Sustainability-related information according to EU Disclosure Regulation[1]

Information on Medlife Insurance Ltd approach to sustainability risks and sustainability impacts

General

By endorsing the Paris Agreement[2] , the participating countries have committed to limiting the global temperature increase to well below 2^0 C or, if possible, to 1.5^0 C above pre-industrial levels. To achieve these goals and reduce the impact of climate change, the European Commission published a comprehensive action plan on financing sustainable growth[3] in March 2018 and the European Green Deal[4] in December 2019. Part of this action plan provides for the reduction of information asymmetries in the relationships between customers and financial market participants or financial advisors. This concerns the inclusion of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social features as well as sustainable investments. These information asymmetries are to be eliminated by means of mandatory pre-contractual information and ongoing disclosures by financial market participants and financial advisors to end investors, which also include policyholders. Regulation (EU) 2019/2088 on Sustainable Finance Disclosure Regulation (SFDR) also requires financial market participants and financial advisors to publish written policies on the integration of sustainability risks.

As an life insurance company, Medlife Insurance Ltd offers and advises on insurance-based investment products (IBIP), among other things. Consequently, Medlife Insurance Ltd is considered both a financial market participant and a financial advisor within the meaning of the SFDR and is therefore obliged to make the corresponding disclosures.

Art. 2 no. 22 SFDR defines the term *sustainability risk* as follows: "An environmental, social or governance event or condition, the occurrence of which could have a material adverse effect, actual or potential, on the value of the investment. The abbreviation ESG stands for Environment, Social and Governance.

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1) Disclosure pursuant to Art. 3, 4, 5, 10 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosure requirements in the financial services sector, OJ.L 317, 1.

2) https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

3) https://ec.europa.eu/info/publications/sustainable-finance-renewed-strategy_en#action-plan

4) https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

Due to the progressive change of the climate, climate risks are increasingly coming into focus. Climate risks are all those risks that arise as a result of climate change or are intensified as a result of climate change[5]. Climate risks can be roughly divided into the following categories:

- Physical risks that result directly from the consequences of climate change (e.g. increased up-occurrence of natural disasters, loss of biodiversity, decline in snow cover, extreme drought).
- Transition risks that arise from the transition to a climate-neutral and resilient economy and society and can lead to a devaluation of assets (e.g. change in political and legal framework conditions, new technological developments, changed customer behavior).

For Medlife Insurance Ltd, as a traditional company that has existed for more than 25 years, sustainability is not just a buzzword – for us, as a responsible company, it is a fundamental concept. Limiting global warming and thus mitigating climate change is a major priority for us and receives the appropriate attention both in the designing of insurance products and in the investment process.

As a provider of life insurance products, we have an obligation to our customers to generate an appropriate return and to meet our obligations in the long term. In this respect, sustainability risks and ESG preferences of our customers are also taken into account in our insurance advisory activities, especially when advising on insurance investment products.

Identify, analyze and maintain sustainability risks

The Executive Board of Medlife Insurance Ltd sets the framework conditions under which investment management is carried out. Based on the investment strategy, sustainability risks are taken into account during the entire investment decision-making process, especially in the context of asset/liability management, the selection of asset managers, the monitoring of investments and the in risk management. In addition to economic aspects, our investment decisions also include environmental, social and governance factors. These criteria are included in the investment process.

In our assessment, the most significant sustainability risks come from investments in companies with high CO2 emissions. The transition to a climate-neutral and resilient economic system could result in additional costs for these companies in the future (e.g. due to new CO2 taxes) or a loss of business basis (e.g. due to change customer behaviour). The aim is to keep these sustainability risks low by reducing investments in industries with high CO2 emissions as much as possible.

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Sustainability strategy of Medlife Insurance Ltd

We try to incorporate sustainable as well as ethical-social and ecological criteria into our asset management. As a strategy for managing sustainability risks, we pursue the exclusion of risky assets or their limitation in the portfolio, provided that this does not conflict with other strategic objectives in asset management. For this purpose, a sustainability strategy has been developed, whereby the area of investments is monitored and further developed using data and models from the sustainability provider ISS ESG6. All securities are evaluated and reviewed on the basis of the "ISS ESG[6]" data.

In order to be able to ensure a sufficient mix and spread in the area of securities, our focus is on different asset classes and global diversification. In connection with equity investments, the objective is to participate in the development of the entire global economy. A narrow sustainability concept can conflict with this investment objective. Sustainability aspects are also taken into account in investments in counties and companies through the consideration of defined criteria. In addition, there is an exclusion list, which is used, for example, to exclude leading causes of climate change leading armaments companies and countries with a high level of corruption or poor standards with regard to compliance with human rights from the investment universe. In summary, the following exclusion criteria are taken into account:

- Exclusion criteria for states (companies) with primary energy supply through coal (coal production).
- Exclusion from physical investment in precious metals due to high energy and water consumption as well as use of chemicals in the mining process.
- Exclusion of cryptocurrencies due to high energy consumption and insufficient regulation and transparency.

