Swiss Re

Climate Risk Management in Swiss Re

Siew Sze Lee

Table of Contents

Swiss Re's approach to sustainability	03
Sustainability Risk Management	06
Managing Climate Risk	10
Climate in underwriting	13

Swiss Re's approach to sustainability

Selection of key sustainability milestones and outlook

- **2003** – Began compensating operational greenhouse gas (GHG) emissions using carbon offsets
- **2007** – Signed the Principles of Responsible Investing
- **2008** – Committed to the United Nations Global Compact
- **2009** – Formal Sustainable Business Risk Framework developed, renamed in 2022 to the ESG Risk Framework
- **2012** – Signed the Principles of Sustainable Insurance (PSI)
- **2014** – Co-founded the Climate Group's RE100, pledging to be 100% powered by renewable electricity (achieved in 2020)
- **2015** – Signed Paris Pledge for Action
- **2017** – Adopted ESG benchmarks for actively managed listed equity and corporate bond portfolios
- **2018** – Introduced a Thermal Coal Policy
- **2019** – Signed UN Global Compact Business Ambition for 1.5°C
- **2021** – Introduced our triple-digit carbon steering levy
- **2022** – Chaired the development of the Global GHG Reporting Standard for Insurance-Associated Emissions with the Partnership for Carbon Accounting Financials (PCAF)
- **2023** – Further tightened exclusion of re/insurance to 10% most carbon-intensive (5% as of 2021) oil & gas producers
- **2030** – Commitment to net-zero GHG emissions in operations by 2030[1]
- **2050** – Commitment to individually transition the investment and underwriting portfolio to net-zero GHG emissions by 2050

[1] The commitment was based on the following definition of net zero, applied to Scope 1, 2 and selected categories in Scope 3: for every tonne of GHG that cannot be avoided, an equivalent amount of CO_2 needs to be removed from the atmosphere and stored permanently

Group Sustainability Strategy 2023–2025

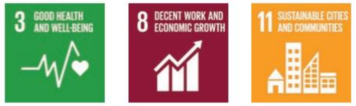
- In 2022, Swiss Re conducted a materiality assessment and adjusted the strategy for the period from 2023 until 2025
- The strategy now focuses on two broad sustainability ambitions: “Advancing the net-zero transition” and “Building societal resilience”

- Swiss Re endorses the UN Agenda 2030 and regards the UN Sustainable Development Goals (SDGs) as an important point of reference for its sustainability work

SDGs that the two ambitions contribute most to

Advancing the net-zero transition

Building societal resilience



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

Swiss Re's ESG Risk Framework enables us to identify, assess and address ESG risks potentially associated with our transactions

Umbrella guidelines

Environmental

We abstain from doing business with entities that cause **irreversible damage to the environment** and ecologically **sensitive areas**.

Social & Human Rights

We abstain from doing business with entities that are complicit in severe **human rights violations**.

