



The Talanx Green Bond Framework

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Introduction to Talanx

Talanx AG (“Talanx”) is a multi-brand provider in the insurance and financial services sector. Acting sustainably is important to us as an international group and a long-term investor. This is why Talanx takes environmental, social and governance aspects into account in its business activities.

The Talanx Group has subsidiaries and branches on five continents and business relationships with primary insurance and reinsurance customers in more than 150 countries.

The Group’s Primary Insurance operations comprise three divisions: **Industrial Lines**, **Retail Germany** (which comprises the Property/Casualty Insurance and Life Insurance lines) and **Retail International**. The **Reinsurance Division** consists of the Property/Casualty Reinsurance and Life/Health Reinsurance segments, which are operated by Hannover Re SE.

Talanx AG, which plays a strategic role within the Group, has been assigned to the Corporate Operations segment. It has had a reinsurance license since January 2019 and also engages in operational business. In addition, Corporate Operations comprises the Group’s internal service companies and Talanx Reinsurance Broker GmbH. Ampega Asset Management GmbH and Ampega Investment GmbH mainly provide support for the Group’s investments and offer financial and other services.

The Group’s key brands include **Talanx** and **HDI**. The latter is used by companies in the industrial insurance and retail businesses in Germany and abroad (e.g. HDI Seguros and HDI Sigorta). Other major brands are Hannover Re and E+S Rück, Ampega, WARTA, TARGO insurers, PB insurers, neue leben insurers and Lifestyle Protection.

For the purposes of this report, the “Talanx Group” or the “Group” is defined as Talanx AG plus all of its direct and indirect subsidiaries, but not Hannover Re SE and its subsidiaries. This is because Hannover Re SE publishes its own sustainability report and therefore not covered by the Talanx Group’s sustainability strategy and goals.



Sustainability at Talanx

Our sustainability strategy aligns our operations with environmental and social challenges so as to ensure our long-term business success.

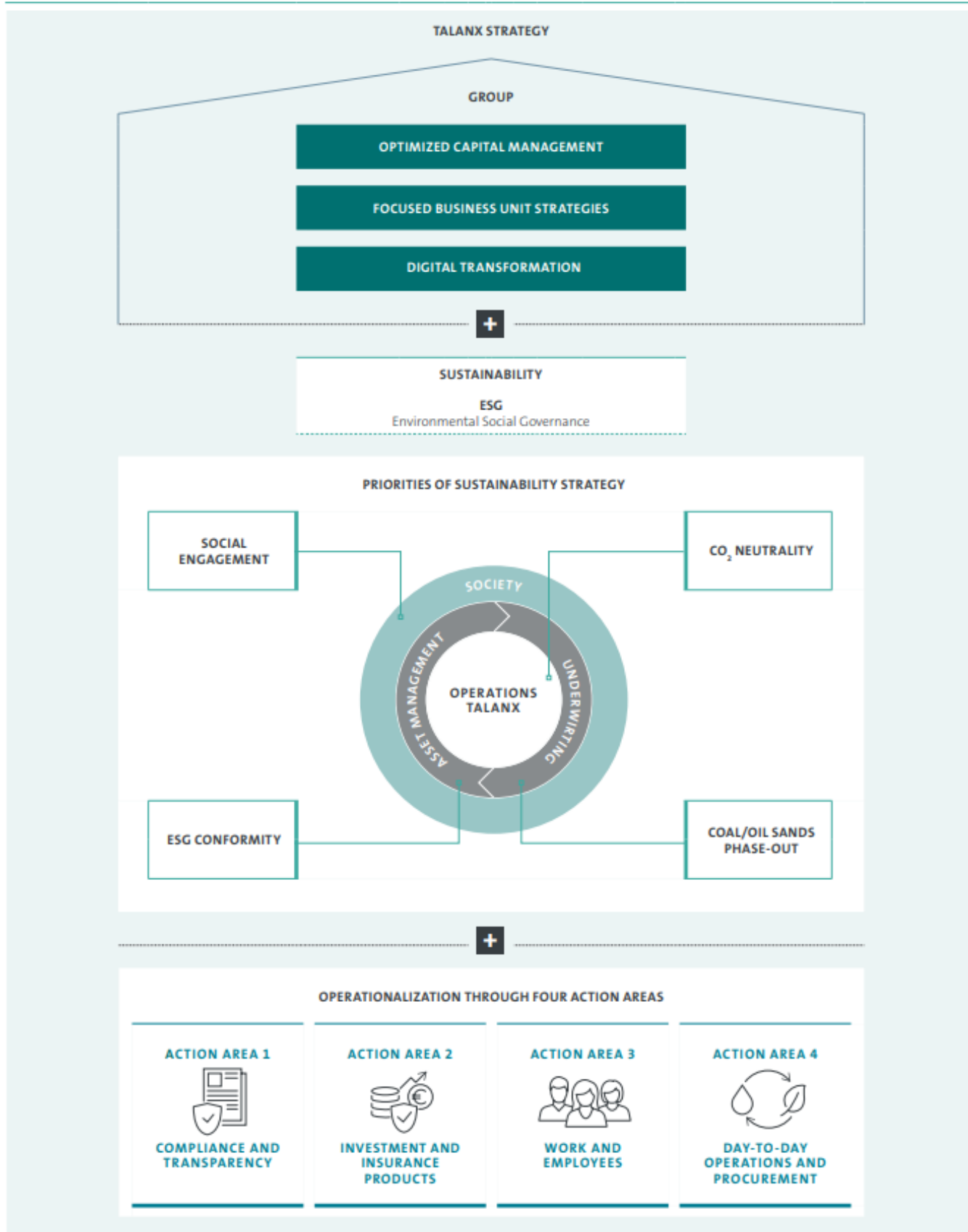
Talanx's sustainability strategy comprises concrete action areas, goals and measures, and serves to ensure that the Company's operations are aligned with environmental and social challenges. It focuses on the Group's core business activities: asset management, underwriting and operations. The main way in which the Group can contribute to sustainable development is through its investments and insurance products. As a result, Talanx strives to incorporate sustainability aspects more strongly into the products offered in these areas (asset management, insurance) as well as into our operational processes.

