Swiss Re

Asset Management

Responsible Investing

ESG makes economic sense…

Swiss Re Asset Management invests in companies that are well-prepared for future sustainability challenges by analysing their exposure and ability to manage underlying ESG risks

Environmental considerations with the aim to identify, address and minimise negative impact on the environment, aspiring a net-zero GHG emission world

Social considerations to respect human rights and equal opportunities

Governance considerations which are best practices, transparent and long-term oriented, supporting value creation and financial stability

… providing downside protection while delivering better risk-adjusted returns

Fig 1: 5-year cumulative ESG Outperformance, Credit
Performance difference between Sustainability & its traditional index[1]

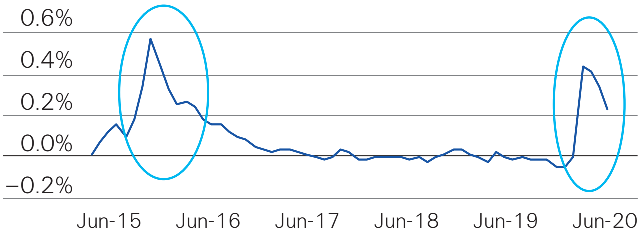
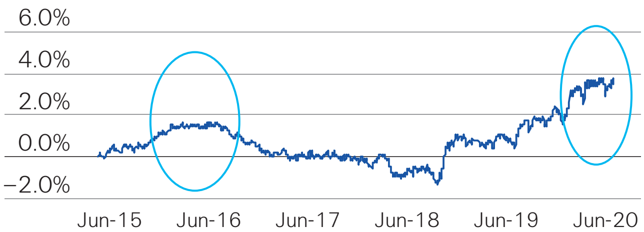


Fig 2: 5-year cumulative ESG Outperformance, Equity
Performance difference between Sustainability & its traditional index[1]



5 years annualised	Credit	Equity
A) Sharpe ratio ESG	0.30	0.46
B) Sharpe ratio traditional	0.27	0.41
Difference A) & B)	**0.03 (+8%)**	**0.05 (+12%)**

[1] Credit: Bloomberg Barclays MSCI US Corp Sustainability BB and Better Int. Index vs traditional US Corp Int. Index; Equity: MSCI ACWI ESG Leaders Index vs traditional MSCI ACWI Index
Source: Bloomberg, as of 30 June 2020

- ESG outperformance in both equities and credit **during key periods of high volatility:** the 2015 energy crisis and the 2020 COVID-19 crisis, as ESG considerations provide clear downside protection
- **In Credit, higher ESG quality led to outperformance** vs. a traditional market index, even more so when risk-adjusted due to reduced volatility (Fig 1)
- **In Equity, higher ESG quality provided significant outperformance** compared to traditional index covering the global equity market (Fig 2); **mainly driven by Emerging Markets and Europe**
- Higher Sharpe ratio for ESG indices indicates **higher risk-adjusted return** as compared to traditional indices

Swiss Re's Responsible Investing approach resulted in a 1.3% outperformance of our ESG equity benchmark relative to its traditional index during the financial market turmoil in H1 2020