

# SIA 2019 SUSTAINABILITY REPORT

Industry report on investment, operational ecology and underwriting

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# 1 Foreword

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The first Sustainability Report of the Swiss Insurance Association (SIA) is published in the midst of a period marked by the coronavirus crisis. At the time this report went to press, it was still impossible to predict how long this crisis would last and what sort of long-term impact it would have on the economy and our society. Although many things will be different than they used to be, not everything will change. Sustainability, in its various facets, is and will remain a prerequisite for a stable economy, a safe society and an environment that is worth living in – even after the crisis.

Swiss private insurers are important employers, taxpayers and investors at a national and international level. They take on risks that business and retail customers are not willing, or indeed able, to bear, allowing these customers to adopt a forward-looking approach to how they use their resources for the good of the economy and society alike. As a key driving force of the Swiss economic engine, Swiss private insurers bear economic responsibility, as is evidenced, among other things, by their clear commitment to sustainability and its gradual implementation in the insurance business. This report makes the efforts made by the industry to date in terms of investments, operational ecology and underwriting visible and verifiable to the outside world. It also allows the industry to take stock of what it has achieved to date and helps to ensure that the sustainability debate is as fact-based as possible.

Sustainability is anything but a novel concept for the insurance industry. The inclusion of sustainability aspects in risk assessment, drafting of insurance policies and loss prevention has been a firm part of the insurance business from day one. Insurers with global operations in particular became aware of the risks associated with climate change early on, forcing them to address the impact on the environment, society and the insurance business. This prompted the SIA's member companies to speak out

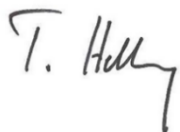
in favour of compliance with the Paris Agreement as early as 2016, and to lend their support to the Federal Council's associated CO<sub>2</sub> reduction targets. Many also participated in the first voluntary climate impact analysis conducted by the federal government for pension fund and insurance portfolios in 2017, and used this analysis to determine their own position.

In particular, public attention is focused on the sustainability of investments. As major institutional investors with a long-term investment horizon, Swiss private insurers aim to play a leading role in the effort to strike a balance between sustainability and returns, allowing them to achieve an economically relevant impact. This is an area in which Switzerland's private insurers enjoy a relatively comfortable starting position. As the insurance business is a long-term business by its very nature, it needs secure investments that can generate stable returns in the long run. As it is becoming increasingly apparent that sustainable investments meet these requirements well, there are no economic reasons against them. When selecting their investments, the SIA's member companies are committed to taking into account the sustainability criteria under the ESG (environment, social and governance) umbrella.

The SIA intends to publish a Sustainability Report every year and to increase its informational value on an ongoing basis. The report is testimony to our conviction that individual responsibility and voluntary action will remain the best prerequisites to ensure the sustainability of the economic cycle in the future. Sustainability is in the best interests of our own business. It does not need to be additionally dictated to us – not even after the coronavirus crisis, which has shown us the true extent of the state's regulatory powers when faced with an emergency. As a result, we gladly recall the intention that the Federal Council expressed before the crisis, namely that it planned to focus its efforts relating to sustainability in the financial

sector on subsidiarity and the market economy. Market economy and sustainability are not contradictory concepts – quite the contrary. They support each other when the overall conditions are right.

This is a path that we need to follow step by step.

