

Insuring a better future.



Gothaer's sustainability strategy

■ A brief portrait of Gothaer

We are one of the largest mutual insurance associations in Germany. Around 4.1 million members trust in us. With an annual premium income of € 4.6 billion we offer all lines of insurance. Our basic philosophy is: We help each other.

Our clients are primarily private individuals as well as small and medium-sized companies. We offer a wide range of products, services and solutions for small and medium-sized enterprises (SMEs) as well as for freelance professionals and the self-employed.

Sustainability is becoming an increasingly important factor in our business. The transformation to a climate neutral economy is in full swing. As a bridging element between the financial and the real economy, the insurance sector is coming to play a key role in this process. Gothaer has committed to the strategic objective of driving the transformation with innovative and sustainable insurance products.

■ Content

3 Foreword by the Management Board

4 Sustainability as a priority

5 The Gothaer sustainability strategy

9 Action fields & objectives

12 Legal notice

Content

Foreword by the Management Board

Sustainability as a priority

The Gothaer sustainability strategy

Action fields & objectives

Legal notice

■ Foreword by the Management Board

Hopefully, by now, everyone understands that our future is at stake. The economy will play a crucial role in protecting that future and all companies in all sectors of industry can make a contribution. Production and consumption patterns have to change. But, for that to happen, a transformation has to take place. Time is of the essence and we have to act now.

According to current scientific knowledge, the make-or-break decade has begun, which means that today's strategy decisions will also essentially decide our planet's future. A good strategy is one that identifies specific opportunities within the enormous challenges we are facing.

We have to increase the pace of economic transformation from small steps to innovation leaps – and that applies to both technologies and business models. It is also necessary to ensure sufficient funding for the economic transformation.

The insurance sector has traditionally played an instrumental role in major societal and economic transformations. We know the risks that companies face and we can use this knowledge to



support their transformation. As investors, we are able to channel capital into specific areas.

Sustainability is incorporated into our Ambition25 group strategy. 'Credible sustainability' is both our aspiration and the benchmark against which we intend to measure ourselves. The entire Management Board is committed to our sustainability strategy. It defines our focus areas, our ambitious objectives and how we intend to achieve credible sustainability.

Insuring a better future. This motto expresses the contribution we are making for subsequent generations. We are sharing responsibility for solving the existential challenge facing humanity.

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Content

Foreword by the Management Board

Sustainability as a priority

The Gothaer sustainability strategy

Action fields & objectives

Legal notice

Sustainability as a priority

With the 2030 Agenda the United Nations Member States created a global blueprint for a better future. It represents a call to action targeting all countries, companies and members of civil society. At the heart of the Agenda are the 17 Sustainable Development Goals (SDGs).

The European Union has committed to implementing the 2030 Agenda SDGs. Goal 13 – Climate Action – is a focus issue for the EU. Efforts to achieve Goal 13 are based on the Paris Agreement, which sets out a global framework to limit man-made global warming to well below 2°C.

In 2019 the EU presented its Green Deal, the EU's strategy to transition the EU economy to a sustainable economic model. By 2050 the EU intends to become the first climate neutral continent. The Green Deal will encourage companies to transition to sustainable business models with financial incentives to initiate far-reaching economic changes.

This is why the success of the transformation is dependent on a massive influx of capital. An initial financing plan for the Green Deal envisages an investment volume of € 1 trillion including both public and private-sector funding.

The financial sector will play a crucial role. Several options are provided by the Sustainable Finance Strategy in this respect:

- A unified EU classification system - or taxonomy - will provide clarity on which activities can be considered 'sustainable'.
- The EU Corporate Sustainability Reporting Directive (CSRD) will ensure that companies report all the essential information needed by investors on their environmental and climate impacts.
- Financial market participants and advisers will be required to make information relating to sustainability risks transparent.
- In the future, financial advisers must include sustainability factors, risks and preferences in client consultations.

This will contribute to leveraging investments in sustainable business models.