Initiatives

Talanx signed up to the Principles for Responsible Investment (PRI) in 2019 and its Underwriting unit took the next logical step by undertaking to comply with the Principles for Sustainable Insurance (PSI). In addition, the Group started applying the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) as the basis for its reporting in 2020 and supports this global reporting initiative for climate-related financial risks and opportunities. Talanx has also joined the UN Global Compact (UNGC) – the world's largest initiative for good corporate governance. As a result, the Group publishes an annual Communication on Progress (COP) in its sustainability report¹.

¹ Talanx's sustainability reports are available [here](#).

OUR SUSTAINABILITY APPROACH SUPPORTS THE TALANX GROUP'S STRATEGY



Action areas

Talanx uses four action areas to operationalise its sustainability strategy:

Compliance and Transparency	Investment and Insurance Products	Work and Employees	Day-to-day Operations and Procurement
<p><i>An interdisciplinary function covering adherence to statutory, legal and regulatory requirements and to the Company's own Code of Conduct throughout the Group and across all action areas.</i></p>	<p><i>Talanx's long-term goal is to take sustainability criteria into account in its investments, insurance products and services. It does this by electing to apply or become part of recognised international frameworks, initiatives and reporting standards.</i></p>	<p><i>The Talanx Group actively encourages and supports employee training and development and promotes diversity and equal opportunities. This action area also includes actively promoting the common good and supporting selected charitable projects.</i></p>	<p><i>The goal is to organise our day-to-day operations and purchasing activities in a sustainable manner. This includes, for example, using resources sparingly, sourcing environmentally friendly products, and reducing our direct and indirect greenhouse gas (GHG) emissions.</i></p>

Talanx has set itself short-, medium- and long-term goals under each of those four action areas, as well as in the areas of "Strategy and Governance" and "Dialogue and Reporting". Most notably, the Group has undertaken various measures to achieve a 30% reduction in the carbon intensity of its liquid asset classes (with the exception of government bonds) by 2025 (baseline: 1 January 2020). This corresponds to an annual decrease of roughly 7%. The target is an important step in the process of developing a sustainable, long-term path towards carbon neutrality by 2050. Additionally, Talanx is aiming to capture data on, and reduce, carbon emissions for other, illiquid asset classes in the medium term.

At the operational level, Talanx intends to be fully climate-neutral by 2030. In Germany, this goal was already achieved in 2019.

