

# SUSTAINABILITY

*Report*  
2020

A company of Allianz 

 EULER HERMES

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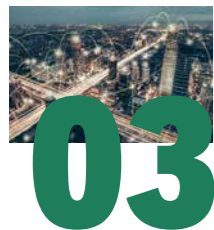
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# 01 About EULER HERMES

## INTRODUCTION

**WELCOME. WE ARE ON A JOURNEY TO “SET THE EXEMPLARY ESG STANDARD FOR TRADE FINANCE”. WE ARE TAKING DECISIVE STEPS TO MAKE THIS HAPPEN, AND THROUGHOUT THIS REPORT WE WILL EXPLAIN HOW INTEGRATING A NEW SUSTAINABILITY STRATEGY AND GOVERNANCE WILL HELP US ACHIEVE OUR VISION.**

### A LEADER IN TRADE FINANCE

Euler Hermes is proud to be the global leader in trade credit insurance. We are also a recognized specialist in the areas of surety, debt collection, fraud insurance, structured trade credit and political risk. We empower companies around the world to have the confidence to trade. In the event of a bad debt, we ensure that our customers are compensated. More importantly, we use our expertise to help them avoid bad debt in the first place. Euler Hermes has been fully owned by Allianz Group since 2018.



We support our customers to make better informed decisions through strong global predictive intelligence and consistent investment in technology and sustainability.

Our global team of credit risk analysts and risk underwriters assess the credit risks of companies and projects so that we can protect our customers from any non-payment risks. Whereas our macroeconomists focus on economic intelligence and market analysis, so that we can help our customers better anticipate and respond to changing market conditions.

We are investing in data intelligence, advanced statistical tools, and AI technologies to enable scalable access to our business data to support our underwriting decisions. We are also working to develop new Environmental Social and Governance (ESG) solutions for our customers, enabling them to develop a long-term sustainable plan.

# OUR BUSINESS MODEL

**TRADE CREDIT INSURANCE IS AN IMPORTANT FINANCIAL TOOL THAT MANAGES BOTH COMMERCIAL AND POLITICAL RISKS. WE PROVIDE BUSINESSES WITH PROTECTION AGAINST THEIR CUSTOMERS' FAILURE TO PAY TRADE DEBTS BECAUSE OF INSOLVENCY, OR FAILURE TO PAY WITHIN AN AGREED PERIOD. THIS ENSURES OUR CUSTOMERS CAN FOCUS ON DEVELOPING AND GROWING THEIR BUSINESS WITH LESS UNCERTAINTY.**

## PROTECTING OUR CUSTOMERS FROM BAD DEBT

While most companies will insure their key assets, they do not always insure their accounts receivables — yet these typically represent 30-40% of a company's assets.

When you also consider that accounts receivables represent the greatest chance of a company making a loss, the importance of trade credit insurance is clear.

Well-managed companies tend to protect themselves in several ways:

- Be credit insured against a catastrophic bad debt loss;

- Place a ceiling on losses from bad debt;
- Obtain proprietary information from their credit insurer.

B2B businesses that sell on credit terms are able to draw on a wide range of resources, such as capital, financial information collection and management, credit analysis and collections capability. A trade credit insurance solution provides companies with the advantage of sharing this piece of information with other companies through a pooling system.

*At Euler Hermes we strive to offer companies a capital base and to provide businesses with the global proprietary financial health information of their debtors.*

## EULER HERMES' MISSION

At Euler Hermes we strive to offer companies a capital base and to provide businesses with the global proprietary financial health information of their debtors. This is developed in-house and available via an online information platform, a unique tool which is not available on the market. In addition, we provide global collection capacities, so that our customers can securely grow their businesses.



## THE MAIN DIFFERENCE BETWEEN PROPERTY & CASUALTY (P&C) AND CREDIT INSURANCE

There is a clear difference between these two types of insurance:

- P&C insurers provide coverage for goods or people, indemnified in the event of a claim.
- Credit insurance companies, such as Euler Hermes, protect companies against the risk of non-payment of their trade receivables that may arise in the event of a buyer's insolvency, or a default in payment within an agreed period.

With our predictive protection, companies around the world can trade with confidence, and develop and grow their business safely.

## TRADE CREDIT INSURANCE MADE SIMPLE



02

# EULER HERMES

*ESG Strategy and Governance*



# MESSAGE FROM FLORENCE LECOUTRE, ESG BOARD MEMBER



**2020 HAS BEEN A YEAR LIKE NO OTHER. THE UNPRECEDENTED CRISIS HAS HIGHLIGHTED THE URGENCY TO CONSIDER SUSTAINABILITY ISSUES THAT ARISE IN THE WAY COMPANIES DO BUSINESS, IN THEIR INTERACTION WITH CLIENTS AND THE WAY FINANCIAL INSTITUTIONS ASSESS FUNDAMENTAL RISKS. IT IS NOW INCREASINGLY EVIDENT THAT ECONOMIC STRENGTH AND ESG ARE INTERCONNECTED.**



Florence Lecoutre

## MESSAGE FROM FLORENCE LECOUTRE, ESG BOARD MEMBER

Now more than ever, I believe it is time for the trade industry to drive the ESG agenda to help businesses adapt to unexpected challenges. This year alone we have made structural changes to our ESG approach, with the implementation of a new governance, a new team and a new strategy, which will lay the foundation for our ESG journey.

## A VISION FOR CHANGE

We are already pioneers in our ESG approach - in January 2020 we became the first credit insurer to include ESG risks into our country ratings. I am very proud of this achievement. It marked our first step in demonstrating the significance of ESG risks in economic research, given the increasing correlation between non-payments and insolvencies influenced by severe climate-related events and social unrests. This is just the beginning of our ESG journey.

Our new mission statement “Set the exemplary ESG standard for trade finance” shows how important it is for us to ensure that trade finance supports and helps companies

grow in a more sustainable way. Our strategic priorities focus on facilitating our transition to a low-carbon economy, engaging with our clients on the most strategic ESG risks and opportunities and integrating ESG risks into the assessment of buyers’ credit worthiness and countries’ credit risk.

To drive this ambition, we established a new ESG Office and a global governance with functional and regional ESG champions. ESG is a transversal topic, with multiple idiosyncratic dimensions — so flexibility in the way we structure and lead ESG integration is essential. I am determined to ensure ESG is integrated across all functions and regions. Our ambition is aligned with Allianz sustainability strategy. We are proud to see our parent company leading by example with a clear commitment to carbon-neutral investment portfolios by 2050 as part of the Net-Zero Asset Owner Alliance.

*The people at Euler Hermes are what makes us so special and I am convinced that together we can deliver on this ambition.*

## LEARNING TOGETHER

To ensure everyone will play their part in this exciting transformation, we are investing time and effort in the upskilling of our employees. The first step was developing an ESG onboarding to ensure all new joiners understand how we integrate ESG at Euler Hermes. Then, we developed an innovative ESG training program that focuses on five key areas:

- ESG materiality
- ESG investing
- ESG in credit risks
- ESG data & ratings
- Climate change

I would like every employee to choose from this list and identify an area of sustainability that they are keen to develop. I feel very strongly that if we want to make a meaningful ESG integration, we need to fully engage and empower our experts.

## INNOVATIVE NEW PRODUCTS

2020 marked our first step into the ESG market with a new product: the ‘Green2Green Single Risk’ innovative credit insurance solution. This will support our environmental transition by insuring green transactions through a dedicated in-house methodology that meets EU Taxonomy guidelines and re-invests the premiums in certified green bonds.

## GOING FORWARD, WE PLAN TO STRENGTHEN THE COLLABORATION BETWEEN OUR NEWLY ESTABLISHED ESG OFFICE AND OUR BUSINESS FUNCTIONS WITH A FOCUS ON CREDIT RISK THROUGH A MORE STRUCTURED ESG INTEGRATION PROCESS.

We will also focus on new ESG solutions to support our clients and continue our activity as a strong corporate citizen to support society through donations and partnerships. I am very proud of our employees long-standing support of the charitable CSR initiatives. In 2020, they confirmed their constant support to initiatives towards people in need or fighting against diseases, through charity runs or volunteering actions. Going forward, we will reinforce our impact with an ambitious roadmap and concrete targets.

We have a challenging journey ahead of us to convince of the importance of ESG. The collaboration between functions and regions will be essential to embrace this change and I count on you to support our ambition to set the standards for ESG in trade finance.

I would like to thank all those involved, as well as our clients, for joining forces in our exciting ESG journey.

Sincerely yours,  
**Florence Lecoutre**

# OUR ESG GOVERNANCE

## AS PART OF OUR COMMITMENT TO EMBEDDING ESG INTO THE FABRIC OF EULER HERMES, WE HAVE SET UP AN ESG OFFICE, DESIGNED TO SUPPORT FUNCTIONS AND REGIONS WITH THE INTEGRATION OF ESG INTO OUR BUSINESS.

The responsibility for ESG integration lies with the Board Member in charge of Digital Transformation, Human Resources, Compliance, Communication & ESG. The ESG Office is integrated in the Global Communication and Corporate Responsibility department - GCORE. As a result, the Head of ESG reports to the Global Head of Communication and Corporate Responsibility.

### A DEDICATED CENTER OF COMPETENCE

To fully meet our ESG ambition, in 2020, we created a new position, Head of ESG. This was shortly followed by the introduction of a new ESG structure in early 2020. This new structure consisted of one Head of ESG, two ESG Managers and an apprentice Analyst:

- The **Head of ESG** is in charge of the integration of ESG risks and opportunities at Euler Hermes, with a specific focus on credit risks as the core activity of Euler Hermes.

- The **Environmental Business Manager** is in charge of the environmental agenda of Euler Hermes, from the operation to the business functions, including the assessment of the portfolios.

- The **Corporate Responsibility & Communication Manager** is in charge of the CSR strategy of Euler Hermes, including dealing with external partnerships and charities.

- The apprentice **ESG Analyst** supports the Head of ESG in the integration of ESG into credit risk and the development of new ESG solutions.



“ Having a global ESG team clearly emphasizes that it is no longer a nice to have: it is a must have, especially in light of the awareness generated by COVID-19. Pulling this team together, empowering our employees to contribute, and integrating ESG into our business embodies the commitment we are making towards our clients, partners and employees. ESG will now become an integral part of how we work. ”

**Sophy Hunter**  
Global Head of Communications & Corporate Responsibility

### MAXIMIZING OUR GLOBAL IMPACT

Collaboration between regions and group is essential to grow our ESG ambition at Euler Hermes. To ensure full integration of ESG throughout the business, our ESG governance has been globalized. This is to ensure optimum efficiency, limit any duplication of work or budgets, and gain maximum cumulative impact, globally.

First of all, we have identified key ESG champions at both group and regional level. At group level there are ESG Functional Champions and at a regional level we have ESG Regional Champions. The purpose of these two levels is to help integrate ESG, ensure coordination locally and align with the Global ESG Office. The ESG Functional Champions will ensure that the ESG integration process is robust and aligned with the Global ESG Office, while the ESG Regional Champions work with their regional functions to manage ESG and CSR related topics.

