Munich RE

Excerpt/public version of:
Responsible Investment Guideline

Policy of Munich Re Group
Version: 1 December 2023

1 Objective

This Responsible Investment Guideline (RIG) outlines the general framework for Group investment activities, prescribing responsible standards and requirements that are to be upheld within Munich Re Group in order to implement our ESG (environmental, social and governance) investment strategy. Munich Re is aware of its responsibility and impact on sustainability as a large asset owner and investor, so ESG integration and ESG criteria are key elements of our investment strategy. We use general ESG criteria which are explained in our Sustainability Report (e.g. climate, biodiversity and human rights) and specific ESG criteria tailored to asset classes (e.g. energy efficiency or ESG ratings).

Munich Re was one of the first signatories of the Principles for Responsible Investment (PRI). In 2020, Munich Re joined the Net-Zero Asset Owner Alliance (NZAOA) and committed to Greenhouse Gas (GHG) reduction targets. In addition to these targets, ESG-focused investments aim to generate a positive ESG effect alongside financial returns. In line with its climate strategy, Munich Re specifically aims to significantly increase its investment exposure in renewable energies over time.

Definitions and abbreviations of this guideline are specified in chapter 7.

2 Scope of application

2.1 Entities in scope

This Guideline is directly applicable to Munich Reinsurance Company including its branches and representative offices.

All Munich Re (Group) entities[1] with licenses for primary insurance or reinsurance and our internal asset managers (MEAG AMG, Munich Re Investment Partners) will implement the objectives, principles and requirements as stipulated herein by adopting this Guideline or introducing an equivalent norm, or by other adequate means. As concerns third party asset managers, we strive to contractually agree the application of this Guideline or a comparable standard.

Should any provision of this Guideline be contrary to local law, the latter shall always take precedence.

2.2 Subject of the Guideline

The RIG applies to the investment of proprietary assets of Munich Re, irrespective of whether they are managed by Munich Re itself, by Group Investment Management (GIM), by our internal asset managers (MEAG, MR Investment Partners) or by a third party.

This Guideline focuses on direct investments in the asset classes of equities, corporates, government and covered bonds, and in alternative investments, with minor exceptions as detailed below. We aim to extend the scope of the RIG to encompass all assets wherever possible, depending on various factors such as asset-class characteristics, industry standards, and the constantly evolving data and analytics environment, and we will review this on at least a yearly basis.

The RIG does not apply to assets held or derivatives used to manage, cover or hedge reinsurance financial structures (e.g. hedging platforms), products sold as risk management solutions or finance products for non-Group clients. For the avoidance of doubt, any assets/derivatives in the IFRS category "Insurance-related Investment" are out of scope of the RIG and are instead subject to the guidelines applicable to the Munich Re insurance business.

The management of certain indirect investment products (e.g. venture capital, exchange traded funds (ETFs)) cannot be fully controlled by Munich Re, GIM, MEAG or another asset manager assigned with managing Munich Re assets. For these investment products, compliance with RIG requirements, e.g. exclusions, cannot be ensured. We aim to identify these investment products and apply best effort ESG processes to them as far as feasible, e.g. by suggesting model clauses for the integration of human rights and biodiversity considerations. For private equity and private debt the asset manager should make best efforts to negotiate the inclusion of the relevant restrictions in the fund and document the efforts or encourage the fund manager to include our exclusions and restrictions into the production/portfolio selection process.

For mutual funds/ exchange traded funds, it is not possible to negotiate the inclusion of specific restrictions with the manager, and transparency on the funds' contents is limited. Therefore, due care has to be taken in the selection process before buying ETFs and mutual funds. We analyse ESG criteria such as MSCI ratings and other available data to ensure a best effort approach in the selection process.

[1] Entities include affiliated Group companies (subsidiaries) and branches. Affiliated companies of Munich Reinsurance Company include all Munich Re (Group) companies in which Munich Reinsurance Company (in)directly holds the majority of capital and/or voting rights or which are (in) directly controlled by Munich Reinsurance Company (by way of agreement or de facto).

3 ESG Governance

Our ESG strategy and the communicated climate strategy are of particular importance for Munich Re Group. As a consequence, the strategic decisions are made at board level. Dedicated committees reflect the ESG strategy in the organisational structure of Munich Re Group. Within our investment community, there are dedicated ESG teams within GIM and our internal asset managers MEAG and MR Investment Partners.

The ESG Committee, which is a sub-committee of the Strategy Committee of Munich Reinsurance Company's Board of Management, is responsible for overarching ESG topics concerning the ESG strategy of Munich Re Group.

The ESG Management Team (ESG-MT) is responsible for preparing strategic discussions within the ESG Committee and implementing the strategic decisions. The ESG-MT ensures appropriate oversight of the ESG strategy as well as their implementation within the Group and deals with key issues related to all ESG topics and initiatives within the Group.

The ESG Investment Committee is responsible for all ESG topics concerning the implementation of the ESG investment strategy. The implementation and monitoring is reported to the ESG Management Team.

Within GIM, which is under the responsibility of the Group CIO, there is a dedicated ESG team. This ESG team represents the interests of the asset owner Munich Re Group and works closely with the ESG teams of the asset managers MEAG and MR Investment Partners.

Munich Re understands reputational risk as a risk of possible damage to Munich Re Group's reputation, which arises as a consequence of a negative public perception, deteriorated rating or company value, etc. Reputational risks commonly occur together with other types of risk. Sensitive issues that could lead to reputational risks have to be dealt with by adhering to the risk management and compliance processes.

The GIM Reputational Risk Committee (GIM RRC) gets involved if a reputational risk is indicated. This can be the case for individual investments as far as Munich Re has the power to direct individual transactions, or investment-related documents to be negotiated with the asset manager. Committees have been established for each business segment (e.g. at ERGO: the Reputation and Integrity Committee). These committees review whether such planned transaction is appropriate and they are tasked with ensuring that we do not make decisions that entail reputational, and thus often, ESG risks.

Moreover, dedicated Munich Re teams dealing with sensitive investments and insurance business (e.g. ESG teams, MR Group Sustainability, risk management, corporate underwriting) monitor various sensitive and controversial issues. Position papers deal with ESG risks, the corresponding risk management and mitigation options and the current status of scientific evidence and discussion in the ESG community. These include the topics of fracking, mining, agriculture and forestry.

The existing processes of the risk management policy/compliance policy and its rules of procedure must be complied with. This also applies in the event of potential reputational issues.

4 ESG integration

The systematic integration of ESG criteria into our investment management activities is a fundamental component of our investment strategy. Our investment strategy comprises four pillars: systematic integration of ESG criteria in the investment processes, engagement dialogues, defined exclusion criteria and selected ESG-focused investments such as renewable energy and green bonds. In addition, we demand that all of our asset managers apply ESG criteria when handling their portfolios.

It is our conviction that integrating ESG criteria into investment decisions contributes to a better, more holistic risk management of the assets we own. Our belief is that ESG integration leads to higher risk-adjusted returns over a market cycle. We combine various approaches to ESG integration across our investment value chain, from the strategic asset allocation to asset management, such as ESG-focused investing (which e.g. aims to contribute to climate change mitigation, see respective section on ESG-focused investments), norm-based exclusion criteria (with a specific focus on controversial weapons, human rights and biodiversity), holistic stewardship practices including engagement and proxy voting activities, and the inclusion of ESG criteria in financial analysis. This helps us to identify risks and opportunities beyond standard financial analysis.

Our ESG teams within GIM and our asset managers work closely with ESG experts when integrating ESG into our investment processes. External ESG data providers supply us with issuer-specific ESG ratings, ESG KPIs (e.g. GHG emission data), and issuer-specific screening of business activities and controversies, according to our needs. We use ESG research data in our financial analysis and as input when screening investments with regard to specific ESG topics such as exclusion criteria. ESG research data contribute to our understanding and assessment of ESG risks and opportunities. They also serve as input for screening the majority of our assets for specific ESG criteria.

