



Principles for Sustainable Insurance as at July 2022

Wüstenrot & Württembergische AG

Principles for Sustainable Insurance

The **“Principles for Sustainable Insurance”** (PSI) are intended as guidance for insurers in taking sustainability criteria into consideration in their core business. The aim of this United Nations Environment Programme (UNEP) Finance Initiative, which was launched at the UN Conference on Sustainable Development (Rio+20), is to support the creation of a green economy through sustainable insurance.

The Principles have led to the largest collaborative initiative between the UN and the insurance industry. Over 220 organisations worldwide have adopted the four Principles for Sustainable Insurance, including insurers representing more than one-third of world premium volume with USD 15 trillion in assets under management. The Principles are part of the insurance industry criteria of the Dow-Jones-Sustainability-Indices and FTSE4Good.

By becoming a signatory to the PSI, the W&W Group has committed to take environmental, social and governance (ESG) aspects into consideration along the value chain – from product development to capital investments.

This document describes our commitments and progress in 2022 with regard to implementation of the Principles for Sustainable Insurance and highlights topics of special importance to the W&W Group.

“Sustainability is a challenge for society as a whole, and it is essential that we meet it. Extreme weather events in past years make it clear that we have no time to lose. The issue is not only mitigating climate change and preserving resources. Companies also bear a responsibility to their employees. For us, the decisive aspect is viewing sustainability in a holistic manner. That is why we are embedding environmental, social and governance aspects, commonly known as ESG criteria, more strongly in insurance business. We take the environment and sustainability into consideration to a significant extent when designing our products. For example, we cover the added costs for the environmentally sustainable upgrading of household contents or for an energy consultation in connection with the reconstruction of buildings after they suffer damage.

Also in terms of investing, we play an important role as insurer, such as through responsible and sustainable investments. We closely monitor our range of funds for unit-linked retirement planning, and sustainability aspects are becoming more and more important in this area. We now offer 25 funds that meet the current standards for sustainable investments. We intentionally exclude certain investments, because we know: Sustainability is the basis for a secure future – and for us, insuring means taking responsibility.”



Zeliha Hanning, Head of the W&W Division Board Insurance, Chairwoman of the Executive Board of Württembergische Versicherung AG and Member of the Executive Board of Württembergische Lebensversicherung AG



Jacques Wasserfall, Head of the W&W Division Board Insurance, Chairman of the Executive Board of Württembergische Lebensversicherung AG and of the Executive Board of Württembergische Krankenversicherung AG

COMPANY PROFILE



The W&W Group is an independent financial services group based in Stuttgart (Germany), which developed from the merger of Wüstenrot and Württembergische in 1999.

The Group's strengths include a large base of around six and a half million customers, as well as emphasis on close personal service with a mobile sales force of more than 6,000 independent partners nationwide, 1,000 Wüstenrot service centres and 2,000 external Württembergische offices. Online services complete W&W's product portfolio.

Today, the W&W Group combines the Housing and Insurance divisions with the digital initiatives of W&W brandpool GmbH and offers customers the financial planning solutions that meet their needs. The combination of business areas means that the W&W Group can offer all financial planning needs from a single source. Here, the focus is on private and business clients in the core market of Germany.

In the Housing division, the focus is on the home loan savings business of Wüstenrot Bausparkasse AG, along with the construction financing that it offers. Other areas include the property development business of Wüstenrot Haus- und Städtebau GmbH and real estate brokerage by Wüstenrot Immobilien GmbH.

The Insurance division offers a wide range of life, health, property and casualty insurance products. The key companies in this division are Württembergische Versicherung AG, Württembergische Lebensversicherung AG and Württembergische Krankenversicherung AG.

With regard to the new digital initiatives, a realignment took place in the W&W Group in September 2021. Following its successful development, Adam Riese, a digital standalone brand on the market, took on a more visible role in the sales of Württembergische Versicherung AG and was integrated into the Insurance division. The Group's other digital initiatives remain pooled at W&W brandpool GmbH.

With regard to its position on the market, Wüstenrot Bausparkasse AG ranks second among private home loan and savings banks in terms of gross new home loan and savings business. Württembergische Lebensversicherung AG is one of the top 12 German life insurers. Württembergische Versicherung AG is ranked tenth among property insurers in Germany.

Principle 1: We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

Strategy

Acting responsibly and demonstrating a social commitment have a long tradition in the Group and are a core element of its strategic alignment. It is based on the understanding – derived from the foundation ideals of the main shareholder of W&W AG – that corporate management should have a long-term perspective and be focused on stability. In order to further advance the topic of sustainability, we developed a Group-wide sustainability strategy in 2021 for the first time, with the Group Development unit taking the lead role. This strategy replaces the sustainability mission statement and is in line with the business strategy.

