CORPORATE RESPONSIBILITY @ MUNICH RE
Commerzbank Conference on Growth & Responsibility

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Dr. Astrid Zwick, Corporate Responsibility
With contributions of Prof. Peter Höppe and Ernst Rauch,
Corporate Climate Centre
Why corporate responsibility?

The principle of sustainability – The start of long-term management

“One should only strike as many trees as can grow back, (... to secure the stock for the future and live from the 'interest'."

(Hans Carl von Carlowitz, 1713)

Sustainability – more important for corporate responsibility today than ever

"Sustainable development involves the simultaneous pursuit of economic prosperity, environmental quality and social equity. Companies aiming for sustainability need to perform against this triple bottom line..."

Munich Re’s stakeholders and their interests - requesting more than shareholder value

Agenda

Changes in the corporate environment 2

Our response: Corporate Responsibility in business at Munich Re 5

Growth and Responsibility – Munich Re contribution to climate change mitigation 12
International cooperations of Munich Re – a strong commitment towards corporate responsibility

Examples

**UNEP-FI**
Munich Re has signed the climate declaration of the UNEPFI and is active member of the UNEPFI Climate Change Working Group.

since 1999

**Principles for Responsible Investment (PRI)**
Munich Re has actively developed and signed the UN Principles for Responsible Investment (PRI) as first German company in April 2006. By January 2011, PRI has 872 signatories. By January 2011 Chair of PRI.

since 2006

**UN Global Compact**
Munich Re is member of the UN Global Compact since August 2007. The ten principles of Global Compact are a guidance for action in our business and set the basis for our Corporate Responsibility activities.

since 2007

**Principles for Sustainable Insurance (PSI)**
Since September 2010 Munich Re holds the chair in the Insurance Commission with the aim to anchor ESG criteria into business and business operations.

since 2007

Our response: Corporate Responsibility in business at Munich Re

Global Survey of Practitioners supports relevance of Environment – Social – Governance (ESG) factors

‘Companies that have strong policies on ESG are generally better managed in all aspects of their operations including their risk management culture.’ – Director, Risk Management (Europe)

‘We are convinced that sound (ESG) behaviours and practices lead to reduced exposure over time and therefore should be reflected in the insurance relationship.’ – President & Chief Executive Officer (North America)

- ESG topics are financially material
- Governments are not addressing ESG risks appropriately
- ESG Management increases corporate value through enhanced risk management and new business opportunities

Our response: Corporate Responsibility in business at Munich Re

Working towards “Principles for Sustainable Insurance”

Principles for Sustainable Insurance (PSI)
The objective of this initiative is to establish ESG (Environmental, Social and Governance) elements in our core business. Munich Re is chairing the insurance commission since September 2010.

1. We will systematically consider ESG issues in our business principles, strategies and operations.
2. We will engage with insurance industry participants to raise awareness on ESG issues, reduce risk and develop solutions.
3. We will work together with society to enhance our effectiveness in implementing the Principles.
4. We will be transparent by reporting on our progress and activities in implementing the Principles.

CO2 reduction and economic value through efficiency and controlling

Building CO2 reduction and neutrality on environmental management

Environmental management system with 20% of sites certified
Energy efficiency in buildings and IT: e.g. MRAmerica, MEAG, MRM.
Energy from renewables: e.g. Munich and Milan
CO2 Neutralization: Purchasing CO2 certificates

Achieving CO2 neutrality

Munich Re
(Munich)
CO2-neutral since 2009

Munich Re Group (Reinsurance globally)
CO2-neutral by 2012
Holistic risk management at Munich Re

Viewing the challenges of the future as a competitive advantage

- Health
- Demographic change
- Climate change
- Biodiversity
- Access to finance markets
- Consumer behaviour
- Nanotechnology
- Water

Identifying new risks through
- Emerging risk process
- CR monitoring
- Trend and future research

Risk prevention, assessment and control:
Coordinated by IRM (e.g. accumulation control, internal control system, ad-hoc risk reports, reputational risk committee, corporate responsibility)

Our response: Corporate Responsibility in business at Munich Re

Added value through innovation:
Product solutions for global challenges

Our contribution to sustainable development

- Reinsurance
  - Climate change
    - New coverage concepts in the area of renewable energy
    - Globe of Natural Hazards
    - NatCatSERVICE
    - The “Agro System”
  - Health
    - Managed care and prevention
- Primary insurance
  - Life insurance
    - Unit-linked life insurance with investment in SRI products
  - Motor insurance
    - 10% premium rebate for environmentally friendly cars
  - Microinsurance
    - Insurance solutions for natural hazards in Asia
- Asset management/Investment
  - SRI funds
    - MEAG climate strategy
    - MEAG sustainability equity fund
    - MEAG fair return fund
  - Desertec
    - CO2-free power generation in North Africa
  - RENT
    - Renewable Energies and New Technologies: investments of €2.5bn planned