4.1 ESG approach

ESG criteria can only be integrated into the investment process if they are made transparent through corresponding data and analysis. We aim to constantly increase the transparency of ESG criteria by screening listed assets for issuer ESG ratings and analysing specific ESG criteria for alternative assets.

As ESG plays an important role for Munich Re Group, ESG criteria are part of the M&A process when considering investments in new strategic participations, within the strategic fit assessment and, when deemed relevant, in the due diligence.

The following areas are especially important to us when integrating ESG into our investment decisions:

Biodiversity

The urgency to address biodiversity loss and its implications for asset owners cannot be overstated. The escalating concern over the extent of biodiversity loss has led to a heightened focus on this issue in sustainability discussions at the corporate level. As companies face increasing scrutiny and pressure to disclose their environmental risks, asset owners also recognise the relevance of biodiversity in their investment decisions. Therefore, we are conducting a review of alternative investments, except private equity and privat debt, using the Integrated Biodiversity Assessment Tool (IBAT) as part of the due diligence process related to alternative assets. IBAT provides commercial users with spatial data on biodiversity globally from several key datasets, such as natural and mixed UN World Heritage Sites.

Bonds from sovereigns, sub-sovereigns and government agencies with a poor ESG rating

Specific government ratings aim to complement traditional government debt analysis when analysing a country's creditworthiness, by providing a long-term view on ESG criteria and risks. These ratings identify the country's exposure to and management of ESG risks, as these factors have an important bearing on the long-term competitiveness and sustainability of a country's economy and, in turn, on the attractiveness of the country as an investment destination.

Controversial weapons

Weapon-related business is a sensitive international topic. Munich Re Group adopts a prudent approach and carefully assesses any possible impact that such business might have on our reputation. Although the international conventions on banned weapons, such as anti-personnel mines and cluster munitions, do not directly bind individuals or companies, Munich Re Group has committed itself not to provide support to businesses that do not fully comply with such conventions. The scope of the former banned weapons restrictions was expanded in 2023 to include further weapons beside cluster munition and anti-personal mines.

Food-related commodities

Munich Re sees investments in food-related commodities critically from an ESG perspective, as they may cause social imbalances.

Forestry & agriculture investments

Forestry and agriculture are attractive asset classes, as they provide the opportunity to benefit from the value of a naturally growing commodity. ESG considerations are comprehensively integrated into the investment process. Environmental, climate change, and biodiversity aspects, as well as human rights and workforce safety issues, are among the major topics considered.

Forestry is a key element in the discussion about reducing global carbon emissions. The 2015 Paris Climate Agreement and subsequent studies on the role that forests can play in mitigating climate change, as well as the EU's Action Plan on sustainable finance, could spur the flow of more institutional capital into forestry.

We want to achieve sustainable management of forests. From Munich Re's perspective the sustainable management of forests leads to a compensation of carbon emissions.

Human rights

With its Declaration of Principles on the Respect and Protection of human rights, Munich Re has expressed the importance of human rights and the high priority they have for the entire Group. This means that we underpin our understanding of responsibility for human rights by recognising international guidelines and standards.

In order to live up to our responsibility to comprehensively respect human rights, we have defined three areas on which to focus: working conditions, equality and non-discrimination and living conditions[2].

[2] **Working conditions:** Avoidance of child labour / Avoidance of forced labour, modern slavery and human trafficking (incl. migrant workers) / Wages: Right to living wage and equal remuneration / Working hours / Occupational health and safety / Right to collective bargaining and freedom of association
Equality and non-Discrimination: On grounds of disability, age, sex, ethnic origin, nationality, sexual identity, political opinion, race, religion or the like / Sexual or other personal harassment, or insulting behaviour
Living conditions: Protection of local communities and/or indigenous people (incl. against forced resettlement) / Clean and healthy environment / Right to safety

Infrastructure investments

Investments into infrastructure ranging amongst others from transportation to communication and social assets provide structures that support the functioning of economies and societies. ESG considerations are comprehensively integrated into the investment process. Environmental, climate change, and biodiversity aspects, as well as human rights and workforce safety issues, are among the major topics considered within due diligence processes.

Liquid asset screening quota

The ESG rating is designed to measure a company's resilience to long-term environmental (e.g. climate and biodiversity), social (e.g. human rights) and governance risks. ESG screening aims to identify ESG leaders and laggards in direct listed asset portfolios. The ESG data provider must use a rule-based methodology to identify industry leaders/laggards with regard to ESG risks. We aim to identify ESG tail risks, which may materialise in significant losses at issuer and/or portfolio level. We believe that ESG ratings enable a robust risk assessment and holistic investment decision.

Mortgage loans

It is important that we support a long-term partnership with borrowers and property owners through responsible and sustainable ESG analysis processes and exclusion criteria in the lending process.

Oil & Gas

The Oil and Gas sector faces an increasing need to understand the implications of the energy transition for its operations and business models, and to explain the contributions it can make to reducing GHG emissions and achieving the goals of the 2015 Paris Agreement.

Oil sands

The detrimental effects of extracting oil from oil sands (also known as tar sands) can be significant for the environment and local communities. Among other things, extracting oil from oil sands consumes more energy and resources than the extraction and refining of conventional oil, and it is among the most carbon-intensive methods of crude oil production.

Real estate[3]

Traditionally, Real estate has often been part of the capital allocation of an insurance portfolio. In many cases, respective cash flows match well with liabilities of the Primary and Reinsurance business. In our view, real estate typically provides valuable diversification for a portfolio with strong focus on liquid investments.

Real estate is responsible for a good third of carbon emissions in Europe. The real estate industry can therefore make a significant contribution on the road to climate neutrality. We accept this responsibility and we want to meet it.

Thermal Coal

Since power generated by thermal coal is responsible for two-thirds of the emissions that come from the energy sector globally, we see reducing thermal coal as a major accelerator for reaching net-zero. The firing of thermal coal for energy is the single largest contributor to man-made global temperature increase (see "Position Paper: Thermal Coal" by the NZAOA).

[3] Real Estate investments exclude all own-use properties.

Munich Re aims to achieve net-zero emissions in its investment portfolio by 2050. Munich Re's target is to reduce emissions from financed thermal coal mining or power generation by 35% by 2025 (base year 2019), and to fully exit investments in thermal coal by 2040.

Overview of exclusion/restriction[4] applicability by overarching asset class

The table below shows an overview of exclusions and restrictions applicability to liquid or alternative assets. The links in the table directly lead to the respective chapter for detailed measures.

Table 1:
Overview of exclusion/restriction applicability per overarching asset class

Exclusions / restrictions	Liquid assets	Alternative assets
Biodiversity		See chapter 4.3.2.5
Bonds from sovereigns, sub-sovereigns and government agencies	See chapter 4.3.1.6	
Controversial weapons	See chapter 4.3.1.1	See chapter 4.3.2.1
Food-related commodities		See chapter 4.3.2.2
Forestry & agriculture investments		See chapter 4.3.2.6
Human rights	Companies: See chapter 4.3.1.2 Governments: See chapter 4.3.1.6	See chapter 4.3.2.7
Infrastructure investments		See chapter 4.3.2.3
Liquid assets screening quota	See chapter 4.3.1.3	
Oil & Gas	See chapter 4.3.1.4	See chapter 4.3.2.4
Oil sands	See chapter 4.3.1.4	See chapter 4.3.2.3
Real estate		See chapter 4.3.2.8
Thermal coal	See chapter 4.3.1.5	See chapter 4.3.2.3

4 Exclusions are measures by which we explicitly not invest in selective issuers due ESG concerns, whereas for restrictions certain pre-conditions need to be fulfilled before investing in specific issuers

4.2 GHG reduction targets

In December 2020, as part of our Munich Re Group Ambition 2025, Munich Re set decarbonisation targets for the asset classes of equities, corporates and direct real estate, based on the target setting framework of the NZAOA. As an intermediate step, we aim to reduce net GHG emissions in the Group's investment portfolio (equities, corporates and real estate) by 25% to 29% by 2025 (compared to the 2019 base year), in order to achieve net-zero emissions by 2050. We have also set specific reduction targets for 2025 for equities and corporates in the thermal coal (-35%) and Oil and Gas (-25%) sectors. We assess this at Group level, i.e. individual legal entities can exceed or fall short of the target as long as the overall target is reached across the Group as a whole. All GHG emissions are measured in CO2-equivalent (CO2e).

