Ensuring good corporate governance and compliance

Our governance standards and procedures apply throughout the Swiss Re Group.

Corporate governance

Our Board of Directors closely monitors corporate governance developments globally, with a particular focus on trends in Switzerland, the US and the European Union. Institutional investors, in particular, are increasingly focused on greater transparency and greater accountability to shareholders on a broad range of corporate governance issues. Expectations of boards are shifting considerably, with the clearest example being the increased demands of shareholders for more meaningful and more frequent engagement with management and boards of directors. A key trend in engagement efforts is in the area of environmental, social and governance (ESG) matters.

Our Board of Directors is in a regular dialogue with our shareholders and welcomes the valuable feedback on our governance framework.

In our Corporate Responsibility Report, we highlight key elements of Swiss Re’s corporate governance, in particular with respect to its structure, the independence of the Board of Directors, conflicts of interest procedures and shareholder rights.

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**SWISS RE’S CORPORATE GOVERNANCE ADHERES TO**

- the SIX Swiss Exchange’s Directive on Information Relating to Corporate Governance (including its annex) of May 2018;
- the principles of the Swiss Code of Best Practice for Corporate Governance (Swiss Code) of September 2014, issued by economiesuisse, the Swiss business federation; and
- the Swiss Financial Market Supervisory Authority (FINMA) provisions on corporate governance, risk management and internal control systems.

Swiss Re’s corporate governance furthermore complies with applicable local rules and regulations in all jurisdictions where it conducts business.

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**CONTENT IN THE 2018 FINANCIAL REPORT**

Comprehensive information on Swiss Re’s corporate governance is available in the 2018 Financial Report on pages 98–141.
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Swiss Re’s corporate governance framework
Swiss Re Ltd’s Board of Directors has the ultimate responsibility for the success and for delivering the sustainable interests of Swiss Re Ltd (SRL) and the Swiss Re Group within a framework of effective and prudent controls. It is responsible for the overall direction, supervision and control of SRL and the Group. It has delegated the management of SRL and the Group to the Group Executive Committee (Group EC). This structure maintains effective mutual checks and balances between these top corporate bodies.

SRL’s Articles of Association (AoA) define the legal and organisational framework of SRL as the Group’s holding company. The SRL Bylaws define the governance framework of SRL and the Group, including the responsibilities and authorities of the Board of Directors, Chairman, Vice Chairman, Lead Independent Director, Board committees, Group EC, Group CEO and of the other individual Group EC members including the Regional Presidents, as well as the relevant reporting procedures.

As determined by applicable law and the AoA, the Board of Directors has inalienable and nontransferable responsibilities and authorities. The Board of Directors has established five Board committees, which support the Board in fulfilling its duties. The Board of Directors has delegated certain responsibilities, including the preparation and execution of its resolutions, to the Chairman’s and Governance Committee, the Audit Committee, the Compensation Committee, the Finance and Risk Committee and the Investment Committee.

Independence of the Board of Directors and conflicts of interest procedures
The SRL Bylaws stipulate that at least three quarters of the members of the Board of Directors must be independent. Independence is defined in line with best-practice corporate governance standards. To be considered independent, a Board member may not be, and may not have been in the past three years, employed as a member of the Group EC, or by any subsidiary of the Swiss Re Group or may not have a material relationship with any part of the Swiss Re Group (either directly or as a partner, director or shareholder of an organisation that has a material relationship with the Swiss Re Group) other than serving as an independent board member in any subsidiary. In addition, the Board of Directors agrees on other criteria that disqualify a Board member from being considered independent, taking into consideration provisions of applicable law, regulations and best practice.

In particular, each of the Board members must annually confirm that he or she has not been employed by the company in any capacity within the last five years; has not accepted or has a family member who accepted any payments from the company or any subsidiary of the company in excess of USD 60 000 during the current fiscal year or any of the past three fiscal years; is not a family member of an individual who is, or during the past three years was employed by the company or by a subsidiary of the company in any capacity; is not (and is not affiliated with a company that is) an adviser or consultant to the company or a member of the company’s senior management; is not affiliated with a significant customer or supplier of the company; does not have any personal services contract(s) with the company or a member of the company’s senior management; is not affiliated with a not-for-profit entity that receives significant contributions from the company; has not been a partner or employee of the company’s external auditor during the past three years and that he or she does not have any other conflict of interest that the Board of Directors determines to mean he or she cannot be considered independent.

All the members of the Board of Directors meet our independence criteria with the exception of our Chairman. As a full-time Chairman, he is not considered independent. In addition to the independence criteria applicable to Board members in general, additional independence criteria apply for members of the Audit Committee.

