

## Verantwortung im Geschäft

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ESG-Aspekte integrieren

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PRI-Report

[PSI-Report \(Englisch\)](#)

## Principles for Sustainable Insurance – Corporate responsibility in business

In signing up to the Principles for Sustainable Insurance (PSI), we committed ourselves to making allowance for environmental, social and governance (ESG) aspects that are relevant for our insurance business. To begin with, this applies for our products, services and internal processes. We also enhance awareness of such aspects on the part of our clients and business partners, and cooperate with other stakeholder groups with this objective in mind.

### ► Principles for Sustainable Insurance

Every day we take decisions that have an impact on our business results and on the perception our stakeholders have of us. It is our maxim to act responsibly and make informed choices. Corporate responsibility is deeply rooted in our Group strategy, core principles and corporate values.

Decisions that are good for our business should also be good for the environment and for society. That is why in our conduct we go beyond what is required by law and have committed ourselves to more stringent standards. These include the United Nations Global Compact (UNGC), the Principles for Responsible Investment (PRI), and the Principles for Sustainable Insurance (PSI).

[Statement by the CEO](#)

Munich Re played an active role in developing the Principles and was among the first signatories when they were unveiled during the Rio+20 Conference in 2012. To demonstrate our commitment to the Principles, Munich Re continues to serve on the PSI Board and contributed to developing the PSI strategy adopted by the assembly of signatories. Moreover, we are involved in the Executive Steering Committee of the PSI flagship project on global resilience.

The PSI serve as a framework for anchoring environmental, social and governance (ESG) aspects more strongly in our core business. We are conscious of the fact that there are a range of industries and activities that have a major impact on the environment and local communities. The systematic consideration of ESG aspects along the value chain of our core business enables us to identify risks and, in cooperation with our clients, to minimise them as far as possible. In doing so we ensure that the actions we take are not merely legal but socially legitimate. At the same time, consistently observing ESG aspects helps us to identify and realise new business potential and empower our clients to better manage all types of risks.

Within the framework of the PSI, we are working together with various market participants from the insurance industry and with a wide range of stakeholders from society at large.

### The following examples show how Munich Re (Group) is putting the four principles into practice:

#### ► Principle 1

We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

A holistic Group strategy underlies our business of primary insurance and reinsurance. We reflect this in a framework for integrating environmental, social and governance (ESG) aspects into our core business and asset management, geared to appropriate focal points in the individual business fields.

[Corporate responsibility in business](#)

With our Corporate Responsibility in Business framework, we ensure that allowance is made for ESG aspects in the individual business fields.

[Integrating ESG aspects](#)

To ensure that our commitment is implemented and lived out in corporate reality, all members of Munich Re's Board of Management have PSI performance targets in their long-term objectives agreements.

[Practical implementation](#)

[Annual Report 2014 \(PDF, 12 MB\)](#) (chart on p. 53)

In 2012, we established a cross-business-field Group Corporate Responsibility Committee (GCRC), which advises the Board of Management on the development of our sustainability strategy. It identifies and prioritises sensitive topics, on which we develop positions that apply Group-wide. By sensitive topics we mean industry sectors, projects or practices that concern ESG aspects of our core business and/or investments in more than just a single case in such a way



External Link

[PSI Signatories: Signatory companies](#)

that the relevant business/investment cannot be compatible with our fundamental conviction and/or our commitments such as the PSI. For each of the industries and activities thus identified, we are successively drafting position papers that provide guidance to our underwriters on how to address ESG aspects when writing such business. These are then implemented by the business fields in the form of binding underwriting guidelines, best practices and guidance for our employees.

[Integrating ESG aspects](#)

The GCRC has approved position papers and guidelines on various sensitive topics:

<p><b>Banned Weapons</b> Policy on Cluster Munition and Land Mines</p>	<p><b>ESG Criteria for Engineering</b> ESG tool for engineering / large infrastructure projects</p>
<p><b>Oils sands</b> Position paper including specific questions on ESG aspects</p>	<p><b>Fracking</b> Position paper including specific questions on ESG aspects</p>
<p><b>Mining</b> Position paper in process in collaboration with Mining business unit; based on a master thesis "ESG aspects in the mining industry"</p>	<p><b>Arctic Oil Drilling</b> Position paper in process in collaboration with Marine</p>
<p><b>ESG country rating</b> ESG information included in MR Country Risk Assessment</p>	<p><b>Investments in Farmland</b> Position paper in process in collaboration with MEAG and Agro business unit</p>

**Position papers and applications on sensitive topics at Munich Re**

With the approach we take, full responsibility for each transaction deliberately remains with the business unit concerned. Needless to say, we support our employees in assessing ESG criteria in business operations. We offer a broad-based range of training programmes, ranging from the technical implementation of our underwriting guidelines to current sustainability topics, tailored in each case to the individual industry and region. At the same time, we expect and promote active dialogue among our employees and between them and their managers. In the reinsurance sector, a "Corporate Responsibility in Business" coordinators' network was also established, and the coordinators were focused on the topic. By end of 2014, more than 200 staff members have been sensitised to ESG aspects and, in their role as multipliers, are now transferring their knowledge within their own departments, in risk assessments, client discussions and in exchanges with other units. Experts from our Corporate Responsibility department are always available to provide advice and guidance.