Figure 1:
Transition of investment portfolio

Assets | Financed GHG emissions

Today

No direct investment in companies with:

> 15% revenue from thermal coal[1]
> 10% revenue from oil sands
> New Oil and Gas Guideline (as of April 2023): Revised approach to no longer invest in projects and companies[2]

2025

Total[3]	**-25% to -29% emissions**
Thermal coal[4]	-35% emissions
Oil and gas[4]	-25% emissions

Required commitment from listed integrated oil and gas companies with the highest relative and absolute emissions to achieving net-zero greenhouse gas emissions by 2050

2050

Total	**Net-zero by 2050**
Thermal coal	Full exit by 2040

Next steps until 2025

Asset class targets

We aim to reduce the financed emissions of our listed equities, corporate bond and direct real estate portfolio by 25-29% (scope 1+2 emissions of investee companies).

Sector targets

We set specific emission reduction targets for listed equities and corporate bonds for thermal coal (-35%) and oil and gas (-25%).

Aiming for positive impact

We will endeavour to double our renewable portfolio (equity and debt) up to €3bn.

Initiating dialogue

We concentrate on and engage with our large contributors of financed emissions within our listed equities and corporate bond portfolio.

[1] Exceptions for companies with revenues in thermal coal between 15% and 30% are possible in individual cases, where an active engagement dialogue has been established with the company.
[2] Direct illiquid investments in projects exclusively covering the planning, financing, construction, or operation of a) new oil and gas fields in cases where, as at 31 December 2022, no production had taken place; or b) new midstream infrastructure related to oil, which had not been under construction or in operation as at 31 December 2022; and c) new oil-fired power plants, which were not yet under construction or in operation as at 31 December 2022. Furthermore, in its own listed equities and corporates portfolio, as of 1 April 2023, Munich Re ceases to conduct new direct investments in pure-play oil and gas companies.
[3] Based on sub-portfolio of listed equities, corporate bonds and direct real estate. Compared to base year 2019.
[4] Based on sub-portfolio of listed equities and corporate bonds. Compared to base year 2019

4.3 Exclusions and restrictions

To further ensure ESG alignment within our investment value chain, we define exclusions and restrictions from the investment universe to avoid undesirable activities that do not fit our ESG strategy. We also single out sectors for careful analysis that may have to be restricted due to their GHG footprint. We expand our exclusions to private companies for which we detect, on a best-effort-basis, a unique identifier that is suitable for implementation at our asset managers.

4.3.1 Regarding listed company issuers and sovereigns/subsovereigns

We apply exclusions and restrictions based on the following considerations:

Listed company issuers:
- Controversial weapons
- Human rights
- Liquid asset screening quota
- Oil & Gas
- Thermal coal

Sovereigns, sub-sovereigns and government agencies:
- Bonds from sovereigns, sub-sovereigns and government agencies in countries with a poor ESG rating. All country restrictions include sovereigns, sub-sovereigns and government agencies.
- Human rights

Exclusions are managed using the centrally-administered "listed issuer exclusion lists" based on our negative screening process and criteria, which are binding for all of our asset managers.

4.3.1.1 Controversial weapons

Exclusion

As a responsible investor, Munich Re rules out direct investments in equities or bonds of listed issuers linked to controversial weapons - this refers to companies which are involved in the production of whole weapon systems or intended use of components for weapon categories that include ("Restricted Companies"):
- Anti-personnel mines
- Cluster munitions
- Biological weapons
- Chemical weapons
- Blinding laser weapons
- Incendiary weapons
- Non-detectable fragments

Direct investments in equities or bonds

Figure 2:
Decision tree for controversial weapons (liquid assets)

4.3.1.2 Human rights

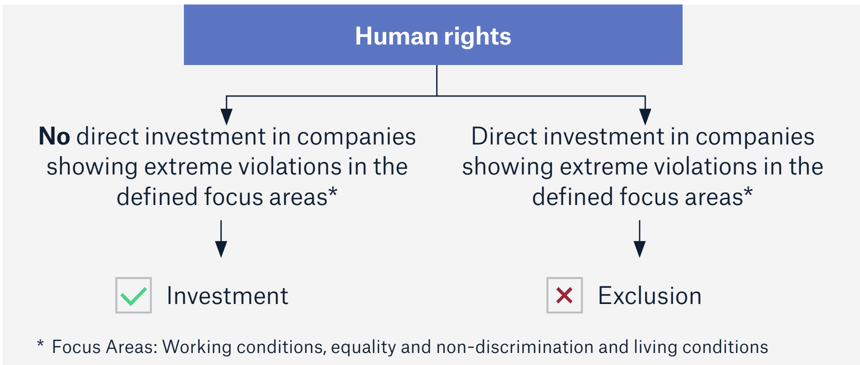
Exclusion

In order to integrate human rights considerations into our investment decision, we conduct a Group-wide risk analysis: A norm-based screening based on external data is assessed and internally validated. As a preventive measure, direct investments in equities and bonds issued by identified companies showing extreme violations in the areas of working conditions, equality and non-discrimination and living conditions are not permitted.

This is a due diligence process steered by the Sustainability Department (Munich Re Group Human Rights Officer). The methodology for identifying such companies is being continuously evolved. GIM monitors the portfolio regularly and evaluates remediation measures in the case of an ad-hoc event.

Direct investments in equities or corporates

Figure 3:
Decision tree for human rights for companies (liquid assets)



4.3.1.3 Liquid Asset Screening Quota

Restriction

We ESG-screen the vast majority of assets in direct liquid asset classes such as equities, corporates, government, and covered bonds. We aim to ESG-screen over 80% of the before-mentioned asset classes, i.e. a minimum of 80% of them should have an ESG rating. We assess this at Group level, i.e. individual legal entities can exceed or fall short of the 80% level as long as the 80% is reached across the Group as a whole.

4.3.1.4 Oil & Gas

Exclusion

We screen companies in the Oil & Gas sector and analyse the intensity and development of their GHG emissions. For the sector target, we use the Global Industry Classification Standard (GICS) Sub-Industries. For the purpose of calculating our GHG footprint, we define relevant Oil and Gas sectors as Oil & Gas Exploration & Production, Oil & Gas Refining & Marketing, Oil & Gas Drilling and Integrated Oil & Gas.

In order to further facilitate the achievement of the Paris Climate Agreement's targets, we cease to make new direct investments in pure-play Oil & Gas companies as of 1 April 2023. We define pure-play Oil & Gas companies as listed companies within the Global Industry Classification Standard (GICS) Oil & Gas Subindustries except Integrated Oil & Gas. In selective cases, GIM1.1.4 may decide to engage with companies (valid from April 1st 2024) in line with the approach outlined in the Stewardship section rather than ceasing to invest.

As of 1 January 2025, we will require a credible commitment from listed Integrated Oil & Gas companies with the highest relative and absolute emissions to net-zero greenhouse gas emissions by 2050 including corresponding short- and mid-term milestones. These companies are selected based on relative and absolute emission thresholds that capture at least 85% of the combined absolute GHG Scope 1 + 2 emissions of Integrated Oil & Gas companies based on 2020 data provided by ISS ESG.

We may selectively invest in green bonds issued by Oil & Gas companies which are compliant with an accredited green bond framework (such as the International Capital Market Association (ICMA) Green Bond Principles or future EU Green Bond Standards) and where the issuer has a public commitment to a 2050 net zero target (or Paris-aligned pathway) and an Oil & Gas exit strategy by 2040.

Figure 4:
Decision tree for Oil & Gas (liquid assets)

New direct investments

Oil & gas

Pure-play oil & gas[1]
As of 1 April 2023
Exclusion of new Investments in Pure-play oil & gas companies (according to GICS[2]).