Accordingly, sustainability will henceforth also be an element of the integrated strategy process of the W&W-Group, in which the key content of the business strategy and of all other strategies will be addressed by the Management Board on a regular basis. Analogous to the IT and risk strategy, the sustainability strategy will be integrated into the strategy process starting in 2022. In addition, as part of this, select qualitative and quantitative performance indicators in the area of sustainability are to be monitored and then looked at using a target/actual comparison.

The sustainability strategy is aligned with ESG criteria and covers the following six fields of action: own operations, capital investment and refinancing, customer and product, employees, society and organisation. Targets and measures have been defined for all fields of action, and they are planned to be implemented by 2025.

The topic of sustainability is firmly rooted in our organisational structure.

All Executive Board members of the W&W Group are responsible for sustainability, with the CEO (Chief Executive Officer) having overarching responsibility for the strategic orientation in terms of sustainability. The CFO (Chief Financial Officer) is responsible for reporting and sustaina-

bility in capital investments, and the CIO (Chief Information Officer) for sustainability in operations. The Spokesman for Human Resources is in charge of the topic areas of personnel development and employer attractiveness. The CRO (Chief Risk Officer) is responsible for integrating sustainability aspects, particularly the risks associated with this, into the risk management system.

For the purpose of cross-divisional coordination, a sustainability board has been established as an internal body. It consists of Executive Board members and managers and meets on a regular basis. In particular, the sustainability board discusses societal trends and developments, analyses regulatory requirements, reviews the strategic orientation and carries out controlling of strategic conformity of existing and planned measures in the divisions.

In addition to the sustainability board, the position of sustainability officer was filled for the first time in the first half of 2022. The sustainability officer reports to the CEO and is the main contact person on the topic of sustainability in the W&W Group.

Risk management and underwriting

Risk management

Sustainability aspects may give rise to risks. Sustainability risks may materialise from internal and external risk drivers or triggering events in the areas of the climate, the environment, social affairs, politics, corporate governance and compliance, which, in the individual risk areas, may have a negative impact on the net assets, financial position or financial performance of the W&W Group. The topic of sustainability and the resulting sustainability risks are included in the established risk management process. In this regard, sustainability risks are considered with respect to how they affect the existing types of risk.

Of special importance in this respect are reputational risks, sustainability risks in investments and physical risks in the area of underwriting risks. In order to limit, in particular, reputation risks arising from sustainability aspects, the sustainability strategy of the W&W Group specifies the principles for acting sustainably and responsibly. Sustainability risks in the area of investments are limited, for example, by defining corresponding exclusion criteria. Physical risks in the area of insurance risks, such as natural hazards, are limited, inter alia, through underwriting policies and reinsurance agreements. Integrating the topic

of sustainability into the risk management system is currently being further developed in an internal specialist project.

Underwriting

We are developing a concept of which ESG risks we can tolerate and which we cannot. Therefore, we have begun to integrate ESG issues when we underwrite risks. For instance, we do not insure any exclusively conventional energy providers that focus on coal-fired or nuclear power. At the same time, we are open to technologies for sustainable energy generation, like hydrogen.

Products

The W&W Group can assemble personal financial planning solutions from the shared range of services based on fundamental social concepts – from financial security, residential property ownership, risk protection, and savings and investment. Through our contribution to providing the best possible financial planning to broad sections of the population, we enable people to enjoy personal freedom with the greatest possible security. Insurance products and private retirement planning make it possible for people and society to secure their standard of living. In addition, preventive measures reduce the likelihood of damages, such as break-ins, fires and workplace accidents.

Our sustainability strategy is increasingly focused on green product alternatives and -components. Starting in the 2022 financial year, we plan to offer our customers in every division at least one sustainable product component. This will be supported by transparent customer communication and service offers on the topic of sustainability.

The services of the W&W Group have a direct, relevant impact on the environment. In this regard, the products help to make certain that environmental risks are adequately insured and that in the event of damage, the consequences can be remedied or limited. In addition, they cover the added costs for rebuilding in an energy-efficient manner, such as insurance policies for household contents or residential buildings, and thus promote sustainable renovations.

In the first half of 2022, Württembergische Versicherung AG began marketing its redesigned insurance products for

household contents and residential buildings. When it optimised the two insurance products in the area of “Housing”, Württembergische Versicherung AG took into consideration the changes in basic conditions, such as the increasing risk of natural hazards, as well as responses from customers about their needs. Environmental and sustainability aspects are playing an ever-increasing role in this regard. For example, the new offering includes the coverage of added costs for the environmentally sustainable upgrading of household contents after they have suffered damage and for the voluntary environmental restoration of a building, in each case up to EUR 10,000. In addition, the added costs for consultations relating to energy use and so-called “building biology” are reimbursed up to EUR 1,000.