The members of the Board of Directors are also subject to procedures to avoid any action, position or interest that conflicts with an interest of SRL or the Swiss Re Group or gives the appearance of a conflict. Each member must disclose any conflict of interest relating to a matter to be discussed at a meeting, as soon as the member becomes aware of the conflict, to the Chairman. The respective member must not participate in the discussion and decision-making involving the interest at stake. The Chairman informs the Board of Directors of the existence of the conflict and it is reflected in the meeting minutes. Each member must disclose any conflict of interest generally arising to the Group Chief Legal Officer or in his absence to the Group Chief Compliance Officer in line with the standards and procedures set forth by the Personal Conflicts of Interest Instructions.
**Shareholders’ participation rights**

**Shares**
All shares issued by SRL are fully paid-in registered shares, each with a par value of CHF 0.10. Each share carries one vote. There are no categories of shares with a higher or limited voting power, privileged dividend entitlement or any other preferential rights, nor are there any other securities representing a part of SRL’s share capital. SRL cannot exercise the voting rights of treasury shares.

**Voting right restrictions, statutory group clauses and exception rules**
There are no voting right restrictions and no statutory group clauses (other than the limitations on nominee registrations) in place. Therefore, there are no procedures or conditions for cancelling restrictions and no rules on making exceptions to them. Accordingly, no such exceptions were granted in 2018.

**Statutory rules on participating in the General Meeting of shareholders**
Owners, usufructuaries or nominees entered in the share register as having voting rights on a specific qualifying day determined by the Board of Directors are entitled to one vote per share held at the General Meeting of shareholders.

SRL’s Articles of Association allow any shareholder with voting rights to have his or her shares represented at any General Meeting of shareholders by another person authorised in writing or by the Independent Proxy. Such representatives need not be shareholders.

Business firms, partnerships and corporate bodies may be represented by legal or authorised representatives or other proxies, married persons by their spouses, minors and wards by their guardians, even though such representatives are not shareholders.

**Changes of control and defence measures**
SRL has not put in place any specific measures to defend against potential unfriendly takeover attempts. SRL’s AoA neither contain an “opting up” nor an “opting out” provision. The Board of Directors believes that the company’s best protection is a fair valuation of its shares, and that the efficiency of a free market is preferable to artificial obstacles, which can have a negative impact on the share price in the long term.
Ensuring good corporate governance and compliance

Compliance: Code of Conduct

Our Code of Conduct (Code) is one of the key documents governing the management of risks and driving the culture within our company. It sets the framework and defines the basic compliance and integrity principles we adhere to globally. The Code is built on the five Swiss Re values, which guide us in making responsible decisions and achieving results using the highest ethical standards: integrity, team spirit, passion to perform, agility and client centricity.

The Code also offers practical guidance and examples for deciding the appropriate course of action and solving ethical dilemmas. It further sets out how all employees should react when they observe a possible breach of the principles in the Code. All employees are obligated to uphold both the letter and spirit of the Code, policies, standards and the Group’s corporate governance principles in their daily business activities, and to respect and obey applicable laws and regulations in all jurisdictions where we do business.

We regularly review and update the Code to reflect changes in regulations and principles. The Code was overhauled in 2016 to include real-life examples and clearer guidance for day-to-day business situations. In 2018, updates were made to the Code including an update to reflect Swiss Re’s commitment to diversity and inclusion.

The Code is supported by detailed policies and standards that document Swiss Re’s requirements in line with applicable laws and regulations. It is available to our employees in eight languages: English, French, German, Italian, Japanese, Portuguese, Slovak and Spanish.

Our responsibility towards our business partners and society
- Bribery and corruption
- Data protection
- Inside information
- Fair competition
- International trade controls and economic sanctions
- Licensing and permanent establishment
- Money laundering
- Sustainability and human rights

By adhering to the highest standards, we ensure behaviour across the Group that is compliant and demonstrates integrity.
Below we present additional information on some key topics in the Code:

**Bribery and corruption**
The Code addresses our position on bribery and corruption. It clearly states that "we conduct business fairly without accepting or offering benefits intended to improperly influence decision-making".

The Code is supported by our Global Policy on Financial Crime and our Global Standard on Anti-Bribery and Corruption, which emphasise that bribery, facilitation payments and hospitality where the giver is not present are always prohibited. For gifts, hospitality, sponsorships and charitable contributions, the policy and standard specify the correct procedures to be followed, including dealing with public officials and requesting approval in the gift and hospitality register.

**Data protection**
We could not work successfully with our business partners, clients and individual consumers around the world without maintaining their trust regarding the data they provide to us. The Code highlights that we need to handle personal data with the greatest care and use it only for legitimate business purposes.