Next step in 2025

Integrated oil & gas[1]
As of 1 January 2025
Does the company have an existing and credible net zero plan until 2050?
No → Exclusion
Yes → Investment

[1] Exception for green bonds issued by pure play O&G companies if compliant with frameworks such as ICMA or future EU Green Bond Standards,
[2] GICS = Global Industry Classification Standard (see table below)

GICS Code	GICS Subindustry	Part of the Value Chain	O&G Policy Exclusions as of April 2023	
10102010	Integrated Oil & Gas	Integrated	As of 1.1.2025, a credible commitment to net-zero GHG emissions by 2050 is required to remain investable	
10102020	Oil & Gas Exploration & Production	Upstream	exclusion	Pure Play O&G
10101010	Oil & Gas Drilling	Upstream	exclusion	
10101020	Oil & Gas Equipment & Services	Upstream	exclusion	
10102040	Oil & Gas Storage & Transportation	Midstream	exclusion	
10102030	Oil & Gas Refining & Marketing	Downstream	exclusion	

Oil sands

Munich Re does not directly invest in equities or bonds of companies that derive more than 10% of their revenues from oil sands extraction.

Direct investments in equities or bonds

Figure 5:
Decision tree for oil sands (liquid assets)

Oil sands

Less than 10% of revenue derived from oil sands extraction* → Investment

More than 10% of revenue derived from oil sands extraction* → Exclusion

* Oil sands: Extracting oil from oil sands, known as tar sands

4.3.1.5 Thermal coal

Exclusion

Direct investments in equities or bonds of companies that derive more than 30% of their revenues from thermal coal mining and/or the generation of electricity from thermal coal firing are not permitted. Direct investments in equities or bonds of companies that derive between 15% and 30% of their revenues from these activities are either ruled out or, in selected cases, GIM1.1.4 may decide to engage with companies in line with the approach outlined in the Stewardship section rather than ceasing to invest.

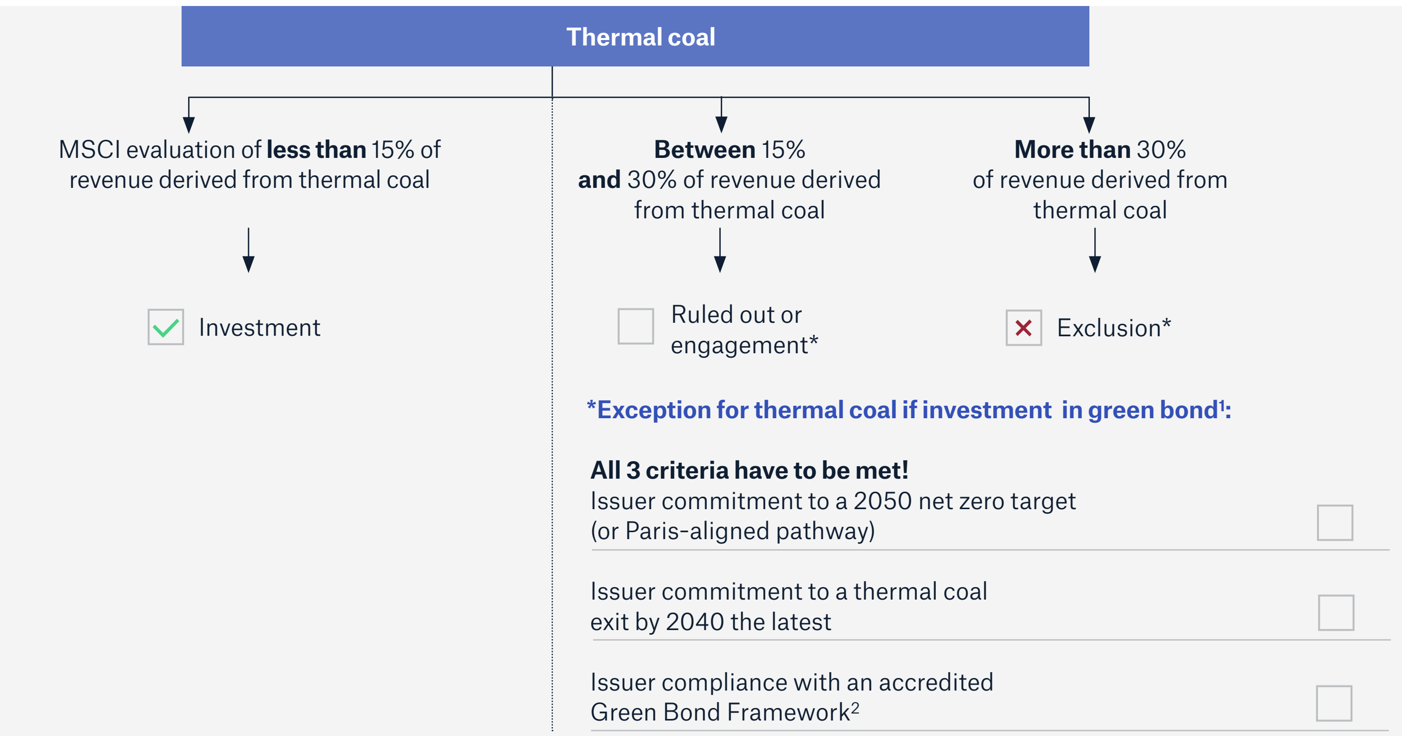
In order to support the transition to a low carbon economy and to finance the transition of the issuer, Munich Re will continue to invest in green bonds issued by companies on our thermal coal exclusion list under specific sustainable conditions:
The issuer must publicly commit to a 2050 net zero target (or Paris-aligned pathway) and to a thermal coal exit by 2040 at the latest. Moreover, the issuer must be compliant with an accredited Green Bond Framework (such as ICMA Green Bond Principles or future EU Green Bond Standards).

Checklist for green bond exceptions

Public commitment by the issuer to a 2050 net zero target (or Paris-aligned pathway) and	☐
Public commitment to a thermal coal exit by 2040 at the latest, and	☐
Compliance with an accredited Green Bond Framework (e.g. ICMA GBP, EU GBS)	☐

Figure 6:
Decision tree for thermal coal
(liquid assets)

Direct investments in equities or bonds



[1] However, just exception for green bond investment, company is still ruled out; [2] Such as ICMA Green Bond Principles or future EU Green Bond Standards

4.3.1.6 Bonds from sovereigns, sub-sovereign and government agencies

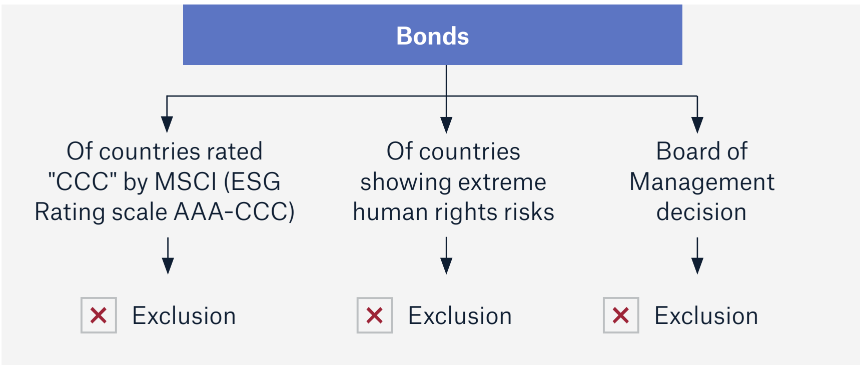
Exclusion

Direct investments in sovereigns, sub-sovereigns, and government agencies of countries rated "CCC" by MSCI (ESG Rating scale AAA-CCC) are not permitted.

Furthermore, we apply a specific human rights country rating, monitor our portfolio accordingly and exclude the countries with extreme risks. GIM regularly monitors our exposure to countries with high risk. The methodology regarding the human rights country rating is being continuously evolved.

