



# **AIG Malaysia Insurance Berhad Climate-Related Disclosure ("CRD") for Financial Year 2024**



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# 1. Introduction



American International Group, Inc. (NYSE: AIG) (hereinafter referred to as “AIG” or “AIG Group”) is a leading global insurance organization. AIG provides insurance solutions that help businesses and individuals in more than 200 countries and jurisdictions protect their assets and manage risks through AIG operations, licenses and authorizations as well as network partners.

AIG Malaysia Insurance Berhad (hereinafter referred to as “AIG Malaysia” or “the Company”) is a wholly owned subsidiary of AIG Asia Pacific Insurance Pte Ltd, which is domiciled in Singapore. AIG is our ultimate parent company, headquartered in New York. The Company does not have any subsidiaries.

This Report has been prepared in accordance with Bank Negara Malaysia’s Climate Risk Management and Scenario Analysis Policy Document (BNM/RH/PD 028-124) (“CRMSA PD”) issued on 30 November 2022.



## 2. Governance

### 2.1 Board of Directors

It is important that all parts of our business feel invested in and accountable for AIG Malaysia's sustainability agenda, starting with our Board of Directors (hereinafter referred to as the "Board"). The Board has the overall responsibility and accountability to safeguard AIG Malaysia's resilience against the adverse impacts of climate change while actively promoting the transition to a low-carbon economy. In fulfilling this role, the Board evaluates the risks and opportunities arising from climate change on a periodic basis and consider these risks and opportunities in assessing and approving AIG Malaysia's strategies and business plan.

To enhance oversight, the Board has delegated authority to the Risk Management Committee to assist in overseeing risk management strategies, emerging risks, risk mitigation strategies and other matters related to the management of risks, including climate risk.

In Financial Year 2024 ("FY2024"), five Board meetings were held, during which climate-related issues and initiatives were deliberated. These included, but were not limited to, status updates on Bank Negara Malaysia's CRMSA Gap Analysis and Implementation Plan, as well as the status update of Bank Negara Malaysia's Climate Risk Stress Testing Exercise ("CRST"). Additionally, Board members attended an internal overview session of the AIG's Global Approach and Strategies, and Asia-Pacific climate regulatory landscape.

## 2.2 Management

The Board approved the appointment of two senior management officers (“SMO”) from AIG Malaysia to oversee the effective management of climate-related risks in 2023. The SMO are responsible for leading the local development and implementation of AIG Malaysia’s company-wide sustainability strategy, as per AIG’s direction.

In addition, other management-level bodies with expanded roles covering climate-related risk, comprising AIG Malaysia’s extended management teams and subject-matter experts, exist to support with the sound and prudent management of AIG Malaysia. The management bodies with specific roles and responsibilities in respect of climate-related risks and opportunities are outlined in Figure 1.

In FY2024, the Risk and Capital Committee (“RCC”) and Investment Committee (“IC”) received climate-related risk information at each quarterly meeting. In addition, the Climate Risk Subcommittee, which was launched in 2023 as a subcommittee of the RCC, continue to provide direction and decision-making regarding our climate-related matters.

Figure 1: AIG Malaysia Insurance Berhad’s Climate-Related Governance Structure



Notes:

1. Delegated responsibility by RMC.
2. Delegated responsibility by RCC & subcommittee of RCC.
3. Standalone committee but escalate key activities to RCC.

## 2.3 Training

AIG offers a companywide Sustainability Training Library for employees interested in pursuing sustainability educational opportunities. The library offers a range of courses for colleagues at various stages of their sustainability learning journey, including: Training Library for employees interested in pursuing sustainability educational opportunities.

The library offers a range of courses for colleagues at various stages of their sustainability learning journey. Locally, AIG Malaysia provided climate-related risks trainings to its Risk and Compliance Ambassadors.



## 2.4 AIG Group

The governance structures of our ultimate parent entity, AIG, also have oversight of climate-related risks and opportunities across the global organization, including AIG Malaysia. Locally, we work together with colleagues from across AIG to ensure that local climate-related activities are aligned with AIG's global strategy and framework. In exercising its ultimate authority over AIG Malaysia's business, the Board ensures that it considers instructions issued by AIG and that they are implemented wherever possible. This includes compliance with policies, procedures and guidelines issued by AIG including AIG's Net Zero Commitments.

Teams across AIG have existing skills and capabilities that are highly relevant to managing climate-related risks and opportunities including but not limited to underwriting, risk management, actuarial, natural catastrophe modelling, legal and government affairs, financial reporting, and data analytics. AIG also has a dedicated Global Sustainability Office which supports AIG Malaysia.

