

# Swiss Re Insurance-Linked Investment Advisors Corporation

## Sustainability Investment Policy



## 1. Introduction

Swiss Re Insurance-Linked Investment Advisors Corporation ("SRILIAC"), also referred to as the Manager, is wholly owned by Swiss Re Ltd (the "Swiss Re").

This document sets out the sustainability policy ("Sustainability Investment Policy") of SRILIAC. It intends to reflect a general framework for SRILIAC's approach to sustainability across SRILIAC's investment strategies. Specific details about the sustainability approach for each Fund managed by SRILIAC can be found in the product-specific documentation.

SRILIAC's Sustainability Investment Policy also seeks to provide information to support the transparency requirements introduced by EU Regulation 2019/2088 on Sustainable Finance Disclosure Regulation ("SFDR"). This Sustainability Investment Policy does not address or contain SFDR disclosure requirements for any specific Fund. SFDR product-specific disclosures can be found in the Fund documentation. This Sustainability Investment Policy is applicable only to SRILIAC.

## 2. Sustainability of ILS as an Asset Class

SRILIAC's investment strategy focuses on Insurance-Linked Securities ("ILS"), primarily in catastrophe bonds ("Cat Bonds"), but also in Industry-Loss Warranties ("ILWs"), catastrophe derivatives ("Cat Derivatives") and other ILS products. Specific details of the investment strategies for each Fund managed by SRILIAC and relevant asset classes can be found in the product-specific documentation.

ILS are financial instruments that transfer the risks of insured events and/or insured losses from re/insurance companies, corporations, and government entities to investors in the capital markets. Investors in ILS can access insurance-linked risks via the capital markets, and benefit from returns in an asset class that exhibits low correlation to the broader financial markets. At the same time, in supporting insurers and other types of sponsors in transferring their risks to the capital markets, ILS enables individuals, businesses and societies to reduce their exposure to sustainability risks, particularly to natural catastrophes. Additionally, ILS help public and private organizations lower their cost of capital, improve their risk management, and more effectively perform their core operations of writing insurance policies (if the sponsor is a re/insurer), or serving their clients or populace (if the sponsor is a non-insurance corporation or government-related entity).

ILS investments can have a positive impact on sustainability, including but not limited to:

1. **Supporting economic and societal resilience:** ILS contributes to economic and social resilience, in particular with respect to the social and economic monetary support provided through payouts following a natural disaster. By covering financial losses, these ILS payouts help individuals, companies and communities to rebuild after a natural catastrophe. Among other factors, this is becoming increasingly relevant due to climate change and the resulting increased frequency and severity of weather-related events. Additionally, by facilitating the development and reach of the re/insurance sector, ILS can help narrow the insurance protection gap. Countries with high insurance coverage rate and, consequently, a lower insurance protection gap between potential economic losses and total insured values, tend to be better positioned in

terms of disaster resilience and to recover more quickly from natural catastrophic events, such as earthquakes, floods, wildfires or storms. Economic and social resilience is vital to a healthy macroeconomy and society, resulting in less severe economic impacts following a natural catastrophe event and strengthening economic growth over time.

2. **Promoting climate change adaptation:** Over a longer-term time-horizon, ILS and the broader re/insurance industry may provide an organic market mechanism whereby sponsors are incentivized to improve the resilience of their underlying portfolios, and to catalyze better building practices following a catastrophic event. This is because failure to account for sustainability risks could result in higher expected losses, and as such, ILS investors would require higher compensation to bear exposures to higher risk (including climate-related risks). Therefore, as the ILS market matures and becomes increasingly efficient, it is expected to reward the issuers that are on the cutting edge of climate change adaptation with favorable pricing compared to those that do not take into account such considerations adequately.
3. **Contributing to lower economic inequality:** By supporting the insurance business, ILS can also mitigate economic inequality by contributing to the stabilization of financial flows across the income spectrum. This is particularly relevant for the most vulnerable sections of the population, because without insurance, low and middle-income populations can experience economic challenges should a severe financial shock arise from a natural disaster. Further, by enhancing households' predictability of financial outcomes, insurance can enable more complex economic interactions and support long-term financial decision making, yielding, over time, to a more equitable distribution of the resulting benefits.<sup>1</sup>

### 3. Sustainability Risks in the Investment Process

This section sets out SRILIAC's policies in respect of the integration of sustainability risks in its investment decision-making process, as required by SFDR.

