

Image: Getty Images/Oaltindag

# Corporate responsibility in business at Munich Re

Renate Bleich  
Global Head of Sustainability

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# A strong commitment towards corporate responsibility

## International co-operations



### **UNEP FI** (since 1999)

Munich Re has signed the UNEP FI's climate declaration



### **UN Global Compact** (since 2007)

Munich Re has been a member of the UN Global Compact since August 2007. The ten principles of the UN Global Compact provide guidance for action in our business and set the basis for our corporate responsibility activities.



### **Principles for Responsible Investment (PRI)** (since 2006)

Munich Re actively developed the UN Principles for Responsible Investment (PRI), which it signed in April 2006 – the first German company to do so.



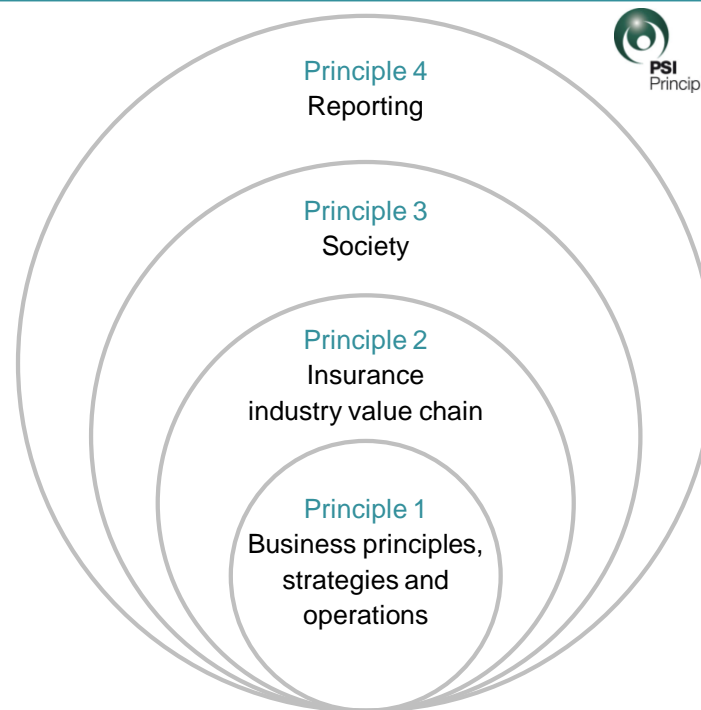
### **Principles for Sustainable Insurance (PSI)** (since 2012)

Munich Re played an active part in developing the Principles for Sustainable Insurance (PSI) since 2007 and was a founding signatory in June 2012. The PSI aim at anchoring ESG criteria in the core business along the value chain.

# 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



# Reconnecting Corporate Responsibility activities with the business creates shared value – for the company and society

## The concept of shared value ...

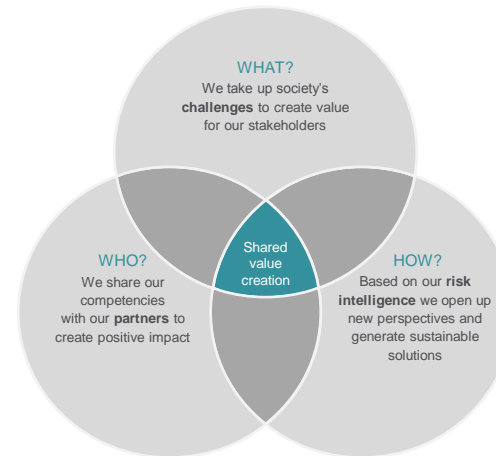
- Shared value creation focuses on connecting societal and economic progress
- Responsible behaviour increasingly relevant for competitive advantage – companies need to do good and do it well



Creating Shared Value (2011), Michael E. Porter and Mark R. Kramer  
Source: ESP1.2

## ... how we live it at Munich Re

- Corporate Responsibility in Business
- Environmental management
- Social impact projects
- Reporting and communication



# Our business activities contribute to achieving the Sustainable Development Goals



- HDFC ERGO offer microinsurance policies in the rural sector in India (e.g. weather-indexed, health, personal accident & fire, special policies for farmers)

- Public-sector risk transfer solutions (e.g. weather-index-based insurance for individuals with low incomes in the Caribbean, Livelihood Protection Policy)

