Being a responsible investor

We are convinced that integrating environmental, social and governance (ESG) considerations into our investment portfolio makes economic sense. Our Responsible Investing strategy is based on the three strategic cornerstones Enhancement, Inclusion and Exclusion.

"We make the world more resilient" is Swiss Re's vision. More than ten years ago, our Asset Management unit embarked on a journey to not only 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 been contributing to the Group's vision.

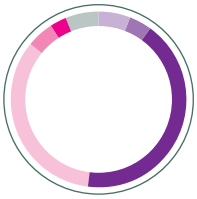
In 2017, we reached a key milestone on this journey. As one of the first re/insurance companies, we integrated ESG benchmarks into our investment portfolio, which was a significant step forward from considering ESG as an "add-on" approach only. Two years later, we are even more convinced that taking ESG criteria into account has a positive impact on the performance of our investment portfolio in the long term. Reflecting this, we further refined our Responsible Investing strategy and made new commitments in 2019. Most notably, we acted as a founding partner of the UN-convened Net-Zero Asset Owner Alliance (www.unepfi.org/net-zero-alliance/), committing to transitioning Swiss Re's investment portfolio to net-zero greenhouse gas (GHG) emissions by 2050.

Our Responsible Investing strategy

Asset-liability management (ALM) continues to be the foundation of our investment philosophy. 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 the majority of our portfolio in higher-quality fixed income securities with stable long-term returns. At the end of 2019, such investments accounted for 79% of our total assets under management[1] (see graph below).

Including ESG criteria along the investment process makes economic sense, especially for long-term investors, as it improves risk-adjusted return profiles and reduces downside risks. Our Responsible Investing strategy relies on the three cornerstones Enhancement, Inclusion and Exclusion, of which Enhancement is the most meaningful for Swiss Re.

Overall investment portfolio
USD 134.5 bn, as of 31 December 2019



- **6%** Cash and cash equivalents
- **4%** Short-term investments
- **42%** Government bonds
- **34%** Credit bonds
- **5%** Equities*
- **3%** Mortgages and other loans
- **6%** Other investments (incl. policy loans)

* Includes equity securities, private equity and Principal Investments

Website

Learn more about our approach to responsible investing at: **www.swissre.com/responsible-investing**

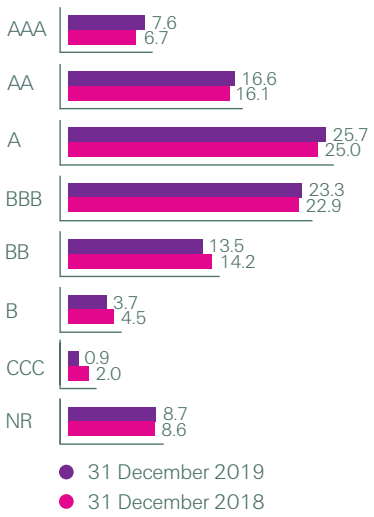
1 Asset classes considered are government bonds, credit bonds, and mortgages and other loans.

Swiss Re's approach to responsible investing

Enhancement	Inclusion	Exclusion
Consistent integration of ESG criteria	Focus on themes and create related mandates, such as green bonds, renewable or social infrastructure	Exclusions based on internal sustainability risk assessments, such as thermal coal

Systematic integration of ESG considerations along investment process and into portfolio

ESG rating distribution across our corporate credit and listed equities portfolio in %



Enhancement
Enhancement refers to the systematic integration of ESG criteria along the entire investment process, from the Strategic Asset Allocation (SAA) to monitoring and reporting. Today, close to 100% of our SAA considers ESG aspects.

With a share of 42% of total assets under management at the end of 2019, government bonds (incl. agency) constitute the largest holding within our investment portfolio. We have been successfully applying a minimum ESG rating threshold of BB for investments within this relevant asset class for several years (see overview on page 45). Any potential exception to the minimum rating would be driven by ALM considerations.

As part of our active risk management, we announced in 2017 that we had switched to ESG benchmarks consisting of better-rated companies from an ESG perspective for our actively managed listed equities and corporate credit portfolios. Limited leeway for deviations is given, whereby such investments are required to have either a positive ESG trend or provide compensation for the underlying ESG risk (see overview on page 45). The implementation of these benchmarks 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 threshold is applied to our mandates.

