity	E.g. SME light commercial vehicles used for transport
2	Map the insured activity to an eligible Taxonomy	E.g. In-scope EU taxonomy activity "Transport by motorbikes, passenger cars and light commercial vehicles"
3	Determine whether the activity can be taxonomy-aligned	E.g. EU Taxonomy technical screening criteria, Do No Significant Harm (DNSH) and minimum safeguards (MS)
4	Attribute alignment to counterparties	E.g. Aligned GWP linked to electric vehicles meeting Taxonomy criteria, DNSH and MS
5	Aggregate at portfolio level	E.g. Commercial motor GWP linked to electric vehicles aligned under EU taxonomy
6	Set portfolio climate-alignment targets	E.g. Progressive near-term target for Segment D (transport SMEs) with a pathway toward 95% alignment by 2050

Target setting: Using asset level approach for SMEs

Challenges

- **Address limited entity-level data**: SMEs rarely disclose emissions, transition plans or SBTs
- **Operationalize asset level (product-first) approach for SME-heavy portfolios**: Assess insurance at the asset level to set portfolio climate alignment targets

How the Explanatory Note addresses target setting for SMEs

- Assess alignment at asset level where SME entity data is unavailable

Practical application in the Note

1. **Segment and attribute exposure** — E.g. Map insured assets (e.g., vehicles and buildings) to motor and building insurance
2. **Apply the product-first attribution (vehicles vs buildings)** — E.g. Assess underwriting at insured asset level (vehicles for motor insurance and buildings for building insurance)
3. **Demonstrate alignment using using asset-level indicators** — E.g. Vehicles: Technology share or sector metric (e.g., gCO2 e / vkm); Buildings: EPC tiers (e.g., EPC A/B) or sector metric (e.g., kgCO2 e / m2)
4. **Calculate portfolio climate alignment** — E.g. Calculate aligned exposure as the % of GWP linked to assets meeting the defined alignment proxy or sector-specific pathway
5. **Set targets and improve data coverage over time** — E.g. increase alignment of vehicle and building exposures, or set targets using the sector pathways in Table 4.3 of the Standard.

Thank you for listening

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