

Being a responsible investor

We integrate environmental, social and governance (ESG) criteria across our investment portfolio. Our approach is based on the three strategic pillars Enhancement, Inclusion and Exclusion.

“We make the world more resilient” is Swiss Re’s vision. About ten years ago, our Asset Management unit embarked on a journey to not only invest the premiums we receive from our underwriting business to generate risk-adjusted, stable long-term returns, but to also consider environmental, social and governance (ESG) aspects in our investment decisions. With this approach, our Asset Management has contributed to the Group’s vision.

In 2017, we reached a key milestone on this journey. As one of the first re/insurance companies, we integrated ESG benchmarks into our investment portfolio, which is a significant step forward from considering ESG as an “add-on” approach. We are convinced that taking ESG criteria into account has a positive impact on the performance of our investment portfolio in the long term.

Responsible investment approach

The cornerstone of our investment philosophy continues to be asset-liability management (ALM). To meet future claims and benefits, we invest the premiums generated by our underwriting activities in assets whose cash flows match the durations and currencies of our re/insurance liabilities. Therefore, we generally invest more in higher-quality fixed income securities with stable long-term returns. At the end of 2017, such investments accounted for 80% of our total assets under management¹ (see graph on page 38).

We are convinced that including ESG criteria into the investment process makes economic sense, especially for long-term investors, because it improves risk/return profiles and hence reduces downside risks.

We consistently integrate ESG considerations along the three pillars Enhancement, Inclusion and Exclusion, of which Enhancement is strategically the most meaningful pillar for Swiss Re.

¹ Asset classes considered are government bonds, credit, and mortgages and other loans.



“Inclusion” is one of the three pillars of our responsible investment approach: by making thematic investments in renewable infrastructure and green bonds, we seek to support the transition to a low-carbon economy.

Enhancement

This pillar refers to the systematic integration of ESG criteria along the investment process, from portfolio definition to monitoring and reporting. As part of our active risk management, we announced in 2017 that we had switched to ESG benchmarks.

These have been adopted in our investment mandates and consist of better-rated companies from an ESG perspective. This allows us to have both the right measurement and appropriate incentives for our portfolio managers in place. If benchmarks are not applicable, a minimum ESG rating rule is applied to our mandates. For actively managed mandates, external managers have limited leeway to invest into securities they deem to have a positive ESG trend but are not included in the benchmark yet.

Executing our shareholder rights is another part of Swiss Re’s commitment to being a responsible investor. To reflect this pledge in our voting behaviour, we have defined principles in our Asset Management Voting Policy. See: www.swissre.com/about_us/about_our_business/asset_management/Responsible_Investments__Shaping_the_future_of_investing.html

Inclusion

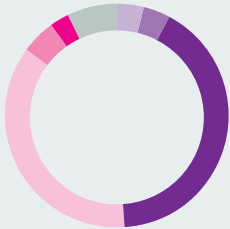
Thematic investments are an ideal approach to tackle specific sustainability topics. We mainly target investments that contribute to a low carbon economy.

An effective way to do this is by investing in infrastructure renewables and green bonds. As the latter is more of a concept than a specific investment class, we use the Green Bond Principles (GBP) from ICMA as guiding principles for our investments. We are well advanced in meeting our publicly committed investment target for green bonds of at least USD 1.5bn.

Being a responsible investor

OVERALL INVESTMENT PORTFOLIO

USD 131.7 bn, as of 31 December 2017



- 4 % Cash and cash equivalents
- 4 % Short-term investments
- 41 % Government bonds
- 36 % Credit
- 5 % Equities¹
- 3 % Mortgages and other loans
- 7 % Other investments incl. policy loans

¹Includes equity securities, private equity and Principal Investments

In our 2017 Financial Report, we further disclose information on our climate change-related investment risk exposure (pages 138–151).

Exclusion

We apply a number of pre-defined criteria and qualitative standards that may lead to the exclusion of a company or a country from our investment scope if they do not meet these criteria and qualitative standards.

Swiss Re's Group Sustainability Risk team develops and updates the Group-wide exclusion lists of countries and companies based on the Sustainability Risk Framework. Further information is available at:

media.swissre.com/documents/Sustainability_Risk_Framework_Brochure_en.pdf

In order to mitigate the risk of stranded assets in light of an accelerating transition to a low-carbon economy, we avoid investments in companies that generate 30% or more of their revenues from thermal coal mining or that use at least 30% thermal coal for power generation.

Responsible investment governance framework

Our Asset Management runs under a well-defined framework. Strong governance is key to bringing ESG considerations into the investment process in a structured and controlled way. Our approach to responsible investment is based on clear principles, procedures and responsibilities.

The Swiss Re Responsible Investing Policy defines our approach to responsible investing, specifies roles and responsibilities in the organisation, implementation and monitoring of ESG criteria in the Group's investment portfolio.