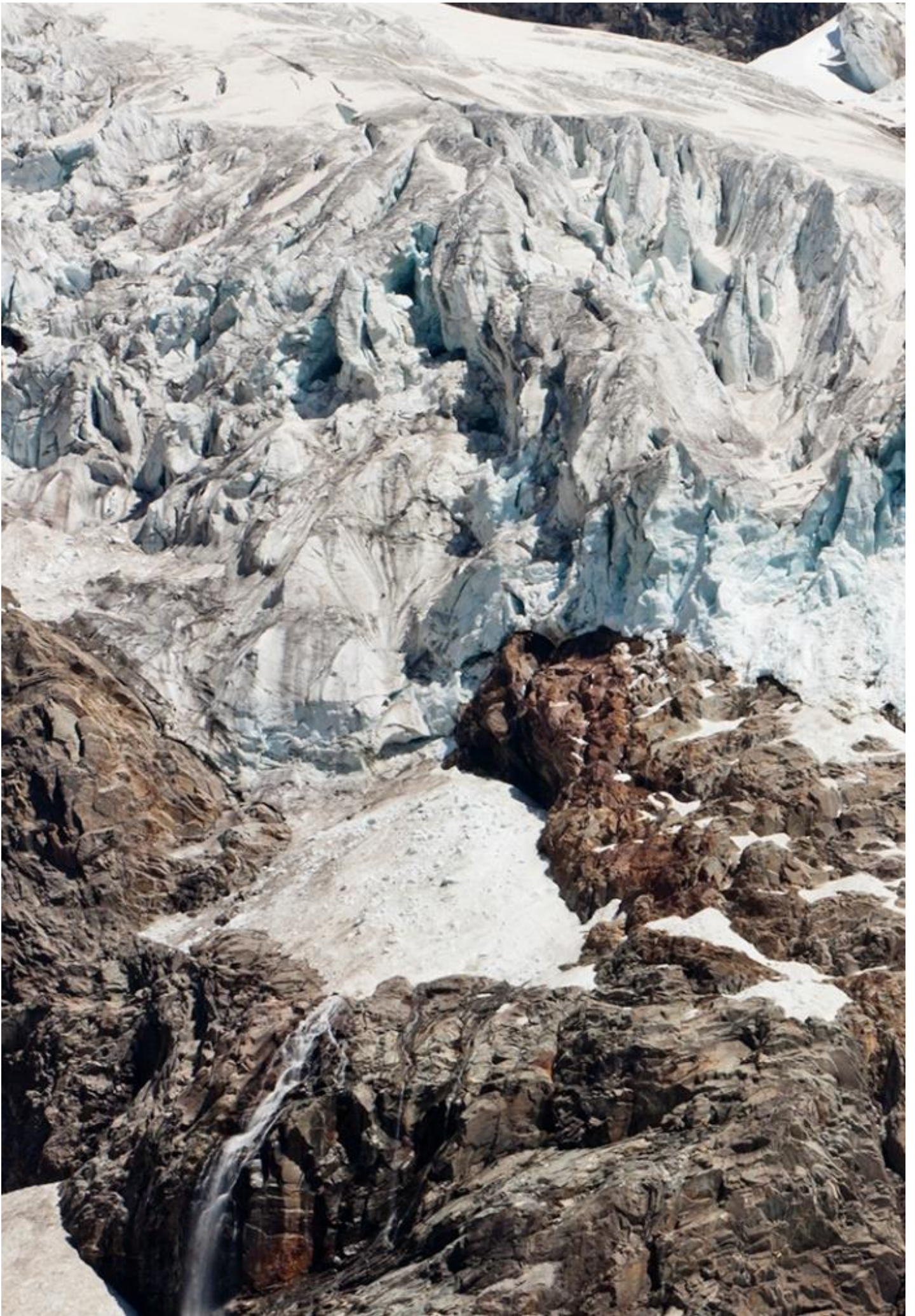
Handwritten signature of Thomas Helbling in black ink.

Thomas Helbling  
SIA CEO

Handwritten signature of Urs Arbter in black ink.

