# Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München Munich

## Limited Assurance of Selected Disclosures in the Sustainability Report 1 January 2021 to 31 December 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Contents



Annex

## Independent auditor's report on a limited assurance engagement

To Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich

We have performed a limited assurance engagement on the disclosures marked with the symbol ** in the Sustainability Report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München (hereinafter the "Company"), for the reporting period from 1 January to 31 December 2021 (hereafter "the report").

Our engagement exclusively relates to the information marked with the symbol ** in the PDF version of the report.

## Responsibilities of the executive directors

The executive directors of the Company are responsible for the preparation of the report in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (hereafter "reporting criteria") and for the selection of the information to be assessed.

These responsibilities of the Company's executive directors include the selection and application of appropriate non-financial reporting methods to prepare the report as well as making assumptions and estimates related to individual sustainability disclosures that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of the report that is free from material misstatement, whether due to fraud (manipulation of the report) or error.

**Independence and quality assurance of the auditor's firm**

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements - in particular the BS WP/vBP ["Berufssatzung für Wirtschaftsprüfer/vereidigte Buchprüfer": Professional Charter for German Public Accountants/German Sworn Auditors] in the exercise of their Profession and the IDW Standard on Quality Management issued by the Institute of Public Auditors in Germany (IDW): Requirements for Quality Management in the Audit Firm (IDW QS 1) and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

**Responsibilities of the auditor**

Our responsibility is to express a limited assurance conclusion on the information marked with the symbol ** in the report based on the assurance engagement.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the information marked with the symbol ** in the report is not prepared, in all material respects, in accordance with the relevant reporting criteria.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the auditor.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Inquiries of employees regarding the sustainability strategy, sustainability principles and sustainability management of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the disclosures marked with the symbol **, to evaluate the sustainability reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the information marked with the symbol **,
- Identification of likely risks of material misstatement in the report,
- Inspection of the relevant documentation of the systems and processes for compiling, aggregating and validating data in the reporting period and testing such documentation on a sample basis,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of sustainability data and disclosures on the level of selected sites,
- Analytical measures at group level and on the level of selected sites regarding the quality of the reported data.

**Assurance conclusion**

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the disclosures marked with the symbol ** in the Sustainability Report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München for the reporting period from 1 January to 31 December 2021 have not been prepared, in all material respects, in accordance with the relevant reporting criteria.

## Restriction of use

We draw attention to the fact that the assurance engagement was conducted for the Company's purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. As a result, it may not be suitable for another purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance conclusion is not modified in this respect.

## General Engagement Terms and Liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungs-gesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We accept no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we will not update the report to reflect events or circumstances arising after it was issued, unless required to do so by law. It is the sole responsibility of anyone taking note of the summarized result of our work contained in this report to decide whether and in what way this information is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 21 April 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| **Signed by:** KAGERMEIER THOMAS | **Signed by:** WELZ HANS-GEORG |
| Dr. Kagermeier<br>Wirtschaftsprüfer<br>(German Public Auditor) | Welz<br>Wirtschaftsprüfer<br>(German Public Auditor) |

# Sustainability Report 2021

Munich RE

# 1.

# Introduction

# 1.1 CEO statement

**Joachim Wenning**
CEO Munich Re

> GRI 102-14

Ladies and Gentlemen,

As in previous years, acting responsibly has remained the foundation upon which Munich Re builds value for and with all our stakeholders. Our Group-wide Ambition 2025 strategy outlines how central sustainability is to the way we run our organisation. This commitment is both a motivation and an obligation to continuously refine our environmental, social and governance (ESG) agenda.

In 2021, COVID-19 once again posed one of the greatest challenges to global societies, and the sizeable role we play in helping the economy and society cope with the pandemic was again confirmed. Worldwide, natural disasters led to substantially higher losses in 2021 than in either of the two previous years, increasingly caused by climate change effects. This reaffirms our conviction that profitable economic activity and sustainability are complementary prerequisites for creating a sustainable society. To achieve this, rather than focusing on one single topic, we tackle sustainability in a holistic manner – taking the whole spectrum of ESG aspects into account.

With respect to the environmental pillar, we follow a scientifically proven path to net-zero carbon emissions and aim to contribute to the achievement of the 2050 climate targets set out in the Paris Agreement. We underscored this commitment in 2021 by founding the Net-Zero Insurance Alliance (NZIA) with several peers. This emphasises the role of insurance as an enabler in the sustainability transition. Also, Munich Re is a pioneer in the insurance of sustainable technologies. Innovative wind, solar, hydro and energy storage technology needs reliable insurance solutions to attract investors and accelerate its deployment. In addition, we have set strict underwriting guidelines to regulate the phase-out of oil, gas and thermal coal from our facultative, direct and primary insurance business by 2050 and are also

# 1.1 CEO statement



working on a decarbonisation strategy for our treaty business. But we also created an impact through our investments: as a member of the Asset Owner Alliance, we set ambitious targets to increase our investments in renewable energy to €3bn by 2025, supported by the issuing of our second green bond in 2021. Furthermore, we are reducing our financed emissions to achieve net-zero in investments by 2050.

Diversity and inclusion is a cornerstone of the S pillar of ESG at Munich Re. Deeply woven into our corporate culture, it is also a crucial contributor to our business success. Our employees' diverse backgrounds, experience and talent are among the most valuable assets for our future success. Different mindsets, ideas, ways of thinking, experience and knowledge are also vital to our stature as an excellent partner to our clients. At Munich Re, we unite colleagues from over 114 different nationalities at more than 50 locations around the world. In addition, over 80 professions are represented in our Group. As part of our Ambition 2025, we are actively and successfully fostering greater gender equality and more opportunities for women in the Munich Re Group. This is a top priority for me personally – and for all my fellow members of the Board of Management. And I am pleased to say that our diversity initiatives are already bearing fruit. The percentage of women in management has risen considerably in all fields of business over the past year – and is now at nearly 38%. This puts us close to our medium-term target of 40% by 2025.

The accelerating pace of digitalisation continues to open up new opportunities, also from a societal perspective. That is why we continue to equip our employees with the skills they need to benefit from this progress. We actively promote the responsible use of technology and related services such as big data analysis, Internet of Things (IoT) and artificial intelligence (AI), along with standards for evaluating algorithms and, not least, data privacy. The pandemic has seen more companies move their business processes online, and an awareness of digital dependency is increasing investment in IT security. In this context, coverage for cyber risks remains a strategic growth area for Munich Re. But we do not stop there. To make sure our employees remain up to date with progressing digitalisation, we invest heavily in their digital skills and offer comprehensive training to ensure our actuaries and underwriters possess the requisite digital expertise. Developing expert cyber knowledge is also a key focus.

Our ongoing commitment to strengthening ESG is also apparent in our Governance structure. In 2021, we anchored sustainability matters even more strongly in the remit of our Supervisory Board: in addition to the Risk Committee, the Standing Committee of the Supervisory Board now oversees ESG topics. Furthermore, we revised our remuneration system to include quantitative ESG targets in multi-year remuneration packages for our Board of Management.

As this report reveals, we have paved the way to guiding us towards an ever more sustainable future across all ESG areas relevant to our organisation – with regular check-ins along the way.

I wish you an enjoyable read and hope it sustains your interest throughout.

Best regards,

Joachim Wenning

# 1.2 Portrait of Munich Re



> GRI 102-1; 102-2; 102-3; 102-4; 102-5; 102-6; 102-7; 102-9

Munich Re is a stock corporation with its registered office in Munich, Germany. Our business model is based on the combination of primary insurance and reinsurance under one roof.

**€2.9bn**

Munich Re profit 2021

We take on risks worldwide of every type and complexity. Munich Re stands for exceptional solution-based expertise, consistent risk management and financial stability. We attach great importance to maintaining close and trusting relations with our clients. In the 2021 financial year, the Group achieved a profit of €2.9bn on premium income of €59.6bn. It operates in all lines of insurance and, with more than 39,200 employees and offices across more than 50 countries.

## Reinsurance offers innovative solutions for complex risks

With gross premiums written of €41.4bn from reinsurance, Munich Re is one of the world's leading reinsurers and operates in life, health and property-casualty business.

As a reinsurer, Munich Re writes business in direct collaboration with primary insurers, but also via brokers and increasingly within the framework of exclusive strategic partnerships. Munich Re offers clients handling industrial and major-project business a wide range of specialised products and customised insurance solutions and services.

Munich Re does business with over 4,000 corporate clients in over 160 countries.

Munich Re's employees bring extensive underwriting experience, global and local market insight and cross-segment expertise to the customers they serve – a strength that has repeatedly earned Munich Re top rankings in client surveys.

## Primary insurance under the ERGO brand

With more than 30,000 employees and sales representatives worldwide, ERGO Group AG offers customers a comprehensive spectrum of insurance. German, international, direct and digital business is bundled under the umbrella of ERGO Group AG. ERGO Deutschland AG concentrates on traditional insurance business in Germany. ERGO International AG manages the Group's international business.

The third pillar, ERGO Digital Ventures AG, is responsible for the Group's digital and direct activities, including online-only business (nexible).

Via ERGO, Munich Re offers products in all main classes of insurance: life insurance, German health insurance, and in nearly all lines of property-casualty insurance, as well as travel insurance and legal protection insurance. With these products – in combination with assistance, services and consultancy – Munich Re meets the needs of private and corporate clients.

With gross premiums written amounted to €18.2bn ERGO Group generated about one third of Munich Re's total gross premiums written in FY 2021.

## Investments

MEAG Munich Ergo AssetManagement GmbH manages Munich Re's investments worldwide and offers its expertise to private and institutional investors. MEAG handles all the main asset classes. These include interest-bearing securities, equities, real estate, renewable energy, and infrastructure.

As at 31 December 2021, total investments (excluding insurance-related investments) increased compared with the 2020 figure, with the carrying amount rising to €240bn (233bn) and the market value to €257.5bn (252.8bn). The volume of assets managed for third parties amounts to €66.4bn (68.0bn).

# 2.

# Approach to sustainability

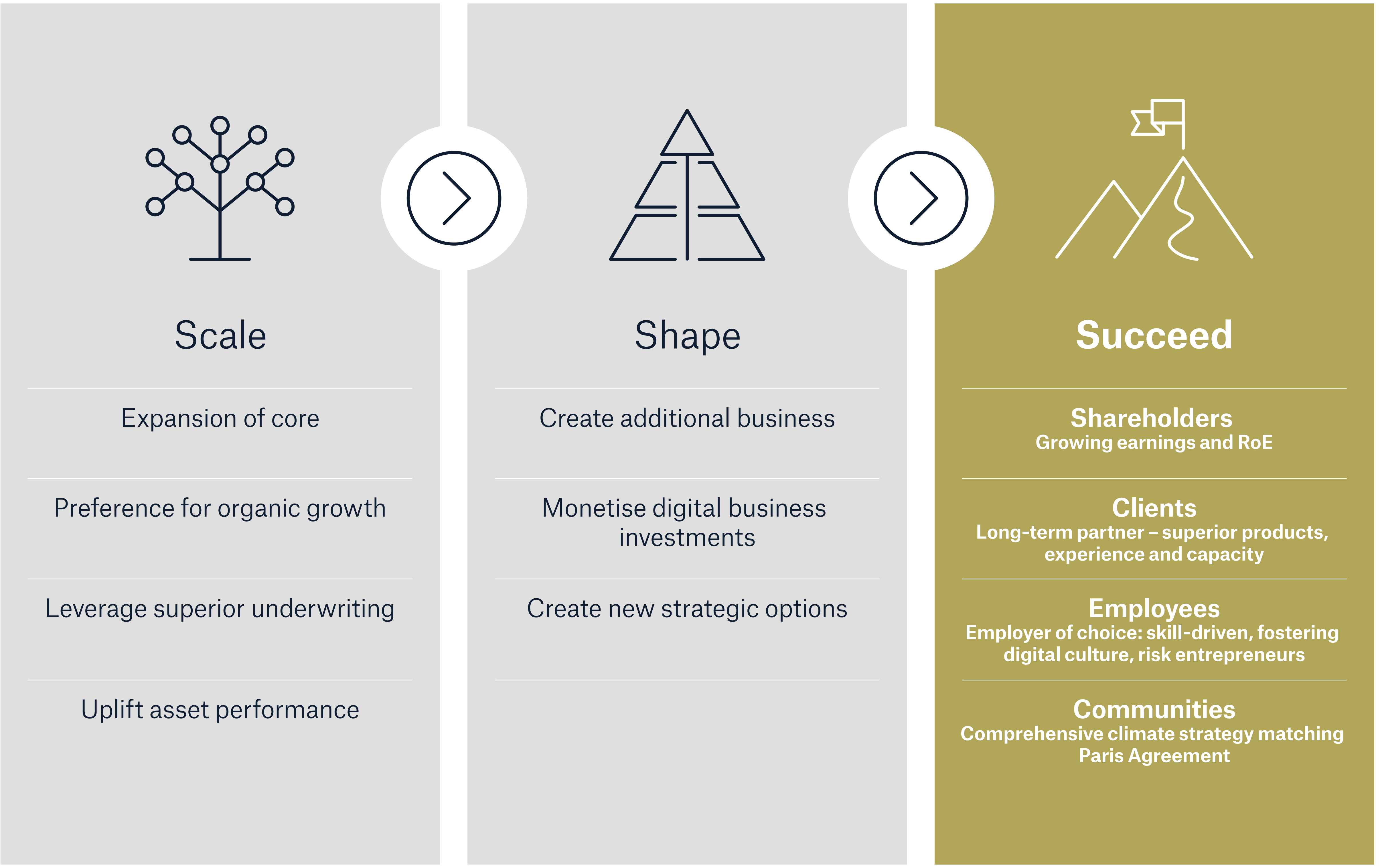
# 2.1 Sustainability strategy

> GRI 102-11; 102-16

Munich Re adopts a forward-looking, prudent and responsible approach to business. For more than 140 years, we have created long-term value by assuming a diverse range of risks around the world. And we are convinced that this business concept will continue to be successful in the future through sustainable action. Our environmental, social and governance (ESG) activities lie at the heart of this approach and reconcile economic, environmental and social requirements. In this context, we rely on dialogue with our stakeholders and the establishment of global partnerships for sustainable development.

## Ambition 2025

Munich Re's Group Ambition 2025 programme specifies a number of bold targets that will be realised over the coming years. These objectives are built around the three guiding principles of Ambition 2025: Scale, Shape and Succeed. Scale points to the Group's determination to retain and expand its core business, while Shape represents the intention to create additional business and new strategies, which will transform the organisation through the adoption of new business models. Succeed calls for greater focus on the added value Munich Re creates for and with all its stakeholders. This translates into increased earnings for shareholders of Munich Re and bespoke, increasingly superior products for clients from a long-term partner that really understands them. We provide long-term employment for our staff as well as excellent career prospects in a skill-driven, digital and highly flexible work environment. Last but not least, communities will benefit from vital initiatives such as the Group's ambitious climate protection targets in its asset management, (re)insurance business and its own business operations.



# 2.1 Sustainability strategy

## Holistic sustainability strategy

As described in our Ambition 2025, Munich Re aims to create value for all its stakeholders – our sustainability strategy systematically integrates this ambition across our activities. We address social challenges by making the best use of our strengths and abilities, and by sharing knowledge with our stakeholders. Our risk expertise, in particular, allows us to develop powerful new perspectives and sustainable solutions.

We focus on the following fields of action:

- **Responsible governance**
  Responsible corporate governance is only possible on the basis of impeccable ethical and legal conduct.
- **Sustainable approach to business**
  We proactively consider ESG criteria along the value chain in our business activities.
- **Environmental and climate protection**
  We have an ambitious climate strategy across liabilities, assets and our own operations.
- **Responsible employer**
  As an employer, we attach the greatest importance to treating our staff in a responsible and respectful way. We create attractive framework conditions to promote personal and professional development, and diversity.
- **Societal responsibility**
  Stemming from our sense of social responsibility, we support a large number of initiatives and projects that are close to our business and aim to promote social cohesion.

## Meeting voluntary commitments

Voluntary commitments, such as those we make to the UN Global Compact (UNGC), the Principles for Responsible Investment (PRI), the UNEP FI Principles for Sustainable Insurance (PSI) and – since 2020 – our membership of the Net-Zero Asset Owner Alliance (AOA), represent a key element of our sustainability strategy. Furthermore, Munich Re is a founding member of the Net-Zero Insurance Alliance (2021), convened by the UN PSI. Our recognition of these guidelines and our membership in the initiatives mentioned above are testimony to our dedication to sustainability. Our risk expertise, sustainable solutions and actions as a responsible employer make a potential contribution to the achievement of several of the UN Sustainable Development Goals (SDGs).


The UN Sustainable Development Goals consist of 17 interrelated goals aiming to achieve a more sustainable future by 2030.

# 2.2 Goals and ambitions

> GRI 103

We work continuously to refine and implement our corporate responsibilities, as a result of which we have set ourselves the following goals and ambitions.

### Sustainable Business

Our focus is the integration of ESG criteria into risk evaluation and development of sustainable solutions for (re)insurance and investment business. We focus on the topics of major impact: climate change (liabilities and investment) and risk awareness across our entire business.

| Goals and ambitions liabilities | Status[1] | Progress in 2021 |
|---|---|---|
| Decarbonisation of our (re)insurance business | ongoing | - Founding Member of Net-Zero Insurance Alliance (NZIA), which includes a commitment to aim to decarbonise all insurance activities by 2050 |
| Thermal coal facultative, primary and direct insurance:<br>By 2025: thermal coal: -35% emissions[3];<br>By 2040: full exit | ongoing | - Preparation to implement monitoring system w.r.t. our reduction targets<br>- Corresponding implementation in internal underwriting policies |
| Operational oil and gas production facultative, primary and direct property insurance:<br>By 2025: -5% emissions[3];<br>By 2050: net-zero emissions | ongoing | - Further shaping of our Ambition 2025<br>- Implementation into internal underwriting policies<br>- Reinforced guidelines regarding insurance of Arctic drilling and related infrastructure |
| Further integration of ESG criteria in underwriting processes | ongoing | - Use of RepRisk and MSCI data base<br>- Creation of a new Group-wide ESG awareness-raising measure "ESG Basics" aimed at the majority of employees with rollout scheduled in Spring 2022<br>- Planned conception of enhanced ESG training for employees in the core (re)insurance business |

# 2.2 Goals and ambitions



| Goals and ambitions investment | Status[1] | Progress in 2021 |
|---|---|---|
| Decarbonisation of our investments: become net-zero by 2050 | ongoing | - Active Member of the Net-Zero Asset Owner Alliance (AOA) since beginning of 2020<br>- Participation in various workstreams as well as active support in updating the Target Setting Protocol |
| Decarbonisation listed equities, corporate bonds, direct real estate by 2025: emission reduction of 25–29%[3] | ongoing | - Disclosure of financed emissions from listed equities, corporate bonds and direct real estate<br>- Active steering of $CO_2$ emissions via internal dashboard<br>- Reduction of carbon emissions (scope 1 and 2) compared to the 2019 base year (Munich Re Group Ambition 2025) achieved by end of 2021: -31%[2] |
| Thermal coal (mining and/or power generation) for listed equities and corporate bonds:<br>By 2025: -35% emissions[3]<br>By 2040: full exit | ongoing | Disclosure of financed emissions from listed equities and corporate bonds<br>- Active steering of $CO_2$ emissions via internal dashboard<br>- Reduction of carbon emissions (scope 1 and 2) compared to the 2019 base year (Munich Re Group Ambition 2025) achieved by end of 2021: -47%[2] |
| Oil and gas (drilling and production, refining and distribution) for listed equities and corporate bonds:<br>By 2025: -25% emissions[3] | ongoing | Disclosure of financed emissions from listed equities and corporate bonds<br>- Active steering of $CO_2$ emissions via internal dashboard<br>- Reduction of carbon emissions (scope 1 and 2) compared to the 2019 base year (Munich Re Group Ambition 2025) achieved by end of 2021: -14%[2] |
| Increase volume of green bonds issued | completed | - As the first German insurer, Munich Re issued a green bond with a volume of €1.25bn in 2020, which was completely allocated in 2021.<br>- In 2021, Munich Re issued its second green bond with a volume of €1.0bn. |
| Double renewables portfolio to €3bn | ongoing | - In 2021, increase of investments (equity and debt) in renewable energies to approximately €1.7bn |
| Increase ESG focus investments | ongoing | - Definition of ESG focus investments as investments with positive contribution to our ESG investment strategy.<br><br>ESG focus investments 31.12.2021:<br>- Renewables: €1.7bn<br>- Certified real estate: €2.2bn<br>- Certified forestry management: €1.1bn<br>- Greenbonds (investment portfolio): €2.2bn |
| Enhancement of ESG integration in investment management | ongoing | - Review of Responsible Investment Guideline in Autumn 2021<br>- Implementation of emission steering in investment processes with bundle of instruments like ESG benchmarks and $CO_2$ budgets<br>- Definition of KPI "Rating coverage of liquid asset classes", which amounted to 96.1% by the end of 2021. |
| Continuous enhancement of stewardship activities | ongoing | - Further developed engagement process: set-up of more CA100+ engagements, monitored through a specific engagement report.<br>- Proxy voting process strengthened, voting records disclosed since 2021 |

# 2.2 Goals and ambitions

## Environmental management

We take responsibility for environmental protection and get involved wherever we can make a positive and tangible impact.

| Goals and ambitions | Status[1] | Progress in 2021 |
| --- | --- | --- |
| Operational emissions<br>- 12% carbon reduction per employee (2019 to 2025)<br>- own $CO_2$ emissions are carbon net-zero by 2030 | on track | - Reduction by 25% per employee (2019 to 2021)<br>- MR Munich headquarters is carbon net-zero, ongoing carbon neutrality at other sites of Munich Re |
| 100% green electricity purchased Group-wide by 2025 | not yet achieved | - 92% green electricity Group-wide in 2021 |

## Employees

The main goals of our human resources strategy are attracting, developing and retaining outstanding staff. Promoting diversity and inclusion in all aspects is a strategic focus of our Group-wide human resources strategy.

| Goals and ambitions | Status[1] | Progress in 2021 |
| --- | --- | --- |
| Diversity<br>Group-wide 40% female managers by 2025 | ongoing | - Proportion of woman in management positions worldwide at 38%<br>- Proportion of women in management positions at Munich Re in Germany increased to 27%<br>- 114 different nationalities at more than 50 locations<br><br>Group-wide approach based on three key principles:<br>- a consistent, transparent, and state-of-the-art staffing process for filling management positions,<br>- an even stronger focus on talent development with gender-equal opportunities, and<br>- Group-wide and quarterly monitoring of gender diversity progress through defined key performance indicators. |

## 2.2 Goals and ambitions

| | | |
|---|---|---|
| Development and Talent Management | ongoing | **Targeted, needs-based training for all staff, particularly on the subject of digitalisation:**<br>– LinkedIn Learning for reinsurance: approx. 6,100 activated licences, > 228,000 completed learning videos<br>– Digital School and data analytics curriculum: approx. 500 employees with certification of major qualification |
| | ongoing | **Identification and development of staff with leadership potential**<br>- In Autumn 2021, two new development programmes, “The Future Manager” and “Next Level Leadership”, were launched at ERGO, as well as the Oxygen programme in the reinsurance group.<br>- In 2021, 82.6% of all open management positions at Munich Re were filled with suitable internal candidates |
| Measuring employee satisfaction and commitment | ongoing | - In 2021, ERGO conducted its third global employee survey, which included 20 ERGO Group companies (>22,300 employees) and achieved a response rate of 77% and a Sustainable Engagement Index of 80 (2019: 75) |

### Society

Stemming from our sense of social responsibility, we support a large number of initiatives and projects that are close to our core business and promote social cohesion

| Goals and ambitions | Status[1] | Progress in 2021 |
|---|---|---|
| Enabling staff to contribute in Munich Re and beyond | ongoing and exceeded | - >10,300 hours corporate volunteering<br>- Group-wide afforestation campaign with over 1,000 participating employees<br>- Group-wide Social Engagement Awards to encourage our employees’ contributions to society |
| Support of social organisations Group-wide | ongoing | - 860 organisations supported |
| Responding to climate change:<br>Adaptation and mitigation of climate change | ongoing | - TCCT initiative continues and concentrates on ecosystem-based adaptation<br>- Ongoing sponsorship of start-ups with carbon removal solutions with Climate-KIC, ETH Zurich and TU Delft<br>- Ongoing partnerships with GIZ and OroVerde, e.g. mangroves afforestation |
| Better access to health care | ongoing | - Munich Re and its employees engage by donating money or volunteering their time in numerous initiatives |
| Disaster relief and prevention:<br>Raising risk awareness and promoting risk prevention | ongoing | - Ongoing partnership with Save the Children<br>- Emergency donations for flood disaster in Germany |

# 2.2 Goals and ambitions

## Good corporate governance

A prerequisite for sustainable business practice is to ensure a fair and trusting relationship with our stakeholders. Aligning our actions to high ethical and social standards enables us to make responsible decisions and protect the reputation of the Company and the Group.

| Goals and ambitions | Status[1] | Progress in 2021 |
|---|---|---|
| Strengthen ESG Governance across the Group | ongoing | - Established Board-level "ESG Committee" and high-level "ESG Management Team" with top managers from different business fields<br>- Standing Committee of the Supervisory Board responsible for regularly addressing sustainability topics since 2021.<br>- Munich Re again achieved the highest category with the rating "excellent" and was ranked first in the DVFA analysis of DAX and MDAX indices. |
| Assessment and update of materiality matrix | completed | - In 2021, we reviewed and reassessed topics in terms of their materiality for Munich Re. |
| Efficient and comprehensive alignment to compliance requirements, avoidance of violations and enhanced transparency | ongoing | - Excerpt from Guideline on prevention of corruption and rules for gifts and hospitality was published.<br>- In reinsurance, we obligate our suppliers to recognise the UN Global Compact. In 2021, compliance with UNGC criteria was anchored in approximately 80% of our framework agreements.<br>- Transparent reporting on whistleblowing cases in 2021.<br>- A statement on the Australian Modern Slavery Act was published for the first time in 2021.<br>- In 2021, no material data protection events as defined in the Solvency II Group Compliance Policy occurred anywhere in our Group worldwide, nor were any material proceedings for breach of data protection regulations initiated. |

[1]Explanation of status:

| | |
|---|---|
| completed | Quantitative target was reached within defined timeframe |
| exceeded | Quantitative target was overachieved within defined timeframe |
| not achieved | Target was not achieved qualitatively, quantitatively and/or within defined timeframe |
| ongoing | Ongoing progress or continuous target without end-date |
| enhanced target | Previous target has been strengthened in the past year |

[2] Reduction includes "corona dip" – backswing is expected next year | [3] Base year 2019

# 2.3 ESG governance

> GRI 102-11; 102-16; 102-18; 103

For us, good corporate governance requires the Board of Management and Supervisory Board to work together efficiently and with a spirit of trusting cooperation between the two bodies and staff – all collaborating within an effective organisational structure. These parameters help secure the confidence of investors, clients, employees and the general public in our corporate activities.

Of particular relevance here is that corporate and Board of Management objectives are aligned both with financial and with sustainability considerations. For example, as of 2022, specific ESG targets will account for 20% of the Board of Management multi-year bonus. More broadly, we ensure responsible and sustainable management at Munich Re through a robust ↘ governance framework that includes corporate governance, compliance systems and sustainable risk management.

In addition to the above, Munich Re regulates organisational accountability for sustainability criteria in a transparent manner. Fundamental strategic decisions are taken by the Board of Management, or, more specifically, by the ESG Committee, a subcommittee or the Strategy Committee, which is composed of the Group CEO (chair), the Group Chief Financial Officer (CFO), the Reinsurance CEO, the CEO of ERGO, the Chief Investment Officer (CIO), and the Head of ESP. For its part, the ESG Committee aims to strengthen ESG and to highlight the strategic importance of ESG issues for the Group. The ESG Committee is supported by the ESG Management Team, which is made up of heads of the central divisions and departments responsible for important ESG topics, as well as the Chief Underwriting Officers of the reinsurance group and the ERGO Group. The ESG Management Team is responsible for the implementation and monitoring of the Group-wide ESG strategy. The Group's sustainability department supports the two bodies and coordinates sustainability efforts across the Group. It is part of the central division Economics, Sustainability and Public Affairs (ESP) and reports directly to the CEO.

These two bodies are complemented by the ESG Investment Committee, which focuses on applying the ESG strategy in investment, and by the ERGO ESG Advisory Board on the primary insurance side.

At least twice a year, the Supervisory Board addresses material sustainability-related topics, first on the basis of the summarised non-financial statement and, second, via regular ESG updates on strategy and measures. Several members of the Supervisory Board have specific ESG knowledge and are thus qualified to assess the information. One of the key tasks of the Audit Committee includes monitoring the Group's risk situation and risk management (including ESG risks) on an ongoing basis, and discussing its risk strategy. Furthermore, since 2021, the Standing Committee is responsible for regularly addressing sustainability topics.

More about the Committees of our Supervisory Board

# 2.3 ESG governance

### Supervisory Board

### Audit Committee

**Tasks:**
Monitoring ESG risks

### Standing Committee

**Tasks:**
Regularly adresses sustainability-related issues

### ESG Committee

**Members:**
- Group CEO[1]
- Group CFO
- Reinsurance CEO
- ERGO CEO
- Chief Investment Officer
- Head of ESP[2]

**Tasks:**
Overall responsibility for ESG-related strategic decisions

### ESG Management Team

**Members:**
Members are heads of the central divisions and departments responsible for strategic ESG topics as well as the Chief Underwriting Officers of the Reinsurance and ERGO Group

**Tasks:**
Ensuring Group-wide ESG strategy implementation

### Group Sustainability department

**Tasks:**
- Further developing Munich Re's sustainability and climate strategy within the ESG governance framework
- Coordination and preparation of ESG Committee and ESG Management Team meetings
- Support of business units in implementing the sustainability strategy
- Maintaining dialogues with external and internal stakeholders and relationships with international organisations on ESG topics
- Steering environmental management of the Group
- Coordination of philanthropic activities

### Primary insurance

ERGO Advisory Board
- ESG team

### Reinsurance

- Leading experts
- ESG project teams

### Investment

ESG Investment Committee
- ESG team at GIM
- ESG team at MEAG

### Central functions

e.g.
- Human Resources
- Risk Management
- Legal & Compliance
- Financial Reporting

[1] Chair | [2] Economics, Sustainability and Public Affairs (non-voting)    = Commitees dealing with reputational risk

# 2.4 Board remuneration

## Overall performance assessment for annual and multi-year bonus – adjustment of target achievement based on ESG criteria (+/- 10 pp)

**ESG criteria**
(individual and collective management performance)

**Ecological aspects**

Reduction of the $CO_2$ footprint in line with Munich Re´s climate strategy (covering assets, liabilities and own emissions)

**Social aspects**

- Access to healthcare and corporate health initiatives
- Training costs and days
- Sickness rate

**Governance-related aspects**

- Leadership skills
- Diversity
- Adherence to guidelines/ compliance requirements
- Appropriate establishment of governance functions

New as of 2022: Multi-year bonus with 20% ESG target(s)

Since 2012, we have integrated ESG targets into the remuneration system for the Board of Management. As part of the annual bonus, ESG criteria (outlined in the graphic) are assessed by the Supervisory Board and influence the loading factor by +/-10 percentage points. In addition, in 2021, ESG was given even greater weighting in the remuneration system. Quantitative ESG assessment criteria were implemented to account for 20% of the multi-year bonus.

For the 2022–2025 multi-year bonus, the following goals have been applied:

- E: targets related to Munich Re’s climate strategy, including goals for insurance, asset management and own emissions
- S: 40% of managers to be women by 2025
- G: share of overdue audit measures below 5%

# 2.5 Stakeholder dialogue and materiality

## Engaging in dialogue with our stakeholders

> GRI 102-40; 102-42; 102-43

Munich Re values an open and ongoing dialogue with its various stakeholders, as defined below. This actively engaging approach enables us to identify the topics that are material for us now and in the future from our stakeholders' perspectives.

We analyse the outcomes of our stakeholder dialogue at regular intervals and incorporate them into our sustainability strategy.

### Clients

We serve our clients as a reliable and solution-oriented business partner. To this end, we regularly evaluate their satisfaction with our services by employing analyses and surveys – tailored to the different client structures in insurance and reinsurance. Our client managers in reinsurance also regularly interact with clients regarding potential needs, trends and challenges, at trade fairs, events and client training seminars. In addition, we maintain contact with insurance customers via the ERGO Customer Workshop.

### Employees

We engage in continuous conversation with our employees worldwide. Furthermore, we encourage a culture of feedback and transparent communication across a wide range of platforms, such as surveys, our intranet, Yammer and other dialogue forums. Events such as town hall meetings, strategy talks with members of the Board of Management and management conferences promote exchange across all levels of management.

### Shareholders, analysts and investors

Professional communication with players in the financial markets features regular dialogue and proactive provision of information by Munich Re. We provide key, detailed information on the general opportunities and risks attached to our business through frequent personal investor calls and at roadshows – in addition to scheduled investor and analyst events. We also specifically inform these groups about our sustainability activities and industry trends.

### Politics, NGOs, interest groups

We keep in close contact with interest groups, NGOs, UN institutions and public authorities at both the national and international level. In addition, we are an active member of many insurance industry initiatives and associations, as for instance the Principles for Sustainable Insurance (PSI), the Principles for Responsible Investment (PRI), the UN Asset Owner Alliance (AOA) and the Net-Zero Insurance Alliance (NZIA).

### Society and science

Our experts engage in ongoing dialogue with scientists, associations and organisations around the world, and are involved in a large number of national and international research and development projects. These include the Global Earthquake Model (GEM), the German Research Center for Artificial Intelligence (DFKI) and the German Data Science Society (GDS). We seek exchange with wider society, e.g. via public dialogue forums and panel discussions.

# 2.5 Stakeholder dialogue and materiality



## Materiality

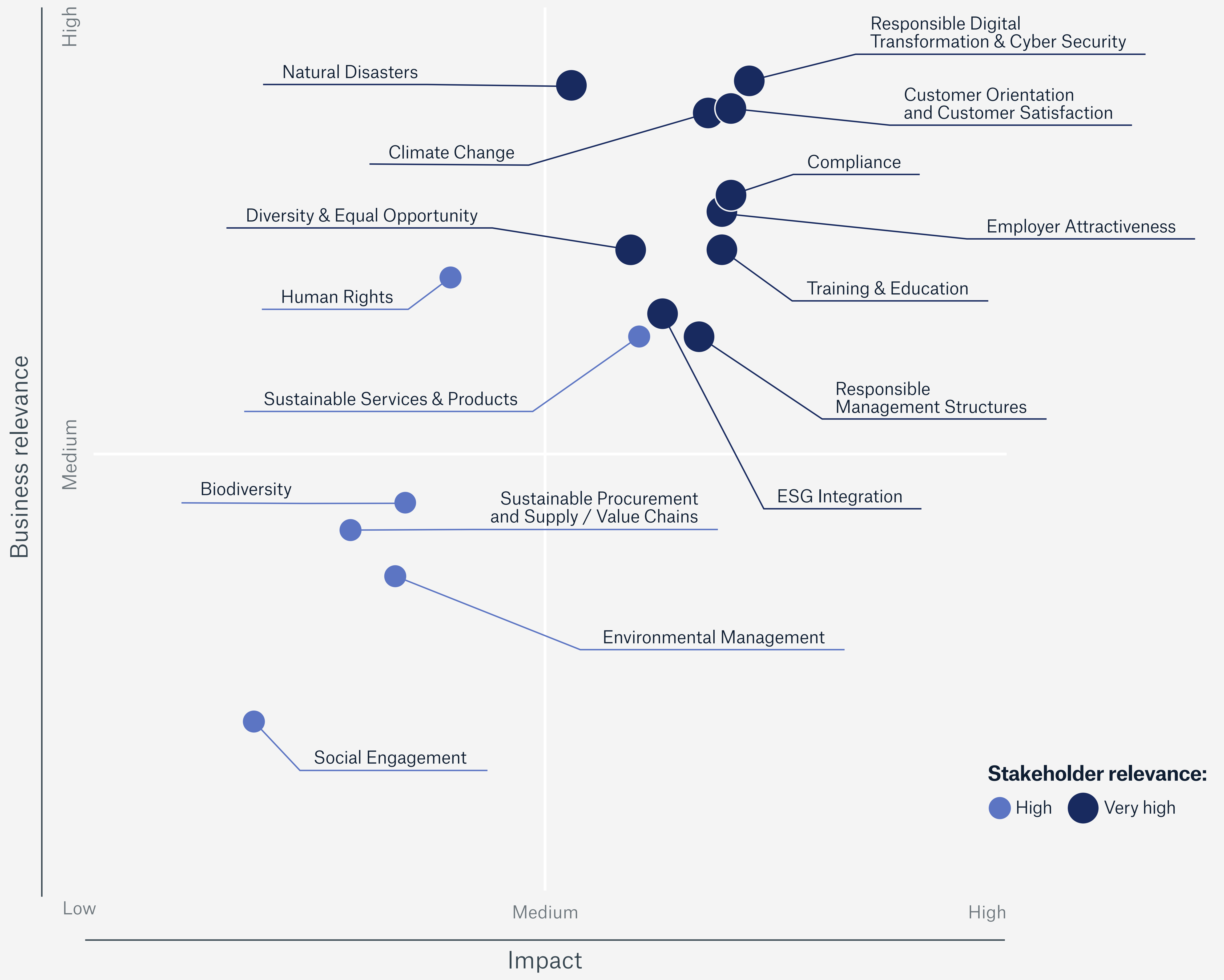
> GRI 102-44; 102-46; 102-47; 102-49

The materiality analysis determines which sustainability topics are of particular importance to Munich Re and its stakeholders and, therefore, which topics should be the focus of our sustainability management and transparent communication. The materiality analysis carried out is based on the materiality concept of Section 289c of the German Commercial Code (HGB) and also takes into account the standards of the Global Reporting Initiative (GRI Standards) and the EU Commission's proposal for the Corporate Sustainability Reporting Directive (CSRD).

In 2021, we reviewed and reassessed topics in terms of their materiality for Munich Re. The analysis was carried out using a standardised online survey for external stakeholders and through internal management workshops. Stakeholders evaluated the individual topics on the basis of two dimensions: (1) Munich Re's impact on the sustainability criteria and (2) the impact of the sustainability criteria on Munich Re as a company. The results were validated through discussions with an external expert and experts from within the company, and approved by the ESG Committee.

# 2.5 Stakeholder dialogue and materiality

## Materiality matrix




Below is a list of the stakeholder groups included in the analysis:

- Clients
- Employees
- Investors
- Representatives of the wider community

Our materiality matrix shows the results of our materiality analysis. The relevance of Munich Re's impact on the featured criteria is shown horizontally, while the business relevance of the individual topics for Munich Re is shown vertically. The size or colouring of the circles shows the external stakeholders' assessment of the extent to which the topics are relevant to the respondents.

Compared with the last materiality assessment, biodiversity was added as a new topic and several topics were reframed (e.g. Diversity & Equal Opportunity instead of Diversity) or combined into one topic (e.g. Responsible Digital Transformation & Cyber Security). The most significant changes include the increased business relevance and impact of Human Rights as well as the increased impact and stakeholder relevance of Diversity & Equal Opportunity.

# 3.

# Sustainable business

# 3. Sustainable business

The focus of our sustainable approach is on our business – which involves the assumption and diversification of risks in primary insurance and reinsurance, as well as investment. We know that we can only achieve long-term economic success through responsible action, which is why the objective of sustainable economic value creation is anchored in the core principles of our corporate strategy. In our underwriting and investment, we set out to achieve the greatest possible impact for our Group and for society by considering environmental, social and governance (ESG) criteria.

