Extending **our risk intelligence**

We address sustainability, political, regulatory and emerging risks in our core business transactions. To do so, we have developed specific tools and know-how.

Sustainability risks
We define sustainability risks as ethical concerns related to potential environmental and socio-economic impacts of our business transactions, and the reputational risks they may entail.

Risk management is an integral part of Swiss Re's business model and key to the controlled risk-taking that underpins our financial strength. It is embedded throughout our business and ensures that the Group and the three Business Units have the necessary expertise, frameworks and infrastructure to support good risk-taking. (See 2015 Financial Report, pages 50–51 and 59–73.)

Sound risk management is essential for a re/insurer: Tight control of our exposures guarantees that we can fulfil our role in society as ultimate risk-taker and be a reliable partner to our clients when they need us. The core categories of our risk landscape comprise insurance risk (property and casualty, life and health) as well as financial market and credit risk. In addition, we consider it essential for a responsible company to pay attention to further significant risks we may be exposed to, especially in the longer term.

Sustainability, political, regulatory and emerging risks are particularly relevant in this respect. We have developed instruments and know-how that help us to identify and assess all of them. This allows us to determine those risks we think should be avoided – because of their loss potential, for ethical reasons, or both.

This extended risk awareness is also key to managing our assets responsibly. The risk assessments we make through our Sustainability Risk Framework, in particular, flow directly into our investment decisions.

Our Sustainability Risk Framework

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

For companies this situation can bring dilemmas: A specific business transaction may be economically beneficial and perfectly fine from a legal and regulatory perspective, yet may have significant environmental or social downsides. Swiss Re recognises that such dilemmas exist and develops effective responses through a well-defined approach and by taking decisions based on ethical principles.

Our Sustainability Risk Framework is an advanced risk management instrument, specifically designed to identify and address the potentially negative effects of our transactions on local

Mines can potentially have significant impacts on the environment and local communities. Our Sustainability Risk Framework includes a policy that clearly specifies the risks we examine before underwriting mining projects.

For more information see **swissre.com/corporate_responsibility/managing_env_risks.html**

communities, workforces and the environment. This framework applies to all of our business transactions in re/insurance as well as investments, to the extent that we can influence their various aspects.

The Sustainability Risk Framework consists of:

- An overarching human rights and environmental protection policy plus seven policies on sensitive sectors or issues;
- The Sensitive Business Risk (SBR) process comprising an online assessment tool and a referral tool – due diligence mechanisms to assess our business transactions;
- Company exclusions; and
- Country exclusions beyond mere compliance with international trade controls.

Policies

Our Sustainability Risk Framework is based on the overarching principles of respecting human rights and protecting the environment. Through detailed policies, the framework applies these principles to seven sectors or issues in which we perceive major sustainability risks: the defence industry; oil and gas (including oil sands and hydraulic fracturing); mining; dams; animal testing; forestry, pulp & paper and oil palm; and nuclear weapons proliferation.

We regularly review these policies to ensure they reflect new developments. The key concerns currently addressed by the eight policies of our Sustainability Risk Framework are listed on page 28.

Main concerns in key sectors

Human rights and environmental protection

- Human rights violations and abuses such as murder, torture, deprivation of liberty, forced labour or harmful child labour;
- Countries that lack an operational, effective and internationally recognised government;
- Companies that are causing ongoing, severe and unmitigated damage to the environment, flora and fauna of a particular place and biodiversity in general, especially in industries and activities that have had a problematic track record in this area in the past.

Defence industry

- Particularly cruel weapons that inflict indiscriminate harm to humans and the environment, often after a conflict has ended;
- The provision of certain services by private security companies.

Oil and gas

- Human rights abuses;
- Significant adverse environmental or social impacts, particularly where critical natural habitats, vulnerable groups and/or critical cultural heritages are impacted.

Mining

- Human rights abuses;
- Significant adverse environmental or social impacts, particularly where critical natural habitats, vulnerable groups and/or critical cultural heritages are impacted;
- Poor occupational health & safety record and risk of increasing HIV penetration.

Dams

- Human rights abuses;
- Significant adverse environmental or social impacts, particularly where critical natural habitats, vulnerable groups and/or critical cultural heritages are impacted;
- Non-involvement of relevant stakeholders;
- Non-involvement of affected neighbouring states.

