Sustainable Business Risk Framework
Sustainable business is good business
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Foreword
Sustainable business is good business

Our company has long recognised that respecting human rights, labour standards and environmental protection is crucial for responsible business and sustainable development, and thereby of long-term benefit to the re/insurance industry. Indeed, protection of the natural environment and respect for human rights are among the hallmarks of Swiss Re’s way of doing business.

Swiss Re supports the UN 2030 Agenda for Sustainable Development. Since the launch of the Sustainable Development Goals (SDGs) we have continuously refined our approach to using the SDG framework and defining how our business contributes to achieving these goals.

In all our practices, we honour the principles expressed by the International Bill of Human Rights, the eight Core Conventions of the International Labour Organisation, the Rio Declaration on Environment and Development, and the UN Convention against Corruption. We have publicly declared these commitments through our participation in the UN Global Compact and in our full support of the implementation of the UN Guiding Principles on Business and Human Rights.

We acknowledge that even when absolutely legal and economically beneficial, any business activity we undertake may also have unintended social and environmental consequences. In consequence, our company has developed a Sustainable Business Risk Framework which is designed to identify and mitigate such risks through embedding the principles of respect for human rights, environmental protection and due diligence into everything we do. We seek to actively engage our clients to embrace the same ideals and practices.

The purpose of this publication is to inform our stakeholders and partners on our Sustainable Business Risk Framework and how we apply this risk management tool in practice. Through building on momentum generated by initiatives such as the Principles of Responsible Investment, the Principles of Sustainable Insurance and the CRO Forum, this paper is also intended to encourage the even stronger adoption of sustainable business practices throughout the re/insurance industry.

In December 2015, Swiss Re signed the Paris Pledge for Action, aimed at strengthening the global response to the threat of climate change. Various steps have been taken since then to fulfill that pledge, including committing to net-zero emissions by 2050 on the asset and liability side. This commitment forms a vital pillar of our Group Sustainability Strategy, which was introduced in 2019 and defines sustainable reinsurance as a strategic, long-term approach.

Patrick Raaflaub
Group Chief Risk Officer
Introduction

What is sustainability and how do we define Sustainability Risks?

Sustainable progress is development that meets the needs of the present without compromising the ability of future generations to meet theirs. To be sustainable, progress must improve economic efficiency, protect and restore ecological systems, as well as enhance our wellbeing. The principle of sustainability is a key cornerstone of all our corporate responsibility activities.

In a properly regulated market environment, profitable business activities create economic value. Occasionally, however, they may also adversely affect people and the environment. If such impacts are ignored, they may pose a threat to societies’ long-term sustainable development.

Many businesses – including our own – often grapple with the issue that while some transactions may be economically beneficial and perfectly legal, they may still have adverse environmental and social impacts. We believe it is important to recognise the existence of these problems, approach them ethically and address them responsibly throughout our business.

A crucial risk management tool
Our Sustainable Business Risk Framework allows us to assess the risks related to the social and environmental consequences of our transactions. Developed in 2009 as an advanced risk management instrument, the SBR Framework translates our respect for human rights and the natural environment into a risk management tool. Through a company-wide due diligence process, we can identify and assess the potential impacts of such transactions. When these consequences overstep the limits specified in the SBR Framework, we try to work with our clients to find solutions to the problems.

In cases where we see no potential for improvement, we forgo involvement rather than compromise our values.

Rather than viewing the Sustainable Business Risk Framework solely as a way of safeguarding our brand or as part of our general sustainability efforts, the Sustainable Business Framework is an essential part across our entire business to identify and address specific sustainability risks.

Staying ahead
Good management of environmental, social and governance risks often goes beyond legal requirements. This applies even more so to transnational companies that operate across different regulatory regimes and answer to different sets of well-informed stakeholders. The responsible approach to human rights and environmental protection in our Sustainable Business Risk Framework has helped us stay ahead of regulation in a number of ways. When the Swiss Parliament passed a law prohibiting Swiss firms from financing indiscriminate weapons in 2013, our defence policy had already been excluding such companies from our business for four years.

