Munich RE

Excerpt/public version of:
Responsible Investment Guideline

Policy of Munich Re Group
Version: 1 December 2024

1 Objective

This Responsible Investment Guideline (RIG) outlines the general framework for Group investment activities, prescribing responsible standards and requirements that are to be upheld within Munich Re Group in order to implement sustainability in our investment strategy, considering environmental, social and governance criteria.

As Munich Re is aware of its responsibility and influence as a large asset owner and investor, the integration of sustainability criteria is a key element of our investment strategy. We use both general sustainability criteria which are explained in our Sustainability reporting (e.g. climate, biodiversity and human rights) and specific sustainability criteria tailored to asset classes (e.g. energy efficiency or ESG ratings).

Munich Re was one of the first signatories of the Principles for Responsible Investment (PRI). In 2020, Munich Re joined the Net Zero Asset Owner Alliance (NZAOA) and committed to clear GHG-reduction targets. In addition to these targets, ESG-focused investments aim to generate a positive sustainable effect alongside financial returns. In line with its climate strategy, Munich Re specifically aims to significantly increase its investment exposure in renewable energies over time.

2 Scope of application

2.1 Entities in scope

This Guideline is directly applicable to Munich Reinsurance Company including its branches and representative offices. All Munich Re (Group) entities[1] with licenses for primary insurance or reinsurance and our internal asset managers (MEAG AMG, Munich Re Investment Partners) will implement the objectives, principles and requirements as stipulated herein by adopting this Guideline or introducing an equivalent norm, or by other adequate means. As concerns third party asset managers, we strive to contractually agree the application of this Guideline or a comparable standard.

Should any provision of this Guideline be contrary to local law, the latter shall always take precedence.

2.2 Assets in scope

The RIG applies to the investment of proprietary assets of Munich Re, irrespective of whether they are managed by Munich Re itself, by Group Investment Management (GIM), by our internal asset managers (MEAG, Munich Re Investment Partners) or by a third party.

This Guideline focuses on direct investments in the asset classes of equities, corporates, government and covered bonds, and in alternative investments, with minor exceptions as detailed below. We aim to extend the scope of the RIG to encompass all assets wherever possible, depending on various factors such as asset-class characteristics, industry standards, and the constantly evolving data and analytics environment, and we will review this on at least a yearly basis.

The RIG does not apply to assets held or derivatives used to manage, cover or hedge reinsurance financial structures (e.g. hedging platforms), products sold as risk management solutions or finance products for non-Group clients. For the avoidance of doubt, any assets/derivatives in the International Financial Reporting

[1] Entities include affiliated Group companies (subsidiaries) and branches. Affiliated companies of Munich Reinsurance Company include all Munich Re (Group) companies in which Munich Reinsurance Company (in)directly holds the majority of capital and/or voting rights or which are (in)directly controlled by Munich Reinsurance Company (by way of agreement or de facto).

Standards (IFRS) category "Insurance-related Investment" are out of scope of the RIG and are instead subject to the guidelines applicable to the Munich Re insurance business.

For indirect investment products (fund investments), compliance with RIG requirements, e.g. exclusions, cannot be ensured by Munich Re, GIM, MEAG or other asset managers assigned with managing Munich Re assets. We aim to identify these investment products and to apply sustainability processes to them as far as feasible, e.g. by suggesting model clauses for the integration of biodiversity considerations. In accordance with the Investment Guideline for Infrastructure Funds, if a specific exclusion is not possible, this has to be made transparent in the GIM Alternative Investments Investment Committee (GIM AIIC). For private equity and private debt funds, the asset manager should make best efforts to negotiate the inclusion of the relevant restrictions in the fund and document the efforts or encourage the fund manager to include our exclusions and restrictions into the production/portfolio selection process.

For mutual funds/ exchange traded funds, it is not possible to negotiate the inclusion of specific restrictions with the manager, and transparency on the funds' contents is limited. Therefore, due care must be taken in the selection process before buying ETFs and mutual funds. We analyse sustainability criteria such as MSCI ratings and other available data to ensure a best effort approach in the selection process.

3 Governance

Strategic decisions on sustainability in investments are made by the Board of Management in the ESG Committee (ESG C), supported by the ESG Management Team (ESG MT). On the investment side, the ESG Investment Committee (ESG IC) focuses specifically on the implementation of the sustainability strategy in investments. In addition, the GIM AIIC is focusing particularly on manners related to alternative assets.
As a member of the Board of Management, the Chief Investment Officer (CIO) is responsible for the Group's investment management. The GIM division, which reports to the CIO, is the asset owner function responsible for the Group's sustainable investment strategy and has set up its own Sustainability in Investments team for this purpose. Within our investment community, there are dedicated sustainability teams within GIM and our internal asset managers MEAG and Munich Re Investment Partners.
In order to anchor the topic of sustainability in our investment processes, the Sustainability in Investments team is supported by ESG multipliers throughout GIM. This structure is also mirrored in asset management at MEAG, which manages a large proportion of our investments. The targeted implementation of the sustainability strategy by MEAG is supported by membership of GIM's ESG IC, by the constant exchange of information between the sustainability teams in the investment area and by the ESG multipliers in the various portfolio management teams.

The GIM Reputational Risk Committee (GIM RRC) supports our efforts to address sustainability risks holistically by analysing and assessing reputational risks in the investment area. Munich Re understands reputational risk as a risk of possible damage to Munich Re Group's reputation, which arises as a consequence of a negative public perception, deteriorated rating or company value, etc. Sensitive issues that could lead to reputational risks have to be dealt with by adhering to the risk management and compliance processes. The GIM RRC gets involved if a reputational risk is indicated regarding individual investments as far as Munich Re has the power to direct individual transactions, or investment-related documents that are negotiated with asset managers. Respective reputational risk committees have been established for each business segment. These committees, if approached with a reputation risk case in their area of responsibility, review and decide whether such planned transactions are appropriate.

The existing processes of the risk management policy/compliance policy and its rules of procedure must be complied with. This also applies in the event of potential reputational issues.

4 Approach to sustainability

The systematic integration of sustainability criteria into our investment management activities is a fundamental component of our investment strategy. Our investment strategy comprises four key elements: systematic integration of sustainability criteria in the investment processes, defined exclusion and restriction criteria, selected ESG-focused investments such as renewable energy and green bonds, as well as stewardship activities including engagement and proxy voting. In addition, we require that all our asset managers apply sustainability criteria when managing our portfolios.

It is our conviction that integrating sustainability criteria into investment decisions contributes to a better, more holistic risk management of the assets we own. Our belief is that sustainability integration leads to higher risk-adjusted returns in the long-term. We combine various approaches to the integration of sustainability criteria across our investment value chain, from the strategic asset allocation to asset management, such as ESG-focused investing (which e.g. aims to contribute to climate change mitigation, see section 4.4), norm-based exclusion criteria (e.g. coal or human rights), holistic stewardship practices, and the inclusion of sustainability criteria in financial analysis. This helps us to identify risks and opportunities beyond standard financial analysis.

Our sustainability teams within GIM and at our internal asset managers work closely with sustainability experts when integrating sustainability aspects into our investment processes. External data providers supply us with issuer-specific ESG ratings, KPIs (e.g. Greenhouse Gas (GHG) emission data), and issuer-specific screening of business activities and controversies, according to our needs. We use relevant research data in our financial analysis, to better understand sustainability risks and opportunities, and as input when screening investments regarding specific sustainability topics as well as exclusion criteria. They also serve as input for screening the majority of our assets for specific sustainability criteria.

4.1 Integration of sustainability criteria

Sustainability criteria can only be integrated into the investment process if they are made transparent through corresponding data and analysis. We aim to constantly increase the integration of sustainability criteria by screening listed assets for issuer ESG ratings and analysing specific sustainability criteria for alternative assets.

As sustainability plays an important role for Munich Re Group, sustainability criteria are part of the M&A process when considering investments in new strategic participations, within the strategic fit assessment and, when deemed relevant, in the due diligence.

The following themes are especially important to us when integrating sustainability aspects into our investment decisions:

Biodiversity

The urgency to address biodiversity loss and its implications for asset owners cannot be overstated. The escalating concern over the extent of biodiversity loss has led to a heightened focus on this issue in sustainability discussions at the corporate level. As companies face increasing scrutiny and pressure to disclose their environmental risks, asset owners also recognise the relevance of biodiversity in their investment decisions.

Controversial weapons

Weapon-related business is a sensitive international topic. Munich Re Group adopts a prudent approach and carefully assesses potential impacts that such business might have on our reputation. The Group has committed itself not to support businesses that do not fully comply with international conventions. Hence, we exclude investments in issuers involved in weapon categories that are considered to cause unnecessary or unjustifiable suffering to combatants or to affect civilians indiscriminately and that are deemed inhumane by international conventions.

