



Climate Change Strategy of Vienna Insurance Group Investing and underwriting in the coal power energy sector

1. Principles of VIG's Sustainability Strategy

Taking and maintaining responsibility is of particular importance to VIG and forms the basis of our sustainability strategy. The ability to fulfill all commitments we make to our customers today and to take responsibility for future generations is core to our business. Foresight is the basic requirement for the long-term stability of VIG Group and our economic goals have to be aligned with social and environmental interests.

VIG's Sustainability Strategy focuses on the following aspects:

- managing the long-term growth and financial stability of the Group on a forward-looking basis
- including social, environmental and governance factors in our general business and risk strategy
- integrating environmental interests, social interests and human rights in our investment process
- complying with all applicable legal and regulatory requirements and self-imposed internal standards (e.g. Code of Business Ethics, prevention of corruption and bribery)

Further information about VIG's corporate responsibility and sustainability strategy is available on <https://www.vig.com/en/corporate-responsibility.html>

2. Environmental Aspects

Protection of the environment is one of the five core areas of VIG's corporate responsibility strategy. In this respect, our focus is on the following main aspects:

- addressing climate change and climate risks
- using energy, water and other resources efficiently,
- minimising greenhouse gas emissions and air pollution from our operations, especially our office buildings and transport of employees.

Climate risks – and consequently the increasing danger of natural disasters – impact to a great extent whether and at what scale insurance coverage is available and affordable to the society. VIG has therefore significantly enhanced its expert knowledge in the area of natural disaster modelling. This knowledge is used in product design and price setting and therefore helps customers improve their

awareness of risk. VIG will continue its efforts to better understand climate risks and its impacts and to develop and promote awareness-raising initiatives.

Environmental protection and efficient usage of resources also play an increasingly important role in the day-to-day running of each company at VIG Group, such as office management and the transport of our employees, including the usage of state-of-the-art technology in business communication to substitute business trips.

3. Climate change awareness

VIG will further raise awareness regarding climate change and the resulting global warming within the Group companies. As a part of this effort, VIG has decided to implement a dedicated investment and underwriting strategy to support green investments and a low-carbon future. In particular, VIG clearly reduces investment and underwriting policies in the coal sector.

4. VIG Group Policy for Coal Sector / Coal Power Energy

4.1. Direct investments

- No new direct investments into companies
 - with more than 30% share of sales from thermal coal mining and/or
 - which produce yearly more than 20 million tonnes of thermal coal and/or
 - which generate more than 30% of their total power generation from thermal coal and/or
 - which generate yearly more than 10 GW energy out of thermal coal.
- Inappropriate existing investments will be reduced significantly by more than 50% until end of 2025 respectively will be eliminated completely until end of 2035 at the latest.
- Implementing an investment strategy to consciously increase the share of green investments (e.g. renewable energies, green bonds, environmental friendly construction methods, renovation of existing buildings of non-profit societies).

4.2. Underwriting

VIG's coal sector underwriting policy is guided by the national energy strategy of the respective country where VIG companies are operating.

4.2.1. Underwriting policy in countries with an existing coal energy exit strategy

- Providing with immediate effect no insurance of any new coal mining or coal power plant construction project
- Phasing out (no renewal) of existing risk insurance of
 - coal mines,
 - coal plants or
 - energy sector companies which
 - generate more than 30% share of sales from thermal coal mining and/or
 - produce yearly more than 20 million tonnes of thermal coal and/or

- generate more than 30% of their total power generation from thermal coal and/or
- generate yearly more than 10 GW energy out of thermal coal.

4.2.2. Underwriting policy in countries without an existing coal energy exit strategy

- Providing with immediate effect no insurance of any new coal mining or coal power plant construction project
- Committing to pursue a consistently declining underwriting strategy of existing risk insurance. VIG companies will specifically not increase their engagement or setting activities in insurance cover for coal risks or coal construction projects as a result of the exit strategies of competitors.
- For countries where the economy and employment depend significantly on the coal sector, the insurance of coal risks might be maintained in exceptional cases subject to:
 - the obligation to manage transition risks to be fully compliant with European regulations (e.g. to secure a stable and coordinated transition to a low carbon energy supply as a protection of the society),
 - by local management's approval,
 - be fully compliant with applicable legal emission standards; implementation of measures to reduce environmental impacts and activities to protect the community and citizens,
 - and the policy holder presenting a credible plan for exiting coal-fired generation with a just transition plan within two years. Just transition risks specifically relate to steps taken to support employees/regions which are significantly affected by the transition from a CO₂-intensive to a low-emission economy (e.g. retraining programs).
- Local underwriting policies shall be adjusted to comply with any material changes of the national energy supply strategy.

5. Validity and Application

This VIG Group strategy for coal sector/coal power energy is obligatory for all VIG Group companies. Investment and underwriting guidelines will be adapted in the course of the second quarter 2019.

Vienna, May 2019

VIENNA INSURANCE GROUP AG
 Wiener Versicherung Gruppe
 The Managing Board