

# Tax Transparency Report 2020

# Our approach to Tax Transparency

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## Introduction

At Swiss Re we define sustainability as a strategic, long-term value driver that involves managing and monitoring risks and opportunities associated with environmental, social and governance (ESG) issues. Sustainable re/insurance covers all our business activities from the liability to the asset side of our balance sheet, along with our own operations and dialogue with our stakeholders. Our sustainability agenda also includes tax.



We see tax as more than a corporate expense; it is an essential tool that helps foster social, environmental and economic development and forge the partnership between communities and corporations. ¶¶

### Why is paying a fair share of tax important to Swiss Re and how does tax complement our overall approach to sustainability?

Taxes enable governments to pay for essential public services, such as health care, security and education, whilst ensuring a functional infrastructure is built and maintained across society.

A part of fostering societal development and 'making the world more resilient' involves ensuring we pay our fair share of tax where we operate. This concept is enshrined throughout our Tax Policy which is reviewed by our Group Audit Committee and Board of Directors and includes our commitments to:

- Comply with both the letter and spirit of tax laws and regulations in countries we operate
- Adhere to international standards on transfer pricing ensuring tax is paid where value is created
- Enforce our policy on 'Low or Nil' tax jurisdictions, prohibiting the use of tax structures for the sole purpose of avoiding tax or tax reporting requirements.

Additionally, we strive to be a leader in external tax transparency discussions. We are an active member of the European Business Tax Forum (EBTF), a not-for-profit initiative of some of the largest European based multinational enterprises, established to foster the public tax debate.

Our 2020 Tax Transparency Report provides an overview of how we meet our tax responsibilities and commitments around the globe. In addition to our Tax Policy, it includes a detailed overview of our Total Taxes Administered (Taxes Borne and Collected), as well as, details from our overall Country-by-Country reporting obligations.

As the world emerges from the COVID-19 crisis, the emphasis on tax collection globally will increase. To ascertain integrity and trust in tax systems, it is important that tax policy decisions reflect real world data. We believe fact-based industry disclosures like ours will contribute positively to the wider tax discussion.

# Swiss Re Group Tax Policy

Swiss Re's Tax Policy, as approved by the Board of Directors (BoD), is to comply with international tax guidelines and all applicable tax laws and obligations in each country in which we operate. We seek to drive value through expert, commercially focused tax insights considering tax as part of business decisions. We manage our tax affairs in a responsible manner, whilst fulfilling our commitment to corporate social responsibility and satisfying our professional and ethical obligations.

## Swiss Re Tax Principles

**At Swiss Re, we are committed to being an open, honest and transparent organisation that treats all stakeholders with respect and integrity. We are committed to social responsibility and to protecting shareholder value, all while adhering to the letter and spirit of the law. Our tax principles follow this commitment.**

### We are a responsible taxpayer.

Our approach to tax and transfer pricing are guided by international tax standards (including OECD Guidelines). We are committed to paying tax in the jurisdiction in which value is created in accordance with the arm's length principle.

### We are compliant with all tax laws.

Our positions taken in all our tax returns must be supported by relevant tax law, recognising that tax law can at times be subject to different interpretations. Where there is any doubt about the interpretation of the law, all our communication with the respective tax authority will be open and transparent.

### We follow tax rulings.

We may seek tax rulings from tax authorities to provide certainty for our tax positions. These will be based on full disclosure of all relevant facts and documents required to support our tax positions.

## 'Low or Nil' Tax Rate Jurisdictions

At Swiss Re we do not use 'Low or Nil' tax rate jurisdictions<sup>1</sup> to avoid tax. In 2020, the Group Executive Committee (GEC) approved an addendum to the Tax Policy on the use of 'Low or Nil' tax rate jurisdictions. This codifies our existing position, which prohibits the use of such jurisdictions for tax avoidance purposes.

Our presence in countries which levy 'Low or Nil' corporate income taxes is negligible. In 2020, less than 0.1% of Total Group Revenue was generated in such locations.

Additionally, we do not enter into any transactions or agreements with customers, clients or other external business counterparts where the primary purpose of the transaction appears, in our view, to be the avoidance of tax or tax disclosure requirements.

<sup>1</sup> Low or Nil tax jurisdictions are defined following reference to international standards (e.g. EU or OECD lists) plus other jurisdictions Swiss Re considers to have such regimes.

**We are committed to delivering a sustainable tax transparency strategy and have adopted measures in accordance with our guiding tax principles.**

**This includes our obligations to:**

## Responsibly manage our tax affairs and protect shareholder value

- We align our tax behaviour with our Group's Code of Conduct, along with our overarching corporate values and with our professional and ethical responsibilities.
- We conduct our tax affairs in compliance with all legal requirements and maintain open and transparent communications with tax authorities.
- We ensure our tax compliance is timely, efficient and accurate and we provide sufficient detail which enables tax authorities to form an accurate view of our company's affairs in each jurisdiction where we operate.

