Corporate responsibility in (re)insurance business

April 2014
Astrid Zwick, Head of Corporate Responsibility
### Corporate responsibility at Munich Re – Overview

**Munich Re’s international cooperation – A strong commitment towards corporate responsibility**

### Examples

| **UNEP FI** | Munich Re has signed the climate declaration of the UNEP FI and is active member of the UNEP FI 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.  
**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)** | Involvement since 2007, first holding the chair in the UNEP FI – PSI Team, now active as member of the PSI Board, as well as founding signatory since June 2012. Aim: to anchor ESG criteria into core business along the value chain.  
**Since 2012** |
The core principles of Munich Re include our responsible approach and are detailed in our CR Strategy.

Core principles
CR is an integral part of our corporate strategy and relevant for all business areas and operations:

- We actively incorporate ecological, social and ethical aspects in our insurance business and asset management.
- We pursue active environmental management at our locations and aim to achieve climate neutrality.
- Munich Re fulfils its responsibility as a member of society (corporate citizen) through involvement in issues closely related to its core business and, at its locations, in social and cultural areas.

Goals
We contribute to ...

- ... an increase in reputation and attractiveness for all stakeholders;
- ... potential early identification of business risks and opportunities;
- ... educated decisions on global risks and problems;
- ... a strengthening of Munich Re’s share price.

Overall KPI:
Inclusion in major sustainability indices and scoring among the top 50%
**Five action fields in one Group-wide CR programme**

<table>
<thead>
<tr>
<th>Enabling Framework</th>
<th>Core activities</th>
<th>Enabling Framework</th>
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<tr>
<td>1 Strategy &amp; Governance</td>
<td>2 Corporate Responsibility in Business</td>
<td>5 Reporting &amp; Communication</td>
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<td>Corporate responsibility strategy</td>
<td>Integration of corporate responsibility issues into (re)insurance business (PSI(^2))</td>
<td>Annual update of corporate responsibility portal</td>
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<td>Corporate responsibility governance</td>
<td>Integration of corporate responsibility issues into asset management (PRI(^3))</td>
<td>Global corporate responsibility reporting</td>
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<td>Compliance to UN Global Compact(^1)</td>
<td>Global CO(_2) neutrality</td>
<td>Position in major SRI ratings</td>
</tr>
</tbody>
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2. PSI = UN Principles for Sustainable Insurance (signed by Munich Re in 2012).
3. PRI = UN Principles for Responsible Investment (signed by Munich Re in 2006).
The Corporate Responsibility department is a central function at Munich Re.

**Structure**

- CEO
- Group Communications
- Group Audit
- Group Development
- Group Compliance
- Corporate Strategy
- Economic Research
- Corporate Responsibility
- Group HR
- Corporate Office

"Guideline competency"

Business units implement strategy at local level with CR departments/coordinators, environmental managers, etc.

- CR is a central function located in Group Development which directly reports to the CEO
- CR triggers, monitors, controls, enables and manages Group-wide CR-related tasks

New Group Corporate Responsibility Committee (GCRC) as panel to monitor CR strategy and as Group Task Force for sensitive business issues.
Sustainable development as special focal point in the variable remuneration based on multi-year performance

Structure of the remuneration system for the Board of Management

<table>
<thead>
<tr>
<th>Category of objective</th>
<th>Share (%)</th>
<th>Assessment basis</th>
<th>Parameters</th>
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</thead>
<tbody>
<tr>
<td>Collective contribution to corporate success</td>
<td>20-60</td>
<td>Value-based economic performance indicators</td>
<td>Components of economic earnings?</td>
</tr>
<tr>
<td>Business field objectives (three-year average)</td>
<td></td>
<td>- Reinsurance</td>
<td>- Value added</td>
</tr>
<tr>
<td>- Reinsurance</td>
<td></td>
<td>- Property-casualty reinsurance</td>
<td>- Value added by new business</td>
</tr>
<tr>
<td>- Primary insurance</td>
<td></td>
<td>- Life reinsurance</td>
<td>- Change in the value of in-force business</td>
</tr>
<tr>
<td>- Munich Health</td>
<td></td>
<td></td>
<td>Economic earnings?</td>
</tr>
<tr>
<td>Individual contribution to corporate success</td>
<td>20-60</td>
<td>Value-based economic performance indicator</td>
<td>Component of economic earnings?</td>
</tr>
<tr>
<td>Personal objectives per board member</td>
<td></td>
<td>Personal objectives per board member</td>
<td>- Value added</td>
</tr>
<tr>
<td>Overall performance evaluation</td>
<td>20%</td>
<td>Performance of Individual Board members and the Board as a whole that is not considered in the objectives or subject to developments during the year</td>
<td>Assessment by Supervisory Board taking into account Section 87 of the German Stock Corporation Act and the German Corporate Governance Code</td>
</tr>
</tbody>
</table>

