Swiss Re’s ESG Risk Framework
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Introduction
Swiss Re’s Sustainability Approach

Swiss Re’s approach to sustainability and definition of sustainability risks

Swiss Re’s ESG Risk Framework guides how the Group manages sustainability risks and is applied in conjunction with other Group-wide frameworks. Swiss Re embeds sustainability across its business activities, considering ESG factors in its underwriting, investments and operations, while ensuring that sustainability is appropriately reflected in roles and responsibilities.

Swiss Re’s sustainability mission is derived from its vision to “make the world more resilient.” The mission steers the Group Sustainability Strategy and describes the company’s course of action:

“We insure, invest, operate and share our knowledge in a way that tackles sustainability challenges and creates long-term value.”

Following a materiality assessment conducted in 2022, Swiss Re adjusted its 2023-2025 Group Sustainability Strategy. The Group Sustainability Strategy now focuses on two sustainability ambitions:

Advancing the net-zero transition
Swiss Re strives to minimise the environmental impacts of its business and has committed to net-zero greenhouse gas (GHG) emissions by 2050. The company aims to play its part in accelerating the transition to a low-carbon economy by de-risking transition projects and infrastructure, scaling up related investments, decarbonising its operations and working with suppliers, clients and investees to support them in doing the same.

For information on the net-zero insurance targets, please refer to the website.

For information on Asset Management’s climate targets, please refer to the website.

Building societal resilience
Swiss Re builds societal resilience by enhancing disaster resilience and fostering financial inclusion in both advanced and emerging economies. Urbanisation, economic development, growing asset concentrations in exposed areas and climate change are leading to increased natural catastrophe losses. Combining risk prevention, risk mitigation and risk transfer measures forms part of a comprehensive disaster resilience and adaptation strategy. Furthermore, Swiss Re fosters financial inclusion by facilitating access to insurance. With its re/insurance solutions and knowledge sharing, Swiss Re helps to increase societal resilience.
Group Sustainability Strategy 2023–2025:

Swiss Re vision
We make the world more resilient.

Sustainability mission
We insure, invest, operate and share our knowledge in a way that tackles sustainability challenges and creates long-term value.

Sustainability ambitions
- Advancing the net-zero transition
- Building societal resilience

Sustainability enablers
- People and operations
- ESG risk management
- Governance and compliance

Sustainability risk management is an integral part of Swiss Re’s business model and key to the controlled risk-taking that underpins Swiss Re’s financial strength.
Key to delivering on these ambitions is a resilient organisation, which highlights the importance of the sustainability enablers: people and operations, sustainability risk management, and governance and compliance. More information on Swiss Re’s Group Sustainability Strategy can be found in Swiss Re’s Sustainability Report.

Sustainability risk management is an integral part of Swiss Re’s business model and key to the controlled risk-taking that underpins Swiss Re’s financial strength. Swiss Re identifies, assesses, and addresses environmental, social and governance factors in its underwriting and investments with the aim of achieving better risk-adjusted returns over the long term while limiting reputational risks. This allows Swiss Re to be a reliable partner for its clients and supports its vision to make the world more resilient.

In its sustainability risk management approach, the Sustainability Risk Management team continuously screens for new sustainability risks by monitoring relevant environmental, social and governance developments and considering double materiality approach. Swiss Re focuses on risks it considers high from an environmental and societal sustainability risk perspective and based on their potential to increase economic losses. The following ESG factors are associated with sustainability risks:

**Environmental**
Factors impacting the quality and functioning of the natural environment and associated systems, such as the effects of climate change, biodiversity loss, ecosystem disruptions, pollution (air, water, soil) and the depletion of raw materials.

**Social**
Factors impacting the rights, wellbeing and interests of people and communities (including in the workplace), such as the effects of poverty, human rights violations (including child labour), and the use of controversial weapons.

**Governance**
Factors relating to the quality of corporate decision-making and rule-setting pertaining to issues like transparency, responsible tax, diversity, equity and inclusion, bribery, corruption and other ethics violations – and the effects this may have on environmental and social factors.

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1. Managing environmental, social and governance risks in non-life insurance business, UNEP FI, 2020
2. Mind the Sustainability Gap – Integrating sustainability into insurance risk management, CRO Forum, 2021
Risk management is an integral part of Swiss Re’s business model. Swiss Re continuously develops instruments to identify, assess and address sustainability risks, in particular through Swiss Re’s ESG Risk Framework. Swiss Re’s principles of good risk management are exercised through this framework, with the aim of limiting downside risks to the business and broader society. With its guidelines and policies, the ESG Risk Framework provides an additional lens through which to examine a transaction’s potential risk, thereby helping to inform business decisions. The framework is therefore embedded in processes, fostering the consideration of sustainability risks alongside other business relevant factors, such as financial and compliance matters.

Swiss Re aims to apply the ESG Risk Framework to all activities undertaken by Swiss Re Group entities. This applies to both underwriting and asset management, where information granularity is available and allows for a meaningful ESG risk assessment. This publication focuses on the processes and standards that are relevant for Swiss Re’s underwriting and asset management activities. In both underwriting and asset management, the framework’s application depends on the respective operationalisation processes (please see the section “Operationalisation of the ESG Risk Framework”, p. 8), while for Asset Management specific guidelines may apply in addition to the ESG Risk Framework.

