Combined non-financial statement
Munich Re

2019

NOT IF, BUT HOW

Munich RE

Contents

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This document is a translation of the original German version and is intended to be used for informational purposes only. While every effort has been made to ensure the accuracy and completeness of the translation, please note that the German original is binding.

Corporate responsibility strategy and governance

Our corporate responsibility strategy

A core guiding principle for Munich Re is acting in a far-sighted and responsible manner in the interests of both the Group and society. We have based our Group-wide corporate responsibility strategy on the shared value approach, which means that we strive for our business operations to add both economic and societal value. Dealing with the consequences of climate change and digitalisation, and strengthening risk awareness, constitute Munich Re's main objectives in this regard.

For almost 50 years, Munich Re has been addressing the issue of climate change, its effects on the insurance industry, and the resulting risks and opportunities. Climate change constitutes one of the greatest challenges for mankind, and demands decisive action right now in order to limit global warming to less than 2°C. Munich Re is also committed to achieving this goal set by the Paris Climate Change Conference, and has undertaken to make its own, independent contribution to combating climate change (for example, by investing in renewable energies or supporting new technologies by means of new risk covers).

We see our main contribution to fighting the effects of climate change in helping new technologies break into the market for a low-carbon future – whether it be in power generation, transport, energy savings or industrial production. We offer insurance solutions in which we assume a portion of the often very specific risks of such new technologies. At the same time, we support the goal of no longer insuring the mining or burning of coal for electricity, or the extraction of oil sands – where such individual risks become known to us. Furthermore, we avoid investing in securities that generate more than 30% of their earnings from coal or more than 10% of their earnings from oil sand extraction.

In addition to this underlying philosophy, we also actively involve our investors, clients and staff in a stakeholder dialogue about our corporate responsibility strategy. One issue that is becoming increasingly important in this respect is digitalisation, which is creating numerous opportunities for the insurance business. It allows us to deepen our knowledge, strengthen our existing business relationships and open up new opportunities, for example by developing innovative products and services related to the Internet of Things. To achieve this, we have been setting up strategic alliances. A prerequisite for all of this is that our staff acquire and expand on their digital know-how.

Last but not least, Munich Re aims to apply new digital technologies responsibly – for example by developing standards to evaluate our algorithms. This is of great importance to us. Our work in this field is guided by the principle of "responsible artificial intelligence", based on the seven Ethics Guidelines for Trustworthy Artificial Intelligence prepared by the European Commission's High-Level Expert Group on Artificial Intelligence. Munich Re's main goal in this respect is to offer insurance solutions that are tailored to our customers' needs, for example by making it easier and quicker for us to assess risks, settle claims, or insure new types of risk. We aim to avoid discrimination when developing algorithms that apply artificial intelligence. Discrimination based on age, sex, nationality or ethnic background must be prevented, and policyholders may not be unacceptably disadvantaged – for example by receiving less favourable insurance coverage. Complying with data protection law is also of utmost importance when using artificial intelligence to process personal data.

Our voluntary commitments to covenants such as the United Nations Global Compact, the Principles for Responsible Investment (PRI), and the Principles for Sustainable Insurance (PSI) constitute the pillars underlying all our actions. We take environmental, social and governance (ESG) aspects into account when assessing risks, developing insurance solutions, making investment decisions, and in our internal processes (for example in procurement).

Further information on our endeavours is available from our corporate responsibility portal at www.munichre.com/cr-en.

Corporate responsibility governance structure

Munich Re has clearly defined the organisational responsibilities for corporate governance within the Group. Our Economics, Sustainability & Public Affairs Division, which reports directly to the Chairman of the Board of Management, is responsible for drafting and implementing the guidelines on our Group's corporate responsibility strategy.

Fundamental strategic decisions are taken either directly by the Board of Management, or by one of its committees. In addition, we have set up a Group Corporate Responsibility Committee to advise the Board of Management on its sustainability strategy.

Business model

Munich Re 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 parts of the value chain in the risk market. Almost all of our reinsurance units worldwide operate under the single Munich Re brand. ERGO Group AG (ERGO) is active in nearly all lines of life, health and property-casualty insurance. The majority of Munich Re's investments worldwide are managed by MEAG MUNICH ERGO AssetManagement GmbH (MEAG), which also offers its expertise to private and institutional investors outside the Group. Please consult the "Group" section of our 2019 combined management report for further details about our structure, markets and products.

Delimitation of content to be mandatorily reported

Munich Re does not apply any of the nationally or internationally available frameworks for sustainability reporting (e.g. the German Sustainability Code or Global Reporting Initiative) in its combined non-financial statement. Such frameworks are based on a variety of different definitions of materiality and would mean selecting topics that were insufficient to present the non-financial aspects of Munich Re's business in the (combined) non-financial statement. At Munich Re, we have instead chosen our reporting topics based on a two-stage, internal selection process.

