Corporate responsibility in business at Munich Re

February 2016
Overview
Munich Re's international cooperation –
A strong commitment towards corporate responsibility

Examples

**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**

- **CEO**
  - Group Communications
    - Corporate Strategy
  - Group Audit
    - Economic Research
  - Group Development
    - Corporate Responsibility
  - Group Compliance
    - Corporate Office
  - Group Top Executives & Compensation

"Guideline competency"

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

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

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

Munich Re Group-wide corporate responsibility programme

Fields of action of our corporate responsibility

<table>
<thead>
<tr>
<th>Strategy and governance</th>
<th>Corporate responsibility in business</th>
<th>Environmental management</th>
<th>Corporate citizenship</th>
<th>Reporting and communication</th>
</tr>
</thead>
<tbody>
<tr>
<td>- CR(^1) objectives and fields of action</td>
<td>- Integration of CR-issues into (re)insurance business (PSI(^2))&lt;br&gt;- Integration of CR into asset management (PRI(^3))</td>
<td>- Group-wide CO(_2) neutrality&lt;br&gt;- Global environmental management strategy</td>
<td>- Active governance of social responsibility and community involvement</td>
<td>- Group-wide CR web portal&lt;br&gt;- Group-wide CR reporting&lt;br&gt;- Position in major SRI ratings</td>
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</tbody>
</table>

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

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
Principles for Sustainable Insurance (PSI)

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

PSI signatory companies (country of domicile)²

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

¹ Assets under management, as of July 2015. ² Source: http://www.unepfi.org/psi/
### PSI supporting institutions (country of domicile)

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)

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1 Source: http://www.unepfi.org/psi/
Joint initiative

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

<table>
<thead>
<tr>
<th>STRATEGY CORPORATE RESPONSIBILITY IN BUSINESS</th>
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<tbody>
<tr>
<td><strong>Core principles</strong></td>
</tr>
<tr>
<td>Corporate Responsibility in business is laid down in our core principles</td>
</tr>
<tr>
<td>▪ Environmental, social and governance (ESG) aspects are anchored in the core business</td>
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<tr>
<td>▪ Enhanced risk management</td>
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<td>▪ All employees are knowledgeable and apply ESG integration</td>
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<tr>
<td>▪ Dialogue with all stakeholder groups</td>
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<tr>
<td><strong>Objectives</strong></td>
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<tr>
<td>▪ ESG aspects</td>
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<tr>
<td>▪ Sensitive issues</td>
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<tr>
<td>▪ Reputational risk</td>
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<tr>
<td>▪ Dialogue</td>
</tr>
<tr>
<td>▪ Sensitisation</td>
</tr>
<tr>
<td><strong>Focus areas</strong></td>
</tr>
<tr>
<td>Business fields develop and implement specific initiatives</td>
</tr>
<tr>
<td><strong>Initiatives</strong></td>
</tr>
<tr>
<td><strong>KPIs / Reporting</strong></td>
</tr>
<tr>
<td>PSI¹ and PRI² reporting (contributions by all business fields)</td>
</tr>
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¹ PSI = UN Principles for Sustainable Insurance (signed by Munich Re in 2012)
² PRI = UN Principles for Responsible Investment (signed by Munich Re in 2006)
Corporate responsibility in business at Munich Re

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

<table>
<thead>
<tr>
<th>Banned weapons</th>
<th>ESG tool</th>
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<tbody>
<tr>
<td>Policy on cluster munition and land mines</td>
<td>Assessment of different industries (e.g. engineering business)</td>
</tr>
<tr>
<td>Fracking</td>
<td>Oil sands</td>
</tr>
<tr>
<td>Position paper including specific questions on ESG aspects</td>
<td>Position paper including specific questions on ESG aspects</td>
</tr>
<tr>
<td>Arctic drilling</td>
<td>Investments in farmland</td>
</tr>
<tr>
<td>Guideline, risks to be referred to Arctic Drilling Panel</td>
<td>Mandatory ESG check for investments</td>
</tr>
<tr>
<td>Mining</td>
<td>Sensitive issues under observation</td>
</tr>
<tr>
<td>Position paper including specific questions on ESG aspects</td>
<td>Tax evasion, pulp and paper, palm oil</td>
</tr>
<tr>
<td>ESG country rating</td>
<td></td>
</tr>
<tr>
<td>ESG information included in Munich Re Country Risk Assessment</td>
<td></td>
</tr>
<tr>
<td>No investments in government bonds or bonds of government-sponsored organisations of countries which do not meet our criteria</td>
<td></td>
</tr>
</tbody>
</table>
Corporate responsibility in business

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.
Relevant aspects explained in detail – where necessary with external links

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 assessments:

Weblinks for further information:
- Munich Re
- VP country risk assessment
- Transparency International
- Corruption perceptions index
- ILO
- Labour standards by country
- UNESCO world heritage list

Check this box if the criterion is not applicable and please explain why in a comment.
Check this box if no explicit information is available.
### Reputational risk committee (RRC)

<table>
<thead>
<tr>
<th>Mission</th>
<th>Working mode</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Consultation of business segments</td>
<td>▪ Reporting of critical issues prior to closing of a deal</td>
</tr>
<tr>
<td>▪ Analysis and assessment of individual cases</td>
<td>▪ RRC responds within 48 hours, giving clear guidance</td>
</tr>
</tbody>
</table>

### 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
## 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
Environmental management

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.

Source: Annual Report Munich Re 2014, page 115
As well as according to ISO 14001.
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

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.

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

Promotional criteria & areas of focus

CC mission & guidelines

Monitoring (KPIs)
DJSI rating, measurability, for example according to the London Benchmark Group
Corporate citizenship

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 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

- Science/Education (30%)
- Social (26%)
- Health (13%)
- Culture & Arts (10%)
- Natural catastrophes (16%)
- Environment (3%)
- Demographic change (1%)

Additional spendings (~€2.8m) for:
- Donations in kind
- Political donations
- Corporate volunteering hours
- Foundations

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
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