Food-related transactions

Munich Re sees investments in food-related commodities critically from a sustainability perspective, as they may cause social imbalances.

Human rights

With its Declaration of Principles on the Respect and Protection of Human Rights, Munich Re has expressed the importance of human rights and the high priority they have for the entire Group. This means that we underpin our understanding of responsibility for human rights by recognising international guidelines and standards.

Oil & Gas

The Oil and Gas sector faces an increasing need to understand the implications of the energy transition for its operations and business models, and to explain the contributions it can make to reducing GHG emissions and achieving the goals of the Paris Agreement. Our dedicated emission reduction targets are elaborated in the next chapter.

Oil sands

The detrimental effects of extracting oil from oil sands (also known as tar sands) can be significant for the environment and local communities. Among other things, extracting oil from oil sands consumes more energy and resources than the extraction and refining of conventional oil, and it is among the most carbon-intensive methods of crude oil production. Our dedicated emission reduction targets are elaborated in the next chapter.

Thermal Coal

Since power generated by thermal coal is responsible for two-thirds of the emissions that come from the energy sector globally, we see reducing thermal coal as a major accelerator for reaching net zero. The firing of thermal coal for energy is the single largest contributor to man-made global temperature increase (see "Position Paper: Thermal Coal" by the NZAOA[2]). Our dedicated emission reduction targets are elaborated in the next chapter.

4.2 GHG reduction targets

In December 2020, as part of our Munich Re Group Ambition 2025, Munich Re set clear decarbonisation targets for the direct asset classes listed equities, corporate bonds and real estate, based on the target setting framework of the NZAOA. As an intermediate step, we aim to reduce net GHG emissions for these asset classes in the Group's investment portfolio by 25% to 29% by 2025 (compared to the 2019 base year), in order to achieve net zero emissions by 2050. We have also set specific reduction targets for 2025 for direct listed equities and corporate bonds in the Oil & Gas (- 25%) and thermal coal (- 35%) sectors, and to fully exit investments in thermal coal by 2040. We assess this at Group level, i.e. individual legal entities can exceed or fall short of the target as long as the overall target is reached across the Group as a whole. All GHG emissions are measured in CO2-equivalent (CO2e).

[2] https://www.unepfi.org/wordpress/wp-content/uploads/2020/11/Net-Zero-Asset-Owner-Alliance-Thermal-Coal-Position.pdf

4.3 Exclusions and restrictions

We define exclusions from and restrictions on the investment universe to avoid undesirable activities that do not fit our sustainability strategy. We implement our exclusions on issuers for which we detect a unique identifier that is suitable for implementation at our asset managers. For indirect investment products, compliance with RIG requirements, e.g. exclusions, cannot be ensured. We aim to identify these investment products and to apply sustainability processes to them as far as feasible, e.g. by suggesting model clauses for the integration of biodiversity considerations.

4.3.1 Regarding liquid assets

Exclusions are implemented using the centrally managed "listed issuer exclusion lists"[3] based on our negative screening process and criteria, which are binding for all of our asset managers. GIM Sustainability in Investments reviews the lists of excluded issuers on a quarterly basis to the best of their knowledge regarding the screened issuers. Exclusions and restrictions are applicable to either listed equities, corporate bonds, commodities, and sovereigns, sub-sovereigns and government agencies or several of those asset classes as described below.

4.3.1.1 Listed equity and corporate bonds

4.3.1.1.1 Controversial weapons

Exclusion

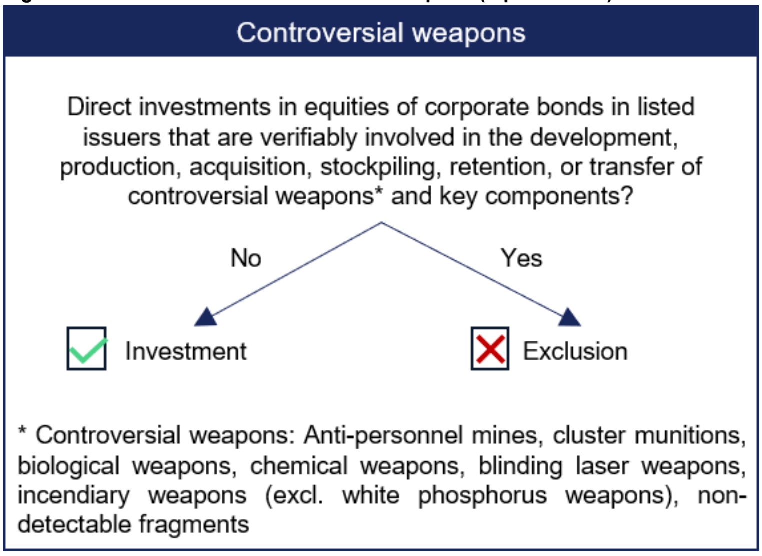
Munich Re rules out direct investments in equities or bonds of issuers[4] verifiably involved in controversial weapons and key components through their own operations, through a subsidiary (majority ownership / controlling shareholder), through a joint venture (regardless of ownership stake) or as a bond issuer issuing debt for a company that is verifiably involved in controversial weapons. This refers to companies which are verifiably involved in the development, production, acquisition, stockpiling, retention, or transfer of controversial weapons, as well as assistance in any of these activities. We define controversial weapons according to the following weapon categories:

- Anti-personnel mines
- Cluster munitions
- Biological weapons
- Chemical weapons
- Blinding laser weapons
- Incendiary weapons (excluding white phosphorus weapons)
- Non-detectable fragments

[3] We implement our exclusions on issuers for which we detect a unique identifier that is suitable for implementation at our asset managers.

[4] We implement our exclusions on issuers for which we detect a unique identifier that is suitable for implementation at our asset managers.

Figure 1: Decision tree for controversial weapons (liquid assets)

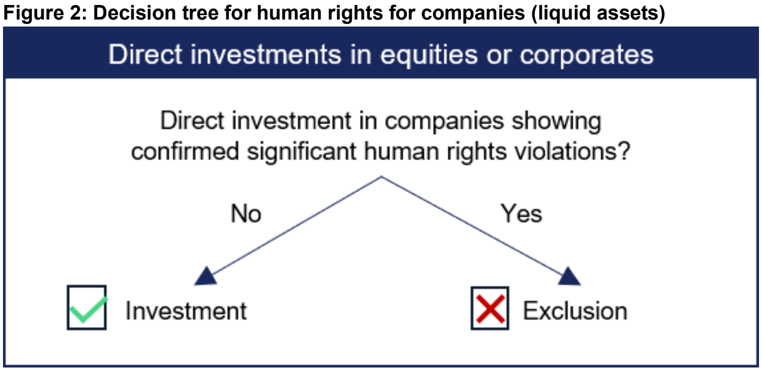


4.3.1.1.2 Human rights

Exclusion

In order to integrate human rights considerations into our investment decisions, we conduct a Group-wide risk analysis: A norm-based screening based on external data is assessed and internally validated.
This due diligence process, steered by the Group Sustainability Department (Munich Re Group Human Rights Officer), involves a scoring methodology consisting of the principles of the UN Global Compact and a customized Human Rights Violator Index**.** The index consists of various human rights-related factors such as human trafficking and forced labour. As a preventive measure, direct investments in equities and bonds issued by identified companies showing confirmed significant human rights violations are not permitted. The methodology for identifying such companies is being continuously evolved. GIM monitors the portfolio regularly and evaluates remediation measures in the case of an ad-hoc event.

Figure 2: Decision tree for human rights for companies (liquid assets)



4.3.1.1.3 Oil & Gas

Exclusion

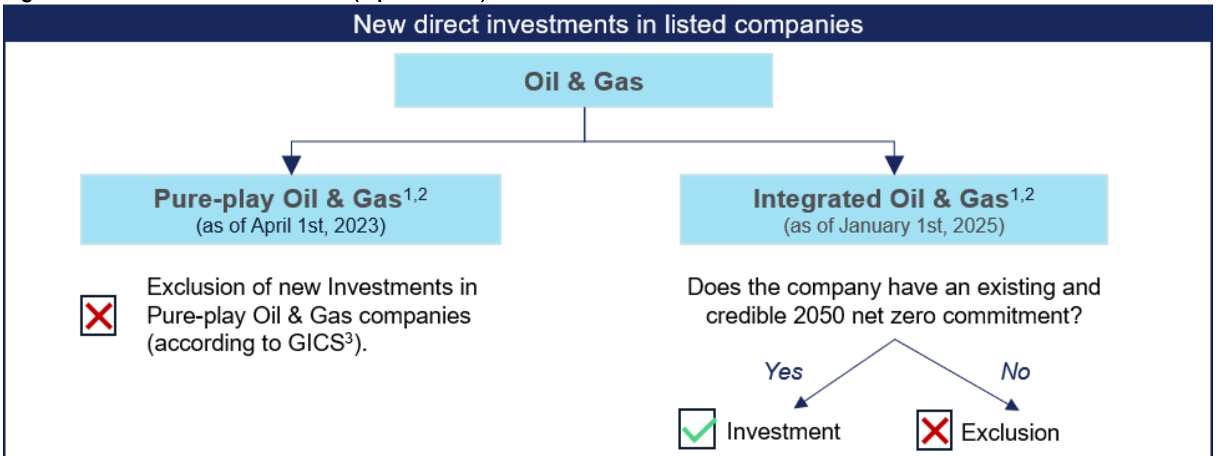
We screen companies in the Oil & Gas sector and analyse the intensity and development of their GHG emissions. For the sector target, we use the Global Industry Classification Standard (GICS) Sub-Industries. For the purpose of calculating our GHG footprint, we define relevant Oil and Gas sectors as Oil & Gas Exploration & Production, Oil & Gas Refining & Marketing, Oil & Gas Drilling and Integrated Oil & Gas.