Based on topics pre-selected by the stakeholder dialogue which might influence Munich Re's corporate responsibility strategy, we first identify those issues which, from our perspective, are relevant for an understanding of the effects that our business has on environmental, labour, social or human-rights aspects, and in the fight against corruption and bribery. We have published information about our stakeholder dialogue in our Corporate Responsibility Report 2018 at www.munichre.com/cr-en.

The identified topics are then discussed by a multidisciplinary panel, to determine whether they are significant for a proper understanding of the Group's development, performance, and current position. This review is performed based on a uniform set of criteria, including how frequently reports are submitted to the Board of Management and Supervisory Board, and whether a topic needs to be taken into account in our risk management system.

This selection process has highlighted the following issues of relevance:

- Munich Re as a preferred employer and diversity as a strategic success factor
- Fighting corruption and bribery
- Data protection
- Corporate responsibility in insurance and investment

Under the "Corporate responsibility in insurance and investment" heading, we have included information on the statutorily defined aspects of environmental, social and human rights issues.

Risk awareness and prevention

For us as risk carriers, risk management constitutes a key element of responsible and sustainable corporate governance. In addition to the financial risks, non-financial risks are included in our internal risk management system.

In response to the growing security demands and risks of the digital world, on 1 July 2019, the position of Group Chief Information Security Officer (Group CISO) was created in the Integrated Risk Management Division. The Group CISO is responsible for defining, maintaining and implementing the information security strategy. A variety of measures and projects are to ensue in the context of a five-year plan. This will ensure that information security at Munich Re is continually improved and complies with all applicable legal and regulatory standards.

Non-financial risks are reported in the internal and external risk reports and in our regulatory reporting. Our Integrated Risk Management Division is independently responsible for risk assessment and monitoring.

Munich Re's business activities do not normally entail any material risks as defined in the applicable legislation (e.g. social or environmental risks). Nevertheless, risks that can be categorised as ESG risks may indirectly arise from our insurance business (e.g. through covering major infrastructure projects) or investments. Munich Re is aware of its responsibility for ESG risks and manages them accordingly (see section on Corporate responsibility in insurance and investment). Not complying with ESG standards may negatively affect Munich Re's reputation – in addition to the potential consequences for the environment and society – and thus become a significant non-financial risk factor. As a result, risks that fall under the legislative criteria are particularly recorded in the context of the assessment of reputational risk. We identify, analyse, assess and monitor reputational risks with the aid of qualitative processes. Reputational Risk Committees (RRC) in the fields of reinsurance, primary insurance and at MEAG assess concrete reputational issues and the potential reputational risks of individual transactions, and also review ESG risks. The RRCs make an accurate assessment of the likelihood and the severity of impact of a reputational event, and then decide whether the risk should be rated as critical. In the Internal Risk Report, we regularly detail any significant reputational risks for Munich Re.

We have established separate risk assessment processes and reporting lines for the issues of corruption and bribery as well as data protection, which are monitored by Group Compliance & Legal. We report on the various rules, procedures and measures in the sections entitled "Fighting corruption and bribery" and "Data protection".

No material risks were identified in the 2019 reporting year.

Managing climate risks

Munich Re has integrated climate risks into its Group risk management process. This process includes and bundles all the know-how of our scientists, underwriters, legal experts, managers and actuaries.

We model nat cat risks mainly based on the frequency and severity of weather-related risks. As a rule, anthropogenic climate change tends to have a significant effect on nat cat risks only over periods of more than ten years (E. Hawkins and R. Sutton, 2012: Time of emergence of climate signals. Geophys. Res. Lett., 39/1). We take such climate risks into account in our risk assessment. Two recent examples of this are our assessment of the “USA wildfire” and “USA thunderstorm” scenarios.

Our nat cat risk-assessment experts in our Geo Risks department have many years’ experience in developing probability-based computer models for assessing natural catastrophe risks, and take into account the potential accumulation risks as well. We also include any significant climate-based changes to claims spreads in our risk assessments.

In addition, Munich Re is closely networked within the field of climate science, on the one hand through working and publishing together with scientific institutes, and on the other hand by funding research programmes. Our findings from these analyses of nat cat risks, anthropogenic climate change and natural climactic cycles help us to constantly improve Munich Re’s appraisal of related risks, for example of severe thunderstorms, tropical cyclones or floods.

Munich Re as a preferred employer and diversity as a strategic success factor

For Munich Re as a knowledge-based Group, the competence and expertise of our talented and high-performing staff constitute the pillars of our success. Recruiting, developing and retaining employees constitute one of the two main components of our human resources policy. The other is promoting diversity – especially in gender, age and national background – as a strategic key to Munich Re’s success.

A unit in HR is responsible for personnel issues that affect the entire Group, and suggests strategies which are then implemented – either via policies (e.g. on diversity) or HR committees (e.g. Group HR Committee) – into the various divisions’ business practices. Our personnel management is tailored to the specific needs of the respective business model, with the goal of applying our business strategies as well as possible in the respective environment. In this regard, we sometimes adjust Group-wide personnel standards, where appropriate, and adapt them to the local needs of the specific field of business.