Guided by our Code of Conduct, we apply our values consistently across the globe. In 2018, we introduced our thermal coal policy, pledging not to provide re/insurance to business with more than 30% exposure to thermal coal utilities or mining. In 2020, we introduced a revised Oil and Gas Policy to stop business support to the world’s most carbon-intense oil and gas companies. These policies have been fully integrated into our Sustainable Business Risk Framework and demonstrate our commitment to support the transition to a low-carbon economy.
The Sustainable Business Risk Framework

Swiss Re’s Sustainable Business Risk Framework identifies and addresses specific sustainability risks across our entire business. It applies to all our business transactions, i.e. re/insurance and investments as well as to our sourcing activities, to the extent this is possible (e.g. if existing documentation or information relating to such transactions are provided, for example, by our cedents) or permissible (e.g. by virtue of mandatory local law).

The Sustainable Business Risk Framework (the SBR Framework) is updated regularly to address new developments in each industry, whether technological or regulatory. The SBR Framework consists of two Umbrella Policies – one on Environmental Protection and the other on Human Rights. Based on the Umbrella Policies we have also developed eight Sector-specific Guidelines, which specify the implementation of the Umbrella Policies in those sectors and highlight the most salient human rights and environmental issues.
Human Rights
In all its activities, Swiss Re respects and has publicly committed to upholding international agreements on human and labour rights. This commitment means that in countries and sectors where severe violations of human rights occur in a systemic way we do not enter into business relationships without trusted evidence that our insureds respect human rights and the environment. In such situations, Swiss Re will only provide business support to businesses that provide trustworthy and independently assured proof of their sustainability performance. Swiss Re sets clear requirements for its clients and for other partners across all geographies and sectors to respect human rights. We will not provide business support to entities that severely and systematically violate:
- absolute rights and freedoms expressed in the International Bill of Human Rights;
- labour rights as expressed in the eight Core Conventions of the ILO;
- rights of particular groups of people, such as indigenous peoples’ rights.
Whenever we detect that operations of a client may affect human rights, we analyse transactions with those clients through our due diligence process. If our concerns are confirmed, we do not participate in the transaction. However, if we see an opportunity to use our good offices to improve the situation for the local people, we are prepared to enter into a discussion with our client, highlighting our concerns and requesting they improve their sustainability performance.

Client practices Swiss Re views favourably include those based on human rights policies based on international agreements such as the International Bill of Human Rights, as well as those which are implemented across their operations. We are also very supportive of companies who conduct human rights due diligence, including independent assessments of the human rights impact of their activities.
Environmental protection
The Umbrella Policy on Environmental Protection is the second pillar of the Framework. It enables Swiss Re to identify, address and minimise possible impact on the environment of all our business activities. Consequently, this policy allows Swiss Re not only to mitigate any possible exposure to environmental risks but also to contribute to positive change in the world. The policy on Environmental Protection applies to all Swiss Re transactions.

As in the case of human rights, we express our commitment to environmental protection in adhering to the principles articulated in international agreements such as the Rio Declaration on the Environment and Development. Moreover, Swiss Re supports the worldwide reduction of greenhouse gas emissions and contributes to the goal of limiting global warming of 1.5°C above pre-industrial levels. In 2015, we signed the Paris Pledge for Action to affirm our support for the Paris Climate Agreement.

We do not support business activities that:

- could damage UNESCO World Heritage Sites and/or protected areas, including High Conservation Value forests, High Carbon Stock forests, wetlands protected by the Ramsar Convention, IUCN listed protected areas and habitats for the species on the IUCN Red list;
- inflict repeated and/or ongoing, severe and unmitigated damage to the environment, for example through significant pollution that is not being adequately resolved;
- pursue large scale projects without a credible environmental impact assessment;
- inflict lasting damage to the health of local communities through environmental pollution.

In contrast, Swiss Re is supportive of clients who carry out independent analyses of the environmental and social impact of their activities and who subsequently adhere to the results of such assessments. We also look positively on entities that have developed an environmental management strategy, with clear annual and mid-term goals, aimed at reducing their environmental footprint.
The Sector-specific Guidelines

Since the Umbrella Policies do not go beyond the expression of general principles, we have also developed Sector-specific Guidelines. These guidelines apply our positions on human rights and environmental protection to the specific sectors in which we do business, and are designed to help us address the sustainability issues we face when operating in these sectors. For each guideline, we have listed the SDGs that are addressed by the policy.

