Sustainability Risk Policy

Applicable to:
ERGO Life Insurance SE
ERGO Life Insurance SE Latvian branch
ERGO Life Insurance SE Estonian branch

Valid from:
2022.08.01

Version:
2.0

Approved by:
Management Board

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Retention period:
10 years

Clasification:
Policy
Degree of binding:
Mandatory

Level of confidentiality:
K1: Public Information

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Content

1. Legal basis, scope and purpose

ERGO Life Insurance SE, including its branches (herein after referred to as ERGO) Sustainability Risk Policy is established in accordance with Regulation (EU) 2019/2088 of the European Parliament and the Council November 27, 2019 on the sustainability disclosure requirements in the financial services sector.

The Sustainability Risk Policy discusses the key principles that guide ERGO in assessing sustainability risks in its investment decisions and in the insurance advise process.

The goal of the Sustainability Risk Policy is to disclose to its clients who are planning to acquire / purchase an insurance-based investment product (s) the above ERGO principles and to be fully transparent in the processes of integrating sustainability risks into investment decisions.

2. Definitions

Sustainability risk is the occurrence or occurrence of events in the environmental, social or corporate governance spheres which, if they occur, could have or could have an adverse effect on a company's assets, financial position or profits, and therefore on its reputation, so also on the value of the investment. Sustainability risks, which operate through already known risk categories, manifest themselves in a variety of ways and can have a significant impact on these risks.

In this context a **financial product** means ERGO investment based insurance product.

Investment based insurance product (-s) – financial product as it is defined in Article 4 paragrapgh 2 of Regulation (EU) 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance based investment products: an insurance product which offers a maturity or surrender value and where that maturity or surrender value is wholly or partially exposed, directly or indirectly, to market fluctuations.

Insurance advise – the provision of personal recommendations to a client at the client‘s request or at the initiative of ERGO regarding an insurance product that is an investment based insurance product.

Investment decision – an investment decision made by ERGO regarding a financial product.

3. Sustainability risk related to investment framewok in ERGO

The sustainability risk management is an integral part oft he risk management system in ERGO. In accordance with the internal documents of ERGO the correspondent Management Board Member responsible for the function or risk management itself is responsible for the evaluation and integration and monitoring of sustainability risks in ERGO as well. Also as ERGO Life Insurance SE (including its branches) is a part of ERGO Group, and ERGO group belongs to Munich Re, the latter’s sustainability approach is also relevant to ERGO, as it‘s Group-Wide. Looking from the Group perspective, we would like to mention, that fundamental strategic decisions in Munich Re are taken by the Board of Management, or more specifically by the ESG Committee, a subcommittee or the

Strategy Committee. For its part the ESG Committee aims to strengthen ESG and to highlight the strategic importance of ESG issues for the Group.

4. Information about policies on the integration of sustainability risks in own investment decision-making process

Sustainability risks are environmental, social or corporate governance events or conditions which may have an actual or potential negative impact on the net assets, financial position and results of operations as well as on the reputation of a company. Sustainability risks affect known risk categories via a variety of transmission channels and can have a significant impact on these risks.

ERGO's investment decision-making processes incorporate all relevant risks, including sustainability risks. As part of this processes, risks are reduced through the targeted selection of investment objects as well as diversifying risks across the entire portfolio. Limit systems and control mechanisms ensure that the weighting of individual issuers, assets or markets does not accumulate too much. In addition, the risk situation is continuously reviewed as part of the risk management system so that countermeasures can be taken in the event of particular risks. MSCI ESG sustainability ratings, among others, are used to assess sustainability risks.

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. We have adopted a Group-wide mandatory Responsible Investment Guideline on that basis, which describes the PRI and ESG criteria that apply to our investment management.

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

5. Integration of sustainability risks in the selection and monitoring of invesment life insurance product funds

In addition to sustainability criteria, the ratings and risk categories, performance of previous periods and other quantitative and qualitative criteria shall be taken into account in the selection and monitoring of investment life insurance product funds. ESG ratings are also taken into account when selecting and reviewing funds.

6. Integration of sustainability risks into insurance advise process

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6.1. Sustainability risks are integrated into insurance advise process by including questions in the customer needs assessment questionnaire the questions which will help to clarify his/her sustainability priorities, as required by Commission Delegated Regulation (EU) 2017/2359 (supplemented by Delegated Regulation (EU) 2021/1257), i.e., the client can choose whether he/she wants to include into his/her investment one or more funds in which a certain minimum proportion to be invested in environmentally sustainable investments as it is defined by the Regulation (EU)

2020/852 of the European Parliament and the Council, or into sustainable investments as defined by the Regulation (EU) 2019/2088 of the European Parliament and of the Council, or the client wishes to include in his/her investment one or more funds that take into account the principal adverse impact to sustainability factors.
The client's overall investment objectives and individual circumstances are assessed first, followed by the client's potential sustainability priorities and recommended investment directions or programs based on the client's knowledge and experience and the level of risk to be assumed and its sustainability priorities.

7. Entry into force, review and update of the Sustainability Risk Policy

Sustainability policy takes into effect from 2022-08-01. The Sustainability Policy is reviewed and updated in accordance with the changing regulatory requirements and processes for integrating sustainability risks.

8. Document history

Version	Date	Amendments and comments
1.0	2021-03-10	The first web version, uploaded into www.ergo.lv
2.0	2022-07-21	The formalised version of the previously created Sustainability Risk Policy: added the legal ground, scope, purpose and definitions used in the policy, also the general description of the sustainability risks framework in ERGO, sustainability risks integration into insurance advisory process, which will take into effect from the 1st of Aug, 2022 accordingly to the new regulation.