Urs Arbter  
SIA Deputy CEO







## 2 Management summary

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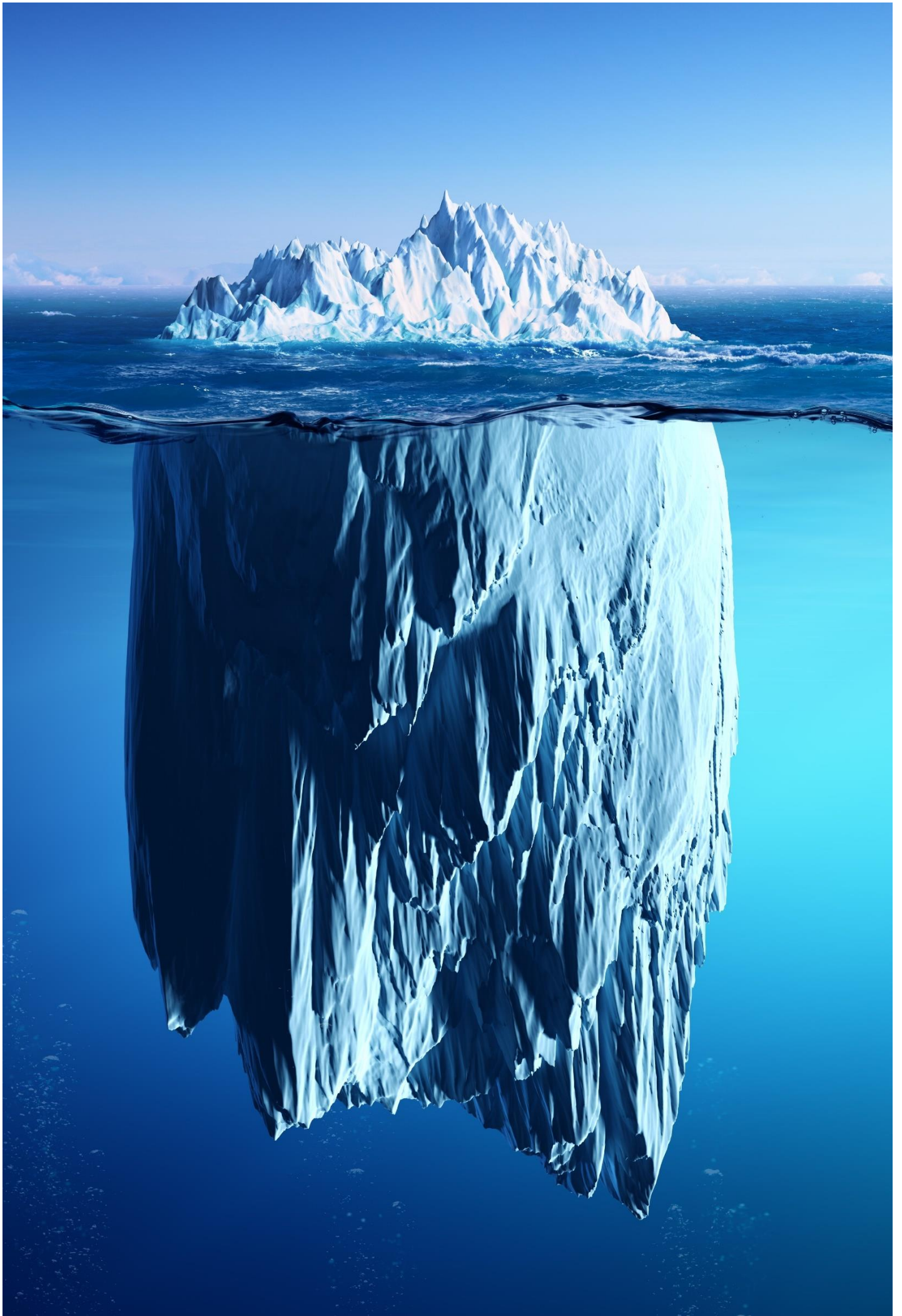
This is the first time that the Swiss insurance industry has reported on its commitment to sustainability in a joint report. The SIA Sustainability Report covers the areas of investment, operational ecology and underwriting. It is based on data supplied by 32 member companies of the Swiss Insurance Association (SIA). With their investments, these companies account for 94 per cent of all investment made by private insurers (a total of CHF 582 billion as at 31 December 2018; source: Finma).

When it comes to investments, the data reveals that in the year under review, 86 per cent of the investments managed by the reporting companies included ESG criteria when the investment decisions were made. ESG stands for Environmental, Social and Governance. These aspects are implemented primarily in the real estate, fixed-income securities, shares and alternative investment categories.

As an integral part of their sustainability efforts, sustainable and responsible resource allocation and appropriate action are part of operational management arrangements at a large number of member companies. This was the result of the survey in the area of operational ecology: 25 member companies prepare an internal ecological balance sheet and most also communicate it externally. As data for 2019 was not yet available, this Sustainability Report is based on data for 2017 and 2018. The figures reported point towards an improvement in the ecological balance sheet. In particular, energy consumption and CO<sub>2</sub> emissions per full-time equivalent were down in 2018 in a year-on-year comparison.