The fact that we have signed the Principles for Sustainable Insurance (PSI), the Principles for Responsible Investment (PRI) and, in 2020, joined the Net-Zero Asset Owner Alliance (AOA) highlights our commitment to responsible action. In addition, in 2021, Munich Re co-founded the Net-Zero Insurance Alliance (NZIA), which intends to decarbonise all insurance activities by 2050. These voluntary commitments often go well beyond what is required by law or by supervisory regulations.

Our actions are guided by the key topics we have identified for reinsurance, primary insurance, and investment in our materiality analysis. In addition to committing to a strong client focus and the integration of ESG criteria into our business, we attach importance to responsible products, services, and sustainable investment. We place a special focus on climate change and the related risk management approach and report in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) standard.

We have also set ourselves a series of sustainability targets. More specifically, our aim is the consistent integration of ESG criteria into all processes at Munich Re – in the fields of both insurance and investment.

In consultation with the Board, we have identified universally applicable ESG criteria, which are taken into account in our insurance business risk assessment and in investment transactions. There are sensitive topics or sectors that are relevant to our business activities. Binding guidelines or best-practice recommendations have been drawn up for these topics, which are applicable for reinsurance, primary insurance and investment.

## ESG aspects, sensitive issues and Munich Re positions

### ESG aspects

**Environmental**
- Pollution
- Natural resources and biodiversity
- GHG emissions

**Social**
- Political context and public awareness
- Labour and working conditions
- Human rights
- Health, safety and security for the community
- Displacement of people
- Cultural heritage

**Governance**
- Responsible and correct planning and evaluation
- Compliance
- Consultation and transparency

### Sensitive issues

**Banned weapons**
Policy on cluster munitions and land mines

**Coal**
Policy on thermal coal business underwriting

**Arctic drilling**
Reinforced guidelines for 2022 based on AMAP definition of the Arctic region

**Oil sands**
Policy on oil sands business underwriting and investments

**Fracking**
Position paper including specific questions on ESG aspects

**Mining**
Position paper including specific questions on ESG aspects

**Investment in farmland**
Mandatory ESG check for investments

**Oil & Gas**
Oil & Gas production-related emission reduction to net-zero by 2050

### Munich Re position and measures

**ESG tool for underwriting**
Assessment of different industries, best practice in credit/surety

**Sustainable investment process**
ESG research and ratings included in investment processes

**ESG country rating**
ESG information included in Munich Re country risk assessment

The ESG Committee decides on the refinement of the framework and processes, taking regulatory developments and industry-wide standards into consideration.

# 3.1 Sustainable insurance



Our business is the assumption and diversification of risks in primary insurance and reinsurance. We possess strong leverage for sustainable action by linking economic success with added value for society. In our insurance business, we principally achieve this through a strong client focus, by offering responsible products and services, and through the integration of relevant ESG criteria into our insurance and reinsurance products as well as our services. In addition to implementing ESG criteria in underwriting, we support the achievement of the Paris climate targets by insuring new, climate-friendly technologies and make those technologies more attractive and financially viable for investors.

## Governance and strategy

> GRI 103

The goal of sustainable economic value creation is anchored in the core principles of our Group-wide corporate strategy, in our Ambition 2025 and in our sustainability strategy. We also underline our commitment to responsible action through our long-standing involvement in key industry initiatives such as the Principles for Sustainable Insurance (PSI) and the Net-Zero Insurance Alliance (NZIA), and by signing the UN Global Compact.

Strategic sustainability targets are decided at Group level in the new ESG Committee, which was established in 2021. Implementation of these strategic targets and responsibility for achieving them for the business lies with the individual business units and is monitored by the ESG Management Team.

This is also reflected in our Code of Conduct. The following sections outline how we manage ESG aspects in our underwriting business and how we create a positive impact with our risk transfer solutions.

## Managing ESG aspects

> GRI 103

We take ESG aspects into account in our insurance business. This applies both to our internal underwriting processes and to our products and services.

Many industries and projects can have a major impact on the environment and local communities. Munich Re takes its responsibility as a global insurer seriously and has processes in place to manage these potential impacts. We also collaborate with other partners, institutions and non-governmental organisations (NGOs).

Our ambition to manage ESG aspects in our business is also mirrored in our commitment to the

PSI initiative on ESG integration. We report annually on our progress regarding the integration of the PSI principles.

## Exclusions

With respect to the coal sector, Munich Re stopped insuring the construction and operation of new coal-fired power plants or new coal mines as individual risks both in industrialised countries and in emerging markets. Although our guideline generally allows for exemptions for countries with under-electrification (combined with a mandatory ESG referral process), we have not approved any such exemptions since the guideline came into force in September 2018. In 2019, we also discontinued the insurance and reinsurance of individual risks in oil sands mining projects and related infrastructure. These exclusion policies for fossil-based energy are complemented by our Group-wide climate strategy. More detailed information on this can be found in the ↘ Climate-related disclosure section of this report.

Mandatory underwriting guidelines govern the handling of certain business, as, for instance, thermal coal, oil sands, banned weapons and Arctic drilling for all business units writing relevant business. In December 2021, the reinsurance committee adopted its reinforced guidelines regarding Arctic drilling and related infrastructure. We will not accept stand-alone covers for Arctic oil and gas drilling activities including directly related infrastructure measures. This also applies to mixed covers and treaty business that contain exposures to the above-mentioned activities above a defined minimum threshold as of 1 January 2022 (for renewals of existing treaty business as of 1 January 2023). Munich Re's definition of the Arctic region is based on the internationally accepted broad definition of the Arctic by the Arctic Monitoring and Assessment Programme (AMAP), with minor exceptions in the Norwegian Arctic region. Any exceptions to this guideline are subject to mandatory approval by the responsible Board committee.

## ESG risk monitoring and training

Guidelines, processes and tools have been developed and introduced for the practical implementation of ESG criteria in insurance business. These include the Group-wide ESG criteria that are communicated to our underwriters. Binding underwriting guidelines regulate the handling of coal, oil sands, banned weapons and Arctic drilling, and position papers have been drawn up for other sensitive topics such as mining and fracking. In addition, an ESG tool specifically tailored to the topics described above helps our reinsurance underwriters to systematically factor ESG criteria into their risk assessment. Furthermore, a bespoke tool for ↘ Human rights has been rolled out.

With regard to our decarbonisation targets, we are preparing to reach the milestones mentioned above through appropriate action planning in the business units concerned and through consistent, regular monitoring of implementation (refer to ↘ Climate-related disclosure for more details).

We also hold regular information events and training courses as part of the responsible handling of ESG criteria. In the 2021 financial year, we provided information on current climate and sustainability aspects to more than 1,700 employees and over 600 clients at seminars and client events. In addition, special sustainability functions in primary insurance and reinsurance business support the business units by providing tailored ESG advice. We are continuously developing our information and training formats.

In spring 2022, we rolled out "ESG Basics", a new Group-wide ESG awareness-raising measure aimed at all employees. It includes the ESG criteria relevant to our business success, such as climate and environmental aspects, social criteria such as working conditions and human rights, and compliance and governance requirements. In 2022, we also plan to strengthen our ESG training formats for our employees in the core insurance business, for example, to provide our underwriters with the best possible support when underwriting risks.

Internal ESG coordinators in the field of reinsurance support the anchoring of ESG topics in the business units. Staff members function as multipliers, actively sharing their knowledge of ESG integration within their own department, for risk assessment, in client discussions and in exchanges with other divisions.

## Clear escalation processes

Potentially questionable individual transactions are submitted to the Reputational Risk Committees (RRCs), which have been established for each business segment (at ERGO: the Reputation and Integration Committee). These committees review whether a planned transaction is appropriate and are tasked with ensuring that we do not make decisions that entail reputational, and thus often ESG, risks.

In cases where underwriters are in doubt, experts in the sustainability and underwriting units provide advice, for which external data sources, such as the RepRisk database, are also taken into account. If a transaction involves significant reputational risks, these cases are escalated to the RRCs for the respective business units. These committees analyse and assess specific reputational issues and ESG risks relating to individual transactions and make recommendations on whether to accept or reject a particular risk. In the event that the business unit and the RRC disagree on a decision, the case can be escalated to Board level. In 2021, around 25% of the cases submitted Group-wide to the RRCs were declined. We regularly detail any significant reputational risks for Munich Re in our internal risk report.

Owing to the continuous review process by the respective business units, numerous offers were declined for ESG reasons without being submitted to the RRCs.

> GRI 201-2; 203-1; 203-2

## Enabling sustainable solutions

Munich Re is uniquely positioned to develop innovative insurance solutions for ESG risks, which enables us to create a potential positive impact for society and the environment, while opening up new business opportunities. Sustainable Development Goals (SDGs) are an ideal framework for us to map and assess our impact with regard to our insurance solutions.

**Explore a selection of our solutions that have the potential to create impact**

| SDG | Examples |
| --- | --- |
| 1 NO POVERTY<br>2 ZERO HUNGER | ↘HDFC inclusive insurance solutions<br><br>Agricultural insurance solutions with parametric covers<br>- Weather index insurance<br>- Yield index insurance<br>- Further parametric insurance<br>- Index solutions for small-scale farming<br><br>Other agricultural reinsurance solutions<br><br>- Crop hail insurance<br>- Multi-peril crop insurance (drought, excessive rainfall, frost, windstorm, etc.)<br>- Revenue insurance: natural perils (drought, excessive rainfall, frost, windstorm, etc.) linked to commodity price fluctuations<br>- Greenhouse insurance: failure of technical facilities (e.g. heating, irrigation systems) and natural hazards (hail, wind, etc.)<br>- ↘Public-private partnerships (PPPs; government and reinsurance industry)<br><br>↘Caribbean Catastrophe Risk Insurance Facility (CCRIF) Livelihood Protection Policy |
| 3 GOOD HEALTH AND WELL-BEING | Epidemic risk transfer solutions<br><br>↘Famedic<br><br>MIRA Digital Suite: dramatically accelerate the risk assessment process<br><br>Reinsurance solutions for life/health<br><br>ERGO/DKV health solutions (only in German) |

# 3.1 Sustainable insurance

| SDG | Examples |
|---|---|
| 7 AFFORDABLE AND CLEAN ENERGY<br>13 CLIMATE ACTION | Green Tech Solutions:<br>- Risk transfer solutions for on- and off-shore wind power<br>- Risk solutions for the bioenergy industry<br>- Photovoltaic warranty insurance<br>- Insurance covers for electrical energy storage systems (EES)<br><br>Insurance for weather risks with regard to energy production, including renewables<br><br>HSB Energy Efficiency insurance<br><br>↘African Energy Guarantee Facility (AEGF): (re)insurance capacity for sustainable energy projects in sub-Saharan Africa<br><br>Twelve (Munich Re Ventures)<br><br>Climate KIC: ↘Clean tech start-ups<br><br>ERGO Eco-Rente Chance (only in German) |
| 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE<br>11 SUSTAINABLE CITIES AND COMMUNITIES | ↘NatCatSERVICE – Database and services<br><br>↘Location Risk Intelligence platform – Measures climate risk<br><br>Infrastructure Risk Profiler<br><br>One Cat – Insurance for natural catastrophes<br><br>↘CCRIF (Caribbean Catastrophe Risk Insurance Facility)<br><br>↘Belize Blue Bond debt holiday cover<br><br>↘FONDEN (Fondo Nacional de Desastres Naturales) – Sovereign risk transfer solution<br><br>DKV EcoHogar – Ecological household insurance |

| SDG | Examples |
|---|---|
| 17 PARTNERSHIPS FOR THE GOALS | ↘Australian Business Roundtable for Disaster Resilience and Safer Communities<br><br>Partnership with the Insurance Institute for Business and Home Safety (IBHS): Improved safety and construction standards for buildings in the US<br><br>Insurance Development Forum (IDF)<br><br>InsuResilience Global Partnership<br><br>MCII Munich Climate Insurance Initiative<br><br>Geneva Association: Climate Change Risk Assessment for the Insurance Industry<br><br>ClimateWise |

## Inclusive insurance solutions

As an insurer, the protection of livelihoods is at the core of our business. Munich Re, along with the Munich Re Foundation, international NGOs and other institutions, supports the development of inclusive insurance solutions adapted to the needs of low-income groups in emerging and developing countries.

**Inclusive insurance supports livelihoods in India**

HDFC ERGO in India markets a wide range of microinsurance policies in the rural sector, including weather-indexed, health, personal accident, and fire, as well as special coverages for farmers. HDFC ERGO supports customers by developing innovative distribution solutions, partnering with entities focused on customers at the bottom of the pyramid. The insurance products are easy to understand and focus on standardisation to generate economies of scale. One example is the Group Hospital Cash Policy in the state of Odisha, India (later the same product was implemented in 14 other states in India), in partnership with the HDFC BANK Sustainable Livelihood Initiative. This policy covers all microfinance loan customers under a very nominal premium (less than €3), which gives the customer a fixed benefit per day in the event of hospitalisation. In the year under review, the company underwrote €2.37m insuring 750,000 persons. After achieving economies of scale in gross written premium it was very important to create a faster, fully digital and paperless end-to-end claims servicing model. For this the organisation developed a mobile-based application to register and upload the claim documents to the HDFC Bank's SLI team. Another example is weather insurance for crop losses offered by HDFC ERGO General Insurance Company on behalf of the Indian government.

Naturally, the company also intends to meet the obligations stipulated by the competent authority with regard to the rural and social sectors. During the 2020/2021 financial year, the company insured 8.95m farmers and underwrote a gross written premium (GWP) of €285m under its Crop and Weather portfolio.

## Solutions related to health and wellbeing

Given that our primary insurer, ERGO, is one of the largest private health insurers in Germany, health is a focus topic for the Group. Accordingly, Munich Re supports the health sector and offers a broad spectrum of products and services through reinsurance. These include innovative solutions and proprietary research on medical risks. This was especially relevant in light of the coronavirus pandemic that challenged the world in 2020 and beyond.

**Famedic Plus**

DKV Health Insurance in Spain offers Famedic Plus, a product targeted at families. At a very competitive price, coverage offers basic private health insurance and services to customers without health assessment or consideration of their age or any diseases or ailments they may suffer from. It provides access to healthcare for customers who may not be insured by other private health insurers, for example because of their medical history, and it helps to reduce waiting times for medical appointments. Famedic Plus is among the most affordable family health insurance options and is available for up to eight family members. It offers free and unlimited general consultations in the main medical fields without the need for up-front health checks. In addition, the product comes with access to the "I want to care more for myself" app, through which a virtual consultation with a doctor can be arranged 24 hours a day, via chat, phone or video call. Furthermore, insureds receive discounts on all specialist medical care and complimentary tests. To date, Famedic covers more than 250,000 insured persons.

## Climate-related solutions

### Innovative insurance for renewable energy and green technology

Munich Re assumes a share of technology-specific risks in order to support the development of renewables and low-carbon technology. The focus is on technology for the generation, transport and storage of power, especially solar thermal power plants, hydroelectric power, wind power, energy storage systems, biomass power plants and photovoltaics.

Innovative risk transfer solutions of this kind shift the boundaries of insurability. For example, offering long-term performance covers for photovoltaic modules reduces both the business risk for technology manufacturers and the risk of investment in associated energy projects.

A further example is wind farm cover. Here, we assume material damage and business interruption losses for manufacturers and suppliers of wind turbine generators, as such events can severely impact their business performance. In addition, we insure contractors of renewable energy plants against risks arising from design flaws and insufficient long-term stability and functionality of their projects.

A dedicated team working on emerging green technology provides performance warranty insurance (PW) for green technologies that are not considered "established" yet.
The PW covers the risk of processes and components that perform below specifications.

Technologies in focus include

- Electric vehicle batteries (+ optional e-drive, energy management system)
- Hydrogen equipment (electrolysers, fuel cells and adjacent components)
- Circular economy (waste-to-X, anaerobic digestion/pyrolysis, etc.)
- Direct air capture (DAC); carbon capture, utilisation and storage (CCUS)

Our covers are tailored for manufacturers, fleet owners and project sponsors to offer balance sheet and cash flow protection. In project finance situations we are often considered to be bankability enablers.

Learn more about our solutions for on- and offshore wind power

**US$ 40bn**

Enabled over US$ 40bn capital in green technologies with performance risk transfer solutions

### The African Energy Guarantee Facility

Supported by the European Commission (the UN's Sustainable Energy for All initiative), the KfW Banking Group, the European Investment Bank and a local primary insurer – the African Trade Insurance Agency, we offer insurance coverage for political risks, such as those connected with government failure to fulfil power purchase agreements, expropriation, breach of contract, war and civil unrest; specifically, those countries connected with renewable energy projects in sub-Saharan Africa. The African Energy Guarantee Facility provides customised insurance solutions that facilitate investment in primarily long-term energy projects.

### ERGO sustainable mobility

ERGO's primary insurance business also supports the transition to sustainable energy and mobility. By offering special covers, for example against the failure to meet predicted annual energy outputs, ERGO promotes solar power generation. To satisfy the requirements specific to electromobility, ERGO offers insurance add-ons for electric and hybrid vehicles, to cover, for example, battery damage and peripherals such as the client's battery-charging station.

### Munich Re's NatCatSERVICE – Data on natural disasters since 1980

Munich Re's NatCatSERVICE is one of the world's most comprehensive databases for analysing and evaluating losses caused by natural disasters. To develop this service, Munich Re has been systematically recording all essential information on loss events worldwide for decades. This data is stored in a digital catalogue of events and includes a systematic loss estimation process for the material impact of natural catastrophes.

### Location Risk Intelligence

Building on natural catastrophe data, Munich Re's risk assessment tools include its Location Risk Intelligence solution. This is a cloud-based analysis tool that assists clients and partners in assessing risks from natural hazards (Natural Hazards Edition) and the climate (Climate Change Edition) around the world. The tool allows the analysis of anything from individual locations to entire portfolios, which helps accelerate business processes and improve both portfolio and claims management.

In the Natural Hazards Edition, risk assessment is carried out using a series of map layers with hazard and risk ratings based on Munich Re's nat cat risk models. These models, in turn, are based on a combination of scientific knowledge of different perils, for example hurricanes, earthquakes, floods, and the evaluation of such historical events and the associated claims experience.

The assessments of the Climate Change Edition are based on internationally agreed scenarios for greenhouse gas emissions, known as the Representative Concentration Pathways (RCP), up to the year 2100. A modular software solution, it allows companies to analyse climate change risks for their assets or liabilities on a location-specific basis.

Find out more about the Location Risk Intelligence solution

### Partnerships and collaborations

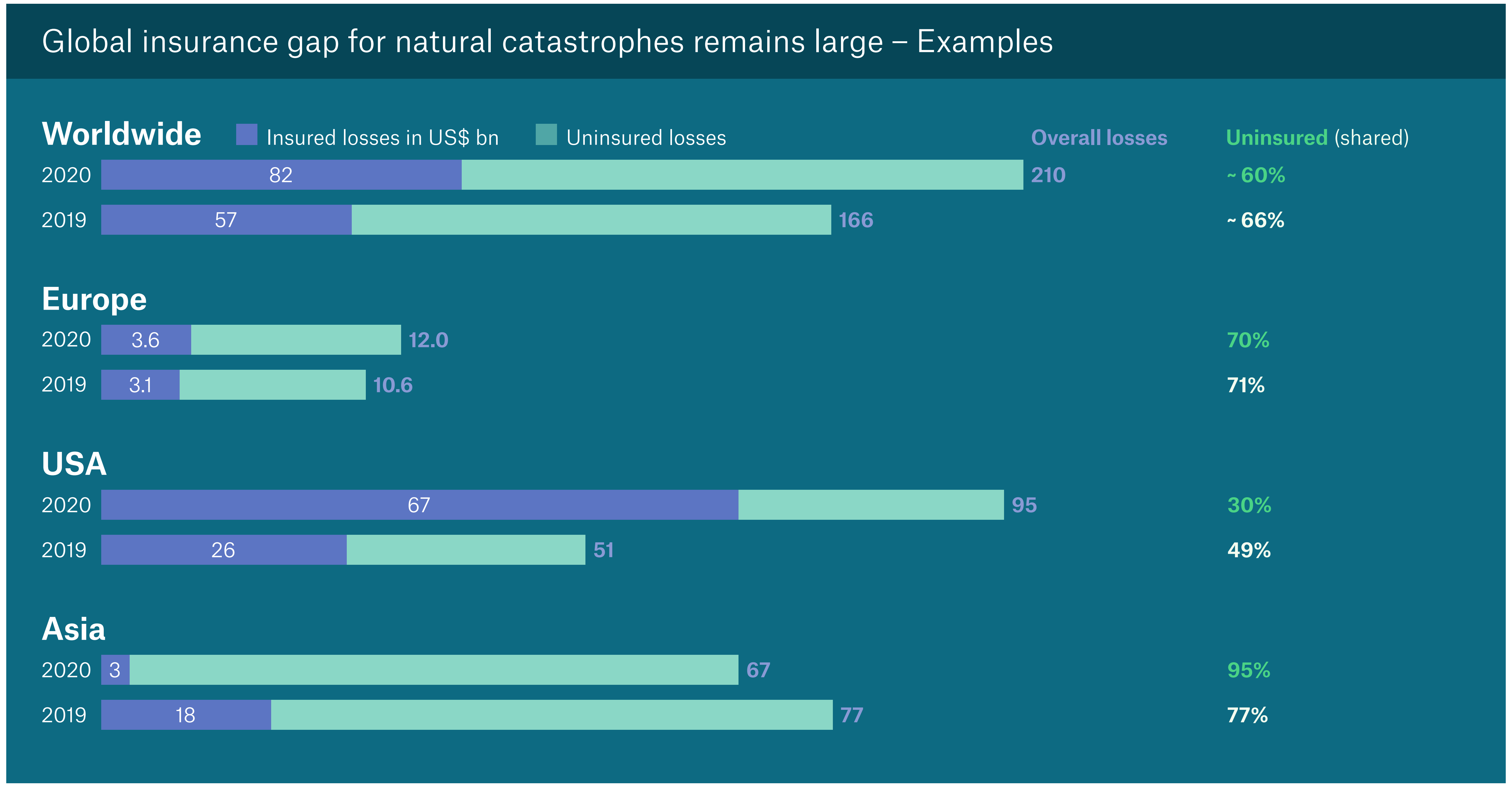
Partnerships with our clients, science and a broad range of experts are an integral part of the development of innovative solutions and underpin our climate-related strategy, as described in the ↘ Climate-related disclosure section of this report. One example is the Australian Business Roundtable for Disaster Resilience and Safer Communities, founded to promote the development of a sustainable and nationally coordinated approach to managing natural disasters.

## Closing insurance gaps and strengthening resilience

The insurance industry can help make societies more resilient in the face of disasters. And this is particularly true in poorer regions of the world, where improving risk management and resilience are critical elements in mitigating the impact of humanitarian disasters and facilitating sustainable economic growth. Munich Re endeavours to enhance risk awareness in the following fields of action: mitigating the risks from natural disasters and collaborating with partners to strengthen resilience.

## Uninsured share of nat cat losses around 60% in 2020

Low-income countries suffer most from nat cat events, but insurance density still very low




### Public-private partnerships (PPP) and parametric solutions

PPPs combine the skills and resources of both the public and private sectors through the sharing of risks and responsibilities. Public sector intervention can prevent market failures by taking on risks that the private sector is not able to absorb on its own (high natural catastrophe exposures, pandemics, catastrophic cyber events, etc.). PPPs provide an effective way to close the protection gap and to provide cover for risks that otherwise would remain uninsured.

Acting fast in the face of severe catastrophes requires a customised solution. When confronted with risks such as natural disasters or extreme weather events, government agencies and industries – ranging from tourism to trade, renewable energy and agriculture – can all avoid liquidity shortages by integrating parametric solutions into their coverage ecosystems. Pre-defined conditions guarantee an automatic payout when triggered by a major loss event, resulting in a seamless and fast claims settlement process. Parametric products help to complement insurance protection by covering the ex ante risk financing of emergency response and relief measures, especially for policyholders aiming to reduce their risk exposure and bridge the gap between insurable and, so far, uninsurable risks. The success of parametric risk transfer solutions is demonstrated by regional insurance schemes.

They cover a growing number of particularly vulnerable developing countries. Munich Re collaborates with the World Bank in structuring parametric insurance-linked securities (ILS) solutions for its client countries.

### Caribbean Catastrophe Risk Insurance Facility

The Caribbean Catastrophe Risk Insurance Facility (CCRIF), which Munich Re helped to set up in 2007, guarantees payments within 14 days after a natural catastrophe to participating countries, which can then use the money for recovery efforts. In 2021, the CCRIF paid out over US$ 4.8m via its schemes for tropical cyclone and for excessive rainfall. Munich Re is one of the CCRIF's most important reinsurers.

### Fondo Nacional de Desastres Naturales (FONDEN)

The Mexican government focuses on protecting its public assets stock by reducing the adverse fiscal impact of natural disasters. Different asset classes amounting to almost US$ 250bn are insured through FONDEN, which is effectively a state-owned catastrophic risk fund that makes use of international reinsurance. Mexico implemented FONDEN for the specific purposes of risk financing, risk transfer, and enhancing governance of loss adjustment. Good governance significantly reduces the cost of reconstruction as it avoids having to compensate for pre-existing damage, incentivises "building-back better" approaches as part of loss adjustment, and reduces the risk of wilful destruction, cost inflation and fraud.

### Belize Blue Bond debt holiday cover

In December 2021, Munich Re concluded the first parametric disaster insurance integrated into a sovereign bond issuance with the government of Belize in collaboration with Willis Towers Watson and The Nature Conservancy (TNC). If a hurricane makes landfall in Belize and exceeds a certain intensity threshold (wind, precipitation), the payment obligation of the government of Belize is waived for six months. The deal has a term of 30 months, with the underlying debt maturing in 2040. Despite its comparatively small size, the deal garnered a lot of attention in the insurance sector. If combining debt with insurance was applied more frequently – due to the massive size of the public debt market – the approach could create a significant lever to support sovereign financial stability amidst natural disasters.

### Epidemic Risk Solutions

Our Epidemic Risk Solutions (ERS) public-private partnership proposition seeks to create a prudent and resilient financial ecosystem resistant to future disease outbreaks and to minimise their financial impact on societies. This ties in with various SDGs, especially Goal 11: to make cities and human settlements inclusive, safe, resilient and sustainable.

Epidemic risks can cause a magnitude of potential economic losses. In order to provide sufficient capacity, an Epidemic Risk Markets platform is being set up, which will include both the private and the public sector. Combining different formats of risk transfer, the market platform ensures an effective allocation of exposure via the capital markets in and between periods of epidemic events.

Munich Re helps the public and private sector to mitigate the negative consequences of pandemic risk by providing innovative insurance solutions and mobilising insurance capital from private and public investors. Thus, existing and available insurance infrastructure can be used to create a much-needed ex ante financing mechanism to reduce the cost of future disease outbreaks.

## Client satisfaction

> GRI 103; 102-43; 417-1

### Strategy and objectives

Maintaining a close relationship of trust with our clients is a key element towards the success of our business. That is why we want to understand our clients’ needs and develop the best possible solutions for them, in a joint dialogue.

We apply a differentiated management approach under our business model, which applies both to our reinsurance clients and to our primary insurance customers and reflects their different demands and needs accordingly. Responsibilities lie with the respective Board members and/or executives, as well as within the various international companies. The topic’s importance is reflected, among other things, in its having been enshrined in our Ambition 2025.

At Munich Re, we manage the dialogue with our clients, and the solutions we correspondingly offer, on the basis of our clients’ needs and growth ambitions. The process includes an analysis of the market and the most important players, as well as the implementation of tailored insurance solutions, products and services for our clients. Client managers are supported by a central sales unit that provide transparency in our Group-wide palette of products and services.

### Measuring client satisfaction

At Munich Re, we have defined numerous monitoring processes to measure our performance in terms of client satisfaction and orientation.

We apply the Net Promoter Score (NPS) to measure client satisfaction both in primary insurance and in reinsurance business. In primary insurance, we measure NPS continuously throughout the year, both at the individual client-interaction and the overall relationship level. When measuring NPS at the overall relationship level, we also benchmark against our peers and the market. We express the result in terms of our share of the market that exceeds the average relationship NPS. This NPS is illustrated in the ↘ Key facts and figures from our 2020 client survey.

The results of our monitoring identify any potential for both improvement and differentiation in the specific divisions, platforms, services, products and client groups. In the form of initiatives, this information is then integrated into our strategy to meet our Ambition 2025, i.e. to remain a long-term partner for our clients.

In addition to our regular client satisfaction surveys, in reinsurance we have implemented a number of measures aimed at continuous improvement of our client relationships. Our operational units regularly request feedback from their clients to complement the centrally organised survey. In order to better respond to our clients’ suggestions for improvement, we offer a comprehensive training programme to all staff who have direct contact with clients. The aim is for them to develop an understanding of our clients’ strategies and needs so that we can develop solutions together.

In primary insurance, our advice to customers in Germany is provided using a standardised approach (ERGO compass) to ensure that quality is consistently high. ERGO uses a variety of tools to obtain direct feedback about new products and services, but also about overarching strategic issues. The main focus is its in-house market research panel (ERGO Customer Workshop) of around 6,000 customers. The ERGO Customer Workshop conducted 26 projects and/or surveys in 2021 alone. ERGO also handled and analysed customer complaints. All feedback is used as a basis for improvements in the various areas.

With its "Hybrid Customer" transformation programme, ERGO Deutschland AG is also implementing a business model that combines traditional sales with online elements. In this respect, ERGO is applying the online expertise acquired by its ERGO Direkt sales units in order to achieve growth and customer satisfaction. It is planned to expand the business model beyond Germany.

In addition, all corresponding customer requests and processes are being digitalised at ERGO Deutschland, to drive end-to-end digitalisation in claims management and operations across all processes and business activities. Moreover, in the context of our expansion of health, mobility and business-to-business-to-consumer activities, we have developed an "E-Caring" platform in Spain that enables us to combine a variety of health services. In the mobility sector, we are working with an automobile manufacturer to offer tailor-made solutions to customers. This includes, for example, a car-protection app for our partner's clients, which allows them to easily obtain insurance cover on a case-by-case basis.

Every two years, we undertake a global client satisfaction survey of all our reinsurance business partners. The survey measures the NPS and client satisfaction in various aspects of the business relationship. Our goal is to keep NPS stable in reinsurance. Our last global satisfaction survey of all reinsurance clients was conducted in September 2020. The findings were based on a 35% response rate. In addition, we have been conducting reputation management with relevant stakeholders since 2020, and illustrating the results in a dashboard. This allows us to identify at an early stage any changes in how our reinsurance business is perceived.

## Key facts and figures from our reinsurance client survey 2020

Every two years, Munich Re conducts a global and representative reinsurance client survey. We use the results to draw clear conclusions on how to improve client relationships and increase our added value. The survey covers all facets of client relations: from satisfaction with our products, to services, to our client focus.

**NPS: 56 (Scale from -100 to 100)**

We are grateful for our Net Promoter Score, but don't rest on our laurels. We actively seek dialogue on how to further improve our client proximity, individual consultancy and tailor-made solutions. In the overall assessment of Munich Re's service quality (considering 13 dimensions), our clients rated Munich Re higher than the Best in Class Competitor.

**Participation rate: 35%**

This shows the importance of feedback for our clients and the results of our ongoing commitment to consistently improve long-term partnerships.

**Claims handling: Rated 8.33 on a 10 scale**

Rapid, client-focused claims settlement is the foundation on which we build our long-standing and trust-based partnerships.

**Employee skillset: Rated 8.79 on a 10 scale**

Our clients value the expertise of our staff members as an essential basis for optimal risk assessment and the identification of new trends and business opportunities.

# 3.2 Responsible investment



> GRI 103; 201-2; 203-1; 203-2

Our business model as an insurer has a long-term focus, therefore sustainability criteria play a key strategic role in investment. As a large asset owner and investor, Munich Re is aware of its responsibility and its impact on sustainability: we are obligated to invest our clients' money sensibly and profitably in a manner that adheres to strict security and return requirements. This is why we integrate material environmental, social and governance (ESG) criteria into our investment decisions.

The majority of Munich Re's investments worldwide are managed by MEAG, which also offers its expertise to private and institutional investors outside the Group.

## Sustainable investment strategy

The Principles for Responsible Investment (PRI), of which Munich Re was a founding member, provide the fundamental framework for Munich Re's sustainable investment approach. The PRI aim to improve understanding of the environmental, social and corporate governance implications of investments and to support PRI signatories in integrating these issues into their investment decisions. Munich Re not only reports to PRI, but also engages it in fruitful dialogue to further develop its own ESG strategy in line with the latest developments. To further strengthen Munich Re's commitment to this cause, the Group's two asset managers, MEAG and Munich Re Investment Partners, also became PRI signatories in 2021. On the basis of the PRI, we have established a binding Group-wide Responsible Investment Guideline (RIG), which covers all PRI and ESG requirements that concern the Group's investment management, including binding exclusion criteria for investments. Further details regarding the RIG can be found in ↘ Management of ESG across all investment pillars.

In addition, we further developed our investment strategy to include a net-zero climate commitment in accordance with the Net-Zero Asset Owner Alliance (AOA), which we joined in 2020. The associated targets are also anchored in our Group Ambition 2025, which reinforces our ESG strategy by giving ESG an even higher priority. We communicated our Ambition 2025 externally at the end of 2020.

Sustainable management of Munich Re investments rests on three pillars:

- ESG integration
- ESG exclusions
- ESG investment opportunities

This approach helps us identify further risks and opportunities by going beyond standard financial analysis. We are convinced that the integration of ESG criteria leads to better investment decisions in the long term. We also engage with companies that we have invested in to promote high sustainability standards, thus taking an active role in terms of our stewardship activities.

In addition, Munich Re focuses on creating a positive impact through renewable energy investments, certified real estate investments and forest investments with certified management and green bonds, which are all linked to environmental criteria.

## Climate Strategy – Net-Zero Asset Owner Alliance and Ambition 2025

Climate aspects are a focus topic of Munich Re's sustainability strategy on investment. Underlining our dedication to this cause, we joined the Net-Zero Asset Owner Alliance (AOA) at the beginning of 2020 and committed to ambitious climate targets for 2025.

In this context, Munich Re aims to decarbonise its asset portfolio by 2050. One measure we plan to take is the phasing out of thermal coal by 2040. As part of Ambition 2025, the Group has adopted a climate strategy for investments that contains ambitious targets intended to contribute to climate protection.

Munich Re participates actively in the AOA's various working groups, last year contributing to the development of methodology, the engagement working group, and the work track on financing the transition to net-zero emissions. In 2021, the focus within the AOA was on establishing a carbon footprint methodology for sovereign bonds and infrastructure. This will continue in 2022 and Munich Re will set targets for these asset classes accordingly. During the year, Munich Re participated in elaborating and issuing major AOA publications, such as the revised Target Setting Protocol. In order to expand our engagement activities, Munich Re and MEAG joined Climate Action 100+. MEAG joined seven engagement dialogues under the Climate Action 100+ umbrella in addition to the numerous dialogues it holds with investee companies on a regular basis. Munich Re Investment Partners joined the AOA's associated organisation Net Zero Asset Managers Initiative in 2021.

In December 2020, as part of its Ambition 2025, Munich Re set bold $CO_2$ targets related to the asset classes of listed equities, corporate bonds and direct real estate based on the AOA's target-setting framework. As an intermediate step, net greenhouse gas emissions in the asset classes mentioned above will first be reduced by 25–29% by 2025, before we achieve our target of net-zero emissions by 2050. Furthermore, specific reduction targets were set for listed equities and corporate bonds: For thermal coal investments – mining and/or power generation – we aim to reduce $CO_2$ emissions by more than 35% by 2025, and for oil and gas investments – drilling and production, refining and distribution – we aim to achieve a reduction of more than 25%, both reductions compared to the base year 2019. To achieve these targets, an internal project led by Group Investment Management (GIM) was established and is operating successfully, supported by various GIM and MEAG colleagues. In addition, a dashboard was set up to keep a close watch on the $CO_2$ footprint of targeted assets and on other forward-looking KPIs. Our ESG strategy and the stated climate strategy are of particular importance for the Group.

Consequently, related strategic decisions are made at Board level. Sensitive issues that could lead to reputational risks are dealt with in adherence to management and compliance processes as well as through specific Reputational Risk Committees (RRCs).

The ESG Investment Committee steers climate investment strategy activities and is responsible for their implementation. Investment-specific topics such as stewardship are also handled by this committee. Updates regarding AOA and the ESG strategy are regularly discussed by the ESG Management Team and are presented at Board level in the ESG Committee. In order to achieve the ambitious climate targets, specific KPIs related to the Climate Ambition initiative are linked to Board remuneration at Munich Re. Further information about Munich Re's overall climate strategy can be found in our ↘ Climate-related disclosure.

## Transition of investment portfolio to net-zero greenhouse gas emissions in 2050

**Assets | Financed $CO_2$ emissions**

Today

**No investment in companies with:**

>15% revenue from thermal coal[1]
>10% revenue from oil sands

2025

| **Total[2]** | **-25% to -29% emissions** |
|---|---|
| Thermal coal[3] | -35% emissions |
| Oil and gas[3] | -25% emissions |

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 & gas (-25%).

**Creating positive impact**
We will double our renewable portfolio (equity and debt) up to €3bn.

**Initiating dialogue**
We concentrate on and engage with our large contributors of financed emission 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] Based on sub-portfolio of listed equities, corporate bonds and direct real estate. | [3] Based on sub-portfolio of listed equities and corporate bonds.

Achievement of the three $CO_2$ emissions reduction targets is measured by corresponding KPIs. The $CO_2$ emissions of listed equities and corporate bonds are calculated using data from the external ESG data provider, ISS. For the direct real estate portfolio, the consumption for all energy sources is determined by our asset manager, MEAG, divided into Scope 1 and 2 and aggregated based on a model, as real data is not always available.

The total Scope 1 and 2 $CO_2$ emissions of listed equities, corporate bonds and direct real estate in our direct portfolio was reduced by 30.8 % compared to the 2019 baseline, which means we are on track to meet the reduction targets we set ourselves.

**Reduction of carbon emissions (scope 1 and 2) compared to the 2019 base year (Munich Re's Group Ambition 2025)[1]**

| % | 31.12.2021[2] | Prev. year |
|---|---|---|
| Listed equities and corporate bonds and direct investment properties | 30.8 | 0.7 |
| Listed equities and corporate bonds from companies in the thermal coal segment – mining and/or power generation | 46.8 | -13.6 |
| Listed equities and corporate bonds from companies in the oil & gas segment – drilling and production, refining and distributing | 13.8 | -31.4 |

## Sustainable investment governance

### ESG investment governance

Strategic decisions on sustainable investment are taken by the Board of Management in the ESG Committee, which is a sub-committee of the Strategy Committee of Munich Re's Board of Management. The ESG Management Team supports the ESG Committee in the preparation of strategic topics and discussions and is responsible for implementing the strategic decisions taken. These two committees are complemented by the ESG Investment Committee, which focuses on implementation of the ESG investment strategy. The ESG Investment Committee includes members from GIM, MEAG, Munich Re Investment Partners and central divisions of Munich Re.

Overall responsibility for the Group's investment management lies with the Chief Investment Officer (CIO). The GIM unit is responsible for the sustainable investment strategy of the Group as asset owner, and has established a dedicated ESG team.

In addition, our internal asset manager, MEAG, has a specialised ESG team with a direct reporting line to the Management Board of MEAG, thus strengthening Munich Re's ESG approach as a whole. Furthermore, our second asset manager, Munich Re Investment Partners, is a climate-driven investment manager and leverages the climate and investment expertise of Munich Re.

Besides the dedicated ESG team, there are also ESG multipliers throughout GIM to further integrate sustainability across the whole investment value chain. On the asset management side, MEAG's ESG team is also supported by ESG multipliers across different asset classes. The ESG multipliers continuously build asset-class-specific ESG expertise and are responsible for the implementation of ESG in the investment process.

To address reputational risks, MEAG has formed a Reputational Risk Committee, chaired by the Head of Legal, Regulatory & Compliance. In addition, an RRC was established at GIM to ensure that asset-owner reputational risks are also taken into account.

