Swiss Re

Swiss Re and SDG 15

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Group Sustainability Risk

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Introduction

Swiss Re Group at a glance

Swiss Re is a **leading and highly diversified global reinsurer**, founded in Zurich (Switzerland) in 1863

The Group offers **traditional reinsurance products and related services** for property and casualty, as well as for life and health businesses

The Group also offers **commercial insurance** through Corporate Solutions and manages **closed and open books of life and health business** via Life Capital

The financial strength[1] of the Swiss Re Group is currently rated:
Standard & Poor's: AA- (stable); Moody's Aa3 (stable); A.M. Best: A+ (stable)

Swiss Re was named as the insurance sector leader in the 2015 **Dow Jones Sustainability Indices**

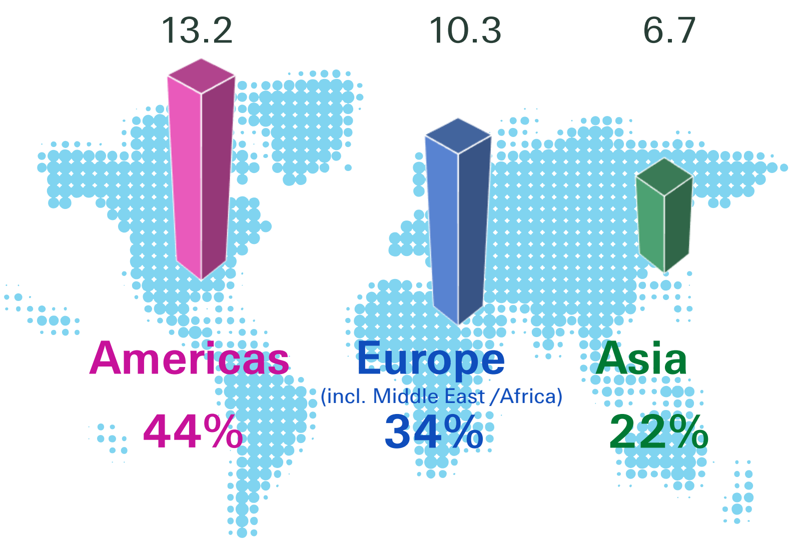
Key statistics (USD billions)	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Total revenues	33.6	36.9	37.3	35.7
Net income	4.2	4.4	3.5	4.6
Shareholders' equity	34.0	33.0	35.9	33.5

[1] As at 14 April 2016

Swiss Re is well diversified across geographic regions and business segments

Net premiums earned[1]

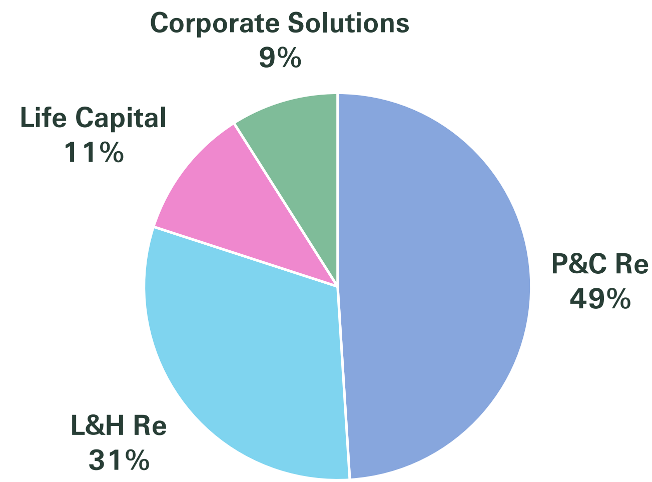
by region (in USD bn)



of which
HGMs incl. PI[2]: ~3% ~ 5% ~ 17% **≈25%**

Economic Net Worth[3]

by business segment



Swiss Re benefits from geographic as well as business mix diversification and has the ability to reallocate capital to achieve profitable growth

1 USD 30.2bn as at 31 December 2015; includes fee income from policyholders; does not reflect the exposure to HGMs through Principal Investments (PI)
2 Based on additional pro rata net premiums from PI including FWD Group (14.9%), New China Life (4.9%) and SulAmérica (14.9%)
3 Share of Swiss Re Group's Economic Net Worth deployed across Business Units (excl. Group Items), 31 December 2015