Direct investments in sovereigns, sub-sovereigns and government agencies

Figure 7:
Decision tree for bonds from sovereigns, sub-sovereigns and government agencies (liquid assets)



4.3.2 Regarding the alternative assets portfolio

We integrate ESG criteria in the investment processes of alternative asset classes as described below and we continuously aspire to provide "best effort" ESG processes as far as possible. In the field of alternative assets, we have defined ESG-focused investments that aim to contribute to e.g. climate change mitigation (see respective section on ESG-focused investments).

For our new investments in private equity, private debt and infrastructure funds, we check whether the general partner (GP) has signed the PRI or whether the GP has its own ESG policy. Depending on the product/investment, this is done by either GIM or MEAG. The majority of our new investments should meet this expectation. We also inform the GP about additional restrictions as per this Guideline and our wish to include these in a side letter.

When making direct alternative investments, we assess new investments within the due diligence process using ESG criteria. The ESG assessment is also part of the risk management second opinion compiled by our internal asset manager MEAG.

For the following alternative assets, we apply certain exclusions or require certain standards:
- Controversial weapons
- Food-related commodities
- Infrastructure investments
- Oil & Gas

Furthermore, specific restrictions apply regarding
- Biodiversity
- Forestry & agriculture investments
- Human rights
- Real estate

4.3.2.1 Controversial weapons

Exclusion

With regard to alternative investments, we do not invest in any infrastructure assets specifically linked to the production, maintenance, storage or transportation of these types of weapons. As regards direct real estate, we rule out excluded companies as tenants for properties of our real estate portfolio.

Checklist controversial weapons

No investment in any infrastructure assets specifically linked to the production, maintenance, storage or transportation of controversial weapons	☐
Direct real estate investments: Rule out of excluded companies as property tenants	☐

Alternative investments in infrastructure assets

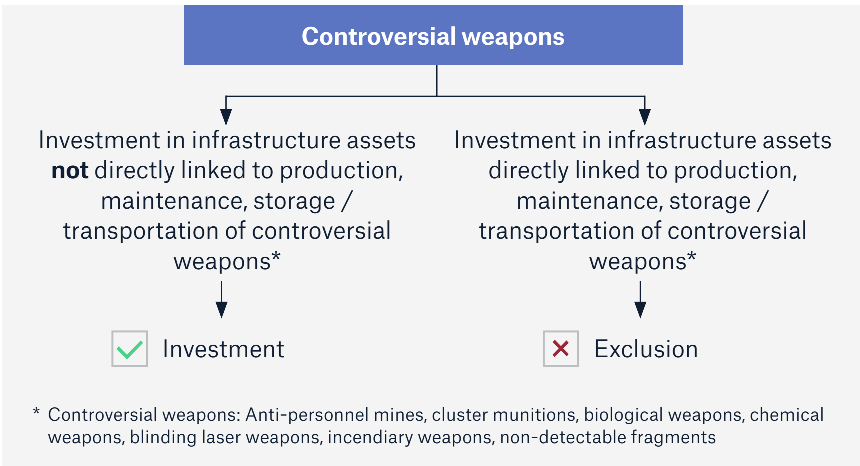


Figure 8:
Decision tree for controversial weapons (alternative assets)

4.3.2.2 Food-related commodities

Exclusion

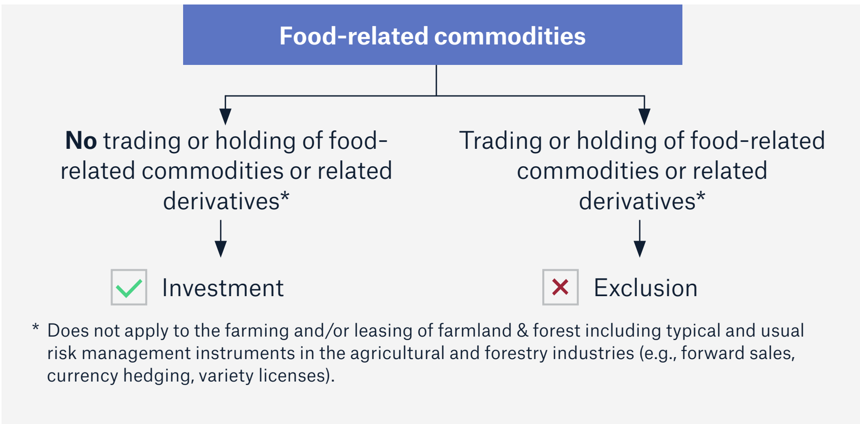
We do not trade or hold investments in food-related commodities (e.g. grains and oilseeds, livestock, dairy, etc.) or related derivatives. This prohibition does not apply to the farming and/or leasing of farmland or forest including typical and usual risk management instruments in the agricultural and forestry industries (e.g. forward sales, currency hedging, variety licenses).

Checklist food-related commodities

No trading or holding of investments in food-related commodities (e.g. grains and oilseeds, livestock, dairy, etc.) or related derivatives	☐
Exceptions for farming and/or leasing of farmland or forest	☐

Commodities

Figure 9:
Decision tree for food-related commodities (alternative assets)



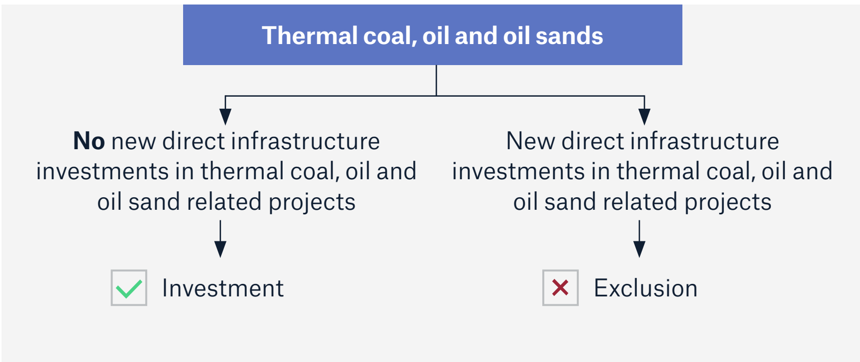
4.3.2.3 Infrastructure investments

Exclusion

A complete exclusion of thermal coal, oil and oil sand related projects applies to new direct infrastructure investments.

New direct infrastructure investments

Figure 10:
Decision tree for thermal coal, oil and oil sands projects (alternative assets)



4.3.2.4 Oil & Gas

Exclusion

As of 1 April 2023, we do no longer invest in projects exclusively covering the planning, financing, construction or operation of
- new Oil and Gas fields, where as at 31 December 2022 no prior production has taken place or
- new midstream infrastructure related to oil, which have not yet been under construction or operation as at 31 December 2022 and
- new oil fired power plants, which have not yet been under construction or operation as at 31 December 2022