Corporate responsibility goals are part of the three-year performance of all Board Members.

### Three-years CR objectives of Board Members

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>▪ Standards to purchase Group-wide CO₂ certificates</td>
<td>▪ Inclusion in major SRI ratings</td>
</tr>
<tr>
<td>▪ CO₂ emission reduction of 10 % per employee by 2015</td>
<td>▪ Development and implementation of integration of ESG¹ aspects in core business</td>
</tr>
<tr>
<td>▪ Environmental management system covering at least 75% of all employees by 2014</td>
<td>▪ Fulfillment of the CR commitments (UN Global Compact, PRI, PSI)</td>
</tr>
</tbody>
</table>

The objectives are broken down into:

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¹ ESG = Environmental social and governance.
Principles for Sustainable Insurance (PSI) – A voluntary and aspirational global framework for the insurance industry

Principles for Sustainable Insurance

1. Embed ESG in decision-making along the value chain

2. Work together with clients and business partners to raise awareness, reduce risk and develop solutions

3. Engage with governments, regulators and other key stakeholders

4. Demonstrate accountability and transparency
Corporate responsibility in business

Growth in PSI membership (June 2012 to March 2014)

<table>
<thead>
<tr>
<th>Gross premiums written</th>
<th>Gross premiums written</th>
<th>Gross premiums written</th>
</tr>
</thead>
<tbody>
<tr>
<td>About USD 500 billion or 10% of 2011 world premium volume</td>
<td>About USD 660 billion or 15% of 2012 world premium volume</td>
<td>Jun-12</td>
</tr>
<tr>
<td>Total assets under management</td>
<td>Total assets under management</td>
<td>42</td>
</tr>
<tr>
<td>About USD 5 trillion</td>
<td>About USD 8 trillion</td>
<td>27</td>
</tr>
</tbody>
</table>

- PSI signatory companies
- PSI supporting institutions
- PSI membership (signatories + supporters)
### Founding signatories

1. Achmea (Netherlands)  
2. AEGON (Netherlands)  
3. Aviva (United Kingdom)  
4. AXA (France)  
5. Bradesco Seguros (Brazil)  
6. Delta Lloyd (Netherlands)  
7. ING (Netherlands)  
8. Insurance Australia Group (Australia)  
9. Interamerican Hellenic Insurance Group (Greece)  
10. Itau Seguros (Brazil)  
11. La Banque Postale (France)  
12. MAPFRE (Spain)  
13. Mitsui Sumitomo Insurance (Japan)  
14. Mongeral AEGON (Brazil)  
15. **Munich Re (Germany)**  
16. RSA Insurance Group (United Kingdom)  
17. Sanlam (South Africa)  
18. Santam (South Africa)  
19. SCOR (France)  
20. Sompo Japan Insurance (Japan)  
21. Sovereign (New Zealand)  
22. Storebrand (Norway)  
23. SulAmerica (Brazil)  
24. Swiss Re (Switzerland)  
25. The Co-operators Group (Canada)  
26. Tokio Marine & Nichido Fire Insurance (Japan)  
27. Zwitserleven (Netherlands)

