



Corporate responsibility in business at Munich Re

February 2016

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

Examples



since 1999



since 2006



since 2007



since 2012

UNEP-FI

Munich Re has signed the UNEPFI's climate declaration and is an active member of the UNEPFI Climate Change Working Group.

Principles for Responsible Investment (PRI)

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

UN Global Compact

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 Sustainable Insurance (PSI)

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.

Corporate responsibility is an essential component of our Group strategy

"A sustainable approach is key for long-term success in business."

Dr. Nikolaus von Bomhard,
Chairman of the Board of Management, Munich Re



"With the implementation of the Principles for Sustainable Insurance (PSI), we are adding another dimension to our risk management"

Dr. Torsten Jeworrek, Member of the Board of Management
Munich Re



The Corporate Responsibility department is a central function at Munich Re

Structure



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

Group Corporate Responsibility Committee (GCRC) as panel to monitor CR strategy and as Group Task Force for sensitive business issues

Fields of action of our corporate responsibility

Strategy and governance	Corporate responsibility in business	Environmental management	Corporate citizenship	Reporting and communication
<ul style="list-style-type: none"> – CR¹ objectives and fields of action – Compliance with UN Global Compact Principles 	<ul style="list-style-type: none"> – Integration of CR-issues into (re)insurance business (PSI²) – Integration of CR into asset management (PRI³) 	<ul style="list-style-type: none"> – Group-wide CO₂ neutrality – Global environmental management strategy 	<ul style="list-style-type: none"> – Active governance of social responsibility and community involvement 	<ul style="list-style-type: none"> – Group-wide CR web portal – Group-wide CR reporting – Position in major SRI ratings

CORE ACTIVITIES

¹ CR = Corporate Responsibility

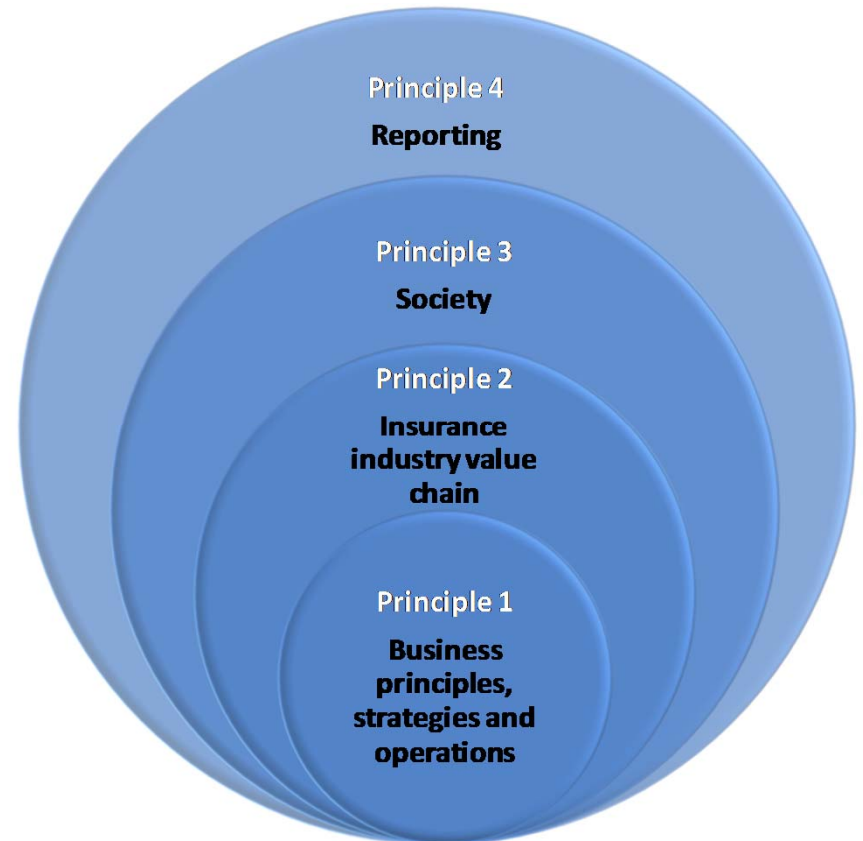
² PSI = UN Principles for Sustainable Insurance (signed by Munich Re in 2012)