- Crop failure insurance by System Agro

- Public-sector risk transfer solutions (e.g. Pandemic Emergency Financing Facility)

- Digital Doctor App

- Renewable energy and energy efficiency solutions by Green Tech Solutions (e.g. solar performance warranty and option cover for photovoltaic)

- City Innovation Platform

- Earthquake/ landslide risk protection of Indian city by Munich Re & GeoHazards International

- Partnership with Institute for Business and Home Safety: improved safety and construction standards for buildings in the US

- Public-sector risk transfer solutions (e.g. Carribean Catastrophe Risk Insurance Facility, African Risk Capacity, Pacific Catastrophe Risk Assessment and Financing Initiative)

- Climate KIC

- Solarkiosk

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

## Environment



- Pollution
- Natural resources and biodiversity

## Social



- Political context and public awareness
- Labour and working conditions
- Health, safety and security for the community
- Displacement of people
- Cultural heritage

## Governance



- Responsible and correct planning and evaluation
- Compliance
- Consultation and transparency

## Sensitive issues, Munich Re position and measures

### Banned Weapons

Policy on cluster munition and land mines, part of GUGL

### Arctic Drilling

Guideline, risks to be referred to Arctic Drilling Panel

### Oil Sands

Position paper, referenced in GUGL

### Fracking

Position paper, referenced in GUGL

### Mining

Position paper referenced in topic paper mining

### Investments in Farmland

Mandatory ESG check for investments

### ESG Tool

Assessment of different industries, best practice in credit/surety

### ESG country rating

ESG information included in Munich Re Country Risk Assessment

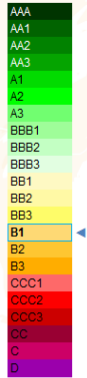
### Currently in development

→ new sustainable asset management approach

# ESG country rating used in investment and underwriting processes

## MR-Country Risk Assessment

- Albania
- Afghanistan
- Algeria
- American Samoa
- Andorra
- Angola
- Anguilla
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Bonaire, Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Brazil
- British Virgin Islands



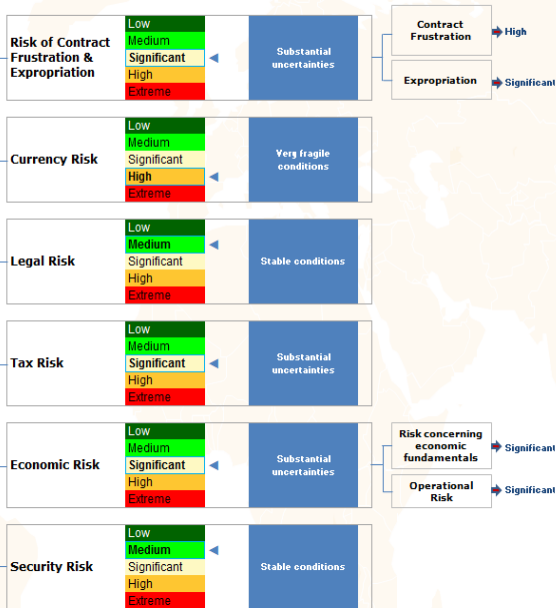
### Sovereign Default Risk

No Notes

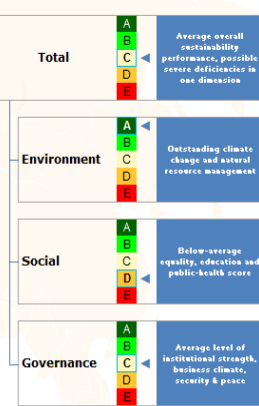
Significant speculative characteristics: high credit risk

Country Risk Premium for investment appraisal 200 Basis Points

### Country Condition Risk



### Sustainability Rating



Based on Sustainalytics' "Country Risk Monitor" with sustainability ratings for 165 countries, covering 31 indicators. This tool is used by MEAG for sustainability rating of sovereign bonds and offered as an additional resource to underwriters in Reinsurance.



# ESG criteria for engineering projects – Tool implemented as best practice

## ESG Criteria Evaluation

Version 1.4 - April 2015

Marcus Weber, SFR 14.3, Lucia Rückner, GD 1.3

Risk: **Mining**  
 Name: .....  
 U/W: .....  
 Date: .....

