

## Responsibility in business

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## Principles for Sustainable Insurance – Corporate responsibility in business

Over the past one and a half years Munich Re has sharpened its corporate responsibility strategy, gearing it even more towards the creation of shared value. It is our firm belief that responsible business conduct will generate added value to both our Group and society at large. In our core business of primary insurance and reinsurance, and also in our associated investments, the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investments (PRI) are important guiding frameworks for us.

These two codes, and other voluntary commitments the Group has made, go well beyond what is required by law or supervisory regulations. By implementing them resolutely, we meet our stakeholders' demands in terms of our corporate responsibility.

### Principles for Sustainable Insurance

Our understanding of sustainability is one of managing risks and creating opportunities. The objective of sustainable economic value creation is anchored in the core principles of our corporate strategy and underscored by our shared value concept. By taking into account environmental, social and governance (ESG) aspects, we can achieve the maximum effect for our Group and society.

### Statement by the CEO

As a leading global player, Munich Re (Group) works together with various market participants from the insurance and financial services industry as well as the widest possible range of other stakeholders. Within the framework of the PSI, we connect these players' relevant expertise with our own and put it to optimal use in support of various initiatives.

The following examples from 2017 show how Munich Re (Group) is living the four principles in its day-to-day business:

#### Principle 1

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

In our insurance business, we make systematic allowance for environmental, social and governance (ESG) aspects. This holds true in our internal underwriting processes and also applies to our products and services.

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To ensure that our commitment is implemented and put into practice, ESG criteria are taken into consideration for both, annual and multi-year bonuses, when evaluating the overall performance of members of the Board of Management. [Annual Report 2017 \(PDF, 1.5 MB\)](#) (p. 29 pp)

As early as in 2013, we established a cross-business-field Group Corporate Responsibility Committee (GCRC), which advises the Board of Management on the development of our sustainability strategy. The GCRC identifies and prioritises sensitive business topics, on which we develop positions that apply group-wide. These are then implemented by the business fields in the form of binding [underwriting](#) guidelines, best practices and guidance for our employees.

So far, the GCRC has approved position papers and guidelines on the following sensitive topics:



External Link

PSI Signatories: Signatory companies

**Sensitive Issues: Munich Re positions and measures**

<b>Banned weapons</b> Policy on cluster munition and land mines	<b>Mining</b> Position paper including specific questions on ESG aspects	<b>ESG Tool</b> Assessment of different industries (e.g. engineering business)
<b>Fracking</b> Position paper including specific questions on ESG aspects	<b>Arctic drilling</b> Guideline, risks to be referred to Arctic Drilling Panel	<b>ESG country rating</b> Exclusion of investments in government bonds of substandard countries
<b>Oil sands</b> Position paper including specific questions on ESG aspects	<b>Investments in farmland</b> Mandatory ESG check for investments	<b>Sensitive issues under observation</b> Tax evasion, pulp and paper, palm oil

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Individual transactions of potential concern are submitted to the Reputational Risk Committees (RRCs) which have been established for each field of business. These Committees check whether a planned transaction is appropriate and ensure that we do not make any decisions that could harbour ESG, and ultimately, reputational risks.

With our approach, full responsibility for each transaction intentionally remains with the business unit concerned. Experts from our Corporate Responsibility department support our employees in assessing ESG criteria in business operations. We offer a broad-based range of training programmes, from technical implementation of our underwriting guidelines to current sustainability topics, tailored in each case to the individual industry and region. At the same time, we expect and promote active dialogue among our employees and between them and their managers.

In the primary insurance business field, the analysis of ESG aspects has been a standard component in the product development process for private clients since 2014. ESG aspects are also taken into consideration when writing individual risks in corporate client business. In our sales units, the ERGO Compass – a standardised, technically supported guideline for advising clients – ensures a consistently high level of consulting quality.

**Corporate responsibility in insurance business**

New kinds of risks and global challenges call for new approaches, for example in the field of renewable energies and innovative technologies, in dealing with climate change, or with access to insurance in emerging and developing countries. ESG aspects are also taken into consideration in the development of innovative coverage concepts. This allows us to open up new business opportunities, while at the same time creating benefits for society in keeping with our shared value approach.

An ESG tool for engineering projects, developed in 2013, was continually extended to other industry sectors. It supports our underwriters in systematically incorporating ESG aspects into their risk assessment. Furthermore, it helps our asset managers to assess risks when investing in infrastructure projects.

Our primary insurer ERGO attaches great importance to the integration of ESG aspects in its personal lines insurance business and offers a multiplicity of insurance solutions that take account of ecological aspects. In 2014, ERGO introduced ESG aspects into the product development process for private customer business. In 2015, ERGO implemented a new branding for products which meet all relevant ESG standards: ERGO thus labels, for example, a car insurance for e-vehicles with special batteries with an "ESG icon". The range of products is continuously being expanded. In the sales process, the ERGO Compass – a standardised, technically supported guideline for advising clients – ensures a consistently high level of consulting quality.