Governance

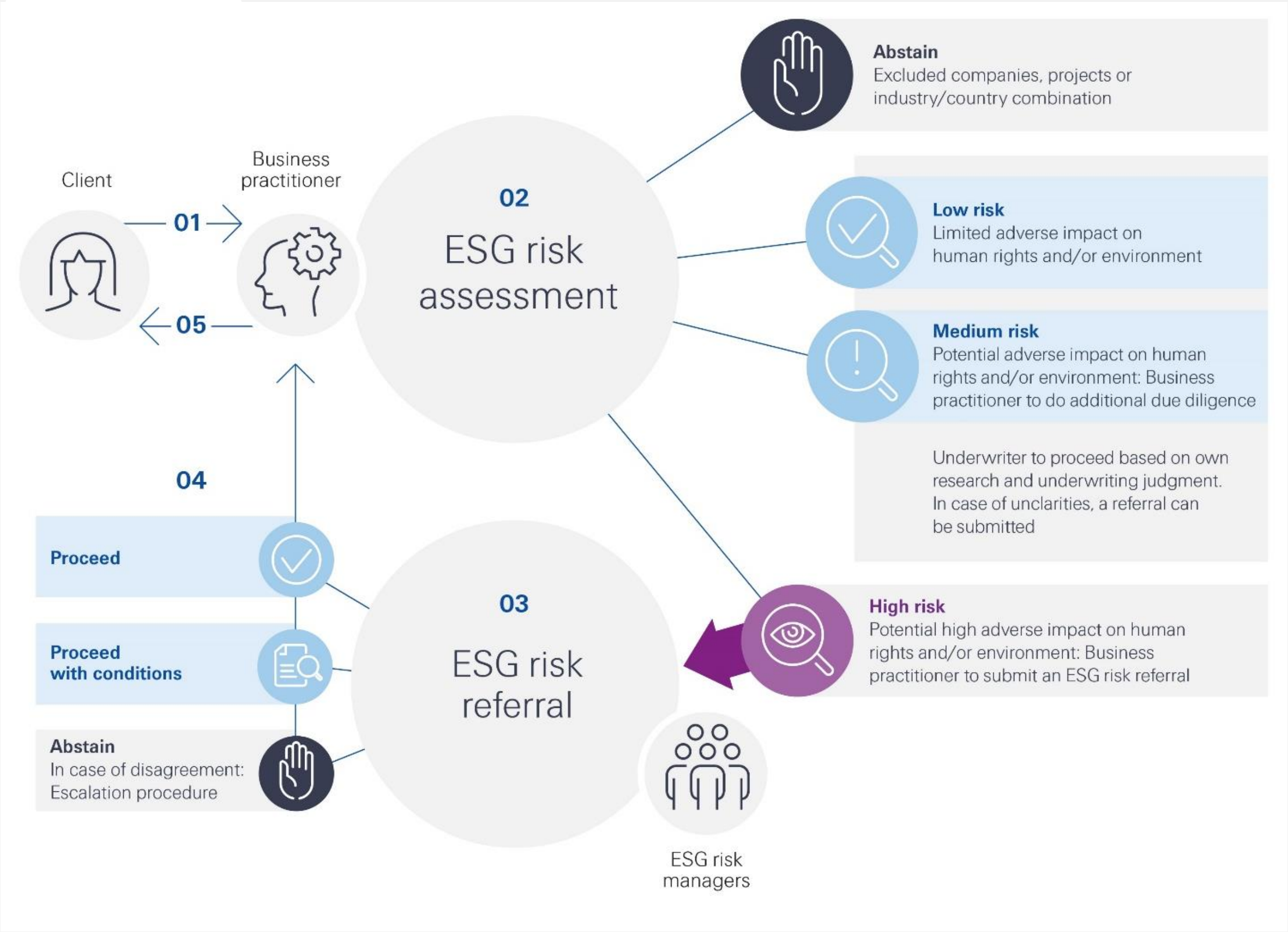
We abstain from doing business with entities that damage the environment or violate human rights through **poor corporate behaviour**.

Sector-specific policies

- Agriculture, Forestry & Food
- Defence
- Hydro Dams
- Mining
- Nuclear Weapons Proliferation
- Oil & Gas
- Thermal Coal

The ESG Risk Framework applies across Swiss Re's business activities, including re/insurance transactions and investments, where information granularity is available and a meaningful ESG risk assessment is possible. The umbrella guidelines and sector-specific policies are the basis for assessing ESG risks as described on the following slide for the underwriting process.

ESG Risk Management Process – an overview of its use in the underwriting process



>100 000

potential transactions screened for ESG risks in 2022

250

cases referred to our team of ESG risk analysts in 2022

The ESG Risk Process is used to assess potential ESG risk exposures in the context of underwriting transactions, where information granularity is available and allows for a meaningful ESG risk assessment. The ESG Risk Process is fully embedded in the underwriting processes for facultative and direct transactions.

Decarbonising Swiss Re's underwriting business model

	Thermal Coal Policy	Oil and Gas Policy
Direct and facultative business	Since 2018, Swiss Re no longer provides re/insurance to businesses with more than 30% exposure to thermal coal utilities or mining	Committed to shift away from business with: • Oil and gas companies which produce the world's 5% most carbon intense oil & gas since 2021, with threshold increasing to 10% in July 2023 • Projects located in the Arctic AMAP[1] region since July 2022 (Norwegian production is exempt) • New oil and gas field projects since January 2023
Treaty business	Effective 2023, Swiss Re set thresholds for thermal coal exposure for treaties across the property, engineering, casualty, credit & surety and marine cargo lines of business	Approach for treaty business currently being developed
Outlook	• By 2030: Phase-out of thermal coal-related re/insurance in OECD countries • By 2040: Phase-out of thermal coal-related re/insurance in the rest of the world	• Ambition 2025: Half of direct and facultative oil & gas premiums is to come from companies that are aligned with net-zero 2050 as per the SBTi[2] or a comparable assessment • Ambition 2030: The portfolio is to contain only such companies