Another important Group target is to exit business models based on coal and oil sands by 2038 at the latest. In addition to continuously enhancing its underwriting policy and increasingly focusing on ESG aspects in the process, Talanx no longer invests in companies that derive more than 25% of their revenue or generate more than 25% of their power from coal. It will withdraw completely from these investments by 2038. The Responsible Underwriting Committee (RUC) – the newly formed ESG body at Board of Management level – ensures transparency about the Group-wide underwriting policy and discusses its ongoing development.

With regard to asset management, Talanx is stepping up investments in climate-friendly infrastructure projects that promote economic development. It set up an overarching working group in April 2020 to develop a climate strategy for investments, with the aim to support achieving the goals of the Paris Agreement on climate change.

Additionally, the new remuneration system for Talanx's Board of Management that has been in place since 2020 underscores these ambitions by rewarding good leadership and defining the contributions that individual Board members must make to our sustainability strategy.

Talanx and the UN SDGs

As a global insurer, Talanx also contributes actively to achieving global sustainability goals. The United Nations' Sustainable Development Goals (SDGs), which were adopted in 2016, comprise 17 concrete targets designed to make the world a more sustainable and fairer place in the period up to 2030.

Talanx's sustainability strategy focuses on seven SDGs to which the Group can make an active contribution. Both positive and any negative impacts on contributions to the SDGs are continuously evaluated during the regular enhancements to Talanx's sustainability strategy. Addressing the SDGs internally and integrating them with our strategy is an ongoing effort.

UN SDG	How Talanx is actively supporting the UN SDGs (as of December 2020)	
4 QUALITY EDUCATION 	 The Talanx Group is one of the sponsors of Germany's National Mathematics Competition  The HDI Foundation awards up to 15 scholarships per semester to high-achieving university students throughout Germany	 Talanx employs 306 apprentices and 58 graduate trainees in Germany  We support employees by making learning processes more flexible and promoting individual learning
5 GENDER EQUALITY 	 Talanx aims to continue increasing the proportion of women in management positions  The "Women@Talanx" network promotes informal networking between female specialists and managers	 Mentoring programme for women to support female employees with potential  Childcare allowance for parents returning from parental leave
7 AFFORDABLE AND CLEAN ENERGY 	 Talanx has channelled EUR 2 billion into renewable energies, making it one of the leading investors in this area in Germany (2020)  Talanx has a total of seven solar power plants in its portfolio (2020)	 With a total of 21 wind farms, Talanx is one of Germany's largest investors in wind turbines (2020)  Its investments produce 2.7m MWh of electricity p.a., enough for roughly 810,000 households
8 DECENT WORK AND ECONOMIC GROWTH 	 Special health days, ongoing health management measures and balanced dietary offerings for employees  Sponsored employee sports programme	 An attractive, family-friendly working environment offering flexible working time models and remote working  We help our clients to grow safely by assuming risks, providing certainty and enabling bold decisions
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	 Talanx has invested approx. EUR 1.5 billion in social and innovative infrastructure, e.g. in expanding public transport...  ...plus two hospitals in Portugal, primary care centres in Ireland, and Dublin University	 In addition to digitalising its own operating business, Talanx is increasingly focusing on digital start-ups...  ...and is creating new communications channels such as virtual roadshows, podcasts and a state-of-the-art corporate website
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	 Talanx has set itself the goal of significantly reducing its plastic waste  We use a Green Office catalogue whose supplier only sells sustainable products produced in a socially responsible manner	 Our Code of Conduct for Business Partners focuses on environmental and human rights criteria  Talanx's comprehensive data protection management activities protect client information
13 CLIMATE ACTION 	 Our goal is to ensure climate-neutral operations throughout the Group by 2030. In Germany we already achieved this goal in 2019.  Where emissions cannot be avoided, Talanx supports offsetting projects in the form of sustainable forestry	 We are reducing vehicle fleet emissions by increasing e-mobility and offsetting CO ₂ emissions using a Gold Standard climate project...  ...and since spring 2021, roughly a thousand new colleagues have been working to improve biodiversity all day long

Background to the Green Bond Framework

Talanx's Board of Management has added climate change to the material aspects in its sustainability strategy. As an insurer, we expect global warming and extreme weather events caused by rising temperatures to increase the need for insurance solutions that offer protection against the impact of natural catastrophes (nat cat risks). This affects both our primary insurance and our reinsurance operations. In other words, for us as a global insurance group climate change is a material sustainability aspect that significantly impacts both our own business activities and those of our business partners. Efficient environmental protection is therefore crucially important not only to our business strategy but also for our policyholders and investors. Talanx is committed to supporting the Paris Agreement and to transitioning to a low-carbon economy. We aim to do this in three ways – through asset management, underwriting and environmental management – and to steadily expand our contribution going forward.

