**Information according to article 4 of Regulation (EU) 2019/2088 on sustainability‐related disclosures in the financial services sector**

**Statement on principal adverse impacts of investment decisions on sustainability factors**

30.06.2023

**Financial market participant:** ERGO Life Insurance SE (LEI 5493001IOWSPIYMXRA82)

ERGO Life Insurance SE (hereinafter ERGO) is a company of ERGO Group, which belongs to the Munich Re Group. The Group is one of the leading providers of reinsurance, primary insurance and insurance-related risk solutions worldwide.

**Summary**

This statement of principal adverse effects covers the period from January 1 to December 31, 2022.

ERGO considers the main adverse effects on sustainability indicators in its investment decision-making processes.

Investment decisions can cause, contribute to, or be directly associated with negative - material or likely material - impacts on the sustainability factors (Adverse Sustainability Impacts). Sustainability factors include environmental, social and labor concerns, respect for human rights, and combating corruption and bribery. The sustainability factors are also referred to as "ESG criteria." The English abbreviation ESG stands for ecological (E) and social (S) criteria as well as for criteria of good corporate governance (G).

Considering sustainability aspects is a very important factor for us. We take a holistic view of sustainability and have accordingly integrated important ESG aspects into our investment decision-making. This helps us to identify ESG-related risks and opportunities beyond the usual financial analysis, and to make investment decisions that are responsible from a long-term perspective. The Principles for Responsible Investment (PRI), which Munich Re helped create, constitute the foundation of our sustainable investment approach.

Our investments are handled according to three pillars: defined exclusion criteria, key fields of investment such as renewable energy or green bonds, and the systematic integration of ESG criteria into the investment process.

To underline our dedication, Munich Re joined the Net-Zero Asset Owner Alliance in 2020 and is striving to decarbonize its asset portfolio by 2050. With this membership, the group has pledged to withdraw from thermal coal by 2040. As a step in this direction, the Munich Re Group has adopted the Ambition 2025, a climate strategy for our investments that provides clear targets for the contribution to climate protection. These goals are set on group level and ERGO contributes to reaching these goals as far as possible.

ERGO has already ceased to invest in companies that generate more than 30% of their earnings from thermal coal. Companies that generate 15% to 30% of their earnings from thermal coal are either excluded from the investment universe or, in selective cases, engaged via a dialogue with the respective companies. Our internal asset manager MEAG engages the companies, either collectively (e.g., in the framework of Climate Action 100+) or individually.

Actual and potential investments are screened for negative impacts on these environmental factors. Investments in companies that generate more than 10% of their earnings from the mining of oil sands are not permitted. We also consider the adherence to social standards, employment conditions, human rights as well as the fight against corruption and bribery. We exclude investments in companies that manufacture prohibited weapons (cluster bombs and anti-personnel mines). We also exclude investment in food commodities (e.g., grains and oilseeds, livestock, dairy). Investments in government bonds and bonds of government-related institutions of countries rated "CCC" by MSCI (ESG Rating scale AAA-CCC) are not permitted.

We consider principal adverse impacts on entity level by measuring and monitoring the aggregated negative impact on sustainability factors of our investments. We consider 14 mandatory principal adverse impact indicators and two optional indicators defined by the Sustainable Finance Disclosure Regulation (SFDR), subject to data availability and quality.

Since several companies as well as funds are not required to publish PAI (Principal Adverse Impact) statement yet, many metrics are sourced from a variety of data providers to the extent of available data. Particularly, there is no PAI data currently available for few corporate bonds, participatory investment, intra-group loan and investment funds held in our portfolio. We expect to see significant changes in the data we get from companies and funds in the coming years and, consequently, data quality, coverage as well as the tools we use to improve over time.

As mentioned above, in addition to the set of mandatory indicators we consider a voluntary indicator relating to exposure of our portfolio’s holdings to areas of high-water stress. In regard to this indicator, we monitor the share of investments in investee companies with sites located in areas of high-water stress without a water management policy. This indicator is part of the set of additional indicators that relate to climate and the environment, as defined in the SFDR (Table 2, indicator 8).

