

UNEP FI Principles for Sustainable Insurance Initiative (PSI Initiative)¹

Munich, December 2021

Munich Re has a long tradition of actively living its corporate responsibility. We did not always call it ESG (environment, social, governance) integration, a term that was coined only in the more recent past. Yet, we did always observe high standards for our own conduct and that of our clients and business partners. At the same time we gave due consideration to the effects our business activities had on communities and natural habitats. To give an example, as early as in the 1970's – when corporate responsibility was still widely associated with donating to charity – Munich Re was among the first commercial enterprises to publicly warn of the effects of climate change.

In December 2020, we went one step further with the launch of our Ambition 2025. With the Ambition 2025, [...] "our aim is to create lasting value for our shareholders, clients, employees, and society at large. This is reflected in the ambitious targets we set for our business, including comprehensive climate and diversity targets that span our whole organisation and our continued commitment to uphold environmental, social and governance (ESG) criteria in every area of our organisation's influence. Enhancing risk awareness of ESG criteria applies across all of our activities".²

> [CEO Statement](#)

This has helped us earn the respect and trust of our staff, our clients and business partners, and our investors. At the same time we achieve high rankings by international sustainability rating agencies.

The following explanations shall give an overview of the way we as a Group live up to our corporate responsibility and to voluntary commitments such as the Principles for Sustainable Insurance (PSI) which we helped to develop and to which we are a founding signatory.

Principle 1

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

The focus of our corporate responsibility is on our core 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.

We possess strong leverage for sustainable action by linking economic success with added value for society. In insurance business, we principally achieve this through a strong client focus, by offering responsible products and services, and through the integration of ESG aspects in underwriting decision-making.

In 2020, as part of our Ambition 2025, Munich Re's Board of Management re-enforced its commitment to integrate high and credible ESG Standards into its underwriting processes. This included ambitious climate protection targets for (re)insurance transactions. The new climate strategy aims to reduce net carbon

¹ <https://www.unepfi.org/psi/vision-purpose/>

² Joachim Wenning, CEO, Munich Re

emissions from primary, direct and facultative insurance for oil and gas production to net-zero by 2050. At the same time, Munich Re will reduce its coal-related exposure in its direct and facultative insurance business by 35% worldwide, before eliminating this exposure altogether by 2040.

Another important milestone in 2020 was the enhancement of ESG targets for the Board of Management by the Supervisory Board.

> [Corporate responsibility in insurance business](#)

Because our business model as an insurer has a long-term focus, sustainability criteria play a key strategic role in investment. We are obligated to invest our clients' money sensibly and profitably in a manner that adheres to strict security and return requirements. We are convinced that strategically integrating ESG aspects into our investment processes is a prerequisite for achieving this goal.

The Group Investment Management (GIM) unit is responsible for the sustainable investment strategy of the Group as asset owner, having its own dedicated ESG team. Furthermore, an ESG Investment Committee was established to discuss and decide on the implementation of the ESG investment strategy.

In 2020, we have developed our investment strategy further to include a net-zero climate commitment based on joining the Net-Zero Asset Owner Alliance (AOA). These goals are also anchored in the "Munich Re Group Ambition 2025".

> [Corporate responsibility in investment](#)

Principle 2

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

Climate change is real and has a major influence on weather-related natural disasters. Munich Re is a pioneer in the analysis of how anthropogenic global warming and natural climatic variability impact losses caused by weather-related natural disasters. For the past four decades, we have researched risks, loss prevention measures and new risk transfer solutions. In addition, we examine long-term data on meteorology and losses to better understand changes in risk.

Munich Re is uniquely positioned to develop innovative insurance solutions for ESG risks, which enables us to create a positive impact for society and the environment while opening up new business opportunities with our clients.

> [Solution-oriented responses to climate change](#)

In past PSI disclosures we have reported about Munich Re's support to a project initiated by the Finance Initiative within the United Nations Environment Programme (UNEP FI)³. Together with other leading insurers and reinsurers, we explored and piloted methodologies that insurers can use towards implementing the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD)⁴. In 2020, the pilot group has published its [final report](#).

To give another example, together with leading (re-)insurers, Munich Re is taking an active role in the CRO Forum Working Group "[Mind the Sustainability Gap - Integrating Sustainability into Insurance Risk Management](#)".

³ <https://www.unepfi.org>

⁴ <https://www.fsb-tcfd.org/>

On the investment side, we joined the [Net-Zero Asset Owner Alliance \(AOA\)](#) at the beginning of 2020. Munich Re participated actively in the various working groups of the AOA, including the development of methodology, the engagement working group, and the work track on financing the transition. During the year Munich Re participated in elaborating and publishing of major AOA publications such as the Target Setting Protocol.

In order to expand our engagement activities, Munich Re and MEAG joined [Climate Action 100+](#) and MEAG actively participates in engagement dialogues under the Climate Action 100+ umbrella.

Principle 3

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

We leverage our knowledge across our global partnerships in the climate sphere, including UNEP FI PSI⁵ and PRI⁶, AOA⁷, Climate Action 100+⁸, ClimateWise⁹, Geneva Association¹⁰, German Insurance Association¹¹, the CRO Forum¹², MCII¹³, Insurance Europe¹⁴, Pan European Insurance Forum¹⁵, and many more.

Furthermore, we are participating in science initiatives, initiating and conducting collaborative projects with scientific facilities or publishing research projects in peer-reviewed journals (e.g. Project ARCS¹⁶, CAFÉ¹⁷, ClimXtreme¹⁸).

Looking forward, we will continue to engage all stakeholders associated with our organisation in a dialogue that engenders transparency and trust.

Principle 4

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

In 2020, we enhanced transparency by including our Combined Non-financial Statement in our Annual Report. Furthermore, we published our first climate-related disclosure according to the TCFD standard as part of our Corporate Responsibility Report 2020.

This brief notice serves to communicate the progress we have made in the year under review (1 January to 31 December 2020). An extensive overview of all activities can be found in our Corporate Responsibility Report which is accessible through Munich Re's corporate website.

> [Corporate Responsibility Report 2020](#)

> [Corporate website](#)

> [Combined Non-financial Statement 2020](#)

> [SRI ratings and indices](#)

Furthermore, an update on our climate-related disclosures can be found in our CDP Report on the CDP Website.

> [www.cdp.net](#)

⁵ <https://www.unepfi.org/psi/>

⁶ <https://www.unpri.org/>

⁷ <https://www.unepfi.org/net-zero-alliance/>

⁸ <https://www.climateaction100.org/>

⁹ <https://www.cisl.cam.ac.uk/business-action/sustainable-finance/climatewise>

¹⁰ <https://www.genevaassociation.org>

¹¹ <https://www.gdv.de/en>

¹² <https://www.thecroforum.org>

¹³ <https://climate-insurance.org/>

¹⁴ <https://www.insuranceeurope.eu>

¹⁵ <https://www.peif.eu>

¹⁶ <https://www.essl.org/cms/research-projects/>

¹⁷ <http://www.cafes2se-itn.eu/>

¹⁸ https://www.dwd.de/DE/klimaumwelt/klimaforschung/klimaueberwachung/klimaueberwachung_node.html

An update for financial year 2021 will be published in due time.

Silke Jolowicz
Head of Sustainability
Munich Re
responsibility@munichre.com

N.B.: Hyperlinks in this document refer to pages in our Corporate Responsibility Report of which this notice is deemed to be an integral part. Links also refer to Munich Re's corporate website and to other pages in the public domain which may be updated at irregular intervals.

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Münchener Rückversicherungs-Gesellschaft
Königinstrasse 107, 80802 München, Germany

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