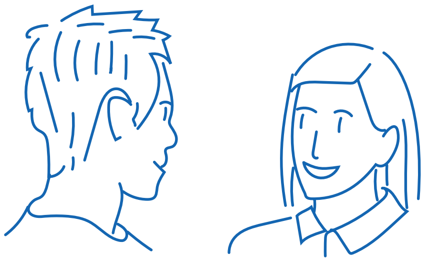
Responsible Investment at UNIQA

For UNIQA, sustainability means taking responsibility not only for our products and services, but also for our activities and business practices. We consider our obligation to extend to economic, social and ecological areas.



Sustainability in Investments

The risk transfer that insurance companies offer is an important prerequisite for the functioning and stability of our economic and social systems. The risks covered by an insurance company are offset by a large investment portfolio in which the collected premiums are invested.

These investments are engaged in the economy and thus have an impact on society and the environment. They are therefore neither virtual nor are they ethically neutral. Our consistently sustainable approach therefore also includes the responsible management of our investments.

UNIQA's sustainable asset management should therefore meet the following criteria:

- The values should reflect our business strategy and positioning
- Meet the interests of our most important stakeholders (customers, business partners, employees, investors, the public)
- Counteract the risks of the insurance business as far as possible (for example through preventive health care, climate protection, accident prevention).

Sustainability and Investment Performance

We are convinced that a sustainable investment strategy can be economically successful in the long term and represent a positive addition to the classic investment goals of „return", „security" and „liquidity". Social and ecological criteria in the context of the investment decision are not a moral diligence task for us, but economically required. The reputation with customers, the loyalty of qualified employees and corruption-free structures are also economic success factors for companies, countries and their investors. Sustainability criteria do not replace the proven instruments of classic securities management, but they complement them in a beneficial way.

Inclusion of Sustainability Risks in Investment Decisions

Sustainability risks are defined by UNIQA's exclusion and negative criteria. These include corporate and governmental activities that we consider critical and therefore highly risky in terms of sustainability. Specifically, these criteria relate to specific business areas (such as tobacco, coal), technologies (such as the use of nuclear energy) or practices (such as corruption, human rights violations).

The Effects of Sustainability Risks

Below are some expected negative effects on returns based on the individual sustainability risks. For companies, these are for example the following:

- Although **nuclear energy** is often seen as a CO2-free contribution to climate protection, it is also an ecologically and socially high-risk technology (complex safety precautions, recurring incidents), which also raises the problem of the final storage of nuclear waste. The case of Fukushima / TEPCO in 2011 has impressively shown how vulnerable not only companies from the nuclear industry are, but also countries that rely heavily on this energy source.
- Due to legal restrictions and a broad change in public awareness, the **tobacco** industry is on the retreat, at least in the developed countries.
- **Fossil fuels** are among the largest emission sources of greenhouse gases and are therefore one of the main causes of global warming. Political considerations are shifting in such a way that renewable energy sources should replace fossil energy sources as far as possible. Fossil energy sources are expected to generate declining yields. Fossil energy sources, such as oil and gas reserves, may become „stranded assets“ which remain in the ground and are not extracted. Companies that produce, refine, transport or sell oil, gas and coal are among the economic losers in this realistic scenario. This also applies to those industries that are responsible for high fossil energy consumption, such as the automotive and aviation industries.
- **Labor and human rights** violations, corruption or serious environmental damage can impact the reputation of a company among its customers and the public. This can have a negative impact on sales or trigger compensation and penalty payments.

The following risks also apply to government issuers:

- High **military spending** and warfare put a strain on the budget and compete with more productive state investments, i.e., education and innovation. This directly and indirectly increases the default risk of government bonds.
- A country's **human rights violations, the death penalty, inadequate standards of democracy and civil rights, and corruption** are indications of high social risks that dampen the economic development of the affected countries and, in extreme cases, lead to a „Failed State". This, too, can increase the default risk of government bonds.

Adverse Sustainability Impacts

UNIQA will include adverse sustainability effects in its investment decisions and consider their impact on sustainability factors.

Investment decisions, i.e., in the form of purchasing a company's security for an investment portfolio, also have relevance to environmental, social and employee concerns, respect for human rights and the fight against corruption and bribery. It is particularly important to identify and specifically reduce negative sustainability impacts.