In order to further facilitate the achievement of the Paris Climate Agreement's targets, we cease to make new direct investments in pure-play Oil & Gas companies as of 1 April 2023. We define pure-play Oil & Gas companies as listed companies within the GICS Oil & Gas Subindustries except Integrated Oil & Gas.

As of 1 January 2025, for new investments, we will require a credible commitment from listed Integrated Oil & Gas companies to net zero GHG emissions by 2050 including corresponding short- and mid-term milestones. These companies are selected and assessed based on data provided by Institutional Shareholder Service (ISS) ESG, a recognized provider of sustainability-related data analysis. If, in an exceptional case, this data is regarded as outdated or incomplete, Integrated Oil & Gas companies may be subject to a comprehensive assessment by internal research analysts using additional data sources, which may result in the exclusion or inclusion of the respective company. Additional data sources may include but are not limited to Climate Action 100+ Net-Zero Company Benchmark, Carbon Disclosure Project and Transition Pathway Initiative.

Exceptions apply for green bonds and engagement under specific conditions:
We may selectively invest in green bonds issued by Oil & Gas companies which are compliant with an accredited green bond framework (such as the International Capital Market Association (ICMA) Green Bond Principles or the EU Green Bond Standard), which have been assessed by an external review provider and where the issuer has a public commitment to a 2050 net zero target (or Paris-aligned pathway). Under specific conditions, GIM Sustainability in Investments may decide to engage with companies in line with the approach outlined in section 4.5 rather than ceasing to invest.

Figure 3: Decision tree for Oil & Gas (liquid assets)



[1]Exceptions for green bonds which are compliant with an accredited green bond framework (such as the International Capital Market Association (ICMA) Green Bond Principles or future EU Green Bond Standards), which have been assessed by an external review provider and where the issuer has a public commitment to a 2050 net zero target (or Paris-aligned pathway). [2]Exceptions for companies with which we are in an active engagement, [3]GICS = Global Industry Classification Standard (see table below)

GICS Code	GICS Subindustry	Part of the Value Chain	Oil & Gas Policy Exclusions as of April 2023
10102010	Integrated Oil & Gas	Integrated	2050 credible net zero commitment required to remain investable
10102020	Oil & Gas Exploration & Production	Upstream	Exclusion
10101010	Oil & Gas Drilling	Upstream	Exclusion
10101020	Oil & Gas Equipment & Services	Upstream	Exclusion
10102040	Oil & Gas Storage & Transportation	Midstream	Exclusion
10102030	Oil & Gas Refining & Marketing	Downstream	Exclusion

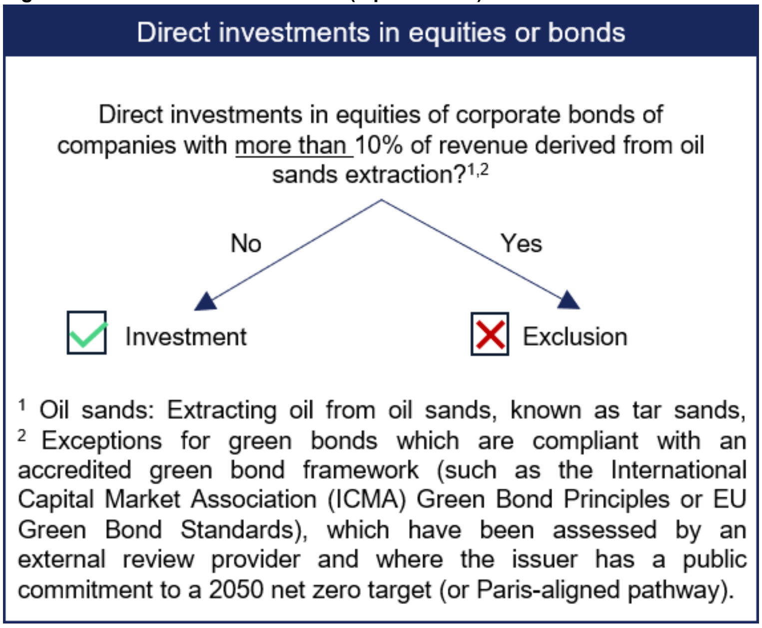
Pure Play O&G

4.3.1.1.4 Oil sands

Exclusion

Munich Re does not directly invest in equities or bonds of companies that derive more than 10% of their revenues from oil sands extraction. We may selectively invest in green bonds issued by oil sands companies which are compliant with an accredited green bond framework (such as the International Capital Market Association (ICMA) Green Bond Principles or the EU Green Bond Standard), which have been assessed by an external review provider and where the issuer has a public commitment to a 2050 net zero target (or Paris-aligned pathway).

Figure 4: Decision tree for oil sands (liquid assets)



4.3.1.1.5 Thermal coal

Exclusion

For thermal coal, we apply two types of exclusions:
One, relative exclusion criteria where we rule out direct investments in listed equities or corporate bonds of companies that:

- derive more than 15% of their revenues from thermal coal mining and/or the generation of electricity from thermal coal firing.

Two, absolute exclusion criteria where we rule out direct investments in listed equities or corporate bonds of companies that:

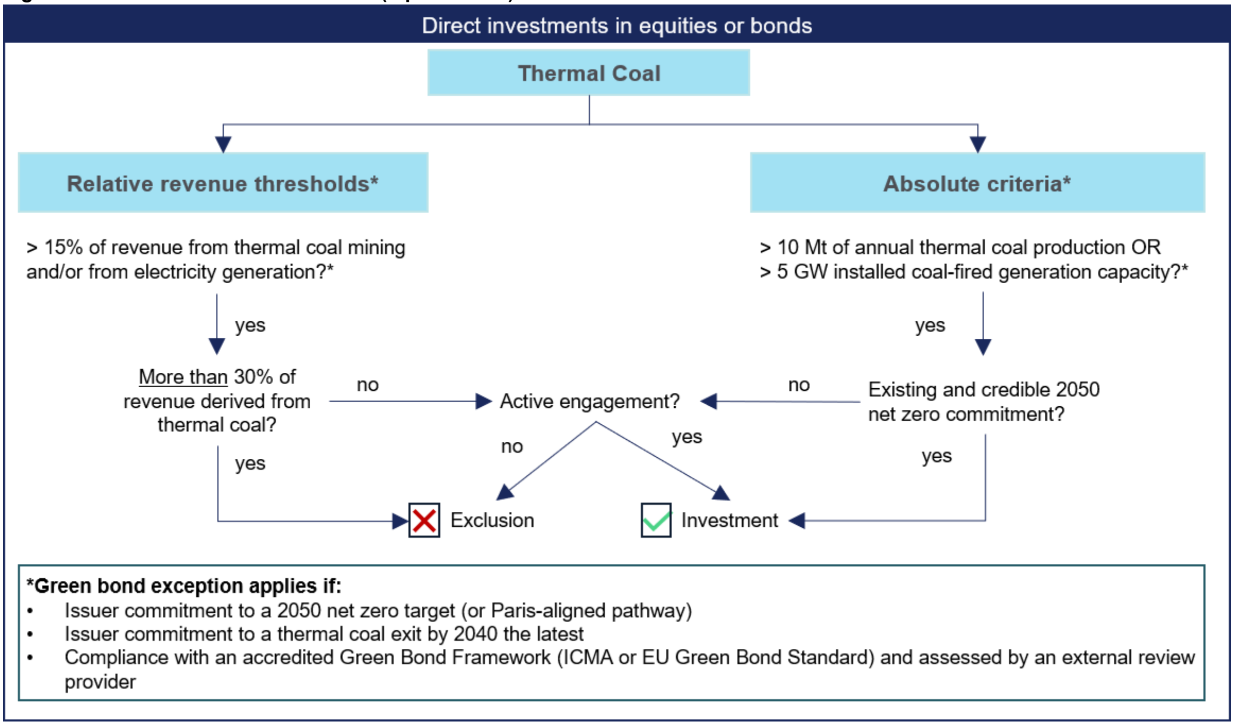
- have an annual thermal coal production above 10 Mt, or
- have an installed coal-fired generation capacity above 5 GW.
- Companies, affected by absolute exclusion criteria regarding coal production and installed capacity, that have a credible commitment to net zero GHG emissions by 2050, including corresponding short- and mid-term milestones, are exempted. These companies are selected and assessed based on data provided by ISS ESG. If, in an exceptional case, this data is regarded as outdated or incomplete, absolute thermal coal exclusions may be subject to a comprehensive assessment by internal research analysts using additional data sources, which may result in the exclusion or inclusion of the respective company. Additional data sources may include but are not limited to Climate Action 100+ Net-Zero Company Benchmark, Carbon Disclosure Project and Transition Pathway Initiative.