The ESG Risk Framework is reviewed regularly to ensure an adequate reflection of new risk developments. Swiss Re’s Group Chief Risk Officer is the executive responsible for overseeing the ESG Risk Framework. Any material change to the ESG Risk Framework requires the approval of the Group Executive Committee. For Asset Management, the Group Chief Investment Officer is responsible for the specific guidelines that go beyond the ESG Risk Framework outlined in the respective sections of this document. Regular updates are also shared with the Board of Directors Risk Committee.

The ESG Umbrella Guidelines and Sector-specific Policies

The ESG Risk Framework is based on the overarching principles of protecting the environment, respecting human rights and promoting good corporate governance. These principles are encapsulated in three Umbrella Guidelines (Environmental, Social/Human Rights and Governance). To complement the Umbrella Guidelines, Sector-specific Policies have been developed for sectors with heightened sustainability risks: Agriculture, Forestry and Food, Defence, Hydro Dams, Mining, Nuclear Materials Non-Proliferation, Oil and Gas, and Thermal Coal.
Swiss Re’s sustainability risk management milestones

- **2002**: Foundation of the framework: Sensitive transactions referred to internal sustainability experts
- **2005**: Approach to countries with particularly poor human rights situation
- **2009**: Introduction of Umbrella Guidelines (Environmental and Social / Human Rights) & Sector-specific Policies (Defence, Oil and Gas, Mining, Dams, Animal Testing, Forestry and Logging, Nuclear Weapons Non-Proliferation)
- **2012**: Approach to companies involved in controversial weapons
- **2014**: Approach to businesses operating in UNESCO World Heritage Sites and Protected Areas
- **2015**: Introduction of assessment tool that stores relevant sustainability risk information
- **2018**: Introduction of Thermal Coal Policy
- **2021**: Revision of Oil and Gas Policy
- **2021**: Introduction of Umbrella Guideline on Governance
- **2021**: Introduction of Agriculture, Forestry and Food Policy
- **2022/23**: Update of Oil and Gas Policy
Operationalisation of the ESG Risk Framework

While the ESG Risk Framework applies to both underwriting and asset management, its application depends on the respective operationalisation processes.

Operationalisation of the ESG Risk Framework in underwriting

The adherence to, and the application of, the ESG Risk Framework is firmly embedded in the Group’s underwriting guidelines.

The Framework is implemented through a sustainability risk management process consisting of three elements:

- The ESG risk assessment;
- The ESG risk referral for potentially high-risk transactions; and
- A potential escalation process (appeals procedure).

The ESG risk process applies to underwriting transactions where information granularity is available and allows for a meaningful ESG risk assessment. In the majority of cases, this is direct and facultative business.

ESG risk assessment

The ESG risk assessment tool provides an automatic and initial high-level risk assessment of a potential transaction by classifying it as high, medium or low. The assessment is based on data derived from a regular screening and review of publicly available information as well as external and proprietary sources on environmental, social and governance risks. The backbone of the ESG risk assessment comprises a country/sector sensitivity matrix and a watch-list of companies and projects, which is maintained by the Sustainability Risk Management team and updated on a regular basis.

In addition to providing a risk classification of a potential transaction, the tool indicates the potential ESG risk exposures that the respective underwriters should take into account for each transaction. It also provides underwriters with guidance on what to assess in further detail. In the case of high risk transactions, it informs the underwriter of the need to refer the potential transaction to the Sustainability Risk Management team.

In the case of low or medium risk transactions, it is the responsibility of the respective underwriter to further assess potential sustainability risk exposures based on the additional ESG risk information provided by the assessment tool. In doing so, the underwriter considers the underlying risk and the transaction details (e.g. scope of cover, line of business etc.). Even if a transaction is classified low or medium risk, an underwriter can nevertheless refer the transaction to the Sustainability Risk Management team for a second and more thorough assessment.

In general, evaluation of adherence to the ESG Risk Framework focuses on the re/insured activity. Only in exceptional cases would the assessment and application of the ESG Risk Framework consider the value chain of the re/insured activity.

ESG risk referral and escalation process

Transactions classified as potentially high risk are submitted to the Sustainability Risk Management team for an in-depth assessment. The aim of this assessment, called an ESG risk referral, is to determine whether the transaction fulfils the criteria set forth in the ESG Risk Framework. Data from both publicly available sources and specialised, independent third-party research providers are used as additional inputs to the analysis. Referrals are assessed on a transactional basis, meaning that decisions by the Sustainability Risk Management team take into account the transaction’s scope while applying a 5% materiality threshold to each transaction. Depending on the line of business, the re/insured’s revenue or the total re/insured value of the transaction is considered for the materiality threshold.

The outcome of an ESG risk referral is a binding recommendation: to proceed, to proceed only under certain conditions, or to abstain from the transaction. A recommendation to abstain or proceed with conditions can be appealed by the underwriter and escalated to the next management level. While both business and risk management factors are taken into account during the escalation process, ultimate decision-making remains within Risk Management, with Swiss Re’s Group Chief Risk Officer having the final say.
ESG risk process for underwriting

**Low Risk**
Limited adverse impact on human rights and environment.

**Medium Risk**
Potential adverse impact on human rights and environment: Business practitioner to do additional research.

