Compensa Life Vienna Insurance Group SE

ESG-Strategy

Version 2.0

Approved 16.06.2023

Applicable from 01.07.2023

The Investment and Risk strategy of Compensa Life Vienna Insurance Group SE (hereinafter Compensa), approved by the Management Board and Supervisory Board, includes in it the ESG-Strategy.
ESG Strategy describes Compensa policy on the integration of sustainability risks in its investment decision-making process.

Scope (ESG)

This obligation generally applies to direct investment into securities - excluding sovereign, sub-sovereign and supranational issues – including such investments in consolidated investment funds (regardless, if managed externally of by internal resources) of all VIG (re-)insurance companies.

Investment Process (ESG)

The analysis of the company's portfolio is carried out by using the MSCI ESG database as well as the regulatory financial information of the respective exposures. In addition, qualitative input from Erste Asset Management is used for our overall assessment process for all related aspects. A pre-trade check based on the latest available ESG exclusion list provided by VIG Asset Management incl. Real Estate (hereinafter AMRE) is an integral part of the local investment process. Furthermore, relevant and available data out of the MSCI ESG database for existing investments is directly connected to SimCorp Dimension.

Exclusion Criteria

The company excludes investments into corporates which are subject to the following criteria:

Banned weapons

Under banned weapons, the company defines defense equipment, its use and production rejected because of the excessive suffering it inflicts, and which are regulated through several 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, corporates 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 banned weapons sales is defined. Involved corporates are excluded in any case. This also applies to dealers, brokers and agents.
The analysis goes beyond the strict wording of the relevant treaty texts of the above-mentioned international conventions to avoid as far as possible the financing of such weapons. The development of new controversial weapon types, as well as the constitution of international regulations, are constantly monitored, considering the available data via the MSCI ESG Manager. In this way, VIG may include these weapons in its catalog of criteria.
The general exemption from the scope to issues from states, countries and supranationals, does not apply to the exclusion criteria of banned weapons, where international sanctions have been imposed by the UN Security Council on these issuers for a breach of any of the above agreements.

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 tolerable level of no more than 1.5° - 2° Celsius. Based on this objective, corporates regarding their involvement in the following areas are evaluated:

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

The share of the total business of the audited corporates 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 corporate, as it is not possible to clearly allocate revenues. If a corporate is identified as breaching any of the following limits, it will be excluded from the investment universe:

- 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 or
- yearly generation of more than 10 GWh energy out of thermal coal.

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

Unconventional oil & gas

Exclusion of direct investments into corporates with maximum percentage of revenue (either reported or estimated) greater than 5% that a corporate derives from unconventional oil and gas. It includes revenues from oil sands, oil shale (kerogen-rich deposits), shale gas, shale oil, coal seam gas, and coal bed methane.
Existing maturing exposures can be kept until their individual maturity dates whereas non-maturing exposures must be eliminated until end of 2023 at the latest.

Violations against UN Global Compact & Human Rights

Exclusion of corporates that are severely violating human rights or violating principles of the UN Global Compact. It comprises human- and labor 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 Rights

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

Treatment of Group Structures

Within a group, the parent-subsidiary principle is applied. Holding A is responsible for the infringement of this Directive by all its subsidiaries, even if the holding itself has been identified as being investable. However, a subsidiary B, whose business activity cannot be linked to an exclusion criterion, is not responsible for the infringement by the holding company or the infringement committed by the subsidiary C involved. In this case Holding A and Company C would be excluded and Company B would remain investable.

Escalation Process (ESG)

Existing positions in securities of companies that are newly identified as being improper after 30.06.2023 are managed by a committee consisting of the local Management Board Member being responsible for asset management, the local asset manager and the local risk manager as well as AMRE, discussed and led in a documented way to a decision. If the suspicion of a company can be refuted, it will immediately become again investable.
Exposures from improper transactions after implementation date, must be sold within 4 weeks, taking also the market environment into consideration.
In case of new insurance companies joining VIG Group or a merger of external portfolios into the Group, a separate exit plan for the transition of excluded exposures as defined herein will be established by AMRE.

Special Case „green bonds“

Each group company consciously aims to increase the share of green investments within its portfolio (e. g. renewable energies, green bonds, environmentally friendly construction methods, renovation of existing buildings of housing societies, etc.).
Investments in green bonds of corporates, that are principally excluded due to restrictions on thermal coal or unconventional oil and gas, are explicitly permitted (“enabling the transition”). This exemption for investments in green bonds is not valid for corporates excluded for banned weapons or violating against UN Global Compact or human rights.