## Provide tax advisory services

- We provide tax advisory services to our business units and group functions.
- We communicate with key stakeholders and with audit and executive committees to ensure all tax issues are addressed.

## Safeguard our reputation

- We maintain a strong control environment and tax risk framework to ensure compliance with current tax laws and practices.
- We provide continuous training to enhance tax risk understanding to all relevant parties within the Group.
- We ensure tax risks throughout the organisation are identified, managed and communicated.

## Lead in tax and tax transparency matters

- We do not use 'Low or Nil rate' jurisdictions to avoid tax or tax reporting requirements.
- We publish our Tax Policy and our Tax Transparency Report on our external website.
- We participate in established forums (e.g. EBTF) and provide insight to wider discussions around tax trends, tax legislation and tax transparency matters.

In addition to the tax-specific mandates, our team actively promotes a collaborative, efficient and dynamic work environment which retains and attracts the brightest talent.

## Tax Governance

The GEC owns and approves sustainability relevant policies while the BoD defines and oversees our commitment to corporate responsibility. Additionally, the BoD is responsible for reviewing and approving the Group's Tax Risk Management and Control Risk Framework.

On an operational level, various divisions, departments and units across the Group are involved in the daily implementation of corporate responsibility policies. In Group Tax, we work together to manage our global tax standards and tax risk framework and ensure appropriate governance is in place and exercised in line with our guidelines set by the BoD. Any misconduct is expected to be reported following Swiss Re Group's Global Guidelines and Standards on Whistleblowing.



# Total Taxes Administered in 2020

All figures in USDbn

## Total Taxes Administered



● 69% Taxes Collected

● 31% Taxes Borne

**Taxes Borne:** Taxes Borne are payments, which the company bears itself as a taxable person and which impact the after-tax profit.

**Taxes Collected:** Taxes Collected are payments which the company collects from third parties and remits to the state. They are pure transit items that do not constitute financial costs for the company and do not affect its results. However, the company bears the resulting administrative cost and the risk of error.

## Taxes Borne



- 52% Profit Taxes
- 21% People Taxes Borne
- 16% Irrecoverable VAT
- 11% Other Taxes Borne
- <1% Property Taxes Borne

**Profit Taxes:** Taxes Borne by companies and which may be levied at the Federal, State or Local Level on profits. These include Corporate Income Taxes and Withholding Taxes Borne paid on a cash tax basis.

**People Taxes Borne:** Taxes on employment and social security contributions.

**Irrecoverable VAT (and other consumption taxes):** Taxes and duties levied on the production, sale or use of goods and services, including taxes and duties levied on international trade and transactions.

**Other Taxes Borne:** Any tax not otherwise included (e.g., Stamp Tax, Excise Tax and Capital Tax).

**Property Taxes Borne:** Taxes on the ownership, use or transfer of property.

## Taxes Collected



- 45% WHT Collected
- 39% People Tax Collected
- 12% Output VAT
- 4% Other Tax Collected

**Withholding Taxes Collected (WHT):** Withholding Taxes on payments made to third parties.

**People Taxes Collected:** Taxes on employment and social security contributions as well as taxes on payments made to annuity customers.

**Output VAT:** VAT charged on and collected by companies on the sale of goods and services to their customers and paid over to the government.

**Other Taxes Collected:** Taxes not otherwise included in the above categories (e.g. Insurance Taxes Collected, Environmental Taxes Collected).

# Annual Total Tax Administered Comparison

The following charts compare various categories of Taxes Borne (upper chart) and Taxes Collected (lower chart) between 2019 and 2020.



In 2020, Swiss Re Group administered USD 2.6bn in Total Taxes Borne and Collected worldwide. ”

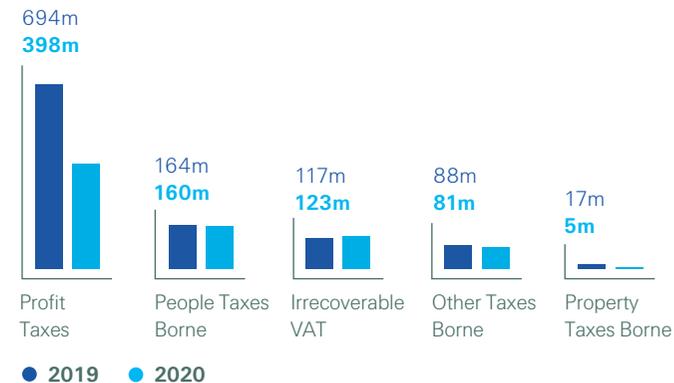
## Taxes Borne 2020

USD **0.8**bn

vs. USD 1.1bn in 2019

### • Profit Taxes

The decrease in Profit Taxes is driven primarily by global COVID-19 losses. Notable reductions occurred in the United States (USD 187m) and in Switzerland (USD 87m).