Munich Re as a preferred employer

The goal of Munich Re’s human resources policy is to be an attractive employer in all of its key markets, and to remain so in the future. Significant elements of this policy include attracting candidates who have extensive expertise and worldwide experience, and then developing and retaining them.

Staff development

Munich Re boasts a comprehensive palette of staff-development training and support programmes, which is constantly updated to reflect current and future demands. The training objectives and contents are based on Munich Re’s competence model, which covers all the relevant core skills that we require of our staff.

Driving digitalisation and transformation

A main topic of our professional training programme is the increasing digitalisation of the insurance industry. In the reinsurance field of business, we have developed a concept that supports the expansion of our digital know-how, and analyses our needs in terms of new employee profiles. Our Digital School and data-analytics curriculum offer staff in the reinsurance group a range of opportunities to improve their digital qualifications. The very positive figure of 13,000 accesses (2018: 5,000) to the Digital School in 2019 shows that staff find the courses relevant, and also that demand is increasing worldwide.

In the reinsurance field, we place particular emphasis on our ongoing training programme for cyber security experts. In 2019, seven (2018: 11) cyber experts in various locations were trained to become underwriters through the “Cyber Expert Pool” qualification programme.

ERGO’s staff training programme also specifically addresses this issue. For example, last year ERGO developed a global talent programme together with a leading business school, which incorporates the Group’s plans for digitalisation. The talent programme was launched in 2019 and focuses on innovation and leadership in the digital world.

Identifying and promoting top talent

We have two personnel development programmes that ensure staff succession planning across the Group, the EXPLORE trainee programme and the Group management platform, with ten (2018: 10) and 147 (2018: 124) students respectively as of 31 December 2019. The Group management platform allows our top management to network with the Group’s top talents, and provides the latter with innovative training formats to prepare them to take over relevant senior management positions across the Group.

Moreover, the reinsurance field’s International Graduate Trainee Programme prepares university graduates from various locations around the world for a career in reinsurance. As of 31 December 2019, 36 (2018: 23) trainees are participating in the global reinsurance trainee programme, of whom 31% (2018: 43%) are female and 69% (2018: 57%) male. In addition, at MEAG we have implemented the “Get Started” trainee programme with 17 (2018: 13) participants, and the “Young Manager” programme.

Finding and retaining staff

Munich Re aims to treat our staff and applicants fairly and responsibly; we value the loyalty of our employees, and want to ensure that they are able to perform. In addition to the aforementioned training and support programmes, we also offer a transparent salary system, extensive company healthcare management, and flexible working hours and conditions.

These elements are enshrined in a variety of staff policies, including internal company agreements in every field of business in Germany, global human resources policies in reinsurance, and MEAG's staff manual in Germany. At Munich Re, our remuneration rules are set out in a Group-wide policy.

In order to improve its ability to find and retain staff in primary insurance, in 2019 ERGO launched international HR standards and processes for recruiting and selecting candidates in defined target groups.

Remaining an attractive employer in the future

A major part of our personnel work in the reinsurance field in 2019 was dedicated to revamping our global performance management and remuneration system. As of 1 January 2020, a profit-sharing approach will be applied worldwide instead of the current system of individual variable compensation. The only relevant KPI for all staff bonuses will be Munich Re's IFRS result. The current annual performance appraisal sessions will be replaced with "Continuous Conversations" about commitment, feedback and development. This future-focused approach emphasises cooperation across the entire Group, with the objective of promoting agility and strengthening staff autonomy.

In 2019, ERGO was certified by the external organisation "Great Place to Work" for its international companies. In addition, the Group's EXPLORE trainee programme was certified as fair by the Trendence Institute. Both initiatives demonstrate that we are successfully committed to remaining an attractive employer.

At the same time, MEAG evaluated and redesigned a series of personnel tools in 2019, in order to create modern and attractive working conditions for staff and applicants, for example the launch of the "Perform" performance management and salary tool.

Our employees' average length of service – 13.6 years across Munich Re (Group) and 14.6 years at Munich Reinsurance Company – testifies to their loyalty. Staff fluctuation is very low, with a voluntary fluctuation rate of 5.0% (2018: 5.1%), and only 1.6% (2018: 1.9%) at Munich Reinsurance Company.

Diversity as a strategic success factor

Our goal at Munich Re is to create an optimal environment which, based on our various backgrounds and experience worldwide, makes the most of and strengthens the potential of all our staff. We have defined and enshrined gender, internationality and age as key categories in our Group-wide diversity policy.

Our Group-wide human resources unit develops our diversity strategy. The human resources departments in the various fields of business then ensure that the initiatives are duly implemented at our different locations. Munich Re sees diversity as a key to our business success and employee satisfaction. Promoting diversity in an increasingly complex working environment is one of the goals that we continued to work towards in 2019.