We also consider an additional indicator that relates to social and employee matters. In regard to this indicator, we monitor the rate of workplace accidents in investee companies on a weighted average basis. This indicator is part of the set of additional indicators that relate to social and employee, respect for human rights, anti-corruption and anti-bribery matters, as defined in the SFDR (Table 3, indicator 2).

**Description of the principal adverse impacts on sustainability factors**

**Indicators applicable to investments in investee companies**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Adverse sustainability indicator** | **Metric** | **Impact 2022** | **Impact 2021** | **Explanation[[1]](#footnote-1)** | **Actions taken, and actions planned and targets set for the next reference period** |
| **CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS** |
| Greenhouse gas emissions | 1 GHG emissions | Scope 1 GHG emissions | 3 984,29 tCO2 | No data | N/A | Our Group joined the "Net-Zero Asset Owner Alliance" in January 2020 and committed to reducing the CO2 emissions of its investment portfolio to net zero by 2050. In line with the goals of the Paris Climate Agreement, the investor initiative aims to contribute to limiting the global temperature increase to 1.5 °C. With this membership, the Group has also pledged to withdraw from thermal coal by 2040. These goals are set on group level and ERGO contributes to reaching these goals as far as possible.  |
|  |  | Scope 2 GHG emissions | 832,11 tCO2 | No data | N/A |
|  |  | Scope 3 GHG emissions | 25 227,24 tCO2 | No data | N/A |
|  |  | Total GHG emissions | 30 043,64 tCO2 | No data | N/A |
|  | 2. Carbon footprint | Carbon footprint | 811,69 tCO2e/m€ | No data | N/A |
|  | 3. GHG intensity of investee companies | GHG intensity of investee companies | 1 815,33 tCO2/m€ | No data | N/A |
|  | 4. Exposure to companies active in the fossil fuel sector | Share of investments in companies active in the fossil fuel sector | 13,0% | No data | N/A |
|  | 5. Share of non-renewable energy consumption and production | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources | 79,0% | No data | N/A |
|  | 6. Energy consumption intensity per high impact climate sector | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector |  | No data | N/A |
|  |  | Sector A | 0,00 | No data | N/A |
|  |  | Sector B | 0,00 | No data | N/A |
|  |  | Sector C | 0,13 | No data | N/A |
|  |  | Sector D | 1,06 | No data | N/A |
|  |  | Sector E | 0,00 | No data | N/A |
|  |  | Sector F | 0,00 | No data | N/A |
|  |  | Sector G | 0,00 | No data | N/A |
|  |  | Sector H | 0,92 | No data | N/A |
|  |  | Sector L | 0,00 | No data | N/A |

Whereas Sector A = Agriculture, forestry and fishing; B= Mining and quarrying; C = Manufacturing; D = Electricity, gas, steam and air conditioning supply; E = Water supply; sewerage; waste management and remediation activities; F = Construction; G = Wholesale and retail trade; repair of motor vehicles and motorcycles; H = Transporting and storage; L = Real estate activities

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| --- | --- | --- | --- | --- | --- | --- |
| Biodiversity | 7. Activities negatively affecting biodiversity-sensitive areas | Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas | 0,00 | No data | N/A | Although we have not set separate targets for biodiversity, water and waste related indicators, nevertheless, in our investment portfolio we consider several ESG aspects of our investment decisions through the systematic integration of ESG criteria into our investment management activities. External ESG data providers supply us with issuer specific ESG ratings, research data and various indicators (also including specific ESG aspects e.g., environmental, social and biodiversity related). Issuers with lowest ESG ratings or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential exclusions.  |
| Water | 8. Emissions to water | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average | 0,31 | No data | N/A |
| Waste | 9. Hazardous waste and radioactive waste ratio | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average | 1,95 | No data | N/A |
| **INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS** |
| Social and employee matters | 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 2,0% | No data | N/A | Our Group is one of the first signatories to the UN Principles for Responsible Investment (PRI) and remains committed to them. The aim of this initiative is to improve understanding of the impact of investment activities on environmental, social and governance issues and to support signatories in integrating these issues into their investment decisions. Although we have not set separate targets for social and employee matters related indicators, nevertheless, in our investment portfolio we consider several ESG aspects of our investment decisions through the systematic integration of ESG criteria into our investment management activities. External ESG data providers supply us with issuer specific ESG ratings, research data and various indicators (also including specific ESG aspects e.g., environmental, social and human rights related). Issuers with lowest ratings or which exhibit high adverse impact across several indicators, may be subject to further analysis and potential exclusions. |
|  | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises  | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 0,0% | No data | N/A |
|  | 12. Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies | 18,4% | No data | N/A |
|  | 13. Board gender diversity | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members | 36,5% | No data | N/A |
|  | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in investee companies involved in the manufacture or selling of controversial weapons | 0,0% | No data | N/A |