### Signatories after PSI launch in June 2012

1. Allianz (Germany)  
2. AmGeneral Insurance (Malaysia)  
3. ASR Nederland (NL)  
4. Atlanticlux (Luxembourg)  
5. Banco Santander (Spain)  
6. Continental Re (Nigeria)  
7. Custodian & Allied (Nigeria)  
8. FATUM Schadeverzekering (Suriname)  
9. Grupo Segurador Banco do Brasil e MAPFRE (Brazil)  
10. HSBC Insurance (UK)  
11. Peak Re (China)  
12. Porto Seguro (Brazil)  
13. Seguradora Lider (Brazil)  
14. TAL (Australia)  
15. Terra Brasis Resseguros (Brazil)
# Corporate responsibility in business

## PSI supporting institutions

### (country of domicile)

### Founding supporters

1. Brazilian Insurance Confederation (CNseg) (Brazil)
2. Insurance Association of the Caribbean (Barbados)
3. Insurance Council of Australia (Australia)
4. Insurance Council of New Zealand (New Zealand)
5. International Cooperative & Mutual Insurance Federation (United Kingdom)
6. International Insurance Society (United States)
7. South African Insurance Association (South Africa)

### Supporters after the PSI launch in June 2012

1. Association of Insurers & Reinsurers of Developing Countries (Philippines)
2. Cadre d’Actions et de Recherche pour la Démocratisation de l’Assurance (Association CAREDAS) (Senegal)
3. Ceres (United States)
4. Dutch Association of Insurers (Netherlands)
5. Environment & Security Initiative (Switzerland)
6. Finance Norway (Norway)
7. Financial Services Council of New Zealand (NZ)
8. Global Organizational Learning & Development Network for Sustainability (Belgium)
9. Insurance Commission of the Philippines (Philippines)
10. Insurance Institute for Asia & the Pacific (Philippines)
11. Insurance Institute of India (India)
12. Interamerican Federation of Insurance Companies (FIDES) (Peru)
13. International Finance Corporation (United States)
14. Italian Banking, Insurance & Finance Federation (FEBAF) (Italy)
15. Mexican Association of Insurance Institutions (Mexico)
16. National Committee on International Cooperation & Sustainable Development (NCDO) (Netherlands)
17. Philippine Insurers & Reinsurers Association (Philippines)
18. Philippine Life Insurance Association (Philippines)
19. University of Cape Town, Centre of Criminology (South Africa)

Status: March 2014
Corporate responsibility in business

The PSI strategy for 2014-16
Moving from aspiration to transformation

Vision

Purpose

Goal 1: Collaborative action (external)
Sub-goals 1
• Promote the PSI Initiative and engage stakeholders
• Develop and implement projects and activities that focus on understanding and managing ESG risks

Goal 2: Implementation support (internal)
Sub-goals 2
• Understand and develop solutions to address members’ pain points
• Member exchange programme
• Cost-efficient delivery

Goal 3: PSI operations (governance)
Sub-goals 3
• Measure and report on the impact of the PSI Initiative on advancing ESG issues and the value created for members
• Embed a learning culture to foster continuous improvement

Projects and activities

Annual PSI member exchange programme
Measuring the performance of the PSI Initiative
### Corporate responsibility in business

#### Timeline of projects and activities (2014–16)

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agree on projects for the PSI Initiative as a whole</strong></td>
<td><strong>Global resilience project (end date TBC)</strong></td>
<td><strong>Develop insurance industry ESG footprint baseline (end date TBC)</strong></td>
<td></td>
</tr>
<tr>
<td>Explore other projects – to be discussed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Existing PSI projects, awareness-raising events and engagements with the global insurance industry, government, regulators, UN agencies, NGOs and other stakeholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Develop member exchange programme</strong></td>
<td><strong>Pilot exchange programme</strong></td>
<td><strong>Roll out annual exchange programme</strong></td>
<td></td>
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<tr>
<td><strong>Annual governance activity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Membership disclosure</strong></td>
<td><strong>Membership disclosure</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Member and stakeholder surveys</strong></td>
<td><strong>Member and stakeholder surveys</strong></td>
<td></td>
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<tr>
<td></td>
<td><strong>PSI annual report</strong></td>
<td><strong>PSI annual report</strong></td>
<td><strong>PSI annual report</strong></td>
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</tbody>
</table>
Corporate responsibility at Munich Re – Corporate responsibility in business

Strategy corporate responsibility in business

Corporate Responsibility in Business is mainly anchored in Principle V. Responsible approach

*Our responsible approach creates sustainable value – for our clients, staff, shareholders and society*

Simultaneously it contributes to the Principles

I. Core business (e.g. excellence risk management) and

II. Cooperation with clients and sales

Environmental, social and governance (ESG) aspects are anchored in the core business (along the value chain) based on the PSI\(^1\) and the PRI\(^2\). By this, the risk management is expanded by a further dimension. All employees are knowledgeable and apply ESG integration. ESG aspects are part of our dialogue with the customer and further stakeholders.