³ PRI = UN Principles for Responsible Investment (signed by Munich Re in 2006)

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



Initiative representing approximately 20% of world premium volume and USD14 trillion in AuM¹

PSI signatory companies (country of domicile)²

- | | | |
|---|---|---|
| 1. Achmea (Netherlands) | 19. HSBC Insurance (UK) | 37. Sanlam (South Africa) |
| 2. AEGON (Netherlands) | 20. Insurance Australia Group (Australia) | 38. Santam (South Africa) |
| 3. African Risk Capacity Insurance Company (Bermuda) | 21. Interamerican Hellenic Insurance Group (Greece) | 39. SCOR (France) |
| 4. Allianz (Germany) | 22. Itau Seguros (Brazil) | 40. Seguradora Lider (Brazil) |
| 5. AmGeneral Insurance (Malaysia) | 23. La Banque Postale (France) | 41. Sompo Japan Nipponkoa Insurance (Japan) |
| 6. ASR Nederland (Netherlands) | 24. Liberty Seguros (Brazil) | 42. Storebrand (Norway) |
| 7. Atlanticlux (Luxembourg) | 25. MAPFRE (Spain) | 43. SulAmerica (Brazil) |
| 8. Aviva (UK) | 26. Mitsui Sumitomo Insurance (Japan) | 44. Suramericana (Colombia) |
| 9. AXA (France) | 27. Mongeral AEGON (Brazil) | 45. Swiss Re (Switzerland) |
| 10. Bradesco Seguros (Brazil) | 28. Munich Re (Germany) | 46. TAL (Australia) |
| 11. Brasilcap (Brazil) | 29. National Reinsurance Corporation of the Philippines (Philippines) | 47. TD Insurance (Canada) |
| 12. Caixa Seguradora (Brazil) | 30. NN Group (Netherlands) | 48. Terra Brasis Resseguros (Brazil) |
| 13. Continental Reinsurance (Nigeria) | 31. Peak Re (Hong Kong) | 49. The Co-operators Group (Canada) |
| 14. Custodian & Allied (Nigeria) | 32. Porto Seguro (Brazil) | 50. Tokio Marine & Nichido Fire Insurance (Japan) |
| 15. Delta Lloyd (Netherlands) | 33. QBE Insurance Group (Australia) | 51. Zwitserleven (Netherlands) |
| 16. FATUM Schadeverzekering (Suriname) | 34. Risk Management Solutions (US) | |
| 17. Generali Group (Italy) | 35. RSA Insurance Group (UK) | |
| 18. Grupo Segurador Banco do Brasil e MAPFRE (Brazil) | 36. Samsung Fire and Marine Insurance (Republic of Korea) | |

¹ Assets under management, as of July 2015. ² Source: <http://www.unepfi.org/psi/>

