

# UNEP-FI Principles for Sustainable Insurance



**PSI Report 2021**

# ■ Introduction

## Gothaer insurance commits to credible sustainability

The United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance (PSI), is an industry wide initiative to collaboratively integrate sustainability criteria in the core business of insurances. Gothaer signed the PSI on May 18, 2021, committing itself to the integration of ESG aspects (Environmental, Social, Governance) along the entire value chain.

By signing the PSI, we aim to contribute actively to the initiative and to encourage other companies in the insurance industry to integrate ESG further into their core business. Man-made climate change is, on a new level, a threat to our ability to coexist. The century is still young and yet we have already witnessed some ‘disasters of the century’ such as extreme heat waves or floods. As an insurer, we provide cover against risks, so that our clients can focus on their lives and businesses. Risks are changing—and we are changing with them. Instead of sticking our heads in the sand, we have decided to help shape the future, and we are taking our clients with us. We want to *insure* a sustainable future.

As a signatory to the PSI, we will disclose the implementation progress of the principles annually. This statement is the first annual disclosure of progress. We report on the key actions for 2021 with references to our [Sustainability Report](#).

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# ■ Principle 1

We will embed in our decision-making environmental, social governance (ESG) issues relevant to our insurance business.

## A sustainability strategy to 'insure a better future'

Experts from science and practice warn us about the effects of man-made climate change and environmental interventions. The solutions are as complex as the causes and the economy has a pivotal role to play. If we follow the experts' advice, the next ten years will be crucial. Therefore, our strategic decisions today have a decisive impact on the future of our planet.

In this light, Gothaer introduced the Ambition25 Group strategy in 2020, with sustainability as its essence, and the objective to be 'credibly sustainable' at its core. To live up to this claim, our sustainability strategy was developed, consisting of three central fields of action: core business, operations and community involvement.

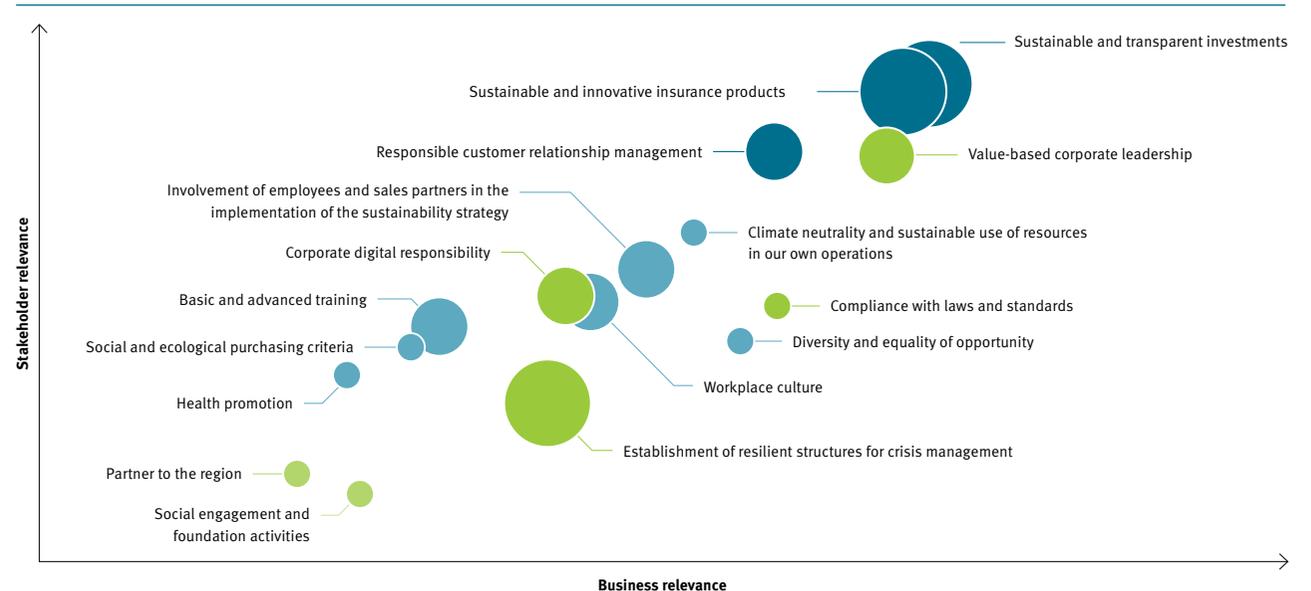
In developing the strategy and deciding which topics to focus on, a materiality analysis was carried out from the perspective of the stakeholders, the company and the impact on people and the environment. In addition to sector-specific topics, internationally recognised frameworks in the field of sustainability were included, resulting in 16 identified topics.

