Munich Re’s Statement on the UK Modern Slavery Act

This statement is made pursuant to section 54(1) of the UK Modern Slavery Act 2015 and constitutes Munich Re’s slavery and human trafficking statement for the financial year ending 31 December 2019.

The organisation’s structure, its business and its supply chains

Munich Re (Group) is one of the world’s leading risk carriers and provides both insurance and reinsurance under one roof. This enables the Group to cover large stretches of the value chain in the risk market. Almost all reinsurance units operate under the uniform brand of Munich Re. ERGO Group AG (ERGO) is active in nearly all lines of life, health and property-casualty insurance. Munich Re’s investments worldwide are mainly managed by MEAG, which also offers its expertise to private and institutional investors outside the Group.

In reinsurance, we operate in life, health and property-casualty business. Under reinsurance, we also include specialised primary insurance activities that are handled by the reinsurance organisation and business from managing general agencies (MGAs). Munich Re does business with over 4,000 corporate clients from more than 160 countries. We write our business in direct collaboration with primary insurers, but also via brokers and within the framework of strategic partnerships. In addition to traditional reinsurance business, we participate in insurance pools, public-private partnerships, business in specialist niche segments, and also as a primary insurer.

As a globally operating organisation, Munich Re procures many different goods and services throughout the world. By purchasing at best total value in terms of quality, time and cost, while ensuring compliance at all times, the procurement functions throughout the Group seek to deliver a substantial and lasting contribution to the success of Munich Re.

Munich Re’s policies in relation to slavery and human trafficking

Munich Re is convinced that its business model can only be successfully realised in the future through long-term and responsible action.

Therefore, we are committed to respecting human rights as defined in the UN Guiding Principles on Business and Human Rights, in the International Bill of Human Rights, and in the Declaration on Fundamental Principles and Rights at Work issued by the International Labour Organisation (ILO). In addition, we emphasised and embraced our responsibility to uphold human rights by committing to the ten principles of the United Nations Global Compact in 2007. These same principles are incorporated in our Group Code of Conduct.

As a signatory to the UN Global Compact, Munich Re is committed to:

- Promoting and observing the protection of internationally recognised human rights
- Making sure that the Group is not complicit in human rights abuses
- Upholding the freedom of association and the effective recognition of the right to collective bargaining
- Advocating the elimination of all types of forced labour
- Championing the abolition of child labour
- Helping put an end to discrimination in hiring and employment

The Munich Re Board of Management has formulated its own position on human rights, which you can find on the Munich Re Homepage.
Munich Re’s due diligence processes in relation to slavery and human trafficking in its business and supply chains

In order to bring our commitment to respecting human rights to life, Munich Re has developed a due diligence process that covers the key components of human rights due diligence:

− Policy Commitment of the Board of Management to respect human rights
− Identifying and assessing human rights risks and impacts
− Implementing measures and monitoring
− Reporting and communicating
− Remedy and grievance mechanism

Assessment of human rights risks

In a systematic evaluation of potential risks, Munich Re defined the following four dimensions as critical to upholding human rights: employees, procurement, our core business of primary insurance and reinsurance, and investment management. For each of these dimensions, we identify, assess and, if necessary, mitigate potential risks with regard to the infringement of human rights.

We place particular emphasis on core business and investments. We are conscious of the fact that there is a range of industries and projects that may have a major impact on the environment, local communities and other stakeholder groups. The systematic anchoring of environmental, social and governance (ESG) aspects in core business enables us to identify these risks and, in cooperation with our clients, to minimise them as far as possible. With this in mind, we have specific analysis tools in place. We established twelve generally applicable ESG aspects which explicitly include human rights and labour rights. These aspects help to identify industrial sectors with high ESG risk exposure, thus allowing sensitive business topics to be recognized. Questionnaires specially tailored to these topics were integrated into an ESG tool, which helps our underwriters systematically take ESG aspects into account when performing risk assessments.

In addition, we have created a risk mapping tool specifically for human rights. This tool is designed to aid our employees in categorising and evaluating countries and economic sectors as per various indices and human rights topics. We consider the following topics when mapping risks by country: child labour and forced labour; discrimination on the basis of gender, sexuality or religion; corruption; threats to communities; restrictions on people’s liberty or freedom; international and domestic conflicts. When we analyse sector risks, we focus on working conditions, child labour and forced labour, occupational health risks, and the sources of commodities.

Measures to manage human rights risks

a) Measures for each risk dimension

For each of the four risk dimensions that we have defined – employees, procurement, our core business and investment management – we have implemented measures, norms (incl. Underwriting guidelines), and governance instruments. This enables us to reduce or mitigate risks with regard to violations of human rights; these approaches also guide our decision-making in line with conscientious management practices.

As an employer, Munich Re undertakes to observe international human rights standards and provide optimum working conditions for its staff with special focus on occupational health and safety, promoting diversity, and equal opportunities. Our Group-wide Diversity Policy sets down the most important principles in this action field and forms the basis for overarching and comprehensive diversity management. The focus areas of gender, age and internationality are key for our activities. Equal treatment is an inherent part of our corporate culture. Our Code of Conduct and additional self-commitments for responsible behaviour specify that we expect our employees to observe the personal dignity, privacy and personality rights of every individual. We do
not tolerate any discrimination (on grounds of age, sex, ethnic origin, nationality, political opinion, race, religion or the like), sexual harassment, other personal harassment, or insulting behaviour.

