A green line graphic in the top right corner, consisting of two segments forming a V-shape pointing downwards.

**ALLIANZ
FOUNDATION**

Beyond Net Zero.

**Climate responsibility strategy
of the Allianz Foundation**



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Background

Tackling the climate crisis is one of the most urgent tasks when it comes to preserving humanity's natural life-support systems. In particular, greenhouse-gas (GHG) emissions must be reduced quickly and ambitiously in all sectors and areas of life. If this can be done, the goal of global climate neutrality by 2050 can still be achieved and climate stability permanently secured. However, putting this into practice requires a profound socio-ecological transformation that is supported by all sections of society. To achieve this, the principle of a *common but differentiated responsibilities* (CBDR) for combating the climate crisis, as laid down for nation states by the Rio climate summit in the 1992 UN Framework Convention on Climate Change, should also be applied by organizations and individuals.

'Net-zero GHG emissions' is a global goal to which every organization must make its best possible contribution.

As a charitable foundation, the Allianz Foundation champions open, resilient and climate-just societies that can enable future generations in particular to enjoy a future on our planet that is worth living. The Foundation works in both an operational and support capacity with people and organizations that are addressing these challenges. In this context, the Foundation recognizes that its own activities also have an impact on the climate. In addition to its operational activities as an organization, this also applies especially to the Foundation's indirect climate impact, e.g. via the investment of its endowment funds or the funds donated to partners. In order to do justice to its own aspirations of creating a future worth living for future generations, the Allianz Foundation is therefore assuming responsibility for its own climate footprint with its *Beyond Net Zero Strategy*. This strategy is explicitly not based on the (still) common practice of companies and other organizations of offsetting their own GHG emissions, for example to become 'climate neutral' or 'net zero'. Because, in addition to the difficulty that offsets are often used by players to divert attention from their own urgently needed emission reductions by setting them off against

compensation projects,¹ a lot of studies point out that the vast majority of these so-called compensation projects do not deliver the promised emission savings.² In 2024, a meta-study under the supervision of the Max Planck Institute for Innovation and Competition in Munich comes to the conclusion that only 16% of the claimed emission savings were actually achieved.³ In addition, the practice of offsetting has faced further significant implementation challenges since the Paris Agreement (2015) – in particular, the risk of the double counting of emission savings.⁴

Against this backdrop, we at the Allianz Foundation also want to use our strategy to emphasize that ‘net-zero GHG emissions’ is a global goal to which every organization must make its best possible contribution.⁵ However, this is not synonymous with achieving individual net zero or climate neutrality at the organization level; rather, it requires players to take their *fair share* of adapted climate-protection measures that quickly and ambitiously promote a profound socio-ecological change at the global level.

¹ NewClimate Institute, 2023; WWF, 2022; CAN, 2022; UN, 2022.

² SBTi, 2024; Greenfield, 2023; Nguyen, 2023; Fischer & Knuth, 2023; Blake, 2023; see also the assessments of the Carbon Credit Quality Initiative, which identifies problems with all types of emission credits covered by its assessment, CCQI, 2024.

³ Probst et al., 2024.

⁴ Unlike under the Kyoto Protocol, under the Paris Agreement all countries are obliged to set their own ambitious climate protection targets. If emission reductions are traded between countries, these reductions must be robustly offset against each other, to ensure that they are only counted once globally. This also applies to the offsetting of emission certificates from companies and other organizations with the host countries on the so-called Voluntary Carbon Market. However, this currently involves considerable technical and political challenges, especially since the infrastructure for implementing the so-called *corresponding adjustments* is not yet available.

⁵ Gold Standard, 2023; Kreibich et al., 2023; Net Zero Initiative, 2022.

The Allianz Foundation's climate responsibility

With its *Beyond Net Zero Strategy*, the Allianz Foundation is focusing not on numerical climate neutrality, but on climate responsibility. In this way, we want to make our best possible contribution to achieving both global net zero and the sustainability goals in a way that is transparent and in line with the goals of the Paris Climate Agreement and the 2030 Agenda. We are building on existing concepts for the *Climate Contribution Model*⁶ and developing it further in line with our field of activity and area of responsibility as a charitable grant-making foundation. In addition to the premise of avoiding and reducing GHG emissions, the main core of the strategy is defining an internal CO₂ price that is based on the climate-damage costs of one tonne of CO₂ equivalents (tCO₂e). As a rule, these costs are not covered by the organizations, governments or individuals who cause the emissions or damage, but are borne by society as externalized costs. Our aim here is also to raise awareness among the Foundation's partners of their 'external' climate costs. We use the funds calculated via the CO₂ price to support high-quality mitigation and transformation projects that contribute to the global goal of net-zero emissions.