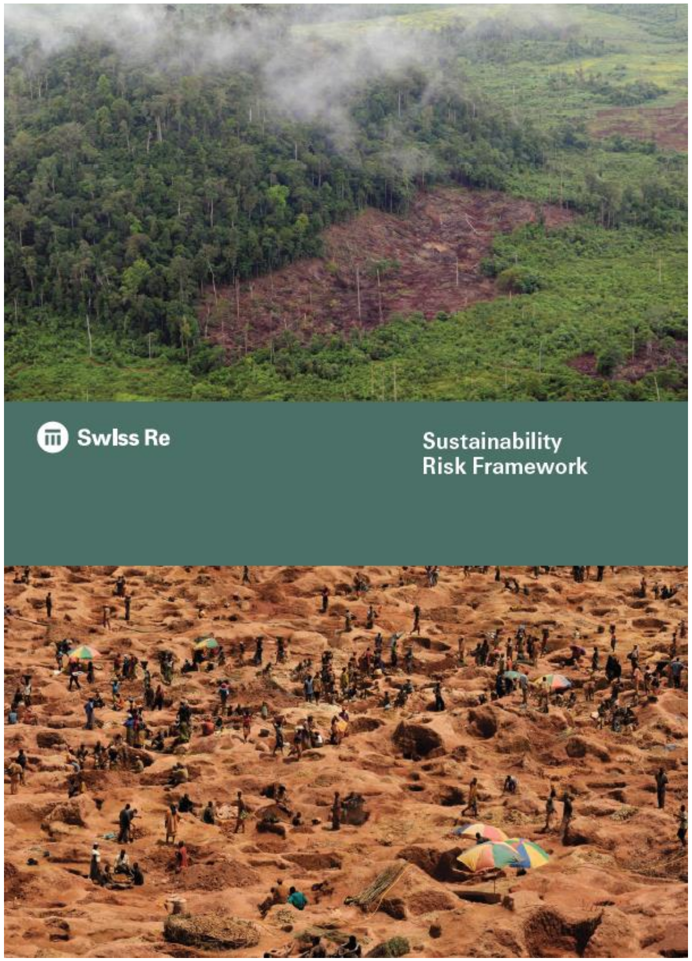
Swiss Re takes the long-term view and enables sustainable progress

- Signatory of the UN Global Compact, UN Principles for Sustainable Insurance (PSI) and UN Principles for Responsible Investments (PRI)
- Swiss Re's proprietary *Sustainability Risk Framework* implements an integrated approach to identify, assess and control the Group's risk exposure with respect to environmental, social and ethical issues
- Swiss Re is an innovator in climate risk transfer solutions, as demonstrated by the launch of China's first low temperature weather index insurance programme for cotton in July 2015
- UN Climate summit, 23 Sep 2014, NY: "By the year 2020, Swiss Re commits to having advised 50 sovereigns and sub-sovereigns on climate risk resilience, and to have offered them protection of USD 10bn against this risk"
- Swiss Re is included in the main ESG indices; named sector leader in 2015 Dow Jones Sustainability Indices, Swiss Re has led this ranking nine times since 2004

We generate value for shareholders and contribute to sustainable economies in the future