1 Arctic Monitoring and Assessment Programme
2 Science Based Target initiative

Managing Climate Risk

Climate change poses both a manageable risk and growth opportunity for Swiss Re

Physical risks

- ✓ Society: significant economic consequences expected
- ✓ Swiss Re: limited and manageable risk also when considering severe climate-change scenarios

Transition risks

- ✓ Not likely a material financial risk for re/insurance activities and risks can be managed effectively
- ✓ Systematic monitoring of the carbon intensity of material investment portfolios to manage risk

Opportunities

- ✓ Natural catastrophe re/insurance demand expected to grow strongly
- ✓ The transition to a net-zero emissions' economy presents growth opportunities for renewable energy re/insurance and the infrastructure renewable loans and green bonds portfolio

Climate in underwriting

Advancing the net-zero transition – a selection of examples from 2022

Expanding South Korea's offshore wind capacity

- Swiss Re is the lead reinsurer for the construction of three off-shore wind farms (OWFs) in South Korea
- Swiss Re's contribution includes providing technical advice and risk management expertise, as well as technical capacity to ensure safety guidelines are observed during the installation of the OWFs
- Once final, these projects will have a capacity of approx. 190MW

Credit protection for a German bank

- In 2022, Swiss Re established a co-investment programme with a German bank, to facilitate the financing of renewable energy projects
- Swiss Re insures a portion of the bank's credit risk, covering the event of non-payment by the borrower
- At the end of 2022, Swiss Re had supported six renewable energy projects, contributing 1 300MW of additional power generation

Harnessing Nepal's hydropower potential

- Swiss Re worked with the International Finance Corporation to structure a five-year parametric earthquake cover for the construction of a 216MW hydropower project
- Impact assessments were carried out to mitigate potential environmental and social risks
- Once completed, the project is expected to boost Nepal's renewable energy production and reduce energy-related greenhouse gas emissions

[1] More information on Life Guide: Life Guide has you covered (swissre.com)

Building societal resilience – a selection of examples from 2022

Supporting the reforestation of Brazil's Atlantic rainforest

- Swiss Re helped develop an insurance solution for reforestation activities carried out by a Brazilian NGO
- The contract – the first of its kind in Brazil – provides the client with frost and fire insurance cover for the amount used to finance its reforestation activities
- This risk transfer solution contributes to the mitigation of climate change associated with deforestation and can serve as a model for similar reforestation projects

Expanding access to life, disability and critical illness insurance for individuals living with HIV

- Swiss Re expanded coverage for critical illness and disability in 2022, offering affordable access to life insurance for HIV-positive individuals
- This is reflected in an update to Swiss Re's Life Guide[1] rating guidelines
- Swiss Re already offered life insurance cover to selected HIV-positive applicants since 2004 based on more stringent rules

Enhancing underserved populations' resilience against natural disasters

- Swiss Re has been the sole reinsurer for a Microinsurance Catastrophe Risk Organisation, providing disaster risk protection to traditionally underserved populations in Latin America since 2017
- In 2022, the organization expanded its presence to 40 000 smallholder farmers, nearly doubling the amount of people covered previously to over 100 000
- Swiss Re provides reinsurance as well as technical expertise

[1] More information on Life Guide: [Life Guide has you covered (swissre.com)]

Any questions?

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's (the "Group") 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 the Group 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, including the coronavirus ("COVID-19"), 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;
- the Group'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;
- the Group'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;
- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity t<o 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 Group's financial strength or otherwise;
- the Group's inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their values recorded for accounting purposes;
- the Group'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 the Group 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 the Group, 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 the Group, 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;
- 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 Group's business model;
- 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 Group's hedging arrangements to be effective;
- significant investments, acquisitions or dis<positions, 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 the Group'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 the Group'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. The Group 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.

This communication is not intended to be a recommendation to buy, sell or hold securities and does not constitute an offer for the sale of, or the solicitation of an offer to buy, securities in any jurisdiction, including the United States. Any such offer will only be made by means of a prospectus or offering memorandum, and in compliance with applicable securities laws.

Legal notice