**High Risk**
Potential high adverse impact on human rights and environment: Business practitioner to submit an ESG risk referral.

**Proceed**
Business practitioner to proceed based on own research and underwriting judgment. In case of unclarities, a referral can be submitted.

**Abstain**
Companies, projects or country/industry combinations where Swiss Re has no risk appetite. In case of disagreement: escalation procedure.

**ESG risk managers**

**ESG risk referral**

**Proceed with conditions**

In case of disagreement: escalation procedure.
Operationalisation of the ESG Risk Framework for Life and Health Underwriting

The ESG Risk Framework applies also to life and health underwriting. However, acknowledging that life and health transactions may not directly facilitate a company’s business activities and can create social safety nets for employees and individuals in need of protection, life and health cases are evaluated separately by Sustainability Risk Management.

Operationalisation of the ESG Risk Framework in Asset Management

Asset Management’s approach to sustainability risks is based on the Group-wide ESG Risk Framework and specific Asset Management frameworks, which set criteria and thresholds for what Swiss Re considers acceptable business. These frameworks may lead to restrictions of companies or countries from Asset Management’s investment universe. The application of the ESG Risk Framework focuses on the investee company level.

The underlying information for the application of the ESG Risk Framework is provided by Sustainability Risk Management and shared with Swiss Re’s investment managers. The criteria support the following risk appetite limitations:

• Swiss Re may limit its appetite to invest in a company severely and systematically violating the ESG Umbrella Guidelines;
• Swiss Re does not directly invest in countries most exposed to severe and systematic human rights violations, also considering rule of law and state security, and incorporating the assessment of an external data provider;
• Specific to Asset Management:
  – Swiss Re considers the way companies conduct their business by screening their alignment with the UN Global Compact Principles on human rights, labour, environment and anti-corruption, where information granularity is available, which may limit Swiss Re’s appetite for specific investments;
  – Swiss Re applies specific sector criteria (eg for oil and gas, as well as for thermal coal, as described in the Sector-specific Policies section).

For further information on Asset Management specific restrictions, see Swiss Re’s latest Sustainability Report or Annual Report, Responsible Investing section, or the corresponding section on the Responsible Investing website.

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3 For the purposes of this publication, “Asset Management” is used to refer to the management of Swiss Re Group’s own assets. This publication does not provide information on how the ESG Risk Framework is considered by Swiss Re when managing assets on behalf of third parties, such as via Alternative Capital Partners and its asset managers.
The ESG Umbrella Guidelines

The ESG Risk Framework’s Umbrella Guidelines are based on the overarching principles of protecting the environment, respecting human rights as well as promoting good corporate governance. These guidelines are designed to support Swiss Re’s efforts to identify existing and potential risks related to the environment, social/human rights, and governance. Building on these guidelines, Swiss Re also seeks to cease, prevent, mitigate and manage these risks through engagements, restrictions and portfolio enhancements. The three Umbrella Guidelines are complemented by seven Sector-specific Policies pertaining to sectors associated with heightened sustainability risks.

Approach in Asset Management

Swiss Re Asset Management may limit its risk appetite for companies severely and systematically violating the ESG Umbrella Guidelines criteria. In addition to the Umbrella Guidelines and specific to Asset Management, Swiss Re considers the way investee companies conduct their business by screening their alignment with the UN Global Compact Principles on human rights, labour, environment and anti-corruption, where information granularity is available, which may lead to companies being restricted from the investment universe.

For further information on the Asset Management specific restrictions, see Swiss Re’s latest Sustainability Report or Annual Report, Responsible Investing section, or the corresponding section on the Responsible Investing website.
The Environmental Umbrella Guideline represents the first pillar of the ESG Risk Framework. With this guideline, Swiss Re aims to identify, address and minimise actual and potential negative impacts of its business activities on the environment, biodiversity and climate.

Swiss Re’s business is potentially exposed to physical and transition risks related to climate change. These risks could impact demand for re/insurance products as well as profitability in the short, medium and long term. Swiss Re assigns great importance to environmental, biodiversity, and climate protection, including by adhering to the principles articulated in international agreements, such as the Rio Declaration on the Environment and Development. Swiss Re supports the worldwide reduction of greenhouse gas emissions with the goal of limiting global warming to 1.5°C above pre-industrial levels. Swiss Re has committed to individually transition its investment and underwriting portfolios to net-zero GHG emissions by 2050.

For direct or facultative re/insurance transactions, Swiss Re does not support activities that:

- Severe impact biodiversity, by causing conversion or degradation of:
  - UNESCO World Heritage Sites
  - International Union for Conservation of Nature (IUCN) protected areas category I-IV
  - Ramsar wetlands

- Are associated with repeated or ongoing severe and unmitigated pollution or waste issues that damage the environment and health;

- Cause severe harm to the climate, such as business practices based on least efficiency and highest GHG emissions intensity;

- Benefit from repeated or ongoing severe and unmitigated animal mistreatment, or include the trading of animals regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES);

- Use primates/endangered species in any testing, unless necessary for the R&D of life-saving drugs.

As part of its client engagements, Swiss Re may request independent environmental and social impact assessments of clients’ activities, and incorporate the results of such assessments into its decisions. Swiss Re also encourages clients to develop a goals-based environmental management strategy aimed at reducing the environmental footprint or attaining relevant sustainability certification from industry-recognised standards bodies. Additionally, Swiss Re promotes the importance of disclosing and continuously improving environmental performance.