[1]For listed equities, corporate bonds based on the available carbon emissions from the ISS data provider (usually carbon emissions from the previous year). For direct investment properties, carbon emissions for the 2021 financial year are approximate due to a lack of available data at the time of publication. They are based on available carbon emissions from last year and transparent carbon emission reductions from green energy certificates. | [2]A reduction in carbon emissions compared to the 2019 base year is illustrated by a plus sign, an increase in carbon emissions by a minus sign.

## Sustainable investment governance


### Asset manager

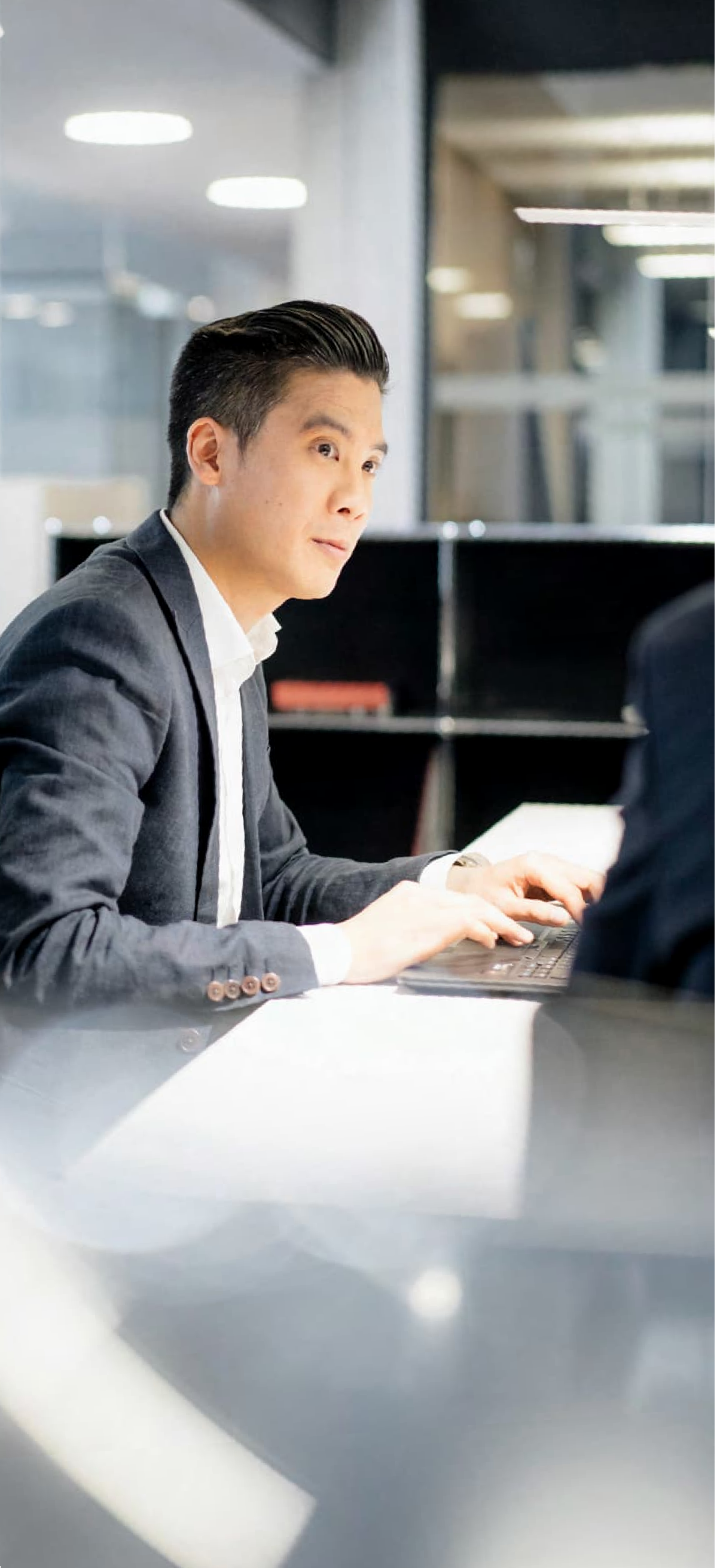
Munich Re's investments are largely managed by MEAG, the global asset manager of Munich Re and ERGO. MEAG ensures that the Group's investments are managed in conformity with uniform policies and principles. MEAG's sustainability specialists focus on the continuous strengthening of ESG integration and stewardship activities across all asset classes. Additionally, MEAG's Board has adopted a MEAG sustainability strategy that underlines its commitment to further strengthening its ESG approach.

Learn more about MEAG's sustainability strategy

Alongside MEAG, specific assets are also outsourced to external asset managers. A dedicated team within GIM is responsible for the selection process and ensures that ESG-specific issues are included in this process. Furthermore, Munich Re requires new asset managers to be UN PRI signatories. After the onboarding process, all selected asset managers are monitored to ensure they live up to their ESG promises. Accordingly, GIM reviews the ESG strengths and weaknesses of asset managers, and their compliance with defined Munich Re criteria, on a regular basis.

## Management of ESG across all pillars

In principle, the management of our investments is based on three pillars: systematic ESG integration into the investment process, defined exclusion criteria within the framework of our binding guidelines, and guidance and investment focus areas such as renewable energy and green bonds. The Responsible Investment Guideline (RIG) is the overall steering instrument as it sets out binding requirements for MEAG and all Munich Re's asset managers. The latest RIG update includes further topics relating to sustainability and a more comprehensive description of internal methods and tools. It is now more asset class-specific and incorporates Munich Re's climate strategy. Furthermore, stewardship, the responsibilities and duties of third-party asset managers, and the governance of respective roles and responsibilities are described in detail.





# 3.2 Responsible investment

## ESG integration

The systematic integration of ESG criteria is an elementary component of our investment strategy. Defined ESG criteria are incorporated into the selection processes for our asset classes.

It is Munich Re's conviction that integrating ESG criteria into investment decisions contributes to better, more holistic risk management of the assets we own. Munich Re is convinced that ESG integration leads to higher risk-adjusted returns over a market cycle. Furthermore, Munich Re combines various approaches of ESG integration across our investment value chain, from strategic asset allocation through to asset management. This helps identify risks and opportunities beyond standard financial analysis.

Munich Re and MEAG both use available MSCI ESG research and MSCI ESG ratings to help us continuously improve our understanding of sustainable investment. Additionally, in 2021 Munich Re and MEAG together established a new partnership with leading ESG data provider, ISS, to gain further insights into climate change-related risks and to strengthen our decarbonisation approach. Within the framework of ESG focus investments, Munich Re selectively chooses investments that make a positive contribution to its ESG strategy. These include renewable energy, forests with certified management, certified buildings and green bonds.

MEAG provides regular training on ESG, addressing topics such as ESG data, ESG trends and regulation. Numerous employees from MEAG's investment management, portfolio management and credit research teams were offered in-house training on ESG in cooperation with MEAG's ESG data providers MSCI ESG and ISS or, alternatively, trained to become certified ESG analysts. In addition, most of our external asset managers have extensive ESG resources, proven ability, and skills in ESG integration, which are an essential part of evaluating their quality and performance.

### Public markets

For investments in equities and corporate bonds, MEAG's portfolio managers and credit analysts make systematic use of available MSCI ESG analyses, among other data sources, including research from investment banks, in order to evaluate the return/risk profile of various investments. This ensures that risks and opportunities arising from sustainability issues are integrated into Munich Re's investment decisions. Furthermore, a training series dedicated to climate data and analytics was carried out in 2021.

1. Introduction
2. Approach to sustainability
3. Sustainable business
3.1 Sustainable insurance
3.2 Responsible investment
3.3 Climate-related disclosure
4. Environmental management
5. Employees
6. Society
7. Good corporate governance
8. Annex

In addition to the selection process, ESG information is incorporated into Munich Re's stewardship approach and practices. MEAG engages in dialogue and coordinates with issuers, this was further supported by Munich Re and MEAG joining the Climate Action 100+ engagement initiative in 2020. Currently, MEAG is involved in seven ongoing Climate Action 100+ engagements, complemented by further bilateral engagement activities. MEAG will continuously increase the scope of its commitments in this regard. To shed light on these efforts, GIM requires its asset managers to regularly report on their engagement activities. For example, once a year every asset manager must provide Munich Re with a specific report containing an overview of their engagement cases and targets, as well as the activities they are planning with regard to the discussions held. This serves to track the progress of the companies.

For sovereign bonds, sovereign ESG ratings from MSCI are continuously monitored by MEAG's portfolio managers. ESG data and ratings are part of MEAG's sovereign analysis, are regularly discussed during meetings, and are documented on our research platform. In cases where countries fail to satisfy our criteria, MEAG refrains from investing in their government bonds or the bonds of quasi-governmental organisations. Details of this can also be found in the Responsible Investment Guideline. This ensures that risks and opportunities arising from sustainability issues are integrated into investment decisions. Moreover, in 2021, Munich Re focused on carbon footprint methodology for sovereigns, as this is one of the asset classes which is currently being discussed in the Net-Zero Asset Owner Alliance.

The KPI "Rating coverage of liquid asset classes" represents the ratio of the liquid asset classes equities, corporate bonds, covered and government bonds with an MSCI ESG rating to the total of these liquid investments. The calculation of the ratio is based on market values.

**Rating coverage of liquid asset classes**

| % | 31.12.2021 | Prev. year |
|---|---|---|
| Rating coverage of liquid asset classes | 96.1 | 96.9 |

## Alternative assets

Due to the long-term nature of alternative investments, ESG factors are of particular importance. Therefore, we specifically take ESG criteria into account in our investment process, in the analysis and selection of investment opportunities, and in the asset management process. Experts from both MEAG and Munich Re work closely together to leverage Group-wide ESG know-how. Munich Re has implemented its proprietary processes for assessing sustainability, and also uses external advisors who draw on Munich Re's internal expertise.

### Real estate

Together, Munich Re and MEAG consider sustainability in the purchase, construction and renovation of real estate – and implement ESG criteria when performing due diligence for new investments. This can include, for example, examining the geographic properties of a site, evaluating the construction materials, looking at the technical facilities used, and considering the social aspects of the investment project.

MEAG encourages its tenants to use its buildings in a sustainable way. When working on existing properties, requirements for energy efficiency and the choice of suitable construction materials, partners and proven technologies apply.

Furthermore, the $CO_2$ footprint of Munich Re's real estate portfolio is part of Munich Re's Ambition 2025 and the Net-Zero Asset Owner Alliance commitment. We are therefore aiming for net-zero emissions from our real estate portfolio by 2050. One important step in lowering $CO_2$ emissions in our real estate portfolio was taken in 2021: Munich Re's directly held German real estate portfolio now sources green electricity from European hydropower plants to reduce its carbon footprint. The green electricity certificate is aligned with the high-quality TÜV SÜD standards for electricity generation from renewable energy.

Since 2020, MEAG has been a member of the ESG Circle of Real Estate (ECORE) initiative that advocates for a sustainable real estate industry. With more than 100 members, the initiative is developing a new ESG scoring model that will make sustainability in real estate portfolios transparent, measurable and comparable.

**Infrastructure equity and debt**

MEAG and Munich Re focus on long-term investments with a buy-and-hold approach. The longer the investment horizon, the more important assessment of ESG criteria in the due diligence becomes. For each new investment, MEAG places great emphasis on the assessment of ESG risks in its due diligence. These criteria address, for instance, climate risks, transitional risks, natural hazards and cyber risk.

MEAG's specialists work closely with Munich Re's technical, environmental and insurance experts, among others, during the due diligence process to ensure that relevant risks are adequately taken into account, in particular from a sustainability perspective. To further strengthen this approach, MEAG onboarded a specialised data provider in 2021, who will supply several ESG data points for the existing infrastructure assets.

**Forestry and agriculture**

Munich Re and MEAG's investment focus for forest and agriculture investments is on countries with safe legal systems and protected ownership rights. In addition, ESG considerations are integrated into all aspects of the investment and decision-making processes. Environmental, climate, human rights, labour and work safety issues are among the major topics taken into account. For example, the investment process incorporates wildfire and precipitation risk analyses based on proprietary Munich Re data.

Independent reviews of applied management practices in forestry and agriculture are of the utmost importance, as they verify sustainable ongoing management activities. For example, nearly all forestry assets are certified by the Forest Stewardship Council and/or the Programme for the Endorsement of Forest Certification, which set strict national standards for sustainable forest management, including social and environmental criteria.

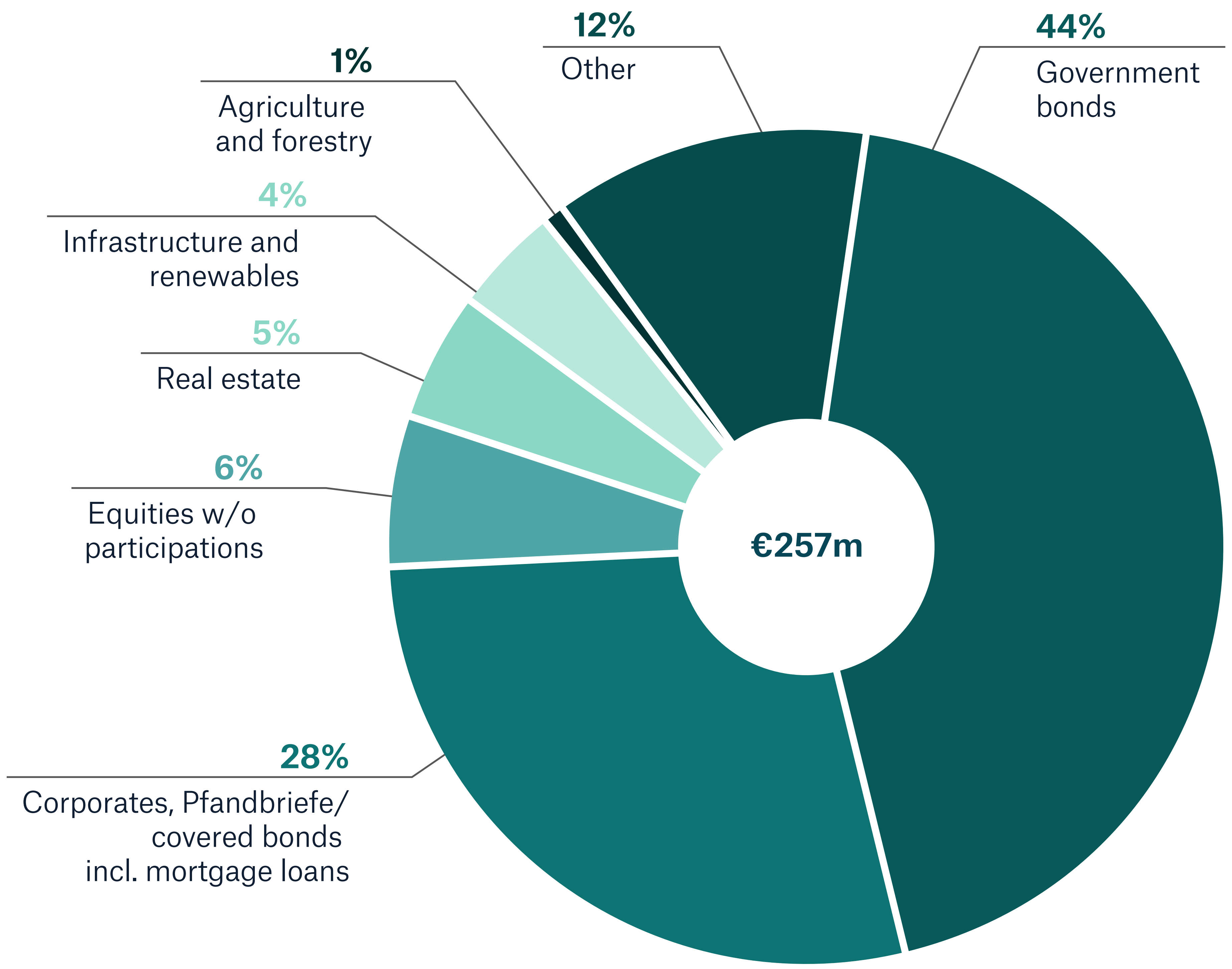
When buying forestry or agriculture, MEAG considers the following aspects:

- No conversion of native growth forests that are rare and ecologically significant at a landscape level
- No purchase that has adverse impacts on ecosystems with exceptional conservation value
- No land grabbing or land speculation

When managing our forestry and agriculture, MEAG pays attention to the following criteria:

- Sustainable management of the acquired land, e.g. independent certification of forest management or organic farming. Managing streamside buffer zones to preserve the river ecosystem and avoid erosion is an example of a sustainable management practice in forestry. An example of sustainable agricultural management is frequent crop rotation to safeguard soil quality.
- Funding and participation in projects with positive ESG effects include carbon storage through afforestation and preserving the habitat of endangered species.

Total investments Munich Re, % of total market value (31.12.2021)*




* To highlight the sustainability criteria, the composition of the asset classes was slightly adjusted

## ESG exclusions

Munich Re has defined economic activities that are excluded from its investments. These are laid down in our RIG. The RIG applies to Munich Re's own investment portfolio, regardless of the asset managers.

Munich Re does not invest in companies that generate more than 30% of their revenue from thermal coal. Companies whose revenue from thermal coal is between 15% and 30% are also excluded from its investment universe or, in individual cases, actively supported in the transition to renewable energy within the framework of an engagement dialogue. We are currently conducting two special engagements with coal companies, which are still ongoing.

Also excluded are companies that generate more than 10% of their turnover from the extraction of oil sands.

In addition to exclusions under the climate strategy, the following are excluded from the investment universe:

- Investment in companies that manufacture banned weapons (cluster bombs and land mines)
- Government bonds and notes from quasi-governmental institutions with an MSCI ESG rating of CCC
- Trade and investment in food commodities (e.g. grains/oilseeds and dairy products).

## ESG investment opportunities

### Creating positive impact

In the spirit of creating shared value, Munich Re uses economically sound investment opportunities to create a positive impact. ESG-focus investments contribute positively to our ESG strategy. Currently, these include renewable energy investments, certified real estate investments, forests with certified management and green bonds, all of which are linked to environmental aspects. In the medium term, we aim to extend the range of these ESG-focus investments to accord with regulatory developments, specifically with regard to the classification of investments according to the EU taxonomy.

The KPIs for ESG-focus investments are the sum of the market values in the respective asset classes.

**ESG-focus investments**

| | 31.12.2021 \| €m | Prev. year \| €m | Change \| % |
|---|---|---|---|
| Green bonds | 2,206 | 1,850 | 19.2 |
| Renewables | 1,724 | 1,600 | 7.8 |
| Certified real estate | 2,228 | 2,080 | 7.1 |
| Certified forestry management | 1,143 | 748 | 52.8 |

### Renewable energy and green bond investments

Through our investments, we aim to promote the use of future technologies in avoiding greenhouse gas emissions. With this in mind, MEAG, on behalf of Munich Re, invests in infrastructure projects around the world, such as solar power plants and wind farms as well as in green bonds. In 2021, investments (equity and debt) in renewable energy were approximately €1.724bn and this will be steadily increased over the next few years to €3bn by 2025. Investment in green bonds amounted to approximately €2.206bn. The classification of the green bond portfolio is determined by WM Datenservice's assessment of the issue documents.

We continue to rely heavily on regional and segment-specific diversification of these investments to spread the technical and political risks within the portfolio.

In 2021, our installations generated approximately 2.5 million megawatt hours of green electricity, supplying power to around 485,000 households (based on household consumption data in the EU and US), thereby avoiding some 700,000 tonnes of $CO_2$ equivalents.

### Certified real estate and forest investments

Munich Re wants to support climate change mitigation and therefore focuses on specific certifications related to the real estate and forest investment asset classes.

In the case of real estate investments, we focus on energy efficiency and green buildings. We aim to certify them in accordance with the "EU Green Building" standard, the Building Research Establishment's Environmental Assessment Method (BREEAM), Leadership in Energy and Environmental Design (LEED), the German Sustainable Building Council (DGNB), or to have equivalent certifications that contribute to sustainability. Furthermore, new direct real estate investments must also obtain a recognised level of certification.

We focus on forest investments, with management of the forest certified by FSC, PEFC or an equivalent organisation. Sustainable forest management is the key target of any forest investment. The asset manager assesses each investment individually using ESG criteria as part of the due diligence process. ESG criteria shall also be promoted and integrated into all ongoing management activities. Independent reviews of applied management practices from FSC, PEFC or equivalent certifiers are of the utmost importance, as they verify the sustainability of ongoing forest management activities.

## Munich Re's issued green bonds

In 2020, after becoming the first German insurer to issue a green bond (volume of €1.25bn), Munich Re issued a second green bond in 2021 with a volume of €1bn to further strengthen our commitment to creating a positive impact. As part of the bond issuance, we committed ourselves to investing the volume issued in sustainable projects in accordance with the Munich Re Green Bond Framework. When selecting these projects, we were guided by the UN Sustainable Development Goals. We have specified a time frame of 36 months in this regard and publish information about the investments made in an allocation report on our homepage. We intend to invest the volume issued in projects that are geographically diverse and that encompass the alternative asset classes.

More specifically, GIM manages the allocation equivalent to the net proceeds of the green bonds to eligible projects using a portfolio approach. For each green bond, Munich Re commits to publishing an allocation and impact report on its website one year after issuance of the green bond, and then annually until full allocation of the net proceeds, as well as in the event of any material changes of the allocation as long as the green bond is outstanding.

In the context of the issuance of its inaugural green bond, Munich Re established a Green Bond Committee with responsibility for governing the selection and monitoring of the eligible projects.

On a semi-annual basis, GIM recommends eligible projects to the Green Bond Committee, which subsequently screens these projects and assesses whether they are in line with the Munich Re eligibility criteria and exclusions, as well as with Munich Re's sustainability policies and procedures. Once eligible projects have been identified, GIM tracks the actual allocation to the projects using internal systems.

The Green Bond Committee reviews the list of eligible projects against the Munich Re eligibility criteria and exclusions on an annual basis. If a project no longer meets the eligibility criteria set forth in this framework, the project will be withdrawn and replaced as soon as one or more eligible projects have been identified as a substitute.

The net proceeds of the first green bond, the volume of which is €1.25bn, have already been allocated to projects in accordance with Munich Re's Green Bond Framework. The proceeds were allocated to eight projects in North America and Europe. In July 2021, the corresponding allocation and impact report was published on Munich Re's website.

The KPI "Volumes of green bonds issued" represents the collected capital of the green bonds issued, and the classification of the bonds is based on the Munich Re Green Bond Framework.

**Green bonds**

| | 31.12.2021 \| €m | Prev. year \| €m | Change \| % |
|---|---|---|---|
| Volume of green bonds issued | 2,250 | 1,250 | 80.0 |

## Sustainable investment products by MEAG[1]

MEAG has a long history of ESG investment experience and offered its first ESG investment fund in 2003. Since then, the range of sustainable investment products for private and institutional clients has steadily increased. All of the following funds satisfy environmental and social product characteristics in line with Article 8 of the EU Sustainable Finance Disclosure Regulation.

The **ERGO Vermögensmanagement funds** consist of three of MEAG's sustainable mutual investment funds. These funds invest globally and throughout all asset classes, taking sustainability criteria and relevant exclusion policies into account. The fund excludes companies with severe violations of the principles of the United Nations Global Compact (UNGC), companies that have any ties to banned weapons, as well as sovereigns with a poor record on civil liberties and political rights as indicated by the classification "Not Free" from Freedom House. Companies with activities in further contentious business sectors are excluded if the corresponding revenues surpass defined thresholds, e.g. regarding tobacco or gambling.

The **MEAG Nachhaltigkeit** equity fund was launched in 2003 and applies the best-in-class approach by investing in developed markets, primarily in companies with responsible management practices. The fund excludes companies with severe violations of UNGC principles, companies involved in unconventional oil and gas production (e. g. fracking, oil sands), and companies that generate a certain revenue from thermal coal production, oil and gas production, coal power generation or other contentious business sectors such as tobacco or gambling. The MEAG Nachhaltigkeit fund was awarded the one-star label for sustainable investment from the "Forum Nachhaltige Geldanlagen (FNG) Label for the year 2022", reflecting the high ESG standards considered that this product takes into account.

**MEAG FairReturn** invests mainly in bonds and equities from global issuers who act sustainably. Issuers are selected on the basis of their environmentally friendly and socially responsible track record, as well as good corporate governance and financial performance in a best-in-class approach. For companies, the same exclusion rules as for the MEAG Nachhaltigkeit fund are applied. For sovereigns, ESG exclusion criteria include countries that are classified as "Not Free" by Freedom House or have not ratified the Paris Agreement, among others. MEAG FairReturn was awarded with the one-star label for sustainable investment from the "Forum Nachhaltige Geldanlagen (FNG) Label for the year 2022", reflecting the high ESG standards considered that this product takes into account.

The **MEAG EM Rent Nachhaltigkeit fund** chiefly invests in bonds from governments and companies in emerging and developing countries with stable growth and sustainable policies. Once again, issuers with severe violations of the UNGC principles are excluded and companies with contentious business fields are generally either not considered for investments (e.g. banned weapons) or only if corresponding revenue shares remain below certain thresholds (e.g. tobacco, gambling). Sovereigns with a poor record regarding civil liberties and political rights as indicated by the classification "Not Free" from Freedom House are also excluded.

Furthermore, MEAG offers tailor-made sustainable investment products for institutional clients based on specific requirements and needs.

[1] "Impact" in Munich Re's strategy does not imply a reference to products in terms of Art. 9 SFDR.

# Case studies

## Supporting Europe's transition to renewable energy with Finland's largest onshore wind farm

MEAG, Munich Re's asset manager, reached financial close on the Mutkalampi project in western Finland in April 2021. As the largest onshore wind farm in the country, Mutkalampi is responsible for about 2% of Finland's national electricity production. Renewable energy is a key technology for reducing the global carbon footprint and thus contributes to limiting global warming by reducing reliance on carbon-intensive energy sources. Rapid development of renewable energy projects, such as photovoltaic or wind farms, enable a sustainable energy transition. The financial sector supports this transition as well. Together with other institutional investors, Munich Re financed the Mutkalampi wind farm, which, with 69 turbines, will eventually have a capacity of more than 400 megawatts (currently under construction).

## A habitat for forest birds as a focus of our forestry investment

In 2021, MEAG, on behalf of Munich Re, invested in a forestry project in southwestern Oregon (USA), covering a total forest area of approximately 15,500 hectares. The Coast Range region provides favourable conditions for growing timber due to its abundant rainfall, mild climate and fertile soil qualities. The silvicultural practice of establishing managed forests by planting tree seedlings began more than 50 years ago to promote the growth of high-value Douglas fir timber. In such planted areas, ingrowth of naturally regenerated western hemlock, cedar, red alder and other hardwood species also occurs, which creates a unique ecosystem essential for the conservation of biotopes and species, thus supporting biodiversity.

During the due diligence phase, the presence of an endangered bird species, the northern spotted owl, was detected. In order to provide a favourable living habitat for this rare species and to ensure its wellbeing, a comprehensive monitoring programme was implemented.

In 2021, as part of the conservation effort, the local forest property manager surveyed 32 spotted owl sites and mapped their locations. Now, any potentially disturbing activities are prohibited within 92 metres (300 feet) of the sites during the nesting period, when the birds are particularly vulnerable. Undisturbed nesting is a vital component of breeding success and positively affects the population dynamics of this endangered species.



# Investment strategy followed by Munich Re Investment Partners

Munich Re Investment Partners was established as a new asset manager at Munich Re that is fully focused on sustainable investment. Munich Re Investment Partners is in the process of building innovative investment solutions that drive climate action and cater to the needs of asset owners committed to net-zero emissions.

Munich Re Investment Partners is a climate-driven investment management specialist that builds innovative sustainable investment solutions for institutional clients globally, leveraging Munich Re's climate and investment expertise.

Munich Re Investment Partners believes that the only way to make investing sustainable is to enshrine sustainability as a corporate value. Environmental, social and governance values are as important to the company as they are to its investors. By its very nature, the company is impact-aware and incorporates this approach into all facets of its investment activities, as well as into its own organisation.

Learn more about Munich Re Investment Partners

# 3.3 Climate-related disclosure

> GRI 103; 201-2

Munich Re is a pioneer in analysing the consequences of climate change in the financial services and insurance sector. For more than 40 years, it has dealt with climate change and the related risks and opportunities for the insurance industry.

In the 1970s, as part of geo-risk research activities within the company, Munich Re began investigating the causes behind increasingly costly losses from weather-related natural catastrophes. Over the years, the complexity of the issues became increasingly clear as scientific advances were made.

Today, we are part of a comprehensive scientific network that gives us access to the latest findings on climate change and this ensures a high level of quality for our analyses. The various findings from these analyses are consolidated on an ongoing basis and translated into relevant recommendations for Munich Re as well as for our clients.

The following section on climate change represents the Group's integrated climate-related disclosure. Content and structure follow the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in addressing our governance, strategy, risk management as well as metrics and targets regarding climate change. Certain content relevant for our approach to climate risks and opportunities is also covered in our annual report; an overview can be found in our TCFD index.

## Governance

We have clearly defined the Group-wide organisational responsibility for sustainability. This also includes the management of risks and opportunities arising from climate change, which is an integral component of Munich Re's strategy. All material issues relating to sustainability and climate are decided at Board level and handled at management level in various departments across the Group.

### Board of Management and Supervisory Board level

Fundamental strategic decisions are taken by the Board of Management, or, more specifically, by the ESG Committee, a subcommittee of the Strategy Committee.

Please refer to the ↘ ESG governance section to read about our ESG governance structures.

The Board-level ESG Committee oversees material climate-related topics such as our climate and decarbonisation strategy, and our net-zero ambition.

Detailed submissions are prepared for each Board committee meeting. Depending on the topic and agenda item, these include strategic proposals as well as defined objectives, budgeting, deliverables and KPIs.

The Board is informed about all existing projects, activities, progress and current developments on a regular basis. In addition, it is updated on strategic projects, proposals, new activities and initiatives, innovations and new or unexpected developments.

In the 2021 financial year, topics relating to ESG and/or climate change were discussed on 10 occasions at meetings of the Supervisory Board and its committees, and on 48 occasions at meetings of the ESG Committee and other committees at Board level (13 of which explicitly addressed environmental/climate matters).

Please refer to ↘ Board remuneration in order to read about how our remuneration system addresses ESG and climate change.

### Management level

Munich Re's Board of Management is supported by dedicated climate change experts in various central business divisions and departments. These include Munich Re's Chief Climate Scientist and Head of Climate Change Solutions; the Head of Geo Risks on behalf of the Integrated Risk Management (IRM) division; the leading natural catastrophe expert in Corporate Underwriting; and Munich Re's leading expert for liability and insurance law, including climate liability.

Climate-related action is steered and monitored by the ESG Management Team (see ↘ ESG governance) and delegated to the appropriate topic owner. Multi-disciplinary project teams are deployed to steer strategic plans, such as Munich Re's climate strategy, and to monitor progress and targets.

The assessment of risks and the development of climate-friendly/clean tech products and risk solutions are integrated into the various business units and departments, including Munich Re's Green Tech Solutions department and our US subsidiary Hartford Steam Boiler. With the growing importance of climate change-related topics, the number of employees involved has grown continuously in recent years. As a result, we now have numerous specialists in central and business units across the Group to handle particular aspects of climate change, decarbonisation, nat cat and renewable energy/clean solutions. Regarding the management of climate change risks, please also refer to the chapter on ↘ Risk management governance.

Central communication structures have been established to ensure reporting lines and communication across the different business units and project teams. Regular meetings (in various formats) on ESG and climate-related topics ensure the exchange of information across the Group.

## Strategy

Since 2008, Munich Re has had a holistic climate strategy in place that has evolved continuously. Our Group-wide objective is to contribute to achieving the goals of the Paris Agreement.

Our strategy is based on three core elements comprising ambitious decarbonisation targets, comprehensive climate risk management, and the provision of innovative risk transfer solutions aimed at adapting to and mitigating climate change. These elements span our asset portfolio, our liabilities and our own operations. In addition, we leverage our knowledge in the climate sphere through global initiatives and partnerships.

### Munich Re Group climate strategy

| | Comprehensive climate risk management | Ambitious decarbonisation targets | Innovative climate solutions |
|---|---|---|---|
| Assets | - Climate risk management for both assets and liabilities:<br>- Physical risks<br>- Transition risks<br>- Reputational and ESG risks<br>- Litigation risks | - Total: net-zero (2050)[1]<br>- Thermal coal: full exit (2040)[1] | - Investing in low-carbon technologies and green innovations<br>- Green bond issuance |
| Liabilities | | - Oil & gas: net-zero (2050)[2]<br>- Thermal coal: full exit (2040)[2] | - Climate risk analysis services<br>- Risk transfer solutions for climate mitigation & adaptation |
| Own operations | - Improving operational emissions and efficiency | - Carbon-neutral since 2015<br>- Net-zero emissions by 2030<br>- Aiming for 100% green electricity purchased Group-wide by 2025 | - Project *Tackling Climate Change Together* |
| Initiatives & partnerships | - Global partnership for collaborations and innovation towards climate-friendly solutions<br>- Providing our expertise as a public voice to advocate for climate action and resilience | | |

[1] Applies to equities, corporate bonds, real estate at the end of 2019 | [2] Applies to direct, facultative and primary insurance: base year 2019

## Ambitious decarbonisation strategy

Our decarbonisation strategy is a key part of our overall climate strategy and revolves around three core domains: assets, liabilities and our own operations. As part of Munich Re's Ambition 2025, we introduced a series of challenging targets for our roadmap towards further decarbonising our business by 2050 – with the first important milestones in 2025. Further strategic milestones from 2025 onwards will be developed in line with current scientific progress and political developments.

For more details on our methodology and milestones for these targets in coming years, please refer to the ↘ Targets and metrics section.

## Comprehensive climate risk management

Of particular strategic relevance are the risks and opportunities associated with the consequences of climate change in the coming years and decades.

In the following section, we therefore take a closer look at the time horizons, the specific risks material to our business model, and our strategic response to the potential impact of climate risks. A description of how we identify, analyse and manage climate risks is provided in the ↘ Risk management section.

Business opportunities arising from climate change are reflected in our climate solutions suite. In addition to the brief overview in this section, our climate-related and green solutions are presented in more detail in the ↘ Climate solutions section.

### Climate change time horizons

Munich Re applies different time horizons for the assessment of risks and opportunities relating to climate change.

- Short term: 2022–2024
- Medium term: 2025–2033
- Long term: 2034–2062

In climate research, we also look at the remote future (2060–2100) to some extent, but, since this is such a distant horizon, it is not explicitly considered across the business and its investments.

With regard to the reinsurance portfolio, understanding changing risk levels decades ahead is relevant more from a strategic point of view than from the perspective of current insurance business practices. This is because reinsurance covers are mostly renewed on an annual basis, so risk management and (re)insurance cover can be adapted as hazards are impacted by climate change over the years.

### Climate change risk drivers

The various types of climate-related risks that could potentially affect our company and business are monitored and evaluated by specialised departments and integrated into Munich Re's risk management system.

In line with the TCFD recommendations, we differentiate between physical and transition risks associated with climate change. In addition to the climate-related risk drivers described below, we also refer to our annual risk report for descriptions of general financial risk drivers.

- Physical risks arise from the increasing frequency and intensity of extreme weather events (heat, drought, storms, hail, etc.) due to climate change.
- Transition risks, in particular, arise from political and economic measures to shift to a low-carbon economy or reactions to changing living conditions in certain regions. This includes market and technology risks, policy and legal risks, as well as litigation and reputational risks.

#### Physical risks – acute and chronic

According to climate science and our own analyses, climate change already contributes to changes in hazard incidence in regions with substantial insurance exposure (e.g. increase in days with high maximum temperature levels, leading to more frequent large wildfire events).

# 3.3 Climate-related disclosure

Over the coming decades, further changes in climate-related hazard incidence (increased severity and frequency) in regions with substantial exposure are expected to be driven by both anthropogenic climate change and natural climate variability. Examples include more high-intensity tropical cyclones making landfall in regions with high coastal exposures, more heavy precipitation events and larger river flood events, as well as more frequent storm surge events due to sea level rise. In the remote future, higher losses from strong European winter storms are also expected.

In terms of acute and chronic risks, a clear-cut difference is often difficult to ascertain. For instance, rising sea levels (chronic) are aggravating flooding from storm surge (acute), while more intense heatwaves (acute) are intertwined with increasing average temperature levels/global warming (chronic).

We take short-term acute physical effects into particular account in the risk assessment of natural hazards. Recent examples of this are current assessments of the "Wildfire USA" and "North Atlantic Hurricane" scenarios in the reinsurance segment and the "Flood Germany and Poland" scenario, which is particularly significant in the ERGO segment. The occurrence of natural catastrophes with unexpected characteristics in terms of frequency or severity can have an impact on Munich Re's earnings and financial position.

Other factors influencing risk are the existence of adaptation measures to increase climate resilience (e.g. improvements to building codes), and the maintenance of risk-diversifying potential across continents and regions.

### Transition risks

There are risks involved in the transition to a low-carbon economy. Already under way, this transition is expected to become more radical and to accelerate in the next 10 to 20 years, which might affect the overall risk landscape of our business. We therefore regularly analyse our insurance as well as our investment portfolios to evaluate our exposure to transition risks (see ↘ Risk management). We consider the following types of transition risks:

Market and technology:

In coming decades, developments in technology, systems and associated markets (e.g. smart and digital technologies for steering various systems more efficiently regarding energy and resource consumption, as well as further upscaling of renewable energies, and steering towards low-carbon products and services) will in some sectors gradually or even disruptively change the characteristics of insured assets, businesses and processes.

The above will foster new product designs that make new risk assessment approaches necessary for technologies and processes without a pre-existing record of damage and loss. As a result, we expect risks involved with the transition to a low-carbon economy to affect our underwriting business.

Policy and legal risks:

In terms of current and emerging regulation, Munich Re monitors risks of non-adequate anticipation of changes in policies and regulatory requirements due to the need to mitigate greenhouse gas emissions (GHG), e.g. affecting carbon-intensive sectors.

The landscape of regulatory and other reporting requirements regarding impacts driven by climate change is quite dynamic. Further amendments and additional requirements are foreseeable.

On the investment side, transition risk is already materialising in capital markets and will intensify in the next few years, following the ongoing reallocation of institutional portfolios. The anticipation of regulatory developments and the fulfilment of respective self-commitments have created heightened demand for green assets and shrinking demand for "high-emitting" assets. Furthermore, lawsuit risks can arise if products are presented as being more climate-friendly than they are ("greenwashing").

#### Litigation risks

We also consider the risk of potential insured liabilities in the context of climate change. This pertains to the impacts that could arise if third parties who have suffered damage due to the effects of climate change seek compensation for their losses. Although such claims may continue to be unsuccessful, they might nevertheless lead to substantial generally insured defence costs. Some of these claims, which may only arise years or even decades in the future, have the potential to considerably impact carbon extractors and emitters and, in the event that they have purchased liability insurance, also their insurers.

We differentiate between:

- direct climate change liability which targets GHG-intensive corporations for their GHG emissions as such; and
- indirect climate change liability stemming from corporations that are accused, for example, of taking insufficient action to reduce their GHG emissions, greenwashing or failure to disclose. Indirect climate change liability could affect clients from all industries, independent of GHG emissions.

In this regard, the most affected insurance lines of business (LoBs) are general third-party liability (GL), with a higher risk for GHG-intensive clients (direct climate change liability), and Directors & Officers/ Errors & Omissions/Personal Indemnity covers for indirect climate change liability.

Our Group Compliance & Legal division monitors the impacts of potential litigation risks on Munich Re. In order to raise awareness of this risk and to take it into account when drafting future contracts, the Corporate Underwriting department has developed standards that are communicated to the relevant employees in information events and training sessions.