- **Sensitive Issues**: Identification, prioritisation and handling
- **ESG aspects**: Research/development of methods/products/services
- **Reputational Risk**: Contribution to RepRisk Management
- **Dialogue**: Exchange with customers and ESG consultancy
- **Sensitisation**: Raising staff awareness

Each business field is responsible to develop and implement specific initiatives and to guarantee outcomes.

PSI and PRI Reporting (contribution by all business fields)

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\(^1\) PSI = UN Principles for Sustainable Insurance (signed by Munich Re in 2012)

\(^2\) PRI = UN Principles for Responsible Investment (signed by Munich Re in 2006)
Corporate responsibility at Munich Re – Corporate responsibility in business

Corporate responsibility in business @ Munich Re
Framework to integrate ESG aspects

Corporate responsibility governance

ESG – Sensitive business issues

Initiatives across business fields and investments

Reinsurance
Focus on underwriting process and guidelines, client engagement

Munich Health
Focus on primary insurance units and exchange of best practices

ERGO
Focus on sustainable products, sales and underwriting process, compliance

MEAG
Adherence to PRI (sustainability quota and new reporting format)

Sensitisation

PSI reporting

PRI reporting
Definition of environmental, social and governance (ESG) aspects at Munich Re

<table>
<thead>
<tr>
<th>Environment</th>
<th>Social</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Pollution</td>
<td>- Political context and public awareness</td>
<td>- Responsible and correct planning and evaluation</td>
</tr>
<tr>
<td>- Natural resources and biodiversity</td>
<td>- Labour and working conditions</td>
<td>- Compliance</td>
</tr>
<tr>
<td></td>
<td>- Health, safety and security for the community</td>
<td>- Consultation and transparency</td>
</tr>
<tr>
<td></td>
<td>- Displacement of people</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Cultural heritage</td>
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</tr>
</tbody>
</table>
Reputational risk committee’s for escalation of controversial single underwriting cases

Reputational risk committee (RRC)

**Mission**
- Consultation of business segments
- Analysis and assessment of individual cases

**Working mode**
- Reporting of critical issues prior to closing of a deal
- RRC responds within 48 hours, giving clear guidance
- Escalation to Board of Management by RRC coordinator in case of non-compliance

**Examples of requests**
- Investment / Insurance of specific entities / Groups
- (Re)Insurance of potentially polluting projects
- (Re)Insurance of projects in specific countries
- Insurance of clinical trial participants
- Critical products

Reputational risks are monitored and steered within RRCs
Corporate responsibility in business at Munich Re

Selected solutions to societal challenges ... some examples

Products and services according to business field specialty

<table>
<thead>
<tr>
<th>REINSURANCE</th>
<th>MUNICH HEALTH</th>
<th>ERGO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Climate change</strong></td>
<td><strong>Access to insurance</strong></td>
<td><strong>Life insurance</strong></td>
</tr>
<tr>
<td>- Nathan Risk Suite</td>
<td>- Managed care &amp; prevention</td>
<td>- Unit-linked life insurance with investment in SRI products</td>
</tr>
<tr>
<td>- Agro Systems</td>
<td>- Pilot product example: specific solutions for special groups such as Down (DKV Integral Sin Barreras)</td>
<td>- Motor insurance</td>
</tr>
<tr>
<td>- New coverage concepts in the area of renewable energy</td>
<td>- Desert power</td>
<td>- 10% premium rebate for environmentally friendly cars</td>
</tr>
<tr>
<td><strong>Public-private partnership</strong></td>
<td><strong>Inclusive business model</strong></td>
<td><strong>Microinsurance</strong></td>
</tr>
<tr>
<td>- Weather-index-based insurance</td>
<td>- Fundación Integralia</td>
<td>- Range of insurance products (e.g. property, personal accident, crop)</td>
</tr>
<tr>
<td><strong>Desert power</strong></td>
<td></td>
<td>- Mobile-phone-based insurance solutions</td>
</tr>
<tr>
<td>- CO₂-free power generation in North Africa</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**MEAG**
- Sustainability anchored in General Investment Guidelines
- Investment in renewables and infrastructure
- Provision of sustainability funds for third parties
- ESG country rating
Group policy specifies the Munich Re corporate responsibility core principles – for environmental protection