Gender

In line with a voluntary commitment by the DAX 30 companies, Munich Re has committed to increase the number of women in management positions in Germany to 25% by the end of 2020. In addition to creating an environment that enables staff to balance family and career responsibilities, we have implemented various measures to support women and to increase awareness of gender issues. Such measures include mentoring programmes, coaching, diversity days, women's networks, and tailored part-time and parental leave models – including for managers – in each of Munich Re's fields business.

Further information on women in management can be found in the Statement on Corporate Governance for the 2019 financial year pursuant to Sections 289f and 315d of the Commercial Code (HGB), in the section on equal opportunities for men and women in management.

More women in talent programmes and sales

Our gender diversity was also evident in our talent programmes. For example, 40% of the participants in the ERGO Leadership Programme launched in 2019 were women. ERGO also maintained its "Women in Sales" programme in 2019, which is aimed at making its sales organisation – and particularly management – more attractive for women.

Some other examples are the number of women in the Group's EXPLORE trainee programme (50%; 2018: 50%) and in the reinsurance group's global "Hydrogen" programme (43%; 2018: 35%).

Women currently constitute 53.1% (2018: 53.9%) of our workforce across the Group. The percentage of women in senior management positions (first and second management levels) is 30.1% worldwide (2018: 31.6%). The percentage of women in the overall workforce at Munich Reinsurance Company is 44.6% (2018: 46.7%), and in senior management (first and second management levels) the figure is 18.2% (2018: 17.1%).

Internationality

Another aim of our diversity strategy is to support multiculturalism and internationality, by diversifying the composition of our teams, filling key functions with international staff, and increasing our international expertise at the individual level – for example by offering global secondments.

Global talent programmes

In 2019, approximately 79% (2018: 76%) of the participants in our Hydrogen talent promotion programme in reinsurance came from our international organisation. And 50% of the participants in ERGO's leadership programme, launched in 2019, came from the international organisation. The figure in the Group management platform is 42% (2018: 38%).

ERGO also celebrated its first World Day for Cultural Diversity in 2019. The initiative featured a “digital diversity map” consisting of 42 videos, each showing local diversity activities at ERGO’s various foreign branches. Twenty branches from sixteen different countries participated in the worldwide initiative.

Age

A further component of our diversity strategy consists in actively supporting and promoting our staff during every phase of their careers. In addition to flexible, life-phase-based work and leave-of-absence models such as sabbaticals or the ability to convert bonuses into time off, in its German reinsurance business Munich Re also offers comprehensive employee assistance programmes, which support staff who care for their family members. Munich Re also offers training programmes to support lifelong learning, as well as a broad spectrum of health management plans. ERGO and the German reinsurance business have both adopted internal company agreements on family and careers. In addition, staff can receive free advice and support from two external service providers. At ERGO, an external consulting service provides staff with advice on caring for family members, and helps staff in sourcing nearby professional caregivers and/or in-patient facilities. Staff in reinsurance can consult an independent family service provider that offers tailored advice and placement for all forms of childcare, among other services.

Fighting corruption and bribery

There is zero tolerance for corruption or bribery at Munich Re. We have implemented internal processes that are designed to identify and appropriately sanction any hint of such activities. Our Group Compliance & Legal department is responsible for anti-corruption monitoring within the Group, and sets the standards for a uniform line of action Group-wide. Combatting corruption is an essential component of Munich Re’s Compliance Management System (CMS), which constitutes the methodical framework for the key compliance function under Solvency II, and has been permanently established across the Group. In addition, due to its international activities, Munich Re is also subject to foreign laws such as the UK Bribery Act or the Foreign Corrupt Practices Act in the United States. Applying the “Prevent, Detect, Respond” approach, Munich Re’s compliance programme to fight corruption has been implemented based on recognised standards. Our CMS aims to fight corruption through risk-based prevention. The implementation of processes and structures is geared to allow a full investigation of any violations that may occur despite our reasonable measures, to sanction such violations appropriately, and to ensure that they cease.

Code of Conduct

On the basis of our Code of Conduct, which took effect in 2018, all staff are required to act responsibly, transparently, honestly and dependably. Staff must disclose conflicts of interest, in order to allow them to be professionally and fairly resolved. Staff may neither accept nor offer bribes. In 2019, mandatory new tutorials about the relevant requirements were introduced in reinsurance, which explain the Code of Conduct generally and how to avoid corruption specifically. Training in compliance is also mandatory at ERGO and MEAG. A new online compliance training programme was introduced at ERGO in 2019, which covers all aspects of the Code of Conduct and is mandatory for all staff in Germany. In addition, all Board members and other executive staff at ERGO in Germany must attend a mandatory classroom seminar on compliance, which builds on the online programme. Respective training measures have also been introduced at the various ERGO branches abroad.