This is also why we have developed the Talanx Green Bond Framework (the "Framework"), which supports our efforts to mobilize capital to finance or refinance assets and/or investments that contribute to Talanx's sustainability strategy, the EU's environmental objectives of climate change mitigation, and overarching national and international climate initiatives such as the EU's Green Deal and the German Climate Action Plan.

The Framework provides a clear and transparent set of criteria that are in line with the Green Bond Principles (GBP, 2021²) – the voluntary standards developed by the International Capital Markets Association (ICMA). Since the goal is to align the Framework with market best practices and potential future standards, the latter also follows the guidelines and requirements set out in the proposed EU Green Bond Standard (June 2021)³.

Consequently, the Talanx Green Bond Framework complies with the core components of the voluntary process guidelines set out in the GBP and includes the following sections: (i) Use of proceeds, (ii) Process for project evaluation and selection, (iii) Management of proceeds, (iv) Reporting and (v) External reviews.

The Talanx Group intends to use this Framework to issue green bonds ("Green Bonds") in a variety of formats, such as senior unsecured debt and subordinated debt. The legal documentation for any Green Bonds issued will include a reference to the Framework under the Use of Proceeds section.

The Framework may be updated or expanded in the future since both the GBP and the overall market for green finance are evolving rapidly, and new developments are also arising as a result of the EU Green Bond Standard and the EU Taxonomy⁴.





² [Green Bond Principles](#) (ICMA, 2021)

³ [EU Green Bond Standard](#) (European Commission, June 2021)

⁴ [Delegated Act EU Taxonomy for Climate Change Mitigation and Adaptation](#) (European Commission, April 2021)

Use of Proceeds

The equivalent amount of funds raised by the Green Bonds issued under the Talanx Group's Framework will be allocated to finance or refinance⁵, in whole or in part, green projects. The latter comprise a variety of assets, investments and/or expenditures, including equity investments in projects, project finance and loans ("Eligible Green Projects") made by the Talanx Group that promote climate, social and other environmental purposes. For the avoidance of doubt, this excludes any investments made in bond instruments other than project finance. In addition, only the share of projects attributable Talanx's investment is counted. Eligible Green Projects are required to meet the eligibility criteria below.

Category	Eligibility criteria	Green Bond Principles category/ EU Taxonomy activity (NACE code)
Renewable energy  	<p>The financing, investment in or acquisition of renewable energy projects or related infrastructure in the areas of:</p> <ul style="list-style-type: none"> - Solar (PV) - Concentrated solar power systems - Onshore and offshore wind energy technologies <p>This includes activities relating to development, construction, expansion, operation and maintenance.</p>	<p>Green Bond Principles: Renewable energy</p> <p>EU Taxonomy: Climate Change Mitigation: 4. Energy (NACE D35.11 and F42.22)</p>
Green buildings  	<ul style="list-style-type: none"> ▪ The financing of or investment in residential and commercial buildings located in Germany, built before 31 December 2020 with an energy performance complying with the EnEV 2014 (i.e. in the top 15% of German building stock) ▪ In the case of buildings built after 1 January 2021, the primary energy demand (PED) must be at least 10% lower than the threshold for the applicable nearly zero energy building requirement ▪ Renovation of buildings that have led to a reduction of primary energy demand of at least 30% 	<p>Green Bond Principles: Green buildings</p> <p>EU Taxonomy: Climate Change Mitigation: 7. Construction and Real Estate Activities (NACE F41.1, F41.2, L68, F41, F43,)</p>

⁵ Financing is defined as assets/investments made in the year of issuance. Refinancing is defined as assets/investments with a maximum lookback period of three years (with the exception of the Eligible Green Projects in the "green buildings" category).

