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# Sustainable insurance at UNIQA Corporate Business.



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The insurance industry has both the power and responsibility to drive progress towards sustainable future. Insurance is aimed at both protecting from the consequences of climate change, as well as enabling businesses by providing the services.

UNIQA Group defined Sustainability Strategy back in 2021 and among the five cornerstones is ESG orientation in product policy as well as transparent reporting and undergoing rating processes. The top priority is to integrate the concept of sustainability into the core business.

UNIQA Corporate Business (UCB), being responsible for all enterprise customers, follows the Group Strategy and establishes supplementary Corporate Standards and measurements to enable successful development of UNIQA sustainability agenda and ensure positive impact with its activities.

## A. Consideration of Principles of Sustainable Insurance

UNIQA Corporate Business is convinced to support creating a sustainable environment and therefore relies on Principles of Sustainable Insurance collaborative initiative, a global framework for the insurance industry to address environmental, social and governance risks and opportunities.

The vision of the PSI Initiative is of a risk aware world, where the insurance industry is trusted and plays its full role in enabling a healthy, safe, resilient, and sustainable society. The purpose of the PSI Initiative is to better understand, prevent and reduce environmental, social and governance risks, and better manage opportunities to provide quality and reliable risk protection.

The four Principles are based on the insurance industry's core business to understand, manage, and carry risk.

- 1. We embed in our decision-making environmental, social and governance issues relevant to our insurance business**
- 2. We work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions**
- 3. We work together with governments, regulators, and other key stakeholders to promote widespread action across society on environmental, social and governance issues**
- 4. We demonstrate accountability and transparency in regular disclosing publicly our progress in implementing the Principles.**

UNIQA Group signed up to these Principles of Sustainable Insurance and joined the network at the end of 2020. The first progress report will be published in 2023 and annually thereafter on the UNIQA Group homepage.

## B. Membership in Green Financial Alliance

The Green Finance Alliance is an initiative of the Austrian Ministry for Climate Action for future-oriented financial companies. Members of the Green Finance Alliance act as climate action pioneers and show that climate protection and sustainable business practices are compatible.

It defines five target dimensions covering the core business of its members: (1) aligning portfolios with the 1.5-degree target of the Paris Agreement, (2) creating greenhouse gas-neutral portfolios by 2050: Continuously reducing GHG emissions attributable



to portfolio positions, (3) expanding green activities in the core business, (4) managing climate risks and encouraging resilience, (5) promoting climate governance and climate mainstreaming.

UNIQA Group joined the Austrian Green Finance Alliance as one of nine founding members In May 2022. UCB shares broad part of the commitments linked to the membership, namely:

### Decarbonization statement

UCB committed publicly to phase out coal, natural gas, and crude oil business according to the timeline, criteria and exceptions explained in Green Financial Alliance Handbook. First Statement of Decarbonization concerning coal industry was published in May 2022 and the updated version with complete commitments on coal, natural gas and crude oil is publicly available from the beginning of 2023.

[See full Decarbonization statement.](#)

### Climate strategy

UCB Sustainability agenda is in line with the UNIQA Group climate strategy and supplements it with specific activities required or expected by Green Financial Alliance initiative, EU-Taxonomy, and internal ambition to steer portfolio of clients in way UCB supports sustainable economy.

### Engagement with clients

UCB prioritizes for the 2023-2025 active engagement with clients from industry sectors that are subject to phase-out commitments according to Green Financial Alliance Handbook, i.e., coal, natural gas, and oil. There is a positive track record in place of engagement with clients from coal sector with progress to be reported first in the beginning of 2023. UCB aims to continue engaging with clients of coal sector and establish dialogs with clients from natural gas and oil sectors, to ensure the business continuity only with those clients whose own sustainability agenda fulfills criteria of Green Financial Alliance. UNIQA commits to step out of business with clients who do not provide necessary confirmations or fall under absolute restriction for new business.

[See full Decarbonization statement.](#)

### Underwriting portfolio quality and targets

UCB is closely analyzing the portfolio to know the share of clients subject to NFRD report (CSRD from 2024) that are committed to targets stipulated by Paris Agreement and report their CO<sub>2</sub> emissions.

Our ambition is to have by 2040 100% of clients that are subject to non-financial report committing to climate neutrality or decarbonization strategy with interim targets.

## C. Consideration of EU-Taxonomy

The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities, adopted in the frames of the European Green Deal to meet the EU's climate and energy targets for 2030.

The Taxonomy Regulation establishes six environmental objectives: (1) climate change mitigation, (2) climate change adaptation, (3) sustainable use and protection of water and marine resources, (4) transition to a circular economy, (5) pollution prevention and control, and (6) protection and restoration of biodiversity and ecosystems. And it sets out 4 overarching conditions that an economic activity has to meet in order to qualify as environmentally sustainable.

