

## HSB UK Group's Statement on the UK Modern Slavery Act

This statement is made pursuant to section 54(1) of the UK Modern Slavery Act 2015 and constitutes the slavery and human trafficking statement of HSB UK Group<sup>1</sup> for the financial year ending 31 December 2023. As part of the Munich Re Group<sup>2</sup>, the HSB UK Group has adopted the Munich Re statement with only minor variations.

### The organisation's structure, its business and its supply chains

Munich Re Group is one of the world's leading risk carriers and provides both insurance and reinsurance under one roof. This enables the Group to cover large stretches of the value chain in the risk market. The majority of the reinsurance units operate under the uniform brand of Munich Re. The majority of the investments of both Munich Re and HSB UK Group are mainly managed by MEAG<sup>3</sup>, which also offers its expertise to private and institutional investors outside the Group.

In reinsurance, Munich Re AG operates in life, health and property-casualty business. Under reinsurance, Munich Re also includes specialised primary insurance activities that are handled by the reinsurance organisation and business from managing general agencies (MGAs). Munich Re does business with over 4,000 corporate clients from more than 160+ countries. Munich Re writes its business in direct collaboration with primary insurers, but also via brokers and within the framework of strategic partnerships. In addition to traditional reinsurance business, Munich Re participates in insurance pools, public-private partnerships, business in specialist niche segments, and also as a primary insurer.

HSB UK Group comprises of HSBEIL which is a leading engineering and technology insurer in the UK, providing (Re)insurance across a broad range of technologies and industry sectors - including construction and manufacturing as well as leisure, retail, commercial and public sectors. MDIS is an authorised insurance intermediary and MGA specialising in building structural defects insurance in the UK. HSBEISL is a leading engineering inspection service provider in respect of workplace plant, machinery and equipment and MDWIS and MDWSS provide building surveying and building control inspection services respectively.

As a globally operating organisation, Munich Re procures many different goods and services throughout the world. By purchasing at best total value in terms of quality, time and cost, while ensuring compliance, the procurement functions throughout the Group seek to deliver a substantial and lasting contribution to the success of Munich Re.

All "Munich Re" processes and rules described below apply to the HSB UK Group.

### Munich Re's policies in relation to slavery and human trafficking

Respect for human rights is a part of our management approach to include economic, environmental and social challenges in our definition of success. The Munich Re Board of Management has accordingly issued a declaration to respect and protect human rights, which has been published on the Munich Re website at [www.munichre.com/sustainability/download](http://www.munichre.com/sustainability/download). This statement underscores Munich Re's commitment to human rights, as defined in the UN Guiding Principles on Business and Human Rights, in the International Bill of Human Rights and in the ILO's Declaration on Fundamental Principles and Rights.

<sup>1</sup> HSB UK Group comprises HSB Engineering Insurance Limited (HSBEIL) and its wholly owned subsidiaries namely: HSB Engineering Insurance Services Limited (HSBEISL) and MD Insurance Services Limited (MDIS), together with the wholly owned subsidiaries of MDIS: MD Warranty Inspection Services Limited (MDWIS) and MD Warranty Support Services Limited (MDWSS).

<sup>2</sup> Munich Re (Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München)

<sup>3</sup> MEAG comprises MEAG MUNICH ERGO AssetManagement GmbH – which manages financial and property portfolios and provides investment consultancy exclusively for Munich Re Group companies – and MEAG MUNICH ERGO Kapitalanlagegesellschaft mbH, which manages segregated and retail funds with varying investment focuses and renders bespoke investment management services for non-Group institutional investors outside the USA.

In accordance with international rules, we have published a statement signed by the Board of Management on the UK Modern Slavery Act every year since 2017.

Munich Re has undertaken to apply its respective due diligence and to respect internationally recognised human rights. By signing the UN Global Compact in 2007, Munich Re has committed itself to the following principles:

- Promoting and protecting internationally recognised human rights within our scope of activity
- Taking precautionary measures designed to prevent Munich Re from contributing to human rights violations, for example human trafficking
- Upholding the freedom of association and the effective recognition of the right to collective bargaining
- Supporting the elimination of any kind of forced or child labour
- Helping to put an end to discrimination in hiring and employment

These principles are also enshrined in the Munich Re Code of Conduct, compliance with which is mandatory for all HSB UK Group staff. This reflects Munich Re's Group-wide, shared understanding of the value of respecting human rights.

In addition to our commitments to this standard and others specified by the Principles for Sustainable Insurance (PSI), and the Principles for Responsible Investment (PRI), Munich Re has implemented a due diligence process that covers our commitment to the following guidelines:

- UN Guiding Principles on Business and Human Rights
- International Bill of Human Rights, consisting of the:
  - Universal Declaration of Human Rights
  - International Covenant on Civil and Political Rights
  - International Covenant on Economic, Social and Cultural Rights
- ILO Declaration on Fundamental Principles and Rights at Work

With our due diligence processes to prevent and mitigate human rights abuses, we strive to comply with the requirements of these standards and guidelines.