Process for Project Evaluation and Selection

The Talanx Group has established a Green Bond Committee (the “Committee”) to select and evaluate assets/investments that comply with the eligibility criteria set out on the “Use of Proceeds” section. The Committee meets at least once every six months and reports to the Responsible Investment Committee (RIC). The Chief Finance Officer (CFO) heads the Committee and it comprises representatives of the following departments:

- Chief Investment Office (CIO)
- Ampega Portfolio Management
- Talanx Controlling/Finance
- Talanx Legal

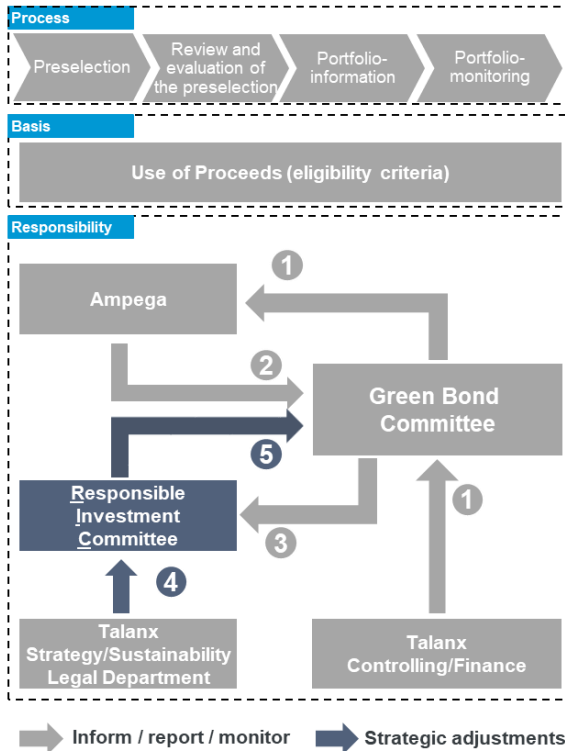
The Committee’s main responsibilities include:

- To review assets/investments and evaluate whether they comply with the eligibility criteria set out in the Framework, and whether they can be classified as Eligible Green Projects
- To monitor the portfolio of Eligible Green Projects over the entire term of the outstanding green bond(s)
- To manage any future updates to the Framework
- To coordinate and produce allocation and impact reports

The process for project evaluation and selection is as follows:

- All relevant internal departments at Ampega Asset Management GmbH preselect assets/investments and identify those that potentially comply with the eligibility criteria set out in the “Use of Proceeds” section of the Framework.
- The preselected assets/investments are checked, validated and approved for investment by Ampega’s Transaction Committee as part of the standard investment process.
- The preselected assets/investments are then submitted to the Green Bond Committee, which is responsible for evaluating whether they qualify as Eligible Green Projects and can be added to the portfolio. In other words, the Green Bond Committee is ultimately responsible for allocating the proceeds. It is also solely responsible for the decision to classify submitted assets/investments as “green” and for verifying whether they qualify as Eligible Green Projects.
- The Green Bond Committee monitors the portfolio of Eligible Green Projects throughout the entire term of the green bond(s). It can replace portfolio assets/investments if the underlying assets no longer meet the eligibility criteria. The Green Bond Committee also regularly monitors and enhances the selection process for suitable green investments.

The following figure illustrates the process described above:



- 1 Evaluation and selection of green investments in accordance with the eligibility criteria set out in the Talanx Green Bond Framework
- 2 Ampega reports on the development of the portfolio of Eligible Green Projects
- 3 The Green Bond Committee informs the RIC (Responsible Investment Committee) about changes in the portfolio of Eligible Green Projects and updates to the Talanx Green Bond Framework, where applicable
- 4 Checks that Talanx's sustainability and climate strategy is continuously reflected in the Green Bond Framework
- 5 Any changes to the Talanx Green Bond Framework are communicated to the Green Bond Committee. They must be agreed in advance between Talanx Controlling/Finance and Ampega.

"Do no significant harm" and minimum social safeguards

Talanx monitors climate (physical) risks as part of its Group-wide risk management process. Climate and sustainability considerations are also taken into account during underwriting and asset management decisions.

In line with Talanx's internal due diligence process, all potential Eligible Green Projects must comply first of all with environmental and social laws and regulations, and with Talanx's internal policies and standards. Compliance with national laws is also a prerequisite under the Talanx Code of Conduct⁶. Additionally, all Eligible Green Projects are located within the EU or in Norway, and therefore comply with a wide range of national, environmental and social requirements.

Talanx also has a Group-wide exclusion policy in place for companies. This includes, but is not limited to: Global Compact violations, controversial weapons, issuers that derive more than 25% of their revenue or generate more than 25% of their power from coal and issuers that derive more than 25% of their revenue or generate more than 25% of their power from oil sands. Investments in renewable energy projects and real estate assets are required to satisfy detailed exclusion criteria including, but not limited to, nuclear power, controversial activities and a high environmental impact (e.g. high CO₂ emissions).