**Avoiding and reducing emissions**
We consistently avoid and reduce emissions wherever possible (from business travel, energy, water, paper and waste). We establish the highest technical standards wherever economically reasonable. We consider environmental principles while choosing materials, suppliers and service providers.

**Raising staff awareness**
We consistently heighten environmental awareness and responsibility of all staff members and motivate them to actively protect the environment.

**Improving performance**
We monitor and develop our environmental measures with the aim of continuously improving the environmental performance of our business operations.

**Communication with stakeholders**
We communicate openly and inform our stakeholders about our environmental activities and environmental performance on a regular basis. We raise awareness and share information on environmental issues where appropriate. Thus we promote a culture of environmental protection.

According to ISO 14001.
Corporate responsibility at Munich Re – Environmental management

Climate neutrality based on environmental management and CO₂ emission reductions

Our steps to climate neutrality

- Group environmental management with 30% of sites certified and approx. 80% staff covered
- Energy efficiency in buildings and IT: e.g. MRAmerica, MEAG, MRM
- 100% energy from renewables: e.g. Munich and Milan
- CO₂ neutralization: purchasing CO₂ certificates

Achieving climate neutrality

- Munich Re (Munich): climate neutral since 2009
- Munich Re (Reinsurance Group): climate neutral since 2012
- Munich Re (Group): 10% CO₂ reduction and climate neutral by 2015
Munich Re makes a visible and measurable contribution to society

Munich Re’s new mission statement: "Munich Re sees its responsibility as a member of society (Corporate Citizen) in issues closely related to its core business and, at its locations, in the areas of culture and social affairs."

- Munich Re supports projects whose long-term and sustainable aim is to resolve concrete challenges faced by society.
- In selecting issues, Munich Re considers business-relevant issues (link to core business) and corporate locations and concentrates on only a few, relevant areas of promotional focus.
- Munich Re strives for partner-like co-operations with charitable institutions.
- Munich Re is increasing its support for large-scale projects which show a measurable effect in meeting societal challenges and which are regularly evaluated with regard to their effectiveness.
- Munich Re is interested in involving its own staff members in Corporate Volunteering measures relating to charitable projects.

Promotional criteria & areas of focus

Instruments
Donations, CC sponsoring, CC memberships, foundations, corporate volunteering, private-public partnerships

Monitoring (KPIs)
DJSI rating, measurability, for example according to the London Benchmark Group
Corporate Citizenship concept of Munich Re: Responsibility for the community

Focus: natural catastrophes, science and education, environment, demographic change, health, cultural and social community projects

- A new concept designed to link our commitment more closely to the challenges facing society
- Project-based approach supported by the work of our three corporate foundations

Munich Re’s foundations
Overview of Corporate Citizenship (CC) expenses 2012

Munich Re (Group) CC-Spending in 2012: approx. €5,000,000

- Science/Education: (35%)
- Social: (24%)
- Health: (20%)
- Culture & Arts: (7%)
- Society & Demographic Change: (3%)
- Environment: (1%)
- Natural Catastrophes: (9%)
- Not Classified: (1%)

Additional spendings for:
- Donation in kind
- Political donations
- Corporate Vounteering hours

Project examples:

Disaster prevention – Landslide mitigation in Aizawl, India
- Partnership with GeoHazards International (2012)
- Two-year disaster prevention project in northern India

Fresh water accessibility – Water Benefit Certificates
- Private-public partnership (PPP) founded in 2011 to develop an innovative financing mechanism to create Water Benefit Standard
- Aim: To create sustainable water management in regions with great water shortages