The five steps outlined below explain how we intend to implement our *Beyond Net Zero Strategy*. We are aware of the challenges involved in implementing this approach. In a two-year pilot phase, we will develop and test methodologies with our partners that enable us to robustly quantify the emissions attributable to us (i.e. in all three scopes of the *Greenhouse Gas Protocol – GHG*⁷). We are also developing strategies for the use of our '*climate contributions*', with which we aim to finance ambitious and effective transformation projects.

⁶ Kreibich et al, 2024; NewClimate Institute, 2023, 2020; GCC, 2023; Kreibich & Schöneberg, 2023; WWF, 2022, 2021.

⁷ According to the *Greenhouse Gas Protocol* international accounting standard, emissions are classified and calculated in three scopes: emissions from sources that are directly owned by the company (scope 1); emissions from the use of energy purchased by the company (scope 2) and emissions resulting from activities that do not directly belong to the organization; the upstream and downstream value chains are analysed (Scope 3).

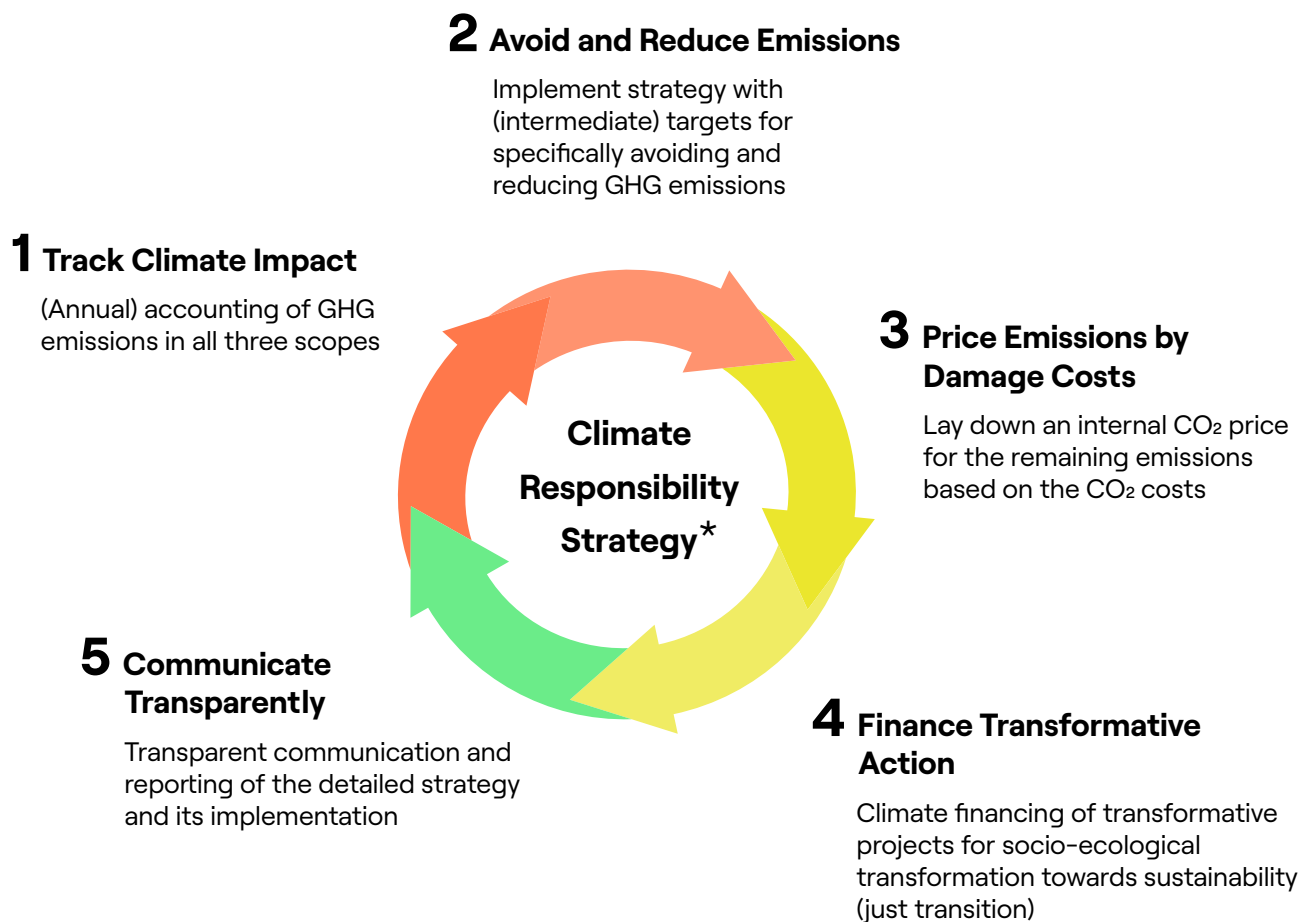
In doing so, we will set the highest possible standards for the quality of climate-change-mitigation projects and/or climate funds and thus take particular account of our Foundation's goals of a liveable and climate-just future for all.

