

PRINCIPLES FOR SUSTAINABLE INSURANCE



Contents

Introduction	2
Principle 1	3
Principle 2	8
Principle 3	9
Principle 4	10
Index	11
Imprint	12

The United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance is the insurance industry's global framework for managing environmental, social and governance risks and opportunities. By officially joining the initiative on April 29, 2022, we commit to manage our entire value chain responsibly and proactively.

As LVM, we want to contribute to build the future responsibly. Consequently, sustainability is firmly anchored in our corporate strategy. To us, sustainability entails assuming long-term, comprehensive responsibility for both people and the environment. This understanding is reflected in our ecological, social and entrepreneurial practices.

By signing the PSI, we have decided to actively contribute to this initiative. We will disclose our progress in implementing the PSI principles on an annual basis. With this report, we are disclosing our progress for the second time. In it, we report on the most important undertakings in 2023 with references to our sustainability report.



Principle 1

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

E S G

Sustainability Strategy 2025

To embed sustainability holistically at LVM, we have developed the Sustainability Strategy 2025, which focuses on seven key areas. Establishing a dedicated sustainability division, and individual sustainability representatives across our different departments, has provided a structured framework for executing this strategy. We take a holistic view of sustainability and align our commitment to the ESG criteria, which describe ecological, social and governance-relevant dimensions. Our LVM Sustainability Guiding Principle is based on the following approach:

Sustainable ecological action (E) includes aspects relating to environmental and climate protection, e.g., saving emissions, energy-efficient management, or the expansion of renewable energies. As LVM, we consider long-term and permanent effects of our entrepreneurial actions in our business areas and align our business model to a more efficient and sparing use of resources.

Sustainable social action (S) encompasses the social responsibility of organizations as part of our society. For us, this means that we take into account the needs of employees, confidential advisors as well as their teams, customers and society - even beyond legal obligations.

Sustainable economic action (G) refers to responsible corporate management, e.g., decision-making, stakeholder rights and obligations as well as dealing with conflicts of interest. We want to be a reliable partner now and in the future. Therefore, we take ecological, economic, and social interests into account in a balanced way.

For LVM, sustainability means being a reliable partner and taking long-term and holistic responsibility for people and the environment.



Own Operations

In seven working groups (energy, resources & waste, procurement, green IT, LVM agencies, mobility, events) we aim to minimize the consumption of resources and emissions of CO₂ associated with our business activities. Our long-term goal: climate neutrality. To achieve this goal, we concluded a power purchase agreement with Stadtwerke Münster in 2023. This ensures that from 2024 onwards 20 percent of our electricity supply is sourced from a regional rooftop photovoltaic system. Renewable power plants in Schleswig-Holstein and Lower Saxony supply the additional electricity required.



Sustainable products

Social and ecological criteria will play an even greater role in product design and management in the future. For example, we already promote renewable energies, e-mobility and are a companion for sustainable agriculture. Also, investment products and damage compensation will meet more stringent sustainable requirements in the long term.



Sustainable investments

Asset investment is our most significant lever for sustainable development. In pursuing responsible investment, we can promote the shift towards a more sustainable society, while avoiding risks and taking advantage of opportunities for generating returns. Back in 2017, we set our own exclusion criteria for the LVM companies. By signing the UN Principles for Responsible Investment, we committed to take six environmental, social, and corporate governance aspects into account. In addition, we joined the Net-Zero Asset Owner Alliance in 2021, setting ourselves the goal of reducing the CO₂ emissions of our entire investment portfolio to net zero by 2050.





Responsible employer & contractual partner

We are constantly striving to expand support for our employees, agency owners and their sales representatives to strengthen LVM's attractiveness as an employer and contractual partner. For the employees of the head office, this means strengthening our pioneering role, e.g. through targeted activities in New Work. In addition, we will expand our commitment to our sales force – as well as office staff – by offering enhanced training and development opportunities, promoting healthcare, and supporting the balance of family, work and care responsibilities.



Diversity

We want our employees to work in an environment in which different perspectives are equally recognized and valued and where everyone can participate equally. For this reason, we provide employees, agency owner and their teams with additional information about diversity. In the long term, we will reduce access barriers in structures and processes.



Social engagement

We assume social and societal responsibility. For example, we support sports, cultural and social institutions. In addition to new projects in environmental protection and nature conservation, we will increase our support for the integration of people with disabilities into society.



Governance

We are accountable and communicate transparently by regularly disclosing our progress in implementing the sustainability strategy. An important milestone for us was joining the Principles for Sustainable Insurance.