The Chairman of our Board of Management is committed to the Group-wide Code of Conduct, and underlines the importance of our compliance culture, which protects Munich Re’s reputation and ensures that we pursue our corporate objectives based on our values. Our managers bear a particular responsibility for ensuring compliance with our legal standards, embodying our core principles, and thereby creating a tangible compliance culture.

The Code of Conduct and associated guidelines contain rules about the appropriate handling of invitations, gifts, donations and sponsorship, as well as on interacting with public officials. Facilitation payments are explicitly prohibited.

The rules of our Procurement Policy also serve to prevent conflicts of interest. Moreover, our Code of Conduct addresses money-laundering issues. The companies that are subject to the German Money Laundering Act (GWG) have been set up accordingly; officers responsible for money laundering issues, and their deputies, have been appointed. Anti-money-laundering policies at ERGO and MEAG set out fundamental rules to prevent money laundering and the financing of terrorism, and they apply to all staff at the respective companies in Germany.

In 2013, ERGO became one of the first companies to sign the Code of Conduct issued by the German Insurance Association (GDV) for the sale of insurance products. This Code supports measures to fight corruption and bribery, among other issues. External auditors have regularly confirmed, most recently in 2017, that such measures have been implemented effectively at ERGO.

In addition, ERGO has developed and adopted its own Code of Conduct for its independent sales force. It contains the main principles of cooperation and a common understanding of how to work with customers and brokers.

Prevention and discovery

Our minimum standards for preventing and uncovering improper behaviour at Munich Re include segregating responsibilities appropriately and applying the dual control principle to contract signatures and payment transactions. The standards are set out in our Policy for the Combatting of Financial Crime, which applies Group-wide.

In accordance with the "know your customer" principle laid down in our Guideline for the Combatting of Financial Crime in the reinsurance business, sufficient information about our business partners, their background, and about the purpose and legitimacy of the intended business deal must be available before we conclude any transaction. In addition, when choosing whom we do business with, we make sure that any potential direct business partners comply with laws and regulations, and act responsibly. The know-your-customer principle also means that we subject our service providers and suppliers to a documented and transparent selection process, perform due diligence reviews of business partners who are to act on Munich Re's behalf, and include anti-corruption clauses in all contracts over €1m.

At ERGO, an anti-corruption agreement or clause must be concluded with every supplier and service provider, regardless of the contract value.

Munich Re staff are required to inform their superiors, or the responsible internal officer, if they learn of any breach of anti-corruption rules. In addition, staff may consult the company ombudsman or use the electronic whistleblower portal to report any activity they have witnessed.

Compliance reporting

Our Compliance Reports are issued to Munich Reinsurance Company's Board of Management and its Supervisory Board's Audit Committee on a regular and ad-hoc basis. The reports include updates about the implementation of our CMS regarding anti-corruption or compliance issues, the results of special audits, and any measures undertaken, such as the imposition of sanctions for breaches. A reporting line from the Munich Re companies to our Group Compliance & Legal unit has been set up for this purpose. Breaches of the law or important internal rules by a Group company are reported every six months; serious breaches are reported ad hoc. In the latter cases, the Munich Re company also issues a corresponding report to local management and the supervisory bodies.

In the 2019 reporting year, our compliance reporting recorded no breaches of anti-corruption legislation or corresponding official proceedings, anywhere in the world.

Data protection

Due to the nature of its business, Munich Re comes into contact with a large amount of data. Protecting this data is important, especially given the fact that increasing digitalisation means that many business processes include personal information. Munich Re's reputation, and the trust of our business partners, are based on our compliance with data protection rules. For this reason, Munich Re has implemented data protection management systems in each of its fields of business. Each system takes into account the particularities of the respective field, and includes rules, processes and measures to systematically monitor and control how we handle personal data. The goal is to ensure a high standard of data protection across the Group, and to avoid fines being incurred.

The main rules for Munich Re are contained in the Code of Conduct and in various data-protection and information-security norms, which are specific to each field of business and mandatory for all staff. The norms are based mainly on the EU General Data Protection Regulation (GDPR) for Group companies situated in the EU/EEA. Based on these norms, Munich Reinsurance Company, ERGO and MEAG have each adopted a data protection policy covering their activities, which together ensure a consistent, mandatory level of protection across those fields of business. Binding Corporate Rules at all locations worldwide aim to ensure an appropriate level of data protection for our intra-Group communications with companies in the reinsurance group situated outside the EU/EEA. The Binding Corporate Rules were updated in the spring of 2019; approval by data protection authorities for all of Europe was expected by the end of that year. The current Binding Corporate Rules remain in effect until the approval process has been completed.

Munich Reinsurance Company's Data Protection Officer also acts as Group Data Protection Officer for the companies of the reinsurance field of business within the EU/EEA. The only exception are our UK subsidiaries, which, in view of Brexit, have appointed a data protection officer of their own. Among other tasks, the Group Data Protection Officer aims to ensure uniform compliance with the guidelines across the EU/EEA, monitors the legality of IT-supported data processing, advises the respective companies on their duties under the applicable rules, answers staff questions about data protection, and acts as a first point of contact in communications with the supervisory authorities. The Officer reports at least once a year to Munich Reinsurance Company's Board of Management about material data protection issues and improvements to the data protection management system. MEAG and ERGO have each appointed their own Data Protection Officers, who have corresponding responsibilities and obligations.