As no comparable pool of data exists in the area of underwriting, the Sustainability Report uses individual, specific measures to demonstrate the commitment of Swiss private insurers to sustainability in this area. Some insurers, for example, have already made the decision not to insure certain companies or entire technologies. Decisions are focused on exclusion of

CO<sub>2</sub>-intensive industries and projects. Another approach taken by individual insurers is to engage, or seek dialogue, with the individuals responsible at the insured companies: Insurers have defined conditions that the insured companies must meet and comply in order to avoid losing their insurance cover.





# 3 Sustainability as a key objective of the insurance industry

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The Swiss Insurance Association (SIA) has made the sustainability of its own activities a strategic focal point. This move comes not only because the insurance industry is one of the key forces driving the Swiss economy, but because sustainability has always been part of the DNA of the insurance business. This is why the SIA is making a targeted and publicly visible commitment with expertise founded on many years of experience – for the benefit of Switzerland and the insurance industry alike.

Although there are numerous definitions and interpretations of sustainability, essentially it compensates for the effective consumption of resources, which requires true-cost pricing. With attention to sustainability at all stages in its value chain, the insurance industry can make a significant contribution to creation of a liveable environment, a more responsible society and a more stable economy. Sustainability is a task that can be tackled only if society, politics and business join forces. Individual responsibility and voluntary action should be at the forefront of this quest. Voluntary action is particularly effective if sustainability is in one's own interest, as is the case in the insurance industry. The insurance business is long term by its very nature and is also heavily reliant on conditions at the business location, society and the climate.

The SIA defined 'sustainability' as a focal point of its Strategy 2020-2024. The following objectives can be derived from this:

- **A liveable environment, a stable economy and a safe society:** The SIA aims to strengthen cooperation with policymakers, administrative authorities and other key stakeholders. This is intended to promote extensive social action on environmental, social and governance matters. Progress will be communicated on a regular basis to ensure transparency.
- **Guidelines for ESG criteria:** The SIA wants to set out more specific ESG criteria in order to define recommendations for the insurance industry. It is

developing courses for action in terms of products, underwriting, claims and investments, offering support to member companies and promoting the transfer of expertise.

- **Lower CO<sub>2</sub> emissions and reduced global warming:** The SIA is committed to contributing to an economy that is low in greenhouse gas emissions and resilient to climate change. It supports the federal government's climate policy to achieve the objectives set out in the Paris Agreement.
- **Reduction of the consequences of global warming:** The SIA evaluates risk factors relevant to the industry and their impact. In the field of natural hazard insurance, it promotes and supports prevention projects to protect against natural hazards. The SIA intends to work closely with the federal government and private investors as part of this process. Switzerland's compliance with the Paris Agreement is a key element of this.
- **Enhanced pension provision and welfare:** In the interests of sustainability, the SIA is committed to a pension scheme based on a three-pillar system that remains sustainable and functional for future generations. Similarly, private supplementary health insurance, daily sickness benefit and accident insurance must be preserved as elements of social sustainability and safeguarded through further development.





## 4 Facts and figures on sustainability in the insurance industry

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### 4.1 Method and definition

This Sustainability Report allows for the first time general statements to be made on sustainability for the member companies of the Swiss Insurance Association. It covers three areas of the insurance industry: investment, operational ecology and underwriting.

As far as investment and operational ecology are concerned, the SIA used questionnaires to collect data from its member companies. The responses are self-declarations made by the member companies. This data enables quantitative statements to be made on the sustainably managed assets and the CO<sub>2</sub> figures of the member companies.

- The data was collected from mid-December 2019 to mid-January 2020. The reference date is 31 December 2019.
- Participation was voluntary.
- Of the 76 member companies, 32 companies (which manage 94 per cent of investments made in the private insurance industry) took part in the survey.
- Data is not communicated on individual companies<sup>1</sup>.

The market coverage of the participating companies allows statements to be made about the insurance industry as a whole. The results based on the data supplied are supplemented by qualitative statements on the efforts made by the industry.

No quantitative data was collected for the section on underwriting. In this respect, the performance of and measures taken by individual insurers serve as a basis for qualitative information on the insurance industry. This information is based largely on the sustainability reports and announcements published by the member companies. Specific case studies illustrate how certain aspects are implemented.