ILS are exposed to sustainability risks. In line with the SFDR, a sustainability risk is considered as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

In the context of ILS investments, sustainability risks, among others, can include:

- **Environmental risks:** these risks can stem from increased frequency and severity of insured claim events, particularly acute physical risks related to weather-related perils and natural catastrophes. Beyond these acute physical risks, there is also chronic physical risks arising from long-term changes in climate, such as temperature changes, rising sea levels, biodiversity loss or reduced resources availability. These risks can also be related to, and impacted by, the transition to a lower-carbon economy, changes in legislation and regulation related to environmental, social and governance ("ESG") matters, and legal, technology and reputational risks.

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<sup>1</sup> See Swiss Re Institute publication: [Reshaping the social contract: the role of insurance in reducing income inequality](#)

- **Social risks:** These risks can materialize from exposure to events or related to violations of human rights, social and employee matters or health and safety conditions.
- **Governance risks:** These risks can arise due to poor anti-corruption and anti-bribery matters, as well as inadequate governance around business conduct.

SRILIAC considers sustainability risks, alongside other relevant business factors, in the overall investment decisions and in the risk monitoring functions to the extent they represent potential or actual material risks to the investments.

SRILIAC takes steps to monitor and mitigate relevant sustainability risks at the portfolio-level. These portfolio-level actions and assessments include, but are not limited to:

- i. quantifying the portfolio's material risks through the modelling of the probabilistic distribution of losses;
- ii. diversifying the portfolio across geography, peril, instrument trigger, and other relevant risk characteristics; and
- iii. ensuring that the pricing of the investments sufficiently compensates the exposure to material risks in expected return.

The assessment of these sustainability risks can result in reducing the allocation of a certain investment, as well as complete exclusion in cases where the exposure to sustainability risks is deemed high.

## 4. Assessment of Sustainability Criteria

SRILIAC applies a holistic approach to assess the sustainability of its investments. In particular, it conducts a screening assessment of the sponsors of Cat Bonds (or counterparties ceding risk in an ILS transaction). The screening assessment not only supports the assessment of sustainability risks of the investments, but it also aims at supporting the evaluation of minimum sustainability criteria in terms of potential material negative impact of the sponsors or counterparties on the environment and/or society.

The assessment incorporates the exclusion of ILS transactions where the sponsor or counterparty does not meet pre-defined criteria independently set by SRILIAC, which are inspired by Swiss Re's ESG Risk Framework. In particular, SRILIAC applies sustainability-related restrictions to sponsors or counterparties that:

- Do not adhere to the ten Principles of the United Nations Global Compact;
- Are directly involved in nuclear weapons or involved in controversial weapons, including involvement in the development, production or acquisition of biological and chemical weapons, anti-personnel mines, weapons and ammunition containing white phosphorus or depleted uranium, and cluster weapons;
- Are involved in thermal coal mining or use thermal coal for power generation (please consult product-specific documentation for applicable restriction and thresholds);

- Operate in the oil & gas sector (please consult product-specific documentation for applicable restriction and thresholds);
- Derive revenue from the manufacture, retail sale or distribution of tobacco or tobacco-related products (please consult product-specific documentation for applicable restriction and thresholds);
- Are sovereign or quasi-sovereign issuers of countries most exposed to severe and systematic human rights violations, unless working through an international organization, a regional development bank or another body with robust and transparent sustainability safeguards.

These specific restrictions and applicable thresholds are tailored to the sustainability approach of each Fund managed by SRILIAC, which may be narrower than outlined above. Additionally, further restrictions may apply depending on the Fund's strategy. Given these variations, investors should refer to the respective product-specific documentation for a comprehensive understanding of the applicable restrictions and criteria for a Fund and the Fund's overall sustainability profile. Investors are therefore encouraged to consult the relevant product-specific documentation for complete details for each Fund.