### Environmental implications

- Pollution prevention**
- Conservation of natural resources and biodiversity**

### Social implications

- Political context and public awareness**
- Labour and working conditions**
- Health, safety and security for the community**
- Displacement of people**
- Cultural heritage**

### Governance implications

- Responsible and correct planning and evaluation**
- Compliance**
- Consultation and transparency**

Final assessment:

Microsoft Excel

**i** Pollution prevention

**CON:**

- if the substances used in processing (e.g. cyanide in many gold mines) do not form part of a closed-loop process
- if possible risks to groundwater (e.g. from spoil-heap leaching) have not been examined beforehand and appropriate measures taken
- if the mine poses a risk to the environment (including in the long term)

**PRO:**

- + if an environmental impact assessment is available in accordance with the relevant legislation
- + if overburden, tailings and water-polluting consumables and supplies and, in particular, waste requiring special monitoring, are stored, deposited and disposed of in such a way that there is no negative impact on the environment as a result
- + if a plan exists for monitoring deposited residues
- + if overburden and waste are also taken into account as part of emergency management (e.g. measures in the event of unplanned discharges)

OK

Weblinks for further information



MR-country risk assessment



Corruption perceptions index



Labour standards by country



UNESCO world heritage list

1) Check this box if the criterion is not applicable and please explain why in a comment    2) Check this box if no explicit information is available

Supported by Sebastian Holzborn, PMA2 D (ERGO)

# Reputational risk committees for escalation of controversial single underwriting cases

## Reputational risk committee (RRC)

### Mission

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

### Examples of requests

- Investment in / (re)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

### 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

▶ Reputational risks are monitored and steered within RRCs

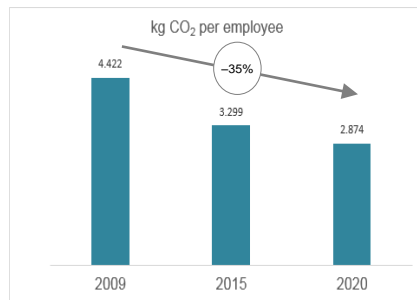
# Carbon neutrality based on environmental management and CO<sub>2</sub> emission reduction

## Our steps to carbon neutrality



**Data gathering and measuring** CO<sub>2</sub> emissions  
→ since 2015 externally verified by a third party

A Group-wide environmental management system is in place and approx. 80% of employees are covered



**Reduction** of CO<sub>2</sub> emissions by saving energy, water, paper, waste and business travel and improving carbon impact of consumed goods and services

Target Munich Re Group 2020: -35% CO<sub>2</sub> emissions per employee since 2009  
→ 2017 > -35% CO<sub>2</sub> reduction



**Substitute** conventional electricity by green electricity

Target Munich Re Group 2020: 100% electricity is from renewable sources  
→ 2017 > 71% electricity used from renewable sources



**Compensate** remaining CO<sub>2</sub> emissions through purchasing carbon credits

Since 2015: Munich Re Group is carbon neutral

# Shared value is the guiding principle of our social impact activities

## Example CR social impact project

## Two partners



- We find and support solutions for adapting to and mitigating climate change
- We cooperate with innovative partners
- Munich Re and ERGO are pooling their resources
- We offer experience, expertise and financial support



Munich Re and ERGO are enabling climate-friendly energy provision, independent of power grids. Building five solar powered Kiosks (E-Hubbs) in Kenya 2017.



Together with the EU's main climate innovation initiative, Munich Re and ERGO are fostering cleantech start-ups during several batches. First batch started in October 2017. Next batch starts in April 2018.

# External communication and reporting

## Corporate Responsibility Portal



[www.munichre.com/cr-en](http://www.munichre.com/cr-en)