Given its accountability, Munich Reinsurance Company has developed its own IT tool to ensure compliance with data protection rules. This "Compliance Web" is designed to use a defined process to automatically submit all IT-supported processing of personal data to IT Security and the Data Protection Officer beforehand. This allows every new or changed data processing task to be documented, checked for compliance with the legal norms, and regularly monitored. The tool also allows us to identify and track, with the help of a privacy impact assessment, any data processing that entails a high risk to a person's rights or freedoms. The tool is planned to be rolled out at ERGO as well in 2020.

Staff at Munich Reinsurance Company and ERGO have been receiving regular training on the basics of the GDPR, through an eLearning program, since 2018. All new staff are required to take the eLearning program during their induction periods. In addition, mandatory classroom seminars have also been introduced, featuring content targeted to the respective divisions. MEAG provides annual classroom training on data protection and information security.

In the 2019 reporting year, no material data protection event defined in the Solvency II Group Compliance Policy occurred anywhere in our Group worldwide, nor were any material proceedings for breach of data protection rules initiated.

Corporate responsibility in insurance and investment

Applying our corporate responsibility strategy, we systematically integrate sustainability – i.e. environmental, social and governance (ESG) criteria – when creating value for our core business. And we emphasise this by taking ESG elements into account in our Board members' variable remuneration.

In order to prevent or limit negative consequences for the environment, local communities or human rights, we have integrated ESG criteria into our risk assessment processes and investment decision-making at the Group level. Moreover, in 2017 Munich Re's Board of Management adopted a position paper confirming our commitment to respecting and upholding human rights, which is published at www.munichre.com/cr/downloads.

We have developed Group positions and implemented mandatory guidelines and policies on the following issues:

- Banned weapons: Binding policy on cluster munition and land mines; applicable in primary insurance and reinsurance; prohibition on investing in manufacturers of such weapon systems
- Coal and oil sands: Mandatory policy on insuring coal and oil sand risks; applicable in primary insurance and reinsurance, restrictions on investment in the coal and oil-sand sectors
- Fracking and mining: Position papers that explain the technologies and various extraction and mining techniques, and also provide staff with technology-specific answers and support in assessing ESG risks; applicable in primary insurance and reinsurance
- Arctic drilling: Binding risk assessment by the Arctic Drilling Panel, which then decides whether to accept or reject the project; applicable in primary insurance and reinsurance
- Investment in farmland: Mandatory ESG review
- ESG country ratings: Prohibition on investing in government bonds from countries with inadequate ESG ratings
- Soft commodities: Ban on futures trading

Every year, we have our activities validated externally through ratings issued by independent agencies that specialise in sustainability. The ratings and results are submitted to the Board of Management, which then identifies room for improvement and recommends corresponding measures.

ESG aspects of insurance

Munich Re supports the Principles for Sustainable Insurance (PSI) initiative, together with other insurers, and is represented on its board. The initiative aims to increase awareness of ESG risks and how to prevent them, as well as develop corresponding industry standards. Our annual progress on these issues is documented in the PSI public disclosures.

Munich Re actively assisted in designing a PSI initiative which, in February 2019, presented for the first time a compilation of best practices in assessing sustainability risks in non-life insurance. The proposed ESG standards are the result of several years of collaboration with leading insurers and key stakeholders at the global level. This highlights a systematic approach that insurers can take for ESG risks. We continue to develop our rating system for ESG risks, including taking into account the standards developed by the PSI initiative.

In our insurance business, we take ESG aspects into account in underwriting and in our products and services. We impart the necessary skills to our staff through training and a coordination network in reinsurance. In primary insurance, analysing ESG aspects constitutes a standard component of our product development process for private clients. We also offer an ESG tool that contains questionnaires specially tailored to sensitive issues, and which supports our underwriters in systematically taking ESG aspects into account when assessing risks. In addition, staff who write business internationally are provided with ESG country ratings, giving them an instant overview of the most important indicators.

Risk transfer and other innovative solutions for dealing with climate change

The core of our climate protection activities consists in enabling new, climate-friendly technologies that can slow climate change. Our goal is to help new technologies break into the mainstream by offering insurance solutions that bear the associated risks, thus making the technologies more attractive for investors. Munich Re has particular technical expertise in this area, and boasts many years of experience in the renewable energy and efficiency sectors.