In addition to an alignment with the Ten Principles of the UN Global Compact, SRILIAC also assesses the governance practices of the sponsors or counterparties in which it invests. This is done holistically and before the investment is made. Specific details about the assessment of governance practices of the sponsors or counterparties for each Fund managed by SRILIAC can be found in the product-specific documentation.

### **Additional Information about the Assessment of Sustainability Criteria**

SRILIAC's assessment may also consider positive contribution of the sponsor or counterparty or of the transaction, including the sustainability profile of its subject business, where information granularity is available and allows for a meaningful assessment. While the assessment of the positive contribution is not a binding element of the investment process for SRILIAC, it may be part of the specific sustainability approach of a Fund managed by SRILIAC. More information is available in the product-specific documentation where applicable.

The assessment of the sustainability criteria is performed before the investment takes place and at the sponsor or counterparty level due to limited look-through to the underlying risk transferred within an ILS instrument. The sponsor or counterparty is considered as the entity which ultimately is transferring the risk via the instrument or trade that SRILIAC will invest in. Where several entities are involved in the risk-transfer on behalf of an ultimate parent entity, the ultimate parent as determined to bear the risk would be considered the sponsor or counterparty entity to be screened. Moreover, if SRILIAC elects to purchase protection via an ILS instrument, the counterparty of the trade (the entity that is selling the protection) will be screened.

After the investment takes place, SRILIAC monitors the sustainability criteria of its investments on a quarterly basis and at the level of the entity ceding risk and buying protection through ILS, ILW or catastrophe derivatives. If an ILS instrument in a portfolio of a Fund breaches the minimum sustainability criteria, SRILIAC may consider liquidating the investment, if appropriate (provided the instrument is

tradeable/liquid; and such liquidation would not compromise risk-adjusted returns or the interests of the Fund's investors), or engaging with the sponsor or counterparty to address the identified issue. SRILIAC will not make new investments in ILS of sponsors already in breach of the minimum sustainability criteria until the identified issue is resolved.

## 5. Adverse Impacts of Investment Decisions

The SFDR requires SRILIAC to make a "comply or explain" decision whether to consider the principal adverse impacts ("PAI") of its investment decisions on sustainability factors, in accordance with a specific regime as outlined in SFDR. SRILIAC has decided not to comply with this requirement of the SFDR. SRILIAC is therefore required to publish and maintain on its website a statement to explain its reasons for not complying with the PAI regime in SFDR, and information as to whether and when it intends to comply with such regime ("PAI Statement"). SRILIAC's PAI Statement is available on its website: <https://www.swissre.com/our-business/alternative-capital-partners/insurance-linked-investment-advisors.html>.

Notwithstanding the fact that SRILIAC does not consider PAI at the entity level, it may consider PAI at a product-level for a selection of Funds, when it believes that the quantification of the PAI, or a selection of them, is feasible and sufficiently reliable via suitable PAI indicators. Please refer to product-specific documentation for more detail.

## 6. Consistency of Remuneration

SFDR requires SRILIAC to include in its remuneration policies how these policies are consistent with the integration of sustainability risks and to disclose such information.

SRILIAC is subject to the Swiss Re Group remuneration framework, which is applicable to all SRILIAC employees responsible for the investment decision-making processes. Swiss Re Group is committed to ensuring equal pay for equal work regardless of gender, race, ethnicity, sexual orientation or other personal characteristics. Swiss Re Group has a non-discriminatory approach to determining compensation and benefits at all levels.

Sustainability is a key element of compensation outcomes for Swiss Re Group. To embed sustainability in all its business activities, Swiss Re Group has continued to strengthen the link between executive remuneration and sustainability performance. As part of the implementation of its Swiss Re Group Sustainability Strategy, Swiss Re Group introduced sustainability as an additional dimension for the distribution of the Swiss Re Group Annual Performance Incentive (API) pool.