Animal testing

- Unethical and inhumane treatment of animals.

Forestry, pulp & paper and oil palm

- Illegal logging;
- Uncertified logging and timber/oil palm processing in sensitive regulatory environments;
- Greenhouse gas emissions from peatland conversion, timber processing activities and/or forest clearance using bushfires;
- Significant adverse environmental or social impacts, particularly where critical natural habitats, vulnerable groups and/or critical cultural heritages are impacted.

Nuclear weapons proliferation

- Activities associated with nuclear energy or similar in countries that are outside the established framework and international regime of global non-proliferation efforts.

The Sensitive Business Risks process

Each of the eight policies of our Sustainability Risk Framework contains criteria and qualitative standards which define precisely when a transaction may present a "sustainability risk". In 2015, we introduced a new online Sensitive Business Risk (SBR) assessment tool, which 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.

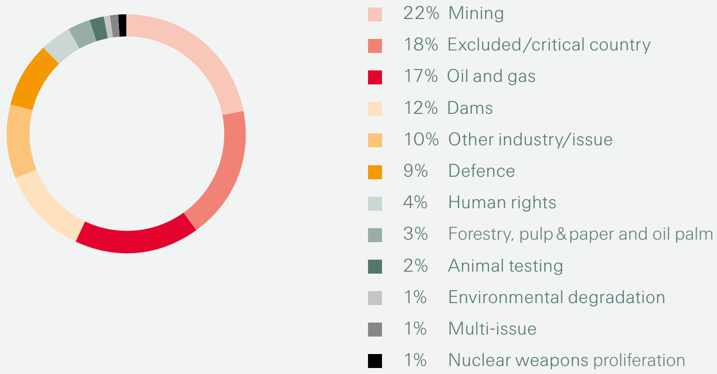
The online tool is easy to access, provides clear guidance to our underwriters about what to assess in further detail and ensures consistent documentation in our standard underwriting tools. At the same time, it enables our central sustainability management unit to adjust key policy parameters and make them effective "at the push of a button". We believe the tool has thus further strengthened due diligence of potential sustainability risks in our core business. In the first six months since its launch, our underwriters used it to carry out checks on 3 550 transactions.

If this initial screening reveals any potential issues, our underwriters carry out further due diligence measures. Finally, they transfer the most critical transactions through the Sensitive Business Risks (SBR) referral tool to our team of sustainability experts, who conduct targeted research to decide whether the transaction at hand is acceptable on ethical grounds.

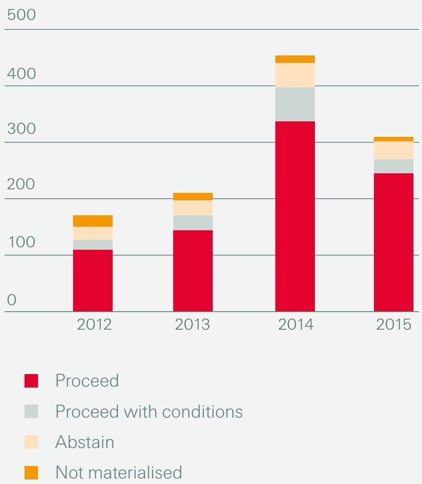
This decision takes the form of a binding recommendation either to go ahead with the transaction, to go ahead with certain conditions attached, or to abstain. If there is disagreement about the recommendation, the case can be escalated to the next management level and, ultimately, to the Group Chief Risk Officer and the Group Executive Committee.

The accessibility and clarity of our new online assessment tool led to a decrease in the number of transactions referred to our sustainability experts for an assessment – from 454 in the previous year to 309 in 2015. Of these, we issued negative recommendations in 32 cases and positive recommendations with conditions in 24 cases.

Sensitive Business Risks referred to our expert team in 2015



Number of Sensitive Business Risk referrals



309

Sensitive business transactions referred to our team of sustainability experts

(454 in 2014)

3 550

Due diligence checks carried out by our underwriters to detect potential sustainability risks

When making these decisions, we refer to internationally recognised ethical principles. Swiss Re is a signatory to the UN Global Compact, which derives its human rights principles from the Universal Declaration of Human Rights, its labour principles from the ILO Declaration on Fundamental Principles and Rights at Work, its environment principles from the Rio Declaration on Environment and Development and its anti-corruption principles from the United Nations Convention against Corruption.