Sustainability Risk Framework

Swiss Re has adopted a Sustainability Risk Framework



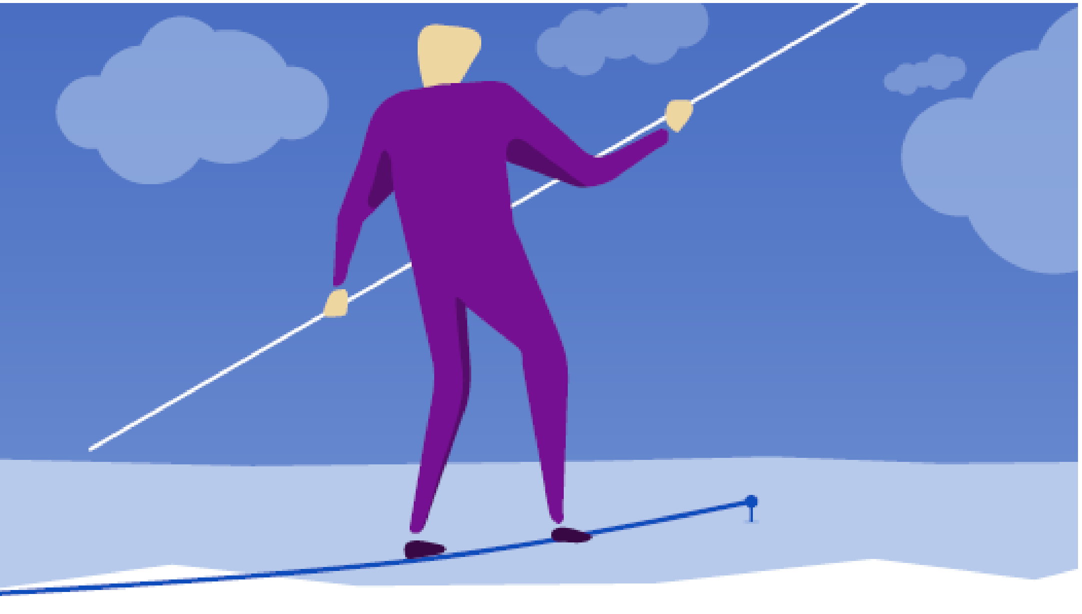
- Swiss Re's Sustainability Risk Framework has been designed to address issues we believe are becoming ever more important in today's business world
- Its focus is on **ethical concerns that may arise from environmental and socio-economic impacts of certain business activities**
- Some key challenges include:
  - intensifying pressure on many **natural resources**;
  - potentially harmful environmental impacts of human activities, in particular **climate change**;
  - controversies surrounding outsourcing to and investment in **developing nations**; or
  - rising **social costs** that governments are struggling to cope with.

http://media.swissre.com/documents/Swiss_Re_Sustainability_Risk_Framework.pdf

Our Sustainability Risk Framework

Swiss Re has developed the Sustainability Risk Framework to help focus our business on companies that strike a sustainable balance between business growth and ethical responsibility.

The Sustainability Risk Framework is based on two principles, human rights and environmental protection, that apply to all our transactions. Additionally, the Framework also provides specific guidance for sensitive industries.



Human Rights

We only support companies that respect human rights in all their practices. No business is conducted with countries and companies that are complicit in severe human rights violations.

Environmental Protection

We aim to limit our contribution to environmental degradation worldwide. We will not involve ourselves with companies that cause irreversible damage to ecologically sensitive areas.

The overarching principles on human rights and environmental protection apply to all our transactions. In addition, we have a no-engagement approach if we find evidence of infringements in the following sectors:

Defence

We do not support weapons that inflict indiscriminate harm.

Mining

We do not support projects with negative impacts on local communities, environment, or those with low labour standards.

Oil & Gas

We do not support projects with negative impacts on local communities and environment, or those located in the Arctic.

Forestry, Pulp & Paper

We only support certified timber and oil palm plantations, and processing.

Non-Proliferation

We only support nuclear energy activities in countries within the established international framework of non-proliferation.

Dams

We do not support dams constructed in protected areas or those that lack the consent of affected communities.

Animal Testing

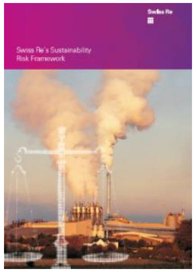
We do not support unethical treatment of animals.

Swiss Re

Swiss Re's Sustainability Risk Framework
Integrating sustainability into ongoing business activity

Framework to facilitate the identification, mitigation and elimination of potential environmental, social and ethical risks inherent to our business transactions

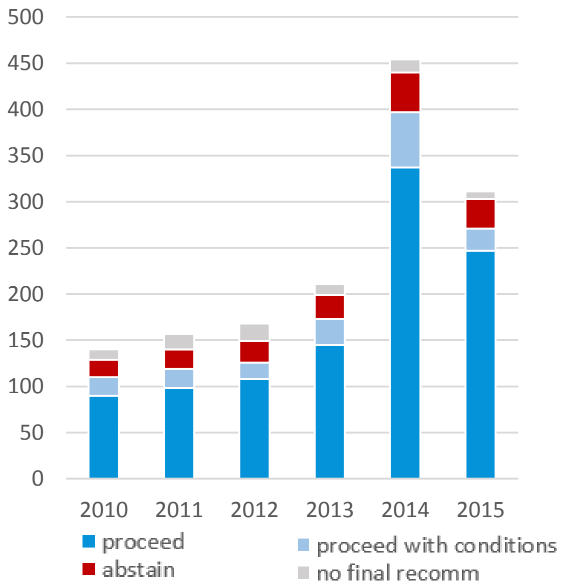
- Group-wide framework established in 2009, Sustainability Risk Mgmt. in place since 2003
- Applies to insurance and investment biz, rigor of application corresponds to level of influence
- 2015: screened 311 business transactions; thereof 32 were stopped