The Gothaer Group's materiality matrix shows the 16 identified sustainability topics in ascending order of significance from bottom left to top right. The size of the circle indicates potential impact on people and the environment.

## The Gothaer sustainability strategy: basis and action fields



## Materiality matrix



Gothaer is starting with the top five topics resulting from the materiality analysis: alongside the development of sustainable and transparent investments and insurance products are climate neutrality and sustainable use of resources, responsible customer relationship management, as well as the involvement of employees and sales partners in the implementation of the sustainability strategy.

On the basis of the materiality analysis, the sustainability goals were then developed. This was done in an extensive process involving central departments and those crucial to strategic business development. The Group Management Board also positioned itself clearly by demanding not only feasible, but above all ambitious goals.

### **Sustainability needs strong governance structures**

To sustainably transform a company like Gothaer, strong governance structures are needed. In order to achieve the sustainability goals, the new sustainability management department was therefore created in 2020. The sustainability management has Group-wide, strategic, steering, networking and coordinating functions and integrates sustainability into the entire company through cooperation with all departments.

In addition, the sustainability management coordinates and steers the Gothaer internal sustainability network, which was established in March 2020. It consists of 45

representatives nominated by the Group Management Board from all departments and areas:

- product development
- asset management
- sales
- underwriting policy
- marketing
- sales support
- risk management
- claims management
- operations and procurement
- Group organisation
- Group development
- human resources
- legal and regulatory affairs
- press and communications
- IT

Starting in 2021, the network meets once a quarter. Within the network, many fundamental questions are discussed and decisions are made.

The Gothaer Asset Management (GoAM) is responsible for the sustainable and transparent investments of the Gothaer Group. As part of this responsibility, the Gothaer ESG-Committee is working on the further development of the ESG investment strategy and the establishment of an ESG reporting system for all asset classes in order to meet the requirements of sustainable investment at all levels. There is regular dialogue

with the external asset managers who manage GoAM's investments, focusing in particular on climate change, the further development of existing ESG approaches and the collection of ESG data.

### **Sustainability in risk management**

Climate change brings with it risks from which we, as an insurer, must protect our clients and society. Therefore, sustainability risks are increasingly becoming the focus of our risk analysis.

In 2020, the risk and sustainability management departments established a company-wide process to identify relevant sustainability risks, assign them to existing risk categories and evaluate them with regard to their probability of occurrence and expected damage amount. The various departments worked together to ensure the integration of sustainability risks into the Gothaer divisions. The ongoing risk management process involves four steps:

- The expert committee on natural hazards identifies relevant sustainability risks based on scientific data. This Group-wide network of experts holds regular meetings internally as well as with external guests, like specialists from the University of Applied Sciences Cologne (TH Cologne). In 2021, a team comprising of risk management, sustainability management, and experts from various other departments identified relevant sustainability risks. One of the tools used for the early identification of sustainability

risks is the Emerging Risk Radar. It is used to conduct regular surveys of conceivable risks, resulting in a growing database that can be used to identify potential risks.