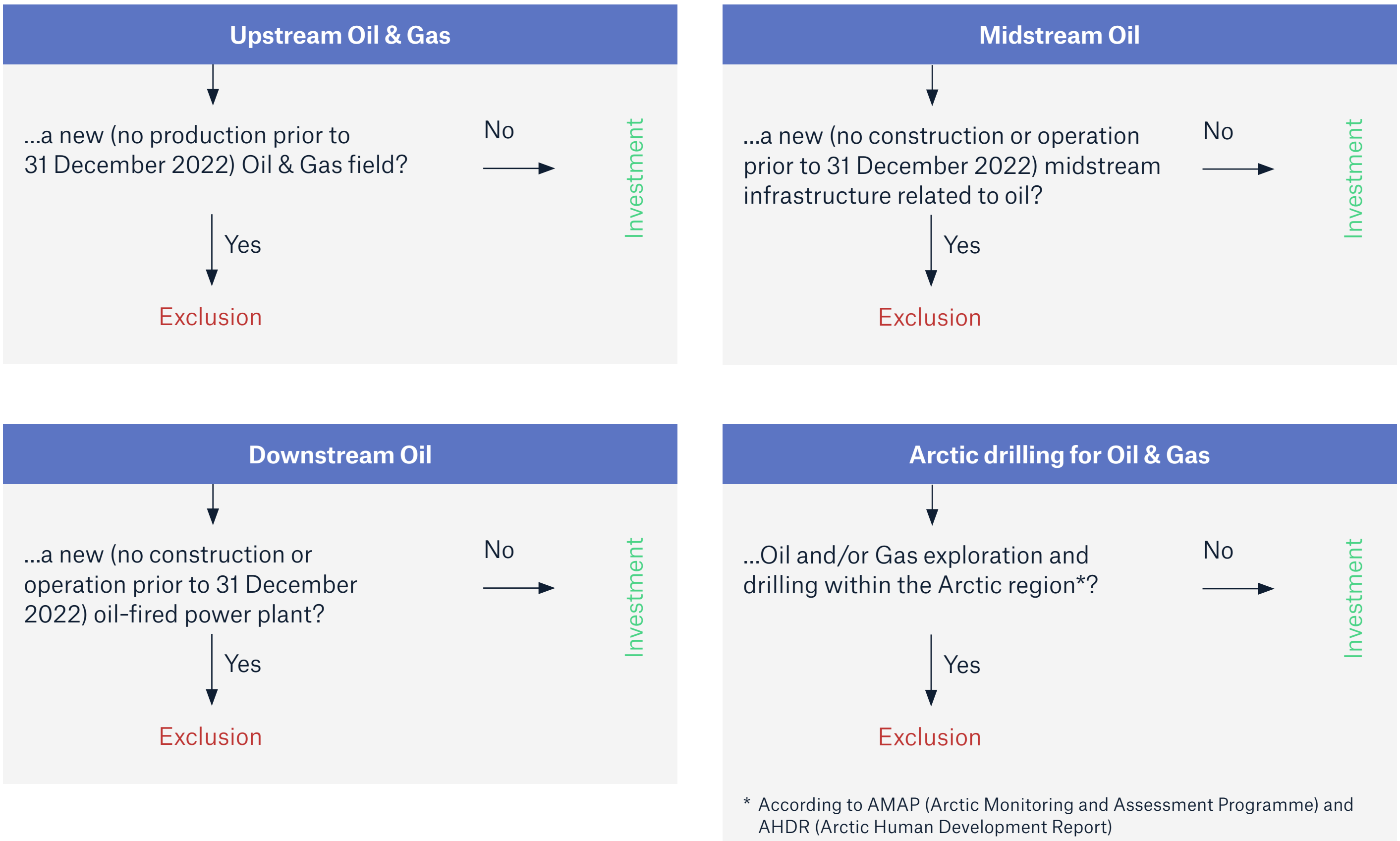
We are aware of the problematic effects of arctic drilling in Oil and Gas exploration. Therefore, direct investments in Oil and Gas exploration and drilling within the Arctic region, as specified by the AMAP (Arctic Monitoring and Assessment Programme) and AHDR (Arctic Human Development Report), are not allowed.

Checklist Oil & Gas

No new investments in new Oil and Gas fields, where as at 31 December 2022 no prior production has taken place	☐
No new investments in new midstream infrastructure related to oil, which have not yet been under construction or operation as at 31 December 2022	☐
No new investments in new oil fired power plants, which have not yet been under construction or operation as at 31 December 2022	☐
No new direct investments in Oil and Gas exploration and drilling within the Arctic region	☐

Figure 11:
Decision tree for Oil & Gas
(alternative assets)

Investments in projects exclusively covering planning, financing, construction or operation of...



4.3.2.5 Biodiversity

Restriction

In order to contribute to the protection of key biodiversity areas, we do not conduct direct alternative majority investments via our internal asset managers in critical industries[6], if a material portion of the underlying assets are situated in a natural or mixed World Heritage Site (as defined by the UNESCO World Heritage Convention).

During the initial project acquisition, a screening based on geolocation data is conducted via IBAT, which is further substantiated during the due diligence process.

For indirect alternative investments (e.g. fund investments) and for investments via non-Group asset managers, Munich Re has limited transparency and influence regarding the above restrictions. In such cases, we engage the counterparty and apply best efforts to include the restrictions in the fund documentation (e.g. side letter). If this is not possible, Munich Re may still choose to invest if the counterparty provides solid reasons in writing on why the exclusion is not possible, and its policy on biodiversity, or if it explains to our satisfaction their general approach to biodiversity.

Checklist biodiversity

No direct alternative majority investments via our internal asset managers in critical industries, if a material portion of the underlying assets are situated in a natural or mixed World Heritage Site (UNESCO)	☐
Conduction of geolocation data screening during initial project acquisition phase and more intensive research during the due diligence process	☐
Engagement with counterparty and application of best efforts in case of limited transparency	☐

[6] Mining & metals, oil & gas, hydropower, construction, agro, paper & forestry, transportation (mega-ports for shipping)

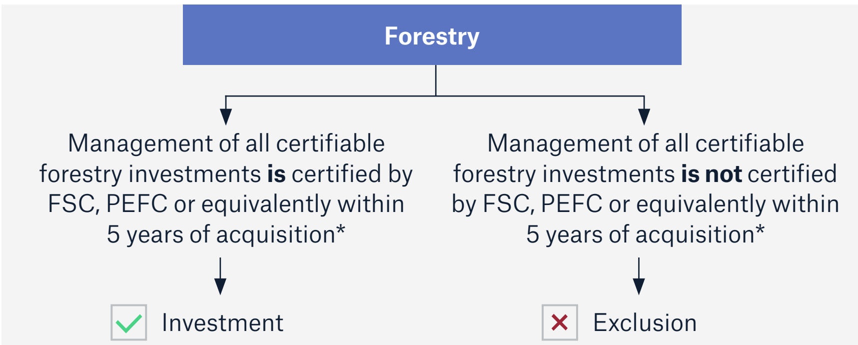
4.3.2.6 Forestry & agriculture investments

Restriction

For forestry investments, we focus on the asset managers / property managers and analyse their respective certifications, placing specific demands on them: Munich Re stipulates that asset managers / property managers must ensure that the management of all certifiable forestry investments is certified by Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), or equivalently within 5 years of acquisition. Forestry investments that will not meet this requirement are not allowed.

Forestry investments

Figure 12:
Decision tree for forestry (alternative assets)



* FSC = Forest Stewardship Council, PEFC = Programme for the Endorsement of Forest Certification

For each new direct forestry & agriculture investment made by the internal asset manager, detailed "ESG Criteria Evaluation for Forestry Investments" and "ESG Criteria Evaluation for Agricultural Investments" questionnaires are applied, shedding light on ESG aspects, including biodiversity and human rights. Moreover, the Munich Re internal assessment framework is applied that covers physical climate risks. For investments made by the internal asset manager MEAG, the MEAG ESG Team is involved in the due diligence process.

Checklist forestry

Existing or planned future certification of forestry management by Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), or equivalently within 5 years of acquisition

Checklist forestry & agriculture

Application of "ESG Criteria Evaluation for Forestry Investments or ESG Criteria Evaluation for Agricultural Investments"

For internal asset managers: Involvement of respective ESG Team in the due diligence process

4.3.2.7 Human rights

Restriction

When making new direct infrastructure investments through our internal asset managers, we consider the areas of working conditions, equality and non-discrimination and living conditions. To this end, a list of human rights-specific requirements are included in the due diligence process.

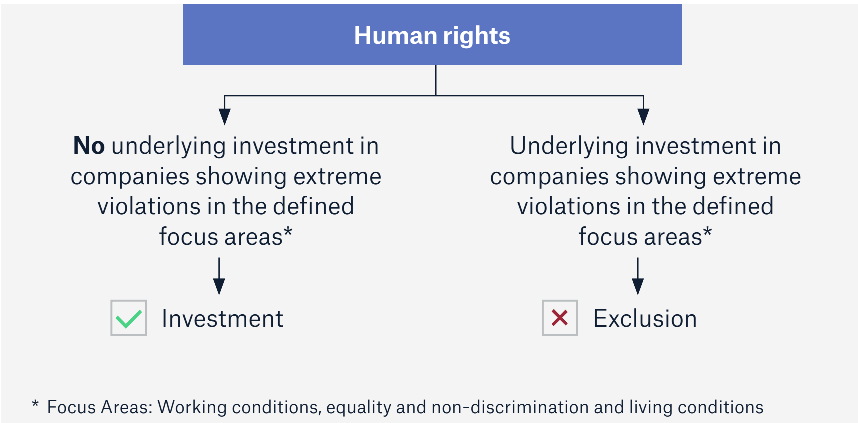
For indirect alternative investments (e.g. fund investments) and for investments via non-Group asset managers, Munich Re has limited transparency and influence regarding the above restrictions. In such cases, we engage the counterparty and apply best efforts to include the restrictions in the fund documentation (e.g. side letter). If this is not possible, Munich Re may still choose to invest if the counterparty provides solid reasons in writing on why the exclusion is not possible, and its policy on human rights, or if it explains to our satisfaction their general approach to human rights.