The industries in question are:

- Animal testing
- Dams
- Defence sector
- Forestry, pulp & paper, oil palm
- Mining
- Nuclear non-proliferation
- Thermal coal
- Oil & gas
Animal testing
As our co-habitants of this planet, animals deserve to be treated with respect and to be spared from suffering. Even in cases of research needed to save human lives, animals’ rights and well-being still need to be protected. For this reason, Swiss Re does not support activities that are:
- using primates and/or endangered species in experiments that are not necessary for the development of life-saving drugs;
- treating animals cruelly before, during and after experiments.

To ensure that the welfare of animals is safeguarded, Swiss Re conducts additional due diligence on companies whose principal activity it is to conduct experiments on animals in order to develop, test and manufacture drugs, other pharmaceuticals, edible products, cosmetics and other products. Finding a violation of these principles can lead to the decision not to participate in the transaction. We encourage clients to develop and implement an animal welfare policy, operate an independent ethics committee and who adhere to international best practice, such as the Guide for the Care and Use of Laboratory Animals.

Addresses the following SDG:

Dams
Dams can be a valuable source of renewable energy. However, their construction may involve relocation of a large number of people without adequate compensation and result in the loss of cultural identity, poor living and working conditions for the construction team and the destruction of local habitat. In consequence, we do not associate ourselves with hydropower projects and supporting infrastructure that evidently benefit from:
- Repeated violations of labour rights as expressed in the eight Core Conventions of the ILO;
- Violations of the rights of local communities:
  - Indigenous peoples rights (absence of free, prior and informed consent for indigenous peoples);
  - Right to housing (forced or uncompensated relocations);
  - Right to security of person (through severe and systematic violence from security forces).
- Violations of the following human rights:
  - Right to life, liberty and security (no repeated unlawful killings / deadly acts of violence from the security forces on site / sexual violence);
  - Freedom from torture, degrading or inhumane treatment (no repeated torture or degrading treatment).
- Absence of credible environmental and social impact assessments for any new large scale projects;
- Irreversible environmental damage beyond the necessary conversion of the area;
- Could damage UNESCO World Heritage Site and/or protected areas, including High Conservation Value forests, High Carbon Stocks forests, wetlands protected by the Ramsar Convention, IUCN list of protected areas and habitats for the species on the IUCN Red List.

Concerns with these projects include the associated flooding of large areas which could impact the local population and the (potential) loss of cultural heritage. Many environmental issues are related to the impact on local biodiversity, as dams tend to make it harder for fish to migrate. This in turn may lead to food security issues or food shortages for local communities who may be dependent on fishing for their livelihoods further downstream. These aspects are always examined during our due diligence process to ensure we do not provide support for projects which violate our principles.

We encourage companies in this sector to conduct assessments with a reputable party on the impact a project will have on the environment and human rights, and subsequently implement the recommendations made. We also look favourably on companies that adhere to the criteria set forth by the World Commission on Dams.

Addresses the following SDGs:
Defence

Considering the increasing instability around the world and the devastating impacts of armed conflicts on the local population, we recognise our responsibility in respect to conflict-sensitive business practices. We do not support companies:

- Involved in the 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, 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 of 1 July 1968;
- Involved in the production of arms in or transport to countries that are conflict areas;
- That offer active combat services or direct operational or tactical combat support such as private military companies;
- That are evidently complicit in repeated and severe human rights’ violations.

The weapons mentioned above are banned by a vast majority of nations through conventions such as the Ottawa Convention of 1997 and the Oslo Convention of 2008. In Switzerland, these conventions were implemented in the Swiss War Material Act of 2013. It is worth noting that Swiss Re was already opposed to indiscriminate weapons before they were banned by the Swiss War Material Act. 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 detention camp operation; and vehicle, site and escorting protection. We encourage 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 in order to help minimise the hardship of the employees and the local population in these areas is also viewed favourably. Lastly, we encourage companies to develop an accessible and independent grievance-reporting mechanism and provide a resolution mechanism.

Addresses the following SDG:

Forestry, pulp & paper and oil palm

Plantations and natural forests cover large tracts of land in many of the world’s major areas of biodiversity. Many local populations rely on forests for sustenance, whilst others look for employment on plantations. It is essential that these projects are managed sustainably.

Consequently, Swiss Re will not provide business support to:

- activities that violate local, national or international law or binding agreements regarding illegal logging (incl. illegal use of fires);
- existing or new plantations and/or facilities processing timber or oil palm supplies that are not covered by any of the following sustainability certificates: FSC, PEFC, MTCs, RSPO.