At the end of 2019, approximately 45% of our investment portfolio was managed externally, and more than 98% of those assets were managed by signatories to the Principles for Responsible Investment (PRI, www.unpri.org/). We work closely with our external managers to ensure they consider ESG and climate-related aspects in their investment processes. Before external managers are appointed, we perform thorough due diligence on them to confirm their compliance with our responsible investing principles. This includes a review of the managers' ESG considerations in their investment decisions and monitoring, as well as of their commitment to responsible investing. After they have been mandated, the managers' individual performances are monitored in line with the Swiss Re Responsible Investing Policy and measured against ESG-related benchmarks. The managers are required to report regularly on their responsible investment activities.

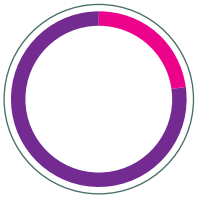
By consistently applying these prerequisites, we were able to further improve the ESG profile of our portfolio throughout the year, as shown in the graph on the left.

In recognition of our stringent Responsible Investing strategy, in 2019 we were selected to the PRI Leaders' Group on asset owners' selection, appointment and monitoring of external managers in listed equity and/or private equity.

For our real estate portfolio, we focus on certified buildings, such as the MINERGIE® standard (www.minergie.ch/) in Switzerland, or the world-wide known Leadership in Energy and Environmental Design certification (LEED, www.usgbc.org/leed). By the end of 2019, the value of our MINERGIE®-certified buildings reached USD 0.4 billion or 23% of our Swiss portfolio.

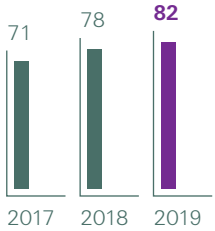
Furthermore, through our externally managed portfolio we predominantly invest

Swiss real estate portfolio



- **23%** MINERGIE®-certified
- **77%** No certification

GRESB Score Development



in the Australian, UK and US real estate markets, reaching a total size of USD 2.1 billion by the end of 2019.

In the US, the investment managers' approach to sustainability includes the "GreenGuide: Sustainable Property Operations", a best-practice guideline for sustainable and efficient real-estate operations; ULI GreenPrint Foundation (americas.uli.org/research/centers-initiatives/greenprint-center/), a global environmental management platform; and the LEED certification from the U.S. Green Building Council. We also benchmark the portfolio against GRESB (gresb.com/), an industry-driven organisation transforming the way capital markets assess the ESG performance of real assets. It outperformed the GRESB average of 72/100 with a score of 82/100.

In Australia and the UK, the investment managers' approach to sustainability includes the National Australian Built Environment Rating System (NABERS, www.nabers.gov.au/) rating scheme and the BREEAM (www.breeam.com/) certification framework, respectively.

Inclusion

Thematic investments are an ideal way to tackle specific sustainability topics. We mainly target investments that contribute to a low-carbon economy and facilitate the mitigation of climate change. An effective way to do this is by investing in infrastructure renewables and green bonds. For the latter we use the Green Bond Principles (GBP) issued by the International Capital Market Association (ICMA, www.icmagroup.org/) as guiding principles for our investments. We were holding USD 1.8 billion in green bonds as of year-end 2019.

To further expand our thematic investments, we also include social and sustainability bonds in our allocation, investing in bonds whose use of proceeds helps tackle the challenges faced by underserved groups or populations. This enables us to embrace positive social impacts as an additional thematic focus. For social bonds we use the Social Bond Principles (SBP) and for sustainability bonds the Sustainability Bond Guidelines (SBG) issued by the ICMA as guiding principles for our investments. Overall, we increased our target for our green, social and sustainability bond mandate to USD 4 billion, to be achieved by the end of 2024.

Inclusion is one of three cornerstones of our Responsible Investing strategy. Our thematic investments include social infrastructure projects such as hospitals, student dorms and affordable housing.

Infrastructure is an attractive asset class for our investment portfolio given its credit quality and inherent liquidity premium. Our infrastructure investments are assessed against a catalogue of ESG parameters to evaluate the underlying sustainability risk.