This web of ethical principles helps us to make decisions that are aligned with universal fundamental rights. However, this is not sufficient for decisions in a business context. We also need to consider the social and economic implications of our decisions in their respective cultural contexts and, last but not least, the implications for our business. Balancing these different aspects requires us to carefully and consistently assess transactions and their local effects, often in collaboration and dialogue with external experts and local stakeholders.

Thus, our decisions are neither subjective nor entirely objective. In essence, they reflect our recognition of global fundamental rights, of human suffering and our commitment to limiting unwanted negative impacts of our business transactions, either by withdrawing or by influencing our clients' behaviour.

Company exclusions

Our Sustainability Risk Framework policies specify certain criteria that may lead us to exclude a company from both our re/insurance transactions and our investments, to the extent that such an exclusion is permissible (eg by virtue of mandatory law or internal policies) and possible (eg if existing documentation relating to such re/ insurance transactions and investments provide for it). These criteria include: involvement in prohibited war material; verifiable complicity in systemic, repeated and severe human rights violations; causing repeated, severe and unmitigated damage to the environment; unregulated proliferation of nuclear weapons; and unethical/cruel animal testing practices.

Country exclusions

Swiss Re also excludes certain countries from its business that have particularly poor human rights records. 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 based in these countries.

During 2015, we revised the methodology we use to identify the countries to be excluded from our business transactions. Specifically, we started to apply two independently compiled human rights indexes for our assessments. As a result, the list of excluded countries has widened and now comprises the Central African Republic, South Sudan, DR Congo and Chad, in addition to North Korea, Somalia, Sudan (North) and Syria. We implemented the revised list at the beginning of 2016 and will update it annually.

As the Sustainability Risk Framework is based on the principles of respecting human rights and protecting the environment, the SBR process with its two due diligence tools and the company and country exclusions are our principal means to ensure compliance with the UN Global Compact in our core business.

Independent internal reviews

In 2014, we started to formally involve our internal Insurance Risk Review (IRR) unit. An IRR is an independent assessment of underwriting and costing activities to review the quality of the technical work carried out and the decisions made, which includes checking whether mandatory underwriting standards have been adhered to.

During an IRR, our underwriting teams are now automatically asked a number of specific questions about their potential exposure to sustainability risks. The results and recommendations for improvement are reported to the Group Sustainability Risk unit, which can then respond appropriately, eg by providing additional training or reviewing underwriting practices.

Training

Since we introduced our Sustainability Risk Framework in 2009, we have made considerable efforts to raise awareness of sustainability issues among our underwriters and client managers. Through training we ensure that they know how to properly apply the framework with its underlying principles of respecting human rights and protecting the environment. In recent years, we have focused on high growth markets where we want to expand our business.

In 2015, 403 employees completed our eLearning course on the Sustainability Risk Framework. For 325 employees who started to work in underwriting and with our clients, this training was mandatory.

In addition, we provided training personally or via web-based conference to 328 experienced underwriters and graduates, and held five Lunch & Learn sessions, which were attended by 104 people. Through all our personally delivered training and outreach activities, we reached a total of 484 employees in 2015.

Client and industry interaction

Efforts to address environmental and social risks are obviously more effective when many companies join forces. This is why we are keen to further promote sustainability risk management within the re/insurance industry.

In 2015, our sustainability risk management unit decided in 24 SBR assessments to proceed with conditions. In most cases, these conditions required the particular underwriter to engage with the client on specific questions about environmental protection or human rights issues. In line with the Ruggie Framework on corporate respect for human rights, we strive to address such issues when we spot them and raise them with our clients.

On an industry-wide basis, we have played a major role in establishing and advancing the Principles for Sustainable Insurance (PSI) introduced in 2012 by the UN Environment Programme Finance Initiative, UN EPFI (www.unepfi.org/psi). We were one of the initiative's original signatories and currently act as one of its board members. The PSI address environmental, social and governance (ESG) issues in the re/insurance industry, spanning risk management, underwriting, product and service development, claims management, sales and marketing, and investment management. Our Public Disclosure of Progress for 2015 is included in this report on page 80.