These sustainability certificates ensure that our clients are protecting the environment and respecting the rights and livelihoods of the local population. We hold a favourable view of companies in this sector that encourage peers to adhere to sustainable forestry practices and that seek to minimise the environmental and social impact of the necessary infrastructure, such as access roads or ports.

Addresses the following SDGs:
Could damage UNESCO World Heritage Site and/or protected areas, including High Conservation Value forests, High Carbon Stock forests, wetlands protected by the Ramsar Convention, IUCN list of protected areas or habitats for the species on the IUCN Red List.

Our due diligence process recognises the specifications of the various stages of a mine’s life-cycle.

In respect to **Construction**, we focus on the impact on the local population, especially whether their relocation was free, peaceful and compensated. We conduct thorough due diligence into projects where we find information that they violated the principle of free, prior and informed consent of indigenous peoples (FPIC).

Regarding **Operation**, we pay attention to environmental consequences (eg, tailings management or the management of cyanide in gold mining); human rights in the context of the relationship between the mine and the local community (peaceful coexistence or violent protest; freedom from violence from security forces); impacts on the health of the local population (access to vital resources such as water and land); treatment of the labour force (no child labour and no forced labour).

In respect to **Care & Maintenance**, we try to evaluate whether tailings are secured to prevent spills. We also, if necessary, investigate whether the livelihoods of the local community are safeguarded following the closure of a mine. Projects that are found in violation of these principles during our due diligence process do not receive our business support.

We have a favourable view of companies who participate in industry sustainability initiatives such as the International Council on Mining and Metals (ICMM), or the Voluntary Principles for Security and Human Rights. We are also supportive of companies that monitor and publicly disclose their emissions and waste, and review and report on severe and systematic violence by security forces.

**Addresses the following SDGs:**

**Nuclear Non-Proliferation**

Ethical concerns and international treaties guide our approach to transactions related to nuclear energy. To avoid contributing to the proliferation of nuclear weapons, and to remain supportive of the medical usages of this technology, we do not:

- Participate in nuclear energy transactions in countries that are not members of the Non-Proliferation Treaty (NPT) or, if they are members, have been found by the International Atomic Energy Agency (IAEA) to be in breach of the NPT;
- Participate in retrocession or reinsurance for these countries if such programmes are offered through the international nuclear pool system to a pool Swiss Re is a member of and if Swiss Re has an option to decline such a participation under the governance framework of the respective pool.

Similarly, we do not provide support:

- For nuclear energy facilities, or non-nuclear reactors in countries that operate nuclear power plants, but do not comply with the Nuclear Supplier Guidelines (NSG) or similar arrangements. This includes the cold phase construction of nuclear power plants;
- To companies or institutions proscribed for involvement with nuclear weapons proliferation by at least OECD country;
- To companies 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.

**Addresses the following SDGs:**

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**Mining**

Metal and mineral products are essential components of the products we use every day. Mining operations can, however, displace communities, harm local populations and threaten workers’ wellbeing. This means that we do not engage in mining projects that benefit from:

- Repeated violations of labour rights as expressed in the ILO Conventions, such as the right to safe working conditions (no frequent fatal accidents or continuous negative health impacts due to improper management of hazardous material);
- Violations of human rights such as the right to life, liberty and security (no repeated unlawful killings/deadly acts of violence from the security forces on the mining site against workforce and community around the mine/unlawful deprivations of liberty/sexual violence);
- Violations of rights of local communities, such as the right of free, prior and informed consent of indigenous peoples;
- Absence of credible environmental and social impact assessments for any new large scale projects;
- Irreversible environmental damage beyond the necessary conversion of the area;
- Could damage UNESCO World Heritage Site and/or protected areas, including High Conservation Value forests, High Carbon Stock forests, wetlands protected by the Ramsar Convention, IUCN list of protected areas or habitats for the species on the IUCN Red List.

Our due diligence process recognises the specifications of the various stages of a mine’s life-cycle.

In respect to **Construction**, we focus on the impact on the local population, especially whether their relocation was free, peaceful and compensated. We conduct thorough due diligence into projects where we find information that they violated the principle of free, prior and informed consent of indigenous peoples (FPIC).

Regarding **Operation**, we pay attention to environmental consequences (eg, tailings management or the management of cyanide in gold mining); human rights in the context of the relationship between the mine and the local community (peaceful coexistence or violent protest; freedom from violence from security forces); impacts on the health of the local population (access to vital resources such as water and land); treatment of the labour force (no child labour and no forced labour).