PSI supporting institutions (country of domicile)¹

1. Association CAREDAS (Senegal)
2. Association of Insurers and Reinsurers of Developing Countries (Philippines)
3. Brazilian Insurance Confederation (Brazil)
4. California Department of Insurance (US)
5. Ceres (US)
6. Climate Bonds Initiative (UK)
7. ClimateWise (UK)
8. Dutch Association of Insurers (Netherlands)
9. Earth Security Group (UK)
10. Environment & Security Initiative (Switzerland)
11. Federation of Colombian Insurers (Fasecolda) (Colombia)
12. Finance Norway (Norway)
13. Financial Services Council of New Zealand (New Zealand)
14. Forum per la Finanza Sostenibile (Italy)
15. Global Organizational Learning & Development Network for Sustainability (Belgium)
16. Insurance Association of the Caribbean (Barbados)
17. Insurance Commission of the Philippines (Philippines)
18. Insurance Council of Australia (Australia)
19. Insurance Council of New Zealand (New Zealand)
20. Insurance Institute for Asia & the Pacific (Philippines)
21. Insurance Institute of India (India)
22. Interamerican Federation of Insurance Companies (FIDES) (Peru)
23. International Actuarial Association (Canada)
24. International Cooperative & Mutual Insurance Federation (UK)
25. International Finance Corporation (US)
26. International Institute for Sustainable Development (Canada)
27. International Insurance Society (US)
28. Italian Federation of Banks, Insurers and Finance (FeBAF) (Italy)
29. Mexican Association of Insurance Institutions (AMIS) (Mexico)
30. Multilateral Investment Guarantee Agency (US)
31. National Committee on International Cooperation and Sustainable Development (Netherlands)
32. Temple University Fox School of Business (US)
33. The Nature Conservancy (US)
34. Philippine Insurers & Reinsurers Association (Philippines)
35. Philippine Life Insurance Association (Philippines)
36. South African Insurance Association (South Africa)
37. University of Cape Town, Centre of Criminology (South Africa)
38. University of Technology, Sydney (UTS) Business School (Australia)
39. University of Westminster (UK)
40. Washington State Office of the Insurance Commissioner (US)

¹ Source: <http://www.unepfi.org/psi/>

ESG criteria, surety bond underwriting for infrastructure projects

Joint initiative



PSI

Principles for Sustainable Insurance

- Collaboration by insurers writing surety bonds, led by Munich Re and the International Finance Corporation of the World Bank Group
- Global survey supported by the International Credit Insurance & Surety Association (ICISA) and the Panamerican Surety Association (PASA)
- Survey report and ESG guiding principles for surety bonds (2016)
- Foundation to develop ESG guiding principles for other lines of insurance business

MIT Sloan
Management Review

The Insurance Industry Wants a World That Is Sustainable and Insurable

Big Idea: Sustainability • Blog • September 22, 2015 • Reading Time: 4 min

Olivier Jaeggi

The insurance industry seeks to address challenges such as climate change and human rights via the Principles for Sustainable Insurance

Insurance companies are uniquely positioned to address environmental, social, and governance (ESG) challenges such as climate change and human rights issues in their roles as risk managers, risk carriers, and investors. There are many reasons why environmental and human rights risks are relevant for the insurance industry.

<http://sloanreview.mit.edu/article/the-insurance-industry-renewed-commitment-to-sustainability/>; similarly, the importance of climate change-related liability risks <http://sloanreview.mit.edu/article/are-firms-and-managers-at-risk-when-contributing-to-climate-change/>

has also become devastatingly clear to industry leaders. The insurance industry as a whole has taken note and begun to make strides in identifying and addressing these challenges.

Much of this work is being steered by the Principles for Sustainable Insurance (PSI) initiative (<http://www.unepfi.org/psi>), launched by the UN Environment Programme Finance Initiative (UNEP FI) in 2012. The Principles serve as a global



Insurers' role in sustainable growth

19 May 2015



(http://newsroom.uts.edu.au/sites/default/files/images/article_feature/Brink-May-insurance.jpg)

Insurers need new parameters for agreements on infrastructure development. Photo: Thinkstock

In summary:

- At present there are no international guidelines for insurance underwriters to assess the environmental, social and governance risks on infrastructure projects..
- An international study to overcome this will involve the United Nations, the World Bank and the world's biggest reinsurer Munich Re.

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

STRATEGY CORPORATE RESPONSIBILITY IN BUSINESS

Core principles	Corporate Responsibility in business is laid down in our core principles
Objectives	<ul style="list-style-type: none">▪ Environmental, social and governance (ESG) aspects are anchored in the core business▪ Enhanced risk management▪ All employees are knowledgeable and apply ESG integration▪ Dialogue with all stakeholder groups
Focus areas	<ul style="list-style-type: none">▪ ESG aspects▪ Sensitive issues▪ Reputational risk▪ Dialogue▪ Sensitisation
Initiatives	Business fields develop and implement specific initiatives
KPIs / Reporting	PSI ¹ and PRI ² reporting (contributions by all business fields)

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)

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

ESG tool

Assessment of different industries
(e.g. engineering business)

