VIENNA INSURANCE GROUP

Responsible Investment

Published in May 2024

Taking responsibility in the long term and thinking in generations are core aspects of insurance. VIG relies on forward-looking management and profi table growth in order to remain a reliable partner for its customers in the future. At the same time, an intact social and ecological environment are also necessary for economic success. The aim is to create economic value today without doing so at the expense of tomorrow. Sustainability is therefore being integrated even more explicitly in the core business. Capital investment plays an essential role in this.

Social and environmental criteria have been deliberately taken into account in the investment process since 2019. In 2023, this approach underwent a comprehensive renewal. Existing criteria were tightened and new ones added. The current self-imposed commitments are presented below.

How does VIG incorporate ESG (environment, social, governance) criteria into investment decisions?

1. Which investments are within the scope?

The implementation of the following criteria applies to direct investments into securities (excluding issues by states, countries, municipalities and supranational organisations) including such investments in consolidated investment funds of all VIG insurance and reinsurance companies.

2. Which investments are excluded?

VIG excludes investments in companies to which the following criteria apply:

2.1 Thermal coal

The burning of thermal coal is one of the biggest causes of greenhouse gases and thus of global climate change. The World Climate Summit in Paris 2015 has set the goal of limiting global warming to a level of no more than 1.5°–2° Celsius. Based on this objective, companies are evaluated regarding their involvement in the following areas:

- **mining and trading of thermal coal**
- **electricity generation from thermal coal**
- **production of fuels from coal**

The share of the total business of the reviewed companies is measured. For the operation of coal mines and the conversion of coal into other fuels, the share of its sales is measured. Coal production is measured by the share of coal in the total electricity production of the companies. New direct investments in companies are excluded if one of the following thresholds is exceeded:

- **more than 5% share of sales from thermal coal mining**
- **yearly production of more than 10 million tons of thermal coal**
- **generation of more than 5% of total power generation from thermal coal**
- **yearly generation of more than 10 GWh energy out of thermal coal**

Existing investments will be reduced by more than 50% until the end of 2025 compared to the base year of 2019 and will be eliminated completely until the end of 2035 at the latest.

2.2 Unconventional oil and gas

New direct investments in companies with more than 5% of sales from unconventional oil and gas will be excluded. This includes sales from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane.

Existing maturing investments can be kept until their individual maturity dates whereas non-maturing investments must be eliminated until the end of 2023 at the latest.

2.3 Banned weapons

VIG does not invest in companies that produce or trade in banned weapons. VIG defines banned weapons as defence equipment whose use and production cause significant suffering and are regulated by various international conventions, such as the Convention on Cluster Munitions, the Ottawa Convention, the Non-Proliferation Treaty, or the Biological and Chemical Weapons Conventions.

Based on this, companies regarding (potential) involvement in the following areas are evaluated:

- **biological and chemical weapons**
- **blinding laser involvement**
- **cluster munition, including all kind of possible launch systems**
- **anti-personnel mines, mine-laying systems and other mine systems**
- **nuclear weapons and depleted uranium involvement**
- **non detectable weapons involvement**
- **white phosphorus weapons involvement**

To minimize the risks resulting from involvements no threshold for sales of banned weapons is defined. Involved companies are excluded in any case. This also applies to retailing partners. For states, countries, municipalities and supranational organisations, this applies as well (regardless of the general exemption of the issuers from the scope) if the UN Security Council has imposed international sanctions on these issuers for a violation of any of the above agreements.

2.4 Violations against the UN Global Compact and human rights

New direct investments in companies that severely violate human rights or violate the principles of the UN Global Compact are excluded. These principles include human rights and labour rights, environmental as well as anti-corruption measures:

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Existing maturing investments can be kept until their individual maturity dates whereas non-maturing investments must be eliminated until the end of 2023 at the latest.

3. Which additional tools are applied?

In addition to the application of the exclusion criteria an engagement approach is used. It is an active exchange with companies to encourage them to improve their ESG performance. Engagement aims not to exclude such companies but instead prefers a dialogue approach.

In terms of the Norm-Based Engagement VIG started a cooperation with the internationally known engagement provider ISS ESG in September 2023.

Thematic engagement, on the other hand, focuses on individually selected companies that have not launched sufficient emission reduction initiatives, have no or only a low ESG rating or no or insufficient ESG data reporting.

The engagement activities will be disclosed in a yearly report.

4. Which investments should be increased?

VIG aims to increase the share of investments based on the VIG Sustainability Bond Framework (e.g. renewable energies, environmentally friendly construction methods, renovation of existing buildings by housing associations in the area of affordable housing).

5. What is the scope?

These requirements have been in effect since 1 July 2023 and are mandatory for all VIG insurance and reinsurance companies.