The insurance sector's contribution

As a bridging element between the financial and the real economy, the insurance sector is sparking important incentives for the sustainable economic agenda. In addition to their investor role, insurers are expected by the EU legislators to make the following changes:

- Climate change scenarios will be an important factor in the calculation of rates and premiums for insurance products in the future.
- The insurance sector will also provide coverage for new and sustainable business models.
- Prevention and sustainable actions will be rewarded in the future. Client advice will play an important role in this respect, as will the translation of complex interrelationships into insurance products.

So the Green Deal is not just an abstract project, it is associated with specific expectations of every company. Gothaer welcomes this willingness to transform and intends to support the EU in achieving its ambitious objectives with innovations and investments. The Gothaer sustainability strategy was developed to support our own transformation.

Content

Foreword by the
Management Board

**Sustainability as a
priority**

The Gothaer
sustainability strategy

Action fields &
objectives

Legal notice

The Gothaer sustainability strategy

In 2020, the year of its 200th anniversary, Gothaer adopted a group strategy called Ambition25. This growth strategy initially runs for a five-year period and the central role accorded to sustainability is reflected in the stated objective of ‘credible sustainability’.

We developed our sustainability strategy with this objective in mind. It covers three central action fields and will be supported by sustainable corporate governance. Sustainability also forms an integral part of Ambition25. Credible

sustainability can be achieved if we integrate sustainability into our core business instead of seeing it as an ‘add-on’, introduce a more sustainable business model and assume social responsibility as a corporate citizen.

Identification of key topics

In the initial stage of developing our sustainability strategy we asked ourselves what topics we had to address in the context of sustainability management. We also prioritised those

topics in terms of their significance for our stakeholders and our company, as well as our impacts on people and the environment. We considered both sector-specific topics and internationally recognised sustainability frameworks, such as the United Nations’ 17 Sustainable Development Goals, the Global Reporting Initiative’s reporting standard, the German Sustainability Code and the Federal Financial Supervisory Authority’s Guidance Notice on Dealing with Sustainability Risks.

This enabled us to identify 16 topics. To establish their significance from a stakeholder perspective external and internal stakeholders, such as in-house and field staff, were requested to complete an online survey. Employees also participated in sounding sessions. Senior management members discussed and assessed the business relevance of the topics. Then, the Management Board made a final assessment.

The result is a matrix showing the topics in terms of their significance, which increases from bottom left to top right. The size of the circles indicates potential impact on people and the environment.