#### Reputational risks

Our reputation is affected by our behaviour in various areas such as customer relations, product quality, corporate governance, financial performance, treatment of employees, and corporate responsibility. Reputational risks, which may also be influenced by climate change risks, interact closely with all other risk categories, such as risks arising from a possible deterioration in Munich Re's reputation as a result of negative public perception, a deterioration in the company's rating or enterprise value, etc. The assessment of individual business transactions in events relating to reputational risks is carried out by Reputational Risk Committees at the level of the business segments. If a reputational risk has a potential impact on Munich Re, other central divisions are included in the assessment.

## Strategic opportunities

While climate change poses significant risks to the economy and society as a whole, we consider the increasing global demand for increased climate resilience as well as the shift towards a low-carbon economy as an opportunity for Munich Re. This is manifested, first, in an increased demand for our extensive portfolio of climate-related risk analysis and risk transfer solutions and, second, in increased opportunities for profitable green investments.

### Climate solutions

From our clients' perspective, climate change implies two main challenges – climate change adaptation and climate change mitigation.

In the area of mitigation, the aim is to slow the pace and magnitude of climate change by enabling the shift to a carbon-neutral economy. We therefore craft insurance solutions to de-risk the adoption of innovative low-carbon technologies and support their upscaling. Overall, we are strongly committed to the renewable energy sector. We have insured renewable energy in over 800 projects and for manufacturers from around 80 countries in the GreenTech sector alone, for a total nominal output of over 41 gigawatts (as at 31 December 2021).

Meanwhile, in the field of adaptation, the focus lies on resilience and loss minimisation in order to manage the unavoidable impacts of natural catastrophes and extreme weather events induced by climate change. Here, we separate our solutions portfolio into three categories: understanding climate change, measuring climate change and managing climate change.

Find more information on our portfolio of ↘ Climate-related solutions in the ↘ Sustainable insurance section.

## Renewable energy and green bond investments

Through our investments, we aim to promote the use of technologies that avoid greenhouse gas emissions. With this in mind, MEAG, on behalf of Munich Re, invests in infrastructure projects around the world, such as solar power plants and wind farms, as well as in green bonds.

Furthermore, in the spirit of creating shared value, Munich Re uses economically sound investment opportunities to create a positive impact. ESG-focus investments contribute positively to our ESG strategy. Currently, these include renewable energy investments, certified real estate investments, forests with certified management, and green bonds, all of which are linked to environmental aspects.

## Initiatives and partnerships

Our partnerships underpin our climate-related strategy and are the result of our climate change and underwriting expertise and knowledge based on over 40 years of opinion leadership in climate risk. Naturally, the partnerships we enter into are a reflection of our commitment to solving the most significant issues we have identified in the context of climate change. These are:

- the increasing losses related to climatological and meteorological patterns that can be attributed to climate change;
- the insurance gap between overall economic losses and insured losses; we specifically focus on innovative solutions for developing and emerging countries and related partnerships (e.g. multilateral development banks, UN organisations, IDF);
- the technological transformation and the design of favourable risk transfer solutions that are required to accelerate the shift towards a low-carbon economy.

We formalise and embed our decarbonisation strategy on the asset and liability side through peer-to-peer learning in various initiatives and partnerships. Prominent examples include UNEP FI PSI and PRI, NZAOA, Climate Action 100+, ClimateWise, Geneva Association, GDV, CRO Forum, MCII, and others. Furthermore, Munich Re is one of the founding members of the Net-Zero Insurance Alliance, which was launched in July 2021.

## Risk management

Munich Re was one of the first insurers to recognise climate change risks as being relevant for the insurance industry. In order to identify and detect the climate change impact on our business at an early stage, we have for a long time interwoven risk management with climate science, not only by employing highly qualified climate experts for risk assessment and modelling purposes, but also by participating in science initiatives, initiating and conducting collaborative projects with scientific facilities, or publishing research projects in peer-reviewed journals.

Scientific research into climate change is complex and the political and regulatory environment in which we operate is changing rapidly. As a result, we remain vigilant with regard to the identification and evaluation of new and changing risks. If new findings in climate research or actual claims development necessitate adjustments in risk assessment, we are able to make these changes promptly because most of our covers are renewed on an annual basis.

## Our definition of material risks

We designate events or possible future developments that could have a sustained negative impact on Munich Re's net assets, financial position, or the results of operations as "material risks". The assessment as to whether or not a risk is material for our Group is carried out by the relevant risk management function.

The assessment of risks is based on an analysis in line with regulatory standards. We distinguish between risks that are taken into account in our internal model and backed by risk capital, and other risks that are not quantified in the internal model. The risks included in the internal model are divided into the following risk categories: underwriting risk from property, casualty, life and health insurance, market risk, credit risk and operational risk.

In addition, there are types of risk that – as is common throughout the industry and in line with regulatory requirements – are not explicitly capitalised in our internal risk model. These include reputational risk, strategic risk and security risk (see the definition in the risk report section of our Annual Report), which are assessed on a qualitative basis.

Our climate change-related risk management is closely aligned with our approaches and measures described in the strategy section (see above). Munich Re adopts a strategic approach to climate change risks, which potentially affects the value drivers within the global risk and asset landscape covered by the Group. As a result of our assessments, we see sustainability risks, including climate change risks, mainly as strategic and reputational risks which, however, can affect all other risk categories. Accordingly, climate risks are reflected in our integrated risk management framework.

## Risk management governance

We have an established governance system that complies with Solvency II requirements. Key components are the risk management, compliance, audit, and actuarial functions.

By clearly assigning roles and responsibilities for all material risks, our risk governance ensures an appropriate risk and control culture. Risk management at Group level is carried out by the Integrated Risk Management (IRM) division and is headed by the Group Chief Risk Officer (Group CRO). In addition to the Group functions, there are other risk management units in the business units, each headed by a CRO. Various committees at Group and business unit level support risk governance.

In this company-wide risk management process, we draw on the expertise of our scientists, specialist underwriters, lawyers, economists, risk managers and actuaries. A statement by the risk management function is required for significant decisions by the Board of Management.

Further details on Munich Re's risk governance and risk management system can be found in the risk report section of the Annual Report.

Climate change-related risks are monitored, evaluated, and integrated into Munich Re's risk management system in several methodical steps. Within that system of governance, the risk management function is also responsible for assessing long-term climate change risks. To that end, we conduct scenario analyses for physical and transition risks to give a first indication of what different climate change scenarios up to the year 2050 could mean for MR's (re)insurance business and assets. We base our analysis on three specific Network for Greening the Financial System (NGFS) scenarios:

- An (orderly) net-zero 2050 scenario – the Paris temperature target is reached by way of a smooth transition between today and 2050 (67% chance of limiting global warming to 1.5°C by the end of the century)
- A (disorderly) delayed transition scenario – necessary action is postponed for a while and then the target is reached by a sudden implementation of very strict measures

- A “business-as-usual” scenario or “hot house world” – the global community does not agree on effective measures, reflected by a high temperature scenario, where emissions continue to rise throughout the 21st century

The “disorderly” transition is assumed to carry the largest transition risk, while the “hot house world” is most relevant for physical risk assessment. Nevertheless, there is a fair probability of transition and physical risk materialising at the same time.

The main results of the scenario analyses and our respective responses are outlined in the section ↘ Physical risks and ↘ Transition risks.

## Identifying, assessing and responding to physical climate risks

Regarding physical risks associated with climate change, all time horizons apply: short, medium and long term, as defined in the strategy section above. On all timescales, climate change and natural climate variability jointly affect hazard levels, with the impact of natural variability governing hazard fluctuations in the short and medium term. Short-term effects of climate variability are primarily taken into account in weather risk and property business, while medium- to long-term climate variability, as well as long-term climate change, is important in the context of property risk.

Long-term projections of changing physical risk levels related to natural catastrophes are relevant in strategic terms, although substantial uncertainty is still involved in most cases.

The impact of climate dynamics on natural catastrophe risk (comprising both anthropogenic climate change and natural climate variability) thus far is accounted for in risk assessment on the basis of:

- monitoring of changes in meteorological/hydrological/climatological drivers of loss events over time, including potential climate model-based attribution to anthropogenic climate change or natural climate variability;
- monitoring of concomitant changes in peril-specific natural catastrophe losses over time, normalised to current levels of destructible wealth. The normalisation procedure removes the signal of economic growth over time, which per se would cause losses to increase even in the absence of any climate impact.

In terms of long-term future impacts, Munich Re’s risk assessment is adjusted to the level of increasing risk in the tail and frequency portions of the loss distribution. Specialised modellers at Munich Re have developed projections of future hazard activity levels based on state-of-the-art climate model runs, as part of our SAFIR platform (Spatial Analytics for Insurance Risks) for geospatial data, and applications for sharing natural hazard risk data within our company (internal solution).

As part of the regular validation process, we examine the sensitivity of the results of the risk model for major and accumulation losses in the event of a change in the return period or loss amounts of the events or a change in the business volumes written. In addition, we consider the influence of changed interdependency assumptions on the results.

To assess the long-term impacts of climate change on assets and liabilities through scenario analysis, we use atmospheric greenhouse gas concentrations following the Representative Concentration Pathway (RCP) scenarios outlined by the Intergovernmental Panel on Climate Change (IPCC) in its Fifth and Sixth Assessment Reports. The return frequencies of the most relevant climate-related hazards for Munich Re were stressed in Munich Re’s internal model to give an indication about materiality and magnitudes of risk under the selected scenario. The frequency scaling was based on scientific consensus of hazard changes for a prudent “business-as-usual scenario” by 2050. Thanks to sound risk management measures, the impact on Munich Re’s nat cat underwriting risk is limited. Nevertheless, there might be a change in the dependencies between different perils and regions, including the possibility of the occurrence of multiple extreme events with high return periods. We are monitoring the potential impact of such a change on the Group Solvency Capital Requirement (SCR) and its implication for specific (re)insurance products.

On the investment side, we follow and analyse risk exposure across different asset classes. To give some specific examples, heat maps for physical risk have been created for sovereigns and illiquid investments. With regard to illiquid assets, physical risk can be of high relevance due to the long-term nature of this asset class, e.g. real estate or forest investments. Wildfires followed by cyclones/storms pose the largest threat to parts of the current illiquid investment portfolio. Flood is considered a moderate threat to a large portion of the portfolio. Liquid corporate assets were excluded from the analysis, since Munich Re's liquid asset holdings change substantially over longer time periods due to usual portfolio management activity. Furthermore, the duration of Munich Re's liquid corporate credit exposure is lower than the duration of the sovereign exposure.

Detected changes to weather hazards or natural weather variability patterns, which result in changes on the loss distribution side over time, are considered in our risk modelling and risk management as well as in our pricing processes. Within the internal model, we account for changing climate conditions mainly via model assumptions that are set around the frequencies/severities of weather-related hazards. In particular, we:

- reflect the changing hazard status in the risk assessment models for each region;
- apply strict accumulation controls according to regional budget scenarios/limits, limiting exposure;
- diversify peak risk from natural catastrophes globally;
- retain a balance between losses, administrative costs, risk-based capital costs on the one hand side, and premiums earned on the other, allowing for profitability;
- incorporate climate change-related risks in underwriting policies;
- invest in tools and models, data and science (e.g. collaboration with the European Severe Storms Laboratory; MR's own NatCatSERVICE, Location Risk Intelligence Platform, etc.).

Concerning future climate-related risks, we limit our risk exposure by, for example, limiting natural catastrophe risks in the coverage. Another measure to manage underwriting risks is to selectively cede a portion of our risk to other risk carriers through reinsurance or retrocession. Intra-Group, external reinsurance or retrocession protection is in place for most of our companies. In addition to traditional retrocession, we use alternative risk transfer, especially for natural catastrophe risks. For this purpose, capital markets are utilised as an additional opportunity to spread risk.

Our internal natural hazard risk data is also utilised on the asset side. Particularly for our infrastructure investments, physical climate risks are integrated into the due diligence process of every investment decision.

## Identifying, assessing, and responding to transition risks

As described in the ↘ Governance section, numerous experts from various disciplines at Munich Re are concerned with the impacts of climate change. In addition to physical risks, we also identify and thoroughly analyse drivers of transition risks (see ↘ Strategy section above).

To identify and analyse transition risk in underwriting, we have developed a five-step analysis (scenario identification, risk heat maps, impact tree/risk cluster, deep-dive critical risk cluster, metrics), which is based on the TCFD requirements and approach. We have identified the "disorderly, low-degree scenarios" as the most conservative scenarios for this risk and, given that the transition is already happening right now, the next 10 to 20 years will be the most relevant time horizon.

To analyse litigation risks as part of transition risks, we differentiate between direct climate change liability, which targets GHG-intensive corporations for their GHG emissions as such, and indirect climate change liability stemming from corporations that are accused, for example, of greenwashing or failure to disclose. There is a clear trend of increased frequency in climate change-related litigation all over the globe, but, for several reasons, the success rate of cases brought to court is currently very low for both categories. Nevertheless, there could be substantial defence costs for direct liability, where the duty to defend is assumed. In addition to the risk of increased frequency of individual large losses, accumulation scenarios are possible. We assess this risk as material.

We have developed different heat maps for general transition risks (market, technology) and litigation risks. On that basis, impact trees and risk clusters have been identified, which consider how many consecutive underwriting years might be negatively impacted. Depending on the results from the first steps, a deep-dive assessment has been conducted of the underlying insurance risk clusters that were identified as critical.

Overall, any such negative impacts are softened by our ability to adjust models and risk positions regularly and, if necessary, also at short notice. Therefore, we continue to actively monitor and assess any new developments, increase underwriters' risk awareness, and mitigate such risks where it appears sensible to do so.

On the asset side, in a similar manner to the physical climate risk approach, we pursue different measures for the different asset classes. In 2020, we conducted an extensive analysis of our equity and corporate bond portfolio with regard to scope 1 and 2 carbon emissions, which gives us an indication of transition risks. We use ISS ESG data, including absolute emissions, weighted average carbon intensity and carbon intensity per million euros invested. We formulated our climate strategy and reduction targets for 2025 on this basis and set a focus on the coal and oil and gas sectors. Both sectors play a crucial part in the transition to greener energy.

An implementation project was launched in 2021 to ensure the carbon reduction at portfolio level and to meet the sector targets. We also take other KPIs into account, such as intensity metrics, to give us more leverage to actively steer the reduction. At the moment, we are focusing on scope 1 and 2 emissions at our investee companies, as data quality for scope 3 emissions is not yet sufficient. Furthermore, we have an overview of all relevant climate-related KPIs in the ISS Data Desk's Climate Impact Report as well as on an internal dashboard.

We also closely observe and evaluate new developments in order to integrate the relevant findings into our investment strategy.

Given the large allocation to renewable energy and forestry, the transition to a carbon-neutral world could also have positive effects on Munich Re's asset portfolio.

## Targets and metrics

### Decarbonisation targets and metrics

With our Ambition 2025, we have set ourselves specific milestone targets up until 2050, with 2025 marking a crucial first milestone (see graphic).

With regard to decarbonisation targets, our Climate Ambition 2025 creates a holistic framework encompassing emissions associated with our assets, liabilities and our own operations. The IPCC's Special Report on Global Warming of 1.5°C served as a central source of scenario narratives as well as emission pathways. It underlines the imperative to reach global peak emissions soon, but also the likely long-term necessity of carbon-removal technology innovations to achieve net-zero emissions by 2050.

## Munich Re Group Ambition 2025 and beyond

| | **Assets** Financed carbon emissions | **Liabilities** "Insured $CO_2$ emissions" (primary, direct, facultative) | | **Own $CO_2$ emissions** from operational processes |
|---|---|---|---|---|
| Today | **No investment in companies with**<br>- >15% revenue from thermal coal[5]<br>- >10% revenue from oil sands | **Thermal coal**<br>No insurance for new coal mining, power plants, related infrastructure[2] | **Oil and gas – exploration and production**<br>No insurance for new or existing oil sand sites, related infrastructure[2] | **Reducing our direct impact**<br>- Carbon neutral since 2015<br>- Reduction by 58% per employee (2009 to 2020)<br>- Reduction by 25% per employee (2019 to 2021) |
| 2025 | **Total[1]:** -25% to -29% emissions<br>**Thermal coal[1]:** -35% emissions<br>**Oil & gas[1]:** -25% emissions | **-35% emissions[3]** | **-5% emissions**<br>Utilising the expertise of HSB Solomon[4] | **-12% emissions** per employee (2019 to 2025) |
| 2050 | **Total:** Net-zero by 2050<br>**Thermal coal:** Full exit by 2040 | Full exit by 2040 | Net-zero emissions by 2050 | Net-zero emissions by 2030 |

[1] Based on sub-portfolio of equities, corporate bonds and real estate at the end of 2019. | [2] Minor exceptions apply, such as sites in countries with <90% electrification rate. | [3] "Produced tonnes of thermal coal/MW insured" used as proxy for emissions: base year 2019 | [4] Applies to oil and gas production for operational property business: base year 2019 | [5] Exceptions for companies with revenues in thermal coal between 15% and 30% are possible in individual cases, where an active engagement dialogue with the company has been established

# 3.3 Climate-related disclosure



## Assets

Please refer to ↘ Climate Strategy – Net-Zero Asset Owner Alliance and Ambition 2025 in the chapter ↘ Responsible investment for information on decarbonisation-related targets and metrics.

In addition, comprehensive metrics on the CO2 emissions of our investments are also regularly published in our CDP report.

## Liabilities

As a founding member of the Net-Zero Insurance Alliance, we have committed to transitioning our underwriting portfolio to net-zero greenhouse gas emissions by 2050. Standardised global calculation and reporting methods as a basis for measurement and target achievement do not yet exist, but will be developed in close cooperation with external partners by the end of 2022. In addition, existing data gaps must be gradually closed over the coming years.

Nonetheless, we have set ourselves individual climate targets for our primary insurance, facultative and direct (re)insurance business as part of our Munich Re Group Ambition 2025:

- Since September 2018, we have been committed to no longer insuring individual risks in the planning, financing, construction or operation of new thermal coal mines, power plants and related infrastructure. In countries where a significant portion of the population (more than 10%) does not have access to electricity, it is theoretically possible to decide on a case-by-case basis, but no such exceptions have been granted since the policy came into force in 2018.
- In addition, we have committed to a complete phase-out of the insurance of thermal coal activities by 2040. We aim to reduce the corresponding carbon emissions of our insureds' activities by 35% by 2025 and by 70% by 2030 compared to the base year of 2019.
- In the area of oil and gas production, we have established exclusions for the insurance of oil sand extraction facilities and related infrastructure. In terms of quantitative decarbonisation targets, we have also committed to short-term emission reductions in addition to the long-term target of net-zero by 2050. For our property business covering oil and gas production, we have set a target to reduce our associated carbon emissions by 5% by 2025 relative to the 2019 base year.

In the context of our decarbonisation targets, we are preparing to achieve the aforementioned milestones by planning appropriate measures in the business units concerned and by systematically and regularly monitoring their implementation. We are in dialogue with our clients to ensure they receive the best possible support for the necessary transition.

# 3.3 Climate-related disclosure

Below, we describe in more detail the key figures that will be reported as of the 2022 financial year in order to measure achievement of the climate target set out in our Munich Re Group Ambition 2025.
In the area of thermal coal, the quantitative emission reduction targets relate to the insurance of mines and thermal coal-fired power plants. The reductions are determined by the following key figures, which serve as a basis for an approximate calculation of the corresponding carbon emissions associated with the insured business of our clients: annual tonnes of thermal coal produced from mines and installed operational capacity in megawatts of thermal coal-fired power plants. The base year is 2019.

For oil and gas production, the quantitative emission reduction target is based directly on our own calculations of carbon emissions associated with our property insurance business. For this purpose, we consistently calculate the scope 1–3 life-cycle carbon equivalent emissions of the oil and gas produced by clients associated with us through insurance policies. For these underlying calculations, we draw on the expertise of our subsidiary, HSB Solomon Associates LLC, which, in turn, uses the Oil Climate Index + Gas, an integrated open-source tool. The base year is 2019.

We are currently developing a corresponding approach for decarbonisation in treaty reinsurance.

## Own carbon emissions

In 2012, we introduced a standardised, internal environmental management system (EMS) for the reporting entities of the Group. Munich Re has made its business operations climate-neutral since 2015 by purchasing certificates for unavoidable emissions. We use our internal EMS to measure our progress and to assess the influence our activities have on climate and the environment. We calculate carbon emissions on a yearly basis from our energy, paper and water consumption, business travel and generation of waste. Since 2015, we have engaged an external audit company to independently validate our calculations. More details are provided at the end of the report in the ↘ Independent auditor report.

For detailed information on our EMS and our carbon emissions (scope 1, 2 and 3), please refer to the ↘ Environmental management section and to the ↘ Key figures section.

As part of our new climate ambition, we will further reduce our emissions by 12% per employee by 2025 compared to 2019, and ultimately become net-zero in terms of carbon emissions from our own operations by 2030.

## Climate risk management metrics

Relevant risk drivers, as well as their likelihood and potential impact on Munich Re, as described in the strategy and risk management section above, are summarised in the table below, along with our key response measures.

Assessment of natural disaster risks in (re)insurance business is part of our permanent risk assessment (see the "Risk management" section). In the table, we present the maximum possible loss in the insurance portfolio from climate-related natural catastrophes for the 1-in-200 event. We show the "value at risk" of the economic profit and loss distribution over a one-year time horizon at a confidence level of 99.5%. The calculation is based on our modelling of natural disasters in the risk model.

The actual loss from natural catastrophes for the full year 2021 mainly concerns property and casualty reinsurance business and totals €3.139m (906m) after external retrocession, which corresponds to 12% (4.0%) of net earned premium. This takes into account major claims with a loss amount of more than €10m. On the primary insurance side, this includes losses from Storm Bernd in western Germany. In principle, all major losses are reflected in our models.

### Physical acute & chronic

| Risk issue | Time frame | Likelihood | Magnitude of impact | Potential impact | Response (strategic, financial, planning) |
|---|---|---|---|---|---|
| Tropical cyclone<br>Example: Atlanic hurricane | Medium term | Likely | High | Increased insurance claims liability, e.g. €8.2bn VaR for TC North America (200yrs return period). | - Munich Re has a vigilant risk management system in place, capable of detecting and responding to changes in hazard and risk (see details in the section on risk management).<br>- Annual renewal of most (re)insurance covers allows high flexibility in adapting risk management and (re)insurance cover conditions over time.<br>- Munich Re's adaptation and mitigation measures (see risk management section) also contribute to the prevention of increasing physical risks. |
| Extra-tropical cyclone<br>Example: winter storm Europe | Long term | Likely | High | Increased insurance claims liability, e.g. €4bn VaR for winter storm Europe (200yrs return period). | |
| Severe convective storms<br>Example: severe convective storms USA | Short term | Likely | Medium | Increased insurance claims liability, e.g. €1bn to €2bn VaR for severe convective storms USA (200yrs return period). | |
| Wildfire:<br>Example: wildfire USA | Short term | Very likely | Medium-high | Increased insurance claims liability, e.g. €500m to €1.5bn (estimated range), VaR for wildfire USA (200yrs return period). | |
| Rising sea levels and associated risks such as increased storm surge events | Long term | Virtually certain | High | Increased insurance claims liability. No estimate due to high uncertainities to date. | |
| Physical risks for MR Group premises | Short term | More likely than not | Low | Decreased asset value or asset useful life leading to write-offs, asset impairment or early retirement of existing assets. No detailed analysis due to limited likelihood and low magnitude of impact. | - Business-driven risk management and business continuity plans on a Group-wide and local level apply at all Munich Re Group locations. |

## Climate solution targets and metrics

Please refer to ↘ ESG investment opportunities and ↘ Munich Re's issued green bonds in the section ↘ Responsible investment for information on our targets and metrics for climate related solutions.

For our consideration of climate-related opportunities in our underwriting, especially with regard to our climate solutions portfolio, please refer to ↘ Enabling sustainable solutions.

# 4.

# Environmental management

# 4. Environmental management

> GRI 103; 102-11

Munich Re takes its responsibility for environmental issues arising from our own operations at our numerous sites worldwide seriously. Even though the direct environmental impact of our activities is limited, since our business model is not energy- and resource-intensive, we want to get involved in areas where we can have a positive impact.

## Strategic environmental management

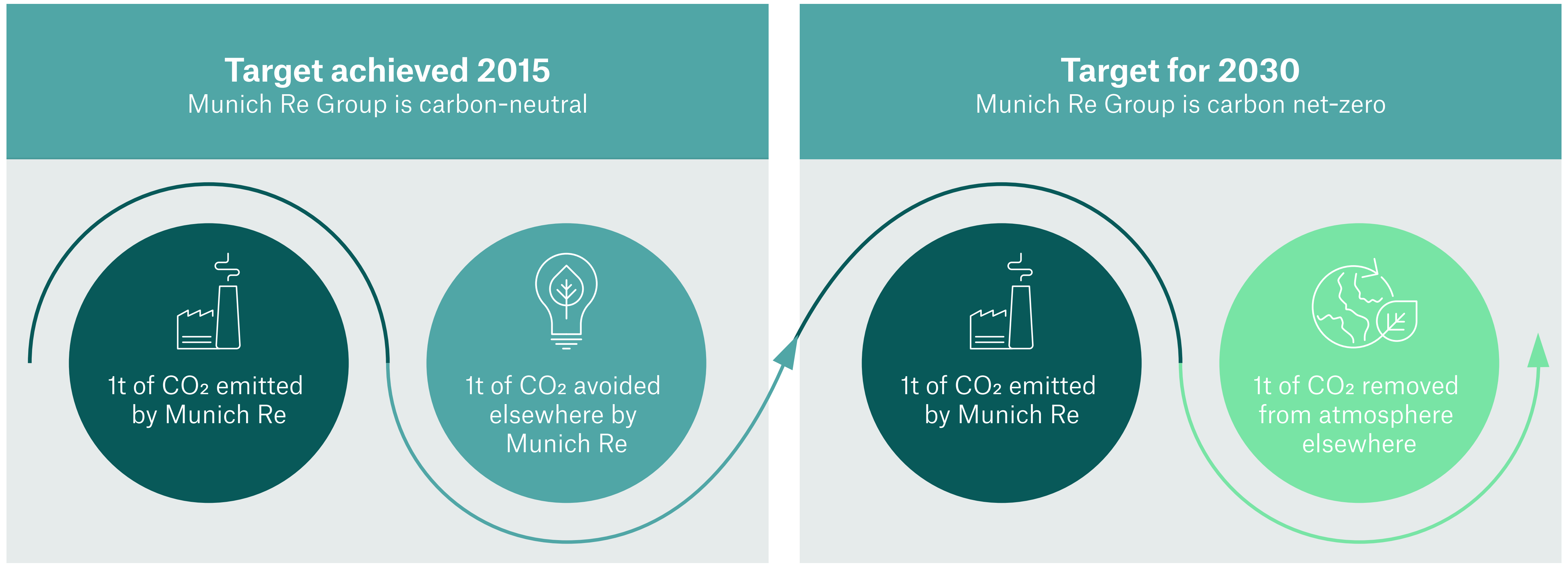
We trust in the scientific evidence on climate change and align the decarbonisation pathway of our own emissions with the Paris Agreement. As part of this commitment, we support international efforts to keep the global temperature increase well below 2 degrees while mitigating the effects of climate change. To achieve this goal, humanity's $CO_2$ emissions must be reduced significantly, and fast. But this alone is not enough. To achieve a decarbonised economy by 2050, a great deal of $CO_2$ must also be removed from the atmosphere. Munich Re has chosen to adopt a holistic approach through its Ambition 2025 initiative and, in addition to decarbonisation targets for investments and (re)insurance business, has also set targets for its own $CO_2$ emissions from operational business processes. Our target is to reduce our own $CO_2$ emissions by 12% per employee (2019 to 2025). By 2030, we want to achieve net zero for our own $CO_2$ emissions.

The latter objective means that we will need to remove any remaining $CO_2$ emissions from our operational processes by 2030 through suitable reforestation and/or carbon capture and storage projects.

Our goals and activities related to these topics focus on reducing consumption of resources and associated carbon emissions such as energy, purchasing green electricity, and ensuring that business travel is as environmentally friendly as possible. Additional options include generating less waste and using sustainable materials. In parallel with these activities, we continually raise our staff's awareness of how to behave in an environmentally compatible manner through various activities and projects.

Munich Re has used an internal environmental management system (EMS) to coordinate environmental activities at all sites since 2012. The EMS is based on the Group's environmental guidelines and on selected key performance indicators (KPIs) that we use to assess our carbon footprint. It also defines the processes and organisational responsibilities in reporting lines.

Environmental guidelines of Munich Re



# 4.1 Strategic environmental management



## Governance on environmental topics

The Board of Management's ESG Committee decides on the Group-wide environmental and climate protection strategy and its targets. These targets have also been integrated into the multi-year remuneration for the Board of Management.

The Group Environmental Manager's function is embedded in the central division Economics, Sustainability and Public Affairs, which reports directly to the CEO. To ensure clear responsibilities for target achievement, consistent reporting and sharing best practice within the Group, a hub structure for environmental management at Group, business field and local level has been established for Reinsurance, ERGO and MEAG.

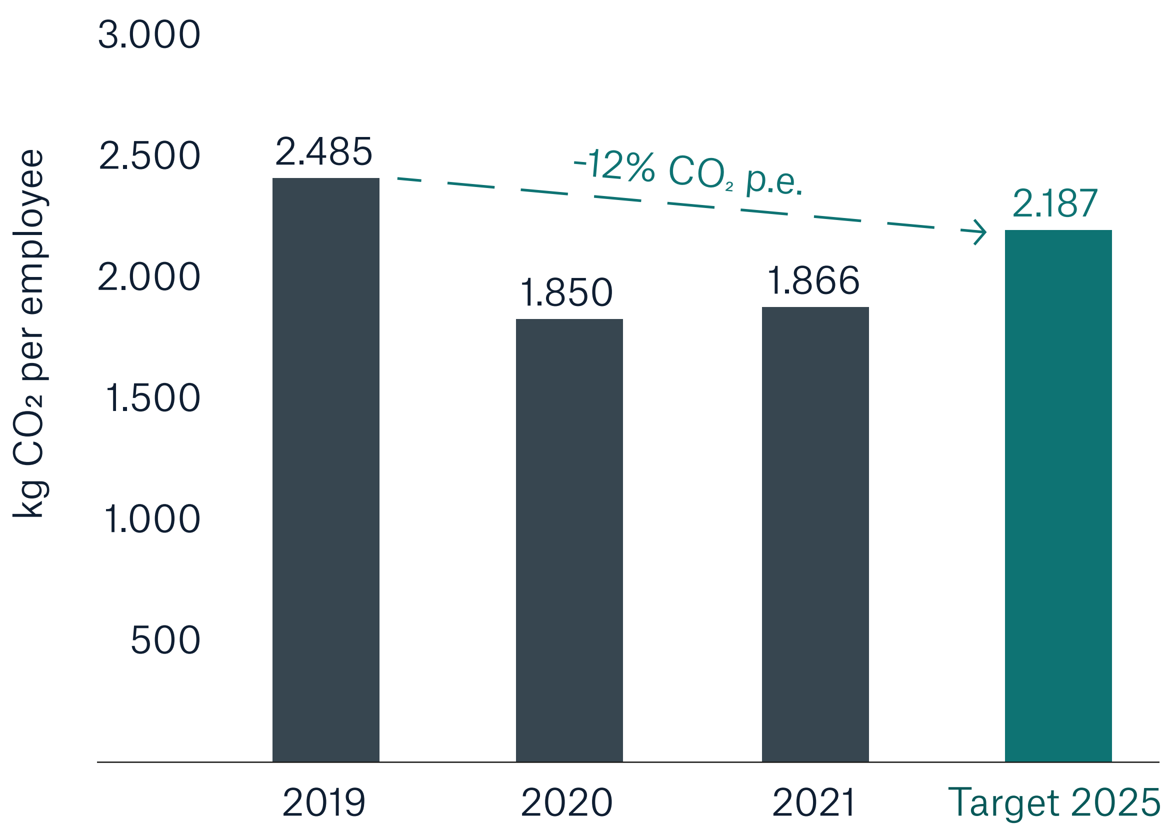
# 4.2 Own emissions

## Achieving our environmental targets

The carbon footprint of our operational activities is the key indicator for assessing our environmental record. We accordingly calculate the annual carbon emissions that result from our consumption of energy, paper and water, business travel and waste generation. This is done in a standardised manner in compliance with internationally recognised methods and conversion factors, such as the GHG Protocol. In 2021, we achieved data coverage for 81% of employees and extrapolated the calculated carbon equivalents to 100%. An external auditing company confirmed that we have met the required quality for environmental indicators throughout the Group since 2015.

In 2021, we continued reducing our environmental impact through energy efficiency measures and a reduction in business travel. We are constantly increasing the share of green electricity consumed – we are aiming for 100% green electricity purchased Group-wide by 2025. In 2021, 92% of the electricity purchased was from renewable sources. So far, we have exceeded our reduction target of 12% per employee (2019–2025) and achieved 25% less carbon emissions in 2021 (25% less in 2020) – compared to 2019. As was already the case in 2020, the results have to be interpreted against the backdrop of the coronavirus pandemic.

**Carbon reduction Munich Re´s own emissions[1]**




[1] Scope 1 and 2, Scope 3 (business travel, paper, water, waste)

Munich Re has also offset its remaining emissions, effectively making itself carbon-neutral since 2015. This was achieved by purchasing carbon credits from projects that avoid emissions by installing technologies that enable energy consumption from renewables or enhance energy efficiency.

We follow strict requirements when selecting carbon offsetting projects. For example, at least one of the projects must meet the Gold Standard and be implemented in one of the world's least developed countries. We also place special emphasis on maintaining societal standards. We primarily support projects that promote health, facilitate education, develop local infrastructure, avoid deforestation and maintain biodiversity.

## Reducing our sites' environmental impact

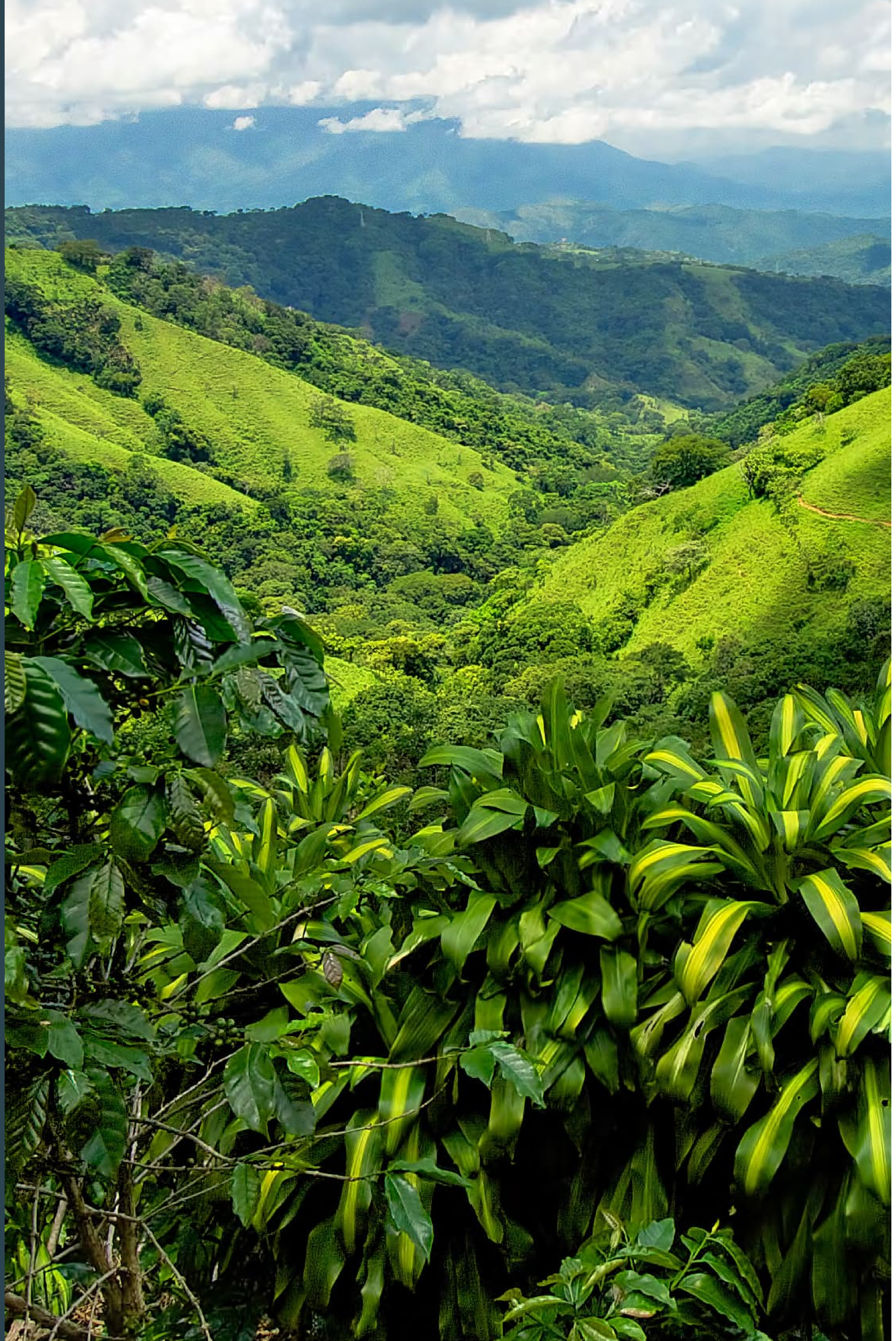
We focus on measures that have maximum leverage in reducing our $CO_2$ emissions. These include increasing energy efficiency in the operation of our buildings and replacing fossil fuels with renewable energy sources. Environmental aspects such as the use of rail or the selection of hybrid and electric vehicles are also taken into account when arranging business trips. By increasingly digitalising our communication and transforming our locations and ways of working, and divesting from buildings that are no longer needed, we expect future carbon reductions of 3% to 4% by 2025 from these measures, compared to the base year of 2019.

**92%**
green electricity Group-wide in 2021

# TreeTrust: Enabling corporates to remove carbon from the atmosphere

Munich Re has a long history of climate research and action. With the launch of TreeTrust as a new corporate venture of Munich Re, our knowledge and experience from climate and nat cat research and risk models is combined with expertise in forestry and green investments. TreeTrust's mission is to enable corporate customers to achieve their net-zero ambitions by empowering them to pre-finance climate and forestry projects to remove carbon dioxide from the atmosphere.

As of 2023, Munich Re will decarbonise a share of the Group's carbon impact while financing a reforestation project in the north of Costa Rica. In cooperation with a partner company of TreeTrust, grassland is transformed into natural forest. Through planting a wide variety of tree species, biodiversity corridors in the region are enhanced. Permanence will be achieved by transferring the project area into a state-owned nature reserve upon completion of the project. Besides the positive climate impact, implementation of the project will improve other Sustainable Development Goal (SDG) criteria, such as water quality and better working conditions. Carbon removal certificates from the project will have Gold Standard certification.



# 4.2 Own emissions

## Interview with Dr. Anne Wiese, Head of Global Real Estate and Services

Munich Re has a long tradition of international presence and is thus represented in many markets. The central Global Real Estate and Services unit is responsible for managing the offices of our reinsurance units around the world.

**How important is sustainability in the role of Global Real Estate and Services?**

The reinsurance business field requires continuous development of global cooperation with our clients. In the future, we will continue to promote this important interaction not only digitally, but also increasingly through our local presence. Our locations and buildings form the nodes of a network where people can connect, and they also make us visible in the market. These are often prestigious city centre buildings whose location, quality and design all require attention in terms of sustainability. This applies, in particular, to regions strongly affected by climate change. We live our understanding of sustainability through expertise in the selection and size of sites and buildings, the design of lease agreements, the utilisation concept for office space, and the development of management concepts that have a direct impact on $CO_2$ consumption. The decisive factor is to combine and further develop infrastructural prerequisites with user requirements. We see the effectiveness of our decisions in relevant key figures such as energy consumption or the $CO_2$ footprint of our buildings. But issues such as sustainability as it relates to the food on offer or the choice of materials for furnishings and equipment also help raise awareness of the issues among our staff.