In 2015, we partnered with the UN Environment Programme (UNEP) to co-host a roundtable on "Insurance 2030: Policies and partnerships for sustainable development" at our Centre for Global Dialogue near Zurich. Around 60 leaders and executives from re/insurance companies and regulatory bodies, the UN, governments, think tanks and civil society reflected on the policies and partnerships needed to realise the full potential of re/insurance in promoting sustainable development. The roundtable underscored the importance of systemic responses, integrated approaches and collaborative efforts. Key insights were later presented in the landmark report "Insurance 2030: Harnessing insurance for sustainable development".

Political risks

In today's increasingly integrated world we need to be aware of any political developments, actions and decisions that may affect our business. Within our risk management organisation, we have a team of specialists who look at a wide range of both commerce- and security-related political risks at global, country and business transaction levels.

These specialists identify, assess and monitor political risks on an ongoing basis, so the Group understands their implications and can initiate appropriate mitigation measures if required. Particular attention is paid to developments in high growth markets and to cross-border issues such as terrorism, energy, multi-national institutions or international trade.

Our understanding of political risks is also highly relevant to ensuring sustainable business operations in line with ESG principles: Several of the sectors and issues covered by the eight policies of our Sustainability Risk Framework (see pages 27–28) have a significant political dimension. Implementing these policies, both through SBR assessments and exclusion policies, thus requires a solid grasp of political risks. This is particularly true with regard to human rights violations, the proliferation of armaments into conflict areas and the identification of areas prone to civil unrest.

Furthermore, we seek to raise awareness of political risk within the re/insurance industry and among the broader public, and engage in dialogue with our clients and other stakeholders. We also distil our ongoing assessments of political risks into several political and sustainability risk ratings at country level, which support our underwriting and investment decisions.

Regulatory risks

Regulatory risks represent the potential impact of changes in the regulatory and supervisory regimes of the countries in which we operate. In 2015, the global regulatory agenda continued to accelerate. Governments and regulators rolled out new policies and conducted numerous consultations and field tests on regulations with a direct impact on the re/insurance sector. Furthermore, regulators are increasing their work on compliance and market conduct issues.

Swiss Re remained fully engaged in the regulatory debate throughout 2015, supporting regulatory convergence as well as increased application of economic and risk-based principles. At the same time, we strive to mitigate developments that may adversely affect the re/insurance industry's ability to foster financial and economic stability.

For example, we share the broad concerns of the re/insurance industry regarding the cumulative and cross-sectoral impacts of some of the proposed reforms. Regulatory fragmentation is a key issue, particularly in Europe, with the lack of harmonisation in introducing Solvency II, but also in the context of cross-border business and protectionist measures introduced in several growth and mature markets.

After more than ten years of development, Solvency II was implemented across the European Economic Area in January 2016. Swiss Re has been actively engaged in the implementation process, particularly in supporting the equivalence for the Swiss insurance supervisory system. The European Union has recognised the Swiss system, including the Swiss Solvency Test (SST), as fully equivalent.

Many countries impose restrictions on the transaction of reinsurance business. The Global Reinsurance Forum, which Swiss Re is currently chairing, actively promotes the advantages of open and competitive markets, in particular the greater choice of reinsurers, products and prices, as well as benefits from diversification through the spreading of risk and increased financial stability.

Climate change

In view of the strategic importance climate change has for our core business, we closely monitor related regulatory developments. Governments' and regulators' interest in climate change and natural catastrophes has continued to build, leading to an increase in climate-related reporting requirements. For example, in a number of US states insurance companies that are domiciled or licensed there and write USD 100 million or more in direct premiums are required to complete a survey on climate change risks; and in the UK listed companies need to disclose their greenhouse gas emissions in their annual reports. Governments' growing awareness of the risks posed by climate change has helped to prepare the ground for a new global climate deal on which they agreed at the 2015 United Nations Climate Change Conference in Paris (COP21). Its central objective is to cap global warming at 2°C over pre-industrial levels. (See special section on page 41.)