Overall responsibility for sustainability has been assumed by the Board of Management. The sustainability strategy has been ratified by the Supervisory Board and the Board of Management. The Board of Management is regularly updated about the implementation of the sustainability strategy. In this context, the new sustainability division - established in 2022 - is anchored in the department of the Chairman of the Board of Management and reports directly to him.

The sustainability division coordinates the implementation of the sustainability strategy. Its team members are also contact persons outside and inside the company. Additionally, sustainability managers within each department lend their expertise to support the division's efforts. While the specialist departments are responsible for implementing sustainability-actions, the division ensures alignment with LVM's sustainability goals. This approach allows us to address the growing significance of sustainability in business operations effectively. Regulatory requirements are coordinated by the Legal department and implemented in working groups.

Sustainability in risk management

In LVM's risk management system, we consider sustainability risks with a negative impact on LVM. Sustainability risks result from events or conditions in the areas of environment, social affairs or corporate governance and can lead to a (negative) deviation from targets, if they occur. These sustainability risks can

materialize in all existing risk categories and are therefore not considered as a separate risk category, but as an overarching issue in all risk categories.

In addition to the impact of financial and non-financial risks in the group-wide risk management system, the sustainability

department, together with in-house experts, also examines the non-financial risks associated with LVM's business activities (§ 289c HGB).



Focus on customers' needs

Customer satisfaction is a central success factor for LVM. Our goal is to ensure that our customers are among the most satisfied policyholders in the industry. To achieve this, our products, advice, and support are consistently adapted to the needs and desires of our customers. Through the collaboration of our agencies, field sales representatives, and internal service teams, we provide personalized, knowledgeable, and efficient assistance. With 2,200 agency owners and partners, as well as 5,100 dedicated employees throughout Germany, we are close to our customers. They are the first point of contact, directly addressing customer concerns and ensuring individualized support. By joining the Code of Conduct of the German Insurance Industry, we promise that our sales representatives are qualified and reliable partners for our customers.



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.

Dialogue with customers

As part of our advice on insurance investment products, we have expanded the assessment of suitability to include a query about sustainability preferences, in line with the current European requirements for insurance sales. Since August 2022, we have been asking customers whether they have any of the three sustainability preferences specified in the Delegated Regulation amending the Insurance Distribution Directive (IDD) and, if so, which ones.

Engagement approach to investment

In our investments, we have opted for the engagement approach, i.e., actively influencing companies to encourage them to operate more sustainably. We are convinced that we can exert a positive influence through constructive dialog with the companies concerned. The engagement approach of the active investor means that we promote and demand the idea of sustainable investing

at all levels available to us as an investor. Engagement represents an important lever for investors to reduce portfolio emissions. We will pursue targeted engagement with listed companies in our portfolio on climate change, supported by our stewardship partner EOS at Federated Hermes.

Engagement will focus on the factors that support full corporate alignment with the Paris Climate Agreement, including achieving net zero emissions by 2050, addressing issues such as decarbonization and low-carbon action (i.e., CO₂ mitigation), physical climate risks, and transparency. We aim to gain exposure to at least 20 of the largest CO₂ emitters in our portfolio of listed equities and corporate bonds.

Procurement

Our culture of trust is based on transparency, openness and respectful interaction with employees, representatives, customers and suppliers. Based on this, the observance of and compliance with internationally recognized human rights are a central part of our self-image.

In order to prevent human rights and minimize environmental risks in our supply chain and/or put an end to potential violations of human rights and environmental obligations, we have established a risk management process in accordance with the requirements of the German Supply Chain Due Diligence Act (LkSG). It comprises various due diligence obligations, for the implementation of which we have set up internal responsibilities and processes. This process covers various human rights and environmental issues such as the prohibition of child and forced/compulsory labor and respect for freedom of association.

We are aware of our responsibility for the ecological impact within our procurement process. For this reason, we significantly expanded the data basis on the ecological impact of the procurement of IT products, vehicles, construction materials, paper, food and marketing products, and services. This was an important step towards being able to derive measures based on the status quo. In dialog with our suppliers, we recognized that the importance of sustainable procurement is increasing.

Berufsbildungswerk der Deutschen Versicherungswirtschaft (BWW) e.V.

In cooperation with the BWW, LVM was involved in the education congress for sustainability in education. The focus was on the development of a new skills grid in which sustainable action skills were integrated into the professional, social and personal skills dimensions.