### Other activities

This report focuses on the activities described above. Member companies are also committed to the greater social and ecological good in other ways, using corporate foundations and sponsorship as outlets for their commitment to sustainable projects. Insurers offer their employees good working conditions and opportunities for further training, and actively promote their social and political commitment. Another topic important to the SIA is not included in the report: retirement provision. The SIA believes that providing for young and old is also part of sustainability. The risk that future generations will be left with more debt than benefits is considerable. This is why the SIA is committed to structuring pension provision in such a way that it too deserves the label of sustainability.

<sup>1</sup> Most member companies publish ecological balance sheets and report on their responsible investment activities on their websites.

## 4.2 Areas evaluated

### 4.2.1 Investment

Channelling capital into sustainable investment is a measure that can be implemented directly by insurers. As a result, the large global insurance groups in particular had started to manage their investments with due regard to sustainability, or realigning their portfolios as a whole, before 2019. In some areas, such as real estate, insurers have been placing particular focus on sustainability aspects in their investments for some time now.

In the autumn of 2018, the member companies of the SIA affirmed their commitment to taking ESG criteria into account when managing their own investments. ESG stands for Environmental, Social and Governance and refers to responsibility for the environment, social issues and corporate governance. A commitment to ESG means taking into account environmental and social issues and ensuring sound corporate governance. For the first time, the SIA has used a survey to collect data from its member companies on management of capital flows. A uniform data collection process is hindered by the lack of internationally or nationally valid or recognised guidelines used by all insurers across the board. As a result, the SIA based its analysis on the criteria used as standard practice in the market for sustainable investment.

In total, 32 member companies – and all large and medium-sized member companies – took part in the SIA survey. The reporting companies manage 94 per cent of investment made by the private insurance industry.

ESG criteria are included in the investment process for 86 per cent of this investment. The following figures were achieved in the main asset classes listed below:

- Real estate (90 per cent of the investment volume of the participating companies)
- Fixed income securities (86 per cent)
- Shares (82 per cent)
- Alternative investments (56 per cent)<sup>2</sup>

It is important to note that regulatory requirements for investments made by insurers are extremely restrictive, particularly for investment in infrastructure. Direct investment in facilities that produce renewable energy, for example, cannot be counted towards tied assets. This means that many insurers are severely restricted with regard to alternative investments, despite the fact that the industry is very interested in long-term and sustainable investments such as these in general.

The survey shows that the majority of participating insurers take sustainability criteria into account when deciding where to place capital. Other smaller insurance companies that are not yet able to report any figures for 2019 are in the process of reviewing their strategic position and focus on corporate responsibility. The SIA supports the transfer of knowledge in this area within its member companies.

#### 4.2.1.1 Consideration of ESG criteria

Of the 32 member companies participating in the survey, 25 applied ESG criteria to the investment decisions they made in 2019. The insurance companies use these criteria to arrive at an overall impression when making an investment decision. Exclusion criteria can be applied to all three aspects – environment, social and governance: If any of these criteria are breached, the decision is made not to invest. These criteria are set individually by the companies concerned.

There is a consistent focus on ecological responsibility (E – environmental): Climate (change) and (renewable) energy are central topics for all those companies that apply ESG criteria. Various insurers focus on investment to prevent environmental disasters and in the field of water management.

<sup>2</sup> The complex nature of these investments (hedge funds, etc.) makes it difficult to provide clear evidence of sustainability in each fund.



One widespread exclusion criterion relates to electricity supply companies at which the proportion of electricity generation attributable to coal (energy mix) exceeds a defined level (e.g. 30 per cent), or and mining companies in the coal mining sector.

Social responsibility is a slightly less firm feature of the ESG criteria applied in 2019, although the majority of companies that apply ESG criteria also take these criteria into account. The exclusion criteria focus primarily on human rights issues or, for example, internationally prohibited weapons. Other focal areas for individual companies include employment rights, health, food safety and vocational training (in that order).

Those insurers that look at social as well as ecological criteria focus on corporate governance. Some insurers also include diversity and a corruption ranking in their criteria.