After identifying key champions, we have put in place ESG & CSR committees to ensure a transparent and effective flow of information, top-down and bottom-up:

- **The Global ESG & CSR Steering Committee** is comprised of key ESG Functional Champions and the ESG Office. It is up and running, and is scheduled to meet every two months. The committee approves the ESG & CSR strategy, defines priorities at a global level, defines budget allocations for global initiatives and monitors execution.

- **The Functional ESG & CSR Committee** is made up of all ESG Functional Champions and the ESG office. They will meet twice a year from 2021. Committee members will brainstorm ESG priorities and reinforce Euler Hermes' ESG community.

- **The Regional ESG & CSR Committee** is comprised of ESG Regional Champions and the ESG Office. It meets every two months, right after the Global ESG & CSR Steering Committee. Its objective is to inform regions of initiatives and decisions taken at global level, which will need implementation at the local level. It will also address any issues that may occur during the ESG journey.

With this governance structure, we want to ensure that Euler Hermes has one voice and one global view on the Sustainability Agenda. Therefore, a quarterly report on local ESG/CSR initiatives is provided from the ESG Regional Champions to the ESG Office.



**FLORENCE LECOUTRE**  
Board Member,  
ESG SPONSOR



**SOPHY HUNTER**  
Global Head of Communications  
& Corporate Responsibility



**GAIA MAZZUCCHELLI**  
Head of ESG



**LINDEE WONG**  
Environmental Business Manager



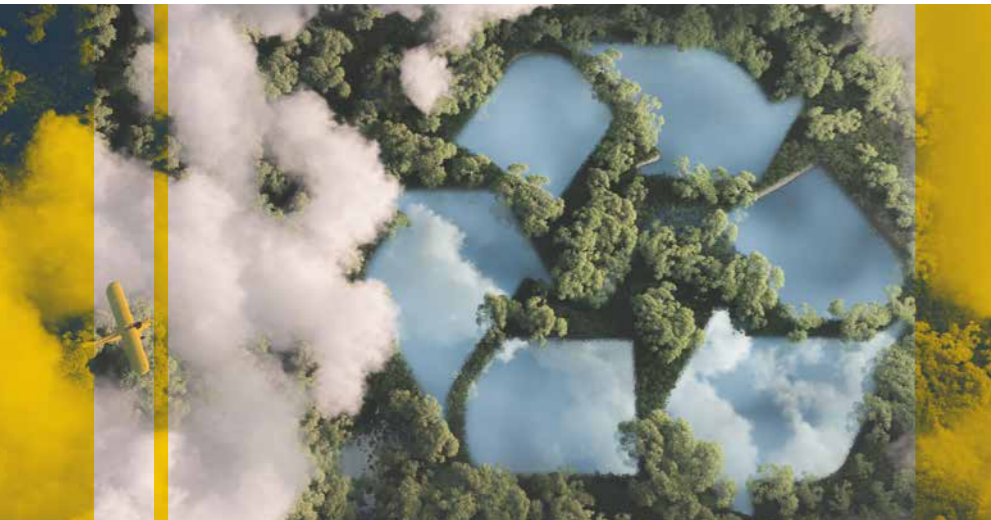
**ISABELLE NGUYEN**  
CSR & Communications Manager



**SALOME LEONTI**  
ESG Analyst

# OUR ESG STRATEGY

**AT EULER HERMES OUR MISSION IS TO SET THE EXEMPLARY ESG STANDARD FOR TRADE FINANCE. THIS AIM IS CLOSELY ALIGNED TO OUR CORE ACTIVITY. TO SUPPORT OUR MISSION, WE ARE DEFINING AMBITIOUS TARGETS THAT WILL DELIVER A TANGIBLE ESG IMPACT. WE HAVE STRUCTURED THESE TARGETS INTO THREE KEY PILLARS THAT INTEGRATE ESG INTO OUR COMPANY'S DNA, SO THAT WE CAN ACT AS A STRONG CORPORATE CITIZEN AND PARTNER IN TRADE FINANCE.**



*“ We chose an ambition that is linked to our core activity. The goal is to define our targets for a tangible and differentiating ESG impact, positioning us as the strongest partner in trade finance. I am convinced that this strategy can only be successful if we truly integrate ESG across our functions and regions. We need to embark every employee to grow our ESG ambition. ”*

**Gaia Mazzucchelli**  
Head of ESG

## WHY ESG IS IMPORTANT TODAY

ESG is growing importance worldwide. We have seen a lot of important changes in the market which highlight the material implications of ESG factors – which shift away from the original philanthropic view attributed to ESG.

- United investor action to align portfolios towards ESG topics, such as the Net-Zero Asset Owner Alliance, which is co-led by Allianz. The Alliance represents 5 trillion dollars in assets under management.
- We have also seen increasing regulatory pressure for ESG disclosure.
- The systemic integration of ESG risk factors among Credit Rating Agencies.

Those changes are important for Euler Hermes as we can now have access to new ESG data, we can develop new solutions for our customers and we can enhance the way we assess risks in our credit analysis. So the key message here is that ESG can bring new business opportunities at Euler Hermes.

## MISSION. VISION. STRATEGY



## EULER HERMES ESG STRATEGY

First of all, we chose a mission that was close to Euler Hermes core activity: set the exemplary ESG standard for trade finance. Our objective is to reinforce the alignment with Allianz' ambitious ESG Agenda, while defining our own ESG view to confirm our position as a strong partner in trade finance and a strong corporate citizen. The strategy is defined in three key pillars.

**The first is to facilitate our transition to a low carbon economy.** The systemic impacts of climate change are already evident across sectors and regions. We also see a lot of emphasis on the role of the financial industry to support the transition. As such,

we plan to mitigate and adapt to climate change risks and encourage greener transactions. Concretely, this means that we would like to continue measuring our direct carbon footprint. But also, we would like to understand the carbon footprint of our portfolios and track the emissions of our policy holders' supply chain.

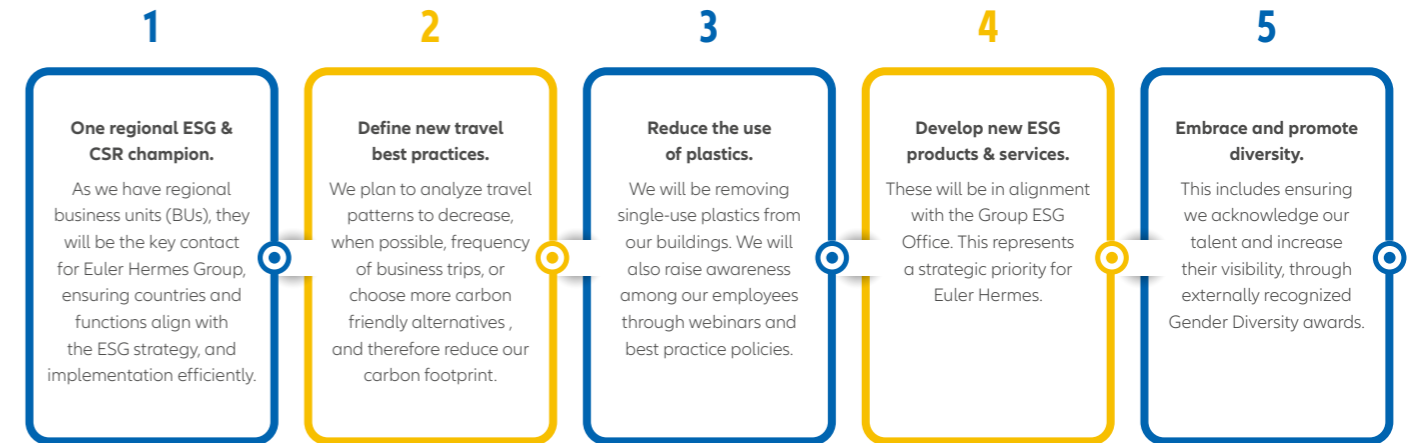
**The second key pillar is to Develop Next Generation of Companies.** We inspired from Allianz' social strategy to foster and enable self-sustained livelihoods of next generations. We aligned this to Euler Hermes' strategy to help companies grow: hence help companies grow in a more sustainable way. For this, we would like to have dedicated solutions to help our clients identify the most important

ESG risks and opportunities. To do so, we are planning to upskill the ESG knowledge of Euler Hermes' employees through dedicated trainings and onboarding which are already available to our HR platforms.

**The third and last pillar is to become the reference for ESG risks in credit.** Currently, we are studying the correlation between ESG and credit worthiness. We are exploring new ways of developing & integrating ESG data in the existing platform. And we are considering ESG risk for large exposures in the portfolio through ESG analysis on a case by case basis.

## EVERYONE CAN MAKE A DIFFERENCE, ESPECIALLY OUR REGIONS

Our regions have a vital role to play at Euler Hermes. Here are the top five priorities identified for the Euler Hermes regions:



## WHAT WE HAVE ACHIEVED SO FAR

CLIMATE CHANGE

- Launched the Green2Green Single Risk product that insures green projects and re-invests the premiums in certified green bonds;
- Raised internal awareness on environmental challenges through a series of 'Positive impact ESG webinars', a dedicated ESG area on the intranet, a new ESG webpage, and an ESG strategy video;
- Launched an internal plastic reduction study with the aim to eradicate plastic from our buildings;
- Continued environmental reporting to measure our energy consumption, water consumption and waste usage at Euler Hermes.

NEXT GENERATION COMPANIES

- Empowered new joiners through a dedicated ESG onboarding program;
- Introduced an extensive in-house ESG training program to upskill employees. Modules cover ESG materiality, ESG in credit risks, ESG data, ESG investing and climate change;
- Partnered with 'Make Sense', a mentoring program for sustainable projects with the participation of three board members at Euler Hermes;
- Provided transparent responses to clients' queries on our ESG commitments;
- Committed to high levels of transparency in the market by publishing our first ESG report at Euler Hermes.

ESG RISK

- In January 2020, we became the first credit insurer to integrate ESG indicators in its country risk methodology;
- Included the ESG Office in the Group Risk Credit Committee - the highest level of governance in credit risk which approves projects and maximum exposure levels;
- Conducted case by case reviews of companies and projects under ESG risks;
- Developed a new ESG Referral Process for commercial underwriters with direct escalation to the ESG Office, a new ESG simplified matrix, and a comprehensive set of sectors.

## WHAT IS COMING NEXT

We are proud of the achievements done so far and we aim to strengthen collaboration among our employees. This will ensure we achieve and outperform on our ESG Ambition. Together, we can make a difference.

### CLIMATE CHANGE

- To continue our journey to a low carbon economy we will:
- Set ambitious targets to reduce the use of plastics;
  - Review and optimize our travel policy;
  - Measure our portfolio carbon footprint.

### NEXT GENERATION COMPANIES

- To ensure a stronger positive impact, we will:
- Develop new ESG solutions for our clients as a key priority for the future;
  - Ensure employees embark on the ESG journey with dedicated programs;
  - Monitor efficiency of our ESG governance structure.

### ESG RISK

- We will continue to integrate ESG more systemically:
- Continue to review ESG risks for credit and commercial underwriting;
  - Further integrate ESG data into the credit risk models;
  - Define a new process for ESG integration across large exposures.