## Combined non-financial statement



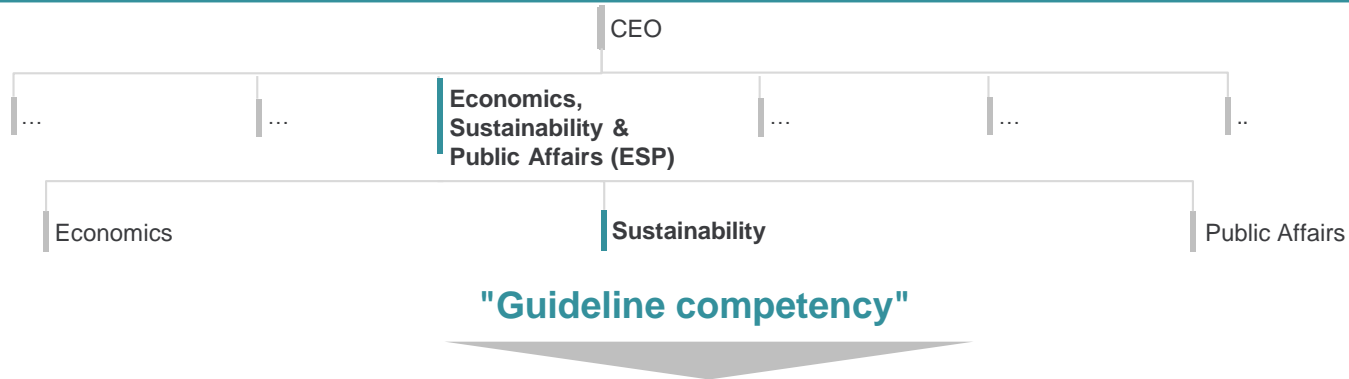
[www.munichre.com/cg-en](http://www.munichre.com/cg-en)

## Sustainable Responsible Investment Ratings



# The Sustainability Department is a central function at Munich Re

## Structure



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

Sustainability is a central function located in ESP which directly reports to the CEO

Sustainability triggers, monitors, controls, enables and manages Group-wide sustainability-related tasks

Group Corporate Responsibility Committee (GCRC) as panel to monitor Shared Value Strategy and as Group Task Force for sensitive business issues

# Sustainability is anchored in the executive compensations: New remuneration system for the Board of Management

## New remuneration system for the Board of Management from 1 January 2018

Component	Share <sup>1</sup>	Assessment basis/parameters	Corridor	Evaluation	
<b>Basic remuneration plus remuneration in kind/ fringe benefits</b>	<b>50%</b>	Function, responsibility, length of service on Board	Fixed		
<b>Variable remuneration</b>	<b>50%</b>	Overall result of Company, result of line of business, individual performance			
<b>30% Annual bonus</b> (for evaluation of 100%)  Bonus plan with runtime of 1 calendar year		IFRS consolidated result Munich Re Group	<b>0–200%</b> (fully achieved = 100%)	Achievement of annual target	<b>Overall performance evaluation:</b> Target achievement adjusted to take account of factors including <ul style="list-style-type: none"> <li>– individual and collective management performance</li> <li>– situation, success and future prospects of Company</li> </ul> Addition/deduction of up to 20% points
<b>70% Multi-year bonus</b> (for evaluation of 100%)  Bonus plan with runtime of 5 calendar years		MR total shareholder return (TSR) compared to a defined peer group  (Peer group: Allianz, Axa, Generali, Hannover Re, SCOR, Swiss Re, Zurich)	<b>0–200%</b>	Performance of MR share in relation to peer group	
					} peers usually used for the analysts' conference

<sup>1</sup> For the variable remuneration, the share shown is based on an evaluation of 100%.

# Criteria for the evaluation of overall performance (Examples for bonus / malus aspects)

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## Individual management performance

- Result of division/line of business, contribution to overall performance
  - Individual performance (qualitative and/or quantitative)
  - ESG criteria (environmental, social and governance)
  - Employee satisfaction
  - Any malus factors taken into account
  - Special market circumstances or unexpected developments taken into account
  - Implementation of strategy, improvements in organisation and processes, innovation
  - Conduct (leadership, example set, compliance with guidelines, working relationship with colleagues and Supervisory Board)
- 

## Collective management performance

- Result of field of business (reinsurance and/or primary insurance)
  - ESG criteria (environmental, social and governance aspects)
  - Employee satisfaction
  - Any malus factors taken into account
  - Reaction to special market circumstances and unforeseeable developments
- 

## Situation, success and future prospects of Company

- Financial situation of Company
- Short-term and long-term profit outlook
- Market environment (interest rates, situation in sector, etc.)



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This presentation contains forward-looking statements that are based on current assumptions and forecasts of the management of Munich Re. Known and unknown risks, uncertainties and other factors could lead to material differences between the forward-looking statements given here and the actual development, in particular the results, financial situation and performance of our Company. The Company assumes no liability to update these forward-looking statements or to make them conform to future events or developments.