Fracking

Position paper including specific questions on ESG aspects

Oil sands

Position paper including specific questions on ESG aspects

Arctic drilling

Guideline, risks to be referred to Arctic Drilling Panel

Investments in farmland

Mandatory ESG check for investments

Mining

Position paper including specific questions on ESG aspects

Sensitive issues under observation

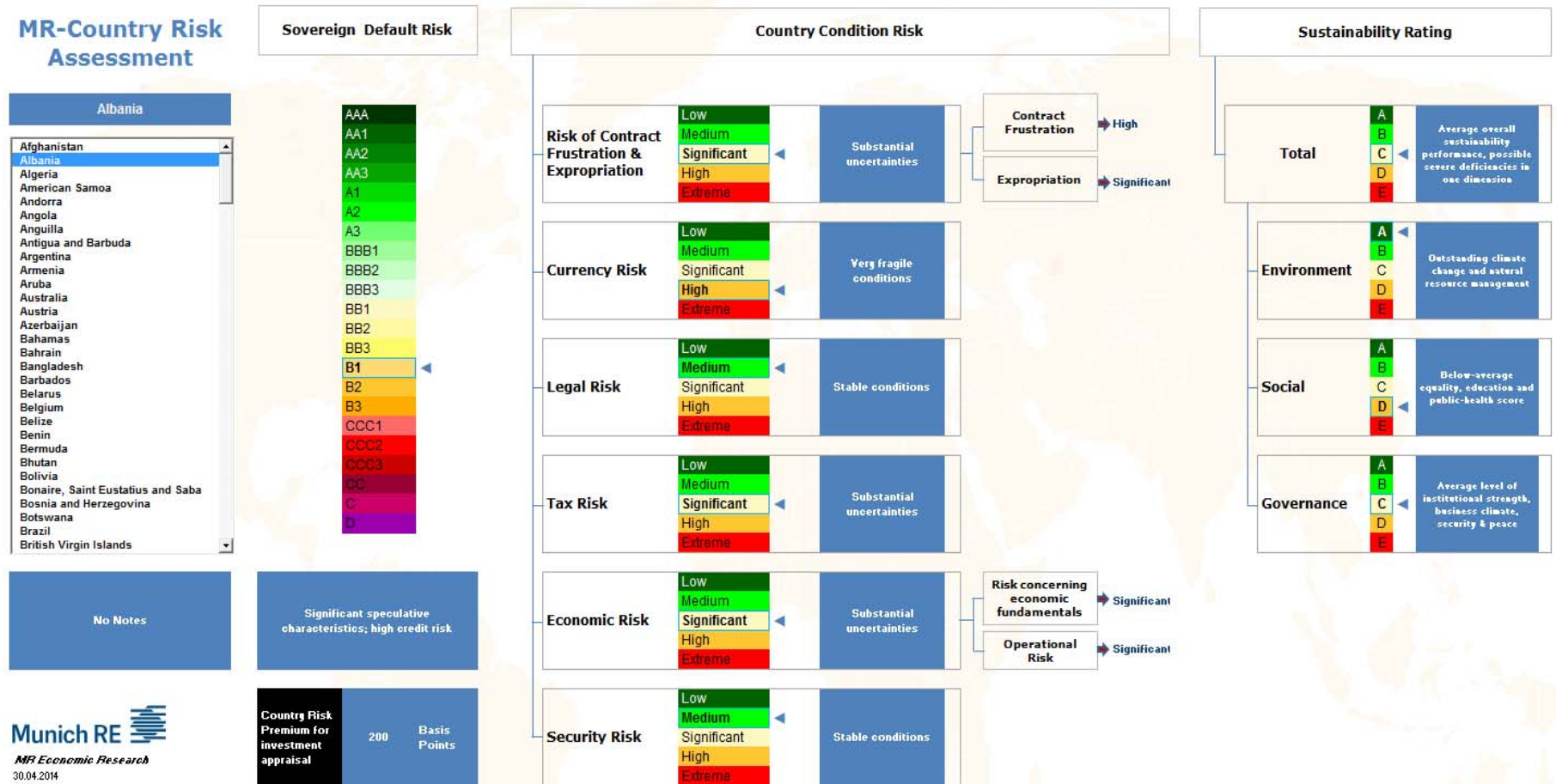
Tax evasion, pulp and paper, palm oil

ESG country rating

ESG information included in Munich Re Country Risk Assessment

No investments in government bonds or bonds of government-sponsored organisations of countries which do not meet our criteria

ESG country rating used in investment and underwriting processes



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 and Munich Health.