03

# BUSINESSES

*Integration*

SUSTAINABLE VALUE CREATION

# ECONOMIC RESEARCH

**ESG ISSUES HAVE REACHED A TIPPING POINT IN THE GLOBAL ECONOMY; FOR COMPANIES AND INVESTORS, IT IS NOW CLEAR THAT THESE ISSUES WILL IMPACT GROWTH, MARKET SHARE AND PROFITABILITY. FOR NON-PAYMENT RISK, THE CORRELATION BETWEEN NON-PAYMENTS AND SEVERE CLIMATE-RELATED EVENTS (SUPPLY CHAIN INTERRUPTIONS), OR BETWEEN INSOLVENCIES AND SOCIAL UNRESTS (LOOTING, PROFIT LOSS) ARE INCREASING OVER TIME. NEW PAYMENT RISKS COULD COME FROM A MORE DIFFICULT ACCESS TO FINANCING FOR COMPANIES WITH HIGHER CARBON FOOTPRINT, OR WITH ASSETS AT RISK OF STRANDING BECAUSE OF REGULATORY DECISIONS. WE NOW CONSIDER THE THREE COMPONENTS OF ESG WHEN ANALYZING CREDIT RISK.**

## OBJECTIVES AND STRATEGY

Euler Hermes decided to augment its country ratings with a set of indicators related to environmental sustainability on the one hand (E-block); and to add sentiment analysis crawling from social media in its political risk rating on the other (S-block). Governance issues (G-block) such as the regulatory and legal frameworks and control of corruption have already been included in the country ratings since 2003.

As a result of this analysis, in January 2020, we became the first credit insurer to integrate ESG into a credit risk rating system. Going forward, our objective is to continue the integration of material ESG factors in credit risk.

## INITIATIVES

### Starting point of our methodology

The Euler Hermes country risk rating methodology measures the risk of non-payment by a company in a given country due to conditions or events outside of its control. It is composed of three medium-term components, which measure macroeconomic imbalances, political risk and the Structural Business Environment (SBE). Two additional short-term components (Cyclical Risk Indicator and Financing Flow Indicator) allow analysts to detect recessions and balance of payment crises. The rating includes more than 140 indicators and is available for 194 countries.



**“** ESG norms are revolutionizing the overall risk analysis. Fundamentally, they will not only contribute to helping the private and public sectors converge towards a more sustainable model of growth, but also help companies and investors clearly identify reliable and non-viable business models. There is no ambiguity, in line with a quality approach electing the best investment plans, ESG full consistency mirrors better governance, higher transparency and long-term efficacy, all together playing in favor of structurally lower risk. **”**

Alexis Garatti

Global Head of Economic Research

## THE EULER HERMES COUNTRY RISK RATING

 **140**  
INDICATORS

 **194**  
COUNTRIES

### Integrating environmental issues

The SBE component, which includes Ease of Doing Business and Control of Corruption indicators has been completed by six indicators assessing environmental sustainability:

- 1. Energy use per GDP:** Kg of oil equivalent per USD 1,000 GDP and constant 2011 PPP.
- 2. Renewable electricity output:** Share of total electricity output.
- 3. CO<sub>2</sub> emissions per GDP:** Kg per 2011 PPP USD of GDP.
- 4. Water Stress:** Annual freshwater withdrawal as a proportion of available freshwater resources.
- 5. Recycling rate:** Share of total waste.
- 6. Climate change vulnerability:** People affected by climate related disasters, per 100k population, over a 5-year average.

### Integrating social risk

The political risk component will include sentiment analysis from social media. It uses proprietary data science algorithms applied to large data sets from crawling social networks. They help capture signs of social unrest, as recently field-proofed in the Middle East and Latin America. Since the Arab Springs, the methodology already included a series of indicators aimed at measuring pervasive inequalities and social immobility.

### AMBITION FOR 2021

First of all, we will be integrating ESG factors in our sector risk framework, broadening the scope and impact of ESG in our macro analysis. The final country and sector risk matrix will consist of macro financial data as well as material ESG factors. Secondly, we will be verifying the consistency of these scores with qualitative assessments from our local business units. Finally, we will be estimating the potential impact of ESG factors on the average probability of defaulting by sector and country with the help from the Credit Intelligence team.

# UNDERWRITING: CREDIT RISK AND UNDERWRITING

**AT EULER HERMES, WE APPLY A STRONG ESG DUE DILIGENCE AT BOTH OUR KEY COUNTERPARTS: THE INSURED CLIENT AND THEIR CLIENTS (THE BUYERS). THE ESG ASSESSMENT OF THE INSURED CLIENTS IS MANAGED BY THE COMMERCIAL UNDERWRITING TEAM, WHEREAS THE BUYER'S ESG ASSESSMENT PROCESS IS MANAGED BY THE CREDIT ASSESSMENT AND CREDIT UNDERWRITING TEAMS. THE ESG OFFICE SUPPORTS THE ESG INTEGRATION FOR BOTH PARTIES.**

Euler Hermes includes ESG considerations when assessing the credit risk of a company as we are convinced that ESG misconducts – such as child slavery or industrial pollution – can temporarily hide a weak business model which will ultimately lead to a solvency crisis.

Credit risk analysis assesses the insolvency risk of companies globally, whatever their size and location, through a combination of best in class models and credit analyst expertise. This assessment is presented as a Grade from '1' being the least risky to '10' being the most high risk, reflecting a probability of default of a company. The Grades are then used by our Credit Underwriting team to handle incoming requests from our policyholders. Historically, our assessment was mostly focused on financial information, but it now includes more and more alternative data such as ESG.



## OBJECTIVES AND STRATEGY

A company's sole financial performance needs to be put into perspective with its ESG conduct and market perception. This becomes even more important when we look into long term projects.

In 2020, we had a key role in society to play in ensuring trade and economic continuity and we collaborated closely with governments to introduce state support schemes. We have also structured and optimized our ESG approach. We have decided to look at each company's consolidated ESG score, individual ESG pillar score and ESG controversy score with additional due diligence through a two-threshold model that helps us identify potential structural issues. We have updated our Credit Intelligence rules to ensure all our large risks are systematically reviewed. Starting from 2021, the Euler Hermes ESG Officer will have a right to veto the most sensitive cases.

## INITIATIVES

- We first focused on finding the right ESG and controversy data source to support our business.
- We on-boarded all Euler Hermes BUs in this journey who nominated their ESG champion for credit risk.
- We included an ESG assessment in our risk assessment and Credit Committees, and conducted sector specific reviews (Automobile, Energy, ...).
- we updated our Credit Intelligence rules and started to adapt our systems to ensure an ESG review on all large risks.
- A monthly review of ESG score, ESG pillars and controversy score will be made on our portfolio.
- We will further train our analysts to qualify ESG aspects when interacting with companies.
- We interact directly with Allianz ESG Office for the most sensitive projects.

Changing the way we speak is easy, changing the way we behave is harder. Changing behaviors requires to walk the talk at the management level. It also requires to infuse a change from past practices, avoiding any sense of guilt to ensure the initiative will not be rejected from operational teams. It also needs to be connected to the DNA of the company. At Euler Hermes, ESG has always been there, as we have been including ESG considerations in our Credit Assessment & Underwriting since long ago. We also have a close eye on company ownership and governance structure when assessing risk – which are both key component of ESG risks. However, we did not have the right technology to develop further at that time. Finally, there is a need to explain the connection to the business model and why we are doing this. Beyond implementing the right tools, we need time to upskill our experts and ensure they can adapt and feel happy about this change.

To infuse the change, you need a vector. At Euler Hermes, our vector is the credit analysis and underwriting of our large credit risks. These are visible large organizations with a strong immediate impact, and are few enough to allow for people to adapt to this additional ESG due diligence on top of their day-to-day work. Our next step will be to escalate further our ESG integration within our credit risk portfolio, thus onboarding every credit analyst and underwriter in our ESG journey.

## AMBITION FOR 2021

**First of all, we are adapting our systems to handle the ESG due diligence that is now enforced in our credit intelligence rules, and we will train our teams to fully apprehend the various ESG dimensions when reviewing cases. Secondly, we will enforce the veto power of the Euler Hermes ESG Officer. Finally, we will contribute to the climate stress test together with the ESG Office.**



# UNDERWRITING: COMMERCIAL UNDERWRITING

**THE MANAGEMENT OF ESG RISKS IS NOT ONLY KEY FOR PORTFOLIO PROFITABILITY, BUT ALSO FOR THE REPUTATION OF EULER HERMES. BY INTEGRATING SYSTEMATICALLY ESG FACTORS IN THE ASSESSMENT OF CURRENT AND FUTURE DEALS, EULER HERMES REINFORCES ITS ROLE AS A STRONG ESG PARTNER FOR OUR CLIENTS. WE BELIEVE ESG FACTORS ARE LIKELY TO ACQUIRE MORE IMPORTANCE IN THE COMING YEARS, HIGHLIGHTING THE IMPORTANCE OF OUR ESG DUE DILIGENCE IN COMMERCIAL UNDERWRITING.**

The role of commercial underwriting is to contribute to the achievement of the profitable and sustainable growth of our portfolio. Hence, it is our responsibility to maintain a good balance between successful business development and the quality of the portfolio.

Commercial underwriting issues rules to ensure that our portfolio is profitable and in line with Allianz requirements. It also ensures compliance with these rules. More concretely, commercial underwriting is in charge of the pricing strategy and its implementation, defining the terms & conditions of the policies. In addition, the team plays a lead role in the technical assessment of new products and will work on the development of sustainable products.



## OBJECTIVES AND STRATEGY

Protecting trade and economic stability was essential last year where we worked alongside governments on state support schemes but we also retained our ambition to prepare for the new business mindset around ESG. To improve sustainability in 2020, commercial underwriting continued to manage ESG standards in our assessment processes. In addition, we played a key role in the implementation and management of the Allianz Coal strategy across the organization, ensuring our underwriting principles were aligned. As a team, we continue to ensure that these underwriting standards are cascaded down to each colleague, in order to assess the ESG risk systematically on a case-by-case basis.

## INITIATIVES

To ensure a systematic ESG risk assessment during the underwriting process, we include ESG in the following way:

### Definition of the ESG risks in the internal rules

The Euler Hermes Rules for Market Management, Commercial Underwriting and Distribution (EH MMCD) include a dedicated section on ESG and Reputational Risk. This is in line with both the Euler Hermes

and Allianz 'Standard for Reputational Risk and Issues Management' (ASRRIM). The ASRRIM is a key reference document allowing the underwriting teams to identify a full range of ESG sensitive sectors and countries. In 2020, Euler Hermes' ESG Office enhanced the ASRRIM with the definition of ESG risks for more sectors and a simplified ESG matrix to guide underwriters. A new subscription with an external provider was also put in place to help underwriters identify issues and to support the ESG Office with the final review. The 2020 EH MMCD rules have been in force since October 1<sup>st</sup>, 2020, while the new ESG Referral from Euler Hermes ESG Office will be in place from January 2021.

### Identification and final approval of ESG risks

Based on these documents, ESG risks are systemically reviewed on a case-by-case basis by the underwriters generating the deals. This means that across all lines of business, underwriting decisions need to take into consideration the potential implication of ESG and reputational Risk issues. During the 'Know Your Customer' process, the local teams check and document that the underlying transaction is not linked to any of the ESG sensitive business areas. Based on the latest version of the ASRRIM, in case any ESG

risks are identified, underwriters will need to escalate the transaction to the Euler Hermes ESG Office.