- In the evaluation step, the identified sustainability risks then undergo the Own Risk and Solvency Assessment (ORSA). Natural hazards have been factored into Gothaer’s insurance plans for years, in particular for property insurance, liability insurance, and accident insurance. What’s more, worldwide discoveries and trends are analysed for constant model improvement. Especially the physical impacts of climate change have a heightened effect on the

probability of occurrence and expected claims expenditure.

- One of the most effective tools for protecting the company itself is a solid reinsurance. Hence the reinsurance structure is assessed yearly, as part of the risk mitigation, with a close look at changes in the environment.
- Regular monitoring enables potential scenarios to be compared with the actual risk situation and provides information about changes in risks at an early stage.

Looking into the future also plays a role in risk analysis. In order to do this, it is essential to consider different

climate change scenarios. One of the most important resources for such scenarios is the Network for Greening the Financial Systems (NGFS). For each scenario, the possible effects of sustainability risks on the portfolio will be analysed.

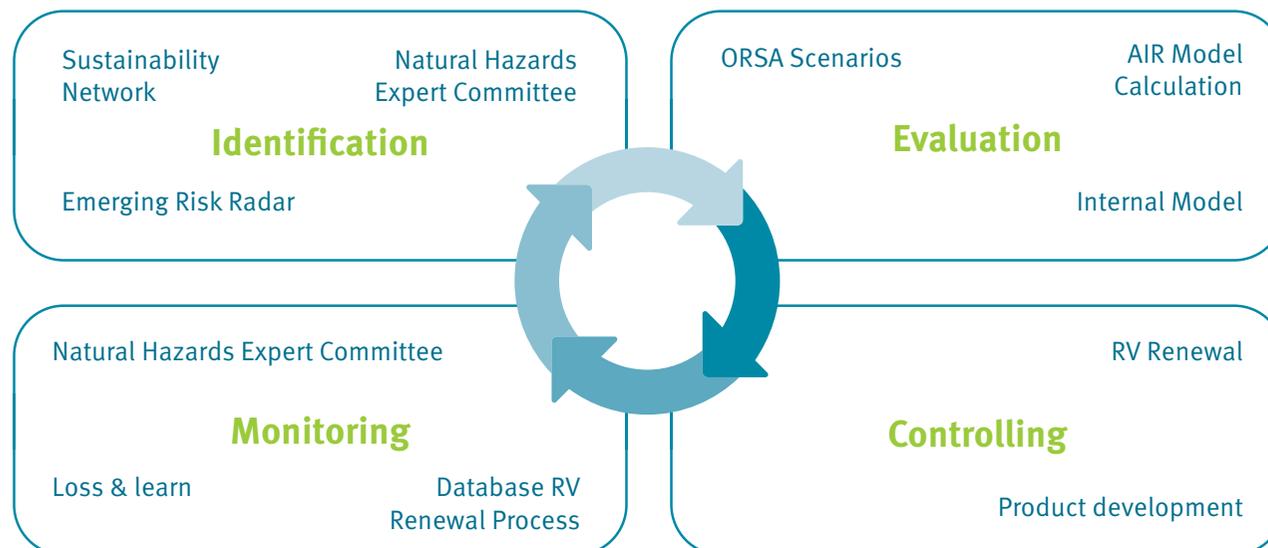
Sustainability risks are also taken into account in our underwriting guidelines. For corporate clients, the first ESG criteria were integrated into the underwriting guidelines in 2021. In addition, an escalation process has been established in case there is a conflict between the business to be underwritten and the ESG criteria.

### Developing sustainable insurance solutions

Through our insurance solutions, we protect our clients from (sustainability) risks. We support them in reducing their personal risks and thus easing the strain on the community. Simultaneously, we promote sustainable lifestyle choices through our insurance products. Our goal is to be more than ‘just’ an insurer. We want to be at the side of our customers as a service provider in order to think together beyond damage control.