For both types of exclusions, an exception for green bonds and engagement applies und specific conditions:
In order to support the transition to a low carbon economy and to finance the transition of the issuer, green bonds issued by affected companies remain investable under specific conditions: The issuer must publicly commit to a 2050 net zero target (or Paris-aligned pathway) and to a thermal coal exit by 2040 at the latest. Moreover, the green bond must be compliant with an accredited Green Bond Framework (such as ICMA Green Bond Principles or EU Green Bond Standard) and assessed by an external review provider.

In selected cases (companies meeting absolute KPI exclusions and companies with relative revenue thresholds between 15 % and 30%), GIM Sustainability in Investments may decide to engage with companies in line with the approach outlined in section 4.5 rather than ceasing to invest.

Checklist for green bond exceptions	
Public commitment by the issuer to a 2050 net zero target (or Paris-aligned pathway) and	
Public commitment to a thermal coal exit by 2040 at the latest, and	
Compliance with an accredited Green Bond Framework (e.g. ICMA Green Bond Principles, EU Green Bond Standard) and assessment by external review provider.	

Figure 5: Decision tree for thermal coal (liquid assets)



4.3.1.2 Bonds from sovereigns, sub-sovereigns and government agencies

4.3.1.2.1 ESG country rating

Exclusion

Direct investments in sovereigns, sub-sovereigns, and government agencies of countries rated "CCC" by MSCI (ESG rating scale AAA-CCC) are not permitted.

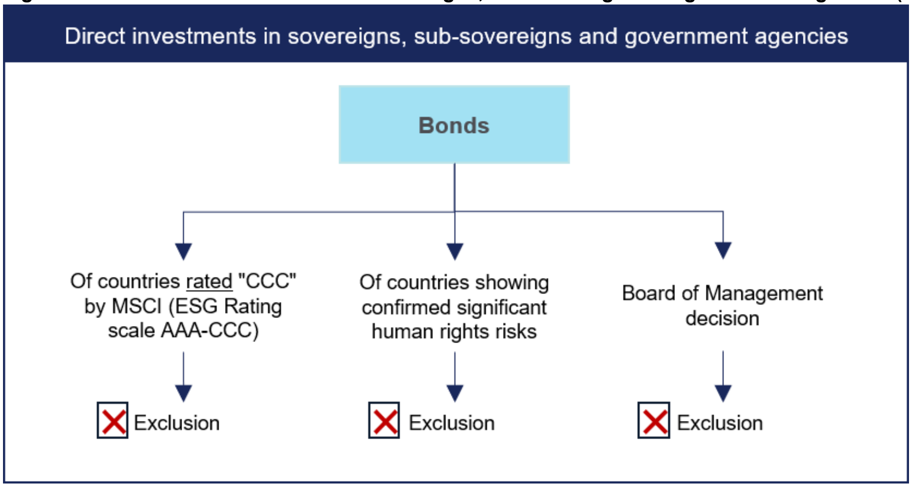
4.3.1.2.2 Human Rights

Exclusion

For sovereign, sub-sovereign and government agency risk analysis, we apply a specific human rights country score based on an external data provider taking into account factors such as modern slavery, forced labour, and child labour.
We monitor our portfolio accordingly and exclude countries with extreme risks. GIM regularly monitors the exposure to countries with high risk. The methodology regarding the human rights country rating is being continuously evolved.

If there is an indication of increased reputational risk for countries that have not yet been sanctioned, the Board of Management may decide to exclude them.

Figure 6: Decision tree for bonds from sovereigns, sub-sovereigns and government agencies (liquid assets)



4.3.1.3 Commodities

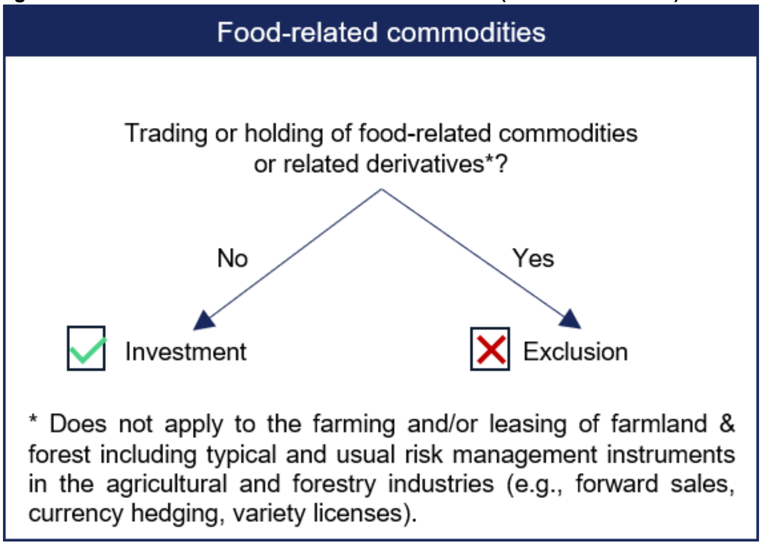
4.3.1.3.1 Food-related transactions

Exclusion

We do not trade or hold investments in food-related commodities (e.g. grains and oilseeds, livestock, dairy, etc.) or related derivatives. This prohibition does not apply to the farming and/or leasing of farmland or forest including typical and usual risk management instruments in the agricultural and forestry industries (e.g. forward sales, currency hedging, variety licenses).

Checklist food-related commodities	
No trading or holding of investments in food-related commodities (e.g. grains and oilseeds, livestock, dairy, etc.) or related derivatives	
Exceptions for farming and/or leasing of farmland or forest	

Figure 7: Decision tree for food-related commodities (alternative assets)



4.3.2 Regarding alternative assets

We integrate sustainability criteria in the investment processes of alternative asset classes as described below and we continuously aspire to provide "best effort" sustainability processes as far as feasible. In the field of alternative assets, we have defined ESG-focused investments that aim to contribute to e.g. climate change mitigation (see section 4.4).

When making direct alternative investments, we assess new investments within the due diligence process using sustainability criteria. The sustainability assessment is also part of the risk management second opinion compiled by our internal asset manager MEAG. For indirect investment products, compliance with RIG requirements, e.g. exclusions, cannot be ensured. We aim to identify these investment products and to apply sustainability processes to them as far as feasible.

For the following alternative assets, we apply certain exclusions or require certain standards (restrictions) as listed per sub-asset class below.

4.3.2.1 Infrastructure investments

4.3.2.1.1 Biodiversity

Exclusion

We are conducting a review of alternative investments, except private equity and private debt funds, using the Integrated Biodiversity Assessment **Tool** (IBAT) as part of the due diligence process. IBAT provides commercial users with spatial data on biodiversity globally from several key datasets, such as natural and mixed UN World Heritage Sites (as defined by the UNESCO World Heritage Convention).

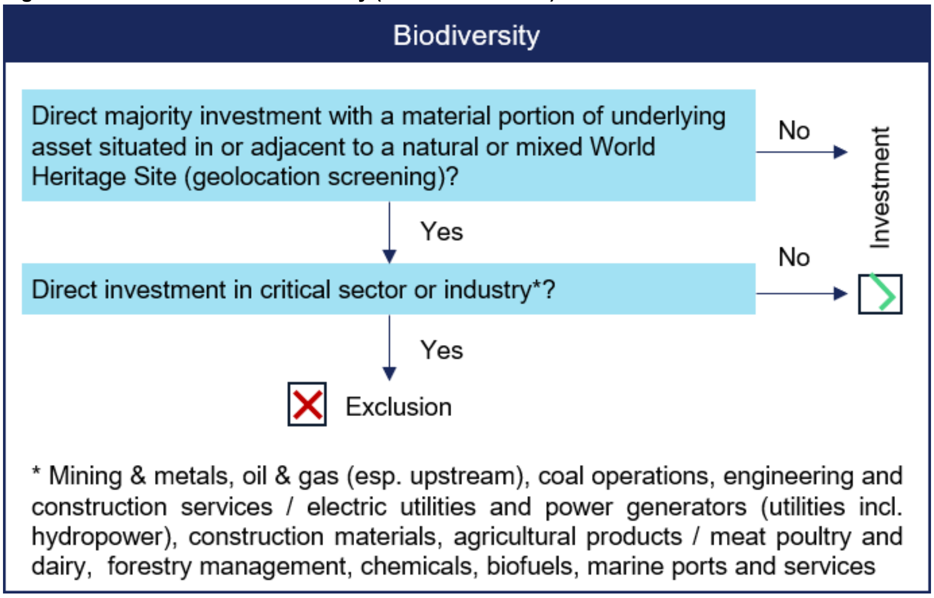
We do not conduct direct alternative majority investments via our internal asset managers in critical industries[5], if a material portion of the underlying assets are situated in a natural or mixed World Heritage Site. In ambiguous cases (e.g. regarding materiality or a project in non-critical industries), the GIM AIIC is informed and may involve the GIM RRC.