[Integrating ESG aspects](#)

[Practical implementation](#)

In 2013, we developed an ESG tool for engineering projects (using the example of technical insurance for large construction projects). It supports our [underwriters](#) in systematically incorporating ESG aspects into their risk assessment. This control mechanism is used in particular for risk assessment with major infrastructure projects. Since May 2014, our Special and Financial Risks/Credit Insurance department is using the ESG tool as best practice for political and credit risks in terms of infrastructure projects. Furthermore it helps our asset managers to assess risks when investing in infrastructure projects. Current planning foresees that the methodology of the ESG questionnaire should also be applied to other areas of industry and classes of insurance business.

[Practical implementation](#)

Our primary insurer ERGO attaches importance to the integration of ESG aspects in its personal lines insurance business and offers a multiplicity of insurance solutions that take account of ecological aspects. They range from eco-rates in motor insurance to unit-linked annuity insurance policies that take sustainability into account in the investments. In 2014, ERGO introduced ESG aspects into the product development process for private customer business.

[Ecological insurance solutions](#)

With its focus on covering and managing risk, Munich Health offers customised, sustainable solutions for the health market. By combining know-how from both the primary insurance and reinsurance segments, we create the basis that enables our clients to achieve success and security in their respective markets.

[Sustainable solutions for the health market](#)

► **Principle 2**

We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

Munich Re's business environment is in flux, presenting ever new opportunities and risks. Climate change, vulnerable economies, emerging risks and demographic trends constitute major challenges. We meet these challenges actively and flexibly with tailor-made solutions.

[Challenges](#)

It is our business to know all risks of relevance. In addition to the global challenges, our focus is also on developing new business potential. One of our tasks is therefore to use new findings to advance the risk models used. With our extensive knowledge and decades of experience, we can thus actively shape the changes taking place.

#### [Solutions](#)

In treaty reinsurance, where we cover entire portfolios without being able to assess the individual risks, our client managers actively seek dialogue with the ceding company to raise the awareness of ESG issues. At the same time, Munich Re Group staff regularly and frequently speak at international conferences, market events or client seminars about the PSI and ESG integration.

Munich Re is driving forward ESG integration within partnerships and cooperations, for example with the Global Fund and with the International Finance Corporation.

#### [Practical implementation](#)

One example of this is the cooperation we began in 2014 with the Global Fund. The Global Fund is a funding model to combat the three major infectious diseases of HIV/AIDS, malaria and tuberculosis. It operates in 140 countries, making it one of the most important tools to combat these diseases. Our Divisional Unit "Special and Financial Risks" (SFR) is developing a series of products and solutions for the non-profit sector, and thus for people affected by diseases, while at the same time generating financial added value for Munich Re.

#### [The Global Fund](#)

In cooperation with the International Finance Corporation (IFC), the Fox School of Business at Temple University in Philadelphia, USA, and the University of Technology, Sydney, Australia, Munich Re initiated the PSI project "ESG in risk management for surety bonds". Until now, there has been no standard ESG framework in surety bond underwriting, which is important for risk evaluation in the field of infrastructure development. For this reason, a detailed survey is being carried out as part of the project to obtain an insight into current practice regarding ESG assessment of surety bonds, and with the joint aim of enhancing awareness of ESG aspects. The aim of the project is to establish a standardised framework for assessing infrastructure projects based on the results of the survey.

#### [ESG in risk management for surety bonds](#)

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### ► Principle 3

We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

Munich Re has always valued an open and ongoing dialogue with its stakeholders. Transparent communication with our stakeholders is the basis for mutual trust. At the same time, this exchange enables us to identify important social challenges and changes at an early stage so that we can then offer or develop suitable business solutions for the future.

#### [Stakeholder dialogue](#)

With the "Global Resilience Project", Munich Re is taking part in a further initiative of the Principles for Sustainable Insurance. This project hopes to achieve a change in perspective on the part of governments, NGOs, local authorities and companies, whereby they would invest more heavily in preventive measures for catastrophe risks, instead of spending funds on disaster response and reconstruction efforts. A better understanding of global catastrophe prevention activities needs to be achieved for this, by quantifying the socio-economic cost of catastrophes and assessing the effectiveness of prevention measures. The information obtained should serve as starting material for a strategic commitment on the part of the insurance industry within the context of the PSI initiative, so as to initiate preventive measures in highly exposed countries.

#### [Global Resilience Project](#)

We are also involved in the working group of the Chief Risk Officer Forum (CRO Forum). This is a group of professional risk managers from the insurance industry that focuses on developing and promoting industry best practices in risk management. Among other things, we contributed to the guideline on banned weapons and ESG factors in country risk management, and also to the blueprint on oil sands. The latest paper from the CRO Forum was published in November 2014, and included a case study from Munich Re with the title "Human rights and corporate insurance".

#### [Chief Risk Officer Forum \(CRO Forum\)](#)

Our experts from the Special and Financial Risks department have initiated a project within the framework of the International Association of Engineering Insurers (IMIA), a global network of experts in engineering insurance. The international working group is developing an ESG framework for engineering underwriting, including a due diligence process and ESG standards with the active participation of Munich Re.

In the autumn of 2014, Munich Re organised a PSI seminar for members of the Association of German Insurers (GDV) under the umbrella of the German Association for Environmental Management in Banks, Savings Banks and Insurance Companies (VFU).

#### [Practical implementation](#)