Checklist human rights

Adherence to human rights Principles throughout the Due Dilligence process (ESG Criteria Evaluation tools etc.)	☐
Integration of human rights principles in the side letters	☐

New direct alternative investments

Figure 13:
Decision tree for human rights in direct alternative investements
(alternative assets)



4.3.2.8 Real Estate

Restriction

Real Estate Equity
Direct Real Estate Investments

Our internal asset managers must pre-screen certain ESG criteria for all new direct real estate investments as part of an ESG due diligence, in the acquisition process, including biodiversity criteria. In addition, an internal ESG assessment is carried out using an ESG Criteria Evaluation tool including the most important E, S and G criteria. Wherever possible, a GHG footprint should be available for the investment.

Please see the listed measures and implementations in the key topic areas.

Acquisition

- [ ] Carrying out a comprehensive ESG audit within the framework of an ESG evaluation template for the acquisition
- [ ] Conducting an ESG due diligence as part of every acquisition
- [ ] Risk exposure checks consisting of screenings with regard to the consideration of biodiversity (IBAT tool) and human rights
- [ ] Evaluation by the Investment Committee (IC)

ESG optimisation for construction projects

- [ ] Carrying out a CRREM analysis and determination of the stranding points
- [ ] Certification of the developments and checking for EU taxonomy for sustainable investments conformity
- [ ] Testing and integration of Smart Building Solutions

ESG optimisation of the legacy portfolio

- [ ] Ongoing analysis of ESG optimisation potential in the portfolio
- [ ] Integration of the identified measures into the object strategies and cash flows

Other

- [ ] Implementation of sustainability-related lease contract clauses
- [ ] Installation of Smart meters
- [ ] Establishment of an internal ESG data platform

External Real Estate Investments

For third party asset managers, we focus on managers who have fully integrated ESG considerations across the investment lifecycle. Real estate specific ESG roles and responsibilities are a must. Investment strategies have to comply with a set of minimum ESG criteria (e.g. Green Building certification). An ESG rating like GRESB is an advantage.

Real Estate Debt (Mortgages)

For mortgage loans, the lending policy is extended by an evaluation of self-obligating ESG-exclusion criteria in the assessment process. This risk oriented perspective includes the alignment of the lender and collateral with environmental criteria as well as transparent and legally compliant investment structures. The responsible use of the real estate is also required. Investments that are in conflict with the defined self-obligating ESG-criteria are rejected.

4.4 ESG-focused investments

We call thematic investments that positively contribute to our ESG strategy, ESG-focused investments. Currently, these are renewable energy investments, certified real estate investments, forests with certified management and green bonds, which are at the moment all linked to environmental aspects. In the medium-term, we aim to extend the range of these ESG-focused investments amongst others to accord with regulatory developments, specifically with regard to the classification of investments according to the EU taxonomy.

4.4.1 Renewable energy investments

We look to invest in renewable energy investments to promote the energy transition. We define renewable energy investments as investments into energy production facilities and related infrastructure (e.g. including power, heat, fuel production, storage and grids) based on renewable energy sources (e.g. including solar, wind, geothermal and hydro energy). We aim to increase our investments in renewable energy to €3 billion by 2025.

4.4.2 Certified real estate investments

We define certified real estate investments as those which are certified by "EU Green Building", "Building Research Establishment Environmental Assessment Method (BREEAM)", "Leadership in Energy and Environmental Design (LEED)", "Deutsche Gesellschaft für Nachhaltiges Bauen (DGNB)" or that have other equivalent certifications.

New direct real estate investments must obtain an ecolabel or a recognised level of certification. If an investment property is not certified, the ESG Circle of Real Estate (ECORE) score can be used as an alternative for Europe and North America.

It is also necessary to ensure ESG compatibility of optimisations/revitalisations of existing properties. Measures to achieve the mentioned certifications are highly recommended in order to improve the sustainability of the existing portfolio.

4.4.3 Certified forest management

We define forest investments as being in certified forest management, if the management is certified by FSC, PEFC or an equivalent certification. Sustainable forest management is the key goal of any forest investment. The asset manager assesses each investment individually using ESG criteria during the due diligence.

ESG criteria are also to be promoted and integrated into all of the ongoing management activities. Independent reviews of applied management practices from FSC, PEFC or equivalent certifiers are of utmost importance, as they verify sustainable ongoing forest management activities.

4.4.4 Green bonds

We understand green bonds to be bonds that are linked to investments like renewable energies, sustainable waste management, biodiversity conservation or sustainable land use according to our data provider. This classification is based on the issuing documents, stock exchange announcements or information from parties involved in the issue (e.g. lead managers).

We will continuously refine this approach taking into account the changing regulatory environment. As outlined under the restrictions regarding thermal coal and Oil & Gas above, we may invest in green bonds of companies on our exclusion lists under specific exemptions.

4.5 Stewardship approach

Munich Re engages (directly or via asset managers) with investees to promote high sustainability standards. Stewardship aspects we focus on include:

- engaging with investees, issuers, and with our third party asset managers,
- holding them to account on defined material issues,
- collaborating with others (e.g., NZAOA, Climate Action 100+, PRI advance)[7],
- exercising voting rights and responsibilities.

One focus area of our stewardship activities is our ESG strategy. It contributes to fulfilling the Paris Agreement.

Governance and escalation mechanisms

For the assets in scope of this policy, GIM sets the framework for engagement and voting activities. As our internal asset manager, MEAG fulfils most of the stewardship activities in close contact and guidance with GIM. Third party asset managers are expected to carry out their own stewardship approach and regularly have to report on their activities.

The Munich Re ESG Investment Committee approves proposed stewardship targets (e.g. company engagements or proxy voting activities) with a focus on meeting climate investment goals, sustainability risks, controversies and opportunities as well as general stewardship matters that protect the investment interests of Munich Re. These goals are reviewed on a regular basis. As an escalation mechanism, the ESG Investment Committee decides on investment consequences for specific holdings where stewardship goals are not met. Regarding proxy voting, the Munich Re ESG Investment Committee is informed on a yearly basis and discusses the proxy voting results of the season.

[7] Antitrust regulations must be complied with.

Scope

Our stewardship activities focus on engagement with our current and potential investees or issuers according to a selection of companies. Currently, we are focusing on top polluting companies of our listed equity and corporate bonds portfolio. Furthermore, we are part of a sovereign engagement pilot. Engagements are performed mainly through a collaborative engagement approach. For equities, MEAG is instructed to exercise and disclose proxy-voting rights at the annual general meeting on behalf of Munich Re.

Approach

In the engagement dialogue, material topics, such as high standards of corporate governance, and responsible management of environmental and social aspects, are addressed. Our focus topics include climate considerations relating to the targets set within the climate strategy, as well as our expansion to human rights by endorsing the collaborative platform PRI advance.

GIM analyses invested companies according to selective criteria, such as GHG footprint, investment value, as well as sector, and compares them to the engagement possibilities within CA100+. Engagements are chosen in relation to material GHG emissions, climate strategy and issuer goals. Our climate strategy places special focus on the sectors thermal coal and Oil & Gas. For sectors in which we apply exclusions, we engage investees for an emission reduction. Hereby, we are considering specific requirements set for the exclusions, such as a credible transition plan for Oil and Gas. Regarding our proxy voting recommendation, we pay a special focus to contributing to the Group Ambition and hence to net-zero topics.