We endeavour to transparently document the details of our approach every year and to develop them further in the interests of climate protection and sustainability transformation.



The strategy's implementation steps

The strategy is divided into five steps, which will be tested in a two-year pilot phase. The strategy is intended as an open concept to make it possible to react regularly to new scientific findings and incorporate them in the best possible way.



* Concept based on NewClimate Institute (2021)

1. Track Climate Impact

Every year, we measure the GHG emissions caused by our activities and are continuously deepening our understanding of the impact we have on the climate.

CO₂ The Allianz Foundation conducts a transparent analysis of the extent of its GHG emissions. This is reviewed every year and the results are communicated publicly. The accounting is carried out in accordance with the GHG Protocol⁸ and includes all three scopes.⁹ In the pilot phase, the Allianz Foundation will (further) develop the methodologies for recording its scope 3 emissions in addition to measuring its scope 1 and 2 activities. This applies in particular to emissions resulting from investments of the Foundation's assets. These should be taken into account as far as possible via the *Global GHG Accounting and Reporting Standard for the Financial Industry*¹⁰ or a comparable standard.

We will also continue to develop our funding guidelines in order to document the climate impact of our funding measures in future. To this end, we are collaborating with our partners in the pilot phase to develop a corresponding catalogue of requirements, e.g. on gradually integrating mandatory *carbon accounting* into project implementation (see step 2).

2. Avoid and Reduce Emissions as a Priority

We are drawing up a concrete mitigation strategy for all relevant emission sources on the basis of the annual accounting. We are striving to avoid and reduce the emissions caused by our activities as far as possible. The aim is to eliminate GHG emissions completely as quickly as possible.

The Allianz Foundation endeavours to be working with zero GHG emissions as soon as possible. We regularly review the options for reducing our own emissions based on the results from step 1, taking into account the best available knowledge about emission-reduction options. Every year, we derive an action plan for reducing emissions from the

⁸ GHG Protocol, 2024.

⁹ See also footnote 8.

¹⁰ <https://carbonaccountingfinancials.com/en/standard>.

emissions balance. This uses science-based methodologies to determine our interim targets. The internal CO₂ price, which is applied in step 3 of the strategy, supports the decision-making process in favour of low-emission and sustainable solutions. In the case of important emission sources where we will not be able to achieve significant emission reductions in the near future, we communicate transparently the challenges we face in eliminating these emission sources. In this way, we would like to promote dialogue in order to find future solutions.

During the pilot phase, we will develop specific reduction strategies especially for the following areas:

- > the Allianz Foundation's internal energy-saving concept (e.g. on mobility, procurement, buildings);
- > revision of the investment strategy¹¹ for the Foundation's funds in the direction of impact-oriented investment, with the aim that investments not only meet *environmental, social and governance* (ESG) criteria, but furthermore contribute to solutions for ecological and societal challenges, i.e. generate and accelerate them and thus contribute to the necessary transformation of the economy and society;¹²
- > dialogue on the climate-responsible use of the Foundation's funding;
- > development of an emission-reduction concept for and with the Foundation's funding partners.¹³

We are endeavouring to continuously improve our understanding of our climate impact and the measures available to mitigate it.

¹¹ On the issue of the current lack of transparency and sustainability of investments by charitable foundations, see Facing Finance, 2023.