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4 For the purpose of the ESG Risk Framework, “severe” is defined on the basis of scale, scope and irreversibility
The Social/Human Rights Umbrella Guideline is the second pillar of the ESG Framework. It seeks to align Swiss Re’s corporate conduct with the expectations set forth in the UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, which are based on the International Bill of Human Rights and the Core Conventions of the International Labour Organization (ILO).

The Social/Human Rights Umbrella Guideline is designed to support Swiss Re’s efforts to identify actual and potential risks related to human and labour rights violations.

For direct or facultative re/insurance transactions, Swiss Re does not support activities that severely and systematically:

- Violate the right to life, liberty, and security, including freedom from slavery and servitude, as well as freedom from torture, degrading or inhumane treatment;
- Violate labour rights, ie provide poor health and safety conditions or violate the following Core ILO Conventions: 29 (Forced Labour), 100 (Equal Remuneration), 105 (Abolition of Forced Labour), 111 (Discrimination), 138 (Minimum Age Convention) and 182 (Elimination of the Worst Forms of Child Labour);
- Violate human rights of local communities or specific groups of people (eg indigenous people, minorities defined as per the UN Minorities Declaration). These violations can include, but are not limited to, the right of free, prior and informed consent for indigenous peoples (FPIC).

Swiss Re does not provides direct or facultative re/insurance to activities:

- In country/sector combinations particularly exposed to severe and systematic human rights violations (defined with reference to the risk assessment of a designated external data provider). The only exception to this for underwriting transactions is if there is positive proof that human rights have been respected, eg via an independent human rights audit or social impact assessment.

In engagements with clients, Swiss Re highlights the importance of transparent disclosures of social performance, including reported controversies and progress on defined human rights KPI’s. Furthermore, Swiss Re encourages the implementation of practices such as grievance mechanisms, adequate wages, benefits, and work conditions. When engaging with clients, Swiss Re promotes the implementation of human rights policies based on the International Bill of Human Rights, the Core Conventions of the ILO and the UN Guiding Principles on Business and Human Rights.
The Umbrella Guideline on Governance is the third pillar of Swiss Re’s ESG Risk Framework. In addition to the protection of human rights and the environment, a strong governance performance is crucial to promote sustainable development. The Umbrella Guideline on Governance aligns Swiss Re’s business conduct with the principles set forth in the UN Global Compact. It also supports Swiss Re in identifying actual and potential risks related to governance topics in its own operations and business relationships.

The Umbrella Guideline on Governance complements Swiss Re’s Code of Conduct and Compliance Risk Frameworks. The Code of Conduct provides guidance on the appropriate business conduct Swiss Re expects of itself and its business partners. The Compliance Risk Frameworks support the identification, mitigation and management of risks such as bribery and corruption, money laundering, fraud, and international trade controls and sanctions violations. Executive responsibility for the Compliance function, Code of Conduct and Compliance Risk Frameworks lies with the Group Audit Committee, Group Executive Committee and Board of Directors, in accordance with the Corporate Governance Guidelines. Operationally, the Compliance function, led by the Chief Compliance Officer, has primary responsibility for the Compliance Risk Frameworks.

In alignment with its Governance Umbrella Guideline, for direct or facultative re/insurance transactions, Swiss Re does not support activities that:

- Severely and systematically damage the environment or violate human rights through financial crime, such as bribery, corruption or money-laundering.

In engagements with clients, Swiss Re views favourably strong corporate governance practices, such as effective board and ownership structures as well as strong corporate behaviour in the form of compliance with financial crime laws and regulations.
The Sector-specific Policies

Given that some sectors are particularly exposed to sustainability risks, Swiss Re has developed Sector-specific Policies. These policies complement the ESG Umbrella Guidelines and highlight additional sustainability risks that are specific to these sectors. They also include measures to mitigate these risks.

Sector-Specific Policies

- Agriculture, Forestry and Food
- Defence
- Hydro Dams
- Mining
- Nuclear Material Non-proliferation
- Oil and Gas
- Thermal Coal
Agriculture, Forestry and Food

Nature and biodiversity loss and climate change are among the main challenges to sustainability, which need to be addressed with utmost urgency.

While agriculture, forestry and fishing provide livelihoods to millions of people and play a vital role for society, these activities are highly dependent on biodiversity. At the same time, food production is one of the largest drivers of deforestation, water use, biodiversity loss and soil degradation. Moreover, activities in these sectors may be particularly exposed to human rights violations, such as adverse impacts on indigenous peoples or poor labour conditions, which are in scope of the Social/Human rights Umbrella Guideline.

Approach in Underwriting

Based on key sustainability risks identified for this sector, for direct or facultative re/insurance transactions, Swiss Re does not support activities that:

- Show a high negative impact on biodiversity and ecosystems;
- Operate in particularly exposed sub-sectors of palm oil, timber and paper, and do not comply with Swiss Re’s sustainability certificate requirements (e.g. Forest Stewardship Council (FSC) and Roundtable on Sustainable Palm Oil (RSPO)). These requirements apply to countries particularly exposed to deforestation risks. The requirements can include that a company must have all operations certified by leading agencies or a credible plan to increase its share of certified operations.