The goal of our sustainability strategy is the sustainable optimization of the portfolio, which in the direct portfolio consists primarily of a shift into more sustainable areas. In principle, no divestments are to be made on the current portfolio; rather, the defined criteria are to be applied to new investments.

Sustainability does not contradict our permanent goal to preserve and add value to our customers' investments. By taking sustainability criteria into account in our investment decisions, we do not expect any significant adverse effects on the return and risk of the investment portfolio.

[6] ISS ESG is the responsible investment division of Institutional Shareholder Services Inc, one of the world's leading providers of ESG solutions for investors, asset managers, hedge funds and wealth services providers.

The majority of indirect investments are made in investment funds of Security Kapitalanlage AG. For all funds of Security Kapitalanlage AG, there are minimum standards regarding sustainability in the form of the OGUT-RIS[7] (Responsible Investment Standard of the Austrian Society for Environment and Technology) and a general restriction in the energy sector (coal). Security Kapitalanlage AG is one of the sustainability pioneers in the Austrian fund market and pursues its own sustainability strategy, which is published on its website [8]. Funds in many asset classes (international equities, investment-grade corporate bonds, global bonds, etc.) bear the Austrian Eco-label[9]. Whenever possible, these funds are used in our asset management.

Consideration of the most significant adverse sustainability impacts and measures taken

According to Art2 (24) SFDR, *sustainability factors include* environmental, social and labour issues, respect for human rights and the fight against corruption and bribery. These include, for example, climate protection, the protection of biodiversity, compliance with recognized labour standards, appropriate remuneration and measures to prevent corruption.

As far as this can be assessed from a current perspective, adverse effects of investment decisions on sustainability factors (PAI = Principal Adverse Impact) are taken into account in the sense of the SFDR.

The publication of the Regulatory Technical Standards (RTS), which regulate details on the consideration of adverse impacts of investment decisions on sustainability factors, has not taken place by the time of the preparation of this document. After finalization of the RTS, it will be re-evaluated whether the models continue to cover the sustainability factors of adverse impacts as defined by the SFDR. In addition, providers of sustainability data can only provide the EU taxonomy-compliant modules after finalization of the RTS.

We currently conduct regular data analyses and assess the individual adverse sustainability impacts on the basis of ESG ratings, which we obtain from external specialists, as well as on the basis of quality labels and certifications. Data quality and the measurement of sustainability risks still pose major challenges for the financial services industry as a whole. At present, not all data on adverse effects are available in sufficient quality. We are constantly monitoring developments in this area in order to identify the need for adjustments to our strategy, internal procedures and measures at an early stage.

7 https://www.oegut.at/de.projekte/investments/ris.php
8 https://www.securitykag.at/nachhaltigkeit/offenlegungsverordnung
9 https://www.umweltzeichen.at/en/products/sustainable-finance

In future, sustainability factors will also be taken into account accordingly when advising on insurance investment products.

Significant adverse sustainability impacts are expected for investments that have a negative impact on the environment and social issues (e.g. CO2-intensive assets). Medlife Insurance Ltd will evaluate its assessments on an ongoing basis and adjust them if necessary.

Appropriate measures are taken to mitigate or avoid the most important adverse sustainability impacts. For example, the following (exclusion) criteria or sustainability goals are taken into account in the context of investments in countries and companies:

- Human rights
- Labour rights (child labour, forced labour, discrimination etc.)
- Environmental practices
- Controversial weapons
- Coal (production and energy supply)
- Corruption
- Freedom of expression and freedom of the press
- Food speculation
- Resource and infrastructure speculation

International Standards

Medlife Insurance Ltd is part of Grawe Group (https://www.grawe.at/en/company/grawe-group/) and the holding company Grazer Wechselseitige Versicherung AG has been part of the "UN PRI" initiative [10] (Principles for Responsible Investments) since May 2021. The "UN PRI" initiative pursues six principles for responsible investment, which signatories to the initiative must comply with. Therefore we as Medlife Insurance Ltd must also comply as part of the Group.

[10] https://www.unpri.org

Remuneration Policy

Our Remuneration Policy is consistent with the inclusion of sustainability risks, especially as our remuneration and incentive structures promote sustainable, value-oriented action. The balanced relationship between fixed and variable remuneration is designed to avoid excessive risk-taking. Variable remuneration components take into account both the achievement of annual targets and the sustainable success of the company.