¹² On impact investment, see Busch et al., 2021.

¹³ For assistance in preparing emissions balances and action plans for NGOs, see e.g. GCC, 2023.

3. Price Emissions by Damage Costs

For our remaining GHG emissions we lay down an internal CO₂ price which is based on the climate-damage costs of one tonne of CO₂ equivalents. At this price level, i.e. in line with the actual climate costs of our activities, we provide funding for the implementation of *climate contribution* projects.

Although the Allianz Foundation wants to operate emission-free as soon as possible, there are technical and economic reasons why it is not yet possible to reduce all emissions caused by the Foundation's activities to zero. For example, there are still no alternative technologies available to significantly reduce the negative climate effects of necessary flight activities. We do not regard the approach of offsetting GHG emissions under the Paris Climate Agreement as an effective concept, nor do we consider it ambitious enough for a Foundation that has set itself the goal of promoting a liveable and climate-friendly future for all. We will therefore not attempt to 'offset' the emissions caused by our activities in terms of tCO₂e per tCO₂e, e.g. to make ourselves climate-neutral. Instead, we are going beyond the pure net-zero sum game and setting an ambitious internal CO₂ price for the emissions we cause. To do justice to our climate responsibility as a charitable foundation, we do not base our pricing on the prices on the carbon markets, but on the damage costs of one tCO₂e. The German Federal Environment Agency puts these costs at €254 per tCO₂ for 2023 and is currently forecasting an increase to €301 per tCO₂ for 2050.¹⁴ In the future, we will endeavour to take greater account of the equal weighting of generations in the CO₂ price we set. According to the Federal Environment Agency, this climate-damage price would currently be €858 per tCO₂.¹⁵

We review our price level every year in the light of new scientific findings and publish and justify our fixed CO₂ price in our annual implementation report.

¹⁴ UBA, 2024.

¹⁵ UBA, *ibid.*

4. Finance Transformative Action

With the funds generated by step 3, we support initiatives and projects that contribute to achieving the goals of the Paris Agreement and the sustainability goals of the 2030 Agenda. In particular, we promote transformative measures that accelerate socio-ecological change in order to tackle the climate crisis.

The funds from our internal pricing of remaining emissions are used to support high-impact projects to combat the climate crisis. In addition to established project types, we will finance in particular projects with high transformation potential that are aimed at systemic change towards sustainability and are therefore of particular value for achieving the goals of the Paris Climate Agreement and the 2030 Agenda. Alongside projects to directly reduce emissions, these can also be projects in the fields of *advocacy, awareness raising, behavioural change, research and development*, etc.¹⁶ We are aware that projects aiming at systemic/transformative change are generally not covered by the currently available project approaches of the voluntary carbon markets and involve the risk, for example, that the methodologies are at an early stage of development and/or do not deliver attributable emission reductions. We will identify and develop quality criteria for transformation projects in the pilot phase and try to prioritize projects that, as so-called *high-hanging fruits*, find it difficult to obtain public or private funding.¹⁷ We are in a dialogue with other stakeholders – including other foundations, as well as research institutes and existing initiatives on the voluntary carbon markets – to identify and continuously improve the options available to channel our resources in line with our objectives. The role of grant-making foundations and possible overlaps in their own area of activity are given special consideration in this context.

In our annual implementation report, we provide transparent information on the details of fund use.

¹⁶ NewClimate Institute, 2023a, p. 21 ff.

¹⁷ NewClimate Institute, 2023b.



5. Communicate Transparently

We will communicate the details of our strategy and its implementation transparently and work with our partners to actively promote ambitious, fair climate protection.

Transparent communication is an important basis of our climate responsibility strategy. To this end, we will report annually on our climate impact and the implementation of our strategy. We will also seek a dialogue with other players from civil society, science, politics and the private sector and advocate for ambitious and responsible climate protection *beyond net zero* that also ensures a future worth living for generations to come. A constructive, collaborative dialogue and exchange of experience is needed to meet the challenges of overcoming the climate crisis and to actively and effectively support measures to accelerate socio-ecological change. Through our communication we want to stimulate discussion, encourage other foundations and organizations to follow the same path and also constantly remind ourselves of our own obligation to assume responsibility.

We ask our partners and other stakeholders for feedback so that we can continuously improve our strategy.

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