Sector- and issue-specific policies

- Human rights and environmental protection
- Oil and gas
- Defence industry
- Mining
- Dams
- Forestry and logging
- Animal testing
- Nuclear weapons proliferation

Number of Sensitive Business Risk referrals



Mechanism

- **Exclusions**
  - Companies
  - Countries[1] (Central African Republic, Chad, Congo (D.R.), North Korea, Somalia, Sudan (North), South Sudan, Syria)
  - Activities as per sust. risk policies
- **Due diligence process**
  - Business practitioner through SBR assessment tool
  - Group Sustainability Risk SBR referral tool
- **Stakeholder engagements**

[1] Beyond compliance with International Trade Controls (ITCs) as of December 2015

Economics of Climate Adaptation

Climate-resilient development needs to assess and address total climate risk

Objectives

- Provide decision makers with the **facts and methods** necessary to design and execute a climate adaptation strategy
- Supply insurers, financial institutions, and potential funders with the **information** required to unlock risk prevention funding and deepen global risk transfer markets

Methodology

1) Follow a rigorous risk management approach to assess local total climate risk, the sum of
    - today's climate risk,
    - the economic development paths that might put greater population and value at risk
    - the additional risks presented by climate change
2) Propose and prioritize a basket of adaptation measures to address total climate risk on an economic basis

