

# UNEP FI Principles for Sustainable Insurance Initiative (PSI Initiative)<sup>1</sup>

Munich, December 2023

Munich Re has integrated ESG since many years. 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 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 sustainability 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.

Our Ambition 2025 sustainability strategy, which applies across the Group, aims to create long-term value for our shareholders, clients and staff – and for society as a whole. Ambition 2025 commits us to constantly improve and expand our ESG agenda. 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.

“Economic prosperity, resilience and technological progress are inseparable components that are necessary to create a just, sustainable society. To address these challenges, rather than focus on a single topic, we take a holistic approach to sustainability at Munich Re, one that factors in all aspects of ESG as we work together for a sustainable tomorrow. Munich Re's commitment to acting responsibly continues to serve as the cornerstone of our value creation for and with all our stakeholders, as outlined in our Group Ambition 2025.”<sup>2</sup>

## [>> 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 aim to live up to sustainability 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 main pillar of our corporate responsibility is the taking and diversification of risks in primary insurance and in reinsurance. Our objective – to create sustainable economic value – is enshrined in the key principles of our Group-wide corporate strategy, in our Munich Re Group Ambition 2025 and in our sustainability strategy.

<sup>1</sup> <https://www.unepfi.org/insurance/insurance/>

<sup>2</sup> Joachim Wenning, CEO, Munich Re

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 climate strategy aims to reduce net carbon 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.

In addition to implementing ESG aspects in our underwriting guidelines, we aim to support achievement of the Paris climate targets e.g. by insuring new, climate friendly technologies and by making these technologies more attractive and financially viable for investors. Another important milestone was the integration of ESG targets into the remuneration system for the Board of Management. In addition, both the Board-level ESG Committee, which decides on strategic sustainability goals at Group level and the high-level ESG Management Team with top managers from different business fields, which is responsible for implementing and monitoring the Group-wide strategy, were established in 2021.

#### [>> ESG governance](#)

We find leverage for sustainable action by combining economic success with added value for society. In our insurance business, we principally achieve this through having a strong client focus, by offering responsible products and services, and through the integration of relevant ESG aspects into our insurance and reinsurance products and services.

#### [>> Sustainable insurance](#)

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 is in place to discuss and decide on the implementation of the ESG investment strategy.

#### [>> Responsible 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 positioned to develop innovative insurance solutions for ESG risks, which, in turn, enables us to create a potential positive impact for society and the environment, while simultaneously opening up new business opportunities.

### [>> Aiming for positive impact through insurance solutions](#)

In 2022 Munich Re and ERGO supported a project initiated by the Finance Initiative within the United Nations Environment Programme (UNEP FI)<sup>3</sup>. Together with other leading insurers and reinsurers, the project team developed the first-ever [ESG guide for the global life & health insurance industry](#). It aims to draw attention to a complex and evolving range of ESG considerations in underwriting – the process of evaluating, defining and pricing insurance risks – and how industry participants can address ESG risks.

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”](#).

On the investment side, we joined the [Net-Zero Asset Owner Alliance \(NZAOA\)](#) in 2020. Munich Re participated actively in the various working groups of the NZAOA, including the development of methodology, the engagement working group, and the work track on financing the transition. We also participated in elaborating and publishing of major NZAOA 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 PSI<sup>4</sup> and PRI<sup>5</sup>, NZAOA<sup>6</sup>, Climate Action 100+<sup>7</sup>, ClimateWise<sup>8</sup>, Geneva Association<sup>9</sup>, German Insurance Association<sup>10</sup>, the CRO Forum<sup>11</sup>, MCII<sup>12</sup>, Insurance Europe<sup>13</sup>, Pan European Insurance Forum<sup>14</sup> 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 ARCS<sup>15</sup>, CAFÉ<sup>16</sup>, ClimXtreme<sup>17</sup>).

Looking forward, we will continue to engage 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.**

We enhance transparency by including our Combined Non-financial Statement in our Annual Report and by publishing our climate-related disclosure based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations as part of our Sustainability Report.

This brief notice serves to communicate the progress we have made in the year under review (1 January to 31 December 2022). An extensive overview of all activities can be found in our Sustainability Report which is accessible through Munich Re’s corporate website.

<sup>3</sup> <https://www.unepfi.org>

<sup>4</sup> <https://www.unepfi.org/insurance/insurance/>

<sup>5</sup> <https://www.unpri.org/>

<sup>6</sup> <https://www.unepfi.org/net-zero-alliance/>

<sup>7</sup> <https://www.climateaction100.org/>

<sup>8</sup> <https://www.cisl.cam.ac.uk/business-action/sustainable-finance/climatewise>

<sup>9</sup> <https://www.genevaassociation.org>

<sup>10</sup> <https://www.gdv.de/en>

<sup>11</sup> <https://www.thecroforum.org>

<sup>12</sup> <https://climate-insurance.org/>

<sup>13</sup> <https://www.insuranceeurope.eu>

<sup>14</sup> <https://www.peif.eu>

<sup>15</sup> <https://www.essl.org/cms/research-projects/>

<sup>16</sup> <http://www.cafes2se-itn.eu/>

<sup>17</sup> [https://www.dwd.de/DE/klimaumwelt/klimaforschung/klimaueberwachung/klimaueberwachung\\_node.html](https://www.dwd.de/DE/klimaumwelt/klimaforschung/klimaueberwachung/klimaueberwachung_node.html)

[>> Sustainability Report 2022](#)  
[>> Corporate website](#)  
[>> Combined Non-Financial Statement 2022](#)

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

[>> www.cdp.net](http://www.cdp.net)

An update for financial year 2023 will be published in due time.

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N.B.: Hyperlinks in this document refer to pages in our Sustainability 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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