To comply with the Taxonomy Regulation, UNIQA Corporate Business is consistently developing relevant products design, establishing detailed process for promoting sufficient clients' activities to increase resilience for damages caused by natural catastrophes and for providing coverage after a climate risk event in the building better context.



## D. Alignment with UNIQA Group Climate Strategy

UNIQA Group climate strategy is a special part of sustainability strategy, as the social prioritization and necessary operationalization require clear, efficient measures and a successful implementation.

**The UNIQA climate strategy consists of the following:**

- Assessment of climate risks for the current and planned business
- Determining our carbon footprint & tracking its reduction
- Principles of responsible carbon management UNIQA Sustainability Strategy
- Principles of a responsible product development process and a fundamental commitment to resource conserving economic activity

- Transparent communication strategy (sustainability reports, ESG facts on homepage, ESG rating processes)
- Gradual establishment of the recommendations of the Taskforce on Climate-related Disclosures (TCFD) and adaptation of a Paris target-compliant climate pathway

UNIQA Corporate Business defines 2 main dimensions of the sustainability agenda.

**Customers impact on climate**



- Portfolio decarbonisation
- Consideration of clients' CO<sub>2</sub> and ESG risks
- Clients' own sustainability agenda

**Climate impact on customers**



- Support climate-related risks resilience
- Develop recommendations, products and product components in light of climate change related risks

**UCB has aligned 5 pillars of activities to ensure successful work on the abovementioned dimensions:**

**Close work with own portfolio**

UCB receives CO<sub>2</sub> emission data and ESG risks evaluation for all corporate clients. That allows to evaluate the level of total emissions of the portfolio, set the goals for portfolio CO<sub>2</sub> emission decrease, plan what activities would lead to expected decrease and report the progress. Clients representing industry sectors subject to phase-out commitments are involved in active dialog to ensure business continuity only with companies with proper transition plan and no new projects in fossil fuel infrastructure.

UCB aims to analyze large enterprises more closely to be aware of their own progress with sustainability strategies.

**Transparent and timely documentation**

As an active member of various sustainable initiatives and due to reporting requirements, UNIQA Corporate Business commits to provide timely explanations and compliance documents.

**Development of new products and product components**

UNIQA Corporate Business plans to develop sustainable products and product components to ensure sup-

port of sustainable economies and promote sustainable choices along with continuous developments in sustainable technologies and processes.

### Engagement with clients

UCB aims to firstly engage with clients from the industries covered by phase-out commitment in frames of being member of Green Financial Alliance initiative by Austrian Ministry for Climate Action.

## E. Sustainability integration approach in UNIQA Corporate Business

### ESG risks/CO<sub>2</sub> Emission consideration in new Underwriting Standard

Facing climate change impact and the escalating frequency and severity of extreme weather-related events, insurance industry continuously develops the response to address climate-related risks and achieve better resilience.

To adjust business processes to emerging climate-related risks, follow the regulatory requirements and support corporate customers in their sustainability journey according to UNIQA 3.0 strategy, UNIQA Corporate Business (UCB) has defined rules and principles to govern all relevant business activities with respect to sustainability related factors.

UNIQA Corporate Business developed "UCB Environmental Social Governance (ESG) Standard" that is a supplementary document to the overall UCB Underwriting Standard and respects all the norms, principles, and regulations, referred in the Standard.

UCB (ESG) Standard is the core document for the practical implementation and execution of the UNIQA Group Sustainability Strategy in Corporate business, with respect to the targets stipulated by the Paris Agreement, EU-Taxonomy (namely ANNEX II to Commission Delegated Regulation) requirements for non-life insurance, United Nations Global Compact (UNGC), UNIQA Group membership in the Green Finance Alliance initiative of the Austrian Ministry for Climate Action.

The UCB ESG Standard considering the embedded tools and methods, should support steering the Portfolio and achieving the ESG-related targets. It pro-

### Increasing in-house sustainability expertise

Overall awareness about consideration of ESG factors for corporate insurance business as well as specific deep expertise in sustainable solutions for climate risks resilience is the key to successfully implement sustainable agenda in UCB. Therefore, we develop internal education programs on sustainability for vast audience to ensure proper level of competence.

vides detailed guidance for the major 2 dimensions: evaluating the clients' impact on the climate (quality of the corporate portfolio) and climate's impact on the clients (support climate risks resilience). It defines critical impact of ESG-factors on business decision making and describes how to proceed with critical clients. Standard covers also expected engagement with clients on ante- and post-loss activities to ensure increase of climate risks resilience.

Within UCB goal to reduce CO<sub>2</sub> emission of the portfolio at all, we consider sustainability risks (ESG) as well as opportunities which could lead to economically success in the long-term and represent a positive addition to the classic underwriting goals to become a well-diversified, safe and secure portfolio. The consideration of social, environmental and governance criteria in the context of underwriting decisions is thus economically necessary and form part of our moral responsibility to the current and future generations.

With an underwriting policy integrating ESG aspects, UNIQA Group believes that it can make an important contribution to climate protection and a more sustainable world.