AIG's Executive Vice President, General Counsel and AIG's Chief Sustainability Officer are responsible for leading the development and implementation of AIG's global sustainability strategy through effectively engaging business leaders and leveraging our internal governance structure.

For more information on AIG's group-wide Sustainability Governance, see our latest Group Sustainability Report at [Sustainability | AIG Insurance](#).

### 3. Strategy

AIG supports the scientific consensus that climate change is unequivocal: climate change is a reality of increasing global concern, causing adverse impacts on nature and people across all regions of the world. Through our risk management expertise and underwriting excellence, we strive to promote climate resilience and support the transition to a low-carbon economy where appropriate. AIG is committed to being part of the solution and helping the world responsibly navigate climate change.

We consider the potential impact from climate-related issues on our business, strategy, operations and financial planning over short-, medium- and long-term time horizons. We consider both direct physical impacts and indirect effects that may emerge through transition risks, particularly those driven by new legal and regulatory requirements as well as those from evolving investor, client and broker expectations.

In the short- to medium-term, our underwriting and investment activities may create potential legal and regulatory risks due to increased focus on sustainability-related litigation and regulatory action. In the medium- to long-term, chronic physical risks such as shifting temperatures, precipitation levels, droughts and sea water levels could impact AIG's property and casualty underwriting and operational exposures to climate change.

Additionally, actions that governments, regulators and society may take to transition toward low or net zero carbon economies may impact us in the short, medium and long term.

Climate change can present significant financial implications for AIG in areas such as underwriting, claims and investments, as well as risk capacity, financial reserving and operations.

In the pages to follow, we present the risk categories that we are actively monitoring. In addition, see Item 1A of AIG's [2024 Form 10-K](#) for a detailed description of the material risks and uncertainties that could affect the company.

### 3.1 Products with Impact – Traditional Renewable Energy

AIG offers insurance coverage for solar, hydro, wind and battery storage projects and facilities, among other types of more traditional renewable energy. Our coverage can protect against a variety of exposures, including machinery repair, income loss due to business interruption and off-shore physical damage. AIG solutions span property, casualty, directors and officers liability and other lines of business, and cover construction and operational risks. Our products also support increased mining operations for producing the lithium, copper, cobalt, nickel, uranium and other materials essential to renewable energy. Our highly customized, innovative programs help clients address challenging exposures, including alternative risks, and can apply insurance and capital market strategies.

## 3.2 AIG's Net Zero Commitments

AIG is committed to helping the world navigate climate challenges through the following actions:

Reach net zero Greenhouse Gas ("GHG") emissions across operations, underwriting and investments portfolios by 2050 or sooner

Source 100% renewable energy for AIG's operations<sup>1</sup> by 2030 or sooner

Use science-based emissions reduction targets, aligning with the latest climate science;

Limit underwriting and investing in certain fossil fuel activities related to coal, oil sands and Arctic exploration.

<sup>1</sup> The 100% renewable energy commitment applies to Scope 2 emissions from electricity usage for sites controlled or owned by AIG.



### 3.3 Types of Climate Risk

Climate change has three distinct yet highly interrelated mechanisms that create risks for AIG Malaysia:

**Physical Risk:** Both direct and indirect impacts from event driven (acute) or longer-term (chronic) shifts in climate patterns. Climate change contributes to an increase in the frequency and severity of natural disasters and the creation of uncertainty as to future trends and exposures.

**Transition Risks:** Transitioning to a lower carbon economy may entail extensive policy, legal, regulatory, technology and market changes to address mitigation and adaptation requirements related to climate change.

**Liability Risks:** May arise from people or businesses seeking compensation for losses they may have suffered from physical or transition risks. This may be due to policy and technological changes, as well as from third parties who seek to influence policy or recover losses from others whom they believe are responsible by means of failure to mitigate, adapt and/or disclose.

### 3.4 Climate Related Risks and Opportunities

Below are the risk categories that are being monitored:



Our ability to adapt to ever-changing market conditions helps drive innovative insurance solutions that unlock value for our clients and business partners. Becoming climate resilient and implementing sustainable business practices can entail technological, financial and regulatory risks and complexities.

Conventional insurance products don't always address these new and developing sustainability-related issues. Our underwriters work closely with our Claims and Risk Engineering teams to assess data insights and our portfolio of offerings on an ongoing basis, identifying potentially unmet client needs. The result is a continually updated range of insurance products and services that support clients in their sustainability journeys.

## 4. Risk Management

### 4.1 Management of Climate-Related Risk

With multiple levels of risk management processes in place, we aim to analyze the latest climate science and policies to anticipate potential changes to our risk profile, pricing models and strategic planning. In addition, we provide insurance products and services designed to help our clients be proactive against the threat of climate change.