This establishes a connection between Swiss Re Group sustainability targets and compensation for employees, including members of the Swiss Re Group Executive Council. The assessment of the sustainability dimension is primarily based on qualitative key performance indicators and targets. These

account for Swiss Re’s identified sustainability risk, including those sustainability risks related to the investment decision-making processes. In addition, the sustainability performance indicators and targets are in line with the 2030 Sustainability Ambitions of Swiss Re Group and its net-zero commitments.

## 7. Data and Limitations

SRILIAC conducts the assessment of the sustainability risks and criteria leveraging external data and tools, including publicly available information, private information obtained directly from the sponsors, as well as data from external third-party data providers.

This framework may consider the sustainability of an investment through certain elements, including but not limited to: (i) the sponsor-entity’s sustainability characteristics, (ii) the underlying subject business or transferred risk of the instrument, and (iii) the instrument’s collateral.

SRILIAC is concerned with the limitations related to quality and availability of robust and standardized sustainability data. Available information is often based on historical data or may be unreliable and/or incomplete. This may affect an accurate consideration of sustainability risks in the investment process as well as other sustainability characteristics. Therefore, SRILIAC cannot fully and precisely assess the degree of accuracy, reliability and completeness of external sustainability-related information.

In particular, the availability of data on social and governance aspects is limited, and generally less information is available for private corporations and/or government related sponsors. However, SRILIAC expects that, as it continues to develop its sustainability framework, the availability of reliable sustainability data will increase.

SRILIAC strives to observe, implement, and apply this Sustainability Investment Policy across its investment activities, provided the necessary information granularity is available to allow for a meaningful sustainability assessment. If applicable laws, rules, and regulations conflict with this Sustainability Investment Policy, SRILIAC will seek to honor its policy in a manner consistent with these laws, rules, and regulations.

## 8. Implementation and Engagement

SRILIAC recognizes that, while climate change and sustainability overall are outside of the direct control of the broader industry or any individual ILS sponsor, the resilience and more broadly the sustainability profile of a sponsor’s underlying portfolio transferred by an ILS instrument (as well as the sustainability characteristics of the sponsor itself as an entity) can be steered and improved over time.

Therefore, SRILIAC may actively engage with sponsors and encourage higher levels of transparency related to all aspects of an ILS transaction, especially sustainability topics. SRILIAC believes that greater transparency among market participants will naturally lead to better sustainability outcomes over time.

As such, SRILIAC's view is that encouraging and requesting more transparency is a fundamental first step towards positive change.

In cases where sponsors fail to meet the minimum sustainability criteria set through SRILIAC's exclusionary screening process, SRILIAC will:

- Inform the sponsor-entity that it cannot consider the instrument for investment due to the sponsor-entity's failure to meet the minimum sustainability criteria; and
- Disclose to the sponsor-entity as to which specific sustainability criteria that was not met.

## 9. Disclosures

The SFDR requires that SRILIAC publishes on its website information about sections 3, 4 and 5 of this policy. The Manager satisfies this requirement by disclosing this Sustainability Investment Policy itself on its website at: <https://www.swissre.com/our-business/alternative-capital-partners/insurance-linked-investment-advisors.html>.

## 10. Governance and Oversight

SRILIAC's governance framework includes defined roles and responsibilities for the various aspects of this Sustainability Investment Policy and reporting of related sustainability disclosures, including keeping its Risk & Compliance Committee and Executive Team apprised.

The Board of Directors and each of the oversight committee members have responsibilities related to sustainability. The Executive Team oversees and steers suitability-related efforts undertaken across SRILIAC.

The Risk & Compliance Committee is responsible for oversight of SRILIAC's sustainability initiatives including investment approaches and practices concerning environmental, social and governance criteria, and providing strategic direction on sustainability.

The Portfolio Management Head is responsible for the management of the portfolio management team and implementation of the firm's Sustainability Investment Policy.

SRILIAC's role as a fiduciary is a guiding principle for evaluating material sustainability considerations, and the investment team integrates material sustainability considerations into its investment approaches.

As of July 18, 2025