In respect to **Care & Maintenance**, we try to evaluate whether tailings are secured to prevent spills. We also, if necessary, investigate whether the livelihoods of the local community are safeguarded following the closure of a mine. Projects that are found in violation of these principles during our due diligence process do not receive our business support.

We have a favourable view of companies who participate in industry sustainability initiatives such as the International Council on Mining and Metals (ICMM), or the Voluntary Principles for Security and Human Rights. We are also supportive of companies that monitor and publicly disclose their emissions and waste, and review and report on severe and systematic violence by security forces.

**Addresses the following SDGs:**

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**Co2 Reduction And Mitigations**

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Swiss Re supports the worldwide reduction of greenhouse gas emissions and contributes to limiting global warming to 1.5°-2°C above pre-industrial levels. To this end, the introduction of the thermal coal policy is the first step towards the development of a carbon risk steering mechanism to measure our carbon intensity and associated risks embedded in our re/insurance business.

Swiss Re will exclude business support to:
- Companies or projects that have more than 30% of exposure to thermal coal.

The policy applies to both old and new thermal coal projects and across all lines of business (direct, facultative and treaty).

Exceptions apply only for transactions with operational carbon capture and storage targeting all emissions of a power plant and coal mine reclamation transaction related to mines that were already operational before 2018 as these mitigate the environmental impact of mining.

For transactions located in low- and middle-income countries that derive more than 70% of electricity from coal, existing power plants (eg operational before 2018) can be covered until 2025 if there is evidence that the insured is implementing an effective emission reduction strategy. Implementation of the thermal coal policy for treaty business will follow a staggered approach until 2023 to support the transition to a low-carbon economy.

Addresses the following SDGs:
- Good Health and Well-being (3)
- Affordable and clean energy (7)
- Responsible Consumption and Production (12)
- Climate action (13)
Oil & Gas
In 2020, Swiss Re decided to take another step in the development of Swiss Re’s carbon steering mechanism and introduced the revised Oil & Gas Policy to shift away from high intensity oil & gas production. Our new, technology independent approach sets an intensity threshold for companies’ lifecycle CO2 emissions and leads to the exclusion of support for some of the most inefficient oil and gas companies. Lifecycle CO2 emissions refer to the total CO2 emissions generated from extraction through processing and consumption. The exclusions are implemented in a staggered approach:
- From July 2021, we will no longer provide individual insurance covers for oil & gas companies that produce the world’s 5% most carbon intense oil & gas;
- From July 2023, we will no longer provide individual insurance covers for oil & gas companies that produce the world’s 10% most carbon intense oil & gas.

Independent of carbon emissions, we disassociate ourselves from off-shore drilling in the Arctic. For deals involving hydraulic fracturing operations, we conduct additional due diligence which includes whether the projects are located in regions exposed to high physical water scarcity in countries designated as weak regulatory environments. Swiss Re will continue to withhold support from any oil and gas businesses that would expose us to unresolved environmental damage or human rights violations, including:
- Repeated violations of labour rights as expressed in the ILO Conventions, such as a safe work environment free of frequent and fatal accidents;
- Violations of human rights, such as the right to security;
- Violations of local communities, such as indigenous peoples’ right of free, prior and informed consent;
- Oil & gas projects that could damage UNESCO World Heritage Sites or Ramsar wetlands and IUCN protected areas.

Addresses the following SDGs:

- Affordable and clean energy (7)
- Decent work and economic growth (8)
- Responsible consumption and production (12)
- Climate action (13)
- Life below water (14)
- Life on land (15)
- Peace, justice and strong institutions (16)
How we apply the SBR Framework in practice

The sector guidelines and umbrella policies are implemented through a list of high risk industries in countries with a poor human rights record as well as with a list of excluded companies and projects to ensure compliance with the Sustainable Business Risk Framework across the whole company.1

Excluded companies
Each policy of the Sustainable Business Risk Framework specifies certain criteria that may lead to the exclusion of a company from our business. We compile a list of companies that are found in violation of these exclusion criteria annually. No business may be conducted with any of these companies by any part of Swiss Re while they remain on the company exclusion list.

Excluded industry and country combinations
Swiss Re excludes high risk industries in combination with countries where human rights are violated in a severe and systematic way, and where no reasonable prospect of imminent improvement can be foreseen. This step goes further than compliance with international trade controls (ITCs).