[5] Mining & metals, oil & gas (esp. upstream), coal operations, engineering and construction services / electric utilities and power generators (utilities incl. hydropower), construction materials, agricultural products / meat poultry and dairy, forestry management, chemicals, biofuels, marine ports and services

For indirect alternative investments (fund investments) and for investments via non-Group asset managers, Munich Re has limited transparency and influence regarding the above restrictions. In such cases, we engage the counterparty and aim to include the restrictions in the fund documentation (e.g. side letter) as far as feasible. If this is not possible, Munich Re may still choose to invest if the counterparty provides solid reasons in writing on why the exclusion is not possible, its policy on biodiversity, or explanations on their general approach to biodiversity that meet our standards.

Checklist biodiversity	
Conduction of geolocation data screening during initial project acquisition phase and more intensive research during the due diligence process	
No direct alternative majority investments via our internal asset managers in critical industries, if a material portion of the underlying assets are situated in a natural or mixed World Heritage Site (UNESCO)	
Information of GIM AIIC in ambiguous cases (e.g. regarding materiality or a project in non-critical industries), potential involvement of the GIM RRC by the GIM AIIC	
For indirect investments with limited transparency, engagement with counterparty aiming to include restrictions	

Figure 8: Decision tree for biodiversity (alternative assets)



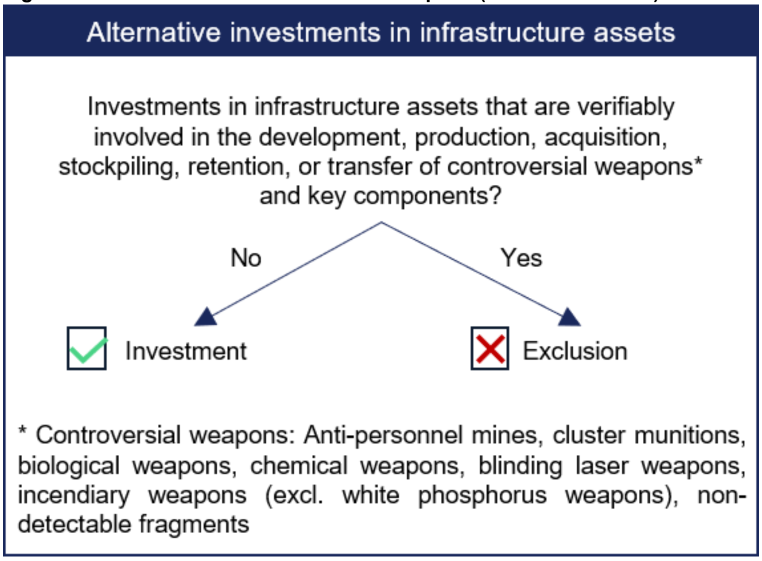
4.3.2.1.2 Controversial weapons

Exclusion

With regard to alternative investments, we do not invest in any infrastructure assets that are verifiably involved in the development, production, acquisition, stockpiling, retention or transfer of controversial weapons according to our definition[6].

[6] Controversial weapons categories are defined as anti-personnel mines, cluster munitions, biological weapons, chemical weapons, blinding laser weapons, incendiary weapons (excl. white phosphorus weapons), and non-detectable fragments.

Figure 9: Decision tree for controversial weapons (alternative assets)



4.3.2.1.3 Human rights

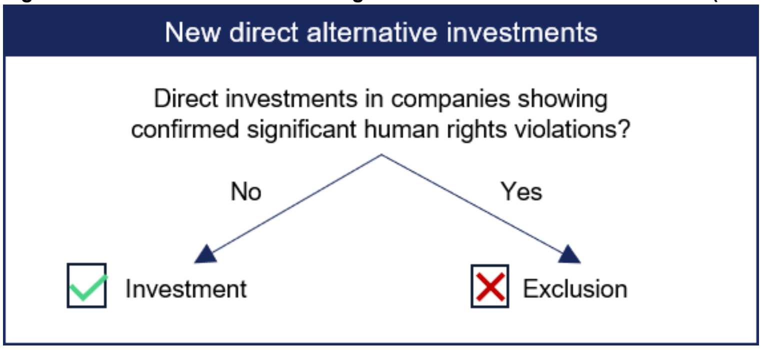
Restriction

When making new direct infrastructure investments through our internal asset managers, we consider a list of human rights-specific requirements in the due diligence process. Any significant controversial indicators of human rights violations are reported to the GIM AIIC prior to taking an investment decision. The GIM AIIC may involve the GIM RRC.

For indirect alternative investments (fund investments) and for investments via non-Group asset managers, Munich Re has limited transparency and influence regarding the above restrictions. In such cases, we engage the counterparty and aim to include the restrictions in the fund documentation (e.g. side letter) as far as feasible. If this is not possible, Munich Re may still choose to invest if the counterparty provides solid reasons in writing on why the exclusion is not possible, its policy on human rights, or explanations on their general approach to human rights that meet our standards.

Checklist human rights	
Adherence to human rights Principles throughout the Due Diligence process (ESG Criteria Evaluation tools etc.)	
For indirect investments, integration of human rights principles in the side letters	
Reporting of any controversies indicating violations of human rights to the GIM AIIC prior to taking an investment decision. The GIM AIIC may involve the GIM RRC.	

Figure 10: Decision tree for human rights in direct alternative investments (alternative assets)



4.3.2.1.4 Oil & Gas

Exclusion

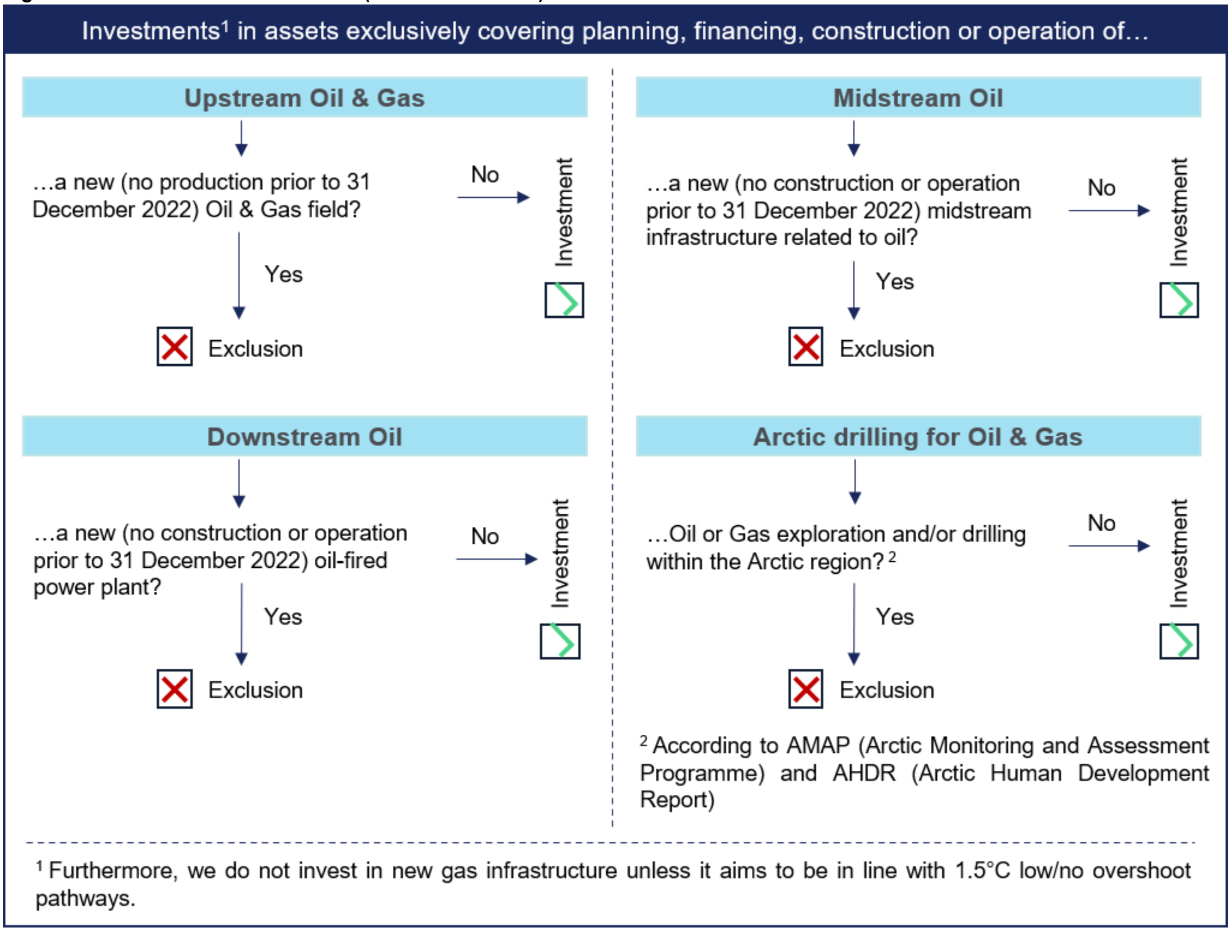
As of 1 April 2023, we no longer invest in assets exclusively covering the planning, financing, construction or operation of