In engagements with clients, Swiss Re encourages companies to take part in sustainability certification, to prioritise plantations in areas where forest regeneration is highly unlikely, such as degraded farmland, and to pay particular attention to the needs of smallholder farmers.

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6 Bringing it down to Earth: Nature Risk and Agriculture, WWF, 2021
Defence

The impacts of armed conflicts on civilian populations and infrastructure are devastating. In this context, several international treaties have been adopted by the international communities, such as the Treaty on Non-Proliferation of Nuclear Weapons seeking to limit the widespread dissemination of nuclear weapons, the Oslo Convention on Cluster Munitions, and the Ottawa Treaty on anti-personnel mines. In Switzerland, the War Material Act prohibits the financing and assistance of prohibited war material.

Approach in Underwriting

For direct or facultative re/insurance transactions, Swiss Re does not support activities that include:

- Development, production, brokering, acquisition, transfer, import, export, carrying in transit or storage (including the enticement or the assistance of such activities) of biological and chemical weapons, anti-personnel mines, cluster weapons, and/or nuclear weapons. An exception for Nuclear Weapons is when they are produced in, and for the benefit of, the armed forces of a nuclear-weapon state according to the Treaty on Non-Proliferation of Nuclear Weapons. This part of the policy is exceptionally subject to a 0% materiality threshold;

- Production of arms in, or transport to, countries that are conflict areas. Conflict areas are defined with reference to the risk assessment of a designated external data provider;

- Active combat services or direct operational or tactical combat support, such as provided by private military companies.

Moreover, Swiss Re will carefully screen any request for business support to companies that offer any of the following services in conflict areas: translation and interrogation, prison and detainment camp operation, or vehicle, site, and escorting protection.

In engagements with clients, Swiss Re encourages companies operating in conflict areas to educate their employees on human rights and conflict-sensitive practices. Participation in the International Code of Conduct for Private Security Providers’ Association is also viewed favourably.

Approach in Asset Management

Swiss Re Asset Management does not invest in companies that are involved in the development, manufacturing or acquisition of biological and chemical weapons, anti-personnel mines, and/or cluster weapons.
Hydro Dams

Hydro dams can be a valuable source of renewable energy. However, due to relocation of local populations and reduced access to water, fisheries and other resources, hydro dams may also have a significant negative impact on human rights and the local and downstream communities. Hydro dams may also significantly impact biodiversity and ecosystems by, for instance, trapping sediments, altering the river’s natural flow, or blocking fish migration routes. These impacts may also affect a local population’s livelihood and health.

Approach in Underwriting

Based on key sustainability risks identified for this sector, for direct or facultative re/insurance transactions, Swiss Re does not support hydro dams that:

- Benefit from forced resettlement or violation of the right of free, prior, and informed consent (FPIC) of indigenous peoples;
- Are situated within protected areas (UNESCO World Heritage Sites, IUCN list of protected areas category I-IV or Ramsar wetlands);
- Cause irreversible environmental damage beyond the necessary conversion of the area;
- Lack credible environmental and social impact assessments for large-scale greenfield projects.

In engagements with clients, Swiss Re encourages companies to adhere to international best practices, such as the International Hydropower Sustainability Guidelines and the Hydropower Sustainability Standard developed by the Hydropower Sustainability Association.

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8 *Insuring a Nature-positive World: An Insurers’ Guide to Hydropower*, WWF, 2022
9 *How-to Guide: Hydropower Biodiversity and Invasive Species*, International Hydropower Association, 2021
Mining

Metals and minerals are essential components of products we use every day. Mining operations can negatively impact human rights and local communities due to poor labour conditions, increased violence at mining sites and involuntary displacements of local populations. Biodiversity and ecosystems may also be negatively impacted due to soil and water pollution.\(^{(10)}\)

Approach in Underwriting

Based on key sustainability risks identified for this sector, for direct or facultative re/insurance transactions, Swiss Re does not support activities:

- In countries where mining is particularly exposed to severe and systematic human rights violations (unless positive proof is provided for underwriting transactions that human rights are respected, such as via an independent human rights audit or social impact assessment). Such countries are defined with reference to the risk assessment of a designated external data provider;

- In indigenous territories without free, prior and informed consent (FPIC) of indigenous peoples;

- That benefit from non-necessary or non-proportional use of force by security personnel under management of the company;

- With severe and systematic negative impact on health and the environment due to improper management of tailings, hazardous materials and substances, and mine waste;

- That do not have credible environmental and social impact assessments for large-scale greenfield projects;

- That retrieve mineral deposits from the deep seabed (eg deep-sea mining projects).

In engagements with clients, Swiss Re encourages companies in this sector to adhere to industry-specific initiatives to minimise collateral impacts of mining operations. These include, but are not limited to, the International Council on Mining and Metals Principles, the Voluntary Principles for Security and Human Rights and the Global Industry Standards on Tailings Management as well as commodity-specific initiatives (eg the Fair Cobalt Alliance or the Cyanide Code certification).

When sourcing from conflict or high risk areas, Swiss Re promotes the adherence to best practices, such as the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals. Swiss Re also encourages companies to commit to ESG targets, eg circular materials management, or to link sustainability performance to executive remuneration.