Working together with Württembergische Versicherung AG, Adam Riese is developing products that offer customers financial protection. The strategic emphasis on special green covers and additional product components is being implemented by Adam Riese. The residential building insurance product is already covering the added costs for an energy or age-appropriate upgrade in the event of damage. Insurance is also available for e-scooters and e-rollers. In the planning stage are special covers in household contents and residential building insurance products, with the focus on green risks, as well as the inclusion of customers’ social and environmental behaviour in the risk assessment.

In addition, a concerted effort is being made to expand the rest of the product range to include green risks, as well as to develop green product components.

Moreover, Württembergische Lebensversicherung AG offers the annuity insurance product Genius with a stronger environmental focus. As a result, the capital protection fund “Genius Strategie” has included environmental and social criteria in its investment strategy. Genius offers a diverse, high-quality range of funds for open investment, which is continuously reviewed for sustainability aspects and adjusted where necessary, thus assuring quality and adherence to minimum sustainability standards. For example, funds that invest in agricultural commodities are not allowed. The Group’s own funds are subject to exclusion criteria for certain investments, which apply Group-wide. These exclusion criteria are continuously reviewed and adjusted to meet the circumstances. Moreover, the range of funds includes a steadily growing number of funds that focus on the topic of sustainability. These cover

the spectrum of other investment preferences, particularly with respect to risk tolerance. A fixed criterion has been established for reviewing new funds before subscribing to them: they must exhibit a minimum degree of sustainability consideration through environmental and social characteristics (Article 8 of the Sustainable Finance Disclosure Regulation). Most of the sustainability funds are also available in the older contracts and products that pre-date Genius. In all, we have established sustainability characteristics for all life insurance products. This applies in particular to the protection fund by way of Group-wide exclusion criteria. Where investment options exist, sustainable ones can be chosen. The criteria for selection are continuously reviewed and adjusted to meet the circumstances.

Württembergische Krankenversicherung AG is focusing on strengthening preventive health care and supporting our customers as best as possible in getting healthy. The health and service offerings are constantly being enhanced and brought into line with the needs of our customers.

Sales and marketing

We provide our sales employees with regular training on sustainable advisory services and products. The holistic advisory approach thus also takes into account the corresponding ESG-sustainability preferences of our customers when giving advice on life insurance-based investment products.

Investments

As an investor, we know that we – together with other large institutional investors – can directly exercise significant influence on the successful structural transition to an economy and a society that are more friendly to the climate and generate lower emissions. We are aware of this importance and pursue in this sense an active approach to reducing harmful emissions in our capital investment portfolios. In doing so, we are aiming for climate-neutral capital investment (primarily in the area of equities and corporate bonds) by 2050. Moreover, the objective of this active approach is to sustainably promote climate-friendly technologies and their dissemination.

In the Insurance division and at W&W AG, the aspects of sustainable capital investment are taken into consideration and documented in the annual capital investment process of strategic asset allocation.

The W&W Group is a signatory to the Principles for Responsible Investment (PRI), thus underscoring to the public the sustainable alignment of its investment business. We also pay close attention to ensure that these principles are applied by our chosen external managers when trading in equity, bond or real estate funds. In individual cases, we also accept adequate ESG policies instead of the signing of the PRI.

We work with an outside service provider to analyse our capital investment portfolios (specifically for companies and countries). The analysis also takes into account special environmental and social risks and those concerning corporate governance that are associated with capital investment, insofar as these ESG risks are related to the investment portfolio and its management. Based on this analysis, exclusion criteria have been developed for our portfolios. Excluded are:

- Manufacturing companies that violate international conventions on the prohibition of biological, chemical and incendiary weapons, anti-personnel mines and cluster munitions
- Companies that generate > 1% of their revenue from arms manufacturing or dealing
- Companies where $\geq 10\%$ of their activity is related to coal
- Companies that are proved to have used forced labour
- Companies that are proved to have used child labour.

In 2021 we defined the following new exclusion with respect to investments in countries and then implemented it for the direct portfolio and most indirect investments: The exclusion of countries that have an authoritarian regime or are considered not free (Freedom House classification). In addition, the strategic asset allocation does not provide for investments in agricultural commodities.

These exclusions are implemented and monitored Group-wide in the direct portfolio and in indirect investment, provided these can be controlled by the W&W Group.

In addition to taking exclusion criteria into account, we also have long pursued an active approach in the area of sustainability. In this regard, renewable energy has for many years been a core element of the strategic investment approach.

More than half of the German real estate investments in the direct and indirect portfolio meet at least the ENEV2009 standard with respect to energy-saving insu-

lation and building engineering. This rate is being progressively expanded with the acquisition of new properties or through project developments in the portfolio.