The latter will either approve the deal, approve under condition in case ESG improvements need to be done by the companies, or deny the deal in case of systemic unmitigated ESG risks. Each submission to the ESG Office will include the ESG score aligned with the Reputational Risk Matrix from the ASRRIM. ESG risks are assessed on a scale from 1 to 5, with 1 being the lowest risk and 5 being the highest risk. If the overall rating exceeds the risk appetite of 3, which has been defined by Euler Hermes risk teams, the deal is escalated to the ESG Office.

## AMBITION FOR 2021

The commercial underwriting ambition for ESG is to fully support the initiative implemented during 2020. This will consist of applying the new ESG commercial underwriting assessment process for each deal reviewed during the year, analyzing the data over a yearly period, and increasing awareness of ESG commercial underwriting assessment amongst local teams. In addition, we will launch a dedicated ESG training program to update and replace previous training.

## Euler Hermes scale of impact on the environment, or society, or the company



**GREEN – MINOR IMPACT**  
A MEASURE OF 1-2



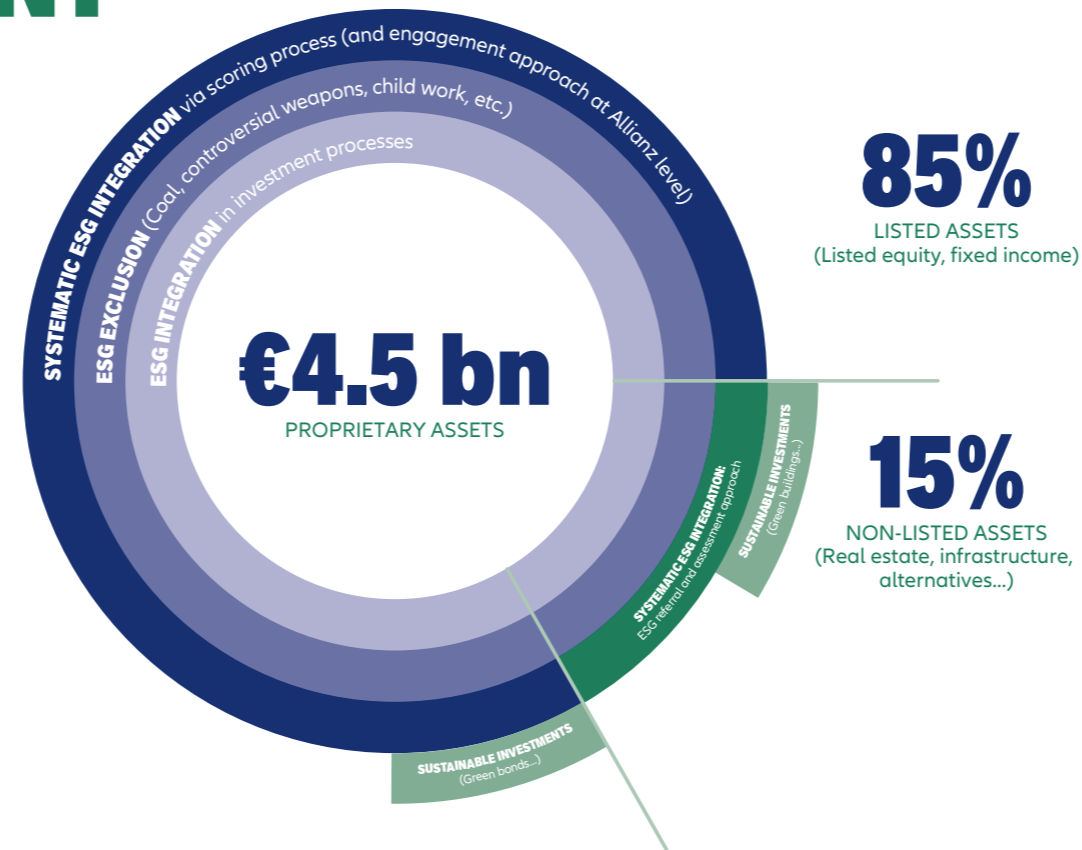
**YELLOW – MODERATE IMPACT**  
A MEASURE OF 3



**RED – SEVERE IMPACT**  
A MEASURE OF 4-5

# INVESTMENT MANAGEMENT: ASSET MANAGEMENT

**TOGETHER WITH ALLIANZ, EULER HERMES IS COMMITTED TO IMPROVING THE SUSTAINABILITY OF ITS INVESTMENT PORTFOLIO. WE AIM TO CREATE A LASTING POSITIVE LEGACY FOR SOCIETY THROUGH OUR INVESTMENTS, AS WE BELIEVE THAT SUSTAINABLE BUSINESS PRACTICES IMPROVE THE FINANCIAL PERFORMANCE OF COMPANIES. THAT IS WHY ESG ASPECTS ARE CONSIDERED IN ASSET ALLOCATION.**



## OBJECTIVES AND STRATEGY

ESG criteria are fully integrated in the full scope of Euler Hermes' investment portfolio. The graph above shows a simplified illustration of the proprietary assets as of the end of 2019, and the way ESG is integrated.

**Our approach has focused on three strategic pillars:**

- Systematic integration of sustainability criteria for listed assets,
- ESG referral and assessment approach for non-listed assets,
- Sustainability-themed portfolio approach.



## INITIATIVES

### Systematic integration of sustainability criteria for listed assets

Over the last few years, Allianz Investment Management (AIM) has developed an ESG scoring system, provided by a third-party provider - MSCI ESG Research. Euler Hermes also applied this scoring to the investment management of all its listed proprietary assets. Investments below a certain threshold are considered to be 'ESG critical' and asset managers responsible for these investments are submitted to a 'comply-or-explain' rule, meaning that they are required to either reallocate to another issuer or provide reasons for holding these issuers. The positions below the threshold and explanations are then presented to Euler Hermes' top management. Lastly, Allianz consolidates all positions that are below threshold in all its subsidiaries portfolios, and builds a list of companies to be engaged with due to severe ESG risks and concerns. An engagement team conducts in-depth research on each company so that relevant ESG questions are submitted to the company, requesting a written reply.

### ESG referral and assessment approach for non-listed assets

For non-listed investments, such as real estate or private equity, our corporate rules state that ESG screening is mandatory for all transactions in 13 sensitive areas. Transactions in non-listed assets are generally done together with other Allianz entities. The detection of an ESG risk triggers the referral process which leads to a detailed assessment of the potential risk by Euler Hermes' ESG Office. Based on this assessment, the ESG Office is entitled to accept the deal under no conditions, or accept under the condition that the company commits to improve, or decline the deal.

### Sustainability-themed portfolio approach

In 2020, Euler Hermes embraced Allianz' ambition to go even further in terms of sustainability of investments. On top of our growing green bonds portfolio, we committed to an investment in the newly issued PIMCO Climate Bond Strategy, which offers a multi-sector credit portfolio that supports the transition to a net-zero carbon economy, while seeking risk-adjusted returns comparable to an investment grade credit portfolio. Lastly, as the Allianz Group has joined the U.N. convened Net-Zero Asset Owner Alliance, Euler Hermes has also undertaken a thorough analysis of its investment portfolio. The objective is to contribute to the Group's commitment to support the 2015 Paris Climate Agreement goal through a rapid decarbonization of the global economy towards net-zero emission levels by 2050.

### AMBITION FOR 2021

**For 2021, our ambition in terms of investments is to keep pushing towards a more responsible investment portfolio. Robust ESG integration processes will obviously remain a key priority, and sustainability-themed approaches will be at the core of our development. In addition, the first concrete steps in the direction of the Net-Zero Asset Owner Alliance's objective will be made, as long-term ambitions require immediate action for effectiveness.**

The Investment Management department is in charge of investing Euler Hermes' proprietary assets on financial markets. As for all insurers, the main objective is to maximize financial returns under the primary constraints of risk and liquidity. Since a few years, ESG have also joined these liquidity and risk constraints to form the core of our primary investment criteria.

Being part of the Allianz Group, Euler Hermes can benefit from all the processes and strengths that a large worldwide organization can provide. Our investment activities are fully integrated in Allianz Group's ambitions, through the Allianz Investment Management (AIM) unit.

# INVESTMENT MANAGEMENT: INVESTMENT SOLUTIONS

“With ESG anchored to our investment strategy, we do not only create value for our investors with sustainable investment opportunities, but we are rewarded also in the long-term by an impactful contribution to a better future for society.”



**Gonzague Coiffet**  
Investment Solutions Portfolio Manager

**INVESTMENT SOLUTIONS IS THE ASSET MANAGEMENT PLATFORM OF EULER HERMES DEDICATED TO ALTERNATIVE PRIVATE DEBT FOR ALLIANZ INSURANCE PORTFOLIOS. ANCHORED IN THE ALLIANZ INVESTMENT STRATEGY, WE STRIVE TO ALIGN OUR INVESTMENT OBJECTIVES WITH THE UNITED NATIONS-BACKED PRINCIPLES FOR RESPONSIBLE INVESTMENT AND THE NET-ZERO ASSET OWNER ALLIANCE AMBITIONS.**

Euler Hermes Investment Solutions selects and executes investment strategies on behalf of Allianz companies by sourcing alternative private debt in Corporate Finance, Sovereign, Project Finance and Export & Structured Trade Finance. These cover a wide range of sectors from Infrastructure and Renewable Energy to Natural Resources. In addition to integrating Allianz ESG principles in the investment selection process, Investment Solutions also incorporates these into guidelines and practices. By doing so, it looks for appropriate disclosure from the banks and sourcing partners on ESG issues in relation to the selected loan investments.

## OBJECTIVES AND STRATEGY

As a recent business activity within Euler Hermes, Investment Solutions has defined ESG as a systematic core pillar of its investment decision process.

- Each investment opportunity is pre-screened for potential ESG risks during the due diligence.
- A specific methodology is applied, in line with Allianz ESG sensitive business areas and countries, or any Allianz Exclusion Policies.

- Prior to final investment decision, each investment opportunity is referred to Euler Hermes ESG Office for independent vetting.

In terms of development, Euler Hermes Investment Solutions has further integrated ESG principles through a broader diversification of the portfolio towards non-carbon related sectors with renewable energy being one of the key sectors within the Investment Solutions Portfolio.

## INITIATIVES

Our ESG scoring methodology is being implemented with the support of the ESG Office and Risk teams for each investment transaction. It will be integrated as a key component of the credit review. There is also a stronger focus and a more active engagement with sourcing partners on sustainability linked transactions.

In 2020, Investment Solutions invested in a key infrastructure debt transaction within the EU Telecoms sector. The loan is related to a government-backed project, which focuses on providing fibre optic infrastructure and connectivity to areas that are typically underserved. This had a positive social impact for the country, including better access to online education (which is particularly essential given various COVID-19 lockdown measures). Other benefits of the project include better patient care through easier outreach for professionals, and even remote medicine (teleconsultations). This transaction followed other landmark investments in the Telecom and Renewables sectors in 2019.