During the COP21 negotiations, it was also announced that the Financial Stability Board (FSB) would establish a Task Force on Climate-Related Financial Disclosures, TCFD (www.fsb-tcfd.org). The FSB is an international body that monitors and makes recommendations about the global financial system, coordinating national financial authorities and international standard-setting bodies. Starting from the premise that climate change creates physical, liability and transition risks, the TCFD aims to develop consistent and effective financial disclosures that will allow stakeholders to properly assess the climate risks faced by companies and to take appropriate actions. Swiss Re supports the task force and provides one of its members.

Emerging risks

Re/insurers operate in a risk landscape that is changing faster today than ever before. New economic, technological, socio-political, regulatory and environmental developments are all capable of changing risks or creating new ones. Moreover, growing interdependencies between these developments can lead to accumulations of risk and create significant knock-on effects. The general business environment is undergoing significant changes, as well. Liability and regulatory regimes continue to evolve, stakeholder expectations are growing and people's risk perceptions are shifting.

This complex landscape gives rise to "emerging risks" – newly developing or changing risks that are difficult to quantify and whose potential impact on our business is not yet sufficiently taken into account.

Detecting and investigating such risks early on forms an important part of our comprehensive approach to risk management. Our aim is to reduce uncertainty and prevent unforeseen losses, while raising awareness within the Group and across the industry. Therefore, we try to understand how risks are changing, assess their impact and seek to recognise potential links between them.

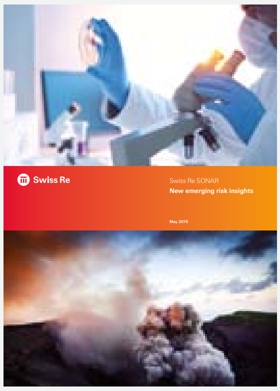
Emerging risks
We define emerging risks as newly developing or changing risks that are difficult to quantify and whose potential impact on our business is not yet sufficiently taken into account.

Our SONAR framework
SONAR ("systematic observation of notions associated with risk") is our Group-wide framework specifically designed to manage and communicate emerging risks. Firmly embedded in the Group's risk management organisation, SONAR allows us to identify, assess and report these risks in a timely manner and to factor them into our decisions.

The SONAR process involves two steps. Firstly, we have an interactive intranet platform, which enables our employees to share and discuss risk notions on all main areas of the emerging risk landscape quickly and easily and to stay up-to-date on new developments. While many of these early signals will never actually turn into emerging risks, others may well do so. As it is impossible to anticipate which signals will fall into which category, all of them warrant equal attention. The SONAR platform allows for peer reviews and bottom-up discussions of early signals.

Secondly, our emerging risk specialists periodically cluster and further assess these risk notions for their potential impact on our business. Based on this, they subsequently carry out more in-depth investigations of selected topics. In 2015, they focused on the challenges of the Internet of Things, for example (see page 33). To share some of our key insights on this and other emerging risks with external audiences, we published the third edition of our comprehensive Swiss Re SONAR report.

Swiss Re SONAR: New emerging risk insights
The Swiss Re SONAR report features emerging risk themes that have the potential to impact the insurance industry in the future. These topics were mainly derived from our SONAR process and were assessed by our emerging risk management experts.
media.swissre.com/documents/SONAR_2015_WEB.pdf



For more information see
swissre.com/about_us/managing_risks/emerging_risks.html

The Internet of Things (IoT) makes it possible to operate home appliances remotely via mobile devices. While the benefits of this are obvious, ever-growing interconnectivity also creates risks concerning network and data security. This is why we treat the IoT as an "emerging risk".

Challenges of the **Internet of Things**

As individuals and households, we are becoming ever more equipped and connected with electronic devices and, ultimately, with semi-autonomous networks of communicating objects – the Internet of Things (IoT). Imagine, for example, your refrigerator automatically reordering milk and other items according to your user preferences via the internet and organising home delivery. Or your refrigerator might advise you on your diet, taking into account the sports activity data retrieved from your smart phone or health wearable device. Other examples are individualised temperature, lighting and air ventilation systems that optimise room climate via sensors, shades, heaters and air conditioning. Such integrated and self-regulating digital systems allow for increased resource efficiency, healthier lives and better comfort.

The multitude of available (micro-) sensors, data collectors and software to manage these large data flows is already huge. Our connectivity is growing exponentially regarding variety, speed and relevance.