The importance of the topic of sustainability is also growing in the traditionally largest part of our investments, such as in the form of green/sustainable bonds. We are striving to take this form of investment into consideration for new investments and reinvestments in order to make a further contribution toward the financing of climate-friendly projects. As at 30 June 2022, the W&W Group held green/sustainable bonds with a market value of about €1.2 billion.

Taxonomy Regulation

Regulation (EU) 2020/852 of 18 June 2020 (Taxonomy Regulation) established criteria for determining whether an economic activity qualifies as environmentally sustainable for the purposes of establishing the degree to which an investment is environmentally sustainable. An economic activity qualifies as environmentally sustainable where that economic activity contributes substantially to one or more of the environmental objectives of the Taxonomy Regulation, does not significantly harm any of the environmental objectives and is carried out in compliance with the minimum safeguards. Environmentally sustainable economic activities within the meaning of the Taxonomy Regulation are therefore also called taxonomy-aligned economic activities.

Efforts are currently under way to collect and provide data for the purpose of identifying taxonomy-aligned economic activities or their financing. In coming years, the identification of taxonomy-aligned economic activities will be furthered by the improvement of the data pool, particularly with regard to issuer and counterparty information.

The introduction of green product components was decided for W&W Group companies. As a rule, the requirements of the Taxonomy Regulation are to be taken into consideration. Over time this will lead to a portfolio inventory and to an increase in taxonomy-aligned economic activities and their financing.

Principle 2: We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

Dialogue with other financial services providers on ESG issues

We maintain a dialogue with other companies in the financial services sector for the purpose of raising awareness of ESG issues in the industry and further implementing the topic in our value chain. A continuous process for the regular transfer of knowledge was implemented through the establishment of working groups.

In this context, we have, for example, joined the financial centre initiative “Stuttgart Financial”. The aim of this initiative is to strengthen the Stuttgart financial centre and increase its visibility as a preeminent location for financial services in Germany.

Requirements along our value chain

Social aspects play an important role in the procurement of operating resources, such as the working conditions along the supply chain and the respect for human rights.

We consider the relationships with our suppliers to be long-term partnerships. They are based on trust and transparency, as well as on clearly defined common rules. None of our suppliers are known to have experienced incidents with negative social or environmental effects. Should we become aware of any, we would investigate the matter and then take steps if the outcome were negative, which can include termination of the business relationship.

Current regulatory initiatives include measures to improve the protection of human rights in global supply chains (German Act on Corporate Due Diligence Obligations in Supply Chains [Lieferkettensorgfaltspflichtengesetz]). To implement the requirements resulting from the Act on Corporate Due Diligence Obligations in Supply Chains, a project was initiated in the W&W Group that involves all affected departments.

As a rule, our chosen external managers for equity, bond and real estate funds are signatories to the Principles for Responsible Investment (PRI).

Sustainability in connection with advisory processes

In order to ensure that our customers are given tailored advice on the topic of sustainability, our sales force receives advanced training on a regular basis, and in addition, we provide customers with qualified informational material.

In our range of funds, for example, we actively offer our customers sustainable funds. We are continuously expanding the offer.

With respect to the mandated inclusion from August 2022 of sustainability criteria in customer advisory services relating to insurance-based investment products pursuant to the Insurance Distribution Directive (IDD), Württembergische Lebensversicherung AG is currently working on simple access to sustainable investment options. For instance, a sustainable investment strategy is being established from W&W funds that also enables passive customers to invest sustainably as part of Genius. In addition, the inclusion in advisory services ensures increased transparency and in that way promotes the topic of sustainability. The various sustainability aspects of our products as well as the advice we give about them are being intensively trained across all sales channels in order to ensure high-quality advisory services and opinion formation for sales partners and customers alike.

Principle 3: We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

Participation in project and working groups on ESG issues

We have regular discussions, and we participate actively in various project and working groups of the German Insurance Association (GDV) and the German Federal Financial Supervisory Authority (BaFin). In this regard, we regularly take part in public consultations and contribute our expertise for a comprehensive opinion in the industry.

Voluntary commitment to sustainability initiatives

We have voluntarily joined initiatives, such as the Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI), and we commit to implementing sustainable principles more strongly in our business activities and to continually enhancing them.

By signing the “Charta der Vielfalt” (German diversity charter), the W&W Group has supplemented the measures it takes to promote diversity.

Principle 4: We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

This PSI Progress Report covers the status as at 30 June 2022. The W&W Group updates the PSI Progress Report annually.

Our sustainability reports can be found on our website under the “Sustainability” tab
[link: <https://www.ww-ag.com/en/about-us/Sustainability>].

In addition, the W&W Group publishes further information on its website on the topic of sustainability. In addition to our signings, collaborations, and initiatives, we provide information relating to the sustainability mission statement on the following topic areas: sustainability as a set target, environment, products, acting sustainably as an employer, social commitment.