## AMBITION FOR 2021

In view of being ahead of the Allianz objective to reduce its carbon footprint by 25% in 2025, Investment Solutions will aim to further diversify towards investments embracing the transition to low-carbon energy, such as infrastructure finance in renewables or sustainability-linked-transactions. We will also continue to deploy and implement the internal ESG rating methodology with sector specifics. Finally, we will focus on infrastructure projects with social impact.

## INVESTMENTS IN TELECOM & RENEWABLES SECTORS IN 2020



BETTER ACCESS TO ONLINE EDUCATION



BETTER PATIENT CARE



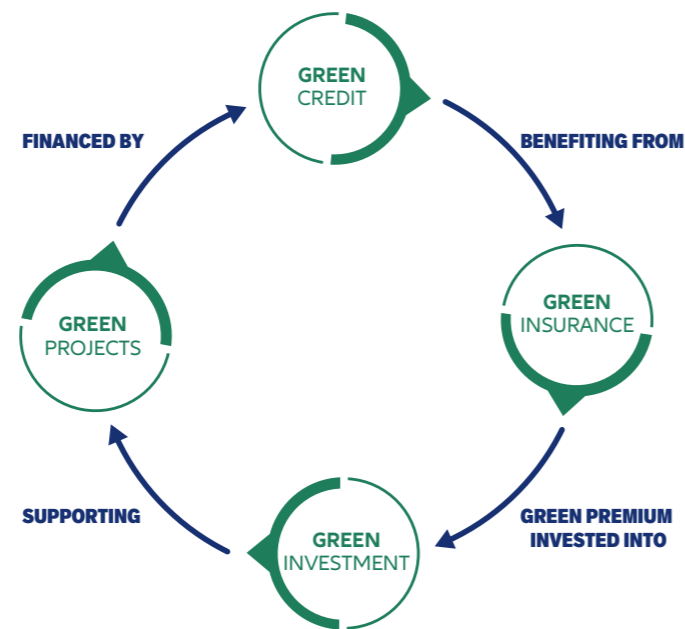
REMOTE MEDICAL TELECONSULTATIONS

# GREEN2GREEN SINGLE RISK INSURANCE

**THE OECD ESTIMATES THAT TO MEET THE PARIS CLIMATE AGREEMENT GOALS, EUR 6.35 TRILLION OF NEW INVESTMENT WILL BE REQUIRED EACH YEAR. PRIVATE SECTOR FINANCIAL SUPPORT IS THEREFORE KEY, AS PUBLIC SECTOR RESOURCES WILL NOT ALONE BE SUFFICIENT. INSURANCE COMPANIES SHALL OFFER THEIR SUPPORT TO THEIR CLIENTS IN REACHING THOSE AMBITIOUS GOALS. OUR AMBITION, THROUGH PARTNERSHIPS WITH OUR CLIENTS, IS TO ENCOURAGE AND PROMOTE GREEN FINANCE.**

The Transactional Cover Unit (TCU) department is part of Euler Hermes World Agency. It offers medium-term cover and single risk insurance cover to banks, exporters, multilaterals and ECA (Export Credit Agencies). The Green2Green Single Risk Solution aims to offer specific and dedicated insurance cover for the development and financing of projects that support the transition to a low-carbon economy.

The key product driver is to offer a virtuous "green cycle" whereby eligible green TCU insurance policies are allocated to a dedicated investment portfolio. In this portfolio, Euler Hermes Asset Management will invest 100% of the generated investable premium into the green economy through certified Green Bonds or private equity funds. This investment will then support new green projects, thus completing the "green cycle".



*“ We are very proud of having developed such an innovative process, which is also reviewed internally by an independent committee chaired by the Euler Hermes Head of ESG Office, who benefits from a very robust background in sustainable investment. Clients have welcomed this process which does not create additional burden for them. We also believe it is a way to avoid Greenwashing. ”*

**Sabine Lombard**  
Head of TCU Risk

## OBJECTIVES AND STRATEGY

Most of our clients have now fully embraced the energy transition: financial institutions have publicly committed to support the financing of the transition to a low-carbon economy, while exporters have strengthened their green offering in meeting their customers growing expectations in that field.

With the appointment of a Board member in charge of ESG, and the newly created ESG Office, Euler Hermes has put at the heart of its 2020-2021 strategy the development of concrete insurance solution to support their clients on such a burning topics and offer innovative products adding value to their own commitments. Green2Green Single Risk is the start of that, and it has been co-built with TCU clients to identify industry and product needs in that space. The reinvestment of premiums into green bonds provides our clients with recognition for contributing to the green economy, as well as tangible results for each party involved.

## INITIATIVES

In the absence of a global consensus on a green transaction classification system, and to support the Green2Green Single Risk initiative, Euler Hermes has implemented bespoke environmental assessment methodology based on internationally recognized frameworks (including, among others, the EU Taxonomy and the SASB Industry Criteria), as well as internal data. Taking ESG risk as a whole, Euler Hermes also integrates social and governance risk reviews to ensure projects comply with minimum social safeguarding requirements.

## AMBITION FOR 2021

At Euler Hermes Transactional Cover Unit we have put ESG and impact underwriting as a key pillar of our three year-strategy (2021-2024) with a specific focus on strengthening our contribution to the economic transition by increasing substantially the share of Green transactions in TCU's portfolio. This will be possible thanks to Euler Hermes managements' strong support of the project. Secondly, we will promote transactions with strong environmental benefits, by creating dedicated partnerships with our clients who share our values. Finally, we will extend TCU's offer to embrace wider impact projects. These will include sustainable transactions and social projects which address the United Nations Sustainable Development Goals (UN SDG).

# GERMAN CREDIT EXPORT AGENCY

**ON BEHALF OF THE FEDERAL GOVERNMENT THE EXPORT CREDIT GUARANTEES OF THE FEDERAL GOVERNMENT ARE A TRIED AND TESTED GERMAN FOREIGN TRADE PROMOTION INSTRUMENT. THEY PROTECT GERMAN EXPORTERS AS WELL AS BANKS PROVIDING EXPORT FINANCE AGAINST BAD DEBT LOSSES FOR POLITICAL AND COMMERCIAL REASONS. THE FEDERAL GOVERNMENT ENTRUSTED EULER HERMES AG DOMICILED IN HAMBURG WITH THE HANDLING OF THE EXPORT CREDIT GUARANTEES. HENCE THE NAME HERMES COVER. AS MANDATED BY THE FEDERAL GOVERNMENT, EULER HERMES PROVIDES EXPORTERS AND BANKS WITH ADVICE AND PREPARES THE DECISIONS ON COVER.**

## OBJECTIVES AND STRATEGY

The German Federal Government regards adherence to Environmental and Social standards as well as Human Rights (ESHR) crucially important when granting so-called Export Credit Guarantees (ECG). As a matter of principle, it will not cover any export transactions that breach defined environmental, social and human rights standards.

With the climate strategy for the Export Credit Guarantees ("ECG Climate Strategy"), the German Federal Government supports exporting industries in taking the necessary steps towards this transformation and provides companies with a reliable framework regarding Export Credit Guarantees.

Our objective in the Export Credit Guarantees Sustainability Department is to ensure full application of the environmental and social standards, as well as the implementation of the ECG Climate Strategy.

## INITIATIVES

### Methodology approach and reference standards

- ESHR aspects are assessed in accordance with the relevant OECD rules. The key element is the "Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence" (Common Approaches). All projects and transactions that fall within the scope of the Common Approaches are systematically assessed for compliance with the applicable reference standards.
- Reference standards are the World Bank Safeguard Policies (in future the World Bank Environmental and Social Standards), the Performance Standards of the International Finance Corporation (IFC) as well as the Environmental, Health and Safety Guidelines of the World Bank Group. Where appropriate, site visits of projects are conducted, local German embassies are involved and external expert opinion (consultants) is called upon. Depending on the level of detail and the flow of information, the ESHR assessment takes between a few weeks and several months to complete.

### Sustainability Department in Germany

At Euler Hermes AG, the Sustainability Department is in charge of the ESHR assessment. The team headed by Uwe Fitschen consists of environmental scientists, political scientists, engineers, geologists, management experts and economists (ten employees with an interdisciplinary approach).



### Developing a climate strategy for the export credit guarantees

In view of the Paris Climate Protection Agreement, and in order to meet the objective to keep global warming significantly below two degrees Celsius compared with pre-industrial times stated therein, a comprehensive transformation of the economy is imperative. During the current year, the Department Sustainability has been instrumental in developing the ECG Climate Strategy together with the responsible German Federal Ministries. This strategy has been tested since summer 2020 in a pilot phase.

### Establishing international benchmarks

In addition to facilitating cover of renewable energies and restricting cover of coal-fired power plants, an evaluation was carried out to establish what international benchmarks are best suited to assess the climate impacts of transactions covered under Federal Export

Credit Guarantees. Besides taking into account the Environmental, Health and Safety Guidelines of the World Bank Group, which are already used for the ESHR assessment, the EU Sustainable Finance Taxonomy plays an important role.

### 2021 AMBITION

**Robust due diligence with regards to the Common Approaches and the reference standards will continue to be key to ensure the successful assessment of environmental, social and human rights standards. In addition, the climate strategy will be gradually developed on the basis of the results of the pilot phase and will represent our key priority going forward.**



A blurred photograph of an office interior, showing people walking through glass doors. The scene is captured with a motion blur effect, creating a sense of activity and movement. The lighting is warm, and the overall atmosphere is professional and dynamic.

# 04 HUMAN CAPITAL

*and Business Ethics*

BUILDING A FAIR AND INCLUSIVE WORKPLACE

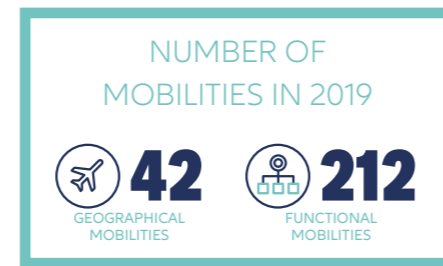
**EULER HERMES HAS A CLEAR STRATEGY FOR DEVELOPING A DIVERSE AND INCLUSIVE WORKPLACE, AND TO FOSTERING EMPLOYEE WELLBEING AND PRODUCTIVITY. WE WORK HARD TO REINFORCE A CULTURE OF HONESTY, INTEGRITY AND HIGH ETHICAL STANDARDS. THIS IS HOW WE, AT EULER HERMES, HAVE EARNED AND MAINTAINED THE TRUST OF OUR STAKEHOLDERS.**

# EMPLOYEE EMPOWERMENT

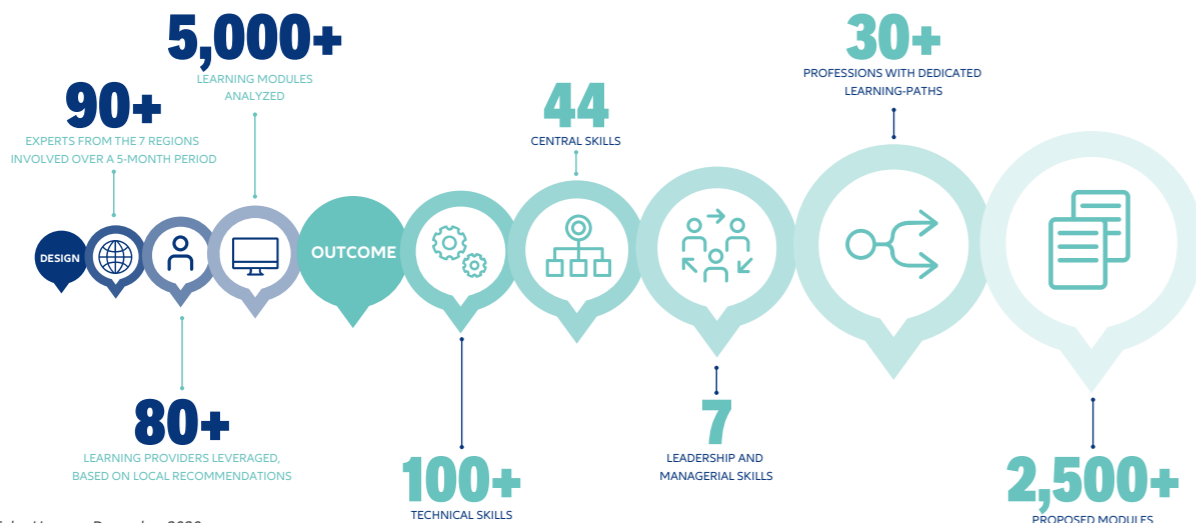
We believe that building a diverse workforce and inclusive workplace will drive our success and sustainability. We are an equal opportunity employer that wants to build a culture where people and their performance really matter.