\(^{(10)}\) Harmful Impacts of Mining: when extraction harms people, environments and economies, Responsible Mining Foundation, 2022
Nuclear Material Non-Proliferation

Ethical concerns and international treaties guide Swiss Re’s approach to transactions related to nuclear energy. The policy aims to avoid contributing to the proliferation of nuclear weapons, and to remain supportive of the medical usages of this technology.

Approach in Underwriting

In its direct or facultative re/insurance transactions, Swiss Re does not:

• Participate in nuclear energy transactions in countries that are not members of the Treaty on Non-Proliferation of Nuclear Weapons (NPT) or, despite being members, if the country has been found by the International Atomic Energy Agency (IAEA) to be in breach of the NPT;

• Support nuclear energy facilities, or non-medical reactors in countries that operate nuclear power plants, but do not comply with the Nuclear Supplier Guidelines (NSG);

• Support activities involved in the development, production, brokering, acquisition, transfer, import, export, carrying in transit or storage of nuclear weapon, unless such nuclear weapons are produced in, and for the benefit of, the armed forces of a nuclear-weapon state, according to the Treaty on Non-Proliferation of Nuclear Weapons (NPT) of 1 July 1968.

Approach in Asset Management

Swiss Re Asset Management does not invest in companies that are involved in the development, manufacturing or acquisition of nuclear weapons. An exception for nuclear weapons is when they are produced in, and for the benefit of, the armed forces of a nuclear-weapon state, according to the Treaty on Non-Proliferation of Nuclear Weapons of 1 July 1968.
Oil and Gas

Oil and gas are amongst the main man-made sources of GHG emissions. Swiss Re’s Oil and Gas policy targets lifecycle carbon dioxide emissions resulting from the production of oil and gas, as well as arctic drilling activities that may cause significant adverse environmental impacts.

Approach in Underwriting

Direct and facultative re/insurance
Based on key sustainability risks identified for this sector, for direct or facultative re/insurance transactions, Swiss Re does not support:

- Oil and gas companies that produce the world’s 10% most carbon intense oil and gas, measured as CO₂ lifecycle emissions per barrel. This measure was put into place in July 2021, and the threshold was raised from 5% to 10% in July 2023. Exceptions may apply, such as for companies, or projects owned by companies aligned with net zero by 2050 (for scope 1, 2, and 3 GHG emissions), standalone insurance placements for the decommissioning of oil and gas assets or insurance placements with limited exposure to oil and gas activities;
- Oil and gas companies and projects with more than 10% of their production located in the Arctic AMAP area (Norwegian production is exempt) (since 2022);
- New oil and gas upstream greenfield projects receiving final investment decisions after 2022 (since 2023).

Independent of carbon emissions, Swiss Re will not provide direct or facultative re/insurance to activities linked to severe and systematic human rights violations or environmental damage, as specified in the Environmental and Social/Human Rights Umbrella Guidelines.

Treaty reinsurance

Swiss Re is developing an approach to manage ESG risks in the company’s oil and gas business in treaty reinsurance contracts. In 2024, Swiss Re starts screening cedents in reinsurance treaty transactions related to Swiss Re’s Property and Casualty business. It is a first step to identify ways in which Swiss Re can support its clients transition to a low-carbon economy.

The cedent screening is structured along two main criteria:

- The cedent has a commitment to align to net-zero GHG emissions by 2050. This means the cedent has: (1) 2050 net-zero targets (including Scope 3) and (2) short/medium-term reduction targets (including Scope 1, 2 and/or 3), with the adoption of both short- and long-term commitments viewed as demonstrating credibility.
- The cedent has an approach to oil and gas which falls within Swiss Re’s business appetite as defined by Sustainability Risk Management.

Swiss Re has prepared this approach for oil and gas in treaty reinsurance based on its assessment of currently available information. This is a highly complex area and Swiss Re will continue to assess its approach in light of developments in available data and science-based guidance.

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11 Friedlingstein et al. Global carbon budget, 2022
12 Due to the vast number of companies involved in the oil and gas sector, only companies producing more than 10m barrels of oil equivalent annually are considered in scope
13 As per SBTi or a comparable third-party assessment approved by Sustainability Risk Management
14 Arctic Monitoring and Assessment Programme. Geographical Coverage / AMAP, Arctic Monitoring & Assessment Programme (AMAP), 2023
Oil and Gas continued

Approach in Asset Management

Swiss Re Asset Management no longer directly invests in companies that are above set thresholds:

- Companies that have more than 10% of their upstream production located in the Arctic AMAP region (Norwegian production is exempt; since 2022);
- The 10% most carbon-intensive oil and gas companies (since 2020).

Specific to Asset Management, Swiss Re no longer directly invests in companies that generate 20% or more of their revenues from oil sands operations (since 2018). Green and sustainability bonds are exempt from these restrictions, provided they comply with the International Capital Market Association’s (ICMA) Green Bond Principles or Sustainability Bond Guidelines, respectively.

In its infrastructure debt and corporate private placement portfolios, Swiss Re does not invest in greenfield oil and gas projects. For brownfield projects, maturities for oil-related exposures are limited to 2030 and for gas-related exposures to 2035.

For further information on Asset Management specific restrictions, see Swiss Re’s latest Sustainability Report or Annual Report, Responsible Investing section, or the corresponding section on the Responsible Investing website.