Description of the main Adverse Sustainability Impacts

- **Greenhouse gas emissions,** especially carbon dioxide, but also other gases such as methane and CFCs, cause the earth's atmosphere to heat up and influence the climate in a hardly predictable way. The tendency is for temperatures to rise and extreme weather events to increase. This has negative effects on nature, human health, habitats, agricultural yields, etc., including consequential effects such as migration flows.
  Energy supply is the main source of man-made greenhouse gas emissions. The extent of damage to the climate and other negative environmental and social effects (i.e., oil disasters) are related to energy consumption and the type of energy sources used (i.e., renewable vs. fossil fuels).
- **Biodiversity and the preservation of ecosystems** are important conditions for the quality of human life. They are part of the food and resource base and factors for physical and mental health. Destroyed ecosystems cause disease, shortage and migration flows.
- **Water** is habitat and the basis of life for humans and nature. The lack of water or clean water endangers life and health.
- **Waste** is a result of non-functioning material cycles. Valuable resources are wasted and hazardous waste damages habitats and health.
- The disregard of **social and employee interests** by companies, such as discrimination or exploitative and unhealthy working conditions, creates imbalances and feeds social conflicts.
- **Human rights** are universal, inalienable and indivisible. The violation of these civil, political, economic, social and cultural claims derived from human dignity destroys the foundations of peaceful coexistence.
- **Corruption and bribery** are violations of economic and social rules. They destroy general prosperity and trust and create illegitimate advantages for individuals.

How can Sustainability be measured?

Positive Criteria

Practical sustainability criteria require a meaningful operationalization (i.e., the criteria „occupational safety“ can be made measurable via indicators such as accident rate, safety management, etc.) as well as a case-specific weighting, which considers the relevance (i.e., by industry).

We assess the sustainability of companies, countries or other security issuers, whereby we analyse companies and their interaction with the so-called stakeholders (employees, customers, state and public, investors, suppliers and partners, and, in a broader view, the natural environment). This model is well suited for analysing responsible investments, as classical business management analysis examines companies according to their functional areas: procurement (stakeholder supplier), production, marketing and sales (stakeholder customer), human resources (employees), finance (investors), public relations (public), etc. Companies are organized in this structure and reporting follows this structure.

For Sovereign issuers we focus on wider themes, as Government policy and administration is usually structured along target fields: Work, prosperity, education, health, safety, environmental protection, etc.

In addition, sustainability is also viewed according to its goals. The Sustainable Development Goals (SDGs) adopted by the United Nations contain 17 such goals: for example, ending poverty, securing food supplies, sustainable consumption and production.

Examples of Sectors where we focus on Sustainability Criteria:

- Products and Services
- Strategy and Organization
- Social Stakeholder
- Environment
- Democratic Participation, Politics and Administration
- Prosperity and Security
- Health, Education and Infrastructure
- Contributions to the 17 Sustainable Development Goals (SDGs)

Negative Criteria

Practical negative criteria require a clear definition of content (which products, services and practices) and a definition of tolerable levels of concern. The latter considers, among other things, the fact that complex group structures with many levels of participation make marginal points of contact in problem areas very probable and at the same time extremely difficult to research.

In order to invest responsibly, we make a judgement on corporate and government activities we consider critical in terms of sustainability. In addition to clear factors such as human rights violations, other areas are at least viewed controversially (such as the production of military weapons) without declaring the purpose pursued (such as the protection of the population) to be a violation.

Tolerances are defined, where possible, as a share of sales or another quantitative parameter. If business practices represent the negative criteria, a quantitative reference value is usually not available (i.e., in the case of human rights violations). In this case, a „significant extent“ is used as a basis. This is the case when the involvement of the company or state reaches a significant level in comparison to its own size or in the context of its environment (its country or market).
Examples of Sectors where we focus on Negative Criteria:

- Nuclear Energy
- Armor
- Tobacco
- Genetic Engineering
- Gambling
- Crude Oil and Natural Gas
- Serious Labor and Human Rights Violations

- Unethical Market Behavior
- Serious Environmental Damage
- Armament and Warfare
- Human Rights Violations and Death Penalty
- Massive Corruption
- Deficient Democracy and Civil rights
- Poor Climate Protection

Sectors we exclude from our Investments:
- Coal (after a threshold of 10% of a company's business activities)

Reporting according to internationally recognized Standards

Since 2017, we have been publishing an annual sustainability report that meets the standard of the Global Reporting Initiative (GRI). This report also contains indicators relating to climate protection and the goals of the Paris Convention.

Principles for Responsible Investment

UNIQA signed the Principles for Responsible Investment (PRI) at the end of 2020. The Principles for Responsible Investment is an investor initiative founded in 2006 under the leadership of the United Nations. The global network of over 3000 signatories already represents more than half of the professionally managed investments worldwide. As an independent partnership, the PRI initiative is dedicated to the practical implementation of six principles for responsible investing.

The goal is to better understand the impact of investment activities on environmental, social and governance issues and to help signatories integrate these issues into their investment decisions. To achieve this goal, members seek to promote good corporate governance, integrity and accountability by actively supporting the following six principles.

The Six Principles for Responsible Investment

1. We will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the principles within the investment industry.
5. We will work together to enhance the effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.