With regard to all our procurement decisions and activities, we always observe the principles of compliance and we embrace corporate responsibility throughout the value chain. Environmental, social and governance (ESG) criteria play a pivotal role in our procurement of goods and services. We ensure compliance with ESG criteria and acceptance of the ten principles of the UN Global Compact in our day-to-day interaction with suppliers. To ensure compliance with the UN Global Compact within the supplier relationship, Munich Re implements a Corporate Responsibility (CR) clause into its standard contracts. If we believe the principles of the UN Global Compact have been breached, Munich Re reserves the right to cancel the contractual relationship by way of extraordinary termination for good cause. If a new supplier wishes to do business with Munich Re, it must first complete a supplier registration process. Using a self-disclosure questionnaire, it is requested to provide key information on the subject of sustainability. This voluntary information also addresses aspects relevant for exclusion criteria (refusal to sign the CR clause can be an exclusion criteria). Within the supplier registration process, it is mandatory for the supplier to confirm compliance with the UN Global Compact.

Munich Re has signed up to the Principles for Sustainable Insurance (PSI) and as such is committed to making allowance for ESG aspects that are relevant for our (re-)insurance business. A set of underwriting guidelines defines how all underwriters and client managers are to handle ESG risks in insurance transactions. These binding guidelines as well as best practice recommendations were drawn up for sensitive topics and industry sectors; they are applicable for reinsurance, primary insurance and investment. These documents place particular emphasis on child labour and forced labour in mining, farming, and along their respective value chains, as well as the forced resettlement of indigenous communities. Human rights risks that threaten our reputation are presented as part of due diligence to the Reputational Risk Committee, which then takes a decision, possibly rejecting the risky course of action.

Because our business model as an insurer has a long-term focus, sustainability criteria play a key, strategic role in investment. We are obligated to invest our clients’ money sensibly and profitably in a manner that adheres to strict security and return requirements. Which is why we have committed to observing the Principles for Responsible Investment (PRI) and consider it essential to integrate ESG aspects in our investment processes. For the majority of Munich Re’s investments, our target is to be sustainable in accordance with our Group-wide Responsible Investment Guideline (RIG) and we track our progress in this regard in an internal sustainability index. Over 80% of our investments were invested sustainably in 2019. We systematically incorporate individually defined ESG criteria into the selection process for every class of asset. For investments in equities and bonds we use sustainability indices, ratings and specific ESG research by MSCI which also includes human rights issues. In the asset classes of infrastructure, renewable energies, forestry and farmland, ESG aspects including human rights issues are reviewed in the due diligence process for investments. We regularly review our sustainability criteria for all assets.

b) General measures

Suitable monitoring systems help us examine the effectiveness of our measures. We strive to continually improve our processes of due diligence and expand our screening of risks; we also regularly raise awareness of human rights among our staff and business partners.

If a violation of human rights is reported, or we learn of it by any other means, the Munich Re compliance units responsible will look into the violation. An investigation is launched, which follows a procedure defined in an internal set of guidelines. Every potential instance of misconduct will be investigated and responded to. If we learn of human rights violations in an existing contractual relationship, we will engage in dialogue with the responsible stakeholders and seek to put risk-mitigating measures into practice.
Employees have the opportunity to report incidents directly to their line managers, the Compliance Officer or to Internal Audit. To additionally strengthen the compliance system, an independent external ombudsman has been appointed. Furthermore, Munich Re offers its staff members, clients, suppliers and other business partners a whistleblowing portal – publicly accessible on the Munich Re Website – to report potential or actual compliance breaches. Here, relevant information can be exchanged safely and confidentially – globally and around the clock. The compliance unit receives this information and is responsible for processing it further. Everyone can provide information anonymously or under their own name.

Training and capacity building on slavery and human trafficking

To raise awareness of human rights, all Munich Re staff worldwide are required to attend training on the Code of Conduct every two years so that they are familiar with the standards of ethical conduct in our daily work and are aware of the need to observe these rules in their daily work. This training includes, for example, the Equal Treatment Act, reporting of infringements, data protection and corruption.

In the reinsurance sector, our corporate responsibility experts coordinate the implementation of the Principles for Sustainable Insurance (PSI) and the integration of ESG aspects in our core business. With this in mind, these experts on corporate responsibility provide relevant training for managers, underwriters and client managers in the different divisional units. In addition, a “Corporate Responsibility in Business”-coordinators’ network was established in the reinsurance sector and the coordinators were made aware of the topic. More than 800 staff members have been sensitised to ESG aspects and, in their role as multipliers, are now transferring their knowledge within their own departments, in risk assessments, client discussions and in exchanges with other units.

Our Corporate Responsibility colleagues responsible for human rights issues within the Group regularly attend external seminars and webinars in order to deepen their knowledge. Munich Re is also an active member of the Peer Learning Group of the German Global Compact Network.

Progress in the financial year 2019

We will continue to work on the implementation of human and labour rights aspects and to consider our obligations under the UK Modern Slavery Act 2015.

In 2019 we have improved our set of analysis tools for the assessment of human rights risk. Our new human rights risk mapping tool allows us to categorize all countries and sectors according to various human rights aspects, especially in the areas of child labour and modern slavery. This tool enables all our employees to carry out an initial risk analysis quickly and easily.

Also in 2019 we have offered a wide range of training courses on compliance topics and ESG integration for all staff, raising awareness of human rights issues and possible human rights violations.

Additionally we worked on the introduction of a digital centralized Group-wide purchasing system that will make it easier for us to monitor our suppliers’ compliance with the UN Global Compact principles.

Munich, 30 June 2020

Dr. Joachim Wenning
Chairman of the Board of Management
Munich Re