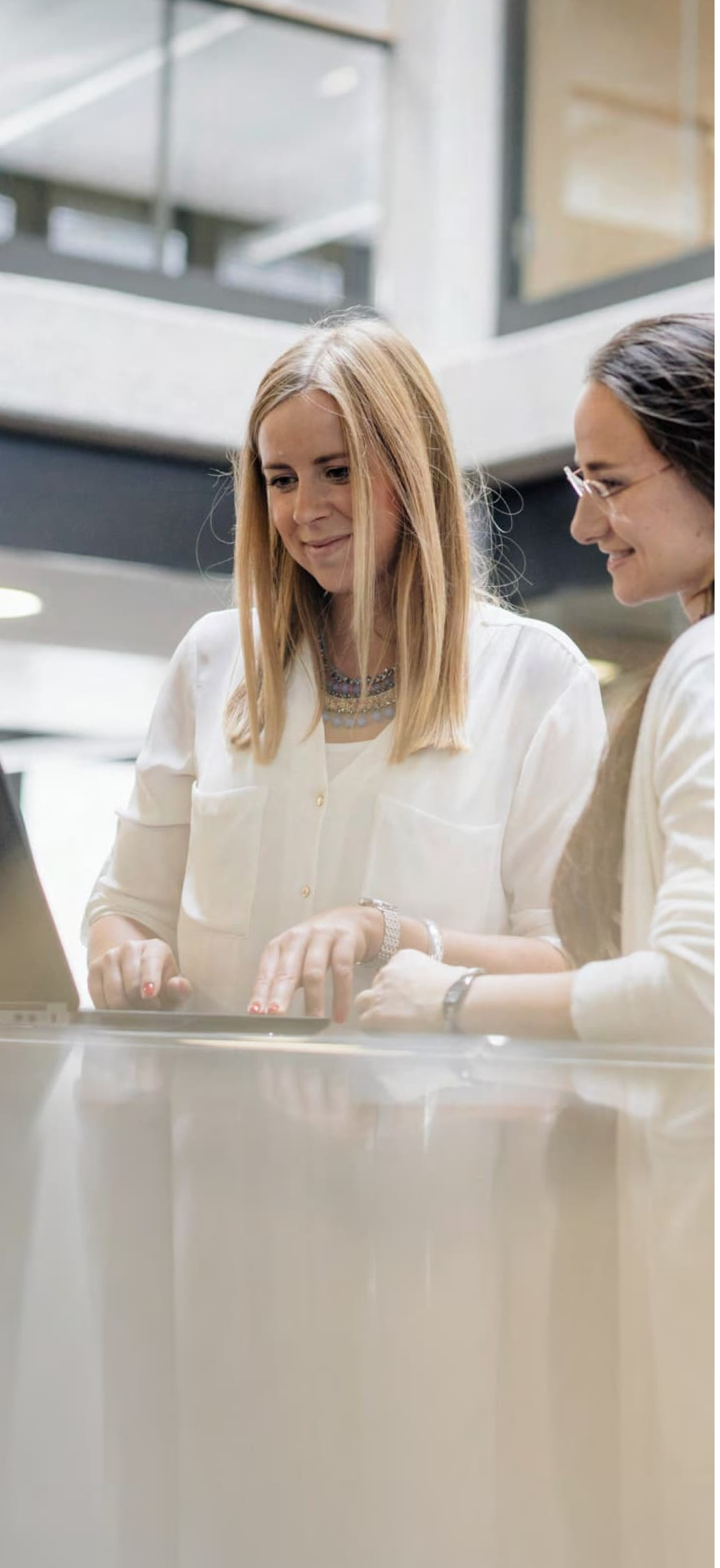
**Munich Re has ambitious $CO_2$ savings targets as part of its Ambition 2025 initiative. What opportunities for environmental and climate protection do you see arising from this responsibility?**

We are currently seeing that energy consumption per employee, for example, varies greatly from one location to another. This is not only due to the different climatic conditions, building fabric and technical equipment at the respective sites. Optimising usage times and routines also offers the opportunity to reduce energy requirements. This also requires raising awareness of $CO_2$ as a relevant variable. We need a clear methodology to achieve credible and measurable success and to develop a shared awareness of best practice in environmental protection at the site. Using professional know-how, developing our own ideas, setting the right tone – this is what provides us with opportunities for action in the design and operation of existing and new sites.

**How can the “one roof” strategy contribute to this?**

Consolidating different business areas under one roof promotes cooperation and creates synergies across fields of activity. At the same time, interlinking locations opens up the possibility of more sustainable sites through a wider range of spaces, less land consumption and higher intensity of use, compared to individual sites. “One roof” will require around 20% less space. The locations will be designed in such a way that they are equally available to the different business areas and will be equipped and managed in accordance with the latest sustainability criteria. In this way, we can reconcile profitability and sustainability. The goal is to create a new “togetherness” in the way we use our resources. Global Real Estate and Services supports the business units in developing their site concepts and with technical and commercial real estate management issues. We have already gained initial positive experience at our sites in New York and London.

# 5. Employees



# 5.1 HR strategy and governance



> GRI 103

Munich Re is a knowledge-based Group that operates in a dynamic, rapidly changing business environment. Our success therefore depends on us having a diverse, highly qualified and innovative workforce with outstanding competence and leadership skills across the world. Our ability to innovate and our first-rate expertise in all aspects of risk are the strengths our clients draw on. As leading providers of reinsurance, primary insurance and insurance-related risk solutions, we are able to offer sophisticated, high-quality solutions for universal, complex and new risk scenarios. This is especially true when it comes to topics of future relevance to global society, such as climate change, cyber risks, the Internet of Things and artificial intelligence. All of this is made possible by our people, who are at the heart of how we perform.

Given the global challenges and demands we face as a business, our core strategic goal in HR is – as laid out in our ↘ Ambition 2025 – to be an employer of choice. In other words, attracting, developing and retaining outstanding staff, which is crucial to our business success. This goes hand in hand with our ongoing ambition to promote diversity, inclusion and equal opportunities. Diversity and inclusion (D&I) is a core value at Munich Re and is deeply woven into our culture. Our understanding of D&I goes beyond aspects such as gender, religion, age, disability, nationality or cultural differences and sexual orientation: it also embraces variety in experience, education, personality types and opinions. The combined power of different mindsets, experience and expertise adds enormous value to our organisation every day.

Our HR governance model is aligned to the needs of reinsurance, primary insurance, and asset management. It is centrally steered at the strategic level but we also apply unit-specific approaches where required to create a better fit with their particular business models, markets and target groups.

Accordingly, the Group Human Resources unit provides strategic imperatives for selected topics, which are incorporated into the HR policies of the various business units in addition to globally applicable HR guidelines and policies. Group HR reports to the CEO of Munich Re to provide alignment with the strategic core of the company.

## Munich Re as an employer of choice

Our strategic goal of attracting, developing and retaining outstanding staff to enable future business success can only be achieved by being an "employer of choice". This objective is anchored in our Munich Re Group Ambition 2025, which applies the dictum Scale, Shape and Succeed to combine specific business goals with a strong focus on sustainability. This also defines the strategic framework for

Group-wide Human Resources activities. We achieve our “employer of choice” ambition by being skill-driven, adopting a digital culture, promoting risk entrepreneurship and engaging with society.

**Skill-driven technical excellence**

High-quality development measures, collaboration platforms and knowledge transfer mechanisms ensure that our employees continuously expand our technical excellence, especially in our core underwriting capability – because our clients expect us to provide best-in-class risk management know-how.

**Driving digital culture and risk entrepreneurship**

The expertise and creativity of our staff allows us to push the boundaries of insurability, for example, in cyber risk solutions. We promote a digital culture by providing sophisticated data analytics training, using chat-bot technology and offering new ways of tech-enabled working. Culture-related topics are integrated into various learning programmes, including leadership learning programmes, to enable that our teams are well-guided, empowered and supported through our current transformation process. In addition to transforming our business, we are designing “new ways of working” in terms of how we work, where we work, and our IT environment in all business units.

**Diverse workforce**

The Munich Re Ambition 2025 initiative is built on the strong foundation of our already diverse and global workforce, which spans many different nationalities and locations. Specific emphasis is placed on the representation of women in our management teams. Our target is to increase the percentage of women in management positions on all management levels globally to 40% by the end of 2025.

We seek to further underline our attractiveness to employees by offering secure jobs, transparent remuneration conditions, an extensive company health management framework with a wide range of healthcare options, comprehensive employee assistance programmes, as well as flexible working conditions and working time models. Promoting the wellbeing of employees plays a substantial role in our “employer of choice” ambition: in the second year of the coronavirus pandemic, we provided maximum support in terms of health and safety measures (including voluntary vaccination) as well as a stable working environment. The latter was enabled by remote working options, flexible working arrangements, family assistance programmes and, where needed, special pandemic support (see ↘ COVID-19 pandemic).

## Strategic steering using workforce analytics

At Munich Re, we use workforce analytics to transform HR data sets into actionable insights that improve our HR systems, processes and strategies in ways that will help achieve sustainable business success – within the framework of our Munich Re Ambition 2025. Our workforce analytics are based on a wide range of ↘ HR KPIs with multiple data breakdowns and at different levels of responsibility. This data provides the Board of Management and managers with the transparency they need to define and address any issues that might arise. Within our Group, data use is adapted for the steering of different units according to their needs. For instance, HR dashboards in reinsurance provide an overview of the main HR KPIs in comparison with the previous year. The dashboard displays anticipated resource movements as well as diversity data such as gender, nationality and demographics. This data then supports HR and managers in their decisions concerning, for example, capacity planning and salary increases.

ERGO in Germany has implemented a long-term strategic workforce planning approach. Reporting is updated monthly and includes a comparison of the current and the planned workforce. Additionally, managers have access to KPI dashboards for key figures, including internal and external benchmarks for the respective business units. Regular workforce planning sessions with business units and HR provide an overview of the main KPIs.

### Identifying workforce skill gaps

We constantly align learning content to the current and future requirements of our employees. Our objective is to deploy skills where they will generate the highest impact for Munich Re as well as support competence development activities. Current and future training requirements are determined in regular consultations with the specialist departments and a wide range of ↘ learning opportunities are available. Our internal training activities are tracked and evaluated on different levels as a standard procedure. Skill gaps in the workforce are identified and addressed using the performance management practices we apply.

Against the backdrop of the digital transformation, for instance, employees can use the Digi-Check tool developed at ERGO to identify their personal areas of development and the digital skills they require. They also receive suggestions as to how they can further develop their skills by taking advantage of the training courses on offer at ERGO.

### Strategic workforce planning

Our goal in the context of Munich Re Ambition 2025 is to increase the ↘ proportion of women in management positions globally – at all management levels – to 40% by 2025. A comprehensive quarterly monitoring system has been set up to monitor progress. In addition to KPIs relating to gender, we capture data on disability, LGBTIQ+ activities and generational diversity. In the US, we monitor the breakdown of our workforce in terms of ethnic and racial minorities.

Another major focus is on streamlined recruiting and hiring activities. We have a Group-wide internal job market to actively encourage staff rotation and Group-wide career development, thus strengthening the technical and intercultural skills of our employees. Furthermore, various workforce analytics approaches are in place to support our recruiting and hiring strategy.

In our reinsurance field of business, regional dashboards have been implemented to monitor recruiting and hiring processes using specific KPIs such as gender or nationality of applicants and new hires. Regional new-joiner surveys structurally track the quality of the recruitment process and candidate satisfaction during the first six months to ascertain any changes in satisfaction rates and evaluate the onboarding experience. Talent acquisition teams also actively track developments on external talent markets and provide talent overviews and longlists of potential candidates, which are available on demand. To support organisational development decisions, market maps can reveal favourable locations where suitable personnel are available. Large-scale sourcing strategies and projects support cross-regional recruitment initiatives.

In its application portal, ERGO offers extended functions, such as pre-selection of job advertisements and the option to submit one-click applications via LinkedIn and Xing. In addition, ERGO job descriptions feature tasks, skills and competencies to target new employees. A specialist Talent Acquisition and Employer Branding unit manages all related topics at ERGO in Germany.

MEAG supports managers with a forward-looking view regarding its planned and actual workforce. It takes exits, entries and temporary adjustments of working time into account, and a wide range of different KPIs are monitored. These include the staff turnover rate and reasons for leaving, applications, and the staffing quota for management positions.

# 5.2 Development and talent management

> GRI 103

Munich Re's Ambition 2025 sets clear goals for what we want to achieve over the coming years. Besides developing a skill-driven workforce with technical excellence, growing our talent and leadership culture in a digital environment is fundamental to the strategic areas described in our framework. Activities in this context are based on the philosophy of offering flexible formats that empower our people and ensure that they are in the driver's seat of their own development.

In all business units, strong talent development programmes systematically support employees in their careers and prepare them for future requirements. Continuous employee and talent development is key to achieving the strategic business goals described in Munich Re Ambition 2025.

## Management development

### Leadership Values

Global Leadership Values were communicated in the reinsurance segment in 2021, providing orientation on what it takes to be a successful leader. Fostering of these global Leadership Values began in 2021 and continues in 2022.

Understanding the values is essential to making the right decisions when hiring, developing and promoting current and future leaders.

Demonstrating great leadership is one of the most important contributions we can make to Munich Re's success. For this reason, all the leadership programmes and tools we use in reinsurance are based on our global values. Our approach treats leadership as more than just a disciplinary reporting line: we believe leaders should make a positive impact on the organisation and live and breathe our global Leadership Values in all aspects of their work. Leadership goes beyond job titles, responsibility for managing people and subject matter expertise. A leader is someone who, irrespective of their role or position, people follow because they want to, not because they have to, someone who shares, inspires and influences their own teams and others.

### Leadership feedback tools

Leadership feedback is crucial in all our business units. At ERGO, senior managers benefit from individual 360-degree feedback. This fosters open dialogue and supports managers in their personal development plans. At MEAG, "leadership dialogue" is successfully used to support an open feedback culture. The goal of these feedback discussions is to provide general feedback on leadership as well as to work on commitments regarding further cooperation.

In reinsurance, our Leader Check-In provides an opportunity for all leaders to receive feedback from their team and peers – and then compare it with their own self-assessment of how they are living the values. At the same time, the feedback tool provides a basis for regular upward feedback conversations with a focus on growth opportunities. The process combines an anonymous feedback survey, a self-assessment for the leader, a personal report, a team dialogue to discuss the results, and an independent learning tool. Using this approach, we strongly support an open culture where feedback happens in a regular and natural way. This promotes empowerment, trust, flexibility and inclusion, which is also connected to our ↘ new ways of working project.

## Talent management programmes

> GRI 103; 404-2

Talent management programmes systematically support employees in their careers and prepare them for future requirements across the entire Group. Continuous talent development is key to achieving the strategic business goals outlined in our Munich Re Ambition 2025.

On the Group level, Group HR is responsible for strategic management development and succession planning for top executives. The focus is on the development of current position holders, for example CEOs of Group companies, as well as their potential successors. The **Group Management Platform (GMP)** has been established as a diverse and vibrant network of 132 leaders, including Board members, CEOs and key position holders who display the potential to make a bigger impact. This also allows for effective succession planning, which was achieved for 100% of board positions in 2021. Within Munich Re, GMP is a core management development platform that includes reinsurance, ERGO and MEAG in one programme. It fosters collaboration across all business units and connects key people. The GMP provides high-class management development formats with support from renowned business schools, coaches of top executives, and internal development solutions.

In reinsurance, we offer the **Hydrogen** programme as an innovative and advanced development option for high-potential individuals and thought leaders who aspire to having a higher impact at a global level. The programme currently has 80 individually selected participants. It supports candidates by providing global development and networking opportunities, increased visibility through project assignments and leadership training. In addition, the new **Oxygen** programme was launched in reinsurance in 2021. Oxygen is an accelerated development option for aspiring people and thought leaders who want to reach the next level of impact at a local or regional level (currently, it has 132 participants – 62 female and 70 male).

**ERGO Grow** is a talent identification process for non-senior management employees in Germany. It is based on a broad understanding of talents that goes beyond leadership and includes further directions for development. Group-wide competencies are employed in this process that reflect the requirements of present and future business success. A sophisticated development centre allows talented individuals to be systematically identified and then prepared for their future leadership functions. In 2021, 141 talents (54 female and 87 male) were part of this programme.

In its **ERGO Executive Leadership Programme (ELP)**, ERGO promotes 22 (12 female and 10 male) top talents in management from the global ERGO organisation to positions with more advanced senior executive tasks. The programme helps them successfully tackle the challenges of being a modern leader and thus shape the future of ERGO. The ERGO ELP also provides high-end management courses supported by one of the leading European business schools.

In autumn 2021, two new development programmes, **The Future Manager** and **Next Level Leadership**, were launched at ERGO with the aim of developing 29 employees (12 female and 17 male) and supporting them in reaching their target function as quickly as possible.

The **MEAG Leadership Journey** is a development programme for new leaders at MEAG. The programme is aimed at new leaders as well as experienced leaders who are new to MEAG. Apart from providing up-to-date leadership know-how, the programme focuses on developing cross-divisional collaboration between leaders. In 2021, 29 managers (11 female and 18 male) received support in their new leadership role through targeted individual coaching, training, and networking events.

Our success in internal talent development is clear given our ability to fill open management positions in all business units with internal candidates. In 2021, this KPI was 82.6% (81.2%) for Germany. For the remaining positions, we deliberately continue to complement our management with external recruits.

# 5.2 Development and talent management



## Staff development

> GRI 103; 404-2

Munich Re provides an extensive range of training programmes for staff development worldwide, the content of which is continually adapted to meet current and future requirements.

In order to respond to future client requirements even better, faster and in more connected ways, Munich Re is empowering its staff with greater agility and autonomy. In reinsurance, we do so through regular dialogue on personal commitment, feedback and development – the three pillars of our Continuous Conversations model, which places the cooperation of all staff at the centre of operational management work. For its performance management approach, reinsurance won prizes in the Human Resources Development/Qualification category of the German insurance industry's InnoWard 2021 Education Award as well as in the Large Company/Employee Development category of the Human Resources Excellence Awards 2020.

Munich Re Ambition 2025 charts the path of digital capacity building. COVID-19 and the consequent wide use of remote working have accelerated the development of these skills for our entire workforce. Building and expanding the digital expertise of our employees is one of Munich Re's core concerns going forward. To this end, we are continuously expanding our digital learning opportunities and promoting a digital culture, thus enabling our staff to master the tools and working methods required to meet our clients' expectations. Group-wide, more than 90% of our employees completed at least one digital training course in 2021. In 2020, a Munich Re client survey showed that, on a scale of ten, our clients rated our employee skill set at 8.79 overall.

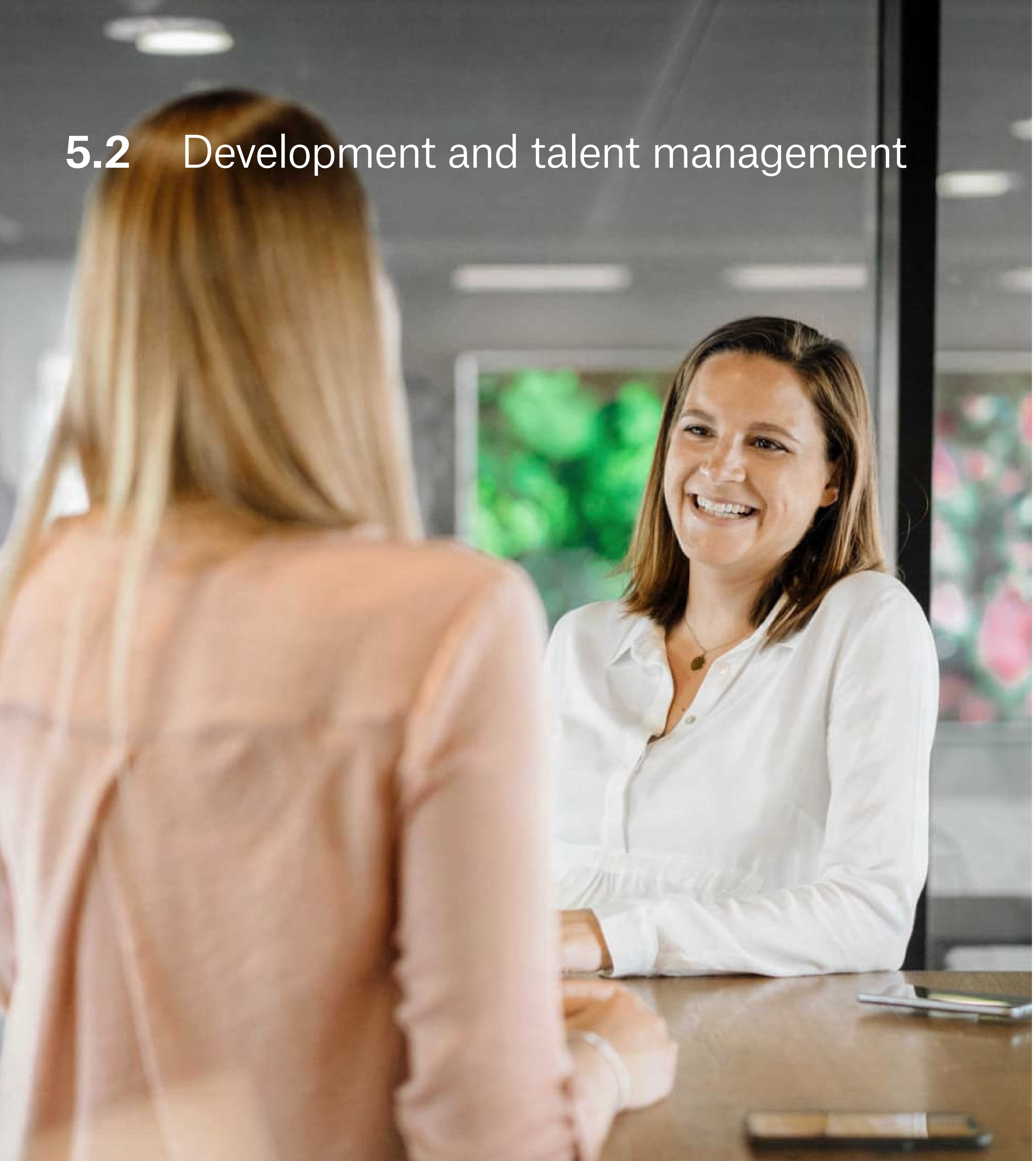
A key offering in our learning landscape is **LinkedIn Learning**, which is available globally to all reinsurance employees. Due to the high degree of flexibility that this online learning platform offers and its diverse business- and technology-related topics, it is used extensively worldwide. This is reflected not only by the approximately 6,100 licences that have been activated, but also by the fact that more than 228,000 learning videos have been completed.

Additionally, in reinsurance, the **Digital School**, a platform with a wide range of learning content and formats, allows staff to expand their digital knowledge through self-directed study. Munich Re places particular emphasis on the responsible handling of data and algorithms, and it has launched a global training initiative in data analytics for this purpose. The initiative, or **Data Analytics Curriculum**, is a multi-level digital qualification programme open to reinsurance employees. The fact that the Digital School was accessed approximately 1,450 times in 2021 and that approximately 500 employees have obtained certification at the highest qualification levels within the framework of the Data Analytics Curriculum underline the relevance and attractiveness of the offer. This is also reflected in the e-learning programme developed in-house for basic knowledge of the Data Analytics Curriculum, in addition to the learning videos that were completed in 2021. These are available on our global e-learning platform, which provides a wide variety of digital learning options. All this testifies to the high relevance and attractiveness of our offerings, which allow our employees to develop appropriate technical skills.

ERGO offers all employees support in building appropriate skills to deal with the digital transformation and uses the digital learning platform **e-campus** to provide self-study opportunities in video and audio formats. Digital learning content in the areas of leadership, innovation and digitalisation is available to around 1,000 executive managers. In addition, ERGO offers a **digital morning**, a monthly virtual event for all employees as well as internal and external guests.

MEAG has focused on the rapid expansion of digital formats, for example in the recruiting and onboarding process, and offers virtual learning formats on the topics of development and career, skills and methods, transformation, leadership, and innovation and digitalisation.

# 5.2 Development and talent management



## Recruiting and retention of talent

> GRI 103; 401-1

Munich Re aims to remain a fair and responsible employer that attracts, develops and retains staff with exceptional expertise and broad experience worldwide. To this end, we promote a future-oriented and value-driven work culture in which collaboration in our global organisation and external knowledge networks leads to the best solutions for clients – and ensures Munich Re remains an attractive employer for our staff.

This is reflected by the fact that the average length of service at Munich Re is 13.9 years. In addition, employee turnover is at a low level: in 2021 it stood at 5.6%, which demonstrates the attractiveness of our "employer of choice" promise.

In 2021, Munich Re positioned itself in the labour markets with two strategies: one for employer value in reinsurance and the other for employer branding in primary insurance. The employer value proposition "Push boundaries. With us." represents the reinsurance group as an employer that gives talented individuals the space to achieve more, together, and that supports them in the process. To measure our attractiveness as an employer, we participate in external rankings, such as Trendence Universum and many more. According to these ranking organisations, students regularly rate us as attractive.

# 5.2 Development and talent management

## Recruiting young professionals

Demographic change is a constant challenge we take very seriously. It is one reason why Munich Re makes a continuous effort to live up to a meaningful and aspirational employer value proposition, which fuels internal potential while attracting new, business-critical talent.

In addition to recruiting specialists and managers, Munich Re is constantly looking for junior staff, i.e. students, graduates and young professionals. To this end, we cooperate with several national and international universities and connect with candidates during online and offline events. In addition, we engage our target groups through social media and global marketing campaigns to provide employer insights, attract talent and facilitate recruitment.

## Graduate programmes

Several graduate programmes across the Group serve as important pillars in addressing the need to attract new, external talent to our Group-wide workforce. Programme duration, assignments abroad, rotation and mentorship are all designed to maximise particular skills, experience and career options. Graduate trainees enjoy the opportunity to expand their professional networks, gain technical expertise and enhance their leadership skills. Trainees collaborate with experts from different fields – from data science, IT and engineering to legal and finance. All our graduate trainees benefit from a culture that thrives on diversity and lifelong learning.

Ten outstanding university graduates (6 female and 4 male) from five countries have the opportunity to start a career at Munch Re through the Group Trainee Programme **EXPLORE**. The trainees complete eight different employment stints in the Group, two of which are abroad. They gain valuable insights into the scope of topics in our industry by rotating through reinsurance, ERGO and MEAG. In addition to on-the-job training and seminars on management topics, there is a focus on personal development and the chance to work on strategic projects.

In addition to the Group-wide EXPLORE programme described above, each business field has specific trainee programmes:

ERGO Germany is launching a brand-new trainee programme **RISE** in 2022. Its aim is to recruit around ten talented young managers in Germany. The marketing campaign and recruitment for the programme started in 2021. The programme has been specially developed for the needs of ERGO and is an important addition to Munich Re's existing trainee programmes, not least because the recruitment of young talent is becoming increasingly important in view of the many challenges the German primary insurance market is currently facing. These include digitalisation, process optimisation and automation, integration of robotics and artificial intelligence.

In reinsurance, in addition to our German apprenticeship and the integrated studies and training programme (AIS), the **International Graduate Trainee Programme** is a fast-paced, exciting journey into the heart of the reinsurance business unit and is designed for maximum career impact. Thanks to a rotation system through different departments, trainees experience the breadth and depth of the reinsurance business. In 2021 we trained 96 graduates (49 female and 47 male) in different international locations, each with a key focus on a particular business function, for example in the core area of underwriting.

MEAG launched its new **FUTURES** trainee programme in 2021, for which nine university graduates (5 female and 4 male) were recruited. Over a period of 15–18 months, these trainees, as future leaders, are prepared for the profound changes that will come with our new asset management strategy. Transformational leadership, flexibilisation of work, and digitalisation of communication and collaboration are now concrete realities that will fundamentally change the way we work and lead tomorrow.

# 5.3 Diversity and inclusion

> GRI 103; 405-1

Diversity and inclusion (D&I) is a core value at Munich Re. Deeply woven into our company's culture, it is also a crucial contributor to the success of our business. This value is mirrored in our diversity targets, which are part of Munich Re Ambition 2025. Our employees' diverse backgrounds, experience and talents are among the most valuable assets for our future success. Different mindsets, ideas, ways of thinking, experience and knowledge are also vital to being an excellent partner to our clients.

On a Group level, we manage diversity and equal opportunities by connecting experts to promote the topic, creating visibility and monitoring key data. The business units drive specific measures in accordance with the countries and markets they operate in. Munich Re follows a Group-wide diversity policy that sets out the most important principles for overarching and comprehensive diversity management. The criteria of gender, age and internationality are – amongst other criteria such as religion, disabilities, race/ethnicity, people of colour, and sexual orientation – the focus of our activities. Furthermore, since 2012, Munich Re has been a signatory of the "Charta der Vielfalt" (Diversity Charter) employer initiative.

Munich Re takes a clear stand against racism, inequality and discrimination of any kind – be it related to gender, generational differences, people of colour or members of the LGBTIQ+ community. Our Group-wide Code of Conduct, as a binding set of rules for all employees, prohibits discrimination, social misconduct and harassment, including sexual harassment, of any kind. To support understanding and compliance, staff regularly attend mandatory training courses on Germany's General Equal Treatment Act (AGG) and the Code of Conduct. An escalation process for reporting incidents is clearly defined and complaints offices have been established in the event of discrimination.

## Gender diversity

Our ambition to foster women in leadership positions is essential to the entire Group. In the context of our Munich Re Ambition 2025, we have set ourselves the primary goal of increasing the proportion of women in management positions, globally and at all management levels, to 40% by 2025. In order to achieve this goal across all business units, the Board of Management has agreed on a Group-wide approach based on three key principles:

- A consistent, transparent and state-of-the-art staffing process for filling management positions
- An even stronger focus on talent development with gender-equal opportunities
- Group-wide and quarterly monitoring of gender diversity progress through defined key performance indicators

In addition, established support measures to promote gender diversity were continued in 2021. These include mentoring programmes, coaching, training courses for women in management, career advisory services, training courses on unconscious bias, and individual part-time and parental leave models. A wide range of family support services covering childcare, care for the elderly and career counselling complements the portfolio. At our Munich location, work began on the Women's Career Index in 2021. We intend to use the certification to gain an even better understanding of the challenges facing women's careers, unconscious bias and where we stand as Munich Re.

In 2021, we achieved a figure of 38% (2020: 35%) women in management positions globally and 27% (2020: 26%) in Germany. Find out more about our voluntary commitment to equal participation.

We also continue to place a special focus on balanced gender diversity in our various talent programmes. In the Group-wide Group Management Platform, the proportion of women is 38%. In reinsurance, the share of women in the global Hydrogen talent programme is 38% and 47% in the Oxygen talent programme. Women account for 55% of participants in the ERGO ELP. In MEAG's new Futures trainee leadership programme, a 56% share of women was achieved in 2021.

# 5.3 Diversity and inclusion

Remuneration and salary increases are based on an employee's qualifications, long-term performance, potential and work experience. Of course, gender is not a differentiating factor in respect of salary development.

## Different generations

Actively supporting and fostering the development of different generations and employees at every stage of their professional career is another component of our diversity strategy. In addition to flexible, life-phase-oriented working time and time-out models, such as sabbaticals or the option of converting financial benefits into leave time, Munich Re offers extensive employee assistance programmes that support staff with health or care-giving challenges. A large number of training courses are open to all staff at any time in their career.

## Internationality and ethnicity

Our global workforce comprises 114 different nationalities at more than 50 locations and offers vast potential for diverse approaches and risk solutions for our clients. We drive this through well-balanced teams and globally transparent staffing of key functions. At the same time, we promote the development of international expertise, filling our Group-wide talent programmes with ambitious staff from all areas of the Group. As a result, we have participants with 34 different nationalities representing a high proportion of total participants working outside our headquarters in our talent programmes.

| Talent programme | Number of nationalities | Percentages of participants working outside our headquarters |
|---|---|---|
| Group Management Platform (Group) | 23 | 45 % |
| Hydrogen (Reinsurance) | 17 | 73 % |
| Oxygen (Reinsurance) | 17 | 83 % |
| Executive Leadership Programme (ERGO) | 5 | 36 % |

## Networks and Employee Resource Groups

In order to respect and address the specific needs of certain groups of employees, Munich Re supports numerous internal networks and Employee Resource Groups (ERGs) across the businesses. We work to maintain an inclusive workplace and company culture that benefits from understanding different types of needs and using diverse points of view. The groups play a vital role in providing a better understanding of the business needs of our current and future clients, which helps us capitalise on new business opportunities. Examples of volunteer, employee-led groups and networks include: women's networks, LGBTIQ+ supported by the Pride Network, people with disabilities inclusion networks, working parents, African-American/Hispanic-American groups and veterans, to name just a few. These networks help Munich Re colleagues connect with each other, use professional development and support, and stretch themselves to realise opportunities they might not otherwise get in their day-to-day roles. Special days which are celebrated worldwide to focus on various dimensions of diversity are supported by Munich Re offices as well. Recent examples include the International Day of Persons with Disabilities on 3 December and Pride Month in June. Reinsurance in UK & Ireland held their first Diversity & Inclusion week in November 2021 with some eight events over the week on various topics relating to diversity and inclusion. At Munich Re of Canada, more than 800 employees participated in a regional Ignite Inclusion session on unconscious bias.

# 5.3 Diversity and inclusion

Another way we celebrated Pride Month was by illuminating two MEAG buildings in rainbow colours (Columbia Square in Washington D.C. and 330 Madison Avenue in New York).

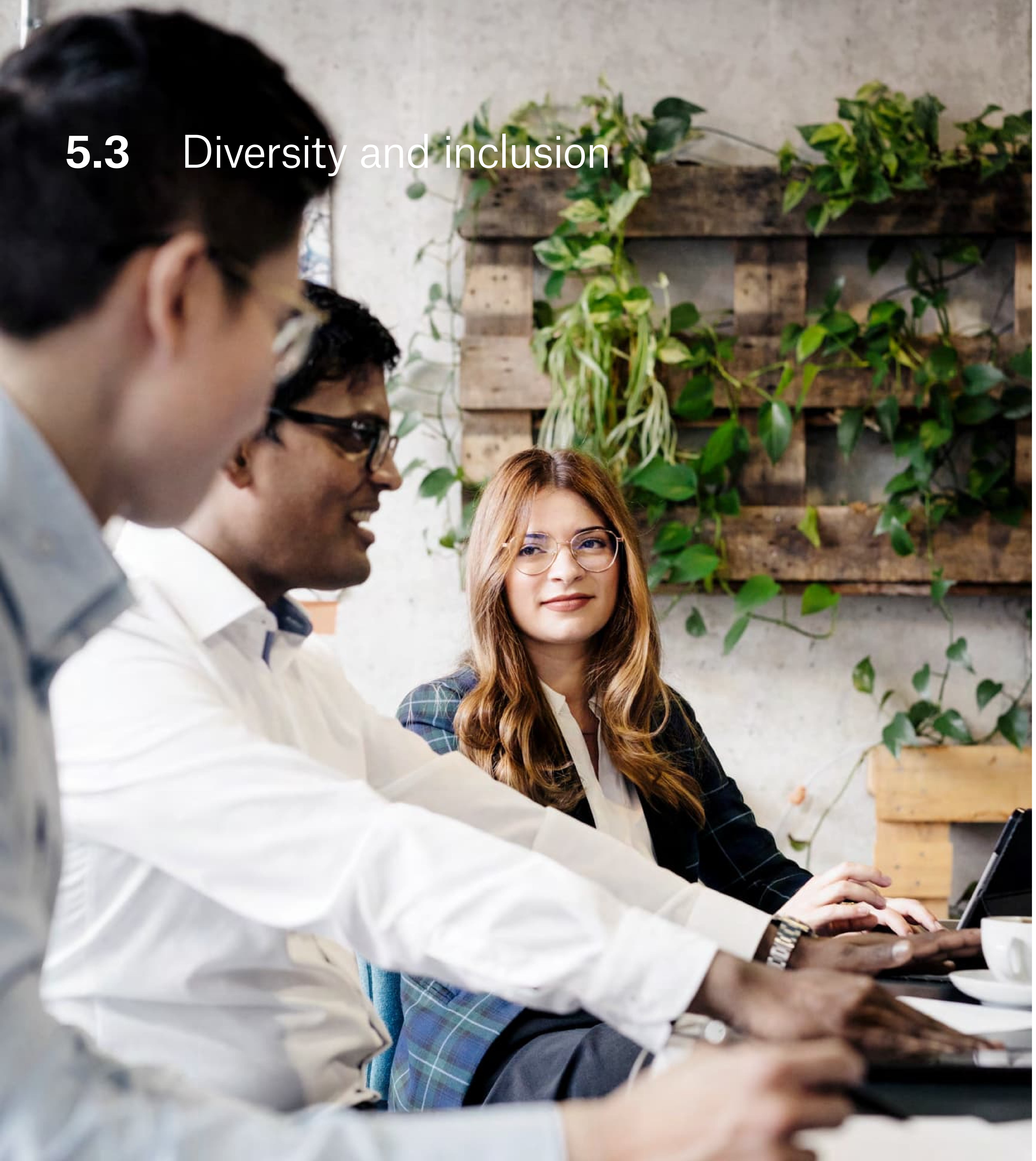

In reinsurance, a variety of learning programs open to every staff member globally provide opportunities, via LinkedIn Learning and the Catalyst learning resource, to learn and develop skills for creating an inclusive workplace. These resources were promoted globally on International Women's Day, World Diversity Day and during Pride Month, the annual celebration of the LGBTIQ+ community in June, and on the International Day for Persons with Disabilities in December. By December 2021, we had reached over 170 registrations globally for Catalyst. Our US colleagues also engage closely with topics related to people of colour and ethnicity, for example, through the MOSAIC employee network, councils and external partnerships. In 2021, Munich Re US built up partnerships with schools, universities and other organisations (the National African American Insurance Association, for example) and had the opportunity to be one of the sponsors for The Memorial Foundation's tenth anniversary. The Memorial Foundation works to promote and support the upkeep of the Martin Luther King Jr. Memorial.

ERGO organised a Diversity Week in Germany in May 2021. Representatives from the LGBTIQ+ network, the women's and fathers' network, the inclusion network and the newly established people-of-colour network provided an overview of their respective concerns and of diversity in the ERGO workforce. The programme included 42 hours of lectures, workshops and discussion rounds with more than 1,000 participants in total.

## Flexibility and support

Munich Re values all its employees for the contribution they make and understands their many different circumstances. A variety of options for staff to reconcile work with family and private life have been a permanent fixture at the company for years.

Munich Re offers all its employees a wide range of models that provide flexibility in terms of their working time and location. Bonuses, for example, can be converted into leave time in the form of short sabbaticals that allow employees to benefit from






longer periods away from work. Longer sabbaticals are also possible. We provide numerous flexible working arrangements. Most of these models are facilitated by digital technologies, making it possible to work from home or while travelling.

In addition, Munich Re provides concrete assistance to families. For example, in Germany, the Group offers services such as childcare in affiliated nursery facilities, an allowance in the case of privately organised childcare, parent-child office spaces, family services, holiday care services and elder care support. ERGO has been awarded the "audit berufundfamilie®" certificate four times since 2002 for the family-oriented personnel policy at its German locations.

A smooth continuation of our employees' career following parental leave is something that we believe is essential. Information events and advice for parents help employees find a balance between work and their personal interests and allow them to take advantage of measures for flexible working hours and location. Besides multiple childcare and family support programmes, employees also have access to career coaching to gain clarity on the issues associated with a work-life balance before they go on parental leave. We have put all these measures in place to facilitate the return to work after a career break and support employees on their career path.

# 5.4 Employee engagement and wellbeing

## Employee engagement

For Munich Re, internal employee engagement surveys are crucial to evaluate employee experience. They allow us to better understand how employees want to work and collaborate in the future and how strengths that distinguish us could be further cultivated.