Our goal is to refrain from directly underwriting risks or making investments in entities that are involved in high risk industries in countries with a poor human rights record.

The due diligence process
The due diligence process is the central part of our Sustainable Business Risk Framework. It consists of the Sustainable Business Risk (SBR) Assessment Tool, the SBR Referral Tool handled by a dedicated team of analysts, and an appeal process through which disagreements can be addressed and resolved. The process allows us to efficiently implement our principles and helps us focus on the good sustainability risks. Most importantly, this process is firmly embedded in the Group’s underwriting guidelines and thus requires that all our business is compliant with our human rights and environmental protection guidelines.

1 Asset Management uses the Sustainable Business Risk Framework, together with the Principles for Responsible Investment, to develop and apply their environmental, social, and governance ratings. These are then used in the investment risk assessment.
Sustainable Business Risk Assessment
and Referral process

1. Proposal for transaction

2. Sustainability check on new transaction

3. SBR Assessment tool
   - Provide actionable advice on sustainability risk based on internal and external data
   - If transaction assessed as high risk by the SBR Assessment tool

4. SBR Referral tool
   - Analysis by the SBR team

5. Decision
   - Proceed
   - Proceed with condition
   - Abstain

6. Decision issued
   - Escalation procedure triggered in case of disagreement

7. Additional questions and interaction

Excluded companies or projects
- Abstain

High impacts on people or environment; submit an SBR referral
- High risk

Limited impacts on people and environment
- Medium – Low risk
SBR Assessment Tool
The online Sustainable Business Risk (SBR) assessment tool enables our underwriters to screen potentially sensitive transactions for their impacts on the local environment and on the human rights of the affected people and workforces.

The online tool is easy to access, provides clear guidance to our underwriters about what to assess in further detail and ensures consistent documentation in our standard underwriting tools. At the same time, the experience garnered from using the tool enables our central sustainability risk management unit to continuously adjust key policy parameters and make them effective “at the push of a button”.

The tool has therefore further strengthened due diligence of potential sustainability risks in our core business.

SBR Referrals
The transactions identified as most critical are transferred through the SBR referral tool to our team of sustainability experts, who conduct targeted research to decide whether the transaction at hand is acceptable according to the policies outlined in this framework. This decision is given in the form of a binding recommendation to proceed with the transaction, to proceed with certain conditions attached, or to abstain. If there is disagreement about the recommendation, the case can be escalated to the next management level, ultimately to the Group Chief Risk Officer and the Group Executive Committee.
Engagement and leverage
The decision to abstain from a business is used for the gravest of human rights violations and environmental damage – in cases where we see no likely avenue for remediation, redress or improvement. We prefer to engage with our clients on identified sustainability issues and to discuss remediation plans. We do this most frequently by making our cover conditional on the client’s response to the issues we have identified as most acute. We achieve this by opening a dialogue with them and asking critical questions both to show our concern and to understand their plans for remediation and prevention.

We frequently request relevant documents that are not publicly available, such as environmental and social impact assessments. Additionally, we often reach out to independent technical experts for advice on issues that concern us.

Besides engaging with our clients, we also engage with our cedents, industry organisations as well as other types of financial institutions in order to share our expertise and contribute to the adoption of similar principles across the industry. We view such efforts as essential in order to contribute to effective change and achieve sustainability across the industry.

Sustainability business risks referred to our expert team in 2019, by sector/issue

- 25.2% Oil and gas
- 21.0% Mining (excl. thermal coal)
- 21.0% Thermal coal
- 14.7% Dams
- 7.6% Other: human rights
- 4.6% Defence
- 2.9% Other: Environmental issues
- 1.7% Forestry, pulp&paper, and oil palm
- 1.3% Animal testing

Number of sustainability business risks referrals and decisions taken

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<th>2016</th>
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<td>Proceed</td>
<td>300</td>
<td>200</td>
<td>150</td>
<td>120</td>
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<tr>
<td>Proceed with conditions</td>
<td>100</td>
<td>80</td>
<td>70</td>
<td>60</td>
</tr>
<tr>
<td>Abstain</td>
<td>0</td>
<td>20</td>
<td>30</td>
<td>40</td>
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Track record
Since we introduced the SBR assessment tool in 2015, we have continually fine-tuned it, thus strengthening our underwriters’ ability to integrate sustainability risk assessment into their decision-making from the beginning. Between 2015 and 2017, this led to a marked, and steady, decrease of SBR referrals to our in-house sustainability experts. In 2019, the number of referrals decreased again, from 247 to 238. Of the 238 transactions in total, we issued negative recommendations in 37 cases. In 42 cases we recommended to proceed with certain conditions, demonstrating our commitment to engage with clients on sustainability issues.