- new Oil & Gas fields, whereas at 31 December 2022 no prior production has taken place or
- new midstream infrastructure related to oil, which have not yet been under construction or operation as at 31 December 2022 and
- new oil fired power plants, which have not yet been under construction or operation as at 31 December 2022.

Furthermore, we do not invest in new gas infrastructure unless it aims to be in line with 1.5°C low/no overshoot pathways. Direct investments in Oil & Gas exploration and drilling within the Arctic region, as specified by the AMAP (Arctic Monitoring and Assessment Programme) and AHDR (Arctic Human Development Report), are not allowed.

Checklist Oil & Gas	
No new investments in new Oil & Gas fields, whereas at 31 December 2022 no prior production has taken place	
No new investments in new midstream infrastructure related to oil, which have not yet been under construction or operation as at 31 December 2022	
No new investments in new oil fired power plants, which have not yet been under construction or operation as at 31 December 2022	
No direct investments in Oil & Gas exploration and drilling within the Arctic region	

Figure 11: Decision tree for Oil & Gas (alternative assets)

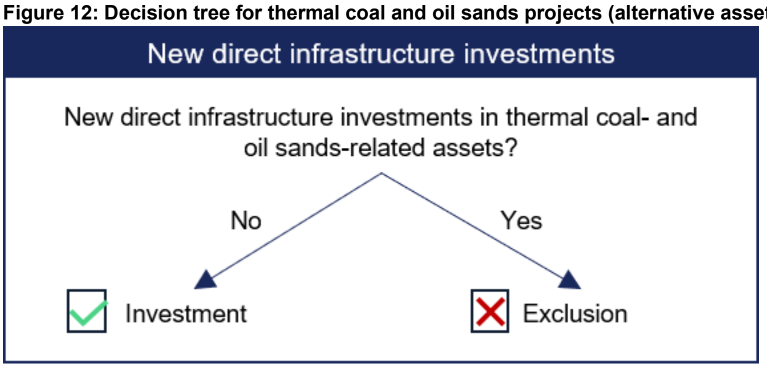


4.3.2.1.5 Thermal coal and oil sands

Exclusion

We exclude new direct infrastructure investments in thermal coal and oil sands-related assets.

Figure 12: Decision tree for thermal coal and oil sands projects (alternative assets)



4.3.2.2 Forestry & agriculture investments

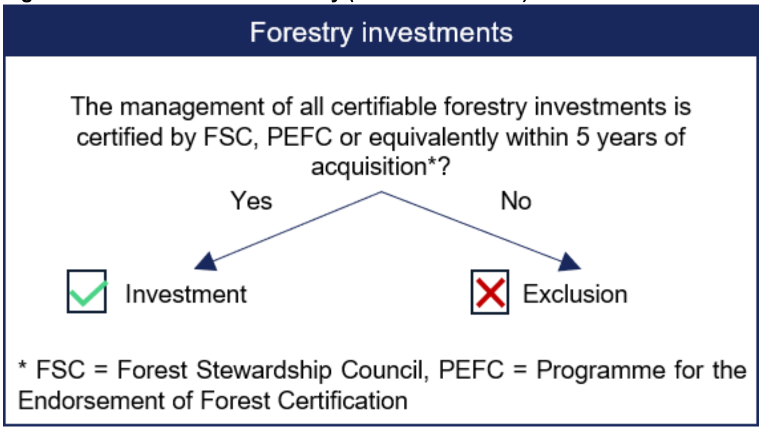
4.3.2.2.1 Certifications

Restriction

Sustainability considerations are comprehensively integrated into the investment process. Environmental, climate change, and biodiversity aspects, as well as human rights and workforce safety issues, are among the major topics considered.

For forestry investments, we focus on the asset managers / property managers and analyse their respective certifications, placing specific demands on them: Munich Re stipulates that asset managers / property managers must ensure that the management of all certifiable forestry investments is certified by Forest Stewardship Council (FSC), Programme for the Endorsement of Forest Certification (PEFC), or equivalently within 5 years of acquisition. Forestry investments that will not meet this requirement are not allowed.

Figure 13: Decision tree for forestry (alternative assets)



4.3.2.2.2 Sustainability specifics in the due diligence process

Restriction

For each new direct forestry & agriculture investment made by the internal asset manager, detailed “ESG Criteria Evaluation for Forestry Investments” and “ESG Criteria Evaluation for Agricultural Investments” questionnaires are applied, shedding light on sustainability aspects, including biodiversity and human rights. Moreover, the Munich Re internal assessment framework is applied that covers physical climate risks. When taking the investment decision, the internal asset manager presents key findings from the ESG checklist to the GIM AIIC. For investments made by the internal asset manager MEAG, the MEAG ESG and Sustainable Finance team is involved in the due diligence process.

Checklist forestry	
Existing or planned future certification of forestry management by FSC, PEFC, or equivalently within 5 years of acquisition	
Checklist forestry & agriculture	
Application of “ESG Criteria Evaluation for Forestry Investments” or “ESG Criteria Evaluation for Agricultural Investments”	
Presentation of key findings from the ESG evaluation to the GIM AIIC	
For internal asset managers: Involvement of respective sustainability team in the due diligence process	

4.3.2.2.3 Biodiversity

Exclusion

Analogue to infrastructure investments, please refer to section 4.3.2.1.

4.3.2.2.4 Human rights

Restriction

Analogue to infrastructure investments, please refer to section 4.3.2.1.

4.3.2.3 Private equity and private debt fund investments

4.3.2.3.1 RIG requirements for indirect investment products

For indirect investment products (fund investments), compliance with RIG requirements, e.g. exclusions, cannot be ensured.
For private equity and private debt funds, the asset manager should make and document best efforts to negotiate the inclusion of the relevant requirements (please refer to section 4.3.2.1) in the fund documentation or encourage the fund manager to include these requirements into the production/portfolio selection process.

4.3.2.3.2 General Partner’s PRI signature by or sustainability policy

For our new investments in private equity, private debt and infrastructure funds, we check whether the general partner (GP) has signed the PRI or whether the GP has its own sustainability policy. We take this into account when deciding on the selection of the GP. Depending on the product/investment, this is done by either GIM or MEAG. We also inform the GP about additional restrictions as per this Guideline and our wish to include these in a side letter.

4.3.2.4 Real Estate[7] investments

4.3.2.4.1 Real Estate Equity

Direct Real Estate Investments

Sustainability specifics in the due diligence process Restriction

Our internal asset managers must pre-screen certain sustainability criteria for all new direct real estate investments as part of an Environmental due diligence in the acquisition process. In addition, an internal ESG assessment is carried out using an ESG Criteria Evaluation tool including selected important E, S and G criteria. Wherever possible, a GHG footprint should be available for the investment.

Please see the listed measures and implementations in the key topic areas.

Acquisition	
Carrying out a comprehensive ESG audit within the framework of an ESG evaluation template for the acquisition	
Conducting an Environmental due diligence as part of every acquisition	
Risk exposure checks consisting of screenings with regard to the consideration of biodiversity (IBAT tool) and human rights	
Evaluation by the Investment Committee (either MEAG Investment Committee or GIM AIIC)	
ESG integration for construction projects	
Carrying out a Carbon Risk Real Estate Monitor (CRREM) analysis and determination of the stranding points	
Certification of the developments and checking for EU taxonomy alignment	
Testing and integration of Smart Building Solutions where feasible	
ESG integration in the legacy portfolio	
Ongoing analysis of ESG aspects and development potential in the portfolio	
Integration of the identified measures into the object strategies and cash flows	
Other	
Implementation of sustainability-related lease contract clauses	
Installation of Smart meters	
Establishment of an internal ESG data platform	

Biodiversity Exclusion

Analogue to infrastructure investments, please refer to section 4.3.2.1.