ESG criteria for engineering projects – Tool implemented as best practice

Relevant aspects explained in detail – where necessary with external links

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

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

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

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 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

Reputational risks are monitored and steered within RRCs

Corporate responsibility in business – Product examples and solutions

Products and services according to business field specialty

REINSURANCE

Climate change

- Nathan Risk Suite
- Agro Systems
- New coverage concepts in the area of renewable energy

Public-private partnership

- Weather-index-based insurance
- Solutions to global challenges (e.g. The Global Fund)

MUNICH HEALTH

Access to insurance

- Managed care & prevention
- Pilot product example: specific solutions for special groups such as Down (DKV Integral Sin Barreras)

Inclusive business model

- Fundación Integralia

ERGO

Life insurance

- Unit-linked life insurance with investment in SRI products

Motor insurance

- 10% premium rebate for environmentally friendly cars

Microinsurance

- Range of insurance products (e.g. property, personal accident, crop)
- Mobile-phone-based insurance solutions

MEAG

- Sustainability anchored in General Investment Guidelines
- Investments in infrastructure, renewable energy and new technology of up to €8bn (equity and debt)
- Provision of sustainability funds for third parties
- ESG country rating

Group policy specifies 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

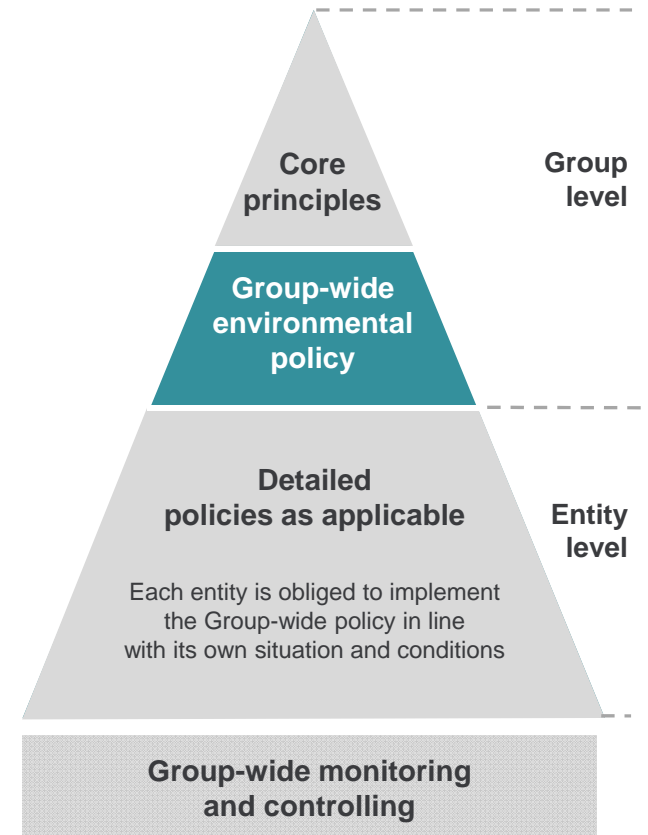
We consistently heighten environmental awareness and responsibility of all staff members and motivate them to actively protect the environment.

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.