To achieve this, we integrate sustainability-promoting coverage modules into our products and strive toward climate neutral claims processing. A big step in that direction was the integration of sustainability into our product development process and the development of criteria for sustainable products:

### The risk management process



- We initiated the development of standardized sustainability criteria to define what sustainability means for individual products. The criteria were developed across divisions in participatory processes and reflect Gothaer's understanding of sustainability. They are based on the environmental goals of the EU taxonomy for sustainable activities and are complemented with social criteria.
- At the beginning of each product development process, we assess how we can integrate key aspects of sustainability criteria. This is done in consultation with Gothaer's sustainability management. These criteria are recorded and documented in the individual phases of the product development process. With the help of a product checklist, we align the products with customer needs and market requirements.

Gothaer's insurance products should be part of the solution for a sustainable future. To achieve this, we have defined the following approaches:

- Every damage that does not occur prevents negative effects on people and the environment. That is why damage prevention is very important to us as insurer and for our clients. Even if damage has occurred, we consider climate change adaptation in the recovery process to reduce the impact of future damage.
- We protect our customers with coverage modules and services that promote sustainability. For instance, we are pioneers in the insurance of renewable energies and offer a comprehensive range of

insurance products in the area of e-mobility. We also integrate sustainable elements into householders' insurance policies and special insurance policies, such as roof tent insurance.

- Key to achieving climate-neutral claims processing is the digitalisation of the claims process and the reduction of paper use in customer communication, taking into account the issue of sustainability.

### Customer support and customer satisfaction

A company can only survive if it focuses on the needs of its customers. Dealing with them responsibly is therefore also an important part of our sustainability strategy. Gothaer pursues five goals:

- Goal 1: Appreciative and supportive customer relationship management from first contact to claims management
  - › Example: Gothaer continuously runs customer satisfaction surveys that pull in around 30,000 responses a year. These insights help us improve our services.
- Goal 2: Easy to contact and honest, individual, and needs-oriented advice
  - › Example: Experts work in the customer experience community to, among other things, see the processes through the eyes of the customer and improve them accordingly. The effects of these measures can be seen in the numbers of

complaints: In 2021, 2,031 complaints were filed. This is 7.7% less than in the previous year.

- Goal 3: Transparent, comprehensible, and readily available product information and customer communication
  - › Example: Digital helpers assist the claims management: For the motor vehicle process, the damages competence centre received the 2021 Business Excellence Award in the category 'robotic process automation'.
- Goal 4: Addressing sustainability during client consultations
  - › Example: To help give our clients an overview of Gothaer's sustainability highlights, we created a fact sheet to be used in sales.
- Goal 5: Paper free by 2025
  - › Example: The introduction of e-signatures make legal signatures easy and available anytime and anywhere.

Claims management faced particular challenges in 2021 due to the low-pressure event 'Bernd'. The colleagues in the claims department in Berlin made 4,200 phone calls in the first two days alone – three times as many as usual. The claims management employees emphasised a lot with the clients and showed a high sense of duty under these extreme circumstances. Within the first three weeks over 90% of the severe

damage claims, everything with a cumulative value of over € 20,000, were assessed.

### **Increasing the sustainability expertise through trainings**

With around 5,000 employees in the Gothaer Group and over 1,000 sales partners, we have many hands and minds that can bring about sustainable change. In order to do so, we need to mobilise people through training and encourage participation.

- The Gothaer Future Skillset developed in 2021 helps to identify training and development needs. It focuses on 16 interdisciplinary competences and individual professional skills and takes into account the needs of customers and sustainability.
- Since qualification is becoming increasingly important for sales success, the Gothaer sales academy supports sales staff with sustainable and innovative qualification offers.
- The GoAM team regularly takes part in external seminars and training courses and multiplies this knowledge by transferring it to other employees within the company.
- For 2022, the development of a certified further education programme with a focus on sustainability in sales is planned.

### **Sustainable and transparent investments**

As a responsible investor, we invest our customers' premiums in the capital market. Consequently, Gothaer's investments are consistently aligned with its sustainability strategy.