While the benefits of IoT are obvious in terms of individual consumer experiences and managing organisations and societies, the risks should not be ignored. The top challenges concern network and data security. Generally speaking, security is not the number one priority of device developers and, the more connected individual devices and protocols are, the more vulnerable they become to malfunction, loss of data or hacking. Growing interconnectivity also leads to accumulating loss potential, meaning that a small local incident can have significant cascading effects.

The IoT also raises important questions about the use and distribution of personal data, the protection of privacy and, ultimately, how these matters should be regulated. As knowledge gathering, communication and decision-making activities shift from humans to machines, traditional regimes of accountability and responsibility will be challenged.

Further activities on emerging risks identified in the past
The emerging risks we have previously examined in more detail and featured in our Corporate Responsibility Reports since 2007 are:

2007: Electromagnetic fields

2008: Critical infrastructure

2009: Carbon nanotubes

2010: Smart grids

2011: Cyber attacks

2012: 3D printing

2013: New forms of mobility

2014: Electronic cigarettes

By the end of 2015, four of these risks had become sufficiently relevant for our business that we continued to address them together with our stakeholders. We describe the activities we organised in 2015 in the present edition of our Corporate Responsibility Report, in addition to information provided in the 2014 edition.

References to further activities

Critical infrastructure
Infrastructure private debt mandates, **page 36**
Financial repression: the unintended consequences, **pages 42–43**

Cyber attacks
Cyber Security Risk Governance Workshop, **page 44**

3D printing
Expert Forum on 3D printing: changing the world one print at a time, **page 44**

New forms of mobility
The autonomous car 2015: Risks and opportunities for the re/insurance industry, **page 43**

Strategic risk initiatives
Identifying and addressing emerging risks can be challenging. Their novelty and interconnectedness makes it difficult to determine when a particular risk notion must be considered an emerging risk. Timing is thus of crucial importance: If measures to exclude a particular risk are taken too early, we can offer our clients less insurance protection; if measures are taken too late, we may end up with increased loss potential.

Given these challenges, we believe it is essential to foster risk dialogue with various partners. By sharing perceptions and assessments, all parties can gain a better understanding of potential emerging risks. In 2015, we contributed to the following strategic initiatives:

CRO Forum Emerging Risk Initiative (CRO ERI)
The CRO ERI was launched in 2005 to raise awareness of major emerging risks relevant to society and the re/insurance industry.
www.thecroforum.org/emerging-risk-initiative-2/

In 2015, we contributed to the CRO Forum's position paper "The Smart Factory – Risk Management Perspectives"
www.thecroforum.org/wp-content/uploads/2015/12/CROF-ERI-2015-The-Smart-Factory1.pdf

International Risk Governance Council (IRGC)
The IRGC is an independent organisation whose purpose is to help understand and manage global risks that impact human health and safety, the environment, the economy and society at large. Since its foundation in 2003, Swiss Re has been a partner of the IRGC, and has participated in its initiatives and publications.
www.irgc.org

In 2015, we contributed to the "IRGC Guidelines for Emerging Risk Governance":
www.irgc.org/risk-governance/emerging-risk/a-protocol-for-dealing-with-emerging-risks/

Responsible investment

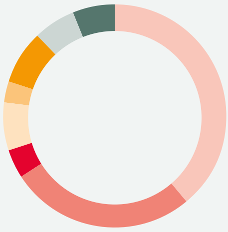
Asset-liability management (ALM) is the cornerstone of our investment philosophy. Premiums generated by our underwriting activities are invested in assets whose cash flows match the durations and currencies of our re/insurance liabilities, to meet future claims and benefits. As a result, we invest more in higher-quality fixed income securities with stable long-term returns. At the end of 2015, such investments accounted for 73% of our total assets under management[1].

Swiss Re is committed to investing its assets responsibly via a controlled and structured investment process, integrating environmental, social and governance (ESG) criteria. We believe that considering these factors can have a positive impact on the long-term financial performance of our investment portfolio. Thus, we apply sustainability-related risk information consistently across our entire investment portfolio.

Responsible investment framework
Our asset management has a well-defined framework, which considers ESG criteria consistent with the Group's Code of Conduct, and is a commitment to sustainability. This pledge is further outlined in the Group Asset Management Responsible Investment Policy, which describes our approach and principles in relation to sustainability in the management of Swiss Re's investments, as well as the roles and responsibilities to ensure the integration of ESG considerations. This is complemented by the Swiss Re Asset Management Voting Policy, which provides guiding principles that apply to all our voting activities. With this approach, we ensure a comprehensive commitment to responsible investment in our day-to-day asset management activities.