The Gothaer sustainability strategy: basis and action fields



Content

Foreword by the
Management Board

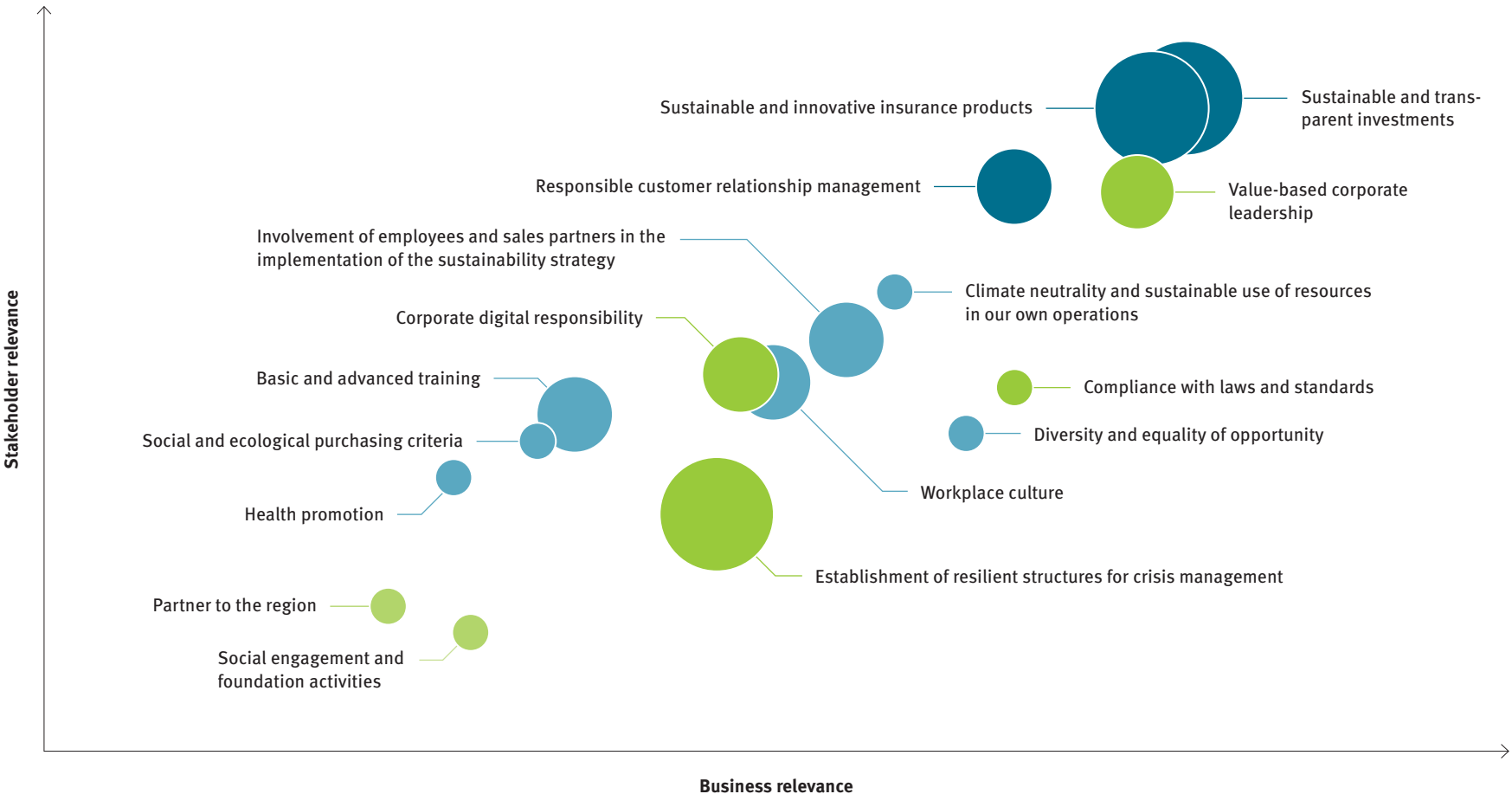
Sustainability as a
priority

**The Gothaer
sustainability strategy**

Action fields &
objectives

Legal notice

Materiality Matrix



The Gothaer Group’s materiality matrix shows the 16 identified sustainability topics in ascending order of significance from bottom left to top right. The size of the circle indicates potential impact on people and the environment.

- Content
- Foreword by the Management Board
- Sustainability as a priority
- The Gothaer sustainability strategy**
- Action fields & objectives
- Legal notice

Definition of sustainability targets

The sustainability targets were defined on the basis of the materiality matrix in a comprehensive process involving the departments that are responsible for achieving the targets and, more importantly, for ensuring that their teams internalise them in their daily routines. Central departments that are key to the strategic development of our business were also involved. Department-specific and cross-department workshops were organised. Discussion panels – in virtual format due to the pandemic – were

held to sound out opinions. The Management Board took a very clear position by setting ambitious, but implementable targets.

The Board’s strong commitment to the targets, together with the active involvement of the workforce, are two important factors contributing to the success of our sustainability strategy. Indeed, it can only be a success if the people in the organisation support the targets and relate to them in their everyday work.

Our sustainability targets, the implementation timeframes and the KPIs we will use to monitor

our progress were developed in a team effort and now we will implement them together.

Participation in external initiatives

Another example of our commitment to sustainability is our participation in well-known German and international sustainability initiatives. These memberships help us to make progress in our own sustainability efforts, to encourage sustainability in our industry, and to send out a visible signal of how seriously we take it.