### [Munich Re's risk management processes in relation to slavery and human trafficking in its business and supply chains](#)

Munich Re's management is committed to preventing its business from having any potentially negative impact on human rights. In order to systematically monitor any such effects, the following four aspects have been defined: employees, procurement, our core business of reinsurance and primary insurance, and investments. We have introduced instruments for each of these aspects, which allow us to manage our respective decision-making processes in terms of human rights. This enables us to minimise risks regarding human rights violations as far as possible.

Our corporate due diligence requirements are set out in various guidelines, codes and work instructions. The processes include the following components:

- A risk management system with clearly defined processes and responsibilities:

- Regularly conducting risk analyses
- Embedding preventive and remedial measures in our business units
- Monitoring and reviewing the effectiveness of measures
- Grievance mechanism (whistleblowing management system)
- Documentation and reporting

In the event of increasing risks or concrete evidence of potential human rights violations, such risks or violations are either revealed in the course of our monitoring or supplied to us via our whistleblowing channels. We carefully review the facts and initiate the preventive or remedial measures needed in order to avoid, end or mitigate the violation in question. In line with governance processes, depending on the extent of the breach, corporate committees responsible for assessing ESG risks are involved in the decision. These are the Munich Re Reputational Risk Committees for investments and (re-)insurance and the Munich Re ESG Management team as a working committee of the ESG Committee.

### Assessment of human rights risks

With the help of a structured risk analysis, Munich Re checks which business units or activities could be exposed to an increased risk of human rights violations or environmental harm. These risk analysis processes have been implemented within the four dimensions of employees, procurement, our core business of reinsurance and primary insurance, and investments. In addition, risk analyses are carried out on an ad hoc basis in response to significant changes in the risk situation, such as expansions into new business areas or product offerings, or if we become aware of related breaches of duty on the part of our indirect suppliers.

The risk analysis is based among others on a country-and-sector list that Munich Re compiles and regularly updates, drawing on external databases to do so. We also use this to screen new and existing business relationships where relevant and, if necessary, initiate preventive or remedial measures.

### Measures to manage human rights risks

The processes which have been developed to comply with human rights due diligence obligations are continuously revised and expanded. Munich Re has defined the following processes, which are reviewed annually:

- Commitment by management to comply with human rights
- Appointment of a Human Rights Officer for the Munich Re Group
- Structured identification and assessment of risks with regard to human rights violations
- Implementation and monitoring measures
- Annual reporting and communication
- Support and grievance mechanism

Staff and non-staff at HSB UK Group can use Munich Re's whistleblowing portals to report possible or actual human rights violations. If a human rights violation is reported, or we otherwise learn of one, Munich Re's dedicated Compliance units will investigate. Every potential case is investigated in accordance with a procedure set out in internal guidelines. Every potential case of misconduct will be investigated and resolved. If we learn of

substantial human rights violations in an existing contractual relationship, we decide on appropriate and effective remedial action in dialogue with the responsible parties.

Moreover, we endeavour to decline any business relationship with, and exclude investments in, companies that have been involved in confirmed and substantial violations of human rights. For this purpose, a list of companies with which we want to exclude business has been developed in a multi-stage process based on information from external data providers. This list is regularly reviewed, updated and adopted as part of Munich Re's ESG governance. Munich Re began applying these policies to our investments, to procurement and to single-risk business in primary insurance and facultative reinsurance in the course of 2023.

## **Employees**

As an employer, we are committed to complying with international human rights standards and creating adequate working conditions for our staff like transparent remuneration conditions, an extensive company health management framework with a wide range of healthcare options, comprehensive employee assistance programmes, as well as flexible working conditions and working-time models.

An annual risk analysis and assessment is carried out by Munich Re which helps to identify human rights risks within its workforce.

The Munich Re Code of Conduct, as a set of binding rules for all our staff members and which HSB UK Group has adopted, explicitly states that we do not tolerate any kind of discrimination in respect of employment and occupation and upholds the freedom of association and the effective recognition of the right to collective bargaining.

## **Procurement**

Our goal in procurement, when making decisions and taking action, is to comply with Munich Re's principles and thus assume corporate responsibility along the entire supply chain. Avoiding ESG risks is pivotal in our procurement of goods and services. We had previously required our suppliers to accept the principles of the UN Global Compact. And now we have made our expectations in terms of respecting human rights even clearer, by adopting a Group-wide Code of Conduct for suppliers, which came into effect on 1 January 2023.

Accordingly, the vast majority of procurement contracts within (re)insurance will include a corporate responsibility clause. This serves, among other things, to formalise the Munich Re Group's human-rights-related requirements for suppliers and, if necessary, to have audit and special termination rights in the event of a breach.

The Munich Re structured and continuous risk analysis process that is currently in the process of being introduced will allow us to even better identify potential human rights violations in future, and to mitigate or avoid them accordingly. Substantial cases are discussed in dialogue with the responsible parties and remedial measures are taken if necessary.