Our Data Protection Compliance Framework, with a global policy as well as local standards, addresses our commitment to protecting personal data and respecting privacy rights across our operations. We use internationally recognised data protection and privacy principles that ensure compliance with a complex and constantly changing set of laws and regulations, and we provide proper training and awareness sessions to our employees. Procedures for reporting security incidents and notifying on data breaches are established.

**We also contribute thought leadership on data protection by conducting expert sessions during insurance industry events and by hosting events through the Swiss Re Institute that look at the future of regulations, new technologies, digitalisation, cross-border data processing, big data and innovation in life and health insurance. We offer additional information about our global data protection and privacy approach on our public website.**

**Whistleblowing**
Swiss Re is strongly committed to maintaining a culture in which employees feel free to voice their concerns and report suspected misconduct. Accordingly, Swiss Re explicitly prohibits any retaliatory action be taken against employees who report suspicions of misconduct in good faith.

There are several ways in which alleged violations of the Code can be reported, both by internal and external sources. For our employees, the options are described in the Code and include an external, independently operated whistleblowing hotline, which can be used anonymously (where legally permitted). Our whistleblowing hotline is also available to externals via our public website. The hotline includes translation services into numerous languages and is available globally.

All investigations of alleged Code violations involving either an employee or external contractor are handled by the Investigation Coordination Process (ICP). ICP, managed by the Compliance function, serves as a central coordinating unit across all Swiss Re offices globally and ensures that all investigations are handled in a consistent and fair manner. If, following an investigation, the allegations are substantiated, ICP will issue recommendations regarding any appropriate disciplinary or non-disciplinary actions that should be taken and oversees the actions to ensure fairness and consistency across the Group.

Misconduct cases are systematically presented and discussed with executive management, as well as with legal entity boards as part of the reports to board audit committees. In 2018, ICP cases reflected the following indicators:

- The predominant channels for reporting ICP cases were through internal reporting directly to the Compliance department, line managers and members of the Human Resources team that were referred to ICP.

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**WEBSITE**
Ensuring good corporate governance and compliance

- The large majority of ICP cases were related to theft of company property and misappropriation of assets through fraudulent acts;
- In total, 65% of investigated cases of alleged misconduct were confirmed with respect to one or more of the allegations in question;
- Disciplinary actions from substantiated investigations have been taken in 60% of the cases. The relatively low percentage of such actions should not be considered on a de-facto basis as an indication of weakness in culture. It is important to note that each investigation is fact- and circumstance-specific. There are certain criteria where disciplinary actions are generally delivered, eg where existing employees are found to have engaged in intentional misconduct. However, situations involving unintentional breaches will be considered substantiated, but may not result in disciplinary action.

Training
All new permanent and temporary employees joining Swiss Re must undergo mandatory eLearning training on the Code, focusing on ethical behaviour in accordance with the principles of the Code and its relationship to Swiss Re’s values. Completion of the training is tracked and instances of non-completion are escalated until resolution.

All permanent and temporary employees also complete a periodic Code of Conduct Acknowledgement.

We deliver global eLearnings to remind and increase understanding of our key compliance risks and policy requirements. Last year, global eLearnings were delivered on Data Protection and International Trade Controls and Economic Sanctions. We also conducted global eLearnings for all our employees on the following compliance risks over the period from 2015 to 2018:
- Anti-bribery and corruption
- Anti-money laundering and terrorist financing
- Conflicts of interest
- Data protection
- Fraud

In addition, local compliance officers regularly provide needs-based training on compliance risks tailored to their respective locations and/or areas of business.

Training on Code topics falling outside the Compliance mandate is managed similarly by the responsible functional areas.

In 2017, we enhanced the mandatory training escalation process for all Compliance Group-wide eLearnings to enable timely completion of assignments. Employees not complying with their mandatory eLearning assignments on time without valid reasons are subject to potential disciplinary action. For 2018 we achieved over 99% completion of all mandatory eLearning assignments including new hire and refresher training.

Validity for third parties
Third parties representing Swiss Re – such as consultants, intermediaries, distributors and independent contractors – should be carefully selected and need to comply with the Code and relevant policies. When we work with such third parties, we provide them with information about the relevant requirements and, in the event of any infringements, take appropriate action, up to and including terminating a contract.

Policy governance
A Policy Management Tool serves as a central place for finding Swiss Re policies and standards. Eight Global Policies contain more detailed principles all employees have to be aware of, supporting the principles set out in the Code. Where necessary, underlying Global Standards are in place to provide additional detail on the specific requirements.