City of Hull, north east coast of UK

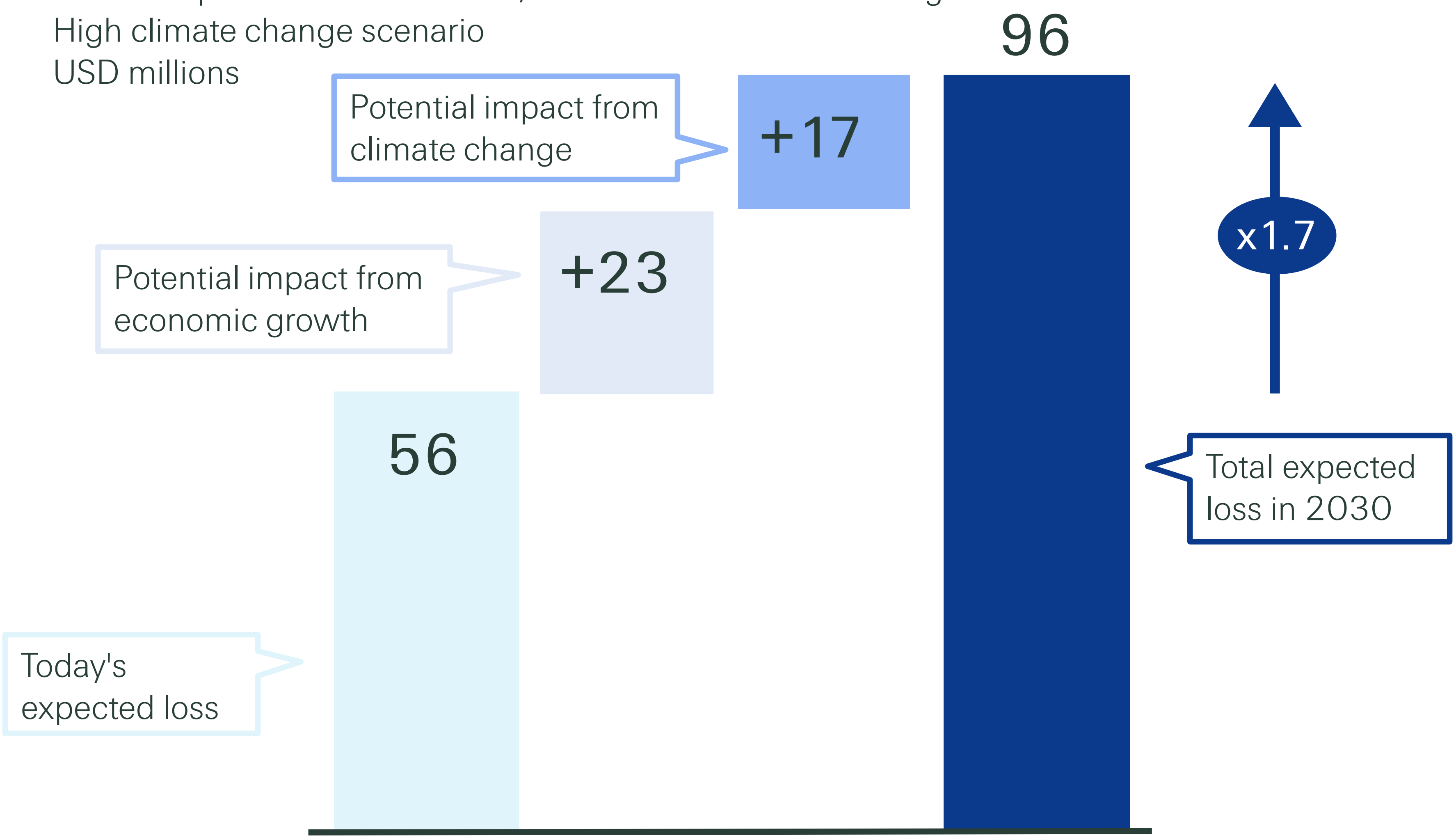
ECONOMICS OF CLIMATE ADAPTATION

- 2 to 4 m above sea level
- Multiple climate hazards
  - Storm surge **coastal flood** and sea level rise
  - **Fresh water flood** (river and surface water): confluence of two rivers Hull and Humber
  - **Wind storm**

Source: Google Maps

Economic growth is the key driver of losses until 2030 in Hull

Annual expected loss from wind, coastal and surface flooding
High climate change scenario
USD millions



Source: ECA group
http://media.swissre.com/documents/Economics_of_Climate_Adaption_UK_Factsheet.pdf

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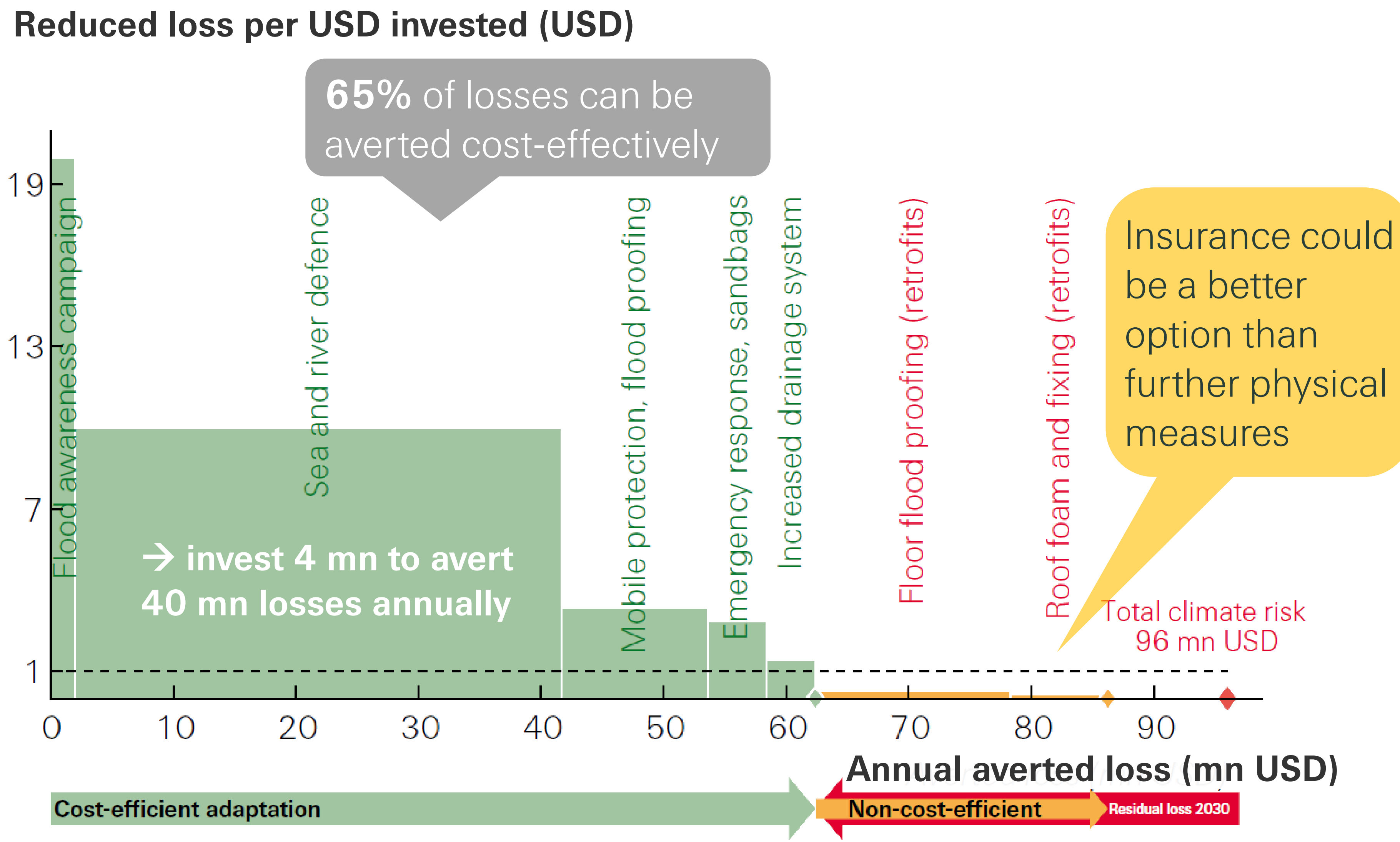
Adaptation cost curve, city of Hull