Content

Foreword by the Management Board

Sustainability as a priority

The Gothaer sustainability strategy

Action fields & objectives

Legal notice



UNEP FI Principles for Sustainable Insurance (UNPSI)



United Nations Principles for Responsible Investment (UNPRI)



Global Real Estate Sustainability Benchmark (GRESB)



Net-Zero Asset Owner Alliance (NZAOA)



Bundesarbeitskreis für umweltbewusstes Management (B.A.U.M.)



Charta der Vielfalt



Deutscher Nachhaltigkeitskodex (DNK)

Regular progress reports

Owing to our membership in the initiatives we are required to publish regular progress reports:

- As a signatory to the UN Principles for Responsible Investment (UN-PRI) and a member of the Net-Zero Asset Owner Alliance, Gothaer is making an undertaking to invest in a socially and ecologically responsible way, and also taking on comprehensive reporting obligations.
- The United Nations Environment Programme Finance Initiative (UNEP-FI) developed the Principles of Sustainable Insurance (PSI). As a PSI signatory, Gothaer integrates environmental social governance (ESG) criteria into its entire value chain and reports regularly on progress.

- Insurers such as Gothaer are also required by law to regularly disclose non-financial performance indicators. Gothaer meets its CSR reporting obligations in compliance with the German Sustainability Code – a widely used sustainability reporting standard in Germany.
- We also quantify our GHG emissions in an annual CO₂ audit, which is verified by the TÜV Nord organisation and conducted in accordance with the world's leading GHG accounting and reporting standard, the Greenhouse Gas Protocol.

Creating accountabilities and remuneration incentives

The Gothaer sustainability strategy sets out ambitious objectives and the associated

actions, clear accountabilities and progress measurement mechanisms. Gothaer collects data on the relevant performance indicators twice a year. At the beginning of the year they are submitted to the Management Board and mid-way through the year to the cross-divisional sustainability network.

In the future, sustainability will be a component of remuneration. From 2023 onwards the group bonus paid to the Management Board and senior management team will be linked to a sustainability target. The target will have a ten percent weighting and underlines our commitment to achieving credible sustainability.

Content

Foreword by the
Management Board

Sustainability as a
priority

**The Gothaer
sustainability strategy**

Action fields &
objectives

Legal notice

Action fields & objectives



Action field 1: Sustainability in our core business

We are consistently integrating sustainability into our core business: by way of ESG-based investment strategies as well as insurance and investment products which take sustainability principles into account and support our clients in their transformations.

Sustainable and transparent investments

To finance a more sustainable future we are focusing on climate-neutral investments by investing in companies that contribute to a climate-neutral economy.

- We are phasing out the coal-based energy industry: the transition will be complete in the European Union and OECD countries by 2030 and in all other countries by 2040 at the latest.
- We are increasing the level of impact investing in new business to € 200 million per year.
- We will achieve net zero emissions in our investment portfolio by 2050.

Sustainable and innovative insurance products

As a sustainable insurer and financial services provider we offer products and services to our corporate and private clients that encourage sustainable business models and lifestyles.

- Gothaer Allgemeine Versicherung – We are integrating sustainability-promoting coverage elements in all our lines of insurance by

2023. We are also developing a consistently sustainable and climate-neutral claims processing concept.

- Gothaer Lebensversicherung – We will offer sustainable investment options in all products (by 2022 in the case of new business and, in the case of existing products, across all fund categories by 2024).
- Gothaer Krankenversicherung – We will integrate and promote healthy lifestyle offerings into existing products by 2022 and develop a healthy lifestyle programme by 2025.
- We will reach net zero emissions in our insurance business by 2045.

Creating a sustainable future

We are a supportive partner to our corporate clients in the transition to a net zero economy.

- As a sustainable service provider we support our SME clients in sustainability management (e.g. assistance with the preparation of climate impact assessments, products such as sustainable company health insurance schemes, health management, sustainable company pension plans).