Controversial weapons Exclusion

As regards direct real estate, we rule out such companies, excluded due to involvement in controversial weapons, as tenants for properties of our real estate portfolio.

Human rights Restriction

Analogue to infrastructure investments, please refer to section 4.3.2.1.

[7] Real Estate investments exclude all own-use properties.

External Real Estate Investments

Specific requirements for third party asset managers **Restriction**

For third party asset managers, we focus on managers who have fully integrated sustainability considerations across the investment lifecycle. Real estate specific sustainability roles and responsibilities are a must. Investment strategies have to comply with a set of minimum sustainability criteria (e.g. Green Building certification). An ESG rating like Global Real Estate Sustainability Benchmark (GRESB) is an advantage.

Real Estate Debt (Mortgages)

Sustainability specifics in the lending policy **Restriction**

The sustainability approach in Real Estate Debt is currently expanded from sustainability exclusion criteria to sustainability selection criteria.

However, being a debt lender implies no direct access to the underlying real estate assets which is why a profound sustainability assessment depends on the data quality provided by the investor / owner of the building.

Please see the listed measures and implementations in the key topic areas.

Commercial Real Estate Loans (institutional borrowers) - new business	
Carrying out a comprehensive ESG assessment for the underlying real estate assets (collateral) and investors (owner of the real estate; sponsor) with an ESG evaluation template	
Over the course of the loan tenor, regular monitoring of the ESG criteria	
Residential Housing Loans (institutional borrowers) - new business	
Approach comparable with Commercial Real Estate Loans	
Mortgage loans for private customers - new business	
ESG assessment with focus on “E” of underlying real estate (collateral) and under reference to market established benchmarks	
Product offerings for this client group includes - where feasible - “KfW”[8] loans (public subsidies; KfW loan program “Federal Funding for Efficient Buildings”) to support building of new houses or housing refurbishments with focus on energetic performance	
Loan portfolio management	
Ongoing sustainability-analyses for development potential in the overall portfolio	
Integration of the identified measures in the portfolio steering	
Loan portfolio management	
Ongoing sustainability-analyses for development potential in the overall portfolio	
Integration of the identified measures in the portfolio steering	
Applicable for all client groups	
Assessment of physical climate risks (Munich Re Risk Tool) and – when needed - mitigations for the collaterals	
Establishment of an internal ESG data platform	
Checking und reporting of EU-Taxonomy alignment of the mortgage loan portfolio	

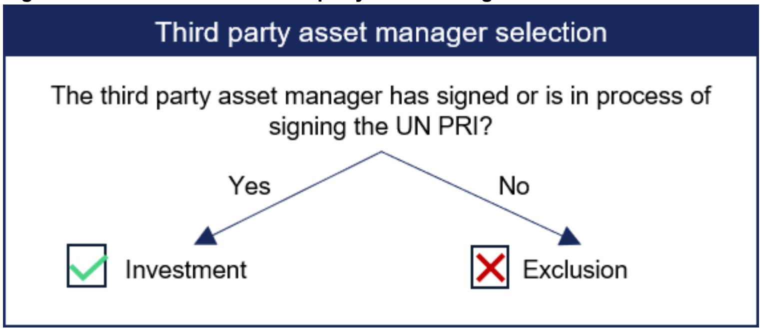
[8] KfW = Kreditanstalt für Wiederaufbau

4.3.3 Third party asset managers

4.3.3.1 Selection process

Munich Re only works with asset managers with dedicated sustainability capabilities, and only selects asset managers who are UN PRI signatories or in the process of becoming one. Exceptions are decided on by GIM RRC.

Figure 14: Decision tree for third party asset manager selection



A Request for Proposal must be filled out by potential asset managers, outlining their sustainability capabilities, strategy and research approach. It also covers the individual approach regarding engagements, as well as GHG footprint measurement, decarbonisation, biodiversity, and human rights within the investment process. GHG emission reporting capabilities are required for markets / asset classes where relevant data is available, with sufficient quality. The evaluation of the questionnaire is followed by a detailed dialogue with the asset managers to further evaluate their sustainability efforts. The selection process continues with scoring of the asset managers, including a dedicated section for sustainability considerations. According to this, the best fitting asset manager is selected and the onboarding process starts.

4.3.3.2 Target setting and monitoring

For mandates in a liquid asset class, we aim to assign a decarbonisation target for 2025. If the target is not met, intensified discussions will be initiated with the asset manager.
The asset managers are monitored on a regular basis where ESG integration, sustainability policies, and engagement topics are reviewed. This is done via annual reporting and review meetings by the Asset Manager Selection Team and the GIM Sustainability in Investments Team.

4.3.3.3 Compliance and escalation

In liquid mandates, non-Group managers need to comply with the Munich Re exclusion list in the asset classes fixed income and equities. The exclusions are then coded into the asset manager's limit system where potential violations will be blocked. If an excluded name is traded, it will result in an active breach of the Investment Guideline. Respective escalation mechanisms are described in the chapter on implementation, monitoring and escalation of this Guideline.

For illiquid mandates, in the contractual negotiations with external asset managers, we aim to include a reference to the Munich Re exclusion list. It is the explicit obligation of the Asset Manager to ensure strict adherence to contractual agreements. In the event of non-compliance, the Asset Manager shall take immediate corrective action to remedy the situation and notify GIM. Failure to do so will result in the mandate being categorically downgraded to "red" status, as reflected in GIM's quarterly internal reviews, and a formal alert will be issued to AIIC via a red light note. The next steps will be agreed and implemented jointly.

4.4 ESG-focused investments

We call thematic investments that aim to positively contribute to our sustainable investment strategy, ESG-focused investments. Currently, these are renewable energy investments, certified real estate investments, forests with certified management and green bonds. In the medium-term, we aim to extend the range of these ESG-focused investments amongst others to accord with regulatory developments, specifically with regard to the classification of investments according to the EU taxonomy.

4.4.1 Renewable energy investments

We seek to invest in renewable energy investments to promote the energy transition. We define renewable energy investments as investments into energy production facilities and related infrastructure (e.g. including power, heat, fuel production, storage and grids) based on renewable energy sources (e.g. including solar, wind, geothermal and hydro energy). In line with our ambition until 2025, we have increased our investments in renewable energy to over €3 billion.

4.4.2 Certified real estate investments

We define certified real estate investments as those which are certified by "EU Green Building", "Building Research Establishment Environmental Assessment Method (BREEAM)", "Leadership in Energy and Environmental Design (LEED)", "Deutsche Gesellschaft für Nachhaltiges Bauen (DGNB)" or that have other equivalent certifications.

New direct real estate investments must obtain an ecolabel or a recognised level of certification. If an investment property is not certified, the asset manager must determine the measures required for certification and factor the costs of these measures into the cash flow base case to initiate a certification process..

It is also necessary to ensure sustainability compatibility of optimisations/revitalisations of existing properties. Measures to achieve the mentioned certifications are highly recommended in order to improve the sustainability of the existing portfolio.

4.4.3 Certified forest management

We define sustainable forest investments, if the management has an existing certification by FSC, PEFC or an equivalent certification. The asset manager assesses each investment individually using sustainability criteria during the due diligence.

Sustainability criteria should be promoted and integrated into the ongoing management activities. Independent reviews of applied management practices from FSC, PEFC or equivalent certifiers are of utmost importance, as they verify ongoing sustainable forest management activities.

4.4.4 Green bonds

We understand green bonds as bonds that are linked to investments like renewable energies, sustainable waste management, biodiversity conservation or sustainable land use according to our data provider. This classification is based on the issuing documents, stock exchange announcements or information from parties involved in the issue (e.g. lead managers). Moreover, green bonds we report on, have to be compliant with an accredited green bond framework (such as the International Capital Market Association (ICMA) Green Bond Principles or the EU Green Bond Standard) and assessed by an external review provider.

We will continuously refine this approach taking into account the changing regulatory environment. As outlined under the restrictions regarding thermal coal, oil sands and Oil & Gas above, we may invest in green bonds of companies on our exclusion lists under specific exemptions.

4.5 Stewardship approach

Munich Re engages (mainly via asset managers and in some specific cases also directly) with investees/issuers to promote high sustainability standards. Stewardship aspects, we focus on, include:

- engaging with investees/issuers, and with our asset managers (please also refer to section 4.3.3),
- holding them to account on defined material issues,
- collaborating with others (e.g., NZAOA, Climate Action 100+, PRI advance)[9], and
- exercising voting rights and responsibilities.

One focus area of our stewardship activities is pursuing our goals towards achieving net zero which is part of our sustainable investment strategy. It has the potential to contribute to the Paris Agreement targets. Furthermore, we also engage our external asset managers on their sustainability policies.