### ESG Risk Management

Environmental, Social, and Governance (ESG) risks are becoming increasingly important for the insurance industry. These risks, which include issues such as climate change, social inequality, and corporate governance, will have a significant impact on our Underwriting Portfolio.

UNIQA Corporate Business has a growing awareness of the need to integrate ESG considerations into our business practices to better manage risks, protect

policyholders, and contribute to the transition to a more sustainable economy. This includes not just managing the environmental, social and governance risks that the companies themselves may face, but also assessing and pricing the risks of the companies and sectors in which they are invested.

We integrate an automated rating procedure which provides a reliable ESG risks assessment. The ESG Risk identification process is developed with the industry sector differentiated approach, reflecting on the relevance of an individual ESG risk events for a given sector. The process of consideration of ESG risks for underwriting is reflected in the UCB ESG Standard, correlated with UCB Underwriting Standard.

### Advice on and prevention of natural disasters

Supporting clients to become more climate risks resilient is one of the two main dimensions of UCB sustainability agenda. Implementing climate protection measures for UNIQA corporate customers includes activities related to disaster management, e.g.: advice and service in the event of natural disasters or for the recovery from damage (post-loss consultancy) as well as preventive measures for business interruptions caused by natural disasters, including the ongoing evaluation of the measures taken in these areas. The premium calculation for the so-called Nat Cat risks (risks from natural disasters) is also constantly being adapted and thus offers our customers more adequate protection against natural hazards.

### Ante loss:

In Risk engineering, UCB uses risk engineering techniques to help policyholders identify and mitigate climate related risks. This can include recommendations for improving the risk or offering incentives for policyholders to implement sustainable business practices.

### Post loss

During the Loss adjustment, UCB could also influence climate related risk resilience when adjusting claims. We already implement a consultancy and recommendation catalogue for re-building better after a natural catastrophic loss, where the main target is to increase the client`s resilience against future climate losses.

### CO<sub>2</sub> Transition

The reduction in CO<sub>2</sub> emissions that meets the Paris climate targets can only be achieved as a joint effort. With this in mind, we also want to motivate our corporate customers to work with us to reduce CO<sub>2</sub>. Large amounts of climate-damaging emissions can be saved in this way, particularly in the energy-intensive industrial sector.

UNIQA Corporate Business supports existing customers who want to exit coal, crude oil and natural gas related activities in the transformation of their business model. The prerequisite for this is the development and implementation of a credible transformation plan and alignment with defined sustainability criteria. [Further information can be found in our Statement on Decarbonization.](#)

### Focus on Insurance of the low-carbon economy

The renewable energy industry is constantly evolving – especially considering companies and economies aligning their strategies with Paris Agreement targets and continuously developing EU regulations. Our goal is to support and drive these advances by offering our expertise in insurance and risk consulting. Due to the high diversity of our target segment, we rely on semi-automated solutions with industry-specific risk advice in the SME area. At Large Enterprises we offer tailor-made sustainable insurance solutions. Based on the market potential and the needs of our customers, we also set industry priorities. For example, special solutions in the field of renewable energies were particularly in demand and therefore developed.





On the long term run, we plan to actively support our customers in the transition to renewable energies with our extensive technological expertise and our understanding of the electricity and energy industry.

### Governance for UCB Sustainability agenda

To monitor the adherence to our underwriting approach and to develop it further, Corporate Underwriting has defined an underwriting procedure and escalation flow in case of identified high ESG risks and the need for corrective measures.

In addition, a portfolio report is prepared once a year. This report contains the development of our portfolio in respect of the required fulfilment of:

- Climate targets stipulated by Paris Agreement
- Portfolio CO<sub>2</sub> emission reduction
- Portfolio adequacy to decarbonization plans, commitment to principles of United Nations Global Compact or minimum to Human Rights

This report will provide us holistic overview on the sustainability quality of the portfolio, an evaluation of the targets achievement and recommendations for quality improvement.



## F. Conclusion

UNIQA Corporate Business established own Underwriting Standard considering ESG risks. This guideline includes factors such as the environmental impact of the business operations, the company's compliance with regulations, and the social and governance practices. With this document, we make sure that managing of ESG risk is an integral part of the underwriting process.

Furthermore, we have set all important steps to get the deep insight in our portfolio and to increase the transparency about our own ESG-related risks. This will help us understand and evaluate losses caused by climate changes and to help stakeholders to understand and assess the necessary risk management efforts.

By implementing these measures, our aim is reducing the likelihood and impact of negative ESG-related events to our underwriting portfolio, promote sustainable practices in the long-term and support our customers to become more sustainable.

"As an insurance company, together with our corporate customers, we can make an important contribution to a CO<sub>2</sub>-neutral future. Through our underwriting policy, we decide on a daily basis which risks we accept and which we do not. In addition, we can support our corporate customers with our risk engineers on their way to climate-friendly production." Olivera Böhm, Chief Corporate Business & Affinity Officer.

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