The policy is reviewed periodically and updated if required. It is complemented by the Swiss Re Asset Management Voting Policy, which provides guiding principles that apply to all our voting activities.

Swiss Re's Head Responsible Investing (Head RI) develops and coordinates the implementation of the ESG strategy within the unit. As part of this role, the Head RI steers the ESG Advisory Board, a committee formed by representatives of all investment units, as well as Legal, Compliance and Group Risk Management. The ESG Advisory Board reports on responsible investment activities in the various investment units, develops and reviews improvement ideas, shares knowledge and monitors implementation progress.

The Asset Management Investment Committee reviews and discusses Swiss Re's responsible investment approach and advises the Group Chief Investment Officer on related decisions and improvements.

The overall responsibility for our ESG approach lies with the Group Chief Investment Officer who signs off investment decisions within the Group's Strategic Asset Allocation.

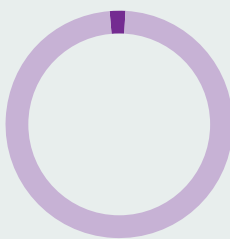
How we engage

Voting

We believe that ESG considerations, especially good corporate governance and transparency towards shareholders, are key drivers for sustainable value creation. We recognise our shareholder rights and responsibilities as an integral part of our commitment to responsible investment. We review our constitutive voting principles periodically to keep them aligned with best practice.

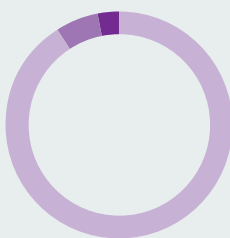
In the case of internally managed equities, we make use of our influence as a responsible shareholder by directly exercising our voting rights. For the externally managed portfolios, we work with the relevant portfolio managers to execute our proxy votes and related engagement activities.

OUR VOTING ACTIVITIES IN 2017



- 98 % Votes cast
- 2 % No votes cast

OUR VOTING BEHAVIOUR IN 2017



- 91 % Voted with management
- 6 % Voted against management
- 3 % Abstained



Because of their long-term view, institutional investors such as re/insurers are naturally suited to focus on responsible investing. There are still various hurdles on the way towards a broadly accepted, standard approach to integrating ESG into the investment process. Close collaboration between the private and public sectors would help to overcome these obstacles and contribute to a more resilient world.

media.swissre.com/documents/ZRH-17-11623-P1_Responsible%20Investments_WEB.PDF

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

In 2017, we exercised 98% of our voting rights of our listed equity portfolio.² We voted on 4 923 voting items through our external managers. We voted in line with the respective management resolution recommendation in 4 504 cases (91%) and against it in 295 cases (6%). In 124 cases (3%), we abstained 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.

Promoting responsible investing

Shifting the large institutional asset base towards sustainable investments would mark a big step forward in making the world more resilient. Swiss Re's brand promise "We're smarter together" is also applicable to responsible investing: We interact with policymakers and other market participants to promote ESG considerations in the investment process, for example with a keynote speech held by our Group CIO at the CFA/PRI event in New York in late 2017.

As an active member of the OECD's long-term investor network, we also engage in the development of policy proposals with regard to sustainable infrastructure and ESG.

Knowledge sharing is another key aspect of promoting responsible investments. We offer all Asset Management employees various internal ESG training opportunities to ensure consistent know-how across the board. Furthermore, we are in an ongoing dialogue with other industry participants to develop ESG as a standard investment approach.

² We vote in all countries, with the exception of a few where voting process and regulatory obligations require a high level of administrative coordination.

To provide further insights on our switch to ESG benchmarks, we launched the publication "Responsible investments – Shaping the future of investing" in 2017. It shares our experience and methodologies relating to further promoting the development of best practice frameworks (see box on the left).

Swiss Re first formalised its commitment to responsible investing in 2007 by signing the UN Principles for Responsible Investment (PRI). In 2012, we signed the Principles for Sustainable Insurance (PSI), a further step to formally endorse our commitment to corporate responsibility. Both the PRI and PSI are taken into account within our comprehensive responsible investment framework. All PRI signatories are required to provide in-depth reporting on their responsible investment activities. For the second time in a row, we received the highest score for our overarching ("Strategy and Governance") approach to responsible investing in 2017. The reports are available on the PRI website at www.unpri.org/signatory-directory/

Our consistent integration of ESG criteria resulted in an award in the category "Best ESG Programme" at the 2017 Institutional Investor Swiss, German & Austrian Peer-to-Peer Awards.

We also became a member of the ICMA Green Bond Principles in 2017. This reflects our view that the industry needs a more standardised responsible investing market environment with agreed definitions, standards, methodologies and best practices to move the long-term investor base further towards systematic ESG integration.