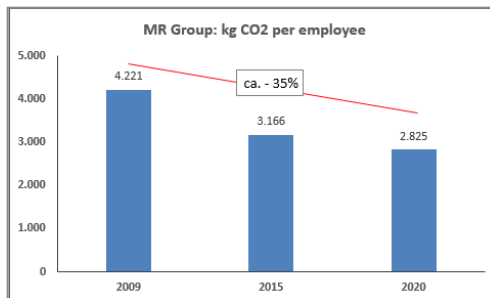
Carbon neutrality based on environmental management and CO₂ emission reduction

Our steps to carbon neutrality



Data gathering and measuring CO₂ emissions

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



Reduce CO₂ emissions by saving energy, water and paper, avoiding waste and business travel

Target Munich Re 2020:
- 35% CO₂ emissions per employee 2009 to 2020



Substitute conventional electricity by green electricity

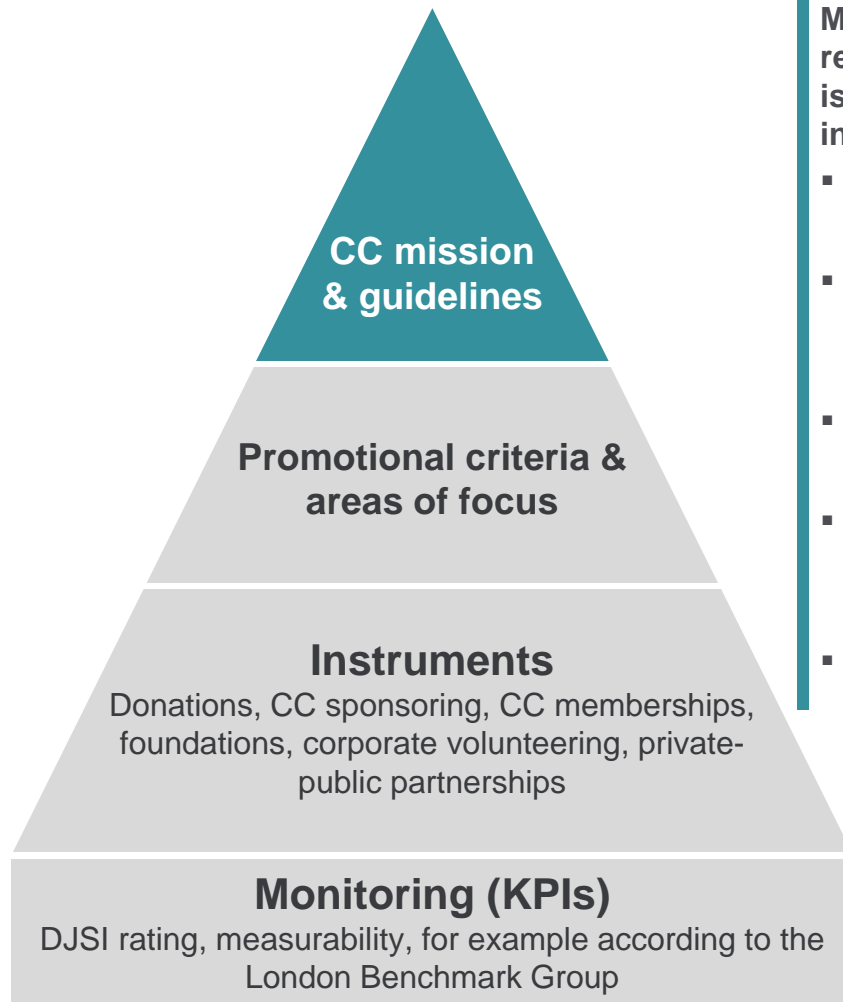
Target Munich Re 2020:
100% electricity is from renewable sources



Compensate remaining CO₂ emissions through carbon credits

Since 2015: Munich Re Group is carbon neutral

Corporate citizenship: Munich Re makes a visible and measurable contribution to society



Munich Re's 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."

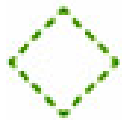
- Munich Re supports projects whose long-term and sustainable aim is to resolve concrete challenges faced by society.
- In selecting issues, Munich Re considers business-relevant issues (link to core business) and corporate locations and concentrates on only a few, relevant areas of promotional focus.
- 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.

Corporate citizenship of Munich Re – Generating a positive social impact

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

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 arts & culture and social affairs.

