Compensa Life Vienna Insurance Group SE

ESG-Strategy

Version 3.0

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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, Treaty on the Non-Proliferation of Nuclear Weapons (NPT) or the Biological and Chemical Weapons Conventions.

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

- biological and chemical weapons
- cluster munition
- anti-personnel mines
- nuclear weapons
- non detectable weapons involvement
- white phosphorus weapons involvement
- blinding laser 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.

In the area of nuclear weapons, only those companies are permitted that contribute to the nuclear weapons programs of the three NATO states recognized as nuclear powers under the Non-Proliferation Treaty.

The development of new banned 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. In unclear cases please consult with AMRE for approval.

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 have been already fully eliminated.

Engagement Approach

Engagement is the active dialogue with corporates ("targets") to encourage them to improve their ESG performance and shall be used as an additional tool in our ESG investment strategy. Engagement aims not to exclude such targets from the investment universe and prefers instead a dialogue approach.
As for the norm-based engagement on an international basis (UN Global Compact & Human Rights) there will be a group-wide approach in cooperation with an international partner.
Whereas for the thematic engagement the focus will be on individually selected targets, that have no sufficient carbon reduction initiatives set. The identification of targets can happen on local as well as on group level. Engagement topics/measurements shall then be coordinated between the local company and AMRE further before starting the dialogue procedure with targets. Moreover, within the local company as well as within the group coordination with Underwriting is necessary.
All the engagement cases should be documented and collected on group level and will be reported in a yearly engagement report.

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.
Investments into Sustainability linked bond with focus on GHG emission or other ESG factors should be a prioiri checked for their accounting treatment under IFRS 9.

Consideration of GHG Emissions

VIG pursues the long-term goal of reducing greenhouse gas emissions from the investment portfolio to net zero by 2050. Consequently, financed GHG Emissions, respectively its CO2 equivalent, should be considered as part of the investment process for any (re-) investments. The asset classes in focus are to be defined in the local sustainability program. The relevant data base for Carbon Accounting and baselining GHG Emissions is SimCorp. The transition path with the interim target in 2030 is regularly monitored and reviewed in the Investment Meetings at least once a year.

Management of Limit Violations

For the purpose of steering risks, constraints are specified and finally approved by respective boards. These so defined limits have to be followed and monitored continuously by the company. This includes an ex-ante as well as an ex-post consideration. By corresponding measurements, this should already avoid limit violations in advance, while ensuring a contemporary system to disclose such breaches.
Generally, limit violations can be caused actively or passively. Active violations are caused by active transactions within the portfolio, which cause immediate impact in the form of a limit violation. Passive limit violations are characterized by market revaluations (e.g. changes in prices, in ratings, liquidity in-/outflows, etc.), consequently causing such violations. The observation of limited exposures is carried out on a net basis (considering hedging measurements in case). Actively caused limit violations without prior approval have to be avoided by the company by implementing adequate preventive measurements.
In case of a limit violation the company states, if this is an active or passive limit violation and quantifies the extent in absolute and relative terms. The company forwards the information of all limit violations together with the regular portfolio reporting to AMRE.
Negligible passive limit violations (<1%-point absolutely) are acceptable. The further development of the limit utilization has to be observed.
In case of a significant passive limit violation several options can be applied: 1) freezing the part of the portfolio in question until returning into the limits, 2) to undertake active measurements or 3) to request a change of the respective limit. In case of a significant active limit violation either suitable measurements for clearance of the limit violation have to be taken or a new limit has to be requested.
All significant limit violations – independent, if of active or passive nature – have to be reported by the company to their according approval boards.

Multi-company transactions

With respect to the GPAM, AMRE co-ordinates multi-company measurements/transactions and/or multi-company investments of VIG concerns. Based on a decision of the Management Board of VIENNA INSURANCE GROUP AG Wiener Versicherung Gruppe (Holding company), AMRE has the right, to define the allocation/re-allocation of such investments in accordance with the company. In case, such an allocation/re-allocation would cause a violation of existing limits/restrictions, an approval of the Supervisory Board of the company is requested in advance (by circular resolution or at the next Supervisory Board meeting).