- 13% of our infrastructure investments are allocated to renewable energy such as wind farms and solar panels.
- 21% of our infrastructure investments are allocated to social infrastructure such as hospitals, student dorms or affordable housing projects.

In our 2019 Financial Report, we disclose further information on our climate change-related investment risk exposure (pages 151–167).

In the context of our Inclusion approach, we also measure our real-world impact and align it to the Sustainable Development Goals (SDGs, sustainabledevelopment.un.org/). As part of our Responsible Investing strategy, we mainly focus on the five SDGs shown in the graph below.

Exclusion

Swiss Re's approach to Exclusion is based on our Group-wide Sustainable Business Risk Framework. This advanced risk management tool sets company-wide criteria for what we consider as acceptable business and which may thus lead to the exclusion of a company or a country from our investment scope. Swiss Re's Sustainability Risk Management team is responsible for reviewing and updating the framework on a regular basis. Further information is available in this report on pages 35–37. Additionally, we consider the way companies conduct their business by screening their alignment with the ten principles of the UN Global Compact (www.unglobalcompact.org/).

To mitigate the risk of stranded assets in the light of the accelerating transition to a net-zero GHG 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. We have also divested from companies with more than 20% revenues from oil sands operations. Further strengthening our efforts, we introduced an absolute coal threshold in 2019: We are committed to not investing in mining companies that produce at least 20 million tonnes of coal per year and in power utility generators with more than 10 gigawatts of installed coal fire capacity.

For further information on how we manage climate risk in our investment portfolio, please read our Climate-related financial disclosures published in the 2019 Financial Report (pages 151–167).

Content in the 2019 Financial Report

For more information, see our Climate-related Financial Disclosures, pages 151–167.

Our thematic investments support the SDGs

As of 31 December 2019

Overview of ESG considerations in Swiss Re's investment portfolio

		Enhancement	Inclusion	Exclusion
Government bonds	• Investment universe requiring ESG ratings BB and better, taking ALM considerations into account • Green, social and sustainability bond mandate considering ICMA Principles and/or Guidelines	● ● ●	● ● ●	● ● ●
Credit	• Active mandates benchmarked against ESG BB and Better index with limited leeway to deviate from the benchmark • Reinvestment universe of buy-and-hold mandates restricted to ESG rating BB and better • ESG inclusion in infrastructure loans	● ● ●	● ●	● ● ●
Listed equities	• Active mandates benchmarked against MSCI ESG Leaders indices restricted to BB and better	● ● ◖		● ● ●
Private equity	• New investments are only made into Private Equity funds that adhere to ESG guidelines • Swiss Re reviews ESG performance and compliance for each potential investment	● ◖	●	● ● ◖
Real estate	• Benchmarked against different sustainability standards depending on the location of the property (Minergie® standard, LEED certification, GRESB scoring, NABERS rating, BREEAM certification)	● ●	●	● ● ●

● ● ● The number of points reflects the level of ESG integration for the respective asset class.

Responsible investing governance framework

Our Asset Management operates within a well-defined framework. Strong governance is key to including ESG considerations along the investment process in a structured and controlled way. Our Responsible Investing strategy is based on clear principles, procedures and responsibilities consistent with Swiss Re's Code of Conduct and formal commitment to sustainability.

The Swiss Re Responsible Investing Policy describes our approach, specifies roles and responsibilities in the organisation, and defines implementation and monitoring standards for 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 and Engagement Policy, which provides guiding principles that apply to all our voting and engagement activities and is consistent with regulatory developments such as the Shareholder Rights Directive 2017/828 (SRD II). It rounds off the integration of our Enhancement approach and specifically expresses our commitment to our role as an active shareholder.

Swiss Re's Head Responsible Investing (Head RI), with support of a dedicated team, develops and coordinates the implementation of the Responsible Investing strategy within the unit. As part of this, 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 SAA&Markets Committee reviews and discusses operational decisions related to Swiss Re's Responsible Investing strategy and advises the co-heads SAA&Markets on related decisions and improvements. The Asset Management Investment Committee reviews and discusses strategic decisions and improvements related to Swiss Re's Responsible Investing strategy and advises the Group Chief Investment Officer (Group CIO) on them.