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. LVM is involved through memberships, especially in associations. Significant memberships of LVM in ESG-related associations and organizations are:

■ **German Insurance Association (GDV)**
(www.gdv.de/gdv)

The German Insurance Association (GDV) is the central organization of private insurers in Germany. It represents their interests towards parliament, government and the public on a national and European level. The GDV hosts numerous working groups in which LVM experts are engaged. For example, we are represented in the Own Operations working group. This working group is concerned with the development of a guideline for dealing with emissions and their accounting.

■ **German Sustainability Network, V.E.R.S. Leipzig GmbH** (www.gsn-fsi.de)

As an industry initiative, the German Sustainability Network offers the insurance industry a platform for discussing, working and developing issues relating to sustainability. Here, LVM is also represented as a member.

■ **Net-Zero Asset Owner Alliance**
(www.unepfi.org/net-zero-alliance)

By joining the Net-Zero Asset Owner Alliance (NZAOA), initiated and supported by the United Nations (UN), LVM has reaffirmed its commitment to responsible investing and the goals of the Paris Climate Agreement. Members of NZAOA are 83 international institutional investors managing assets worth a total of approximately 9.5 trillion US dollars (as of June 2024). The initiative focuses on redirecting capital and investment flows to transform the real economy in order to achieve the internationally agreed climate targets.

■ **Berufsbildungswerk der Deutschen Versicherungswirtschaft e. V.** (www.bvw.de)

LVM is a member of the Berufsbildungswerk der Deutschen Versicherungswirtschaft e. V., Regionalverband Münster. In this position we support the activities of the Berufsbildungswerk. LVM employees work as speakers on specialist topics and are members of the examination boards. In addition, LVM provides the association with business facilities.

■ **North Westphalia Chamber of Industry and Commerce** (www.ihk.de/nordwestfalen/nachhaltigkeit/)

The North Westphalia Chamber of Industry and Commerce has recognized that the effects of climate change, the progressive loss of biodiversity and the growing consumption of resources are causing medium- and long-term adverse conditions for business in the IHK district. As a result, a committee for corporate sustainability was appointed. LVM is represented in this committee by one member. The task of the committee is to draft a target picture that outlines a future-proof and sustainable regional economy.

In addition to the regular adjustment of the target picture, the committee proposes interim steps with suitable measures and focal points for action. It drafts key point papers for the plenary assembly and is in exchange with other committees of the plenary assembly. The committee is organized into further subgroups, e.g., the Social Sustainability Working Group, in which LVM is represented too.

■ **Climate City Münster – EU project „100 Climate-Neutral and Smart Cities“**

As one of 100 cities, Münster is developing a Climate City Agreement with the city society as part of the EU project „100 Climate-Neutral and Smart Cities.“ Citizens, companies, associations and initiatives: Everyone can contribute on Münster's path to climate neutrality. LVM is also supporting this effort. By achieving its own goals for reducing CO₂, LVM is also minimizing emissions in the urban atmosphere.



Helfen verbindet Menschen

Helping in an uncomplicated way where help is needed. This is the goal that the association „LVM Helfen verbindet Menschen e. V.“ (HvM) has been pursuing since it was founded in 2002. „LVM Helfen verbindet Menschen e. V.“ is a non-profit association whose mission is to promote social civic engagement. Its three main areas of focus are the promotion of voluntary work, situational disaster relief and the promotion of large-scale projects.



Principle 4

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

Transparency is a key area of our sustainability strategy. We make it a priority to openly communicate our sustainability goals and progress, ensuring accessibility to the public. Since 2017, LVM has published an annual Sustainability Report. In it, we present our key performance indicators, plans and projects in connection with our sustainable commitment. The Sustainability Report of the year 2023 was drawn up in accordance with the global guidelines for sustainability reporting of the Global Reporting Initiative (GRI).

Further information on compliance with the Principles for Sustainable Insurance and the achievement of our sustainability targets can be found in the [Sustainability Report 2023](#), our [homepage](#), and [UN PRI Transparency Report](#).

Index

PSI Goal	Sub-Goal	Source Sustainability Report 2022
1. We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.	1.1 Strategy und Governance	p. 3, 10-13, 38-46, 54-58
	1.2 Risk management and Underwriting	p. 6, 14
	1.3 Product- & Service Development	p. 27-31, 32
	1.4 Claims management	p. 22, 23, 26, 30
	1.5 Sales & Marketing	p. 30, 31, 38
	1.6 Investment Management	p. 3, 33-36
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	p. 30, 31, 35, 56
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	p. 8
	3.2 Other Stakeholders	p. 8, 19-21, 22, 24, 26, www.helfen-verbindet-menschen.de

Publisher

LVM Versicherung
Kolde-Ring 21
48151 Münster
Telefon 0251 702-0
info@lvm.de
www.lvm.de