We regularly review the implementation of the Sustainable Business Risk Framework through our business risk review. This focuses on the quality assessment of underwriting and costing activities to review the quality of the technical work carried out. The results and recommendations for improvement are reported to the SBR team, which can then take appropriate action if implementation gaps are identified. Should an issue be detected outside the regular audit cycle, it is handled through a process similar to that applied to other types of possible risk problems.

Increasing effectiveness
Each new Swiss Re employee has to complete an online training on the Sustainable Business Risk Framework, with client-facing roles going through regular refresher trainings.

To strengthen the Sustainable Business Risk Framework in our locations around the world, we have set up an SBR expert network to provide permanent points of contact. These experts from Risk Management act as interfaces between the Zurich-based SBR team and our local underwriting teams. Their responsibilities include awareness raising, organising trainings, facilitating SBR assessments and maintaining contact with regional stakeholders.

The SBR Assessment Tool allows all underwriter and client managers to check the sensitivity of their transactions. This facilitates the implementation of the SBR Framework and its streamlining into the underwriting process. The tool is regularly checked by a standard internal insurance risk review which analyses the quality of the underwriting process.

Reporting
The Sustainable Business Risk Framework is integrated into our Group-wide risk management process. This also means that its implementation and the SBR referrals are subject to quarterly and annual internal reporting. Similarly, we report on the status of the Sustainable Business Risk Framework and SBR referrals externally through the Sustainability Report, which is externally assured by an independent auditor.
Conclusion

Research shows that sustainability is the strategically smart way to go in the long run. Protecting the environment and respecting human rights help underpin our social and regulatory license to operate. Indeed, the long-term viability of most businesses fundamentally depends on how well companies take care of their natural surroundings and pay attention to the wellbeing of their employees and the wider environment in which they operate.

Apart from questions of ethical nature, companies with poor human rights records may suffer financial losses as a consequence of public opposition to their products or the environmental damage inflicted in the course of their production. Good community, workforce and environmental management, on the other hand, tends to lower operating costs in the long run. In addition, it can enhance the reputation of the company in question as an employer of choice.

For re/insurance actors such as ourselves, this means that our client’s understanding and stewardship of community and environment can be used as a proxy for the quality of the risk we may choose to insure.

Our company has been a global front runner in the drive to implement innovative sustainability solutions for several years. Since 2004, Swiss Re has been placed among the top companies in the Dow Jones Sustainability Index every year. We are aware that some of the goals we have set ourselves are necessarily aspirational. We do not want to place ourselves on a pedestal as some sort of sustainability paragon. However, what we do want is to work ever more closely with our clients and partners to establish responsible business practices both within the insurance industry and beyond.
Annex: Human Rights documents:

For Swiss Re, human rights refer to the internationally recognised human rights. We make specific references to the following documents:

1) the International Bill of Human Rights (IBHR) which is the essential document articulating human rights and freedoms. The IBHR consists of:
   - the Universal Declaration of Human Rights (UDHR) and the main instruments through which it has been codified:
   - the International Covenant on Civil and Political Rights (ICCPR); and
   - the International Covenant on Economic, Social and Cultural Rights (ICESCR).

2) the International Labour Organization (ILO) core conventions as set out in the ILO’s Declaration on Fundamental Principles and Rights at Work. The Declaration covers four fundamental principles and rights at work:
   - the freedom of association and the effective recognition of the right to collective bargaining;
   - the elimination of all forms of forced or compulsory labour;
   - the effective abolition of child labour; and
   - the elimination of discrimination in respect of employment and occupation.

3) the Rio Declaration on Environment and Development, which emphasises the importance of development, environmental protection and human rights, including the recognition of the identity, culture and interests of indigenous peoples and local communities.

4) the United Nations (UN) Convention against Corruption that aims at preventing corruption, including domestic and foreign bribery, embezzlement, trading in influence and money laundering.

5) the UN Guiding Principles on Business and Human Rights that specify the state’s responsibility to protect human rights and the corporate responsibility to respect human rights.