Our internal product development, underwriting and modeling will continue to adapt to and evolve with the developing risk exposures attributed to climate change:



## a. Risk Expertise & Climate Adaptation Solutions

AI G's Risk Engineering team partners with our underwriting teams and clients to assess risk and advise on how to create safer, more resilient environments by providing technical guidance for risk-based decisions. The cross-functional team works across lines – property, casualty, energy, marine and cyber – reviewing resiliency and sustainability as both an insurable interest and an enterprise exposure. The team's risk assessments can encompass all areas of our clients' operations, including property and product safety, environmental and transportation risks and cyber infrastructure and incident response readiness.

Our Risk Engineering team considers several different components of resilience for our insureds in order to help improve resiliency in AI G's portfolio. The team uses this portfolio perspective to work across the organization with Claims, Enterprise Risk Management and Underwriting Analytics to help the field-level insights become part of the data that forms the foundation for portfolio and catastrophe models. The Analytics teams can then more accurately stress test the portfolio against climate risk scenarios. The underwriting risk models are further augmented with actual losses to contribute to the feedback loop, which assists our Actuarial, Claims and Underwriting teams in working together for insureds and our organization.

The Risk Engineering team also advises clients on how to make their properties more resilient against preventable losses from natural catastrophes, such as recommending defensive barriers against floodwater or wildfires and strengthening structures against windstorms. In this way, sustainability factors inform our risk management process holistically.

## b. Risk Appetite Statement

Our Risk Appetite framework integrates stakeholder interests, strategic business goals and available financial resources. We intend to balance these interests, goals and resources by taking measured risks that are expected to generate repeatable, sustainable, profitable earnings and produce long-term value for our shareholders. The framework includes our Risk Appetite Statement, approved by the Board of Directors, and a set of supporting tools to effectively manage AIG's risk profile and financial resources, including operating ranges and tolerances, control measures for risks and risk limits.

AIG's Risk Appetite Statement articulates AIG's philosophy and principles of risk-taking in relation to AIG's strategic and business objectives and meets local regulatory requirements. As part of our risk appetite framework and in support of AIG's Risk Appetite Statement, AIG has defined, where relevant, a set of risk tolerances to provide appropriate support of aggregate risk-taking. This includes identifying the appropriate set of metrics and calibrating a specific tolerance for each metric, as appropriate.

Our risk tolerances take into consideration regulatory requirements, rating agency expectations and business needs. Risk identification and measurement are key tools used to inform the risk appetite framework. We identify risk through several processes at the business entity and corporate level and are focused on capturing risks. A key initiative is our integrated bottom-up risk identification and assessment process, which is conducted down to the product-line level, including country aggregations where relevant.

We also perform an annual top-down risk assessment to identify top risks and assign owners to appropriately address and manage these risks.

In addition to AIG Malaysia's Risk Appetite Statement, we integrate climate risk into our stress testing exercise which is part of our Internal Capital Adequacy Assessment Process ("ICAAP"). Business functions are increasingly monitoring climate risk in their activities and business leads are considering how to address climate risk challenges in their strategic plans and track climate-related activities across the year.



### c. Emerging Risk Framework

We have established an Emerging Risk Framework to monitor, assess and analyze key emerging risks facing AIG Malaysia, including climate-related risks. The Emerging Risk Framework includes horizon scanning designed to facilitate cross-functional dialogue, improve information flow across AIG Malaysia, catalyze risk management action and spark product innovation.

AIG intends to coordinate assessments of climate-related physical and transition risks to better understand and define climate-related risks and opportunities and more effectively direct expert insights and opinions to lines of business that could be possibly impacted. This approach complements AIG's existing management of climate-related risks through natural catastrophe modeling, our reinsurance strategy, business continuity planning and regularly revisiting the organizational appetite for such risks.

In 2024, AIG Malaysia conducted an Emerging Risk exercise, leveraging on APAC's Top and Emerging Risks Guidance. The exercise identified climate risk as a major concern, leading to its elevation from an Emerging Risk to the Monitoring List of AIG Malaysia's Top Risks.

#### d. Climate Scenario Analysis

AIG Malaysia takes a consistent approach to climate risk management across the organisation, including identifying and monitoring climate risks through bottom-up approaches, and exposure analysis to climate-relevant sectors.

In 2024, AIG Malaysia conducted an annual stress test exercise, including a climate scenario, assessing physical, and liability risk. Physical Risk incorporate three climate-related scenarios (Orderly Transition, Disorderly Transition, and Hot House World) which are aligned with the Intergovernmental Panel on Climate Change ("IPCC") Representative Concentration Pathways. The scenarios incorporated short term time horizons only. The Physical scenario used is aligned with the IPCC Representative Concentration Pathways.