Engagement

Our Group-internal asset manager MEAG engages target companies mainly through collaborative engagements. One platform of collaborative engagement is Climate Action 100+, joined by Munich Re and MEAG in 2020, as we are convinced that positive change is achieved through a constructive dialogue with our investees and issuers. Our engagements - managed by MEAG's Center of Competence for Stewardship - are focused on a lasting improvement of the management of climate risks and opportunities of investees.

Voting activities

MEAG is required to exercise voting rights for our investments at the annual general meeting on behalf of Munich Re. It is important to us to reflect the engagement success when exercising our voting rights. In case of conflict of interest in relation to proxy voting, we have processes in place. Details regarding our framework related to voting activities, and the voting results, are made transparent in the MEAG Proxy Voting Guideline and the MEAG Participation Policy (see MEAG website).

Monitoring, reporting and disclosure

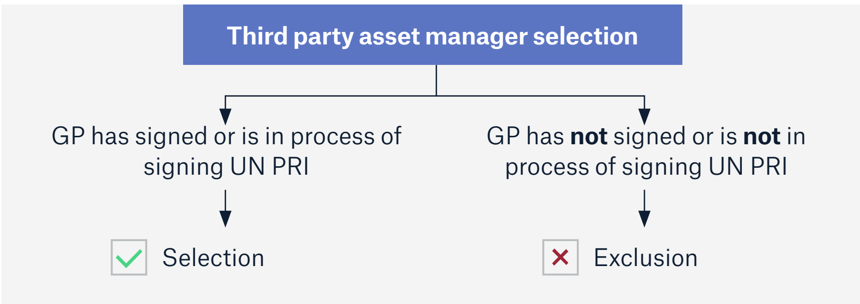
GIM oversees all engagement and voting activities and monitors their progress by setting a framework for reporting. For MEAG-conducted engagements, this is achieved via a dedicated template to track progress which is discussed and reviewed on a quarterly basis by GIM and MEAG. Furthermore, all asset managers are required to report their engagement activities to GIM on a yearly basis (also ad hoc where necessary). Overall, the engagement seasons are reviewed and discussed in the ESG Investment Committee. The proxy voting season is made transparent by MEAG through their public voting report (see MEAG website).

5 Third party asset managers

Munich Re only works with asset managers with dedicated ESG capabilities, and only selects asset managers who are UN PRI signatories or in the process of becoming one. Exceptions are decided on by GIM RRC.

All asset classes

Figure 14:
Decision tree for third party asset manager selection



GHG emission reporting capabilities are required for markets / asset classes where relevant data is available, with sufficient quality. For mandates in a liquid asset class, we aim to assign a decarbonisation target for 2025. If the target is not met, intensified discussions will be initiated with the asset manager. A dedicated Request for Proposal must be filled out by potential asset managers, outlining their ESG capabilities, strategy and research approach. It also covers the individual approach regarding engagements, as well as GHG footprint measurement, decarbonisation, biodiversity, and human rights within the investment process. The evaluation of the questionnaire is followed by a detailed dialogue with the asset managers to further evaluate their ESG efforts. The selection process continues with scoring of the asset managers, including a dedicated section for ESG considerations. The asset managers are monitored on a regular basis as to ESG integration and engagement topics. This is done by means of annual reporting and review meetings. In liquid mandates, non-Group managers need to comply with the Munich Re exclusion list in the asset classes fixed income and equities for listed issuers. The exclusions are then coded into the asset manager's limit system where potential violations will be blocked. If an excluded name is traded, it will result in an active breach of the investment Guideline.

6 Entry into force, review and updates

The CIO can authorise changes in order to meet new legal or supervisory requirements or make simple editorial changes to the RIG.

However, any material changes such as:

- changes or extensions in relation to responsibilities, or
- significant procedural changes, or
- changes to the scope of application of the RIG, or
- similar material changes

shall be submitted for approval to the ESG Committee. The subsequent adaptation of this Guideline has to be signed-off by the CEO and the CIO.

7 Definitions and Abbreviations

In this Guideline, the terms and abbreviations used have the following meanings:

Alternative investments	Infrastructure Equity and Debt, Real Estate Equity and Debt, Forestry, Agriculture, Private Equity, Private Debt
BREEAM	Building Research Establishment Environmental Assessment Method
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Investment Officer
Controversial Weapons	Certain weapon categories as defined in 4.3.1.1
CRREM	Carbon Risk Real Estate Monitor
DGNB	Deutsche Gesellschaft für Nachhaltiges Bauen
Direct alternative investments	Direct Infrastructure projects incl. Forestry, Agriculture and Real Estate
ECORE	ESG Circle of Real Estate
Engagement	Interactions and dialogue conducted between an investor, or their service provider and a current or potential investee (e.g. company), or a non-issuer stakeholder (e.g. an external investment manager or policy maker) to improve practice on an ESG factor, make progress on sustainability outcomes, or improve public disclosure. In private markets, engagement also refers to investors' direct control over and dialogue with management teams and/or Board of portfolio companies and/or real assets. (PRI, 2023)
ESG	Environmental, Social and Governance
ESG-focused investments	Renewable energy investments, certified real estate investments, forests with certified management and green bonds
ESP	Group unit "Economics, Sustainability & Public Affairs"
ETF	Exchange Traded Fund
EU	European Union
FRR	Unit "Financial and Regulatory Reporting"
FSC	Forest Stewardship Council
GIM	Group unit "Group Investment Management"
GP	General Partners
GRESB	Global Real Estate Sustainability Benchmark
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standards
Indirect alternative investments	Private Equity, Private Debt, Infrastructure, Forestry, Agriculture, and Real Estate funds
IRM	Unit "Integrated Risk Management"
ISS	Institutional Shareholder Services (Company)
KPI	Key Performance Indicator
LEED	Leadership in Energy and Environmental Design

MEAG	MEAG MUNICH ERGO AssetManagement GmbH (individually designated "MEAG AMG") or MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH (individually designated "MEAG KAG"), whereas MEAG AMG and MEAG KAG collectively "MEAG"
MR AG	Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, including its worldwide branches)
Negative screening	Applying filters to a universe of securities, issuers, investments, sectors or other financial instruments to rule them out, based on poor performance on ESG factors relative to industry peers or specific environmental, social or governance criteria. This may include ruling out particular products, services, regions, countries or business practices. (PRI, 2023)
Norm-based screening	Applying filters to a universe of securities, issuers, investments, sectors or other financial instruments based on minimum standards of practice aligned with international norms. Widely recognised frameworks for minimum standards of practice include the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, UN Security Council Sanctions and the UN Global Compact. (PRI, 2023)
NZAOA	Net Zero Asset Owner Alliance
Oil and Gas sectors	GICS Subindustries: Integrated Oil & Gas, Oil & Gas Exploration & Production, Oil & Gas Drilling, Oil & Gas Equipment & Services, Oil & Gas Storage & Transportation, and Oil & Gas Refining & Marketing
PEFC	Programme for the Endorsement of Forest Certification Schemes
PRI	Principles for Responsible Investment
(Proxy) voting	The exercise of voting rights on management and/or shareholder resolutions to formally express approval, or disapproval, on relevant matters. This includes being responsible for how votes are cast on topics that management raises and submitting resolutions as a shareholder for other shareholders to vote on, in jurisdictions where this is possible. Investors can vote in person during an Annual General Meeting (AGM), or by proxy – using a person or firm, such as an investment manager, to vote on their behalf. (PRI, 2023)
RIG	Responsible Investment Guideline
RRC	Reputational Risk Committee
SAA	Strategic Asset Allocation
Stewardship	The use of influence by institutional investors to maximise overall long-term value, including the value of common economic, social and environmental assets, on which returns and client and beneficiary interests depend. (PRI, 2023)
Thematic investing	An approach which focuses on ESG trends rather than specific companies or sectors, enabling investors to access structural shifts that can change an entire industry. (PRI, 2023)

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