4.5.1 Governance and escalation mechanisms

For the assets in scope of this policy, GIM sets the framework for engagement and voting activities. As our internal asset manager, MEAG fulfils most of the stewardship activities in close contact and guidance with GIM. Third party asset managers are expected to carry out their own stewardship approach and regularly have to report on their activities.

The ESG IC approves proposed stewardship targets (e.g. company engagements or proxy voting activities) with a focus on meeting climate investment goals, sustainability risks, controversies and opportunities, as well as general stewardship matters that protect the investment interests of Munich Re. These goals are reviewed on a regular basis. As an escalation mechanism, the ESG IC decides on investment consequences for specific holdings where stewardship goals are not met. Regarding proxy voting, the ESG IC is informed on an annual basis and discusses the proxy voting results of the season.

4.5.2 Scope

Our stewardship activities focus on engagement with our current and potential investees, or with other issuers according to a dedicated selection process. Currently, we are focusing on top polluting companies of our listed equity and corporate bonds portfolio. Furthermore, we are part of a sovereign engagement pilot. Engagements are performed mainly through a collaborative engagement approach mainly via MEAG's Center of Competence for Stewardship.

For equities, MEAG is instructed in accordance with a specific process to exercise and disclose proxy-voting rights at the annual general meeting on behalf of Munich Re. Proxy voting is also considered as a measure to hold investee companies accountable.

[9] Antitrust regulations must be complied with.

4.5.3 Approach

In the engagement dialogue, material topics, such as high standards of corporate governance, and responsible management of environmental and social aspects, are addressed. Our focus topics include climate considerations relating to the targets set within the climate strategy, as well as our expansion to human rights by endorsing the collaborative platform PRI advance.

GIM analyses invested companies according to selective criteria, such as GHG footprint, investment value, as well as sector, and compares them to the engagement possibilities within CA100+. Engagements are chosen in relation to material financed GHG emissions, climate strategy and issuer goals. Our climate strategy places special focus on the sectors thermal coal and Oil & Gas. For both sectors, a process is in place to engage investees for an emission reduction. To qualify for an engagement, specific requirements are considered: The issuer must publicly commit to a 2050 net zero target (or Paris-aligned pathway). For coal companies the issuer must additionally commit to a thermal coal exit by 2040 at the latest.
Regarding our proxy voting recommendation, we pay a special focus to contributing to the Group Ambition and hence to net zero topics.

4.5.4 Engagement

Our Group-internal asset manager MEAG engages target companies mainly through collaborative engagements. One platform of collaborative engagement is Climate Action 100+, joined by Munich Re and MEAG in 2020, as we are convinced that positive change is achieved through a constructive dialogue with our investees/issuers. Our engagements - conducted by MEAG's Center of Competence for Stewardship - are focused on a lasting improvement of the management of climate risks and opportunities of investees/issuer. MEAG's engagement approach is outlined in the MEAG Engagement Policy[10].

4.5.5 Voting activities

MEAG is required to exercise voting rights for our investments at the annual general meeting on behalf of Munich Re. It is important to us to reflect the engagement success when exercising our voting rights. In case of conflict of interest in relation to proxy voting, we have processes in place. Details regarding our framework related to voting activities, and the voting results, are made transparent in the MEAG Proxy Voting Policy[11] and the MEAG Participation Policy[12].

[10] The MEAG Engagement Policy can be found here: https://www.meag.com/en/esg/esg-governance.html#:~:text=We%20have%20an%20ESG%20governance,MEAG%2Dwide%20implementation%20of%20ESG.

[11] The MEAG Proxy Voting Policy can be found here: https://www.meag.com/en/esg/esg-governance.html#:~:text=We%20have%20an%20ESG%20governance,MEAG%2Dwide%20implementation%20of%20ESG.

[12] The MEAG Participation Policy can be found here: https://www.meag.com/en/esg/esg-governance.html#:~:text=We%20have%20an%20ESG%20governance,MEAG%2Dwide%20implementation%20of%20ESG.

4.5.6 Monitoring, reporting and disclosure

GIM oversees all engagement and voting activities and monitors their progress by setting a framework for reporting. For MEAG-conducted engagements, this is achieved via a dedicated template to track progress which is discussed and reviewed on a quarterly basis by GIM and MEAG. Furthermore, all asset managers are required to report their engagement activities to GIM on an annual basis (also ad hoc where necessary). Overall, the engagement seasons are reviewed and discussed in the ESG IC. A special focus is placed on companies that have been engaged for 3 years already: a detailed discussion is taking place if the engagement is achieving the expected progress in order to decide on its continuation and potential escalation. The proxy voting season is made transparent by MEAG through their public voting report[13].

[13] Proxy voting results are displayed at the end of this page: https://www.meag.com/en/inform/1241.html

5 Appendix: Definitions and abbreviations

In this Guideline, the terms and abbreviations used have the following meanings:

Alternative investments	Infrastructure Equity and Debt, Real Estate Equity and Debt, Forestry, Agriculture, Private Equity, Private Debt
BREEAM	Building Research Establishment Environmental Assessment Method
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Investment Officer
Controversial weapons	Certain weapon categories as defined in 4.3.1.1
CRREM	Carbon Risk Real Estate Monitor
DGNB	Deutsche Gesellschaft für Nachhaltiges Bauen
Direct alternative investments	Direct Infrastructure projects incl. Forestry, Agriculture and Real Estate
Engagement	Interactions and dialogue conducted between an investor, or their service provider and a current or potential investee (e.g. company), or a non-issuer stakeholder (e.g. an external investment manager or policy maker) to improve practice on an ESG factor, make progress on sustainability outcomes, or improve public disclosure. In private markets, engagement also refers to investors' direct control over and dialogue with management teams and/or Board of portfolio companies and/or real assets. (PRI, 2023)
ESG	Environmental, Social and Governance
ESG C	Munich Re ESG Committee
ESG IC	Munich Re ESG Investment Committee
ESG MT	Munich Re ESG Management Team
ESG-focused investments	Renewable energy investments, certified real estate investments, forests with certified management and green bonds
ESP	Group unit "Economics, Sustainability and Public Affairs"
ETF	Exchange Traded Fund
EU	European Union
FSC	Forest Stewardship Council
GIM	Group unit "Group Investment Management"
GIM AIIC	GIM Alternative Investments Investment Committee
GP	General Partners
GRESB	Global Real Estate Sustainability Benchmark
ICMA	International Capital Market Association
IFRS	International Financial Reporting Standards
Indirect alternative investments	Fund investments in private equity, private debt, infrastructure, forestry, agriculture, and real estate
ISS	Institutional Shareholder Services (Company)
KPI	Key Performance Indicator
LEED	Leadership in Energy and Environmental Design
MEAG	MEAG MUNICH ERGO AssetManagement GmbH (individually designated "MEAG AMG") or MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH (individually designated "MEAG KAG"), whereas MEAG AMG and MEAG KAG collectively "MEAG"
MR AG	Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, including its worldwide branches)

Negative screening	Applying filters to a universe of securities, issuers, investments, sectors or other financial instruments to rule them out, based on poor performance on ESG factors relative to industry peers or specific environmental, social or governance criteria. This may include ruling out particular products, services, regions, countries or business practices. (PRI, 2023)
Norm-based screening	Applying filters to a universe of securities, issuers, investments, sectors or other financial instruments based on minimum standards of practice aligned with international norms. Widely recognised frameworks for minimum standards of practice include the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights, UN Security Council Sanctions and the UN Global Compact. (PRI, 2023)
NZAOA	Net Zero Asset Owner Alliance
Oil and Gas sectors	GICS Subindustries: Integrated Oil & Gas, Oil & Gas Exploration & Production, Oil & Gas Drilling, Oil & Gas Equipment & Services, Oil & Gas Storage & Transportation, and Oil & Gas Refining & Marketing
PEFC	Programme for the Endorsement of Forest Certification Schemes
PRI	Principles for Responsible Investment
(Proxy) voting	The exercise of voting rights on management and/or shareholder resolutions to formally express approval, or disapproval, on relevant matters. This includes being responsible for how votes are cast on topics that management raises and submitting resolutions as a shareholder for other shareholders to vote on, in jurisdictions where this is possible. Investors can vote in person during an Annual General Meeting (AGM), or by proxy – using a person or firm, such as an investment manager, to vote on their behalf. (PRI, 2023)
RIG	Responsible Investment Guideline
GIM RRC	Group Investment Management Reputational Risk Committee
Stewardship	The use of influence by institutional investors to maximise overall long-term value, including the value of common economic, social and environmental assets, on which returns and client and beneficiary interests depend. (PRI, 2023)
Thematic investing	An approach which focuses on ESG trends rather than specific companies or sectors, enabling investors to access structural shifts that can change an entire industry. (PRI, 2023)