ESG @ Munich Re

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SORS Conference
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Do we have a problem?

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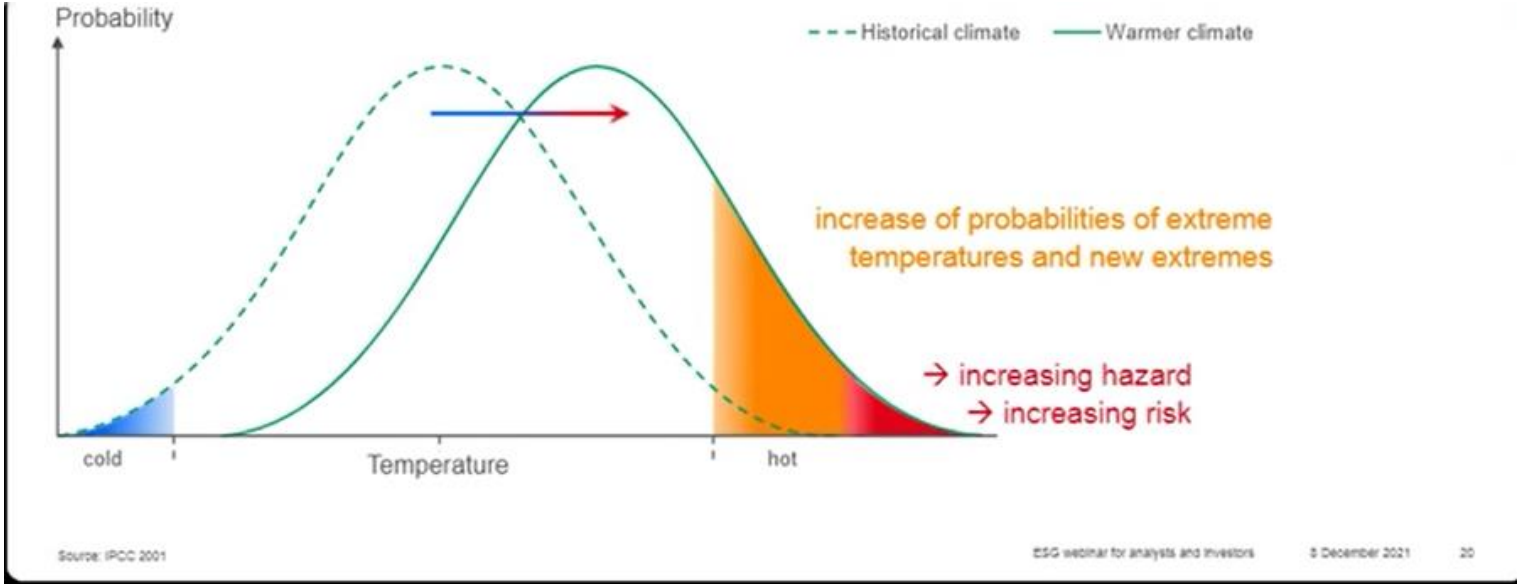
Effect of global warming: changing probability distributions
Small increase in average temperatures -> large increase in probability of extremes



Creating value through global responsibility

Holistically integrating environmental, social and governance related topics

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Environment

Ambitious decarbonisation targets

- Climate targets for our (re)insurance business
- Decarbonisation of our investments
- Reduction of our own emissions

Climate-related disclosure

- Aligned with Task Force on Climate-Related Financial Disclosures (TCFD)
- Analyzing the consequences of climate change since more than 40 years

Social

Diverse workforce

- 40% managers to be female in 2025
- 25% women in BoM by 2025
- 60+ nationalities
- 80+ professions

Employer of choice

- Comprehensive training and development programs
- Measuring employee satisfaction
- Promoting digital culture and shaping new ways of working

Governance

ESG criteria in BoM remuneration

- ESG criteria relevant for variable remuneration & multi-year bonus

Sound ESG governance

- Board-level ESG Committee and high-level ESG Management Team comprising managers from different business fields

Winner in Governance Ranking

- Only DAX company with "excellent“ rating in the 2021 DVFA Scorecard for Corporate Governance

Munich Re Group approach to decarbonization

Lead by climate action – leveraging role as investor, underwriter and audible public voice

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	Assets Financed CO_2 emissions		Liabilities Insurance-related CO_2 emissions (primary, direct, fac.)		Own CO_2 emissions from operational processes
Until 2022	No investment in companies with ▪ >15% revenue thermal coal[1] ▪ >10% revenue oil sands		Thermal coal No insurance for new coal mining, powerplants, related infrastructure[6]	Oil & gas – exploration and production No insurance for new and existing oil sand sites and related infrastructure[7], arctic exposure and infrastructure[8]	Reducing our direct impact ▪ Carbon neutral since 2015 ▪ Reduction by 25% per employee (2019 to 2021)
April 2023	No direct illiquid investments in new oil & gas fields, midstream oil infrastructure and oil fired power plants	Oil & Gas Companies[2] ▪ No new direct investment in pure-play O&G ▪ Required commitment to net-zero from integrated O&G as of 2025[3]		No insurance for new oil & gas fields, midstream oil infrastructure and oil fired power plants[9]	
2025	Total[4]: –25% to –29% emissions Thermal coal[4]: –35% emissions Oil and gas[4]: –25% emissions		–35% emissions[5]	–5% emissions Utilising the expertise of HSB Solomon[10]	–12% emissions per employee of the Munich Re Group
2050	Total: Net-zero by 2050 Thermal coal: Full exit by 2040		Full exit by 2040 (incl. Treaty insurance)	Net-zero emissions by 2050	Net-zero emissions by 2030