## **(Re-) Insurance**

In addition to taking into consideration the above exclusion list of companies that have been involved in confirmed and substantial violations of human rights, Munich Re updated its underwriting guidelines for its single-risk business in primary insurance and facultative reinsurance in the 2023 reporting year to include an enhanced risk analysis for certain large commercial business clients. The focus here is on client groups for which – given their geography and sector – structural factors contribute to an increased risk of human rights violations.

Should in this context significant reputational or human rights risks be identified in the underwriting process, the underwriting guidelines stipulate an extended review process, and risks may need to be presented to the respective Munich Re Reputational Risk Committee prior to acceptance.

## Investment

As part of a sustainable investment, government bonds (including the sub-sovereign level) and notes from government-related institutions rated CCC under the MSCI ESG Rating scale are excluded, due to high risks related to socio-economic or political factors. Such MSCI ESG Ratings also take human rights into account. Our Responsible Investment Guideline has been updated to include human rights standards, among others. Exclusions also apply to these asset classes if, on the basis of a specific country rating for human rights, their risk exposure is extreme. If the risk exposure is high, the portfolios of assets in question are monitored.

The list of companies excluded by Munich Re Group due to their significant human rights violations is also used in our investment business, where application of the exclusion lists is mandatory for our asset managers.

We have integrated human rights into our due diligence process for our alternative investment activities, particularly for the asset classes of infrastructure, direct investments in forestry and farming, and direct real estate.

As a responsible investor, we also support the international conventions addressing controversial weapons (including but not limited to the weapon categories anti-personnel mines and cluster munition), and exclude any direct investment in equities or bonds from companies active in those sectors.

## Grievance mechanism

The compliance whistleblowing portal of Munich Re allows employees, clients, suppliers and other business partners to report potential or alleged human rights violations. Whistleblowers can access the portal by using the internal web or the publicly accessible Munich Re website. Employees can also report incidents to their direct managers or the Compliance Officer. Accordingly, relevant information can be shared securely, confidentially and, on request, anonymously – globally and around the clock. Evidence of potential human rights violations that reaches us via other channels is handled using the same principles and processes.

There is a joint responsibility for investigating possible human rights violations. The Compliance and HR functions investigate issues of possible human rights violations within own operations. The human rights officer is responsible for investigations relating to possible human rights violations within the value chain. The investigations to be initiated and the procedures are defined and set out in an internal set of rules. Every possible case of misconduct is investigated and clarified. If we learn of human rights violations in an existing contractual relationship, we enter into dialogue with the relevant stakeholders and pursue remedial measures.

## Raising awareness: training and capacity building on slavery and human trafficking

In order to raise staff awareness and familiarise them with the key compliance rules and help them understand the importance of following these rules at work at all times, employees re-certify their knowledge of the Munich Re Code of Conduct regularly. This training course includes information on equal treatment, reporting of infringements, data protection and corruption. Furthermore, special training courses on human rights due diligence have been established for employees in the procurement units.

The “ESG Basics”, a Munich Re Group-wide ESG awareness-raising measure, is aimed at all employees. It includes the ESG criteria relevant to our business success, such as climate and environmental aspects, social criteria such as working conditions and human rights, and compliance and governance requirements.

In the reinsurance sector, Munich Re's sustainability experts coordinate the implementation of the Principles for Sustainable Insurance (PSI) and the integration of ESG aspects in its reinsurance business. With this in mind, these experts provide relevant training for managers, underwriters and client managers in the different divisional units. In addition, a network of ESG coordinators was established in the reinsurance segment.

Human rights officers within the Munich Re Group regularly attend external seminars and webinars in order to deepen their knowledge. Munich Re is also an active member of the Peer Learning Group of the German Global Compact Network.

### Progress in the financial year 2023

We will continue to work on the implementation of human and labour rights aspects and to consider our obligations under the UK Modern Slavery Act 2015.

In 2022, Munich Re adopted an overall guideline on respecting human rights in our core business, which was introduced and implemented in all units affected by the legal requirements of the German Supply Chain Due Diligence Act (GSCDDA) in the 2023 financial year. The guideline sets out the basic human rights compliance requirements for employees and suppliers across the Group and defines how we address human rights risks in our business operations. With the standards established in the guideline, we aim to fulfil our duty of care, and work to ensure that human rights are respected by all companies within our Group. In accordance with the requirements of the GSCDDA, this also includes the appointment of human rights officers for Munich Re Group.

In addition, Munich Re Group has strengthened our due diligence process in our single-risk business in primary insurance and facultative reinsurance in the course of 2023. The process had already been developed and piloted in the previous year and will help us to even better identify, analyse and assess potential risks to human rights.

With the introduction of a group wide process in 2023 we endeavour to decline any business relationship with, and exclude investments in, companies that have been involved in confirmed and substantial violations of human rights. This has been applied to our investments, to procurement and to single-risk business in primary insurance and facultative reinsurance.

Our goal is to continuously improve our compliance-related processes and expand our risk assessment. Our risk management processes and risk analysis are reviewed periodically.

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CEO, HSB UK and Ireland