#### 4.2.1.2 Themed investment

The SIA member companies were surveyed on thematic heavyweights in their sustainable investments. One or more companies mentioned the following topics to which they attach particular emphasis:

- Impact investing
- Investment in sustainable infrastructure (renewable energy production, green buildings, social infrastructure)
- Sustainability bonds (green bonds, social bonds, sustainability bonds)

Impact investing means companies try to influence the strategy of the companies in which they invest as shareholders. Research shows that this strategy is capable of achieving more than simply avoiding investment in certain industries. Investment in sustainable infrastructure is a way of contributing to the transformation of energy supply or building stock towards a sustainable and low carbon future. The various sustainability bonds vary slightly in their focus depending on their structure. Some companies focus more on socially equitable production methods, while others pay more attention to climate-friendly companies.

#### 4.2.1.3 Membership of organisations

Various global, national and regional organisations are dedicated to the promotion of sustainability, although their roots and motivations vary considerably. Dialogue via sustainability networks and the adoption of certain standards allow insurance companies to better understand the requirements and expectations – for example, environmental or social issues – and also to react more quickly to emerging challenges and changes.

Primarily, the larger Swiss insurers are involved in these organisations through membership and/or active mandates.

A non-exhaustive list includes:

##### International initiatives

- UNEP FI UN Environment Programme Finance Initiative, [www.unepfi.org](http://www.unepfi.org)
- Net-Zero Asset Owner Alliance, [www.unepfi.org/net-zero-alliance](http://www.unepfi.org/net-zero-alliance)
- UN Global Compact, [www.unglobalcompact.org](http://www.unglobalcompact.org)
- Institutional Investor Group on Climate Change IIGCC, [www.iigcc.org](http://www.iigcc.org)
- International Corporate Governance Network ICGN, [www.icgn.org](http://www.icgn.org)
- Forum Nachhaltige Geldanlagen FNG, [www.forum-ng.org](http://www.forum-ng.org)
- PRI Principles for Responsible Investment, [www.unpri.org](http://www.unpri.org)

##### National initiatives

- Swiss Sustainable Finance SSF, [www.sustainablefinance.ch](http://www.sustainablefinance.ch)
- CEO4climate, <https://ceo4climate.ch>
- Swiss Association for Responsible Investments SVVK, [www.svvk-asir.ch](http://www.svvk-asir.ch)

### Promotion of standards and transparency

- TCFD Task Force on Climate Related Financial Disclosure, [www.fsb-tcfd.org](http://www.fsb-tcfd.org)
- GRESB, <https://gresb.com>
- International Corporate Governance ICGN, [www.icgn.org](http://www.icgn.org)
- UN PSI Principles for Sustainable Insurance, <http://www.unepfi.org/psi>
- Global Reporting Initiative GRI, [www.globalreporting.org](http://www.globalreporting.org)
- CDP, [www.cdp.net](http://www.cdp.net)

#### 4.2.1.4 Transparency on sustainability

In addition to this first Sustainability Report released by the SIA, member companies that apply ESG criteria to their investments will either report explicitly on their activities and efforts on sustainability in their 2019 annual reports or expand their previous reporting on this topic. As in previous years, some of the larger insurers will publish a separate sustainability report.

In addition, all signatories to the Principles for Responsible Investment (PRI) have made a commitment to ensuring transparency as far as their sustainability strategy is concerned. The corresponding reports are available on the PRI website ([www.unpri.org](http://www.unpri.org)).

#### 4.2.1.5 Climate compatibility test of the Federal Office for the Environment

An encouragingly large number of SIA member companies took part in FOEN's climate compatibility pilot test in 2017. This gave them an insight into the carbon footprint associated with their investment policy. The results prompted various insurance companies to rethink and adapt their investment policy.

The participating companies and other companies also intend to take part in FOEN's climate compatibility test in 2020.

### 4.2.2 Operational ecology

Allocation of resources in a sustainable and responsible manner and appropriate action has been an integral part of operational management at many SIA member companies for a number of years.

#### 4.2.2.1 Ecological balance sheet as a benchmark

The SIA survey showed that in 2019, 25 SIA member companies already prepared an internal ecological balance sheet, which most publish annually.