**Indicators applicable to investments in sovereigns and supranationals**

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| --- | --- | --- | --- | --- | --- |
| **Adverse sustainability indicator** | **Metric** | **Impact 2022** | **Impact 2021** | **Explanation** | **Actions taken, and actions planned and targets set for the next reference period** |
| Environmental | 15. GHG intensity | GHG intensity of investee countries | 196,28 tCO2/m€ GDP | No data | N/A | Please refer to comment regarding environmental indicators 1-6 in the table above, which also relates to our investments in sovereigns and supranationals |
| Social | 16. Investee countries subject to social violations | Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law | 0 | No data | N/A | Please refer to comment regarding social indicators 10-14 in the table above, which also relates to our investments in sovereigns and supranationals |

**Indicators applicable to investments in real estate assets**

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| --- | --- | --- | --- | --- | --- |
| **Adverse sustainability indicator**  | **Metric** | **Impact 2022** | **Impact 2021** | **Explanation** | **Actions taken, and actions planned and targets set for the next reference period** |
| Fossil fuels | 17. Exposure to fossil fuels through real estate assets | Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels | 0,0% | No data | N/A | Please refer to comment regarding environmental indicators 1-6 in the table above, which also relates to our investments in real estate assets |
| Energy efficiency | 18. Exposure to energy-inefficient real estate assets | Share of investments in energy-inefficient real estate assets | 0,0% | No data | N/A |

**Other indicators for principal adverse impacts on sustainability factors**

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| --- | --- | --- | --- | --- | --- |
| **Adverse sustainability indicator**  | **Metric** | **Impact 2022** | **Impact 2021** | **Explanation** | **Actions taken, and actions planned and targets set for the next reference period** |
| **CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS** |
| Water, waste and material emissions | 8. Exposure to areas of high water stress | Share of investments in investee companies with sites located in areas of high water stress without a water management policy | 3,8% | No data | N/A | Please refer to comment regarding water and waste related indicators 8-9 in the table above, which also relates to this indicator |

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| --- | --- | --- | --- | --- | --- |
| **Adverse sustainability indicator**  | **Metric** | **Impact 2022** | **Impact 2021** | **Explanation** | **Actions taken, and actions planned and targets set for the next reference period** |
| **INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS** |
| Social and employee matters | 2. Rate of accidents | Rate of accidents in investee companies expressed as a weighted average | 0,02 | No data | N/A | Please refer to the comment regarding social related indicators 10-14 in the table above, which also relates to this indicator |

**Description of policies to identify and prioritize principal adverse impacts on sustainability factors**

The sustainability indicators for the investment portfolio are mainly collected by our asset manager MEAG, based on external data suppliers such as MSCI ESG and ISS for the liquid investments. For real estate and illiquid investments, these were supplemented by own analyses as well as by MEAG's internal analyses. However, the data available on the market is incomplete because not all companies worldwide are actually required to publish the relevant data. Only in the next few years will the quality of the available data improve and we will adopt the corresponding standards.

Data on funds of unit-linked life insurance for the account and risk of customers have not been included in this statement. This is due to the lack of data, as the vast majority of funds have not yet published the necessary information during preparation of the statement. Despite evaluating external data sources and contacting the relevant fund companies, our efforts were unsuccessful. In subsequent years, the funds' data will be included as the database will improve over time.