Compliance with national, EU and international environmental and social standards (including the ILO Core Labour Conventions and the UN Guiding Principles on Business and Human Rights) ensures that Talanx meets the "do no significant harm" criteria and the minimum social safeguards specified under the EU Taxonomy Regulation. A full assessment and confirmation of Talanx's compliance with the EU Taxonomy has been supplied by the Second Party Opinion provider.

⁶ For the Talanx Code of Conduct and the Code of Conduct for Business Partners see [here](#) and [here](#) respectively.

Management of Proceeds

Talanx will manage an amount equivalent to the proceeds of its issued green bond(s) on a portfolio basis. Its Green Bond Committee aims to allocate an amount equivalent to the proceeds of these instruments to a portfolio of Eligible Green Projects for as long as the green bond(s) are outstanding. The Committee will strive to allocate all proceeds from green instruments within 24 months of issuance. Specific projects that are divested or discontinued, or that no longer meet the definition of Eligible Green Projects as set out in the “Use of Proceeds” section, will be removed from the portfolio of Eligible Green Projects. In this case the Committee will strive to replace the project with other Eligible Green Projects as soon as reasonably practicable. Talanx aims to ensure that the total volume of issued green bond(s) does not exceed the value of the portfolio of Eligible Green Projects.

Pending the allocation of the proceeds of issued green bond(s) to the portfolio of Eligible Green Projects, or in cases in which insufficient Eligible Green Projects are available, the Green Bond Committee will inform the Responsible Investment Committee (RIC), which will be responsible for investing the unallocated amount in third-party green bonds, subject to availability, or in cash and cash equivalents.

The RIC will review and approve the management and allocation of the proceeds of issued green bond(s) to Eligible Green Projects at least every six months until all the proceeds of issued green bond(s) have been allocated.

Reporting

Allocation reporting

Talanx will provide investors with a report on the allocation of the proceeds of issued green bond(s) to its portfolio of Eligible Green Projects on an annual basis until allocation is complete, and thereafter in the case of significant changes. The report will contain the following information:

- An overview of the green bond(s) issued under the Framework and the total amount (in EUR) of issued green bond(s) outstanding
- The allocation of the proceeds of issued green bond(s) to a portfolio of Eligible Green Projects, including information on:
 - The composition of the portfolio of Eligible Green Projects
 - A breakdown by geographical area (country/regional level)
 - A breakdown of new financing versus refinancing
 - The amount of unallocated proceeds, if any

Impact reporting

Talanx intends to produce and ensure ready access to an annual report on the output and environmental impact of the portfolio of Eligible Green Projects to which the proceeds of issued green bond(s) have been allocated until allocation is complete. Examples of items that may be included in impact reporting (subject to the availability of relevant data) are:

Renewable energy

- Annual renewable energy generation in MWh/GWh (electricity) and GJ/TJ (other forms of energy)
- Installed renewable energy capacity in MW
- Annual GHG emissions reduced/avoided, in tonnes of CO₂ equivalent

Green buildings

- An overview of Eligible Green Projects, their year of construction and their environmental classification – e.g. an EPC under the EPBD, an “Energieausweis” (i.e. an energy certificate issued under the EnEV), LEED, BREEAM, etc. – including the classification level where applicable (e.g. “excellent”, “EPC label A”)
- Estimated energy savings and CO₂ emissions avoided by the Eligible Green Projects in comparison to government regulations and/or reference buildings

External Reviews

Talanx intends to appoint one or more external verifiers to provide pre-issuance and post-issuance verifications.

The pre-issuance verification (Second Party Opinion) verifies alignment of the green bond(s) with one or more appropriate standards on the green bond market (such as the Green Bond Principles, the EU Green Bond Standard or other similar standards as applicable and as selected by the Issuer). Sustainalytics was appointed as Second Party Opinion provider and assessed alignment of this Framework with the GBP as well as compliance with the EU Taxonomy.

The post-issuance verification provides assurance in relation to the allocation reporting once proceeds from the issuance of green bond(s) have been allocated in full to Eligible Green Projects. Talanx intends to appoint either an external consultant or an auditor to provide a limited assurance review of the allocation of proceeds.

Both pre-issuance and post-issuance verifications will be made available on Talanx's website (see [here](#)).

DISCLAIMER

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