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# Principles for Sustainable Insurance as at July 2021.

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 140 organisations worldwide have adopted the **four Principles for Sustainable Insurance**, with PSI members representing more than 25 per cent of global premium volume and USD 14 trillion in assets under management. The Principles are part of the insurance industry criteria of the Dow Jones Sustainability Index and the FTSE4Good sustainability indexes.

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.

“Sustainability has long been an integral part of our business model and corporate culture, which is based on attractive, high-quality products, unwavering customer orientation and employee advancement. Our objective is to get a little bit better every day, not only in terms of our own work but also with respect to the impact we have on society and the environment. This conviction is apparent in both our investment strategy and our products and services, where for years we have placed increasing importance on social and environmental perspectives along-side economic aspects.

As one of the largest financial services groups in Germany, we are aware of our responsibility, and by signing on to the Principles for Sustainable Insurance, we are underscoring our commitment to align our actions with sustainability considerations and to systematically integrate the Principles into our decision-making processes throughout the company.”

This document describes our commitments and progress in 2021 with regard to the implementation of the Principles for Sustainable Insurance and highlights topics of special importance to the W&W Group.



Alexander Mayer

Chief Financial Officer,  
Member of the Executive  
Board of W&W AG

## COMPANY PROFILE



The **W&W Group**, an independent financial services group headquartered in Stuttgart (Germany), emerged from the merger of the two long-established companies Wüstenrot and Württembergische in 1999.

The W&W Group has three business divisions: Housing, Insurance and brandpool. The combination of business areas means that the W&W Group can cover all financial planning needs from a single source. It focuses on private and business clients in the core market of Germany.

In the Housing division, the focus is on the home loan and 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.

The brandpool division oversees the digital brand Adam Riese and, since 2018, the new digital activities of the W&W Group. It is also dedicated to financial planning and invests in digital business models in the areas of housing, finance, health, family, education and mobility.

With regard to 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 and Württembergische Versicherung AG are among the top twelve German life and property insurance providers.

The Group's strengths include a large base of some six 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 offers round off the portfolio.

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

## Strategy

Responsible action and social commitment have a long tradition in the W&W Group and are an integral part of our corporate culture. They are embedded in the Group strategy, and responsibility for them rests with the Group Development department under the direction of Group CEO Jürgen A. Junker. We seek to conduct our business in a way that is environmentally sound, socially responsible and economically successful – for the present and future generations, to whom we feel we owe an obligation. At the W&W Group, the focus within the three pillars of sustainability is primarily on economic and social aspects. But the environmental pillar is also becoming increasingly significant, both for us and for the entire financial services sector. In this sense, our understanding of sustainable development involves combining the following fields of action: economic and social progress, products and customers, capital investments, employees, environment, social commitment and compliance. The W&W Group's sustainability mission statement, which is currently being updated, encapsulates our understanding. A Sustainability Board reviews the strategic alignment and coordinates operationalisation in the aforementioned fields of actions.

## Risk

Sustainability aspects may give rise to risks. So-called sustainability risks may materialise from internal and external risk drivers or triggering events in the areas of climate, environment, social affairs, politics, corporate governance and compliance, and in the individual risk areas, they may have a negative impact on the net assets, financial position or financial performance of the W&W Group. Accordingly, sustainability risks are to be addressed in the organisation and actions of the W&W Group and the associated individual companies in such a way as to avoid manifestations that pose a threat to their existence. Sustainability risks are to be treated in a forward-looking manner. In this regard, the risk strategy of the W&W Group also specifies the framework with which sustainability risks are integrated into risk management.

Of special importance in this respect are reputation risks, sustainability risks in capital investments and physical risks in the area of underwriting risks. In order to limit, in particular, reputation risks arising from sustainability aspects, the sustainability mission statement of the W&W Group specifies the principles for sustainable and responsible actions. Sustainability risks in the area of capital investments are limited, for example, by defining corresponding exclusion criteria. Physical risks, such as natural hazards in the area of insurance risks, are limited through underwriting policies and reinsurance agreements, among other things.

## 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 pension plans make it possible for people and society to secure their standard of living. In addition, preventive measures reduce the likelihood of losses, such as break-ins, fires and workplace accidents.

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 a loss, the consequences can be remedied or limited. In addition, they cover the added costs for restoring destroyed items in an energy-efficient manner, through insurance policies for household contents or residential buildings, for instance. More-over, Württembergische Lebensversicherung AG offers the annuity insurance product Genius with a stronger environmental focus. For this purpose, 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. The offering of funds with environmental and social features and sustainable investments has been expanded considerably in the past twelve months. In particular, a new fund was introduced – "W&W Nachhaltige Strategie" (W&W Sustainable Strategy). This is also available for direct investment.

## Underwriting

We are developing a concept regarding which ESG risks we can tolerate and which we cannot. Therefore, we have begun to integrate ESG issues into underwriting. 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.

## Investments

In the W&W Group, the aspects of sustainable capital investment are taken into consideration and documented in the annual capital investment process of strategic asset allocation. This includes, among other things, a Group-wide exclusion of manufacturing companies that violate the UN conventions on the prohibition of anti-personnel mines and cluster munitions. Also excluded are investments in companies that generate > 1 per cent of their revenue from arms manufacturing or dealing, as well as investments in companies where > 10 per cent of their activity is related to coal. In addition, investments are excluded in companies involved in the use of forced or child labour. Furthermore, investments in agricultural commodities are prohibited.

Alongside such exclusions, the W&W Group is investing increasingly in renewable energies, mainly wind and solar. For instance, the W&W Group directly and indirectly owns approximately 585 megawatts of sustainable, environmentally friendly generation capacity. This can supply around 212,297 households (year-end 2020) with green power annually. The importance of the issue of sustainability is also growing with respect to bonds, which traditionally form the largest part of our investments, in the form of "green bonds". We are striving to take this form of investment into consideration for new investments and reinvestments in order to make a further contribution towards the financing of environmentally friendly projects. As at the end of 2020, the W&W Group held green bonds with a market value of about €870 million (previous year: €508 million).

**Principle 2: We will work together with our customers 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 working conditions along the supply chain and respect for human rights.

We consider our 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, including termination of the business relationship.

Current regulatory initiatives include measures to improve the protection of human rights in global supply chains (Lieferkettensorgfaltspflichtengesetz [German Act on Corporate Due Diligence Obligations in Supply Chains]). The requirements resulting from them are currently in the project stage in the W&W Group.

Our chosen external managers for equity, bond and property funds are in principle 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 regular advanced training and we also provide expert informational material.

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



**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 overview of opinions 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 are committed 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 by regularly disclosing publicly our progress in implementing the Principles.**

This is our first PSI report, and it covers the situation in July 2021. Going forward, the W&W Group will provide updated PSI progress reports 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 undertakings, collaborations and initiatives, we provide information relating to the sustainability mission statement via the following topic areas: sustainability as a set target, environment, products, employees, social commitment.