The overall responsibility for our Responsible Investing strategy lies with the Group CIO, who signs off investment decisions within the Group's Strategic Asset Allocation.

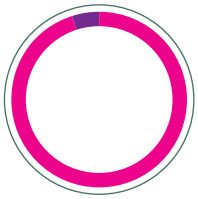
How we engage

Voting and engagement
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 investing. To reflect this pledge in our voting and engagement behaviour, we have defined principles in our Asset Management Voting and Engagement Policy and will report on them going forward (see: www.swissre.com/voting-and-engagement-overview). We review our constitutive voting and engagement 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 and engaging with companies in which we are invested. For externally managed portfolios, we work with the relevant portfolio managers to execute our proxy votes and related engagement activities.

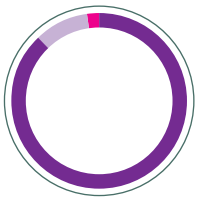
We review the voting policies of external managers during the due diligence process to confirm compliance with our policy. In addition, external managers are required to report on voting and engagement activities conducted on Swiss Re's behalf.

Our voting activities in 2019



- **95%** Votes cast
- **5%** No votes cast

Our voting behaviour in 2019



- **88%** Voted with management
- **10%** Voted against management
- **2%** Abstained
- **0%** Votes withheld

In 2019, we exercised 95% of our voting rights of our listed equity mandates. We voted on 6 536 voting items through our external managers. We voted in line with the respective management resolution recommendation in 5 716 cases (88%) and against it in 683 cases (10%). In 131 cases (2%), we abstained from voting. The remaining votes were withheld.

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 in line with their 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. As an example, we contribute to the European Commission's Technical Expert Group on Sustainable Finance and specifically participate in the development of climate-transition and Paris-aligned benchmarks and of ESG reporting needs for benchmarks. As an active member of the OECD's long-term investor network, we also engage in the development of policy proposals regarding sustainable infrastructure and ESG. Furthermore, as part of relevant industry organisations we shape and advise on sustainable financial market developments in Switzerland.

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

In this context, we hosted the "Sustainability Leadership Series– Responsible investing in practice" conference in September 2019. The event featured expert speakers as well as panel sessions and served as a platform to share first-hand insights on the implementation of responsible investing strategies, discuss policy developments and look at the latest trends in stewardship across a fast-evolving market. You can find more information about the event on page 54.

In 2019, we also launched the brochure Responsible Investing – Our approach, which provides an update on the implementation of our Responsible Investing strategy and outlines our most recent commitments: www.swissre.com/ri-our-approach.

We first formalised our commitment to responsible investing in 2007 by signing thePrinciples for Responsible Investment. In 2012, we signed the Principles for Sustainable Insurance (PSI, www.unepfi.org/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 investing framework. All PRI signatories are required to provide in-depth reporting on their responsible investment activities. Our Transparency Report is available on the PRI website.

We have once again been recognised by the PRI for our thought leadership in the field of responsible investing, achieving our best-ever rating and being nominated to the 2019 Leaders' Group (www.swissre.com/pri-leaders-group).

Being a member of the ICMA Green and Social Bond Principles since 2017 supports 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.

As we are determined to stay a leader in responsible investing and to continuously play a decisive role in making the world more resilient, we went one step further in 2019. To accelerate the transition to a low-carbon economy and to mitigate climate change, we co-founded the UN-convened Net-Zero Asset Owner Alliance. In this role, we committed to aligning our investment portfolio with the 1.5°C goal stated in the Paris Agreement by having a net-zero GHG emission investment portfolio by 2050.

We joined the global Science Based Targets initiative and will develop science-based emission reduction targets (sciencebasedtargets.org). Our commitment also includes advocating for and engaging on corporate and industry action as well as public policies for a low-carbon transition of economic sectors.

The UN-convened Net-Zero Asset Owner Alliance is an international group of institutional investors delivering on the commitment to transition their investment portfolios to net-zero GHG emissions by 2050. As of year-end 2019, the then 16 members represented nearly USD 4 trillion in assets under management. The Alliance shows united investor action to align portfolios with a 1.5°C scenario, addressing Article 2.1c of the Paris Agreement.
www.unepfi.org/net-zero-alliance/