## Taxes Collected 2020

USD **1.8**bn

vs. USD 2.0bn in 2019

### • WHT Collected

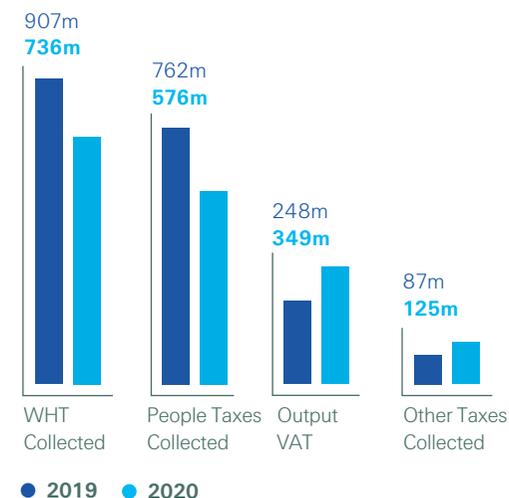
This reduction is attributable lower payments of WHT Collected (USD 171m) in Switzerland.

### • People Taxes Collected

This drop is due primarily from the sale of ReAssure.\*

### • Output VAT

The increase is caused by growth and subsequent additional transactions in Asia.



\* In July 2020 Swiss Re disposed of ReAssure. The Total Tax Administered figures include Taxes Borne and Collected for ReAssure up until July 2020.

# Total Taxes Administered by Country

The following table provides an overview of Total Taxes Administered (Taxes Borne and Taxes Collected) ranked by Total Revenue using figures from OECD Country-by-Country reporting obligations. Also included are Income Tax Paid and Income Tax Accrued in Swiss Re's top jurisdictions representing over 90% of totals for each respective category. Additionally, in FY 2020 Switzerland posted a USD 2 473m loss resulting mostly from COVID-19 claims; this represents over 90% of the total Swiss Re Profit (Loss) amount. All figures are for FY 2020 are in USDm (except FTEs which are in units). Amounts in brackets represent tax refunds. Slight differences in totals may result from rounding.

Country	Total Taxes Administered	Taxes Borne	Taxes Collected	Income Tax Paid	Income Tax Accrued	FTE
Switzerland	1 162	265	897	91	145	3 324
United States	137	(18)	155	(48)	90	2 326
Singapore	20	9	11	6	1	314
Australia	147	15	132	(2)	(4)	250
Germany	119	60	59	47	19	406
United Kingdom	389	209	180	164	50	824
Luxembourg	(14)	(17)	3	(21)	4	48
South Korea	9	8	1	4	2	43
Canada	15	0	15	(4)	15	225
Hong Kong	17	15	2	10	14	249
Ireland	7	1	6	1	5	14
Israel	(5)	(6)	1	(6)	10	19
China	177	31	146	6	0	360
Netherlands	9	1	8	(4)	5	123
France	59	49	10	35	1	91
South Africa	22	1	21	1	1	108
Slovakia	35	19	16	0	2	1 572
India	80	24	56	15	2	1 410
Japan	50	46	4	42	43	97
Spain	8	5	3	3	12	38
Italy	40	22	18	17	9	112
Brazil	18	10	8	1	(1)	299
Other	76	41	35	9	7	634
<b>Total</b>	<b>2 577</b>	<b>789</b>	<b>1 787</b>	<b>368</b>	<b>433</b>	<b>12 886</b>

**Primary Activities:** Reinsurance and Insurance are the primary business activities for the legal entities in jurisdictions listed. Exceptions include India and Slovakia, where the main activities are Administrative Management Support Services.

**Income Tax Paid:** Represents the amount of corporate current income tax paid by all entities of Swiss Re Group who are tax residents in the respective countries listed. This includes tax payments meeting both 2020 and potentially any previous years' tax obligations currently due. Income Tax Paid are on a cash tax basis following OECD reporting obligations; 2020 amounts include a USD 4m difference to Annual Statement disclosures, and may not match local statutory reported figures.

**Income Tax Accrued:** Represents the amount of corporate current income tax due on taxable profits or losses for all Swiss Re entities that are tax resident in the relevant country. Income Tax Accrued does not include deferred tax expense or provisions for uncertain tax liabilities totalling USD 664m in 2020. Furthermore, it does not take into account the timing, USD 35m of past year tax benefit adjustments, when the respective tax is paid.

**FTEs:** Include all regular and temporary internal employees as of 31.12.2020.

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During 2020–2021, Swiss Re engaged PricewaterhouseCoopers AG (PwC) to benchmark our disclosure approach against peers. PwC reviewed the Tax Transparency Report in this context and provided feedback to management in relation to Total Tax Contribution disclosure best practice.

Swiss Re Management Ltd on behalf of Swiss Re and all Swiss Re's UK tax resident companies, considers that the publication of the above Group Tax Strategy meets the duty under paragraph 19 of Schedule 19 to UK Finance Act 2016 for 2021.