We have taken on a pioneering role in the market by consistently offering new insurance products. One example is our 25-year performance-guarantee insurance for manufacturers of solar panels, which we first in introduced in Europe and Asia in 2009, and then in the USA a year later. The product allows our policyholders to avoid, at least in part, having to reserve capital against any potential guarantee claims, thus freeing up resources to invest in their business, such as for R&D. At the same time, our policyholders' major clients are insured against the company's filing for insolvency due to a guarantee claim. The market then rewards this with better financing terms, both for Munich Re's business partner itself and for its customers. In addition, since 2019 we have become the first insurer worldwide to offer performance coverage for battery capacity, thus allowing battery manufacturers to guarantee their products' performance long term. The insurance covers any repair and replacement costs for system components (e.g. battery modules) above a given amount. Another insurance product in the renewable energy sector is our "Wind Energy Yield Cover" for the reliability and performance of wind turbines, and for the amount of wind available. We also offer performance guarantee insurance for fuel cells, LED technologies, and biomass facilities.

Another of our innovative solutions promotes investment in renewable energy in Africa. Together with the European Investment Bank and two primary insurers, Munich Re has developed a risk transfer solution called the African Energy Guarantee Facility (AEGF), in the context of the UN's Sustainable Energy for All initiative in sub-Saharan Africa. The product offers protection against political risks, in order to promote private investment in renewable energy. As a sustainable (re-)insurance pool, the AEGF is structured in risk-transfer tranches, which are then taken over by insurers and private financial institutions, for example.

At the same time, we are working toward the goal of divesting from carbon-intensive technologies, for example via our Group policy on coal and oil sands. Our position has been enshrined in our Underwriting Guidelines, and stipulates that, in single-risk business, Munich Re will no longer insure new coal-fired power plants or new coal mines in industrialised countries, or in the majority of emerging markets. There are a small number of exceptions for countries where a substantial portion of the population (more than 10%) still has no access to electricity. In such countries, the cases are assessed on the basis of clearly-defined criteria, such as the country's dependency on coal, the favourability of conditions for using renewable energy, the respective country or company's climate strategy, and the technical standards applied. Oil sands will also no longer be insured as a single risk.

It is also absolutely necessary for us to offer protection and adapt to climate change, in order to mitigate its humanitarian and financial consequences. We intend to both act preventively and improve the adaptation measures for those effects of climate change that have already become irreversible. As a (re-)insurer, Munich Re covers a portion of the financial burden suffered by victims of natural disasters, allowing them to return to their normal lives more quickly after a loss event. Especially in developing and emerging countries, which are being hit particularly hard by climate change, greater insurance penetration can help absorb the economic shock of a natural disaster and promote sustainable economic growth. Cooperation between governments and the private sector, also known as public-private partnerships, are another option for mitigating the effects of natural catastrophes and contributing to a quicker recovery. Since 2016, we have also been members, at the Board level, of the Insurance Development Forum's Steering Committee, and actively participate in working groups to develop pilot projects to insure against natural catastrophes in developing countries and emerging markets.

Sustainable investments

In addition to financial considerations, we systematically take ESG criteria into account in investments as well. This helps us to identify other risks and opportunities beyond traditional financial analysis. We are convinced that integrating environmental, social and governance criteria into our investment decisions leads to making investment decisions that are responsible over the long term.
Munich Re has long recognised the advantages of investing sustainably, and accordingly adopted sustainability criteria at various stages of the investment process (strategic asset allocation, choice of country and securities) in our Responsible Investment Guideline.

The United Nations' Principles for Responsible Investment (PRI) provide a framework for sustainable action in the field of investment. Munich Re signed the PRI in 2006, thus becoming one of the first signatories worldwide. The PRI standards aim to improve the general understanding of how investments affect the environment, society and corporate governance issues, and they support the PRI signatories in integrating these issues into their investment decisions. Certain reporting obligations are associated with the standards and are published in the PRI assessment. In the most recent PRI assessment in 2019, Munich Re earned the maximum number of points, achieving the top rating of "A+" in the category of Strategy and Governance. Only 29% out of a total of 384 participating asset owners worldwide received this rating. The median rating was "A" among our peer group of asset owners.

Our investment policy is based on three pillars: systematic integration of ESG criteria, key investment areas (e.g. renewable energy or green bonds), and defined exclusion criteria.

Systematically integrating ESG criteria is a fundamental component of our investment strategy. Individually defined ESG criteria are incorporated into the selection process for every class of asset. Our target is for the majority of our investments to be sustainable, and we track our progress in this regard in an internal sustainability index (NHQuote). Since June 2017, MEAG has been working with MSCI ESG Research, a leading provider of sustainability analyses and ratings in the ESG area. The aim of using MSCI ESG Research and MSCI ESG ratings is to further refine and optimise MEAG's approach to sustainable investment. With its high degree of global coverage of the most important asset classes, MSCI supports MEAG in determining a sustainable investment portfolio and selecting sustainable individual investments. Over 80% of our investments were invested sustainably in 2019 (of the €216bn in investments that are relevant for calculating the sustainability ratio). We calculate this by applying a series of sustainability criteria for each asset class.