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15 Due to the vast number of companies involved in the oil and gas sector, only companies producing more than 10m barrels of oil equivalent annually are considered in scope.
Thermal Coal

As the most carbon-intensive fossil fuel, coal is responsible for a larger share of global greenhouse gas emissions than any other source of energy.\textsuperscript{16} Thermal coal is also the most polluting fossil fuel in the energy sector, with serious negative impact on human health.\textsuperscript{17} Swiss Re supports the worldwide reduction of greenhouse gas emissions and contributes to limiting global warming to 1.5° – above pre-industrial levels.

Approach in Underwriting

Swiss Re targets a complete phase-out of thermal coal related re/insurance business in OECD countries by 2030 and in the rest of the world by 2040. The introduction of the thermal coal policy for single risk in 2018 marked the first step towards the development of a carbon risk steering mechanism to measure the carbon intensity and associated risks embedded in the underwriting business of Swiss Re. In 2023, Swiss Re extended the thermal coal policy to limit coal exposures in treaties across the property, engineering, casualty, credit and surety, and marine cargo lines of business.

Until the total phase-out, Swiss Re does not provide re/insurance to:

- Companies or projects that have more than 30% of exposure to thermal coal for direct and facultative business (since 2018);
- Treaty business exceeding line of business-specific thermal coal exposure thresholds, which will be gradually lowered until the complete phase-out targets are reached (since 2023).

Exposure is defined for each type of re/insurance policy (e.g. treaty or facultative/direct) and will vary based on the type of company (e.g. power or mining) or line of business considered for the transaction.

For single risk/direct re/insurance, exceptions apply for transactions with operational carbon capture and storage targeting all emissions of a power plant. Exceptions also apply for transactions related to coal mine reclamation involving mines that were operational before 2018.

For transactions located in low and middle income countries that derive more than 70% of electricity from coal, existing power plants (e.g. operational before 2018) can be covered until 2025 if there is evidence that the insured is implementing an effective emission reduction strategy. With the aim of supporting its clients to accelerate their transition to clean energy, if a transaction supports the accelerated decommissioning of a thermal coal power plant, if a transaction supports the accelerated decommissioning of a thermal coal power plant, and pending individual evaluation of the client’s climate-aligned commitment to move away from coal, Swiss Re may exceptionally consider the transaction.

Approach in Asset Management

Swiss Re Asset Management aims to fully exit coal mining and coal-fired power generation for its listed equity and corporate bond portfolios by 2030.

The restrictions outlined in this section are specific to Asset Management and as such, Swiss Re no longer directly invests in coal mining and coal-fired power generating companies that are above set thresholds:

- Companies that generate 30% or more of their revenues from thermal coal mining (since 2016);
- Companies that use at least 30% thermal coal for power generation (since 2016);
- Mining companies that produce at least 20 m tonnes of coal per year (since 2019);
- Power generating companies with more than 10GW installed coal fire capacity (since 2019);


\textsuperscript{17} The risk of a lifetime: mapping the impact of climate change on life and health risks, Swiss Re Institute, 2023

Thermal Coal continued

- Companies that have more than USD 100 m capital expenditure p.a. on coal exploration (since 2020);
- Power generating companies that plan coal-fired capacity expansion of more than 300MW p.a. (since 2020).

Green and sustainability bonds are exempt from these restrictions, provided they comply with the International Capital Market Association’s (ICMA) Green Bond Principles or Sustainability Bond Guidelines, respectively.

In its infrastructure debt and corporate private placement portfolios, investments in up-, mid- and downstream thermal coal projects and companies are restricted.

For further information on Asset Management specific restrictions, see Swiss Re’s latest Sustainability Report or Annual Report, Responsible Investing section, or the corresponding section on the Responsible Investing website.
Amplifying the Framework

Engagement and leverage
Swiss Re often engages with re/insurance clients on identified sustainability risks. Swiss Re opens a dialogue by asking critical questions both to signal concern and to understand plans for remediation and prevention. This is done most frequently by making the re/insurance cover conditional on the client’s response to the issues identified as most acute.

Swiss Re frequently requests relevant documents that are not publicly available from its clients, such as environmental and social impact assessments. Additionally, Swiss Re might reach out to independent technical experts for advice on concerning risks.

Only for the gravest environmental damage, violations of human rights or governance breaches, in cases where Swiss Re sees no likely avenue for remediation, redress, or improvement, the decision is taken to disengage from a client.

Besides clients and cedents, Swiss Re also engages with industry organisations, investors as well as other types of financial institutions to share expertise. Swiss Re views such efforts as essential to contribute to effective change and make Swiss Re’s portfolio more sustainable. Finally, Swiss Re also regularly engages with NGOs and academia to exchange knowledge and monitor regulatory developments, which allows Swiss Re to reflect the most relevant sustainability risks within the ESG Risk Framework.

Ensuring adherence
All new Swiss Re employees must complete an online training on the ESG Risk Framework, with client-facing and underwriting roles going through regular refresher trainings.

The ESG Risk Framework is firmly embedded into the underwriting guidelines and periodic checks of adherence are done by the business and risk teams. Additionally, to monitor adherence to the ESG Risk Framework, a bi-annual check is done of new in-force direct and facultative business against the Framework. In the event of a detected breach, an Operational Event is opened and mitigating steps are outlined.

The Sustainability Risk Management team is part of the Risk Management organisation and informs management about emerging sustainability risks.