The data in this Sustainability Report is based on 2017 and 2018. No official figures were available for 2019 at the time the data was collected. Numerous companies will publish this information in their annual report 2019. The vast majority of insurance companies in Switzerland base their ecological balance sheet on the internally recognised standard of the Association for Environmental Management and Sustainability in Financial Institutions ([www.vfu.de](http://www.vfu.de)).

This involves quantification and reporting of energy, water and paper consumption and CO<sub>2</sub> emissions, which tend to be caused by business travel in particular. In addition, the individual companies report on a large number of other endeavours to reduce direct emissions and to encourage their employees to take responsibility for their sustainable behaviour.

#### 4.2.2.2 Ecological balance sheet

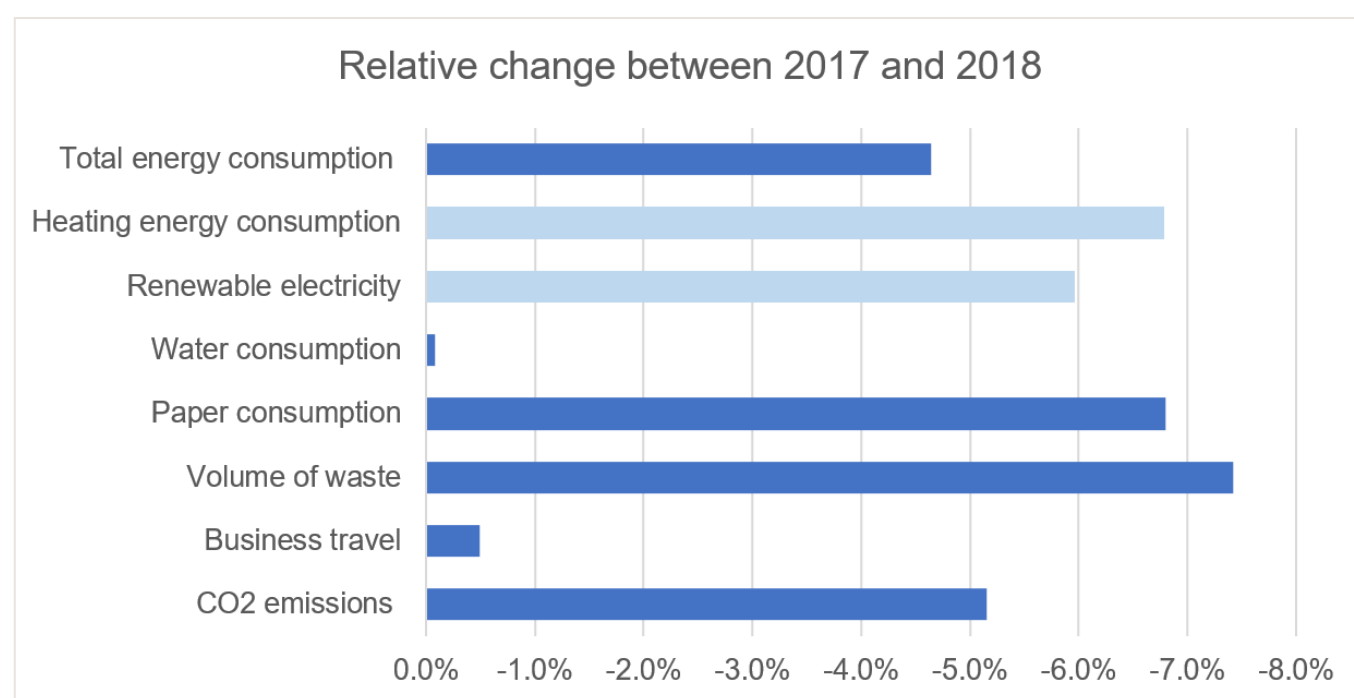
An evaluation of the figures reported for 2017 and 2018 indicates a general improvement in the ecological balance sheet. The following table shows the figures per full-time equivalent (FTE).