The result of a global employee survey in 2020 – in reinsurance and at MEAG – revealed a high level of willingness and ability to perform, along with a high level of employee engagement. Based on a response rate of 63%, reinsurance achieved a high level of commitment (index 71), which is significantly above the external benchmark of 61 for the finance industry. MEAG also showed good results (index 61) with an employee commitment level in line with the benchmark. In 2021, we responded to the identified areas for action by introducing measures and appointing project and change teams to successfully tackle these in reinsurance and at MEAG.

In 2021, ERGO conducted its third global employee survey, which included 20 ERGO Group companies (>22,300 employees) and achieved a response rate of 77% (2019: 76%). The survey measures the Sustainable Engagement Index, which increased from a score of 75 in 2019 to a score of 80 in 2021. A broad range of topics is also covered in the survey, including employee leadership, employer attractiveness, remuneration and employee engagement. Special attention was paid to the working conditions affected by COVID-19. The results improved in all categories and in almost all participating companies compared to the previous years. As a result, the ERGO companies are now almost all consistently above the reference values in their respective markets.

In addition to comprehensive global surveys, the results of multiple topic-specific employee surveys (pulse surveys) were available in 2021. Within reinsurance, a pulse survey was conducted on how employees will work together in the future. The third global Continuous Conversations survey showed a high level of acceptance and effectiveness with regard to our performance management approach. Over 70% of respondents confirmed giving and receiving positive and constructive feedback to foster their ongoing development. Furthermore, a pulse survey conducted at ERGO Germany on the changing working conditions due to the coronavirus pandemic showed improved results on the Sustainable Engagement Index. More than 4,200 honest comments provided important input for shaping the new working environment that resulted from the COVID-19 pandemic.

## New Work

Global trends, business demands and the expectations of our staff are transforming the way we interact in our company and with our clients. Accelerated by the coronavirus pandemic, Munich Re is gradually moving towards a more autonomous workforce with the skills needed to succeed in a hybrid and flexible working environment. To achieve this, we follow global core beliefs which guide projects in all our business fields, at ERGO, at MEAG and in reinsurance, with regard to our new ways of working. In order to provide employees and managers with the best possible support, change programmes were launched in 2021 to anchor these new approaches in our thinking and working.

ERGO launched a comprehensive activation and change programme with a binding start (check-in) to the New Work set-up scheduled for autumn 2021. The programme provides employees and managers with the best possible support for the various challenges arising from New Work. In addition, the digital “New Work.now platform” promotes interactive and continuous engagement with the various contents on an individual and team level – and also provides further information and qualification formats. More than 180 colleagues from all ERGO divisions act as scouts to provide the necessary input. Management and team formats provide needs-based and target-group-specific support on implementing changes and overcoming challenges in day-to-day operations.

The New Work project at MEAG includes a new office space concept as well as a framework for mobile working. The refurbishment and modernisation of the common areas and office spaces is already well underway and the first teams have moved into the pilot floors for the new activity-based working set-up. MEAG supports employees and managers in the transition to New Work by offering various participation formats, feedback opportunities, training and workshops.

In 2021, ERGO and MEAG concluded company agreements on mobile working and modified office concepts without fixed workplaces for Germany. In reinsurance, a global project is under way to roll out new ways of working in line with the principles of empowerment, flexibility, trust and inclusion. Our aim is to strengthen the sense of togetherness in a hybrid environment – whether we work remotely or in the office. Existing local initiatives will be linked in a global set-up. This is a great opportunity to create a new working reality as a joint team across the company, ultimately enabling us to better serve our clients and to be creative, fast and flexible. Accepting regional and cultural differences throughout our company and having global core beliefs as a common framework establishes continuity and consistency in the development of solutions.

## Remuneration and pensions

Our company pension scheme is a major voluntary benefit in many units of the Group. It comprises a company pension, additional pension commitments for non-pay-scale employees and managerial staff, and, if applicable, the option to convert salary components into pension benefits (deferred compensation). In 2021, Munich Re in Munich won first place in the "large companies" category of the German Company Pension Award. The jury described our concept as a "company pension solution that is a success from start to finish and fully lives up to the project name AIM (Attractive, Intuitive/Innovative and Market-Oriented)".

Reinsurance and ERGO are also both members of the German Insurance Employers' Association and are consequently bound to the respective collective bargaining agreements.

As part of the redesign of the entire performance management process, a global collective performance indicator was introduced as of 1 January 2020 to replace individual variable remuneration. Today, the only key figure relevant for reinsurance employees' annual bonus is Munich Re's IFRS result. With this in mind, our intention is to strengthen our global focus on consistent collaboration and joint business success. Munich Re also offers further voluntary benefits in addition to a basic salary in many regions, such as for instance subsidised public transport.

## Health and wellbeing

As a responsible and sustainable employer, Munich Re provides a healthy and safe work environment. In addition, we constantly strive to improve physical and mental health as well as our high safety standards.

Munich Re offers its employees a wide range of models that provide flexibility in terms of their working time and location. Financial benefits, for example, can be converted into leave time in the form of short sabbaticals that allow employees to benefit from longer periods away from work. Longer sabbaticals are also possible. In 2021, more than 90% of Munich Re's employees were able to work in a mobile manner. Internal company agreements for individual locations and divisions allow for a well-balanced professional life, while paid parental leave and childcare contributions and facilities support families.

Munich Re's support for employees' health often exceeds statutory requirements. At our head offices in Germany, for example, we provide medical care and preventative measures, as well as sports and relaxation programmes offered by our own company medical staff and partners. There are also individual measures in place to help employees with their reintegration into the workplace following a longer illness as well as healthcare counselling services. To reduce work-related stress for our employees and to promote mental health, training on psychological safety and mental resilience is available at various Munich Re locations worldwide. These have become of particular importance through the stressful pandemic periods. Specialised counselling is available at several locations in Germany to address difficulties at or outside work. We work with an external provider to offer Employee Assistance Programmes (EAPs), which are accessible to all members of staff.

In Germany, company medical staff and specialists are on hand to help in acute crises and are also available to employees for consultation on all health-related issues. This includes prophylactic examinations, vaccinations, first aid, and advice on addiction and mental health. “ERGO sports” is one of the most comprehensive company sports programmes in Germany, available at all our major offices across the country.

At Munich Re in Germany, occupational safety committees, made up of permanent members, regularly discuss matters of safety in the workplace, deliberate on measures and formulate decisions. Topics include ergonomics, fire protection, first aid, accident prevention and workplace health promotion.

At ERGO Germany, information materials and training documents on occupational health and safety are provided on the “Arbeitsschutz-Infoportal” platform, and consulting sessions are offered to raise awareness. The occupational safety team carries out internal safety audits by means of workplace inspections, accident analyses and risk assessment reviews. All executive managers receive annual training on their occupational health and safety duties. Participation in this training is mandatory and the online course concludes with a test.

At Munich Re, more than 80% of employees have access to corporate medical care services such as doctors or health insurance. Additional key performance indicators of relevance can be found in the ↘ Key figures section.

## COVID-19 pandemic

During the ongoing COVID-19 pandemic, Munich Re provided comprehensive emergency management for its staff and business operations. Our main goal is to protect the health of our employees and their families. Group-wide emergency management teams constantly monitor the development of local COVID-19 regulations as well as the infection numbers within Munich Re. They also decide and communicate necessary measures for our office locations in a timely manner. During the summer of 2021, Munich Re ran a very successful voluntary vaccination campaign for staff members, relatives and sales partners. Thanks to our internal medical teams and highly engaged volunteers, roughly 6,500 vaccinations were conducted. In December 2021, we launched a further campaign to offer booster vaccinations.

In the various locations where we operate around the world, many of our employees are still working primarily from home. We continue to support them with health and remote work assistance programmes in an effective way. If staff or guests require access to our office buildings, we observe the local requirements, for example the vaccinated/recovered/tested (3G) rule in Germany. Munich Re has underlined its commitment to act as a responsible employer during these unique times. We have not made use of financial support schemes offered by governments in the context of the COVID-19 pandemic (short-time work or “Kurzarbeit” in Germany, for example) either in Germany or any other country.


# New ways of working – Initiation project in Munich

## Interview with Sandra Öfele, Senior Executive Underwriting P&C, and Dr. Rolf Heintzeler, Head of Reinsurance Development

Our working environment has changed significantly in the past years, and especially since the onset of the COVID-19 pandemic. Over the past years, Munich Re has developed a concept for our future work using an iterative and, in particular, participatory approach that got stakeholders involved in our new ways of working (NWOW) initiative. This was followed by the implementation phase, which started in late 2021. Sandra Öfele, Senior Executive Underwriting P&C, and Dr. Rolf Heintzeler, Head of Reinsurance Development, report on their experiences as project leaders.

**Interviewer: What is the project all about?**

**S. Öfele:** The decisive factors when addressing this topic at Munich Re are global developments and changes that require new ways of working for us to continue to be successful in the future.

**R. Heintzeler:** This refers to global trends such as digitalisation, which offers immense opportunities through new working methods, tools and philosophies at the same time.

**S. Öfele:** We also need to consider demographics, especially with regard to the needs and expectations of different generations in the workplace. They are highly diverse and need to be considered and brought together in ways that will benefit all of us and our company results.

**R. Heintzeler:** The needs of our customers are also changing. We require new solutions for effective customer interaction, making use of smart combinations of digital, hybrid and face-to-face formats in order to meet these demands.

**S. Öfele:** Knowing the concrete ideas around new ways of working of our employees is key, which is why their feedback was intensively surveyed. We've learned that they favour less rigid processes and formality and seek greater empowerment of the teams and flexibility where and how to perform best. It also became very clear that they embrace change and are open to experimental learning.

**Interviewer: What was the deciding factor for you to take leadership of this project?**

**S. Öfele:** First and foremost, Rolf and I share a passion for collaboration and culture…

**R. Heintzeler** … and our experiences during the pandemic highlighted the relevance of the New Ways of Working for our employees – and all the potential it holds for us as a company. That's why we jumped at the opportunity to help shape the future of Munich Re on this exceptionally relevant topic. It's one that's close to both our hearts.

**Interviewer: A core element of the project was the participatory approach. How did you implement that?**

**S. Öfele:** To be sure we keep different needs and ideas in mind, we involved a representative selection of colleagues and engaged them in different roles and set-ups to design a possible target picture.

**R. Heintzeler:** Specifically, our participatory approach to developing our NWOW target picture in Munich had three elements:
Firstly, we set up the project team in such a way

that we closely involved representatives from management, talent pools, relevant departments and the Staff Council. Second, we gathered the perspectives of all employees through surveys and a large number of individual interviews. And, third, we selected 80 representative employees out of 400 applications, who discussed and developed ideas for our target image in three virtual workshops, or so-called Big Rooms, which lasted several days.

**S. Öfele:** The energy, passion and the strong focus on the future success of Munich Re with which the Big Room participants discussed the topics in the Big Room, but also in their teams afterwards, was really impressive. This created a powerful momentum at Munich Re – a strong signal that the participatory approach paid off.

**Interviewer: What was the outcome of the project and what happens now?**

**R. Heintzeler:** Findings from the participatory approach as well as the lockdown phases showed very high productivity is also possible virtually. Furthermore, it demonstrated that flexibility and self-determination have a high value in the team, and that personal preferences regarding office presence are very heterogeneous. There is a high consensus among employees that there should be occasions and reasons to meet in the office.

**S. Öfele:** Our main recommendation was not to establish fixed quantitative presence rules generally valid for all teams in Munich Re. Instead, leave it to the highly diverse teams themselves to define the model best suited to their respective needs and challenges in order to be successful. In addition, we proposed ideas that would allow for greater flexibility around working times and, associated with this, more individual responsibility for time management.

**R. Heintzeler:** The Executive Board subsequently approved these proposals and gave a clear signal as to a high level of trust in employees.

**S. Öfele:** Our results have now been taken up by a follow-up project driven by the responsible HR and Service units with the aim of further concretisation and implementation, including the development of a concept of how to accompany the teams on their journey towards new ways of working.

**Interviewer: What does this mean for the International Organisation/Group?**

**R. Heintzeler:** The Board of Management defined and provided us with the Global Core Beliefs as a basis for the project. These describe globally valid cornerstones for our future working model at Reinsurance.

**S. Öfele:** While our scope was Munich with its German work regulations and local circumstances, the follow-up project will now bring together the results of the various local Munich Re projects worldwide. The aim is to combine local requirements with a global view in a meaningful way – think global, act local.

## Impressions of workshop participants:

*"A valuable exchange took place with colleagues from a wide range of backgrounds and experience within Munich Re. The unifying point was the interest in participation and empowerment. No matter what the future of our Ways of Working will look like, employees want to help shape it. This is how we can achieve not only the best for each individual, but also for the entirety of our corporate goals in the sense of Ambition 2025."* -Apprentice

*"I gained confidence from the workshop that Munich Re is looking for a sustainable hybrid working model for our continued business success with clients and for attracting high-performing employees. We were able to generate many really innovative and good ideas in the workshop. However, the implementation of these will certainly have to overcome a few more hurdles until we have all developed the confidence and courage to go down these new paths together."* -Head of section in Underwriting department

# 6.

# Society

# 6.1 Societal focus topics



> GRI 103

Munich Re is committed to supporting public welfare and cohesion within our society, and our sustainability strategy forms the basis of this commitment.

Our chosen fields of action include areas where we can use our expertise and risk knowledge to maximise the societal impact of our efforts. Specifically, we focus on three significant global challenges: combating climate change and its consequences, improving access to healthcare and increasing risk awareness.

In the spirit of our thriving "Together we care" campaign, we conducted a Group-wide afforestation project with our employees in 2021, which saw more than 1,000 dedicated colleagues plant some 28,700 trees. In addition, the Board of Management of Munich Re established the Social Engagement Awards for employees, with applications for funding opening in 2022. For more information about our global tree planting campaign and the new Social Engagement Awards, see below.

Besides our focus on global challenges (climate change, healthcare, risk awareness) and corporate volunteering, we also promote social and cultural projects at our sites all over the world and provide support for emergency measures following natural disasters. For example, many of our Group-wide donations in 2020 and 2021 were influenced by the urgent need to counter the COVID-19 pandemic. In total, €177,000 was donated to mitigate the consequences of the pandemic in 2021.

**860**

organisations supported in 2021

Group-wide guidelines govern societal donations, sponsorships, memberships and social cooperation agreements. The guidelines set out binding principles, consultation and approval processes, decision criteria, and responsibilities. Each site chooses its own projects (alongside selected Group-wide activities coordinated by the Group's Sustainability department) and allocates its own resources in accordance with the guidelines. We monitor social activity expenditure and its impact using a standardised, essentially Group-wide reporting system on an annual basis. By measuring the impact of our activities, we help increase the effectiveness of the funds we allocate to them.

## Societal focus topics

### Climate change

One of the three strategic focus areas within our social engagement is climate change. At the heart of our climate protection activities is our Tackling Climate Change Together (TCCT) initiative, which is driven by both Munich Re and ERGO. The TCCT initiative concentrates on ecosystem-based adaptation initiatives, which include maintaining, sustainably using and regenerating ecosystems to limit the regional effects of climate change, and ensuring that the basic needs of people living in an affected area are met. In addition, we support start-ups working on solutions to remove $CO_2$ from the atmosphere and we also conducted a Group-wide afforestation campaign for our employees in 2021.

### Ecosystem-based climate change adaptation and mitigation

Those who suffer most from the impact of climate change, such as extreme weather events, are often those who already live in difficult economic circumstances. Our engagement in ecosystem-based adaptation through TCCT supports initiatives that help mitigate the consequences of weather-related natural catastrophes and enables people to better adapt to climate change. Above and beyond providing financial assistance, we also bring our climate change-related expertise and experience to bear in support of solutions.

**Mangrove project in the Mekong Delta**

Together with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, Munich Re and ERGO have launched an initiative on ecosystem-based climate change adaptation in Vietnam. The project, which started in 2019, aims to reforest mangroves in the Mekong Delta.

Mangrove planting

The curfews and lockdowns necessitated by the COVID-19 pandemic have delayed the implementation of projects around the world. At the end of September 2021, however, the Vietnamese government eased freedom of movement in the Mekong Delta, allowing rehabilitation to start at the first project site. Workers from the local community were hired to build, using natural materials, breakwater fences over a planting area of 17.5 ha. In 2022, the project team will extend these efforts to a second site in the Mekong Delta, aiming to double the impact achieved in 2021 in terms of the afforested area and the number of local households involved.

**GreenWatersheds project in South America**

In a second TCCT campaign, ERGO and Munich Re began financially supporting the OroVerde Tropical Forest Foundation's GreenWatersheds project at the end of 2020. The project aims to strengthen the natural capacity of the forest ecosystem in order to mitigate the impact of extreme weather events – with a local focus on Cuba, Mexico, Guatemala and the Dominican Republic. Munich Re and ERGO support activities in the latter three countries. Despite the adverse conditions imposed by the COVID-19 pandemic, the GreenWatersheds project made impressive progress in 2021, thanks in no small part to the commitment of the local OroVerde project team.

In Mexico, fire brigades received urgently needed equipment, with which firefighters can now carry out their important work with sufficient protection. In addition, three cisterns were built to provide communities with water in periods of drought.

In Guatemala, agroforestry systems (forest gardens) were established at fifteen locations, covering 3.9 ha. For these systems to produce a good and safe harvest, farming families had to undergo extensive training. In addition, 32 home gardens were established and afforestation measures put in place to better protect the population and forest from the effects of climate change.

In the Dominican Republic, systems for agroforestry and silvopasture (a kind of forest-pasture landscape) were laid out, as well as five home and family gardens. In addition, training courses on "climate-adapted agriculture on slopes" were held in seven communities. The courses included information on new cultivation and farming methods.

# 6.1 Societal focus topics



## Together we care for nature: Group-wide afforestation project in 2021

As announced in last year's report, Munich Re significantly stepped up its afforestation efforts through voluntary employee engagement in 2021.

**28,700**
trees planted

Between September and December, more than 1,000 dedicated colleagues planted some 28,700 trees worldwide. Tree care, bush planting and forest cleaning were also part of the programme. This small contribution to helping the climate was a major lift for our team spirit worldwide.

**>1,000**
employees participated

"For decades, Munich Re has been a leader in the climate sphere."

This project on new climate technologies with experts from Delft University and ETH Zurich demonstrates Munich Re's capability to search for innovative solutions to complex global challenges. Carbon-capture solutions will play a key role in slowing down global warming. With our involvement in the EIT Climate-KIC CDR Accelerator, we are helping to enable these solutions.

**Silke Jolowicz**
Head of Sustainability Munich Re Group

## Munich Re and ERGO support carbon removal start-ups

Since 2017, Munich Re and ERGO have been fostering start-ups in the climate sphere as part of the largest public-private climate initiative in the European Union – EIT Climate-KIC (Knowledge & Innovation Community). In 2021, EIT Climate-KIC, Delft University of Technology (TU Delft), the Sustainability in Business Lab at the Swiss Federal Institute of Technology (ETH Zurich), and Pannon Pro Innovations (PPIS) joined forces to launch the new Carbon Removal ClimAccelerator, supported by Munich Re and ERGO. The programme helps start-ups working on solutions developed across Europe to remove $CO_2$ from the atmosphere – in short, carbon dioxide removal (CDR).

**€175,500**
in direct financial grants and in-kind support in 2021

The aim of the initiative is to scale technological and nature-based solutions such as afforestation, direct air capture, biochar, and bioenergy-based carbon capture and storage. In the first stage, Munich Re and ERGO supported five teams in breaking into the carbon removal industry through funding, knowledge sharing with our internal experts, and dedicated mentoring.

**7 start-ups**
supported in 2021

Each start-up received a grant of €5,000 and in-kind services worth €10,000. In the second stage, three teams were selected, each receiving a grant of €20,000 plus €13,500 worth of in-kind services.

## Better access to healthcare

Munich Re colleagues worldwide have pitched in to help combat the pandemic ever since its outbreak by donating their time and money. In addition to staff members' considerable dedication, our Group has provided resources, time and expertise for those who need it through various other initiatives around the world. Four examples are outlined below.

### Munich Re's fund-raising campaign for India

Munich Re became a formal partner of Save the Children in 2019 and has provided financial support for a variety of aid measures. Save the Children helps disadvantaged children and their families following natural disasters and has also been supporting them during the prolonged COVID-19 pandemic. In 2021, Munich Re and ERGO employees started a fundraising campaign for aid measures in India – a country that was hit particularly hard by the pandemic.

### ERGO Austria's donation to "Austria helps Austria"

ERGO Insurance in Austria provided €90,000 to support the fundraising initiative "Austria helps Austria". During the campaign period from April to July 2021, €10 was donated for every newly concluded life and accident insurance policy. The mission of "Austria helps Austria" – a joint initiative of ORF and the leading aid organisations Caritas, Diakonie, Hilfswerk, Red Cross, Volkshilfe and Samariterbund – is to help and financially support those people who the COVID-19 crisis has left in destitution.

### Munich Re Life US: COVID-19 research database

Munich Re Life US has collaborated with a consortium of leading healthcare companies to launch a COVID-19 research database to extract insights that will help combat the COVID-19 pandemic. The database includes evaluations of drug effectiveness utilising anonymised health records and claims data. This makes it possible to identify the demographic factors and pre-existing conditions that are most closely correlated with ventilator support or increased mortality. Furthermore, it can be used to measure the public health impact of quarantine measures put in place in different geographic locations. Researchers can access the COVID-19 research database via an analytic platform, enabling them to conduct large-scale studies while protecting patient privacy.

### Munich Re Life US and the American Cancer Society (ACS)

Since establishing its partnership with the American Cancer Society (ACS) in 2020, Munich Re Life US has contributed more than US$ 250,000 towards the advancement of cutting-edge cancer research. It does so through grants and corporate donations, which is particularly important against the backdrop of COVID-19 and its economic impact. The ACS, a major non-profit organisation and leading institution dedicated to eliminating cancer, is facing a significant funding shortage that is jeopardising its ability to invest in vital cancer research. This situation could divert early-stage researchers from the field and prevent the boldest and bravest ideas from being explored. For that reason, Munich Re Life US also launched the "American Cancer Society Employee Giving Campaign" at the end of 2021. The company has committed to match every dollar raised by employees up to US$ 25,000.

In addition to our three focus areas, Munich Re is also committed to social and cultural initiatives at its respective company locations to support local projects.

# 6.2 Further engagement



## Local engagement at our sites

### Munich Re US partners with Team Rubicon

Munich Re US has formed a partnership with Team Rubicon, an international non-profit organisation that helps communities respond to disasters and humanitarian crises. The partnership funds the rebuilding of homes, to a "FORTIFIED" standard, in underserved communities that have been damaged by natural disasters. Developed by the Insurance Institute for Business and Home Safety (IBHS), the FORTIFIED construction standards and methods are designed to help homeowners build or renovate homes in such a way that they are more resistant to natural hazards such as hurricanes, high winds, hail and severe thunderstorms. Munich Re US has committed to an annual investment in Team Rubicon of US$ 100,000 in 2021 and 2022.

The partnership involves providing immediate repair work in low-income, disadvantaged communities that have been impacted by natural catastrophes, to help these communities begin their recovery sooner and improve their resilience to future disasters. This is a unique collaboration that uses a hybrid strategic partnership – a charitable donation approach: Munich Re US will fund the retrofit and construction of FORTIFIED-standard roofs and Team Rubicon will manage the construction projects directly.

This is an important partnership for the Munich Re Strategic Products team, whose mission is to close protection gaps from climate-related perils. Underserved communities are less likely to buy insurance, which makes them disproportionately more vulnerable to severe weather events than other groups.

Many factors contribute to a community being underserved, and measures such as raising awareness of the FORTIFIED standard help build community-wide changes that increase resilience.

### DKV Seguros: Marcha Solidaria continues

Under this environmental corporate volunteering project, a clean-up campaign took place on the same day in Alicante, Barcelona, Cádiz, Las Palmas, Oviedo, Pamplona, Santander, Valencia and Zaragoza, with volunteers scouring kilometres of coastline, riverbanks, parks, mountains and lakesides to pick up litter. In addition, a donation of €8,000 was made to Best World Foundation, which helped organise and manage the litter collection effort, and €10,000 to DKV's One Million Trees project.

Aimed at raising awareness of current environmental problems, the campaign brought together hundreds of employees, their friends and relatives, clients and many others, thus reaffirming DKV's commitment to the health of the planet. In total, 245 volunteers took part and together collected 325.5 kg of litter, mostly comprised of face masks, cigarette butts, wipes, bottles and other plastic waste.

## Wishing tree campaign

As in previous years, the Schinzler Foundation's Wishing Tree project focused on people in need around Munich. This year's digital wishing tree provided space for 887 wishes from disadvantaged children and adolescents, women refugees, and senior citizens who are cared for at 21 social facilities across Munich. All of the wishes were claimed by employees at Munich Re in Munich within just three weeks. Dedicated colleagues from a wide variety of departments then sorted all the presents so that they could be delivered in time. We are delighted that it was once again possible to match all wishes with a "wishmaker" at Munich Re in Munich.

## Disaster relief

Munich Re supports Save the Children. For many years, Munich Re has provided funding for emergency aid measures and reconstruction projects following natural disasters. To this end, we work closely with and support the humanitarian aid organisation Save the Children. In 2021, more than 1,500 families and over 4,000 children in Madagascar, Haiti, India and Afghanistan benefited from our aid. The projects we funded focused on a variety of topics, including malnutrition and hunger, winter clothes, emergency shelter and training personnel in psychosocial support and pedagogy.

### Floods in Germany

Heavy rain caused by the low-pressure system "Bernd" led to severe floods in Western and Central Europe in July 2021. In Germany, river basins in North Rhine-Westphalia and Rhineland-Palatinate were particularly affected. The damage caused by heavy rain and flooding was especially severe in these regions. To help customers and affected employees, ERGO responded by taking quick and straightforward action, ranging from the provision of emergency aid for customers insured against natural hazards to various services and psychological support. ERGO also made emergency donations to the employee association "ergo: wir helfen e.V." to support regional aid projects.

## Employee engagement

We also show our commitment to numerous social, cultural and ecological projects at our different sites through our corporate volunteering. Many of the initiatives were conceived by our employees, who also drive them forward. We fully endorse our employees' voluntary work. At Munich Re in Munich, for example, employees can take up to two days' special leave if they dedicate part of their annual holiday to volunteering projects. In addition, the Schinzler Foundation at Munich Re supports employees' voluntary work by providing grants for various projects.

We are looking forward to taking corporate volunteering at Munich Re to a new level in 2022 with our new Social Engagement Awards.

**Foundations take on responsibility worldwide**

Munich Re's engagement is complemented by the work of five different foundations:

- Munich Re Foundation
- Dr. Hans-Jürgen Schinzler Foundation
- ERGO Youth & Future Foundation
- DKV Seguros Integralia Foundation
- ERGO Hestia Integralia Foundation

# Social Engagement Awards

To promote corporate volunteering among all employees in the Group, the Board of Management has created the Social Engagement Awards for 2022 and approved a generous budget to support voluntary commitments. The awards will help all members of staff to get involved in the public interest – for people who need help, for the communities we live in, for a better future.

The awards offer all staff in the Group a chance to acquire additional funding for projects that they are already involved in, or would like to launch, in collaboration with charitable, non-profit partner organisations. Provided at least five colleagues are jointly and actively involved in a project as corporate volunteers, they can put their initiative forward for the awards, and all Munich Re employees will subsequently vote for the initiatives that they would like to see rewarded.

"The Awards are poised to make a significant social impact, while creating a win-win-win situation for society, for Munich Re, and for all staff at all Group locations".

Joachim Wenning, CEO Munich Re

# 7.

# Good corporate governance

# 7.1 Code of conduct

> GRI 103; 102-16

How Munich Re is perceived by the public and its business partners depends on each and every one of our employees. We base our actions on the principles and values of our Code of Conduct, making every effort to maintain the trust of our stakeholders and protect Munich Re's reputation. Conduct in compliance with the rules plays an important role in this context. Munich Re has set itself the goal of complying with all applicable legal, regulatory and other external rules and standards, especially those related to the operation of insurance and investment business, and of following internal guidelines to mitigate material compliance risks in all business activities.

Our Code of Conduct creates a Group-wide common understanding of the values that Munich Re regards as the foundation for its operations. The Code of Conduct is binding for all subsidiaries and staff of the Group and, together with other policies, guidelines and work instructions, guides our activities on a daily basis. We combat any kind of non-compliance, e.g. corruption, money laundering or the financing of terrorism. We respect human rights and emphasise that our strict compliance standards are to be met along the entire value chain. All new employees are automatically informed about the Munich Re Code of Conduct and are obliged to demonstrate their knowledge of the Code of Conduct by undertaking a mandatory online or face-to-face training. Employees regularly recertify their knowledge of the Code of Conduct, most of them every two years. The Code of Conduct is available in Munich Re's most important working languages (English, German, French and Spanish). In 2021, a project to update the Code of Conduct was started. It is planned that the new version of our Code of Conduct will be approved by our Board of Management and the rollout will start in 2022. Changes include, but are not limited to, a stronger focus on ESG matters, greater transparency on whistleblowing channels and procedures, and the importance of a speak-up culture.

## DVFA: Munich Re's corporate governance rated "excellent"

With its Scorecard for Corporate Governance, DVFA examined the companies listed on the DAX and MDAX indices. In 2021, Munich Re again achieved the highest category with the rating "excellent" and was ranked first.

# 7.2 Compliance

> GRI 103; 102-16; 102-17; 205-1

In its broadest sense, we understand compliance to mean not only observing (complying with) the law, legislation and internal regulations (in particular the Code of Conduct) in connection with the operation of insurance and investment business, but also making our decisions and activities based on these rules and regulations. Compliance is thus a central component of our business processes and enables us to meet our responsibilities and to live up to our standard of integrity.

On the basis of the above-mentioned Code of Conduct and other voluntary commitments to responsible action (e.g. the UN Global Compact), all employees commit to acting with integrity and reliability. Our Board of Management and senior executives bear special responsibility for implementing compliance as an integral part of our business processes. They act as role models for their employees and have a duty of compliance with the law and with internal regulations in their area of responsibility.

The Compliance Management System (CMS) of Munich Re defines minimum requirements for compliant conduct in its Solvency II Group Compliance Policy and is based on the three pillars, of Prevention, Discovery and Response.

It is designed to

- prevent the violation of external and internal requirements by advising on and implementing norms and communicating and providing training on material compliance risks;
- identify and manage material compliance risks, monitor defined frameworks and assess controls, and investigate, terminate and remediate any potential violations that may occur despite having the appropriate measures in place;
- regularly report to relevant bodies and to continuously improve the CMS.

Our CMS is based on external standards such as ISO 19600 and IDW 980 of the German Institute of Auditors and has been carefully tailored to the specifics of our Group. The CMS is the methodological framework for the structured implementation of the early warning, risk control, advisory and monitoring functions.

The compliance culture forms the framework of our business activities and reflects our core values, formulated in particular in Munich Re's Code of Conduct – the central standard for the conduct of all employees. A sound compliance culture embraces all CMS instruments.

The internal audit function performs audits on the CMS and its elements throughout the Group.

## Prevention

The advisory function responds to enquiries on Compliance issues from employees, provides advice in individual cases, makes general recommendations and shows management, executives and employees how to assess and mitigate compliance risks. It also describes how to appropriately prevent and respond to any external or internal breaches of rules. Munich Re attaches great importance to high-quality client advice. At ERGO this is exemplified by our joining the GDV Code of Conduct for the Sale of Insurance Products in 2012. This code obligates those insurers and their agents who have signed up to it not only to high standards in terms of advice and mediation, but also to have their compliance regularly assessed by an independent auditor. KPMG confirmed ERGO's effectiveness in implementing the contents of the Code for the third time in 2020.

Communication and training are aimed at raising awareness of compliance risks and dealing with them safely. Both are carried out in a target group-oriented manner. Training courses with mandatory tests on the Code of Conduct, as well as on the avoidance of corruption, compliance with the provisions of antitrust law and data protection, are conducted regularly for employees. The training programme on antitrust law was one of several that were fundamentally revised this year.

A new automated management tool has been introduced to support staff when dealing with standards, e.g. by allowing them to search for standards by keyword, retrieve the implementation status of standards in the Group, and provide automated information on new, updated, or soon to be updated standards.

## Detection

Material compliance risks are identified and managed and defined frameworks and controls are monitored using an agreed Group-wide methodology.

The assessment of compliance risks comprises the process by which compliance risks are systematically identified, analysed and reduced. The main compliance risks in the Group and the corresponding risk mitigation measures are analysed at least once a year and reported to the Board of Management. Risk areas of focus include data protection, financial sanctions, antitrust law, money laundering, sales compliance and corruption. The management of legal changes forms part of the risk assessment, allowing the possible effect of changes on the company processes to be evaluated in a timely manner.

Monitoring assesses whether the measures used to mitigate material compliance risks are appropriate and effective. Monitoring includes, among other activities, reviews of the defined framework concepts and an assessment of the design and effectiveness of controls.

Internal investigations are carried out by the compliance function if there is a suspicion of or allegation of unlawful acts and/or misconduct within the company. We have established a comprehensive whistleblower system for the communication of suspicious activity reports.

## Response

Continuous improvement means that the CMS and its measures are reviewed regularly based on the results of risk assessments, monitoring and other relevant information from the various departments (e.g. audit reports, organisational changes) and adjusted as required. For this purpose, the maturity of the CMS is assessed annually using quantitative and qualitative queries. This includes establishing the participation rate in the mandatory online training courses, e.g. on the topics of anti-corruption, antitrust law, data protection and Code of Conduct. The same applies to the number of whistleblowing reports and other tips received, as well as the number, topics and severity of compliance violations that have been identified.

## Selected compliance programmes

We have set up explicit compliance programmes as minimum standards for compliance risks that are relevant for the entire Group, e.g., corruption and bribery, which are not tolerated at Munich Re (zero tolerance limit), for compliance with financial sanctions, money laundering requirements and antitrust law, sales and the design of our products (sales compliance). These programmes are intended to ensure trusting relationships and fair dealings with our clients, and that the data entrusted to us is securely handled.

## Compliance organisation and reporting

Compliance responsibility is embedded in all business activities (i.e. it is the first line of defence) and there is a solid compliance organisation with clearly assigned roles and responsibilities, along with independent, adequate, and competent resources to enable the compliance function to operate effectively and efficiently. The compliance organisation manages compliance activities through Group-wide guidelines and a network of regional and local compliance officers.

Compliance reports are submitted regularly (on a semi-annual or annual basis) or on an ad hoc basis, as appropriate, to the Board of Management and the Audit Committee of the Supervisory Boards. The reporting includes, for example, information on material compliance risks, risk mitigating measures for these risks, relevant compliance violations, statements on the maturity of the CMS, and an overview of the adequacy and effectiveness of the established procedures for compliance with external requirements. A special system has been implemented to report violations in Munich Re companies to the Group Compliance and Legal department. Munich Re records both violations of internal policies and guidelines and violations of regulatory and legal requirements as compliance cases. These cases are an integral part of the above-mentioned reporting to the Boards of Management and Audit Committees of the Supervisory Boards of Munich Re companies. Serious violations of legal provisions or of relevant internal regulations at a Group company are reported on an ad hoc basis. Regular exchanges with supervisory authorities such as BaFin are also part of the reporting process.

## Whistleblowing portal

Munich Re offers its employees, and also its clients, suppliers and other business partners, a secure online whistleblowing portal to report potential compliance violations. This means that relevant information can be passed on safely, confidentially and, if desired, anonymously, worldwide and around the clock. Once information is received, it is passed on to Group Compliance and Legal, which is responsible for further processing. Here too, confidentiality is a top priority.

The platform can be used to report possible violations involving corruption, financial sanctions, fraud, antitrust, regulatory framework, money laundering, tax compliance, sales compliance, insider trading and data protection, and also those related to human rights or personnel (e.g. gender discrimination, sexual harassment, diversity or violations of the principle of equal treatment).

Munich Re's whistleblowing portal is currently adding local whistleblowing channels to comply with the EU Whistleblowing Directive (No. 2019/1937).

In 2021, around 650 reports of potential misconduct were received through the various channels in the Group. All reports were carefully and impartially investigated, while maintaining the anonymity of the whistleblower, where requested. The whistleblower's protection was ensured at all times.

62% of the reports were not confirmed, whereas misconduct was determined in 38% of the cases, of which 39% consisted of breaches of internal policies and guidelines and 61% of regulatory and statutory requirements. No systematic compliance breaches were identified.

The 78 cases in which staff did not comply with regulatory or statutory requirements fell into the following categories:

- Regulatory framework: 56%
- Tax law: 17%
- Fraud: 12%
- Sales: 9%
- Personnel: 4%
- Competition and antitrust law: 2%
- Money laundering: 0%
- Financial sanctions: 0%
- Anti-corruption: 0%

No allegations or confirmed violations have been reported in the area of human rights. In all cases, the insights gained were used to improve the Compliance Management System. Disciplinary action was taken in 15% of these cases.

### How the portal functions

Whistleblowers may access the online whistleblower portal via Munich Re's website (both internal and external whistleblowers) and via the intranet (internal whistleblowers only).

Whistleblowers have the option of setting up a protected mailbox in the whistleblower system, using an alias/username and password that they can select themselves. In this way, the whistleblower can exchange messages and files safely and anonymously with Group Compliance and Legal or the responsible local compliance organisations. The mailbox and data is stored exclusively on the whistleblower system, and is protected against third party access by individual encryption. The process does not involve standard e-mail communication. Only the authorised recipient in Group Compliance and Legal or the responsible local compliance organisations can access the data to clarify whether a whistleblowing report is plausible and, if necessary, to initiate an investigation of the matter. Depending on the individual case, appropriate action is taken if a violation is proven. The functionality of the anonymity protection in the Munich Re compliance whistleblowing portal is externally certified to ISO 27001.

Adjustments to the system and procedures have been prepared to ensure compliance with the EU Whistleblowing Directive (No. 2019/1937).

In addition, Munich Re does not tolerate any retaliation against a person who, in good faith, reports possible violations of the law, the Code of Conduct, or other company policies, or who asks questions about ongoing or proposed conduct.

## Ombudsman

Employees may also report possible violations to Munich Re's external ombudsman. Anyone may approach the latter in confidence if they suspect inappropriate conduct. As an external and independent contact, the ombudsman gives whistleblowers an additional option (besides reporting to their superiors, Group Compliance and Legal, and/or the responsible local compliance organisations) for reporting possible violations confidentially and, if necessary, anonymously. The ombudsman informs Group Compliance and Legal about the content of any notification while maintaining confidentiality.

## Zero tolerance of corruption and white-collar crime

Munich Re resolutely counters the risk of white-collar crime and corruption with its CMS, including, but not limited to, an appropriate separation of functions, compliance with the principle of dual control, in particular when signing contracts and making payments. Since 2020, an updated guideline on the prevention of corruption, including avoidance of certain conflicts of interest, and on gifts and hospitality, applies directly to Reinsurance and sets minimum standards for the Group. Legal regulations in other relevant countries, such as the Foreign Corrupt Practices Act (FCPA) in the USA, and the Bribery Act in the United Kingdom, are also considered. The fight against corruption is a compliance programme for which we have a zero-tolerance limit. It includes, among other measures, mandatory online training that must be updated at regular intervals.

Munich Re is also committed to combating money laundering and terrorist financing. The companies affected by the German Money Laundering Act (Geldwäschegesetz - GwG) are organised accordingly, and anti-money laundering officers and deputies have been appointed where required by the GwG. ERGO and MEAG have their own anti-money laundering guidelines for employees at the relevant companies to prevent money laundering or terrorist financing. The identification of customers, service providers and suppliers follows the "know-your-customer" principle and is embedded in appropriate due diligence checks.