**Sustainable solutions**

ESG integration does not apply to our core business of primary insurance and reinsurance alone, it is very much reflected in our investment process as well. MEAG, our internal asset manager, currently manages a global portfolio worth more than €250bn. The bulk of our investments meet sustainable investment criteria. Our asset management follows the Principles for Responsible Investment (PRI). Since June 2017, MEAG has been working with MSCI ESG Research, a leading provider of sustainability analyses and ratings in the ESG area. The aim of using MSCI ESG Research and MSCI ESG ratings is to further refine and optimise MEAG's approach to sustainable investment. With its high degree of global coverage of the most important asset classes, MSCI supports MEAG in determining a sustainable investment universe and selecting sustainable individual investments.

**Principle 2**

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

Munich Re is driving forward ESG integration at industry level, and we are encouraging the development of best practices. **One example is the ESG Standard project:** The project is exploring whether a uniform industry standard for

environmental, social and governance (ESG) aspects can be derived from the PSI projects we have already implemented together. Initial drafts of a common ESG standard will be prepared and discussed at regional consultative meetings. The new standard is to be presented in the fourth quarter of 2018, and the objective is for PSI members to actively apply it, and for it to be available to the insurance industry as a whole.

Another initiative, which we already briefly touched upon in last year's PSI report, involved our cooperation with [ICLEI](#) on sustainable urban development. The project started with a pilot phase in the Tanzanian capital of Dar es Salaam and developed concepts for more sustainable urban infrastructure planning and risk management. In May 2017, the global network of sustainable cities "ICLEI – Local Governments for Sustainability" held the Resilient Cities conference in Bonn. Munich Re played a significant role in this event, where the Secretariat of the PSI also convened the inaugural Insuring Resilient and Sustainable Cities Summit. The key product of the Summit was the adoption of the "[Bonn Ambition](#)": to formulate objectives for the insurance industry by June 2018 to make cities resilient and sustainable and thus contribute towards Goal 11 of the United Nations' Sustainable Development Goals.

The highlight of our work in 2017 was certainly "[Shaping the sustainable insurance agenda in North America](#)", convened by the PSI Initiative and Munich Re, hosted by Munich Re, US, in Princeton. It was the inaugural PSI event in the US and covered key sustainability challenges and opportunities for the North American insurance industry, including climate change, natural disasters, cities, infrastructure and InsurTech. For two days in late November, the event brought together insurance industry leaders from the US, Canada and Bermuda, as well as insurance regulators and associations, investors, rating agencies, and senior representatives from the wider business community, the UN, academia and the development community. As such, the event was a practical follow-up to the Resilient Cities Congress in Bonn (see above) and another milestone towards the ICLEI World Congress in Montréal, Canada in June 2018.

All our findings are shared in our dialogue with ceding companies and other business partners. At the same time, Munich Re Group staff regularly speak at international conferences, market events or client seminars about PSI and ESG integration.

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### Principle 3

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

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

Stakeholder dialogue

Through the departments responsible (Sustainability, Group Legal, Climate & Public Sector Business Development and others), we are in constant contact with a large number of interest groups, NGOs, UN institutions, public administration bodies and the scientific community at a national and international level.

Working with a wide range of different political institutions and national governments, Munich Re provides advice on current topics relating to climate change and contributes the deep expertise of its Corporate Climate Centre. Munich Re is an active member of many insurance industry initiatives and associations.

One example of such forms of cooperation is Munich Re's support of the InsuResilience Initiative. Founded in 2015 by the G7 countries, the initiative aims to enable an additional 400 million people in developing and emerging countries to access insurance products covering weather and climate risks by 2020. By the end of last year, the initiative moved into a higher gear with the announcement of additional funding and many more partners. The [InsuResilience Global Partnership for Climate and Disaster Risk Finance and Insurance Solutions](#), launched at the 2017 UN Climate Conference in Bonn, now brings together G20 countries in partnership with the V20 nations.

Other examples of our commitments to develop prevention and mitigation measures can be found here:

[Strategic topic climate change](#)  
[Climate Change](#)  
[Risk Awareness](#)

Our experts are engaged 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 such as the Global Earthquake Model (GEM), the Global Climate Forum (GCF) and the Munich Climate Insurance Initiative (MCII). In addition to providing financial resources, Munich Re makes available its comprehensive risk and insurance expertise.

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### Principle 4

[We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles.](#)

This is our fifth progress report in connection with the Principles for Sustainable Insurance. It covers the calendar and financial year 2017 (1 January to 31 December). We will publish an update for the financial year 2018 within a year from now.

An extensive overview of all our activities can be found on the Corporate Responsibility Portal and on our corporate website.

[Corporate Responsibility Portal](#)  
[Munich Re Corporate website](#)  
[SRI indices, SRI ratings and awards received](#)

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

Munich, May 2018

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GRI: G4-DMA-Human Rights

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