GoAM manages the investments and follows a responsible investment approach. This integrates environmental, social, governance and corporate governance and thus optimises the associated sustainability impacts in the capital investment. To prevent a negative impact on people and the environment, the following investment strategies are used: exclusion criteria, integration, engagement, thematic approach/best-in-class strategy, exercise of voting rights.

The application of exclusion criteria for companies that have committed serious environmental, social or governance violations or whose activities do not adhere with Gothaer's values ensures that potential negative impacts on people and the environment are already reduced in the portfolio prior to financial analysis.

Through the thematic investment approach, specific investments are made that have a positive impact on the environment and society and thus reflect our commitment to social responsibility. Gothaer also emphasises the responsible exercising of their shareholder voting rights by encouraging sustainable corporate development.

The various indicators of investments are further assessed via a standardized ESG scorecard. Any investment in a company with high ESG risks, like an exceptionally low ESG rating or severe violations, requires a written justification and continuous monitoring by the specialist department.

Additionally, GoAM has established an ESG-Committee. It is responsible for making key decisions regarding the strategic management of sustainability risks.

A further important goal is to increase impact and thematic investments in new business by € 200 million annually. An exemplary project is the construction of ten solar parks in Chile. The solar parks provide a total capacity of approximately 120 MWp. The first park could be commissioned in December 2021.

## ■ 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.

### Engagement with asset managers

A significant part of GoAM's assets is managed externally. For this reason, the selection, monitoring and engagement of external asset managers is of great importance.

- As part of the due diligence process, all managers are asked, among other things, about their strategy with regard to sustainability risks. Managers are only commissioned if they present a convincing ESG concept.
- Even after the contracts have been concluded, GoAM continues to monitor the managers' sustainability performance. In the reporting year 2021, intensive dialogues were held with more than 60% of the external managers, focusing in particular on the topics of climate change, the further development of existing ESG approaches and the collection of ESG data.

### Corporate clients

Gothaer also aims to raise awareness of environmental, social and governance issues among its corporate customers:

- In order to better understand the wishes and challenges of customers, an online survey of SMEs was conducted in 2021 on current trends and opinions on the topic of sustainability.
- Support for sustainability management in SMEs on a social level is provided by the corporate health insurance and the corporate pension scheme.
- In 2021, the connection between sustainability and health was investigated and prototypes of a sustainable corporate health insurance were developed with the benefit of our customers in mind. The findings are already being implemented in product development.
- In the area of corporate pensions, we are continuously pursuing the expansion of a sustainable portfolio.

Gothaer also supports companies in their sustainable transformation with its 500-50-5 initiative, which accompanies 500 corporate clients reduce their CO<sub>2</sub> emissions by 50% over the next five years. In the first step on the way to climate neutrality, Gothaer offers

companies a free calculation of their carbon footprint. Based on these results, measures to reduce CO<sub>2</sub> emissions are then developed together with the companies and funding opportunities are identified. At the same time, Gothaer continues to expand its broad network of cooperation partners and makes it available to participating companies.



### **ESG education beyond Gothaer**

Furthermore, Gothaer is strongly committed to promote ESG education beyond its own Group in order to drive sustainable change throughout the insurance industry:

- Together with the Institute of Insurance Sciences (IfVW) at Leipzig University, the Gothaer Foundation developed the Sustainability Academy, which aims to impart sustainability knowledge along the value chain of the insurance industry to students and participants from the field.

## ■ 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.

### **Gothaer supports the development of ESG regulations**

In order to master the great challenge of climate change, business and politics must work together. Consequently, experts represent Gothaer as a member in various initiatives:

- In the German Insurance Association (GDV), for example, Gothaer employees are helping to process Solvency II aspects of natural hazards and assess NatCat risk factors.
- Supported by Gothaer experts, the GDV's Own Operations Sustainability network is developing a guide on aspects of emissions accounting and existing impacts. The results serve as recommendations for companies and political messages.
- GoAM experts contribute to three German groups of the Net-Zero Asset Owner Alliance (NZAOA) for the purpose of implementing the NZAOA's goals.
- Gothaer is a partner of the Eurapco Group. At the end of 2021, Svetlana Thaller-Honold (Head of Sustainability Management) was appointed Chair of the Sustainability Group.