We want to create an inclusive workplace where differences are welcomed, and where people feel valued, confident and fairly treated.

Thanks to our mobility policy, our employees are able to make cross-country and cross-functional career moves. On average, our employees stay with us at Euler Hermes for 12 years.



## CUSTOMIZED LEARNING PATHS TO UPSKILL EMPLOYEES



Source: Euler Hermes, December 2020



*“Mobility is an authentic component of Euler Hermes’ culture and by mobility we mean both geographical and functional. It is not only possible, but actively encouraged. At every step of their Euler Hermes journey, employees have this option to develop and drive their career.”*

**Anne-Julie Ribaltchenko**

Global Head of Talent Development, Inclusion, Engagement & HR projects.

### Diversity matters

We value the diversity of our people — from their cultural background, to their gender, skills and abilities. We make sure that our recruitment, talent and career management processes are fair and non-discriminatory against any employee or job applicant.

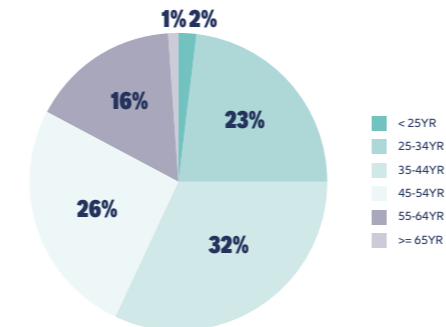
Euler Hermes has approximately 80 nationalities across the company, making us proud of our diversity.

We focus on gender balance across all levels, roles and employee career lifecycles. 53% of employees are female, 41% of managers are female and 50% of new company joiners are female. Gender equality is also ensured within succession planning by making sure that there is at least one female in each key succession plan. Since 2013, at least one of the six Euler Hermes’ Group Board of Management members has been female.

- 53% female
- 41% of managers, female
- 50% of new joiners, female

Source: Internal HR Metrics, June 2020

### Age of our employees



Source: Euler Hermes HR FactBook, December 2020

### INITIATIVES

2020 was an unprecedented year, so in addition to supporting our employees through the turbulent COVID-19 crisis, we continued to promote a barrier-free workplace. This means people can be proud of their differences and anyone can succeed, no matter what their background or profile.

- In Q1 2020, together with other Allianz entities in Paris, we organized a debate on diversity & inclusion, focusing on the question “How our uniqueness makes us strong”. The speakers, who were leaders from different Allianz entities, engaged in a thorough and insightful exchange around the topic of uniqueness & inclusion.

- In July 2020, we launched an ‘intolerance’ campaign to the Euler Hermes Instagram page. The aim of the campaign was to show that the business does not tolerate discriminatory behavior — including behaviors which on the surface might appear harmless. A series of social media posts showed examples of micro-aggression and unconscious bias to demonstrate that we operate a discriminatory-free workplace.

- Our Americas HR colleagues have been very active at promoting diversity & inclusion. They have set up a D&I

taskforce that includes employees across different functions, with regular meetings being held to progress various projects.

- In our annual satisfaction survey conducted in September 2020, 85% of Euler Hermes employees confirmed that they experienced an environment where ‘those from diverse backgrounds can succeed’, and that ‘our company values diversity’.

The career development of employees is also a top priority. All of our employees have access to learning and training, regardless of their role, geographic location or seniority. Our learning platform is designed to adapt to each employee’s needs, as well as being aligned to the company’s strategy.

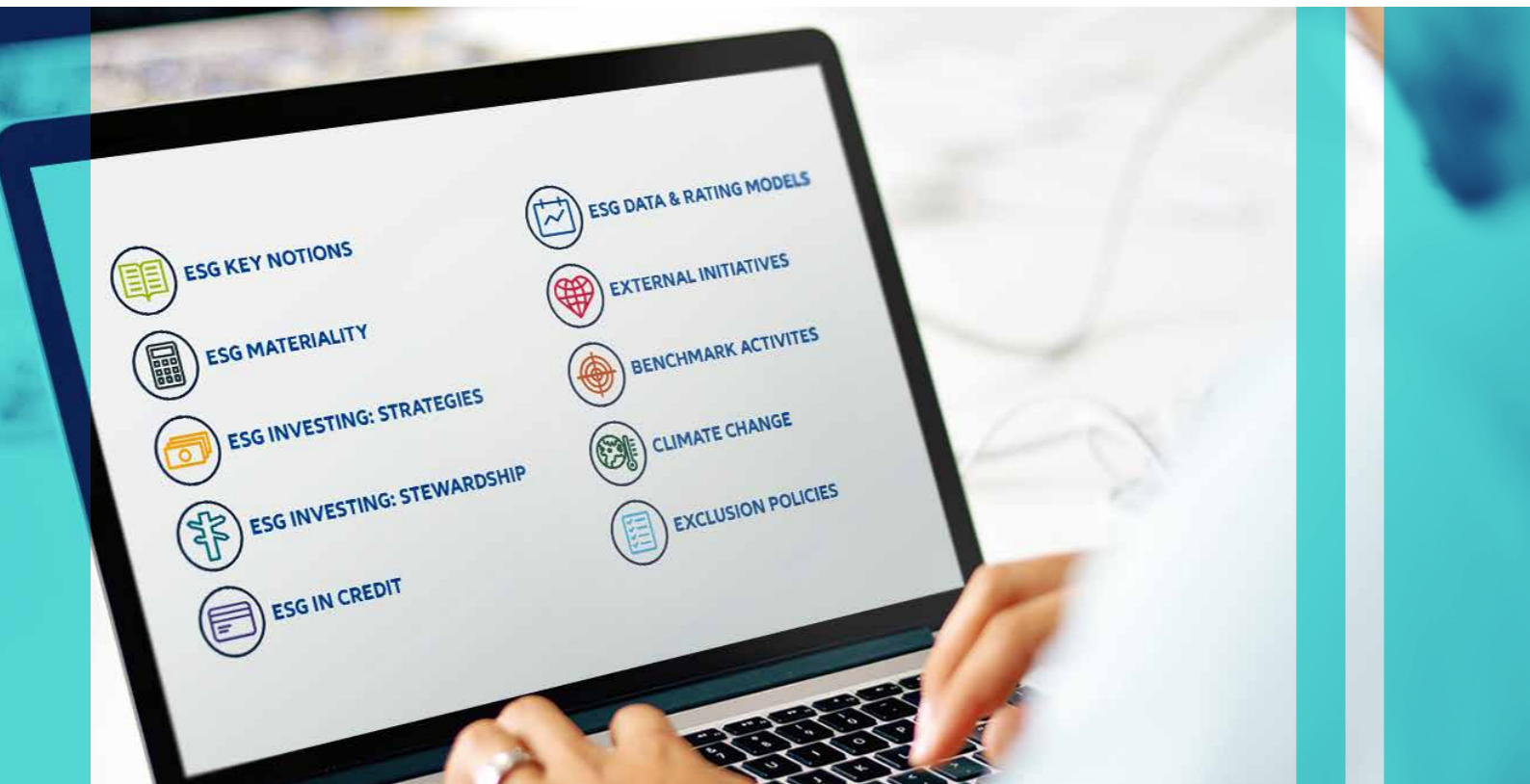
Every employee has access to a large variety of learning content:

- E-learnings from state of the art providers including LinkedIn Learning, Percipio, Coursera, Udemy, etc.
- Learning modules created by internal business experts.
- Hands-on learning methods like Job Swap or Job Shadowing.
- Social learning via various mentoring programs.

# ESG TRAINING AND AWARENESS

WE ARE EXTREMELY PROUD OF TWO IN-HOUSE ESG PROGRAMS THAT HAVE BEEN DESIGNED TO UPSKILL OUR WORKFORCE ON ESG TOPICS. WE ARE CONFIDENT THAT THIS TRAINING WILL BECOME AN ABSOLUTE NECESSITY FOR THE FUTURE DEVELOPMENT OF OUR EMPLOYEES — BOTH AN ESG ONBOARDING AND ESG DEEP-DIVE TRAINING. BOTH PROGRAMS ARE ALREADY AVAILABLE ON INTERNAL HR PLATFORMS.

SNAPSHOT OF THE TOPICS COVERED BY ESG TRAINING



- The ESG onboarding program, which is available for all new joiners, outlines Euler Hermes' ESG Ambition and provides a summary of what has been achieved so far on ESG integration. It covers a broad range of topics: ESG Strategy, ESG integration in Economic Research, Credit Risk and Asset Management, the new Green Insurance Policy developed at Euler Hermes, the German Government Export Credit Agency ESG approach, Corporate Responsibility & Innovation and Environmental Reporting. This program will be available in three additional languages and will be mandatory for all new joiners from 2021.
- In addition, a new in-house ESG deep dive training module is available on the Euler Hermes Lifelong learning platform. It has a progressive format that allows employees to select what topic they want to integrate — such as sustainability, ESG materiality, ESG investment strategies, ESG in credit, ESG rating models benchmark activities, exclusions and climate change. This module is for anyone who wants to develop their ESG knowledge. It is not mandatory, but is highly recommended for specific functions, including those within credit and commercial underwriting.



## AMBITION FOR 2021

- We will continue to focus on gender balance. Aligned with the Allianz Group Strategy, we will work to reduce any gender pay gaps. We will encourage and support the nomination of female employees to renowned awards in different countries and regions, to recognize their contributions to the company.
- To foster a culture of diversity, we will launch a communication campaign featuring 5-6 diverse employees with high potential. We will showcase a series of authentic portraits of these employees (all with an atypical profile) with the aim of encouraging our employees to seize opportunities and

TWO IN-HOUSE ESG PROGRAMS



**ESG**  
NEW JOINER  
ESG ONBOARDING



**ESG**  
ESG INTEGRATION  
DEEP-DIVE TRAINING

- to ensure the future of a diverse talent pool. A virtual discussion panel will also be organized in Q2 2021 around "Dare to be the imperfect candidate!"
- We will also encourage trainings on unconscious bias and the application of ESG trainings, with potential mandatory participation for specific functions or individuals — such as the ESG Champion community. We believe this will be critical in the drive to upskill our employees.