In addition to the Code of Conduct, the Group has implemented additional norms, e. g. for the prevention of corruption, and rules for gifts and hospitality, anti-money laundering, compliance with antitrust regulations, financial sanctions, handling of insider information, and outsourcing.

The "know-your-customer" principle requires a transparent and documented selection process for service providers and suppliers and the conduct of due diligence with business partners who act on behalf of Munich Re. At the Reinsurance Group and ERGO, an anti-corruption agreement/anti-corruption clause must be concluded with the supplier or service provider irrespective of the order value. In addition to the mandatory Group-wide topics (Code of Conduct, anti-corruption and data protection/information security), the need for training is also geared to local requirements. Mandatory training also takes place on insider trading and the German General Equal Treatment Act. The training is regularly updated.

# 7.3 Procurement



> GRI 103; 412-3

Our responsible corporate governance extends beyond our core business, and also influences our procurement activities. As a global organisation, Munich Re procures many different goods and services throughout the world. The benchmark for our procurement decisions is best total value in terms of quality, time and cost criteria. Environmental and social aspects and good management practices also play a crucial role.

We have established appropriate procurement principles for working with our suppliers. Based on the principles of the UN Global Compact, our procurement principles help protect human rights, prohibit forced labour and child labour, and uphold both freedom of association and the right to collective bargaining. Furthermore, they forbid corruption and enforce environmental protection. Accordingly – and as a requirement for cooperation – Munich Re expects its business partners to likewise commit to those of our principles that explicitly cover human rights and labour standards. In addition to this, we built a global core model for digital supplier management and went live with the solution at our Munich headquarters in 2020. The core model will be rolled out globally over the next three years, and will enable us to improve accessibility, acceptance and documentation of the UN Global Compact Principles throughout our global supply base.

Procurement departments at Munich Re are responsible for including relevant corporate responsibility clauses in supplier agreements. In Reinsurance we obligate our suppliers to recognise the UN Global Compact. In 2021, compliance with UNGC criteria was anchored in approximately 80% of our framework agreements. Through use of the global core model and the associated standardised supplier onboarding/contracting process, UNGC coverage is expected to reach 95% in the medium term. Should an infringement occur during the term of contract with one of our suppliers, we will actively seek dialogue with our contracting parties in an effort to remedy any deviations from our guidelines. If this does not prove successful, Munich Re reserves the right of extraordinary termination for good cause.

In our procurement decisions and activities, we aim to adhere to compliance principles and thus assume corporate responsibility along the value chain. ESG criteria play an important role in our procurement of goods and services.

# 7.4 Human rights

> GRI 102-12; 102-16; 412-2

At Munich Re, our business model is based on responsible, sustainable, and forward-looking action over the long term. We regard the protection of human rights as a particular obligation, one that we strive to meet in line with internationally accepted human rights principles. It is part and parcel of our approach to corporate governance, which embeds economic, environmental, and social requirements into our definition of success. The Board of Management has confirmed this commitment by clearly stating Munich Re's declaration of principles on human rights.

## Commitments

Munich Re is committed to upholding its human rights due diligence along the entire value chain and to respecting internationally recognised human rights. In signing the UN Global Compact, we have committed ourselves to the following principles:

- To support and respect the protection of international human rights within our sphere of influence;
- To take precautions to ensure that the Group is not complicit in human rights abuses such as human trafficking;
- To uphold freedom of association and the effective recognition of the right to collective bargaining;
- To take precautions that all forms of forced and cumpulsory labour and child labour are eliminated; and
- Aim to provide employment and workplaces that are free from discrimination.

In addition to observing this standard and others specified by the Principles for Sustainable Insurance (PSI), and the Principles for Responsible Investment (PRI), Munich Re is committed to respecting human rights as defined in the following human rights-specific principles:

- UN Guiding Principles on Business and Human Rights
- International Bill of Human Rights, consisting of the:
  - Universal Declaration of Human Rights
  - International Covenant on Civil and Political Rights
  - International Covenant on Economic, Social and Cultural Rights
- ILO Declaration on Fundamental Principles and Rights at Work

## Key components of human rights management

Munich Re has committed to observing its duty of care on human rights along its value chain, and to respect internationally recognised human rights. To this end, we developed the following processes for human rights due diligence compliance in 2018, and these have been reviewed each year since then:

- Commitment of the Board of Management to respect human rights
- Identifying and assessing human rights risks and impact
- Implementing measures and monitoring
- Reporting and communication
- Remedy and grievance mechanism

## Identifying and assessing human rights risks and impact

Munich Re's management strives to prevent potential adverse impact on human rights arising from its business operations. To identify such impact, the following four dimensions have been defined: employees, procurement, our core business of insurance and reinsurance, and investment.

As regards our insurance business and investment, we systematically take environmental, social and governance (ESG) criteria (including the observance of human rights) into account as part of the risk assessment and decision-making processes. You can find more information on this in the section on ↘ Sustainable business.

In addition to these ESG guidelines, we have created a risk mapping tool for human rights. The tool considers the following topics when mapping risks by country: child labour and forced labour; discrimination based on gender, sexuality, or religion; corruption; threats to communities; restrictions on people's liberty or freedom; and international and domestic conflicts. On the subject of sector risks, the tool focuses on working conditions, child labour and forced labour, occupational health risks, and the sources of commodities.

## Implementing measures to prevent or mitigate human rights violations

For each of the four risk dimensions we have defined (employees, procurement, our insurance business and investment management), we have implemented tools to guide our decision-making in line with conscientious management practices.

### Employees

As an employer, we are committed to complying with international human rights standards and creating adequate working conditions for our staff. Furthermore, our Code of Conduct explicitly states that Munich Re does not tolerate discrimination. For further information on occupational health and safety, promoting diversity, equal opportunities and labour rights, please refer to the ↘ Employees section of this report.

### Procurement

In our procurement decisions and activities, we aim to adhere to compliance principles and thus assume corporate responsibility along the value chain. Environmental, social and governance (ESG) criteria play an important role for us in the procurement of goods and services. Please refer to the ↘ Procurement section of this report for more details.

### Insurance

Munich Re has clearly defined in underwriting guidelines how underwriters and client advisors should deal with ESG risks in insurance transactions. If human rights risks are identified during the underwriting risk assessment, risk mitigation measures are supposed to be discussed and agreed in a dialogue with selected contractual partners.

In the insurance business, seven sensitive topics or sectors have been identified where social aspects, including human rights, are supposed to be considered in the risk assessment. Binding guidelines or best practice recommendations relevant to human rights have also been developed for these and other topics. The exclusion of outlawed weapons is binding and applies equally to insurance and reinsurance.

If the review of a contract by the Corporate Underwriting and Sustainability departments concludes that a transaction entails significant reputational risks, such cases need to be submitted to the Reputational Risk Committee (RRC) for reinsurance and the Reputation and Integration Committee (RIC) of ERGO.

### Investment

We take a responsible investment approach by observing the Principles for Responsible Investment (PRI) and our Group-wide Responsible Investment Guidelines (RIG). Please refer to the section of this report on ↘ Responsible investment for more details.

Within the framework of responsible investment, government bonds and bonds of government-related institutions with an MSCI ESG rating of "CCC" are generally excluded, as they exhibit high risks with regard to socio-economic and political factors and also to their use of resources. Among other things, the MSCI Government Ratings take human rights into account.

As a responsible investor, the international conventions relating to anti-personnel mines and cluster munitions (banned weapons) are supported and investments in shares and bonds of companies who are active in these areas are excluded. When making direct infrastructure investments, we assess new investments within the due diligence process using a catalogue of ESG criteria (including, for example, climate, biodiversity, and human rights).

### Raising awareness

In order to raise staff awareness of human rights, familiarise them with the key compliance rules and help them understand the importance of following these rules at work at all times, employees re-certify their knowledge of the ↘ Code of Conduct regularly. This training course includes information on topics such as the German General Act on Equal Treatment, reporting of infringements, data protection and corruption.

### Mitigation

The Compliance department investigates a matter if we become aware of a possible human rights violation. The investigations to be initiated and the procedure are defined and set out in an internal set of rules. Every possible case of misconduct is investigated and clarified. If we learn of human rights violations in an existing contractual relationship, we enter into dialogue with selected responsible stakeholders.

## Reporting and communication

The present documents detail how Munich Re abides by its responsibility for human rights: our Sustainability Report, our combined non-financial statement, our annual UN Global Compact Communication on Progress (CoP), our annual reports on the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI).

In addition, in line with international regulations, a statement signed by the Executive Board on the UK Modern Slavery Act has been published since 2017 and a statement on the Australian Modern Slavery Act was published for the first time in 2021.

## Remedy and grievance mechanism

The compliance whistleblowing portal of Munich Re allows employees, clients, suppliers and other business partners to report potential or actual human rights violations. Whistleblowers can access the portal by using the internal web or the publicly accessible Munich Re website. Employees can also report incidents to their direct managers or the Compliance Officer. For more information, please refer to the ↘ Compliance chapter.

## Strengthened risk management planned for 2022

We continuously strive to improve our human rights due diligence process. For example, as explained in the section on ↘ Sustainable insurance, new formats for informing, raising awareness and training employees on ESG criteria are currently being developed in the 2022 financial year. Human rights aspects will continue to be an integral part of this.

In addition, the Act on Corporate Due Diligence in Supply Chains (Supply Chain Due Diligence Act – Lieferkettensorgfaltspflichtengesetz – LkSG), passed by the German Bundestag in June 2021, obliges German companies with more than 3,000 employees to comply with human rights and environmental due diligence requirements in an appropriate manner in their supply chains as of the 2023 financial year. For the relevant areas, we will analyse the existing internal processes for human rights compliance by 2023 in order to meet the legal requirements. Accordingly, a project has been launched by the ESG Committee with the aim of reviewing our human rights due diligence process in 2022.

# 7.5 Data privacy and information security



> GRI 103

Munich Re handles an enormous amount of data in the course of its business activities. With increasing digitalisation, many business processes involve the processing of personal data, a subject that is of particular concern for us, not least because data protection forms the basis for trusting business relationships and plays a key role in safeguarding our reputation. We are also having to manage an ever-increasing volume of information and data.

If we are to be treated as a competent and trusted partner, it is therefore essential for us to protect the personal data of our staff members and clients, while safeguarding both our own and our sales partners' trade secrets and corporate information. For this reason, Munich Re has implemented data protection and information security management systems in each of its fields of business. Each system takes into account the particularities of the respective field, and includes rules, processes and measures to systematically monitor and control how personal data is handled. The Group-wide Code of Conduct and various business unit-specific standards contain binding regulations for all employees and are intended to ensure a uniform approach to data protection and information security. As described in our Code of Conduct, staff members who intentionally or negligently violate internal rules (including those relating to data protection and privacy) may be in breach of their employment obligations, and thus subject to disciplinary action, including the potential termination of their employment contracts.

In 2021, no material data protection events as defined in the Solvency II Group Compliance Policy occurred anywhere in our Group worldwide, nor were any material proceedings for breach of data protection regulations initiated. Nevertheless, Munich Re is increasingly the target of cyber attacks, which threaten the confidentiality, integrity and availability of our information and business processes. As a result, measures that both prevent such attacks and facilitate their identification are being continually improved, particularly for data protection purposes. We are also optimising the systematic management of any such incidents.

## Data protection and privacy

In the area of data protection, compliance with national and international regulatory requirements, such as the EU General Data Protection Regulation (GDPR), are the main drivers for the development of our management approach. In addition, data protection management systems have been implemented in the individual business units to manage and control the handling of personal data. These systems support our systematic planning, implementation, and continuous monitoring of measures to comply with data protection requirements. They include:

- Transparency (e.g., privacy statements on our websites, which include information about the purposes of data processing, data subject rights, how long data is kept and more)
- Processes for the exercise of data subject rights, the handling of complaints, and a rapid response in the event of a data protection incident (as part of the Group-wide security incident management process)
- Data protection standards for third party processors, which include previous checks on technical and organisational measures and the conclusion of agreements with data protection clauses. Third party processors are also required to impose these standards on sub-processors.
- Regular training of employees: web-based data protection training is mandatory for all employees after hiring and at least every two years thereafter. This is supplemented by classroom training for selected risk-based employee groups and by awareness-creating measures (e.g. on the intranet). Third party processors are contractually obliged to make their staff aware of the applicable data protection rules, to conduct regular training and to implement awareness-raising measures.
- Privacy by design and by default in our solutions and IT-supported business processes as part of our internal approval processes (e.g., Compliance Gate process)
- Documentation (e.g., in registers of processing activities, data breaches, requests and substantiated complaints)

- Monitoring (e.g., regular global topic data privacy audits conducted by internal auditors)

For Group companies whose registered office is within the EU/EEA, policies and norms on data protection focus on the GDPR. Based on this, Reinsurance, ERGO and MEAG have each issued a data protection policy for their activities in the EU/EEA to create a binding, uniform level of data protection in the corresponding business fields. For the Group-internal exchange of data with reinsurance companies based outside the EU/EEA, binding internal data protection regulations (Binding Corporate Rules since 2006) create an appropriate level of data protection at all worldwide locations.

Data protection officers have been appointed for each of the business fields of Reinsurance, ERGO and MEAG to manage data protection issues. The Group-wide data protection organisation is coordinated centrally by Group Compliance and Legal. Data protection officers and experts work in their respective areas of responsibility to monitor compliance with data protection regulations and the legally permissible use of IT-supported data processing procedures, and advise the respective company on its obligations under the relevant regulations. They are also available to employees as contacts for data protection-related questions and are the first point of contact for the supervisory authorities. The Reinsurance Board of Management is informed at least once a year about significant data protection processes and the further development of the data protection management system at Munich Re.

Particularly complex and high-risk topics relating to data protection are dealt with at Munich Re in a Centre of Excellence belonging to the Compliance and Legal Division, which is available to all staff for enquiries.

In order to support full transparency on data protection and information security risks and to fulfil its obligation to comply with data protection regulations, Reinsurance also uses its own IT tool. With this tool, all IT-supported processing of personal data is submitted in advance to IT security and the data protection officer as part of a defined process. As part of a privacy impact assessment, the tool is also used to identify and control data processing operations that pose a high risk of violating the rights of individuals or of restricting their freedom. In addition to the functionalities already outlined in the context of data protection, the tool is also used by IT security for each new IT-supported processing of data to check whether the processing operation is secure. This process is continuously refined with the aim of integrating it into an overarching governance, risk and compliance solution.

**Compliance gate processes – how we manage to comply with global data privacy, cyber law and ethics**

Checking IT-supported business processes quickly and efficiently:

- Fact gathering: components, interfaces, and data flows.
- Threat analysis: check legal, organisational, and technical controls.
- The maturity level methodology: check as much as necessary, and as little as possible.
- Risk assessment and management decisions.

All reinsurance units must use the compliance gate process to fulfil GDPR requirements. If personal data from the EU is involved in a process, use of this tool is mandatory.

## Information security

The Group-wide guidelines on Information Security and Business Continuity Management – the ISM Policy Framework and BCM Policy Framework – set out binding targets, minimum requirements, responsibilities, processes, and reporting procedures for the protection of information and for ensuring business continuity for the entire Group. They are also adopted locally, following a standardised comply-or-explain procedure. Additionally, they consider the high degree of interdependence of the two risk management disciplines, Information Security Management and Business Continuity Management. This framework helps to ensure that Information Security and Business Continuity fulfil contractual obligations to clients, and also meet reporting requirements in a constantly changing environment and in times of crisis. The methodology and processes for managing security risks for people, information, and property, as well as for Business Continuity Management, are clearly defined for the Group and fall under the direction of the Group Chief Information Security Officer (Group CISO). Munich Re is currently expanding the range of established tasks associated with information protection as part of our Group Risk Management. This includes regular (semi-annual) procedures to scan for vulnerabilities, control effectiveness testing and other reviews. New challenges arise, for example, from the increased digitalisation of our business processes, the transition to cloud-based solutions, the offer of cyber risk coverage through primary insurance and reinsurance, growing legal and regulatory requirements, and the constantly increasing number of potential threats in the digital domain.

All staff members of Munich Re are bound to secrecy on all company matters if it cannot be assumed that the information involved is already public. All information is for internal use only and must be handled confidentially, unless it is expressly intended for external publication and has been classified as such. Munich Re has implemented Group-wide organisational processes and technical security measures to protect its confidential information. In addition, we offer regular training sessions and other measures to heighten awareness of information security. These measures help that our confidential data is suitably protected against unauthorised access, as well as against malicious use, manipulation or loss. A clear escalation process is in place, which employees can follow should they notice anything suspicious.

The management of information security risks is the responsibility of the Group CISO. This includes the definition, maintenance, and implementation of the information security strategy and is supported by the Group-wide Information Security and Business Continuity Management Guidelines.

We consistently pursue the implementation of three protection goals in cybersecurity: the confidentiality, availability and integrity of our information. Requirements for this protection are driven by statutory and supervisory regulation and are an integral part of Munich Re's corporate strategy. Our goal is to make the level of protection of data and information risk-oriented in the context of the ongoing digitalisation of business processes. This is enabled by a Group-wide programme that maps all facets of data and information security in sub-disciplines known as cyber capabilities. These are regularly assessed using a maturity-oriented model with quantitative and qualitative criteria that are refined with business unit-specific measures in mind. The Capability Maturity Model Integration (CMMI) is a process and behaviour model developed by the Software Engineering Institute of Carnegie Mellon University as a process improvement tool for projects, departments, or organisations. The Board's agreed goal is to achieve a uniform, ambitious average maturity level across the Group by 2023. This strategic approach includes both results from the review of regulatory requirements and peer comparisons.

# 7.6 Digitalisation and cyber

> GRI 103; 203-1; 203-2

Digitalisation is key to a successful future for the insurance industry. It will transform the industry's entire value chain as well as influence our clients' requirements for specific risk transfer solutions, data and cyber security. For Munich Re, it is crucial to ensure the responsible use of digital technologies and to provide innovative solutions for our clients. Furthermore, digitalisation and the challenges it poses for employees in terms of data protection, information security and the responsible use of artificial intelligence (AI) continue to gain importance. Transformation efforts towards digital and data-driven processes have also been significantly accelerated in many companies, especially in the context of the COVID-19 pandemic. Munich Re made digitalisation an integral part of its business strategy early on and invests heavily in technology and the necessary training to develop its employees and experts. Advances in automation, digitalisation and individualisation will result in exciting new developments, but new risks will also arise, such as those inherent in artificial intelligence itself. Munich Re will counter these risks with, for example, new business models in the field of artificial intelligence certification.

Insurers partner with the digital world

## Responsible handling of artificial intelligence

The responsible application of digital progress is of core importance at Munich Re and the idea of "responsible artificial intelligence" is central to our actions. This approach is based on the seven principles of the "Ethics guidelines for trustworthy artificial intelligence" formulated by an expert group established by the European Commission.

In order to further live up to our responsibilities with regard to the use of AI-based systems and processes, we have established a Group-wide framework for the compliant development of AI algorithms used in new risk solutions, and we collaborate with academia and research institutes to refine them. Additionally, we support the development of European AI guidelines and standards.

The High-Level Expert Group (HLEG) on Artificial Intelligence appointed by the European Commission adopted the ethics guidelines on artificial intelligence in 2019. The guidelines recommend a human-centric approach to AI, and Munich Re participated in the associated piloting process. In 2021, the HLEG guidelines were supplemented by governance principles for the insurance sector, developed by EIOPA. The next step for us will be to integrate the EIOPA principles into the Munich Re guidelines and implement them in our own AI governance (e.g., the principle of human oversight for algorithms) based on the specificities of the insurance sector.

Munich Re has also developed a human rights-based "Responsible AI strategy" in line with European Commission guidelines, which covers issues such as privacy, surveillance, discrimination, bias, unintended consequences, and misuse by bad actors. Our strategy is based on the following principles:

Principles of "Ethical guidelines for trustworthy artificial intelligence"

- Respect for human autonomy
- Prevention of harm
- Fairness
- Explicability

We only want to use AI in sectors that promise added value for our clients or our employees. In this context, we rely on targeted applications with a clear connection to insurance, such as:

- A risk assessment that is shorter and simpler for the applicant
- Prompt claim review and payment
- Insurability of new types of risk

When developing AI applications, we consider social and economic aspects. At the same time, we are guided by the legal, social and cultural standards of all the countries we operate in.

## Social impact of AI – promote exchange, protect against risks

AI will have multiple repercussions on society that are impossible to fully predict today. For this reason, ethical guidelines for dealing with AI can only be achieved in dialogue with politicians and scientists. Our AI experts are members of several bodies, where they exchange information with other companies and draw up guidelines for dealing with AI technology responsibly. In addition, Munich Re is a shareholder in the German Research Center for Artificial Intelligence (DFKI), which seeks to strengthen cooperation between the world's leading representatives from the fields of industry, science and politics. Not only will the partnership help us develop best processes for our clients, but it will also make the latest knowledge available to our employees and further advance research in this field.

Many social problems can be solved with AI, for example in the fields of medicine and mobility. We want to take on the role of enabler for these AI technologies by assuming the residual risks from AI decisions. However, an important precondition for insurability is that specific standards are met in terms of quality, stability, non-discrimination, transparency and comprehensibility. For that reason, together with partners such as the DFKI and Applied AI, we aim to define standards for the evaluation of the various AI algorithms.

## Training our developers and employees

Empowering our employees through training is the basis for successful and responsible digitalisation and, accordingly, we support them throughout the transformation process. For example, to promote the digital readiness of our employees we have established a learning culture that focuses on Munich Re's digital priorities.

Our "Digital School" is the central, advanced training digitalisation programme for all employees in reinsurance. A wide variety of learning content and formats are offered on the platform, all of which enable self-initiated digital knowledge development. In addition, Munich Re places special emphasis on the competent handling of data and algorithms through a global training initiative: a data analytics curriculum available to reinsurance employees in the form of a multi-level digital qualification.

As part of the continuous improvement of our digitalisation processes, we implemented numerous measures in the reporting year. Employees receive regular training on the basics of the GDPR, the binding internal data protection regulations (Binding Corporate Rules) and information security by means of e-learning programmes. Our e-learning programmes are also mandatory for new employees as part of their induction. Furthermore, there were additional division-specific online training courses offered in the reporting year. We also offer target group-specific training for our developers, users and managers, for example, via our LinkedIn Learning page, the Data Analytics Curriculum and the Cyber Expert Pool. You can find more information about the training we offer in the section ↘ Employees.

## Innovative solutions for a sustainable and resilient digital world

Digitalisation provides us with an opportunity to explore new business models and to extend our existing business capabilities. This is why Munich Re offers a variety of new products and solutions in both primary insurance and reinsurance that span everything from cyber risks to Internet of Things (IoT) solutions. These products not only make our clients more resilient in the face of emerging risks but also allow them to explore new and adaptive business models.

In primary insurance, data and the application of artificial intelligence are also essential elements of digital transformation. The focus is on the intelligent automation of processes and strong individualised customer services.

# 7.6 Digitalisation and cyber



## Increasing need for cyber risk solutions

The increasing use of new technologies, self-learning machines, cloud computing, digital ecosystems, new communication standards like 5G and our dependence on intelligent devices are all parts of the global digital transformation of businesses and society. The number of devices online is set to increase to 125 billion by the year 2030. In virtually every sector, automated processes are delivering greater efficiency and higher productivity. At the same time, greater levels of interconnection are leading to new business models. Examples include successful sharing concepts and online platforms. Opportunities for all industries are auspicious. But new technologies bring new vulnerabilities, too: promising, future-oriented opportunities can also entail inherent or hidden risks. Espionage, sabotage, data theft and losses from cyber attacks cost companies millions and are increasing all the time.

At Munich Re, our cyber (re)insurance knowledge and products put us in a position where we can fulfil our social role as a risk carrier as well as provide our clients with financial protection in case of a cyber attack. Munich Re has over 130 experts on cyber in its reinsurance unit.

## AI solutions

### aiSure™

Artificial intelligence systems present enormous challenges and opportunities to businesses and entire economies, spanning the areas of cyber, fraud management, health, travel tech and agriculture. The potential advantages such systems offer include reduced costs, improved quality and greater profitability. However, there is also the risk that an AI algorithm may not perform consistently, precisely enough or at all, which may lead to losses. For this reason, as part of our Insure AI field of business, Munich Re offers aiSure™, a performance guarantee that covers our policyholders' customers for the performance of AI solutions. aiSure™ is based on defined KPIs and insures against payment demands from end-users. In a nutshell, Munich Re provides protection against the risk of poor AI system performance that is based on a due diligence process.

In applying AI, Munich Re's primary objective is to offer needs-oriented insurance solutions which, for example, enable clients to conduct simpler and shorter risk assessments and claims settlements, or to insure new types of risks. Munich Re also assumes the performance risk of AI-based models through new insurance products such as aiSure™.

### CatAI

Munich Re's CatAI solution is another of our innovative products. It creates actionable data from aerial imagery that speeds up the recovery process for policyholders, claims handlers and carriers. In addition, our CatAI Solution delivers fast damage assessment and response times immediately after an event. This helps ensure quick restoration in cases of damaged infrastructure, for example. High-resolution aerial imagery, remote sensing and artificial intelligence all contribute to superior claims management and client satisfaction.

## Understanding cyber risks

Our strategy is based on fully understanding cyber risks, assessing them adequately and making them insurable – and relies on close collaboration between experts from insurance and reinsurance, external partners and our cedants and clients. Our holistic risk transfer solutions, pre- and post-incident services and comprehensive know-how have kept us the market leader in this segment for years and established our reputation as an exceptionally reliable partner. Our ongoing investment in building our expertise and our creative approach to developing solutions continue to deliver products and services that go far beyond the ordinary.

# 7.6 Digitalisation and cyber



The results of our Global Cyber Risk and Insurance Survey show that there is a significant gap between being aware of risks in general and actively pushing for action. We help our clients to assess cyber risks more easily, to understand them better, and to identify the right response.

### State-of-the-art solutions for cyber risks

From accumulation control and reputational risk covers to vulnerability risk assessment – Munich Re offers comprehensive reinsurance solutions that go well beyond pure insurance coverage. Besides traditional reinsurance, we offer a comprehensive network that covers every aspect of cyber claims, which gives quick, direct access to professional service providers.

ERGO also provides innovative cyber solutions, including ERGO cyber insurance. Business customers can protect themselves against the financial consequences of viruses, data loss and other internet-related risks. Furthermore, our DAS Cyberbullying insurance in Spain supports young internet users and their parents in combating virtual bullying, harassment, and identity theft.

### Pioneering cyber insurance: Munich Re partners with Google Cloud and Allianz

Combining the expertise of three industry leaders allows us to better address the specific risk-management needs of organisations moving their business to the cloud. More specifically, the marriage of market-leading cyber risk-transfer expertise with Google Cloud's security know-how enables us to offer focused solutions in a technically robust security environment. For example, our Cloud Protection + solution is embedded in an efficient underwriting process that provides a holistic response to cyber risk exclusively for Google Cloud customers. Above and beyond the immediate benefit for these customers, the cooperation also contributes to the enhancement of Munich Re's cyber risk modelling. Not least, the data-driven submission and underwriting process enables an easier, more efficient and more transparent purchase experience for clients.

Pioneering cyber insurance

## Internet of Things

The Internet of Things (IoT) is advancing into many economic sectors and is disrupting traditional business processes. Of particular relevance are industrial IoT, connected services, smart buildings and infrastructure applications, which rely on smart IoT components that support the detection of malfunctions and the prevention of damage. This ground-breaking technology allows for predictive maintenance, quality analytics and condition monitoring to reduce costs, avoid breakdowns and improve maintenance efficiency.

Munich Re´s IoT cover

# 7.7 Tax



> GRI 103; 207-1; 207-2

Munich Re's policy is to be a responsible company and taxpayer. Due to the nature of our business, we are subject to a multitude of taxes, which arise in every country in which we operate. Munich Re adheres to applicable tax regulations at both the national and international levels. We consider that it is a fundamental legal and social duty to declare the profits earned in our business for tax purposes in accordance with the law.

Compliance with applicable laws and internal rules and principles is binding for all employees of Munich Re. Compliance in general, and tax compliance in particular, are key components of all of our processes. Munich Re aims to operate as a law-abiding, transparent and responsible taxpayer. For that reason, we give absolute priority to meeting all tax obligations to which Munich Re is subject nationally and internationally.

The Board of Management has approved a policy on tax compliance that lays down standards and describes the fundamental components of the tax compliance management system we have in place. The policy applies directly to Munich Reinsurance Company including its foreign branches.

All companies in the Group are obliged to apply a policy locally that has the same, or similar, content. Compliance with this requirement is checked annually. The policy on tax compliance sets out clear rules and responsibilities for tax management throughout the Group. An internal escalation process is in place. Employees can report compliance breaches directly to the tax department and anonymously to the whistleblowing portal. In Munich, Reinsurance has a tax compliance management system in place certified by a third party. This builds on a credible tax compliance culture, sets targets and establishes programmes as part of a continuous improvement process. The key elements of the Group-wide Tax Compliance Policy can be found in our Tax Transparency Report, which is available from our download centre.

Locations outside Germany are chosen primarily based on business considerations. We are represented through subsidiaries or branches in all the world's main insurance hubs – for example in the USA, the UK, Switzerland and Singapore. Tax rates at the foreign insurance locations are mostly lower than in Germany. Structures that we create have adequate economic substance and we do not enter into any transactions with the sole purpose of obtaining a tax advantage. In any event, there is full transparency both locally and in Germany vis-à-vis regulators and tax authorities, and we always act in conformity with all applicable laws. Transactions with Group companies are at arm's length in accordance with OECD requirements. The essential content of our country-by-country reporting can be found in our public Tax Transparency Report.

# 7.8 Advocacy and political involvement



> GRI 102-13; 103

## Advocacy

In the interest of our stakeholders, we contribute our knowledge and expertise to the political decision-making process. In doing so, we place an emphasis on fairness and transparency.

Our focus is on topic areas that affect our Group and our stakeholders and in which we possess a particular expertise. This applies to areas such as climate protection, data security and investment in infrastructure, where our corporate interest and business attitude match the general societal interest.

We actively participate in industry organisations, including the German Insurance Association (GDV), the Geneva Association, the European Insurance Chief Finance Officers (CFO) Forum, the Chief Risk Officers (CRO) Forum, the Reinsurance Advisory Board (RAB) of Insurance Europe, the Global Reinsurance Forum (GRF) and the Pan-European Insurance Forum (PEIF). The Public Affairs department within the central division Economics, Sustainability and Public Affairs is responsible for representing our interests vis-à-vis governments, national and supranational authorities, associations and other organisations on behalf of Munich Re. Drawing on in-house expertise, our Public Affairs department also coordinates our positioning within the Group based on internal committee discussions. Public Affairs promotes matters that are important for our company and the sector as a whole. Through a dedicated committee, we have established a regular institutionalised Group-wide exchange on relevant topics and developments.

In 2021, the following topics were the focus of our advocacy activities:

### Sustainable Finance

We are committed to the goals of the Paris Agreement and are a member of the Asset Owner Alliance as well as a founding member of the Net-Zero Insurance Alliance. Through our public engagement, we aim to foster the transition towards a low-carbon and sustainable economy. We also engage in the discussion around the sustainable finance agenda of the EU and welcomed the foundation of the International Sustainability Standards Board (ISSB) in 2021. In our view, it is essential to develop a comprehensive global baseline of sustainability-related disclosure and to ensure the availability of high-quality and comparable sustainability data.

### Digitalisation

We support the digital agenda of the German Federal Government and the European Commission. Our focus is on the creation of standardised framework conditions and legal security in Europe. A further objective is to facilitate the development of innovative products and services to exploit the benefits of digitalisation. Further information can be found in the section on ↘ Digitalisation.

### Cyber risk

The cost impact of cyber attacks on an economy can rival those of natural disasters. Munich Re is active in the field of services that mitigate cyber risks and provide financial protection following a cyber incident. We are also paying increased attention to underwriting cyber risks in the insurance sector. We monitor developments in this sector closely and will continue to contribute to the appropriate handling of the associated opportunities and risks.

### Global Insurance Capital Standard (ICS)

The creation of a global capital standard for insurance companies poses a major challenge for companies and supervisory authorities. The suitability of the ICS will be tested over a five-year monitoring period (2020–2024), a process in which we already participate.

### Trade barriers and market access issues

In many jurisdictions, trade barriers and market access issues restrict the free flow of reinsurance.

# 7.8 Advocacy and political involvement

Through our participation in reinsurance associations, we advocate for efficient, innovative, and competitive reinsurance markets worldwide.

## Regulation of systemic risks

A holistic approach to assessing and mitigating systemic risks in the insurance sector is currently being tested. Its focus is on systemically relevant activities and providing comprehensive integration of macroprudential aspects into the regulatory framework. Traditional re- and primary insurance activities are not systemically relevant and Munich Re is not identified as a global, systemically important insurer (G-SII).

Munich Re places particular importance on transparency in all advocacy activities. Along with the information in the Sustainability Report, we provide details to the EU Transparency Register and the German Lobbyregister on focal points, memberships and the cost of our lobbying activities. Since 2020, we have been reporting on these costs as part of a Group-wide survey. Further information can be found in the ↘ Key figures section.

## Political Involvement

> GRI 415-1

Munich Re supports the democratic political process and, to this end, donates to the following German political parties: Bündnis90/Die Grünen, CDU, CSU, FDP, and SPD. As defined in our Group Guidelines (e.g., for reinsurance companies: "The guidelines for donations, sponsorship activities, memberships and social cooperation agreements"), contributions to political parties and organisations closely tied to them may be made by Munich Re (Munich) and ERGO Group AG only. They require the consent of either the Reinsurance Board of Management or the responsible member of the Board of Management of ERGO Group AG. The five German political parties we support each receive an identical donation of €30,000 with no conditions attached. Munich Re and ERGO each pay one half of the expenditure. The donations are transferred exclusively to the parties' federal headquarters. In addition to the above donations, membership fees are paid to organisations closely affiliated with the parties. Munich Re did not engage in any other form of political sponsorship. Since 2020, compliance with our Guidelines on Donations and Sponsorship, and also on political involvement, is monitored Group-wide as part of our annual monitoring process. Further information can be found in the ↘ Key figures section.

# 8.

# Annex

# 8.1 About the report



> GRI 102-45; 102-46; 102-50; 102-51; 102-52; 102-54; 102-56

Our business model is based on responsible corporate governance that reconciles economic, environmental and social requirements. To this end, we rely on transparency and dialogue with our stakeholders. We also establish global partnerships for sustainable development. In our Sustainability Report, we describe the ways in which we embrace sustainability in our day-to-day operations.

Our annual Sustainability Report also provides a review of our business fields of primary insurance and reinsurance as well as investments and asset management with respect to the objectives we have defined, the measures we took in the past year and the successes we have achieved.

The measures and activities presented focus mainly on the period from 1 January 2021 to 31 March 2022; the key figures relate to the 2021 financial year (ending 31 December 2021). This year's Sustainability Report has been available online in English since 22 April 2022.

## Further reporting

Munich Re's Annual Report provides our investors with detailed information on our corporate governance, management and financial matters.

# 8.1 About the report

In addition, the Annual Report includes our combined non-financial statement in accordance with Sections 289b and 315b of the German Commercial Code (HGB) and meets the requirements of the European Union's Corporate Social Responsibility (CSR) Directive. Ultimately, our Sustainability Report serves as a link to our standard financial reporting and the non-financial statement, providing greater detail about further non-financial aspects.

## Selected topics – Qualitative and quantitative reporting

To ensure that the Sustainability Report gives a comprehensive picture of our performance, the topics and content have been chosen according to their significance for our business operations, their impact on environmental, economic and social factors, and their relevance for our stakeholders.

## Verified indicators

The carbon footprint from our operational activities is the key indicator for measuring and assessing the environmental performance of our own operations. Since 2015, an external audit company has confirmed that Munich Re Group has been meeting its objectives for selected quantitative environmental data to a high standard of quality. You can find the latest ↘ Independent auditor's limited assurance report at the end of this document and reports from previous years in our Download Center. All the information in the combined non-financial statement contained in the Annual Report has also been verified by external auditors.

## Our voluntary commitments

The voluntary commitments we make to initiatives such as the UN Global Compact, the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI) form the framework of our sustainability strategy. At the start of 2020, Munich Re joined the UN-convened Net-Zero Asset Owner Alliance (AOA), and we are working towards ensuring that our investments are net-zero by 2050. Munich Re is also one of the founding members of the Net-Zero Insurance Alliance established in 2021.

## GRI Standards and Global Compact "Communication on Progress" report

This report has been prepared in accordance with GRI standards ("core" option). The GRI indicators have been compiled in the ↘ GRI content index. In addition, the Sustainability Report and the GRI disclosure constitute our annual Communication on Progress report for the UN Global Compact.

## Terminology

Throughout this report, Munich Re Group is referred to as "Munich Re" or "the Group", while "reinsurance" is used to refer to Munich Reinsurance Company including our primary insurance out of reinsurance (PIRI) business. Munich Re's primary insurance group is either referred to as "ERGO" or by the term "primary insurance". Munich Re's primary asset manager, MUNICH ERGO AssetManagement GmbH, is referred to as "MEAG", while Munich Re's Group Investment Management unit is referred to as "GIM". Furthermore, whenever the term "Group-wide" is used, it indicates that more than 90% of Munich Re Group's employees are covered.

# 8.2 Key figures

## Important facts and figures

At Munich Re, we place particular emphasis on transparency and information of our respective stakeholders. This chapter provides detailed information on the development of our key indicators on environment, employees, our social commitment and our involvement in political decision-making processes.

### Financial indicators

Online content: Find all information about our financial figures on our corporate website

### Environmental indicators

> GRI 302-1-5; 305-1-5

A key component of our Group-wide environmental and climate protection strategy is the continuous reduction of our consumption of resources and our resulting CO2 emissions.

In our reporting, we focus on the main direct impacts of our business operations on the environment and climate. These are the consumption of energy, paper and water, the waste we produce and the business trips we make. The resulting CO2 emissions are measured and externally quality assured. The continuous reduction of these emissions is the main indicator of the success of our environmentall performance.

Munich Re Group's carbon emissions are calculated using the latest conversion factors from the GHG Protocol and the Association for Environmental Management and Sustainability in Financial Institutions (VfU). If possible, individual conversion factors, e.g. for company cars, are applied. A market-based approach is used to calculate the Scope 2 emissions resulting from electricity consumption, taking into account the fact that in 2021 a share of 92%** was derived from regenerative energy sources and calculated as emission-free. For the remaining electricity consumption, country-specific conversion factors from the GHG Protocol were used that derive from the average local power mix.