Source: Shaping Climate resilient development, Swiss Re, McKinsey et al., 2009

The working group studied more than 20 regions with diverse climate hazards

US Gulf Coast: Hurricane risk to the energy system

New York: Cyclones and surge risk to a metropolis

Hull, UK: Flood and storm risk to urban property

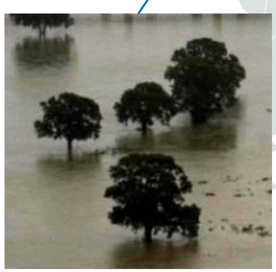
China: Drought risk to agriculture

Bangladesh: Flood risk to a fast-developing city

Florida: Hurricane risk to public and private assets

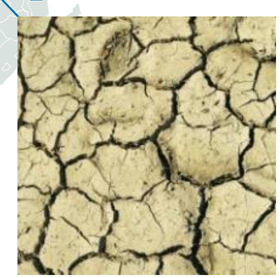
India: Drought risk to agriculture

Caribbean: Hurricane risk to small islands



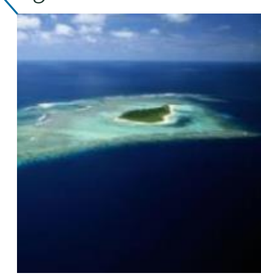
El Salvador: Flood and landslide risk to vulnerable people

Guyana: Flash flood risk to a developing urban area



Mali: Risk of climate zone shift to agriculture

Tanzania: Drought risk to health and power generation



Samoa: Risk of sea level rise to a small island state

Economics of Climate Adaptation (ECA) Working Group, a partnership between the Global Environment Facility, McKinsey & Company, Swiss Re, the Rockefeller Foundation, ClimateWorks Foundation, the European Commission, and Standard Chartered Bank.

Conclusion

- Assessing and modelling environmental risks is part of Swiss Re's core business.
- Swiss Re maintains a Sustainability Risk Framework, which ensures a systematic integration of sustainability risk management into its business activities. The framework allows to control the exposure to environmental risk on both liability and investment sides and helps Swiss Re engage with clients on this topic.
- Swiss Re is well advanced in assessing the impacts of climate change risks and has developed a series of methods and tools to quantify related risks for its clients including the public sector.
- Economics of Climate Adaptation is one of the tools and provide decision makers with the facts and methods necessary to design and execute a climate adaptation strategy which considers climate risks and economic developments.

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