Our Foundations:



**Münchener Rück
Stiftung**
Vom Wissen zum
Handeln



**Schinzler
Stiftung**

ERGO Stiftung
Jugend & Zukunft

Our goal is to take on global challenges and use our knowledge, experience and creativity to create innovative and sustainable solutions. Among others we cooperate with:

- Franco-German initiative POC21 (proof of concept)



- Fellowship programme “Eight Billion Lives” by Munich Re and Impact Hub Munich

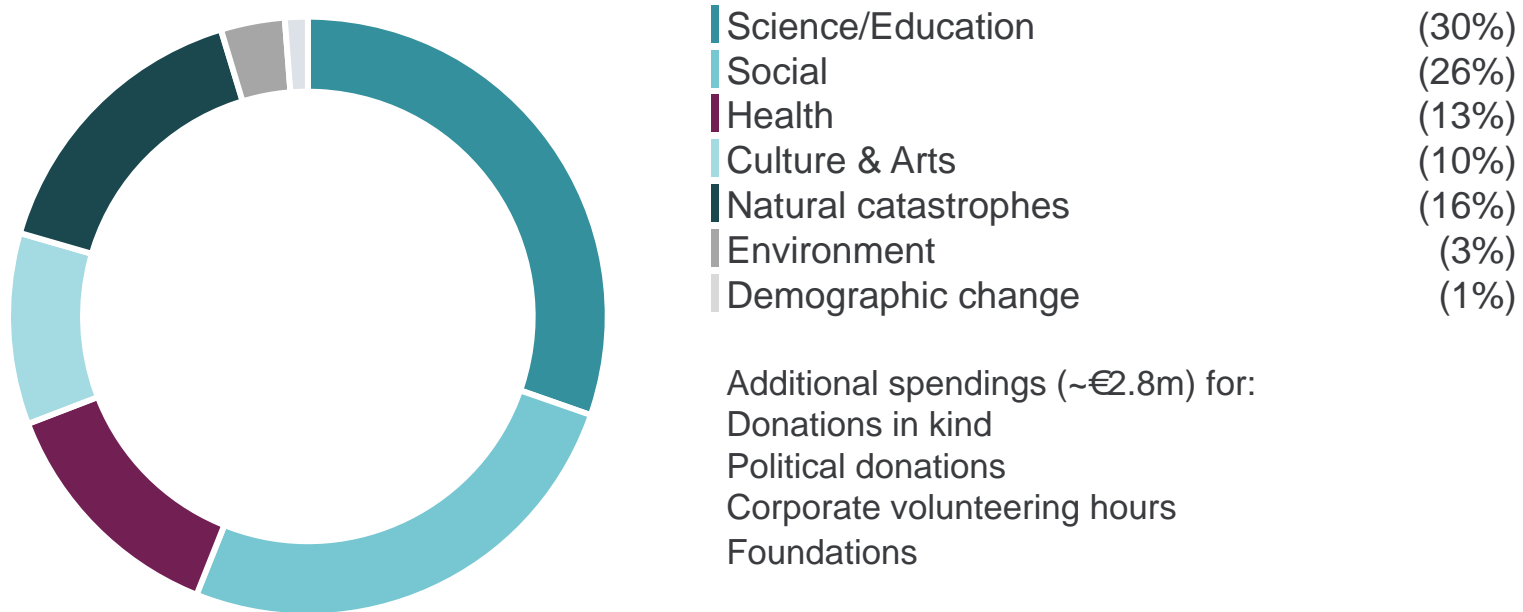


- Pilotproject „digital flea market“ with Munich based start-up SWOP Team



Overview of corporate citizenship expenses 2014

Munich Re (Group) CC-Spending in 2014: €6,480,170



Project examples:

Disaster prevention – Landslide mitigation in Aizawl, India

- Partnership with GeoHazards International
- Disaster prevention project in northern India

Safer buildings in the USA – Research on resilience standards

- Partnership with the Institute for Business and Home Safety (IBHS)
- Studies on hurricanes, wind tunnel tests and apps to inform consumers

For information, please contact

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