1 Asset classes considered consist of government bonds (including agency), corporate bonds, securitised products, and mortgages and other loans.

Overall investment portfolio
USD 116.8 bn, as of
31 December 2015



39%	Government bonds
27%	Corporate bonds
4%	Securitised products
7%	Equities*
3%	Mortgages and other loans
8%	Other investments incl. policy loans
6%	Cash and cash equivalents
6%	Short-term investments

* Includes equity securities, private equity and Principal Investments

The overall responsibility for sustainable investing lies with the Group Chief Investment Officer, who is advised by the Asset Management Executive Team and the Asset Management Investment Committee. Furthermore, an ESG Advisory Group, formed by representatives of all investment units, legal, compliance and risk management, oversees and monitors the progress of our responsible investment activities.

In 2007 we signed the UN Principles for Responsible Investment (PRI) and in 2012 the Principles for Sustainable Insurance (PSI), thereby formally endorsing our commitment to corporate responsibility. The PRI and PSI are considered in Swiss Re's comprehensive responsible investment framework.

All PRI signatories are required to provide in-depth reporting on their responsible investment activities. The reports are available on the PRI website at www.unpri.org/explore/?q=&hd=on&hg=on&he=on&ptv=&tv=76&sp=pub&sc=line&se=start

Overarching approach

Swiss Re is a long-term investor. Therefore, it follows that we take a long-term view on the risk factors that may have an adverse impact on our investment portfolio. We continue to be actively engaged in the dialogue on key requirements for long-term investors and periodically publish related research, including a report in 2015 entitled "Financial repression: The unintended consequences" (see pages 42 and 46).

At the core of our approach to tackling ESG-related risks in investments is the Sustainability Risk Framework (see pages 26–30). This framework enables us to identify and analyse potential ESG risks within an investment, and to ensure we are aligned with our governance structure.

The framework consists of an overarching human rights and environmental protection policy and seven policies on sensitive sectors or issues: the defence industry; oil and gas (including oil sands); mining; dams; animal testing; forestry, pulp & paper and oil palm; and nuclear weapons proliferation. Each policy contains a number of predefined criteria and qualitative standards that may lead to the exclusion of a company or a country from our investment scope.

Swiss Re's Asset Management unit applies these criteria to the vast majority of our investment assets, excluding companies and countries if they do not meet the pre-defined criteria and qualitative standards.

Specific approaches per asset class

In addition to the overarching approach described above, we have identified some key investment areas in which we apply further, specific ESG criteria to cater for the different risk characteristics of responsible investing. These key investment areas include rates products, credit products, equities and real estate:

Rates products

Rates products[2] constitute the largest asset class in our investment portfolio, with a share of 51% at the end of 2015. At 39% of total assets under management, government bonds (incl. agency) are the largest holding within rates products.

At country level, we have implemented political risk and sustainability assessments to guide our responsible investment decisions and to guarantee the quality of our government bond portfolio in this respect. Our rates products portfolio is screened against such political country risk and sustainability rating considerations on a semi-annual basis. Furthermore, the rating measures are used to define investment mandates for our portfolio managers.

2 Rates products consist of cash, short-term investments and government bonds (including agency).

Sustainability and climate change are essential topics for us. We actively contribute to financing a more low carbon economy by investing in the growing SSA[3] green bond market, primarily relying on the "Green Bond Principles".

Political Country Risk Rating
The Political Country Risk Rating comprehensively measures the political risk in a country, which is defined as events of a political, economic or social nature that harm business operations or adversely affect the business climate. The overall country score is derived from multiple external and internal data sets and Swiss Re's expert assessment.

Sustainability Rating
The Sustainability Rating, a derivative of the Political Country Risk Rating, measures the overall social, environmental and human rights situation in a country, and supports Swiss Re's alignment with relevant United Nations principles.

Credit products, equities and hedge funds

At the end of 2015, more than 40% of our investment portfolio was managed externally. This portfolio comprises mainly credit products, equities and hedge funds. PRI signatories manage approximately 95% of these assets. Additionally, all of Swiss Re's external asset managers have contractual provisions with Swiss Re that are specifically related to responsible investing.