### **Collaboration with further Stakeholders**

Gothaer works with other key stakeholders to drive comprehensive action in society on environmental, social and governance issues. Through membership in initiatives and associations, knowledge is exchanged and the integration of sustainability into core business is strengthened.

Next to Eurapco and NZAOA, Gothaer is also a member of:

- UN PRI
- Diversity Charta
- Global Real Estate Sustainability Benchmark (GRESB)
- B.A.U.M. e.V. – Federal Working Group for Environmentally Conscious Management

In addition to initiatives to promote sustainability in its core business, Gothaer is also strongly committed to supporting sustainable change outside the company:

- Due to the devastating consequences of low-pressure event 'Bernd' in the summer of 2021, Gothaer established a relief fund. The fund is intended to support projects in areas affected by the low-pressure event that compensate for social hardship or contribute to sustainable reconstruction.

- The [Gothaer Foundation](#) supports projects in the areas of research, nature conservation, and education such as a junior professorship for sustainable finance at the University of Cologne. Gothaer annually donates 0.5% of the Group profits to the foundation.
- As part of the Germany 4.0 Challenge Gothaer posed the challenge to a start-up team to communicate insurance products more transparently and innovatively with the help of augmented reality. At the same time, the solutions should provide easier access for people with disabilities and meet the requirements of the duty to inform insurance companies.
- Gothaer supports numerous students in their final theses in the form of interviews, cooperates with university chairs as well as consultancies to provide knowledge transfer.
- Gothaer supported the development of the Assekurata sustainability rating as a pilot participant and received an A+ for Gothaer life insurance.

## ■ Principle 4

We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the principles.

Reporting on the achievement of the sustainability goals is disclosed annually in the following documents:

- [Non-financial report \(NFB\) according to the German Sustainability Code \(DNK\)](#)
- [Sustainability report](#)
- [Website](#)
- [UN PRI Transparency Report](#)
- [Climate footprint as part of the certification as a climate-neutral company by TÜV Nord](#)

Further underlying information endorsing compliance with the Principles for Sustainable Insurance can be found in the Gothaer Sustainability Report 2021, which is referenced in the attached index.

PSI Goal	Sub-Goal	Source
1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.	1.1 Strategy und Governance	Sustainability Report: P. 3, 5, 7, 8, 11, 12, 15, 16  Gothaer's Sustainability Strategy
	1.2 Risk management and Underwriting	Sustainability Report: P. 10, 19, 20, 21, 44
	1.3 Product- & Service Development	Sustainability Report: P. 36, 37, 38, 39, 42, 46, 47
	1.4 Customer-management	Sustainability Report: P. 22, 23, 24, 48, 49, 50, 51, 52, 53, 97, 101, 102
	1.5 Sales & Marketing	Sustainability Report: P. 66, 67, 68, 74, 75
	1.6 Investment Management	Sustainability Report: P. 28, 29, 30, 31, 32, 34
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.	2.1 Customers and Suppliers	Sustainability Report: P. 31, 32, 44, 46, 47  Gothaer Energiewende website: <a href="https://energiewende.gothaer-digital.de">https://energiewende.gothaer-digital.de</a>
	2.2 Reinsurance & other Functions	Sustainability Report: P. 92, 93  Press release Gothaer, December 15, 2021 10:30 AM
3. We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.	3.1 Government, Regulations, Politics	Sustainability Report: P. 17, 18
	3.2 Other Stakeholders	Sustainability Report: P. 17, 18, 49, 94, 97

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