# BUSINESS ETHICS

## EULER HERMES IS COMMITTED TO RUNNING ITS BUSINESSES WITH HONESTY, INTEGRITY AND HIGH ETHICAL STANDARDS.

## THIS IS HOW WE HAVE EARNED AND MAINTAINED THE TRUST OF OUR STAKEHOLDERS. AS A COMPANY OF ALLIANZ, EULER HERMES LIVES BY THE VALUES OUTLINED IN THE ALLIANZ GROUP CODE OF CONDUCT.

The Code of Conduct reflects our expectations and the responsibility of each Euler Hermes employee, as well as our officers and directors. All of us must “walk the talk” and every day must behave and make decisions according to the principles of this framework. Euler Hermes is driven to maintain a corporate culture that embodies its key values:

- Treat each other fairly and respectfully;
- Act with integrity;
- Be transparent and tell the truth;
- Take ownership and responsibility.

The Code of Conduct helps us develop a strong corporate culture reinforced by these key values. It enables us to share with the wider community the standards by which we conduct our businesses, as well as the responsibilities of our organization and employees.

The Code of Conduct is our reference point for value based actions and the Euler Hermes road map for ethical behavior. The main ambition of the global rollout of the new version scheduled in Q1 2021 is to ensure that we all understand and reflect on our decisions and actions.

All Euler Hermes Operating Entities are required to implement the global set of behavioral and ethical guidelines. The compliance function plays an important role in ensuring that everyone acts with integrity.

The first pillar of the Code of Conduct is to treat each other fairly and respectfully. The diversity of the Euler Hermes workforce enables us to support our customers’ businesses and their needs. Fostering an inclusive corporate culture benefits our organization and positions Euler Hermes as a credible partner. Discrimination in any form is not tolerated, and each employee treats coworkers, business partners and customers respectfully, regardless of personal characteristics. Bullying, harassment and intimidation of any kind are simply not acceptable at Euler Hermes, because they are contrary to our core values.

The second pillar of the Code of Conduct is to act with integrity. This core value is based on following principles:

- Managing conflicts of interest;
- Free and fair competition;
- Preventing financial crime;
- Adhering to economic sanctions;
- Gifts & entertainment;
- Observing rules around capital markets compliance;
- Holding business partners to the standards by which Euler Hermes conducts its businesses.

The third pillar is to encourage open and honest feedback. An anonymous and trusted whistleblowing channel is in place at Euler Hermes to speak up and address any concern. Retaliation in any form is not tolerated and whistleblowing guidelines apply to all. Being fair and transparent is imperative in meeting our trust principle. Euler Hermes’ books and records must be accurate, complete, timely and truthful. We maintain respectful and cooperative touchpoints with governments, regulators and supervisors.

The fourth and last pillar of the new Code of Conduct is to take ownership and have responsibility. This includes being guided by our Corporate Social Responsibility strategy, having respect for human rights in alignment with international standards and responsible data management. Reaching our ambition to ‘do the right thing’ means living the Code of Conduct and acting ethically every day.



“ Integrity is one of our most important assets. It is the value that guides every decision we make when offering our services to our customers. At Euler Hermes, we set high standards for business ethics and we expect every employee at all levels to meet them. I would like to thank our employees for their strong efforts to ensure that Euler Hermes’ reputation for ethical business dealings remain intact, and for continuing to live out the values that earn us the trust that is so critical to our success. ”

**Teodora Petrova**  
Chief Compliance Officer, Euler Hermes.

### AMBITION FOR 2021

Euler Hermes’ compliance ambition is to implement the renewed Code of Conduct worldwide. It sends a clear message of where our company is today and what our emphasis is in the future when serving our customers. The Code of Conduct goes beyond formal compliance requirements that prompted the new document. It ensures that we are aligned with our business purpose and operate in a more efficient and cohesive environment, thus securing our future by doing our best to serve our stakeholders as a trustworthy partner.

# 05 SUSTAINABLE

*Innovation &  
Operation Efficiency*

REDUCING OUR ENVIRONMENTAL IMPACT

**IN THIS SECTION, WE WILL EXPLAIN OUR EFFORTS TO MEASURE AND REDUCE OUR CARBON FOOTPRINT AND RESOURCE CONSUMPTION, WHILE ENSURING THAT THE COMPANY CAN CONTINUE TO PROMOTE TRADE. WE WILL ALSO EXPLAIN HOW WE LEVERAGED OUR TECHNOLOGY CAPABILITIES TO OFFER NEW SUSTAINABLE AND INNOVATIVE DIGITAL SOLUTIONS TO OUR CLIENTS. LASTLY, WE WILL FOCUS ON OUR EFFORTS TO REMAIN A STRONG CORPORATE CITIZEN THROUGH PARTNERSHIPS, CHARITY DONATIONS AND MENTORING PROGRAMS THAT SUPPORT SUSTAINABLE ENTREPRENEURSHIP.**

# MEASURING OUR CARBON FOOTPRINT AND REDUCING PAPER AND PLASTIC USE

At Euler Hermes we are committed to both climate change and societal challenges, not only through our relationship with stakeholders, but also through our corporate responsibility ambitions. This is why we are implementing initiatives within Operations and IT that will help reduce the carbon footprint of each of our employees, and each business capability supporting our value chain.

## OBJECTIVES AND STRATEGY

Each Euler Hermes region embraces the inherent opportunities and challenges of ESG and, at the same time, balances our desire for growth and the resource needs that come with that. In Operations and IT, we strive for resource optimization and energy efficiency measures that can support the strategy of cost optimization, while ensuring that the company can continue to promote trade and perform.

Operations and IT are responsible for the optimization of CO<sub>2</sub> emissions in all areas, other than those linked to business integration and risk assessment. This mainly consists of energy, water, waste, paper and plastic consumption, as well as building and travel management.

## INITIATIVES

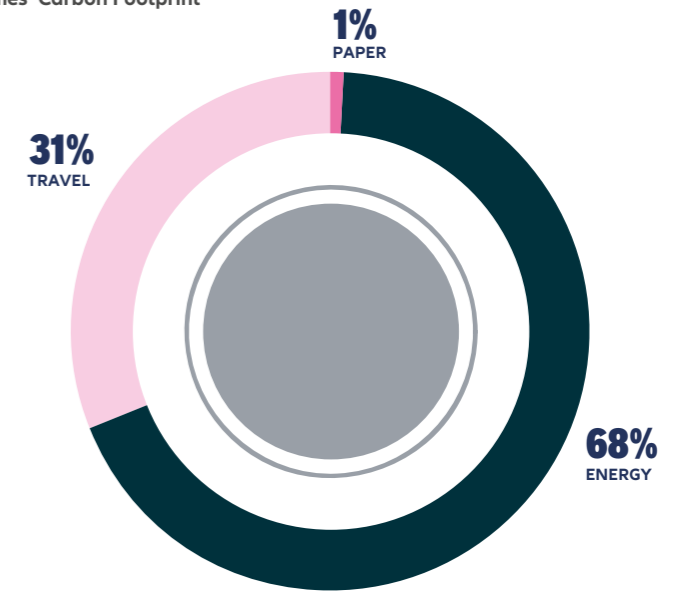
In 2020, along with our controlling team, we increased our KPI measures. More developments have been made throughout 2020 which will be launched in 2021, such as dedicated targets to reduce our carbon footprint and resource consumption.

### Understanding our carbon footprint

Euler Hermes' direct carbon footprint comes partly from the energy consumed in our buildings, which makes up two thirds of our overall carbon footprint. It is therefore important that we access greener energy sources and have more efficient buildings. For example, our new building in Hamburg meets high environmental quality (HQ) standards to optimize internal energy consumption and improve the well-being of our employees. These standards are already in place at our building in Paris.

Travelling remains a key activity to ensure business continuity, but it also makes up one third of the company's carbon emissions. With this in mind, we have implemented better monitoring systems, including a new dashboard - and with the help of our regions this went live in 2020. In the following years, this will be developed further for regions and will ensure greater visibility on their costs and travel footprint.

Euler Hermes' Carbon Footprint



Source: Euler Hermes Environment Report, FY 2019

### Notable reductions

Since 2010, our CO<sub>2</sub> emissions have been monitored annually, with dedicated KPIs shared to Euler Hermes Group Board of Management and Allianz.

- Energy consumption per employee decreased by 34% between 2010 and 2019.
- Paper consumption decreased by 44%, partly due to new digital tools for customer and buyer interactions (i.e. digital sales, e-signature, e-documentation).
- In 2020, we noted a reduction in our energy use, water consumption, generated waste and travel. This is partially due to our steady efforts to become more digital, more resource efficient, and less energy intensive. However, the major changes year-on-year are driven by the COVID-19 crisis and the effect of lockdown measures.

### AMBITION FOR 2021

- Going forward, we have specific targets to reduce our carbon footprint as well as our waste, paper and water consumption. We aim to reduce our carbon footprint by 30% within a three to five year period\*. These objectives are aligned with those of Allianz.
- As energy use in our buildings is a major contributor to our carbon footprint, we will focus on green energy to power our buildings and infrastructure.
- We will also launch an action plan to reduce the use of single-use plastics.

\*Taking 2019 as a base.



# SUSTAINABLE INNOVATION

**EULER HERMES IS COMMITTED TO SUSTAINABLE INNOVATION. WORLDWIDE, SMALL AND MEDIUM ENTERPRISES (SMES) ACCOUNT FOR ABOUT 90% OF BUSINESSES AND MORE THAN 50% OF TOTAL EMPLOYMENT. IN EUROPE, THEY REPRESENT MORE THAN 99% OF ALL NON-FINANCIAL CORPORATES – AND BESIDES GENERATING CLOSE TO 60% OF TOTAL GROSS VALUE ADDED, THEY ALSO EMPLOY OVER 90 MILLION PEOPLE. FOR THIS REASON, EULER HERMES SUSTAINABLE INNOVATION IN 2020 HAS BEEN FOCUSED ON SUPPORTING SMES DURING COVID-19.**

## OBJECTIVES AND STRATEGY

To design and implement our Sustainable Innovation ambitions, Euler Hermes has created a dedicated taskforce. This taskforce brings together talent from Innovation & Transformation teams from Group and Regions and has leveraged Euler Hermes' assets, expertise, know-how and footprint. The business encouraged and supported these people to build pro-bono solutions for businesses. Four main themes have been identified and selected as key priorities for SMEs, on which volunteers were asked to focus their efforts and initiatives:

- 1) Secure supply chains;
- 2) Liquidities & cash flow management;
- 3) Secure revenues;
- 4) Develop businesses.