For investments in companies, the above table includes the fourteen mandatory indicators. In addition, one additional indicator must be selected from each of the areas ‘climate and other environment-related indicators’ and ‘indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters’. Here, we disclose the two indicators "exposure to areas of high-water stress" and "Rate of accidents".

All investment decisions are based on our internal investment principles and guidelines that apply to the entire investment portfolio of ERGO. It is not relevant whether the investments are managed by the company itself, by the Group's own asset manager MEAG or by a third party. However, the investment principles do not apply to investment products (e.g. mutual funds) whose contents cannot be influenced. In these cases, the selection of products is most important.

Furthermore, risks are reduced through the targeted selection of investment objects, as well as by diversifying risks. Relevant sustainability risks that can have a significant negative impact on the return of an investment are taken into account. The same is true for the main adverse effects of an investment decision on sustainability factors. Limit systems and control mechanisms ensure that the weighting of individual issuers, assets or markets does not accumulate too much.

A comprehensive early warning system ensures that obligations to customers can be met at all times and over the long term. In addition, the risk situation is reviewed on an ongoing basis so that countermeasures can be taken in the event of particular hazards.

Risk management is done in such a way that the risk categories market risk (incl. currency risk, concentration risk), counterparty default/credit risk, operational risk, strategic risk and liquidity risk, show in good time how the investments change in connection with the outstanding obligations. As sustainability aspects are generally included in the risk assessment, adverse effects on sustainability factors are included in each risk category.

The following diagram shows how sustainability topics are included in the investment process for the different asset classes.



For liquid asset classes such as equities, corporates, government or covered bonds, we enable an ESG screening for the vast majority of these assets. We aim to cover over 80% of these assets on a Munich Re Group level with ESG screenings.

ERGO is aware that the requirements in the ESG context are increasing. Therefore, the current approach will continuously be refined taking into account the changing regulatory environment and additional demands from customers.

**Engagement policies**

Our Group engages target companies either individually or via collaborative engagements. One platform of collaborative engagement is Climate Action 100+, joined by Munich Re and MEAG in 2020, which is one of the largest investor-led initiatives worldwide. We are convinced that positive change is achieved through a constructive dialogue with our investees and issuers. Our engagements focus on a lasting improvement of ESG criteria.

In the engagement dialogue, we address material topics like high standards of corporate governance, and responsible management of environmental and social aspects. One focus is on climate-related topics relating to the targets set within the climate strategy.

When the Group's own asset manager MEAG exercises voting rights by proxy at annual general meetings of invested companies, ESG criteria are also taken into account.

**References to international standards**

Our dedication to conducting our business responsibly is underlined by our long-standing commitment to key industry initiatives, including the Principles for Sustainable Insurance (PSI), and by signing the UN Global Compact.

Munich Re is one of the first signatories to the Principles for Responsible Investments (PRI) (signed in 2006) and is committed to fulfilling the PRI in an appropriate and forward-looking manner. In this way, the Group, and thus ERGO, demonstrates to the outside world that responsibility is important when it comes to investments. The aim of this initiative is to improve understanding of the impact of investment activities on environmental, social and governance issues and to support signatories in integrating these issues into their investment decisions.

By joining the "Net-Zero Asset Owner Alliance" in January 2020, the Group committed to reducing the CO2 emissions of its investment portfolio to net zero by 2050. In line with the goals of the Paris Climate Agreement, the investor initiative aims to contribute to limiting the global temperature increase to 1.5 °C.

In addition, the Group is committed to discussing ESG risks and opportunities with the companies in which it intends to invest or has already invested. Together with other companies, Munich Re is involved in the "Climate Action 100+" for this purpose.

**Historical Comparison**

This statement on principal adverse impacts on sustainability factors relates to the reference period from 1 January to 31 December 2022. It is created for the first time. A historical comparison will be made in the following years.

1. Current statement relates to the reference period of 2022 and is created for the first time. A historical comparison will be made in the following years. [↑](#footnote-ref-1)