Sources of $CO_2$ emissions:
- Scope 1: Direct emissions from primary energy consumption (natural gas, emergency diesel power, fuel for company cars)
- Scope 2: Indirect emissions from procured energy (electricity, district heating and district cooling)
- Scope 3: Other indirect emissions (business trips, consumption of paper and water, waste)

** Selected quantitative environmental indicators are verified Group-wide by an external auditing company.

# 8.2 Key figures

| General information | Unit | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Munich Re Group employees as at 31.12.2021 | Number of employees | 39,281 | 39,642 | 39,662 |
| Gross premiums written Munich Re Group | €bn | 59.6 | 54.9 | 51.5 |
| Proportion of employees captured by the environmental data collection | % employee | 81** | 82 | 83 |
| Proportion of employees who were verified by a third party | % employee | 100** | 100 | 100 |
| Proportion of employees covered by an environmental system certified to ISO 14001, 50001, EMAS | % employee | 46** | 46 | 40 |
| Total $CO_2$ emissions Munich Re Group | Metric tonnes (t) | 73,289** | 73,285 | 98,393 |
| | Metric tonnes (t)/ employee | 1.87** | 1.85 | 2.48 |
| $CO_2$ savings per employee since 2019 | % employee (kg $CO_2$) | 25** | 25 | |
| $CO_2$ intensity | Metric tonnes (t) $CO_2$/€m gross premiums written – Munich Re Group | 1.23 | 1.33 | 1.91 |

** Selected quantitative environmental indicators are verified Group-wide by an external auditing company.

| Scope 1 | Unit | 2021** | 2020 | 2019 |
|---|---|---|---|---|
| Direct energy consumption in premises | MWh total | 178,549 | 167,897 | 159,443 |
| | MWh/employee | 4.55 | 4.24 | 4.0 |
| Road travel from company cars | Km total | 71,723,191 | | |
| | Km/employee | 1,826 | | |
| $CO_2$ emissions Scope 1 | Metric tonnes (t) total | 47,598 | 44,105 | 44,023 |
| | Metric tonnes (t)/ employee | 1.21 | 1.11 | 1.11 |

| Scope 2 | Unit | 2021** | 2020 | 2019 |
|---|---|---|---|---|
| Indirect energy consumption | MWh total | 168,922 | 177,031 | 201,455 |
| | MWh/employee | 4.30 | 4.47 | 5.10 |
| $CO_2$ emissions Scope 2 (market-based) | Metric tonnes (t) | 19,677 | 22,290 | 27,226 |
| | Metric tonnes (t)/ employee | 0.50 | 0.56 | 0.69 |
| $CO_2$ emissions Scope 2 (location-based) | Metric tonnes (t) | 47,751 | 51,933 | 63,813 |
| | Metric tonnes (t)/ employee | 1.22 | 1.31 | 1.61 |

| Scope 3 | Unit | 2021** | 2020 | 2019 |
|---|---|---|---|---|
| Other indirect $CO_2$ emissions (water, waste, paper, travel except combustion from company cars) | Metric tonnes (t) | 6,015 | 6,890 | 27,144 |
| | Metric tonnes (t)/ employee | 0.15 | 0.17 | 0.68 |

# 8.2 Key figures

| Energy | Unit | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Total energy consumption (Scope 1 and 2) | MWh total | 347,471** | 344,928 | 360,897 |
| | MWh/employee | 8.85** | 8.70 | 9.10 |
| Percentage of total electricity consumption from green electricity | Share in % | 92** | 90 | 90 |
| $CO_2$ emissions from energy (Scope 1 + Scope 2 marked-based) | Metric tonnes (t) | 67,275** | 66,395 | 71,249 |
| | Metric tonnes (t)/ employee | 1.71** | 1.67 | 1.80 |
| Energy intensity | MWh/€m gross premiums written | 5.83 | 6.35 | 7.01 |

| Energy consumption by type | Unit | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Liquid fuel for emergency power | MWh | 927 | 806 | 665 |
| Natural gas | MWh | 177,622 | 167,092 | 158,778 |
| Thereof natural gas for cogeneration | MWh | 145,454 | 139,214 | 134,970 |
| On-site energy generation | MWh | 125,125 | 120,847 | 131,395 |
| Total electricity consumption | MWh | 96,452 | 111,206 | 125,839 |
| Thereof electricity consumption from renewable sources | MWh | 88,567 | 100,118 | 112,664 |
| District cooling | MWh | 4,481 | 4,593 | 8,047 |
| District heating | MWh | 67,989 | 61,232 | 67,569 |

| Paper | Unit | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Paper consumption | Metric tonnes (t) | 1,192** | 882 | 1,134 |
| | Metric tonnes (t)/ employee | 0.03** | 0.02 | 0.03 |
| Recycled paper | Share in % | 4** | 10 | 33 |
| $CO_2$ emissions from paper | Metric tonnes (t) | 1,407** | 970 | 1,339 |
| | Metric tonnes (t)/ employee | 0.04** | 0.02 | 0.03 |
| Paper intensity | Metric tonnes (t)/€m gross premiums written | 0.02 | 0.015 | 0.02 |

| Water | Unit | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Water consumption | Cubic metres ($m^3$) | 431,593** | 507,238 | 665,766 |
| | Cubic metre ($m^3$)/employee | 11.0** | 12.8 | 17 |
| $CO_2$ emissions from water | Metric tonnes (t) | 303** | 355 | 466 |
| | Metric tonnes (t)/ employee | 0.01** | 0.01 | 0.012 |
| Paper intensity | Cubic metres ($m^3$)/€m gross premiums written | 7.24 | 9.3 | 12.9 |

# 8.2 Key figures

| Business trips | Unit | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Business trips | Kilometres (km) | 96,737,797** | 106,492,210 | 304,395,351 |
| | Kilometres (km)/ employee | 2,463** | 2,686 | 7,675 |
| Air travel | Kilometres (km) | 18,471,098** | 31,348,310 | 192,476,667 |
| Road and rail travel | Kilometres (km) | 78,266,699** | 75,143,900 | 111,918,684 |
| $CO_2$ emissions from business travel (Scope 1 + Scope 3) | Metric tonnes (t) | 13,886** | 13,941 | 34,363 |
| | Metric tonnes (t)/ employee | 0.35** | 0.35 | 0.87 |
| Business travel intensity | Kilometres (km)/€m gross premiums written | 1,623 | 1,961 | 5,911 |

| Waste | Unit | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Waste generation | Metric tonnes (t) | 5,416** | 5,820 | 9,870 |
| | Metric tonnes (t)/ employee | 0.14** | 0.15 | 0.25 |
| Waste for incineration hazardous | Metric tonnes (t) | 1 | 9 | 5 |
| Waste for incineration non-hazardous | Metric tonnes (t) | 1,114 | 1,178 | 1,613 |
| Recycled waste hazardous | Metric tonnes (t) | 35 | 65 | 78 |
| Recycled waste non-hazardous | Metric tonnes (t) | 2,963 | 3,212 | 5,353 |
| Waste to landfill hazardous | Metric tonnes (t) | 3 | 0.21 | 17 |
| Waste to landfill non-hazardous | Metric tonnes (t) | 197 | 285 | 843 |
| Organic waste | Metric tonnes (t) | 572 | 667 | 1,323 |
| Other waste not specified | Metric tonnes (t) | 428 | 355 | 519 |
| Special waste treatment | Metric tonnes (t) | 104 | 49 | 118 |
| $CO_2$ emissions from waste | Metric tonnes (t) | 1,796** | 1,673 | 2,666 |
| | Metric tonnes (t)/ employee | 0.05** | 0.04 | 0.07 |
| Waste intensity | Metric tonnes (t)/€m gross premiums written | 0.1 | 0.02 | 0.05 |

# 8.2 Key figures

## Staff indicators

> GRI 102-8; 102-41; 401-1; 404-1/-3

| | | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Staff | (abs.) | 39,281 | 39,642 | 39,662 |
| Employees by field of business | Reinsurance | 35.1% | 31.9% | 31.2% |
| | Primary insurance | 64.9% | 68.1% | 68.8% |
| Group staff by region | Germany | 46.9% | 47.0% | 47.4% |
| | Rest of Europe | 33.1% | 35.7% | 35.6% |
| | North America | 16.1% | 13.6% | 13.3% |
| | Asia and Australasia | 3.1% | 2.7% | 2.7% |
| | Africa and Middle East | 0.5% | 0.5% | 0.5% |
| | Latin America | 0.3% | 0.4% | 0.4% |
| Group staff by region | Female employees | 52.6% | 52.9% | 53.1% |
| | Women in managerial positions | 37.8% | 35.1% | 35.4% |
| Group staff by age | 20 or younger | 0.2% | 0.2% | 0.2% |
| | 21 – 25 | 3.9% | 3.8% | 4.1% |
| | 26 – 30 | 8.6% | 8.1% | 8.3% |
| | 31 – 35 | 11.4% | 11.7% | 12.2% |

| | | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Group staff by age | 36 – 40 | 13.7% | 13.8% | 13.8% |
| | 41 – 45 | 13.7% | 14.0% | 14.0% |
| | 46 – 50 | 14.1% | 14.9% | 15.5% |
| | 51 – 55 | 16.2% | 16.3% | 16.0% |
| | 56 – 60 | 12.8% | 12.4% | 11.2% |
| | over 60 | 5.4% | 4.8% | 4.6% |
| No. of staff by type of employment contract | Permanent employment | 96.2% | 95.8% | 95.1% |
| | Temporary employment | 3.8% | 4.2% | 4.9% |

# 8.2 Key figures

| | | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Salaried employees | Full-time – female | 38.2% | 38.7% | 37.6% |
| | Part-time – female | 14.4% | 13.3% | 14.8% |
| | Total – female | 52.6% | 52.0% | 52.5% |
| | Full-time – male | 44.9% | 45.8% | 44.8% |
| | Part-time – male | 2.5% | 2.2% | 2.7% |
| | Total – male | 47.4% | 48.0% | 47.5% |
| | Full-time | 83.4% | 84.5% | 82.5% |
| | Part-time | 16.6% | 15.5% | 17.5% |
| Sick leave | | 3.7% | 3.8% | 4.7% |
| Sick leave days per employee | | 9.4 | 9.0 | 11.1 |
| Employees with access to medical care (doctor, health insurance) | | 82.2% | 92.9% | 78.5% |
| Employees with access to health services (e. g. vaccination, health check) | | 75.0% | 85.1% | 84.2% |

| | | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Staff turnover | Turnover rate | 9.9% | 9.3% | 12.3% |
| | Voluntary fluctuation | 5.6% | 3.5% | 5.0% |
| | Lay-offs (abs.) | 782 | 426 | 523 |
| Open positions filled by internal candidates | | 33.9% | 35.0% | 31.7% |
| Length of service | Years (Ø) | 13.9 | 13.8 | 13.6 |
| Further education[1] | Cost per employee (€) | 757 | 615 | 836 |
| | No. of training days per employee | 2.4 | 3.2 | 4.8 |
| | No. of training hours per employee | 18.5 | 24.8 | 36.9 |
| | Employees with at least one training | 95.1% | 85.9% | 91.7% |
| | Employees with at least one online training | 91.6% | 83.9% | 74.6% |
| | No. of training days (online) per employee | 1.1 | 2.6 | - |
| | No. of training hours (online) per employee | 8.6 | 19.8 | - |

[1] Data coverage Munich Re Group: ≥ 80%.

# 8.2 Key figures

| | | 2021 | 2020 | 2019 |
|---|---|---|---|---|
| Women's networks | Number | 12 | 13 | - |
| | Members | 2,217 | 1,666 | 1,764 |
| | Events | 54 | 36 | 98 |
| | Event participants | 2,814 | 1,063 | 2,236 |
| LGBTQ – networks | Number | 4 | 7 | - |
| | Members | 409 | 341 | - |
| | Events | 20 | 21 | - |
| | Event participants | 2,178 | 434 | - |
| Number of nationalities MR Munich[2] | | 67 | 56 | 56 |
| Number of nationalities MR Group | | 114 | | |
| Employees with flexible working hours | | 79% | 95% | 81% |
| Employees with access to mobile working | | 90% | 100% | 70% |
| Employees with access to sabbatical or add. leave days | | 67% | 65.2% | 67.4% |

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Employees with financial support for staff catering | 67% | 77% | 76% |
| Employees with access to child care services | 14% | 31% | 24% |
| Employees receiving regular performance and career development reviews | 100% | 100% | 100% |
| Employees covered by collective bargaining agreements[3] | 98.8% | 99.8% | 99.6% |
| Pay ratio[4] | 24 | 24 | 22 |
| Employees with disabilities[5] | 4.8% | 4.6% | 4.7% |
| Employees with company pension scheme | 75% | 86% | - |

Further staff indicators can be found in our factsheet.

Data coverage Munich Re Group ≥ 95%

[2] Data coverage Munich Re Munich: 100%.

[3] German entities only: 47% coverage of Group's employees in 2022.

[4] Pay ratio: The average target overall direct remuneration of all members of the Board of Management was (24) 24 times the average target overall direct remuneration of all employees (excluding the Board of Management).

[5] Data Coverage Munich Re Group: ≥75%

# 8.2 Key figures



## Social impact (SI) indicators

> GRI 415-1

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Employee coverage | 97.0% | 95.0% | 99.6% |
| Total SI expenses (€) | 8,703,143 | 9,749,556 | 8,800,999 |
| Share of pre-tax profit | 0.24% | 0.66% | 0.28% |

## Details of social impact expenses in €

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Activities at our locations[6] | 2,128,329 | 1,882,296 | 1,930,506 |
| Social impact projects that pay into the three global challenges[6]:<br>- Combating the effects of climate change<br>- Improving access to healthcare<br>- Enhancing risk awareness | 2,507,441 | 2,871,235 | 3,039,208 |
| Corona pandemic-related engagement[6] | 177,062 | 2,234,918 | - |
| Disaster relief[6] | 524,507 | 160,880 | 195,843 |
| Donations in kind, sponsorships in kind | 137,576 | 85,937 | 185,171 |
| Political donations | 171,480 | 171,480 | 173,980 |
| Corporate volunteering | 893,390 | 329,023 | 1,016,276 |
| ERGO foundations | 871,526[7] | 530,315 | 687,829 |
| Munich Re foundations | 1,291,833 | 1,593,282 | 1,698,886 |

| Regional classification[6] | 2021 | 2020 | 2019 |
|---|---|---|---|
| Germany | 1,902,548 | 2,021,917 | 1,834,803 |
| Europe (excluding Germany) | 2,804,616 | 1,583,363 | 826,188 |
| North- and Latin America | 2,413,009 | 2,074,016 | 2,262,557 |
| Australia/New Zealand | 35,709 | 83,587 | 149,895 |
| Africa | 38,483 | 97,209 | 45,944 |
| Asia | 45,521 | 54,276 | 46,169 |

[6] This amount comprises donations (not including donations in kind or political donations), social sponsorships (not including sponsorships in kind) and corporate responsibility memberships.

[7] The reporting of the payments for ERGO foundations has been partly assumed based on on last year figures.

# 8.2 Key figures

## Expenses for advocacy in €

> GRI 102-13

As part of our advocacy activities, Munich Re Group engages in a continuous exchange with a wide range of organisations. For 2021, our Group-wide assessment of advocacy expenses was expanded and reached a coverage of 97% of our employees.

| | 2021 |
|---|---|
| Total expenses for industry associations, business associations and trade associations, including chambers of commerce and the commission of advocacy activities to external parties | €9m |
| Largest associations | GDV (€2.4m), PKV (€1.7m), RAA (€0.6m), APICA (€0.4m), CLHIA (€0.3m) |
| Data coverage (as percent of employees) | 97% |

# 8.3 Standards

## GRI content index

> GRI 102-55

| GRI Standard | Reference | Comments/ Omission/ external reference | UNGC principle |
|---|---|---|---|
| **GRI 102: General Disclosures 2016** | | | |
| 102-1 Name of the organisation | Portrait of Munich Re, p. 6 | | |
| 102-2 Activities, brands, products, and services | Portrait of Munich Re, p. 6 | | |
| 102-3 Location of headquarters | Portrait of Munich Re, p. 6 | | |
| 102-4 Location of operations | Portrait of Munich Re, p. 6 | | |
| 102-5 Ownership and legal form | Portrait of Munich Re, p. 6 | | |
| 102-6 Markets served | Portrait of Munich Re, p. 6 | | |
| 102-7 Scale of the organisation | Portrait of Munich Re, p. 6 | | |
| 102-8 Information on employees and other workers | Annex, p. 124 | | |
| 102-9 Supply chain | Portrait of Munich Re, p. 6 | | |
| 102-10 Significant changes to the organisation and its supply chain | | Annual Report p. 133 | |
| 102-11 Precautionary principle or approach | Sustainability strategy, p. 8; ESG governance, p.15; Environmental management, p. 64 | | |
| 102-12 External initiatives | Human rights, p. 104 | | |
| 102-13 Membership of associations | Advocacy and political involvement, p. 115; Expenses for advocacy, p.128 | | |
| 102-14 Statement from senior decision-maker | CEO statement, p. 4 | | |
| 102-16 Values, principles, standards, and norms of behaviour | Sustainability strategy, p. 8; ESG governance, p.15; Code of conduct, p. 98; Compliance, p. 99, Human rights, p. 104 | | |
| 102-17 Mechanism for advice and concerns about ethics | Compliance, p. 99 | | |
| 102-18 Governance structure | ESG governance, p. 15 | | |

# 8.3 Standards



| GRI Standard | Reference | Comments/ Omission/ external reference | UNGC principle |
|---|---|---|---|
| 102-40 List of stakeholder groups | Stakeholder dialogue and materiality, p. 18 | | |
| 102-41 Collective bargaining agreements | Staff indicators, p. 124 | | |
| 102-42 Identifying and selecting stakeholders | Stakeholder dialogue and materiality, p. 18 | | |
| 102-43 Approach to stakeholder engagement | Stakeholder dialogue and materiality, p. 18; Client satisfaction, p. 33 | | |
| 102-44 Key topics and concerns raised | Materiality, p. 19 | | |
| 102-45 Entities included in the consolidated financial statements | About the report, p. 118 | | |
| 102-46 Defining report content and topic boundaries | Materiality, p. 19; About the report, p. 118 | | |
| 102-47 List of material topics | Materiality, p. 19 | | |
| 102-48 Restatements of information | | Where previously published information needed to be updated, this has been indicated in the relevant places. | |
| 102-49 Changes in reporting | Materiality, p. 19 | | |

| GRI Standard | Reference | Comments/ Omission/ external reference | UNGC principle |
|---|---|---|---|
| 102-50 Reporting period | About the report, p. 118 | | |
| 102-51 Date of most recent report | About the report, p. 118 | 22. April 2022 | |
| 102-52 Reporting cycle | About the report, p. 118 | | |
| 102-53 Contact point for questions regarding the report | Contact and imprint, p. 139 | | |
| 102-54 Claims of reporting in accordance with the GRI Standards | About the report, p. 118 | | |
| 102-55 GRI content index | GRI content index, p. 129 | | |
| 102-56 External assurance | About the report, p. 118 | | |
| **GRI 201: Economic Performance 2016** | | | |
| 103-1/-2/-3 Management approach | Goals and ambitions, p. 10; Responsible investment, p. 35; Climate-related disclosure, p. 50 | | |
| 201-1 Direct economic value generated and distributed | | Corporate website | |

# 8.3 Standards

| GRI Standard | Reference | Comments/ Omission/ external reference | UNGC principle |
|---|---|---|---|
| 201-2 Financial implications and other risks and opportunities due to climate change | Sustainable insurance p. 26; Responsible investment, p.35; Climate-related disclosure, p. 50 | | |
| 201-4 Financial assistance received from government | COVID-19 pandemic, p. 85 | Lobbyregister Bundestag | |
| **GRI 203: Indirect Economic Impacts 2016** | | | |
| 103-1/-2/-3 Management approach | Goals and ambitions, p. 10; Governance and strategy, p.23; Sustainable insurance, p. 23; Responsible investment, p. 35; Climate-related disclosure, p. 50; Digitalisation and cyber, p. 110; Societal focus topics, p. 89 | | |
| 203-1 Infrastructure investments and services supported | Enabling sustainable solutions, p. 26; Responsible investment, p. 35; Digitalisation and cyber, p. 110 | | |
| 203-2 Significant indirect economic impacts | Enabling sustainable solutions, p. 26; Responsible investment, p. 35; Digitalisation and cyber, p. 110 | | |

| GRI Standard | Reference | Comments/ Omission/ external reference | UNGC principle |
|---|---|---|---|
| **GRI 205: Anti-corruption 2016** | | | |
| 103-1/-2/-3 Management approach | ESG governance, p. 15; Code of conduct, p. 98; Compliance, p. 99 | | |
| 205-1 Operations assessed for risks related to corruption | Compliance, p. 99 | | |
| 205-3 Confirmed incidents of corruption and actions taken | Whistleblowing portal, p. 101 | | GC 10 |
| **GRI 206: Anti-competitive behaviour 2016** | | | |
| 103-1/2/-3 Management approach | ESG governance, p. 15; Code of conduct, p. 98; Compliance, p. 99 | | |
| 206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices | | In 2021 a subsidiary of Munich Re learned that the local competition authority conducts an investigation against it regarding a potential violation of antitrust laws. Besides, the investigation mentioned in the 2020 Sustainability report against another subsidiary of Munich Re is still ongoing. | |

# 8.3 Standards

| GRI Standard | Reference | Comments/ Omission/ external reference | UNGC principle |
|---|---|---|---|
| **GRI 207: Tax policy** | | | |
| 103-1/-2/-3 Management approach | Tax, p. 114 | | |
| 207-1 Approach to tax | Tax, p. 114 | Tax Transparency Report Munich Re Group | |
| 207-2 Tax governance, control, and risk management | Tax, p. 114 | Tax Transparency Report Munich Re Group | |
| 207-3 Stakeholder engagement and management of concerns related to tax | | Tax Transparency Report Munich Re Group | |
| 207-4 Country-by-Country reporting | | Tax Transparency Report Munich Re Group | |
| **GRI 302: Energy 2016** | | | |
| 103-1/-2/-3 Management approach | Environmental management, p. 64 | | |
| 302-1 Energy consumption within the organization | Environmental indicators, p. 120 | | GC 7, 8 |
| 302-2 Energy consumption outside of the organization | Environmental indicators, p. 120 | | GC 8 |
| 302-3 Energy intensity | Environmental indicators, p. 120 | | GC 8 |
| 302-4 Reduction of energy consumption | Environmental indicators, p. 120 | | GC 8, 9 |

| GRI Standard | Reference | Comments/ Omission/ external reference | UNGC principle |
|---|---|---|---|
| 302-5 Reductions in energy requirements of products and services | Environmental indicators, p. 120 | | GC 8, 9 |
| **GRI 305: Emissions 2016** | | | |
| 103-1/-2/-3 Management approach | Environmental management, p. 64 | | |
| 305-1 Direct (Scope 1) GHG emissions | Environmental indicators, p. 121 | | GC 7, 8 |
| 305-2 Energy indirect (Scope 2) GHG emissions | Environmental indicators, p. 121 | | GC 7, 8 |
| 305-3 Other indirect (Scope 3) GHG emissions | Environmental indicators, p. 121 | | GC 7, 8 |
| 305-4 GHG emissions intensity | Environmental indicators, p. 121 | | GC 8 |
| 305-5 Reduction of GHG emissions | Environmental indicators, p. 121 | | GC 8, 9 |
| **GRI 307: Environmental Compliance 2016** | | | |
| 307-1 Non-compliance with environmental laws and regulations | | To the best of our knowledge, no instances of non-compliance with environmental laws and regulations were identified in the period under review. | GC 8 |

# 8.3 Standards



| GRI Standard | Reference | Comments/ Omission/ external reference | UNGC principle |
|---|---|---|---|
| **GRI 401: Employment 2016** | | | |
| 103-1/-2/-3 Management approach | HR strategy and governance, p. 71; Recruting and retention of talent, p. 77 | | |
| 401-1 New employee hires and employee turnover | Staff indicators, p. 124 | | |
| **GRI 404: Training and Education 2016** | | | |
| 103-1/-2/-3 Management approach | HR strategy and governance, p. 71, Development and talent management, p. 74; Talent management programmes, p. 75; Staff development, p. 76 | | |
| 404-1 Average hours of training per year per employee | Staff indicators, p. 124 | | GC 6 |
| 404-2 Programs for upgrading employee skills and transition assistance programs | Staff development, p. 76; Staff indicators, p. 124 | | |
| 404-3 Percentage of employees receiving regular performance and career development reviews | Staff indicators, p. 124 | | GC 6 |

| GRI Standard | Reference | Comments/ Omission/ external reference | UNGC principle |
|---|---|---|---|
| **GRI 405: Diversity and Equal Opportunity 2016** | | | |
| 103-1/-2/-3 Management approach | HR strategy and governance, p. 71, Diversity and inclusion, p. 79 | | |
| 405-1 Diversity of governance bodies and employees | Diversity and inclusion, p. 79 | | GC 6 |
| **GRI 406: Non-discrimination 2016** | | | |
| 103-1/-2/-3 Management approach | HR strategy and governance, p. 71 | | |
| 406-1 Incidents of discrimination and corrective actions taken | | Two incidents were investigated and confirmed. One incident of inappropriate workplace behaviour resulted in a written warning. The second incident of sexual harassment led to two terminations. | GC 6 |
| **GRI 407: Freedom of Association and Collective Bargaining 2016** | | | |
| 103-1/-2/-3 Management approach | Code of conduct, p. 98; Procurement, p. 103 | | |

# 8.3 Standards



| GRI Standard | Reference | Comments/ Omission/ external reference | UNGC principle |
|---|---|---|---|
| 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | | To the best of our knowledge, no operating sites or suppliers were identified in the period under review at which the right to freedom of association and collective bargaining could be at risk. | GC 3 |
| **GRI 408: Child Labor 2016** | | | |
| 103-1/-2/-3 Management approach | Code of conduct, p. 98; Procurement, p. 103 | | |
| 408-1 Operations and suppliers at significant risk for incidents of child labor | | To the best of our knowledge, in the period under review no operating sites or suppliers were identified as being at significant risk of incidents of child labour. | GC 5 |
| **GRI 409: Forced or Compulsory Labor 2016** | | | |
| 103-1/-2/-3 Management approach | Code of conduct, p. 98; Procurement, p. 103 | | |

| GRI Standard | Reference | Comments/ Omission/ external reference | UNGC principle |
|---|---|---|---|
| 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor | | To the best of our knowledge, in the period under review no operating sites or suppliers were identified as being at significant risk of incidents of forced or compulsory labour. | GC 4 |
| **GRI 412: Human Rights Assesment 2016** | | | |
| 103-1/-2/-3 Management approach | Code of conduct, p. 98; Compliance, p. 99 | | |
| 412-2 Employee training on human rights policies or procedures | Human rights, p. 104 | | GC 1 |
| 412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | Procurement, p. 103 | | GC 2 |
| **GRI 415: Public Policy 2016** | | | |
| 103-1/-2/-3 Management approach | Advocacy and political involvement, p. 115 | | |
| 415-1 Political contributions | Political involvement, p. 116; Social impact indicators, p. 127 | | GC 10 |

# 8.3 Standards

| GRI Standard | Reference | Comments/ Omission/ external reference | UNGC principle |
|---|---|---|---|
| **GRI 417: Marketing and Labeling 2016** | | | |
| 103-1/-2/-3 Management approach | Client statisfation, p. 33 | | |
| 417-1 Requirements for product and service information and labeling | Client statisfation, p. 33 | | |
| 417-3 Incidents of non-compliance concerning marketing communications | | No incidents relevant to the Group of non-compliance with regulations or voluntary codes of conduct concerning marketing and communications – or of fines, sanctions or warnings – were identified in the period under review. | |
| **GRI 418: Customer Privacy 2016** | | | |
| 103-1/-2/-3 Management approach | Data privacy and information security, p. 107 | | |
| 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data | | In 2021, as in the previous year, no material data protection events as defined in the Solvency II Group Compliance Policy occurred anywhere in our Group worldwide, nor were any material proceedings for breach of data protection regulations initiated. | |
| **GRI 419: Socioeconomic Compliance 2016** | | | |
| 419-1 Non-compliance with laws and regulations in the social and economic area | | No instances of substantial fines or non-monetary sanctions being imposed on Munich Re by state agencies were identified in the period under review. | |

The TCFD and SASB Index can be found at our Download Center.

# 8.3 Standards





**Selected ESG & sustainability ratings and index listings**

The inclusion of Munich Re in numerous ESG & sustainability indices and our good to very good performance in ratings are proof that we are on the right track.

- MSCI ESG rating of “AA”
- “Prime” status in ISS ESG rating
- “Low ESG Risk” in Sustainalytics’ ESG Risk Rating
- “B“ rating by CDP
- Dow Jones Sustainability Index World since 2001
- DAX 50 ESG of Deutsche Börse
- FTSE4Good Index since 2001
- ECPI Indices:
    - ECPI Global Developed ESG best in class Equity Index
    - ECPI Ethical Euro Corporate Bond Index
    - ECPI Global Ethical Equity Index
- STOXX Indices:
    - STOXX Global ESG Leaders index
    - STOXX Europe Sustainability

Updated 31 December 2021

# 8.4 Contact and imprint

## Munich Re Sustainability Report 2021

> GRI 102-53

## Contact

Please do not hesitate to contact our Sustainability department if you have any questions regarding sustainability at Munich Re.

Please send your questions and comments to sustainability@munichre.com

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Munich RE

[Translator's notes are in square brackets]

# General Engagement Terms
## for
## Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften
## [German Public Auditors and Public Audit Firms]
## as of January 1, 2017

### 1. Scope of application

**(1)** These engagement terms apply to contracts between German Public Auditors (*Wirtschaftsprüfer*) or German Public Audit Firms (*Wirtschaftsprüfungsgesellschaften*) – hereinafter collectively referred to as "German Public Auditors" – and their engaging parties for assurance services, tax advisory services, advice on business matters and other engagements except as otherwise agreed in writing or prescribed by a mandatory rule.

**(2)** Third parties may derive claims from contracts between German Public Auditors and engaging parties only when this is expressly agreed or results from mandatory rules prescribed by law. In relation to such claims, these engagement terms also apply to these third parties.

### 2. Scope and execution of the engagement

**(1)** Object of the engagement is the agreed service – not a particular economic result. The engagement will be performed in accordance with the German Principles of Proper Professional Conduct (*Grundsätze ordnungsmäßiger Berufsausübung*). The German Public Auditor does not assume any management functions in connection with his services. The German Public Auditor is not responsible for the use or implementation of the results of his services. The German Public Auditor is entitled to make use of competent persons to conduct the engagement.

**(2)** Except for assurance engagements (*betriebswirtschaftliche Prüfungen*), the consideration of foreign law requires an express written agreement.

**(3)** If circumstances or the legal situation change subsequent to the release of the final professional statement, the German Public Auditor is not obligated to refer the engaging party to changes or any consequences resulting therefrom.

### 3. The obligations of the engaging party to cooperate

**(1)** The engaging party shall ensure that all documents and further information necessary for the performance of the engagement are provided to the German Public Auditor on a timely basis, and that he is informed of all events and circumstances that may be of significance to the performance of the engagement. This also applies to those documents and further information, events and circumstances that first become known during the German Public Auditor's work. The engaging party will also designate suitable persons to provide information.

**(2)** Upon the request of the German Public Auditor, the engaging party shall confirm the completeness of the documents and further information provided as well as the explanations and statements, in a written statement drafted by the German Public Auditor.

### 4. Ensuring independence

**(1)** The engaging party shall refrain from anything that endangers the independence of the German Public Auditor's staff. This applies throughout the term of the engagement, and in particular to offers of employment or to assume an executive or non-executive role, and to offers to accept engagements on their own behalf.

**(2)** Were the performance of the engagement to impair the independence of the German Public Auditor, of related firms, firms within his network, or such firms associated with him, to which the independence requirements apply in the same way as to the German Public Auditor in other engagement relationships, the German Public Auditor is entitled to terminate the engagement for good cause.

### 5. Reporting and oral information

To the extent that the German Public Auditor is required to present results in writing as part of the work in executing the engagement, only that written work is authoritative. Drafts are non-binding. Except as otherwise agreed, oral statements and explanations by the German Public Auditor are binding only when they are confirmed in writing. Statements and information of the German Public Auditor outside of the engagement are always non-binding.

### 6. Distribution of a German Public Auditor's professional statement

**(1)** The distribution to a third party of professional statements of the German Public Auditor (results of work or extracts of the results of work whether in draft or in a final version) or information about the German Public Auditor acting for the engaging party requires the German Public Auditor's written consent, unless the engaging party is obligated to distribute or inform due to law or a regulatory requirement.

**(2)** The use by the engaging party for promotional purposes of the German Public Auditor's professional statements and of information about the German Public Auditor acting for the engaging party is prohibited.

### 7. Deficiency rectification

**(1)** In case there are any deficiencies, the engaging party is entitled to specific subsequent performance by the German Public Auditor. The engaging party may reduce the fees or cancel the contract for failure of such subsequent performance, for subsequent non-performance or unjustified refusal to perform subsequently, or for unconscionability or impossibility of subsequent performance. If the engagement was not commissioned by a consumer, the engaging party may only cancel the contract due to a deficiency if the service rendered is not relevant to him due to failure of subsequent performance, to subsequent non-performance, to unconscionability or impossibility of subsequent performance. No. 9 applies to the extent that further claims for damages exist.

**(2)** The engaging party must assert a claim for the rectification of deficiencies in writing (*Textform*) [*Translators Note: The German term "Textform" means in written form, but without requiring a signature*] without delay. Claims pursuant to paragraph 1 not arising from an intentional act expire after one year subsequent to the commencement of the time limit under the statute of limitations.

**(3)** Apparent deficiencies, such as clerical errors, arithmetical errors and deficiencies associated with technicalities contained in a German Public Auditor's professional statement (long-form reports, expert opinions etc.) may be corrected – also versus third parties – by the German Public Auditor at any time. Misstatements which may call into question the results contained in a German Public Auditor's professional statement entitle the German Public Auditor to withdraw such statement – also versus third parties. In such cases the German Public Auditor should first hear the engaging party, if practicable.

### 8. Confidentiality towards third parties, and data protection

**(1)** Pursuant to the law (§ [Article] 323 Abs 1 [paragraph 1] HGB [German Commercial Code: *Handelsgesetzbuch*], § 43 WPO [German Law regulating the Profession of Wirtschaftsprüfer: *Wirtschaftsprüferordnung*], § 203 StGB [German Criminal Code: *Strafgesetzbuch*]) the German Public Auditor is obligated to maintain confidentiality regarding facts and circumstances confided to him or of which he becomes aware in the course of his professional work, unless the engaging party releases him from this confidentiality obligation.

**(2)** When processing personal data, the German Public Auditor will observe national and European legal provisions on data protection.

### 9. Liability

**(1)** For legally required services by German Public Auditors, in particular audits, the respective legal limitations of liability, in particular the limitation of liability pursuant to § 323 Abs. 2 HGB, apply.

**(2)** Insofar neither a statutory limitation of liability is applicable, nor an individual contractual limitation of liability exists, the liability of the German Public Auditor for claims for damages of any other kind, except for damages resulting from injury to life, body or health as well as for damages that constitute a duty of replacement by a producer pursuant to § 1 ProdHaftG [German Product Liability Act: *Produkthaftungsgesetz*], for an individual case of damages caused by negligence is limited to € 4 million pursuant to § 54 a Abs. 1 Nr. 2 WPO.

**(3)** The German Public Auditor is entitled to invoke demurs and defenses based on the contractual relationship with the engaging party also towards third parties.

**(4)** When multiple claimants assert a claim for damages arising from an existing contractual relationship with the German Public Auditor due to the German Public Auditor's negligent breach of duty, the maximum amount stipulated in paragraph 2 applies to the respective claims of all claimants collectively.

**(5)** An individual case of damages within the meaning of paragraph 2 also exists in relation to a uniform damage arising from a number of breaches of duty. The individual case of damages encompasses all consequences from a breach of duty regardless of whether the damages occurred in one year or in a number of successive years. In this case, multiple acts or omissions based on the same source of error or on a source of error of an equivalent nature are deemed to be a single breach of duty if the matters in question are legally or economically connected to one another. In this event the claim against the German Public Auditor is limited to € 5 million. The limitation to the fivefold of the minimum amount insured does not apply to compulsory audits required by law.

**(6)** A claim for damages expires if a suit is not filed within six months subsequent to the written refusal of acceptance of the indemnity and the engaging party has been informed of this consequence. This does not apply to claims for damages resulting from scienter, a culpable injury to life, body or health as well as for damages that constitute a liability for replacement by a producer pursuant to § 1 ProdHaftG. The right to invoke a plea of the statute of limitations remains unaffected.

## 10. Supplementary provisions for audit engagements

**(1)** If the engaging party subsequently amends the financial statements or management report audited by a German Public Auditor and accompanied by an auditor's report, he may no longer use this auditor's report.

If the German Public Auditor has not issued an auditor's report, a reference to the audit conducted by the German Public Auditor in the management report or any other public reference is permitted only with the German Public Auditor's written consent and with a wording authorized by him.

**(2)** If the German Public Auditor revokes the auditor's report, it may no longer be used. If the engaging party has already made use of the auditor's report, then upon the request of the German Public Auditor he must give notification of the revocation.

**(3)** The engaging party has a right to five official copies of the report. Additional official copies will be charged separately.

## 11. Supplementary provisions for assistance in tax matters

**(1)** When advising on an individual tax issue as well as when providing ongoing tax advice, the German Public Auditor is entitled to use as a correct and complete basis the facts provided by the engaging party – especially numerical disclosures; this also applies to bookkeeping engagements. Nevertheless, he is obligated to indicate to the engaging party any errors he has identified.

**(2)** The tax advisory engagement does not encompass procedures required to observe deadlines, unless the German Public Auditor has explicitly accepted a corresponding engagement. In this case the engaging party must provide the German Public Auditor with all documents required to observe deadlines – in particular tax assessments – on such a timely basis that the German Public Auditor has an appropriate lead time.

**(3)** Except as agreed otherwise in writing, ongoing tax advice encompasses the following work during the contract period:

**a)** preparation of annual tax returns for income tax, corporate tax and business tax, as well as wealth tax returns, namely on the basis of the annual financial statements, and on other schedules and evidence documents required for the taxation, to be provided by the engaging party

**b)** examination of tax assessments in relation to the taxes referred to in (a)

**c)** negotiations with tax authorities in connection with the returns and assessments mentioned in (a) and (b)

**d)** support in tax audits and evaluation of the results of tax audits with respect to the taxes referred to in (a)

**e)** participation in petition or protest and appeal procedures with respect to the taxes mentioned in (a).

In the aforementioned tasks the German Public Auditor takes into account material published legal decisions and administrative interpretations.

**(4)** If the German Public auditor receives a fixed fee for ongoing tax advice, the work mentioned under paragraph 3 (d) and (e) is to be remunerated separately, except as agreed otherwise in writing.

**(5)** Insofar the German Public Auditor is also a German Tax Advisor and the German Tax Advice Remuneration Regulation (*Steuerberatungsvergütungsverordnung*) is to be applied to calculate the remuneration, a greater or lesser remuneration than the legal default remuneration can be agreed in writing (*Textform*).

**(6)** Work relating to special individual issues for income tax, corporate tax, business tax, valuation assessments for property units, wealth tax, as well as all issues in relation to sales tax, payroll tax, other taxes and dues requires a separate engagement. This also applies to:

**a)** work on non-recurring tax matters, e.g. in the field of estate tax, capital transactions tax, and real estate sales tax**;**

**b)** support and representation in proceedings before tax and administrative courts and in criminal tax matters;

**c)** advisory work and work related to expert opinions in connection with changes in legal form and other re-organizations, capital increases and reductions, insolvency related business reorganizations, admission and retirement of owners, sale of a business, liquidations and the like, and

**d)** support in complying with disclosure and documentation obligations.

**(7)** To the extent that the preparation of the annual sales tax return is undertaken as additional work, this includes neither the review of any special accounting prerequisites nor the issue as to whether all potential sales tax allowances have been identified. No guarantee is given for the complete compilation of documents to claim the input tax credit.

## 12. Electronic communication

Communication between the German Public Auditor and the engaging party may be via e-mail. In the event that the engaging party does not wish to communicate via e-mail or sets special security requirements, such as the encryption of e-mails, the engaging party will inform the German Public Auditor in writing (*Textform*) accordingly.

## 13. Remuneration

**(1)** In addition to his claims for fees, the German Public Auditor is entitled to claim reimbursement of his expenses; sales tax will be billed additionally. He may claim appropriate advances on remuneration and reimbursement of expenses and may make the delivery of his services dependent upon the complete satisfaction of his claims. Multiple engaging parties are jointly and severally liable.

**(2)** If the engaging party is not a consumer, then a set-off against the German Public Auditor's claims for remuneration and reimbursement of expenses is admissible only for undisputed claims or claims determined to be legally binding.

## 14. Dispute Settlement

The German Public Auditor is not prepared to participate in dispute settlement procedures before a consumer arbitration board (*Verbraucherschlichtungsstelle*) within the meaning of § 2 of the German Act on Consumer Dispute Settlements (*Verbraucherstreitbeilegungsgesetz*).

## 15. Applicable law

The contract, the performance of the services and all claims resulting therefrom are exclusively governed by German law.