## INITIATIVES

Since 2017, Euler Hermes has had a Digital and Innovation team, based in the Group Headquarters (Paris) and in Regions (Northern Europe, Americas, World Agency, France, DACH, APAC, MMEA). This team leads the digital transformation of Euler Hermes and actively identifies new market

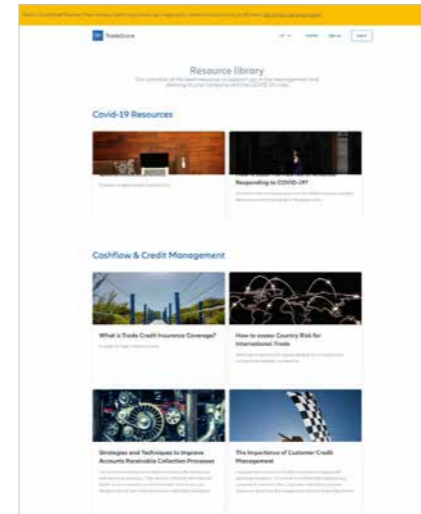


Figure 1.

opportunities — for example the support of SMEs with digital products and offers. In 2020, the Digital and Innovation team designed and implemented the following pro-bono initiatives to support SMEs in France, Italy, Germany, United States of America:

### Free access to content and resources to support SMEs during COVID-19

Available for both customers & non-customers of Euler Hermes, on Euler Hermes B2B platform "Tradescore". This was available in France to 35,000 companies, as well as in Italy and the United States.

See Figure 1.

### Free Risk Assessment for SMEs, to monitor the financial performance of their suppliers, prospects & customers during COVID-19

SMEs can use Tradescore to assess and monitor the financial performance of some of their suppliers, prospects, or customers. Euler Hermes monitors 180 million companies on a daily basis and has shared these insights for free to support SMEs through the COVID-19 crisis.\* This has been made available in the USA and Germany.

See Figure 2.

\*Offer limited to 5 requests per day and per user.

### Free Liquidity simulator for SMEs

A company can use this free simulator to obtain, in real-time, a cash flow simulation based on the information they are providing. This could include actual cash flow, monthly fixed costs, average revenues per month, number of invoices per month, upcoming payments expected by customers, delay of payments, etc. This tool provides a forecast

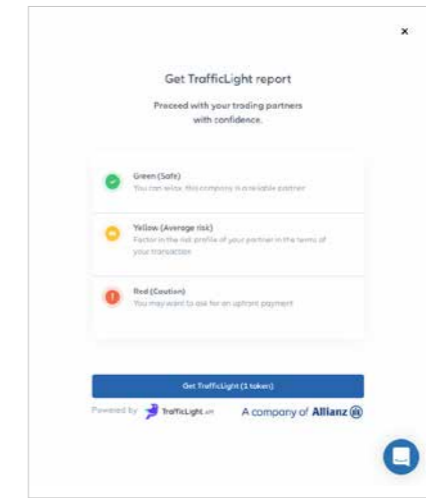


Figure 2.

of upcoming events (revenues and expenses) that will affect the cash flow of the company over the next 90 days.

This free simulator is available in DACH and Switzerland and has been used by over 400 SMEs. This valuable service might be rolled out to additional countries in 2021.

See Figure 3.

### AMBITION FOR 2021

In 2020, Euler Hermes initiated its ESG and Sustainable innovation strategy and has already implemented three free services in several countries to support SMEs during COVID-19. Following their success, Euler Hermes improved these services and deployed some of them in additional countries to support even more SMEs. Our aim for 2021 is to globalize these services and make them available to all SMEs, with some initiatives helping SMEs secure their supply chains.

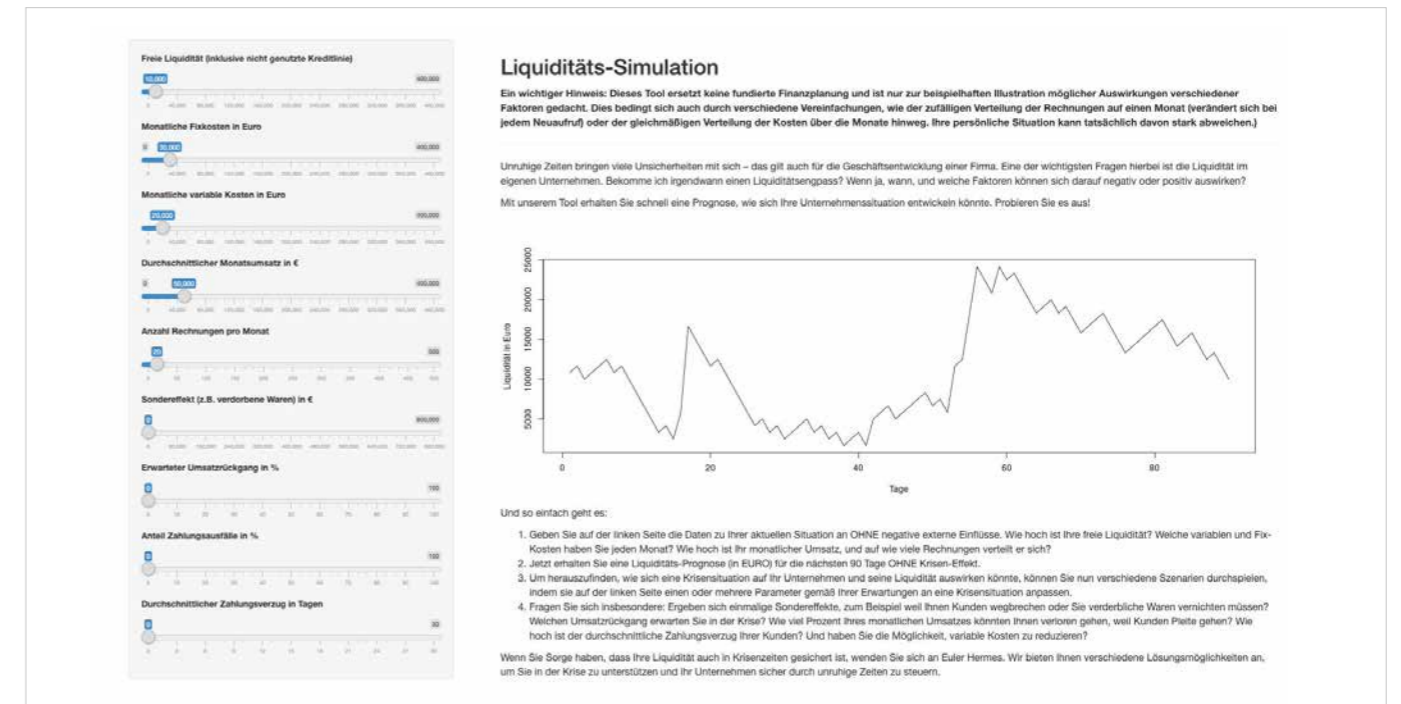


Figure 3.

# COMMITTED CORPORATE CITIZENS

**AS A LEADING FINANCIAL COMPANY, WE HAVE A RESPONSIBILITY TO PLAY AN ACTIVE ROLE IN MEETING INTERNAL AND EXTERNAL STAKEHOLDERS' EXPECTATIONS ON SUSTAINABILITY. OUR COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY (CSR) INCLUDES BEING ACCOUNTABLE FOR OUR SOCIAL, ECONOMIC AND ENVIRONMENTAL IMPACT, AS WELL AS CONTRIBUTING TO HELP DEVELOP THE NEXT GENERATION OF COMPANIES. AS A RESULT, WE SUPPORT CHARITABLE ORGANIZATIONS AND FOLLOW THE UN GLOBAL COMPACT.**

We encourage community and charity work through donations and volunteering action. Our CSR strategy focuses on four areas and addresses multiple Sustainable Development Goals (SDGs), such as health and wellbeing, gender equality, climate change and responsible consumption and production.

The responsibility of implementing CSR initiatives within Euler Hermes belongs to the CSR and Communication Manager within the ESG Office. Among the responsibilities, we manage partnerships with other companies and charities, as well as environmental awareness campaigns to reduce the consumption of paper, plastic and energy within the company.

## OBJECTIVES AND STRATEGY

As part of our CSR strategy in 2020, Euler Hermes' objective was to support communities, medical staff and fragile families affected by the COVID-19 crisis. We also ran internal environmental awareness campaigns and launched an innovative mentoring program to support social entrepreneurs.

## INITIATIVES

In 2020, CSR initiatives were implemented in most of our regions. These initiatives helped lessen the impact of the COVID-19 crisis within vulnerable local communities, and on our employees' health and wellbeing. These included:

**Monetary donations** made to health charities across regions.



Euler Hermes Greeting Card with a virtual orchestra to support COVID-19 cause.

*“Of all the initiatives conducted in 2020, I am particularly proud of our partnership with ‘Make Sense’. Our Board Members bring their business leadership, while learning new ESG practices from the entrepreneurs with the aim to support the development of their business. This experience demonstrates that sustainability is now a core value of businesses. It is also aligned with our vision to set the exemplary standard for ESG in trade finance and is in line with our strong ambition to contribute to a better world. We strongly believe that this partnership reinforces our role as a key corporate citizen & partner.”*

**Isabelle Nguyen**  
CSR & Communications Manager



**Charity fundraising** runs in some of our business units.

**Virtual well-being** checks and surveys were put in place to look after our employees.

In addition to this, Euler Hermes gathered 52 employees from 16 countries for a virtual orchestra called EHRocks for the 2021 Euler Hermes Greeting card, which included a charitable donation to help those directly affected by COVID-19\*.

To support more standard ESG practices, a second global awareness campaign was conducted to reduce our carbon footprint by reducing emails. Almost 900 employees participated by freeing up storage space in their e-mail boxes and archives, which resulted in clearing 543,915 KB — equal to an average 7.5% reduction per mailbox, per employee. Other initiatives included: support to a reforestation program in Tanzania, in partnership with ‘WeForest’ organization, and webinars on food and plastic waste to raise awareness and provide employees with concrete solutions. We also reorganized the website and intranet, to better integrate our ESG & CSR commitments.

\*1 like = 1\$ donation

## The one initiative that delivers most pride

Euler Hermes signed a partnership with the incubator Make Sense to implement an inspiring six month mentoring program for sustainable projects. Three of our Euler Hermes Group Board of Management members have started to coach entrepreneurs who have a business with sustainable goals, with the intention of creating a positive impact on society.

One entrepreneur created a solution for digital tasks to help develop employment skills among women in developing countries. Another entrepreneur developed a 100% digital guidance platform for schools and universities, whilst the third entrepreneur created an association that takes concert performers to places where their music is not normally heard. This mentoring initiative is

aligned with our vision to set the exemplary standard for ESG in trade finance, and with our strong ambition to be a key corporate citizen and partner and contribute to a better world.

We plan to continue our CSR efforts in the area of health to help to find solutions to the COVID-19 pandemic. We will also expand the entrepreneurs mentoring partnership with ‘Make Sense’ by including our employees. Finally, we will continue to promote diversity and equal opportunity in the way we work and do business. This remains a strong priority for us and will do so for years to come.



# SUSTAINABILITY

*Report*  
2020

**DATE OF PUBLICATION: APRIL 2021.**

Unless otherwise stated all data and information as of 31 December 2020

For further details, please also see the Allianz Group Sustainability Report ([www.allianz.com/sustainability](http://www.allianz.com/sustainability)).

Cautionary note regarding forward-looking statements The statements contained herein may include statement of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results performance or events to differ materially from those expressed or implied in such statement. The company assumes no obligation to update any forward-looking statement.