Reporting
The ESG Risk Framework is integrated into the Group-wide risk management process. This also means that its implementation and the ESG Risk Referrals are subject to quarterly and annual internal reporting. Similarly, Sustainability Risk Management reports the number of yearly ESG Risk Referrals (by sector and recommendation issued) in the Sustainability Report, which is externally assured by an independent auditor.

You can find Swiss Re’s sustainability reports at: reports.swissre.com
Cautionary note on forward looking statements

Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets, and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as “anticipate”, “target”, “aim”, “assume”, “believe”, “continue”, “estimate”, “expect”, “foresee”, “intend” and similar expressions, or by future or conditional verbs such as “will”, “may”, “should”, “would” and “could”. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Swiss Re actual results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects to be materially different from any future results of operations, financial condition, solvency ratios, capital or liquidity positions or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets. Such factors include, among others:

• macro-economic events or developments including increased volatility of, and/or disruption in, global capital, credit, foreign exchange and other markets and their impact on the respective prices, interest and exchange rates and other benchmarks of such markets, and historically high inflation rates;
• the frequency, severity and development of, and losses associated with, insured claim events, particularly natural catastrophes, man-made disasters, pandemics, social inflation litigation, acts of terrorism or acts of war, including the ongoing war in Ukraine, and any associated governmental and other measures such as sanctions, expropriations and seizures of assets as well as the economic consequences of the foregoing;
• Swiss Re’s ability to comply with standards related to environmental, social and governance ("ESG"), sustainability and corporate social responsibility ("CSR") matters and to fully achieve goals, targets, or ambitions related to such matters;
• Swiss Re’s ability to achieve its strategic objectives;
• legal actions or regulatory investigations or actions, including in respect of industry requirements or business conduct rules of general applicability, the intensity and frequency of which may also increase as a result of social inflation;
• central bank intervention in the financial markets, trade wars or other protectionist measures relating to international trade arrangements, adverse geopolitical events, domestic political upheavals or other developments that adversely impact global economic conditions;
• mortality, morbidity and longevity experience;
• the cyclicality of the reinsurance sector;
• Swiss Re’s ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Swiss Re’s financial strength or otherwise;
• Swiss Re’s inability to realise amounts on sales of securities on the Group’s balance sheet equivalent to their values recorded for accounting purposes;
• Swiss Re’s inability to generate sufficient investment income from its investment portfolio, including as a result of fluctuations in the equity and fixed income markets, the composition of the investment portfolio or otherwise;
• changes in legislation and regulation or the interpretations thereof by regulators and courts, affecting Swiss Re or its ceding companies, including as a result of comprehensive reform or shifts away from multilateral approaches to regulation of global operations;
• matters negatively affecting the reputation of Swiss Re, its board of directors or its management;
• the lowering, loss or giving up of one of the financial strength or other ratings of one or more companies in Swiss Re, and developments adversely affecting its ability to achieve improved ratings;
• uncertainties in estimating reserves, including differences between actual claims experience and underwriting and reserving assumptions, in particular in Property & Casualty Reinsurance due to higher costs caused by inflation and supply chain issues;
• policy renewal and lapse rates;
• the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings, and the overall impact of changes in tax regimes on the Swiss Re’s business model;
Cautionary Note on Forward Looking Statements continued

- changes in accounting estimates or assumptions that affect reported amounts of assets, liabilities, revenues or expenses, including contingent assets and liabilities as well as changes in accounting standards, practices or policies;
- strengthening or weakening of foreign currencies;
- reforms of, or other potential changes to, benchmark reference rates;
- failure of the Swiss Re’s hedging arrangements to be effective;
- significant investments, acquisitions or dispositions, and any delays, unforeseen liabilities or other costs, lower-than-expected benefits, impairments, ratings action or other issues experienced in connection with any such transactions;
- extraordinary events affecting Swiss Re’s clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- changing levels of competition;
- the effects of business disruption due to terrorist attacks, cyberattacks, natural catastrophes, public health emergencies, hostilities or other events;
- limitations on the ability of Swiss Re’s subsidiaries to pay dividends or make other distributions; and
- operational factors, including the efficacy of risk management and other internal procedures in anticipating and managing the foregoing risks.

These factors are not exhaustive. Swiss Re operates in a continually changing environment and new risks emerge continually. Readers are cautioned not to place undue reliance on forward-looking statements. Swiss Re undertakes no obligation to publicly revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

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This publication has been prepared by the Swiss Re Group (hereinafter Swiss Re). It is a summarized and abbreviated version of Swiss Re’s internal Group ESG Risk Framework updated in August 2023.

This publication supersedes any previous public versions and announcements concerning the ESG Risk. In case of any conflicts or disparities between this publication and the internal Group ESG Risk Framework, the internal Group ESG Risk Framework prevails.

Actual recommendations and decisions taken by Swiss Re are based on the internal Group ESG Risk Framework. The observance, implementation, and application follows the internal Group ESG Risk Framework and is subjected to internal rules and procedures. While Swiss Re makes every effort to observe, implement, and apply the internal ESG Risk Framework across its business activities, in case applicable laws, rules, and regulations conflict with the ESG Risk Framework, Swiss Re seeks to honour the internal ESG Risk Framework consistent with applicable laws, rules, and regulations.

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