- As a transformation partner we are developing new business models to help make a climate neutral economy a reality.

Responsible customer relationship management

Our customers are at the heart of everything we do and we are a fair partner to them.

- We ensure that our customers are treated respectfully and supportively across all touch-points, from initial consultation to insurance claim.
- We make it easy for our clients to contact us and provide honest, individual and needs-oriented advice.
- We provide transparent, comprehensible and readily-available product information and communications on a wide range of topics.
- We proactively address sustainability aspects in client consultations.
- We are abolishing the unnecessary use of paper and intend to be paper free by the end of 2025.

Content

Foreword by the
Management Board

Sustainability as a
priority

The Gothaer
sustainability strategy

**Action fields &
objectives**

Legal notice



Action field 2: Sustainability in our own operations

Workplace culture, health promotion, diversity, environmental protection and climate neutrality are all areas in which we aspire to set a positive example of sustainability, and we encourage our people to make an active contribution to the transformation process.

Climate neutrality and resource protection within our own organisation

We want to ensure that resources are handled responsibly in our own organisation, to achieve completely climate neutral operations and to make sustainability a stronger criterion in our supplier relationships.

- We will achieve group-wide climate neutrality in our own operations by 2024.
- We will reduce emissions at our headquarters in Cologne by 50 percent by 2025, compared to the base year of 2018 (scope 1–3, not including insurance and investment business).
- We will adopt binding sustainability standards for procurement at Gothaer by 2022.

An attractive and supportive work environment

We are enriched by diversity and we support our teams' ability to manage change in a highly dynamic work environment.

- We will increase the share of women in management roles to 30 percent by 2023. We view differences in ethnic and social origin, sexual orientation, religion and physical ability as an opportunity.
- We drive excellence and create personal development opportunities with specialist and general training and development programmes.
- We maintain our employees' health and performance throughout their career with excellent health management. We intend to maintain our workplace injury rate well below the sector average.
- Top employer: we will obtain certification from the Top Employer Institute for our appreciative and supportive workplace culture by 2025.

Involvement of employees and sales partners in the implementation of the sustainability strategy

We want to train our employees and sales partners in sustainability, to bring sustainability to life at our sites and agencies, and to build an image as a sustainable organisation.

- We are improving our employees' and sales partners' sustainability literacy with training and education products.
- We are creating and expanding participation opportunities in internal sustainability activities.
- We will make our offices and agencies more sustainable by 2025.
- We will also make our events and advertising materials more eco-friendly by 2025.

Content

Foreword by the
Management Board

Sustainability as a
priority

The Gothaer
sustainability strategy

**Action fields &
objectives**

Legal notice



Action field 3: Sustainability in community involvement

In addition to our regular business operations, the Gothaer Foundation supports research, environmental and nature conservation projects. We encourage our employees to get involved in these and other sustainability-related projects.

Community involvement

As a corporate citizen we are committed to supporting our local communities.

- Every year we transfer more than 0.5 percent of our consolidated profit to the Gothaer Foundation, which supports the sustainable development of business and society.
- We create a framework for our employees to get involved in social and community projects.



Content

Foreword by the
Management Board

Sustainability as a
priority

The Gothaer
sustainability strategy

**Action fields &
objectives**

Legal notice

■ Legal notice

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Consulting, editing and design

akzente kommunikation und beratung gmbh,
München

Editorial deadline

25 March 2022

Photo credits

iStocks/Getty Images: cover page

Disclaimer

The objectives, goals and targets mentioned in this report are not legally binding announcements. They are all monitored by performance indicators so that we can check the progress we are making towards achieving them from one year to the next. However, we cannot rule out operational challenges or factors beyond our control which delay the achievement of some of our objectives, goals and targets. At the same time, we will do everything in our power to achieve them as formulated in this document and within the stated timeframes.

Content

Foreword by the
Management Board

Sustainability as a
priority

The Gothaer
sustainability strategy

Action fields &
objectives

Legal notice

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