Corporate Responsibility at Munich Re – Conference on Growth & Responsibility
Agenda

Changes in the corporate environment

Our response: Corporate Responsibility at Munich Re

Growth and Responsibility – Munich Re contribution to climate change mitigation

Many technologies are still at an early stage and not yet proven, so growth in the renewable energy sector cannot be taken for granted – Further development and research are dependent on subsidies and political support. – E.g. photovoltaic only profitable in Germany due to subsidies

Expansion of coal power generation, possible with the help of CO2 capture and storage (CCS)

New technologies: role of the insurance industry

Risks of renewable energies

- Technology / Regulatory risk
  - Many technologies are still at an early stage and not yet proven, so growth in the renewable energy sector cannot be taken for granted
    - Further development and research are dependent on subsidies and political support.
    - E.g. photovoltaic only profitable in Germany due to subsidies

- Risk of technological change
  - Expansion of coal power generation, possible with the help of CO2 capture and storage (CCS)

The role of the insurance industry in the implementation of new technologies

- Enabling / acceleration of the commercialization of new technologies
  - Commercial Satellite
  - Performance covers for PV
  - Geothermal

- Support of economic development
  - Technology Development
  - Job creation
  - Economic growth
Munich Re sets the standard for renewable energy insurance solutions

Wind energy
Innovative solution for major losses in the form of guarantees – manufacturers profit from the capital relief this provides

Photovoltaic energy
New type of insurance to cover performance guarantees – benefits customers and manufacturers; high demand around the world

Geothermal energy
The exploration risk is frequently a stumbling block for projects – there is rising demand for Munich Re’s special covers

• Thanks to Munich Re’s risk-transfer solutions, investors receive the security they need
• Special covers for renewable energies offer significant potential for profitable business
• Possible business volume by 2015: mid three-digit million range

1 Source: Bloomberg New Energy Finance

Our technical expertise allows us to insure complex risks today and tomorrow

Premium positioning – Complex risk taker

Nat cat: World Map of Natural Hazards

• Munich Re continues to commit substantial capacity to nat cat business
• High geographical diversification of worldwide large, medium and small scenarios in Munich Re’s portfolio is key as diversification reduces earnings volatility by mitigating dependence on top scenarios
• Despite recent claims experience nat cat remains one of Munich Re’s most profitable business lines

SOSCover (Sudden Oil Spill Cover)

• Munich Re developed the initial concept
• AON Benfield, Guy Carpenter and Willis Re act as consortium managers and placement advisers. They bring together insurers and reinsurers as capacity providers to the consortium
• This consortium will deliver a new meaningful limit on a per well basis
• With this on-top product, all covers of the marine, energy and liability market remain in place
Munich Re will expand its investments in Renewable Energies and New Technologies to €2.5 bn over the next years.

Power generation from sun and wind energy in the deserts of the Middle East and North Africa

Source: Dii GmbH
External confirmation of the success of corporate responsibility management

- Listed continuously since 2001
- Listed continuously since 2001
- Note "Prime" CR rating in 2010; Munich Re is listed among the "best in class"
- Among the 50 companies that make substantial and pioneering contributions towards meeting great global challenges
- Listed since October 2005. Among the 100 companies worldwide with the greatest commitment to climate protection
- Rating 2010: in the insurance sector, ranked 4 among 108

Continuous and transparent reporting on Group-wide CR activities

http://www.munichre.com/corporate-responsibility
Contact us!

For specific questions about Corporate Responsibility:
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Dii GmbH – Energy from the deserts
Milestones

- Joint signature for a memorandum of understanding by 12 companies and the DESERTEC Foundation for the formation of the Dii GmbH
- Legal foundation of the planning company (LLC)
- Appointment of Paul van Son as CEO
- Definition of Dii's governance structure
- Internationally renowned experts from Algeria, Morocco, Spain, France, Germany forming Dii advisory board
- Development of an implementable roadmap to „green energy generation“ in the deserts of North Africa and the Middle East
- Appointment of Prof. Klaus Töpfer as strategic advisor
- 20GW installed capacity (according to political goal of MSP)
- 100GW installed capacity (referring to the 15% aim of the Dii concept)

2020
2050

Clean energy investments 2010

Total global investments in clean energy in 2010, including all asset classes (US$ bn)

Source: Bloomberg New Energy Finance, 2011