1 Exceptions for companies with revenues in thermal coal between 15% and 30% are possible in individual cases, where an active engagement dialogue has been established with the company. 2 For direct investments in listed equities & corporates portfolio only. 3 For companies with highest relative and absolute emissions. 4 Based on sub-portfolio of equities, corporate bonds and real estate at the end of 2019. 5 "Produced tonnes of thermal coal / MW capacity of insureds" used as proxy for emissions: base year 2019. 6 On single location standalone risks. 7 On single location standalone risks, for mixed coverage above a certain threshold; 8 For exclusive coverages; for mixed coverages above a certain threshold; 9 Applicable for contracts/projects exclusively covering the planning, financing, construction or operation which have not yet been under production (fields) or construction or operation (infrastructure and plants) as at 31 December 2022. 6/7/8/9 exceptions can only be granted by board committee; 10 Operational property, scope 1-3 life-cycle emissions, base year 2019.

ESG aspects, sensitive issues and Munich Re positions

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ESG aspects

Environmental
- Pollution
- Natural resources and biodiversity
- GHG emissions

Social
- Political context and public awareness
- Labour and working conditions
- Human rights
- 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

Banned weapons
Policy on cluster munitions and land mines

Coal
Policy on thermal coal business underwriting

Arctic drilling
Reinforced guidelines for 2022 based on AMAP definition of the Arctic region

Oil sands
Policy on oil sands business underwriting and investments

Fracking
Position paper including specific questions on ESG aspects

Mining
Position paper including specific questions on ESG aspects

Investment in farmland
Mandatory ESG check for investments

Oil & Gas
Oil & Gas production-related emission reduction to net-zero by 2050

Munich Re position and measures

ESG tool for underwriting
Assessment of different industries, best practice in credit/surety

Sustainable investment process
ESG research and ratings included in investment processes

ESG country rating
ESG information included in Munich Re country risk assessment

Management of Sustainability at Munich Re
Group approach

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Supervisory Board

Audit Committee
Monitoring ESG risks

Praesidium and Sustainability Committee
Regularly addresses sustainability-related issues

ESG Committee

Members

- Group CEO[1]
- Group CFO
- Reinsurance CEO
- ERGO CEO
- Chief Investment Officer
- Head of Economics, Sustainability and Public Affairs (non-voting)

Tasks

Overall responsibility for ESG-related strategic decisions

ESG Management Team

Members

- Head of Economics, Sustainability and Public Affairs[1]
- Head of Sustainability
- Chief Underwriting Officer Reinsurance
- Chief Underwriting Officer ERGO
- Head of Strategic Asset Allocation Group
- Head of Corporate Underwriting Reinsurance
- Head of Financial and Regulatory Reporting

Tasks

Ensuring group-wide ESG strategy implementation

Group Sustainability Team
Supporting ESG Management Team/Committee, and business units

Insurance
ERGO ESG Advisory Board

Topic experts and ESG teams of business fields

Investment
ESG Investment Committee

ESG teams at Group Investment Management and MEAG

Central functions
Including HR, Risk Management, Legal and Compliance, Services, Communication, Reporting, etc.

Climate change: Munich Re's strategic elements
Disabling and focus on enabling / business development

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“Enabling”: Example Software-as-a-Service

Sharing know-how and data with innovative software solutions (risk intelligence platform)

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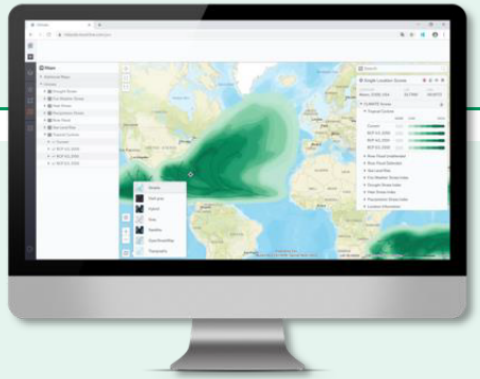
Munich Re’s tool analyses how assets may be impacted by physical climate risks, based on scientific scenarios under different CO_2 emission pathways



Climate hazard scores

Acute	Tropical cyclone
	River flood
Chronic	Sea level rise
	Heat stress
	Precipitation stress
	Fire weather stress
	Drought stress

Sectors

- Insurance
- Financial services
- Real estate management
- Infrastructure management
- Manufacturing
- Supply chain management

Target users

- Portfolio manager
- Underwriter
- Risk manager
- ESG manager
- Asset manager
- Strategic investors

Benefits

- Sustainability reporting
- Regulatory stress tests
- Risk management

“Enabling”: Mitigation Measures Munich Re risk transfer solutions

Accelerating commercialisation and improving bankability of new/innovative technologies

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Risk transfer of technology and performance risks up to 25 years

Uniqueness

- High technical expertise with all renewable technologies
- Partnerships with research and certification institutes

Benefits

- Improving bankability and investability of new technologies

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Thank you for listening.

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For further enquires:

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Munich Re risk assessment via climate change edition

Example: Sea level – current situation

RCPs - Representative Concentration Pathways

Munich Re risk assessment via climate change edition

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Example: Sea level rise – high emission scenario (RCP 8.5), year 2100

RCP 8.5 is the most severe scenario leading to a warming at the end of the 21st century of probably more than 4°C relative to the pre-industrial period (1850-1900). The chosen projection year is 2100 for this emission scenario. The areas marked in yellow are at high risk.

Disclaimer

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