AIG has developed a Global Climate Scenario approach to foster an increased understanding of our gross exposure from a consolidated insurance and investments portfolio perspective. This method incorporates three stress narratives aligned with Network for Greening the Financial System ("NGFS"), including an orderly transition, disorderly transition and hot house world narrative. The three stress narratives reflect transition, physical and liability risks. The transition risk component considers AIG's investment portfolio exposure in a low-carbon economy. The physical risk component incorporates annual loss adjustments to global wind, wildfire and flood modelling. The liability risk component considers relevant climate cases in the development of the scenario. The Global Climate Scenario aims to determine the aggregate climate exposure for AIG.

We expect insights from this scenario analysis to help us in refining insurance policy design and appetite, portfolio adjustments and referral program decision-making. This analysis is also integrated into routine risk reporting to senior leadership to facilitate portfolio monitoring, action and mitigation planning, and escalation, as appropriate.

## e. Reinsurance

Reinsurance is insurance against losses experienced within our own insurance portfolio. AIG deploys a reinsurance strategy to manage our overall capital adequacy and mitigate insurance loss exposure for our various business lines. Our catastrophe coverage includes traditional reinsurance as well as insurance-linked securities transactions.

The increased levels of natural catastrophes on a global scale have impacted the reinsurance market, but we believe AIG is in a strong position with regard to reinsurance purchases, given the improved quality of our global portfolio coupled with our considerable efforts to reduce our gross portfolio peak exposures. In 2018, we began the process of reunderwriting and repricing our casualty book with an entirely new framework and approach to underwriting. We also established a more prudent and sustainable reserving philosophy and implemented a strategic reinsurance program from the ground up. Overall, our reserves and balance sheet are much stronger today and our reinsurance is much more comprehensive, helping improve our underwriting results and reduce volatility.

Our 2024 worldwide property catastrophe reinsurance program provides both aggregate and per-occurrence protection, with differing aggregate and per-occurrence retentions for North America, Japan and the rest of the world.

In 2024, we made changes to our North America property catastrophe reinsurance program to reduce AIG's exposure to secondary perils. To help support our coverage of renewable energy businesses, AIG has purchased reinsurance that covers our liability resulting from losses in connection with the operation of offshore wind farms in certain geography and the construction of offshore wind farms without geographical restrictions.

# 5. Metrics and Targets

## 5.1 GHG Emissions

In FY2024, we measured our scope 1 and scope 2 (location-based) GHG emissions by considering the internationally recognized methodologies from the Greenhouse Gas Protocol in partnership with the World Resources Institute and World Business Council for Sustainable Development. These figures are outlined in Table 1.

We use the operational control approach to define reporting boundaries for owned and leased assets. For AIG Malaysia, this includes the following:

- **Scope 1 emissions:** Emissions from stationary combustion (natural gas), mobile combustion (motor gasoline) and refrigerants.
- **Scope 2 emissions:** Emissions from the generation of purchased electricity using the location-based method.
- **Scope 3 emissions:** Also referred to as value chain emissions – Scope 3 emissions are the result of activities from assets not directly owned or controlled by AIG Malaysia, but that AIG Malaysia indirectly affects in its value chain activities. The GHG Corporate Value Chain (Scope 3). Accounting and Reporting Standard defines 15 categories of Scope emissions. Our Scope 3 emissions data is currently a work in progress as we continue to enhance data collection.

Where reasonably available, GHG emissions are calculated based on actual (e.g. metered) data received. In certain instances where actual data is not reasonably available, we rely on estimates by considering internationally accepted and recognized methodologies and standards.

Information, such as GHG emissions, and other climate-related risk factors, is subject to measurement and estimation uncertainties, resulting from limitations inherent to the data and methods used for compiling and determining such information.

The methodologies and assumptions used to determine such data are still in the early stages of development and are likely to change.

**Table 1 AIG Malaysia Insurance Berhad's FY2024 GHG Emissions**

	<b>Metric Tonnes of CO<sub>2</sub>e</b>
Scope 1	18
Scope 2 (location-based)	313
<b>Total Scope 1 and 2 (location-based)</b>	<b>331</b>

## 5.2 Promoting Sustainable Practice in Our Office

AIG's progress toward the commitments set out above is described in AIG's Group Sustainability report at [Sustainability | AIG Insurance](#). AIG Malaysia is playing its part to contribute to achievement of those commitments, including by promoting sustainable practices in our offices and promoting greater awareness of our environmental footprint to our colleagues. On the ground examples include:

- Residing in a sustainable building, where the office building of AIG Malaysia is occupying has achieved green building certification, awarded by Green Building Index ("GBI") Accreditation Panel.
- Implementation of efficiency measures such as switching to light-emitting diode lighting fixtures.