We work closely with the external managers to ensure they consider ESG aspects in their investment processes. Before external managers are appointed, Swiss Re performs thorough due diligence to confirm their compliance with our responsible investment principles. This includes ESG considerations in investment decisions and monitoring, as well as a review of their commitment to responsible investing. After being mandated, the managers' individual performances are monitored in line with our Responsible Investment Policy, and they are required to report regularly on their responsible investment activities.

For more systematic and regular monitoring of the actual integration of ESG factors into our externally managed portfolio, we have engaged the services of a leading ESG research company. We apply their ratings to our investment portfolio to assess the quality of the portfolio and gain further insight into ESG risk exposures.

As part of our commitment to sustainability, we also invest in related assets like green bonds in our credit mandates, and renewables and social infrastructure in our infrastructure private debt mandates.

Real estate

Our investment portfolio consists of direct investments in property, principally in Switzerland and in Germany, as well as in the US. Comprising buildings for residential, industrial and commercial use, the market value of the portfolio was USD 3.2 billion at the end of 2015.

We apply ambitious sustainability standards for these real estate investments. For projects in Switzerland, the applicable criteria are defined in the Energy Mission Statement of Swiss Re. This stipulates that all new buildings need to conform to the MINERGIE® standard (www.minergie.ch), a Swiss quality label specifying high levels of energy efficiency and superior user

3 Sovereign, Supranationals and Agencies

comfort. When an existing building in the portfolio is due for renovation, this standard is applied whenever it is feasible from an architectural, technical and financial point of view.

By the end of 2015, the combined value of our MINERGIE®-certified buildings reached USD 0.4 billion, or 21.4% of our Swiss portfolio of direct real estate investments. The total energy consumption surface in accordance with the MINERGIE® standard was 82 497 m^2 at the end of 2015. In addition, more than 56 000 m^2 was sold on to third parties in previous years.

A new building with 16 apartments, which will meet the MINERGIE® standard, is currently under construction. Completion is expected in 2016.

Voting

As an asset owner, and in particular as a shareholder, we recognise our rights and responsibilities as an integral part of our commitment to responsible investment.

We believe that ESG considerations, and especially good corporate governance and transparency towards shareholders, are key drivers for sustainable value creation. Last year, in addition to our periodic review, we conducted a thorough analysis of our voting principles to keep them in line with best practice.

In the case of internally managed assets, we use our influence as a responsible shareholder by directly exercising our voting rights, and with externally managed portfolios, by facilitating the relevant portfolio managers to execute our proxy votes and related engagement activities.

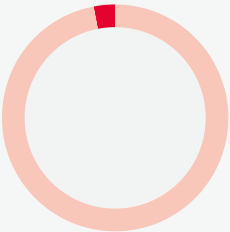
In line with our voting framework, we review the voting policies of external managers during due diligence processes to confirm compliance with our own policy. In addition, external managers are required to report on voting activities conducted on Swiss Re's behalf.

In 2015, we exercised 97% of our voting rights of our listed equity portfolio[4]. We voted on 6 878 ballots through our external managers. We voted in favour of the respective management resolution in 5 977 cases (87%) and against it in 693 cases (10%). In 208 cases (3%), we abstained or withheld from voting.

In addition to shares in listed companies, investments in our equity portfolio include equity exchange-traded-funds (ETFs). The fund managers cast votes on these ETFs for all investors in accordance with the fund managers' own voting policies and processes.

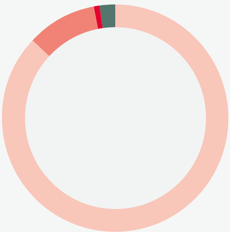
Due to our large- and mid-cap company focus and the moderate size of our equity exposure, we generally hold a very small portion of total issued share capital. This means Swiss Re rarely controls the outcome of a vote.

Our voting activities in 2015



97% Votes cast
3% No votes cast

Our voting behaviour in 2015



87% Voted with management
10% Voted against management
1% Withheld
2% Abstained

4 We vote in the vast majority of countries, with the exception of a few where voting process and regulatory obligations require a high level of administrative coordination.