Investments in equities and corporate bonds take into account the MSCI World ESG Leaders, FTSE4Good and ESI (Ethibel Sustainability Index) sustainability indices, as well as the ratings issued by the ESG agencies ISS-oekom and Sustainalytics. Government bonds are analysed on the basis of country sustainability ratings from MSCI. When deciding whether to invest in real estate, we take criteria such as a building's energy efficiency and construction materials into account. Specific ESG aspects are already reviewed in the due diligence process for investments in infrastructure, renewable energy and forestry. Processes for the equity, bonds (credit and governments) and private equity sectors have been in place since 2018. All portfolio managers and credit analysts at all MEAG locations have received advance training in the ESG criteria.

MEAG offers its private and institutional clients sustainable investment products. The MEAG sustainability fund invests worldwide, mostly in companies who do business sustainably. Producers in the tobacco, alcohol or weapons industries are excluded, as are companies in the gambling sector. MEAG FairReturn invests mostly in sustainable European bonds and equities. The decision criteria include both the issuer's environmental and social track records, as well as its corporate governance and business performance. Companies in controversial fields of business are not considered. The MEAG EM Rent Sustainability fund invests mostly in state and corporate bonds from developing and emerging countries that demonstrate stable and sustainable growth. Companies in controversial fields of business are excluded here as well. The new MEAG Infrastructure Debt fund offers institutional investors targeted opportunities to invest in infrastructure projects, for example in renewable energy, transportation or social infrastructure.

Asset management leverages climate potential

Increased investment in renewable energy and infrastructure projects is a contribution towards adapting to and mitigating the effects of climate change.

Through our investments, we also want to promote the use of future technologies that do not emit greenhouse gases. On behalf of Munich Re, MEAG invests in infrastructure projects such as solar and wind farms around the world. Our capital (including own and outside capital) invested in renewable energy amounted to around €1.6bn as at 31 December 2019. These investments are making a contribution towards mitigating climate change.

We complement this approach of promoting new technologies and, wherever possible, divesting from climate-damaging technologies, with our Group-wide position on coal as an energy source. We have enshrined this position in our Responsible Investment Guideline. Munich Re does not invest in either equities or bonds from companies that generate more than 30% of their revenue from coal, or more than 10% of their revenue from oil sands extraction.

Overall, as of the end of the 2019 financial year, Munich Re has invested around 1% of its total portfolio in renewable energy and green bonds. In doing so, we continue to emphasise the diversification of our investments across various regions and sectors, in order to distribute the technical and political risks across the portfolio.

About this statement

This (combined) non-financial statement is based on the standards of the European Corporate Social Responsibility (CSR) Directive and the corresponding rules of Sections 289(3) and 315(3) of the German Commercial Code (HGB), which, among other things, refer to environmental, labour and social aspects as well as human rights and the fight against corruption. Such aspects are to be explained where they are material to an understanding of business processes, performance, company and group status, or the effects of their activities. This increases transparency about ESG aspects, and places more emphasis on sustainability in the context of regular reporting.

Munich Re complies with these requirements in a combined non-financial statement, and publishes it separately from the combined management report on our homepage.

The statement combines the consolidated non-financial statement for Munich Re (Group) and the non-financial statement for Munich Reinsurance Company. All content contained in the statement applies both to the Group and to Munich Reinsurance Company, unless otherwise noted.

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was hired to perform a limited assurance engagement on the combined non-financial statement. Any references to information outside the Group management report constitute outside information and are not part of the combined non-financial statement; they are not covered by the audit.

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the non-financial report 2019 of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München. The following text is a translation of the original German Independent Assurance Report.

Independent Auditor's Limited Assurance Report

To Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich

We have performed a limited assurance engagement on the non-financial report of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München according to § 289b HGB ("Handelsgesetzbuch": German Commercial Code), which is combined with the non-financial report of the group (hereafter Munich Re) according to § 315b HGB, consisting of the combined non-financial report as well as the section "Group" in the combined management report being incorporated by reference for the reporting period from 1 January 2019 to 31 December 2019 (hereafter non-financial report).

Management's responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial report as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud or error.

Auditor's declaration relating to independence and quality control

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial report of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between September 2019 and March 2020, we performed amongst others the following assurance and other procedures:
- Inquiries of employees regarding the selection of topics for the non-financial report, the risk assessment and the concepts of Munich Re for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial report,
- Identification of likely risks of material misstatement in the non-financial report,
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating data in the relevant areas e.g. compliance and employees in the reporting period and testing such documentation on a sample basis,
- Analytical evaluation of disclosures in the non-financial report,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,
- Evaluation of the presentation of disclosures in the non-financial report.

Assurance conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of Munich Re for the period from 1 January 2019 to 31 December 2019 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended use of the assurance report

We issue this report on the basis of the engagement agreed with Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

Engagement terms and liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 6 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter	Yvonne Meyer
Wirtschaftsprüferin	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)