	2017	2018	Unit	Relative change
<b>Total energy consumption</b>	4,156	3,963	in kWh/FTE	-5%
<b>Heating energy consumption</b>	1,886	1,758	in kWh/FTE	-7%
<b>Renewable electricity<sup>3</sup></b>	3,408	3,205	in kWh/FTE	-6%
<b>Share of renewable electricity</b>	82	79	in %	-3%
<b>Water consumption</b>	13	13	in m <sup>3</sup> /FTE	±0%
<b>Paper consumption</b>	79	74	in kg/FTE	-7%
<b>Volume of waste</b>	120	112	in kg/FTE	-7%
<b>Business travel</b>	7,263	7,227	km/FTE	-0.5%
<i>of which km by air</i>	35	35	in %	-2%
<i>of which km by car</i>	43	42	in %	-2%
<i>of which km by public transport</i>	24	25	in %	+5%
<b>CO<sub>2</sub> emissions</b>	2,584	2,451	in kg/FTE	-5%

In particular, energy consumption and CO<sub>2</sub> emissions per full-time equivalent were down in 2018 in a year-on-year comparison. Paper consumption and waste volumes were

also down considerably. This is an area in which selected specific efforts in the area of operational ecology are bearing fruit.



<sup>3</sup> Renewable electricity is a subset of total energy consumption and is also partly included in the subset of heating energy consumption.

#### 4.2.2.3 Specific operational ecology measures

##### Reduction in energy consumption

Numerous insurance companies are systematically pushing to reduce CO<sub>2</sub> at their sites by adopting suitable building strategies, including switching to renewable energy sources such as hydropower or photovoltaics, or achieving certification to Minergie standard.

##### Business travel

When it comes to business travel, companies focus increasingly on sustainability and offer their employees considerable flexibility in working hours, with models that allow them to work from home or part time. The increasing use of technical aids, such as phone, video or online conferencing, helps to reduce employee commutes and business trips.

#### 4.2.3 Underwriting

##### 4.2.3.1 Overview

The core business of the insurance industry is underwriting; i.e. taking on risks that customers cannot or do not want to shoulder themselves. Underwriting is a task that is of key economic importance. Outsourcing risks creates security and releases energy that can then be used for innovation, progress and prosperity. In order for this to succeed, the insurance industry must be able to identify, understand and assess existing and new risks at all times. This makes underwriting the linchpin of the insurance business and explains why climate change and the associated environmental and social risks appeared on the radar of international insurers and reinsurers relatively early on.

##### 4.2.3.2 Offer solutions – reduce sustainability risks

The insurance industry is faced with two central challenges. It wants to offer sustainable solutions to deal with climate change and the consequences it entails. And it has to be able to identify, assess and mitigate the risks that arise as sustainability becomes increasingly established.

##### Effective prevention

Natural disasters rank among the most costly risks in the insurance and reinsurance business. It is in the interests of all stakeholders to ensure effective prevention for natural disasters. There is a direct and scientifically proven link between climate change and the frequency, intensity, extent

and duration of natural disasters. The increase in annual claims payments made due to natural disasters over the last 20 years bears testimony to this development in the insurance business. These extreme natural events not only cause human suffering, they are also responsible for great material damage and increase the risk of social hardship and upheaval.

Tools such as a natural hazard radar can help to assess the risk exposure of real estate, allowing targeted protective measures to be taken. Insurers are successfully incorporating protection against floods and storms into building insurance policies in exposed areas. In developing regions, insurers use microinsurance as a tool to make poorer sections of the population more resilient to social risks (see Appendix).

In addition to the physical and social risks associated with climate change, insurers must also keep an eye on technical and regulatory risks. For exposed companies, such as those operating in the automotive or energy sectors, these can result from the transition to a low-carbon economy. Insurers can use their risk experience and data to provide these companies with advice, make recommendations on risk management and illustrate ways in which they can make sustainability a more established feature of their business practices. This allows insurers to help to prevent reputational damage and losses that pose a threat to a company's survival. In the energy sector in particular, insurers use innovative insurance products to establish sustainable energy supplies.

##### Reduced sustainability risks

Some insurers use Sustainability Risk Frameworks to capture the various sustainability risks. They develop strategies to limit and mitigate these risks. In view of climate change and the need to reduce greenhouse gas emissions, fossil energy production is clearly one of the most significant sustainability risks. But managing sustainability risks involves more than just CO<sub>2</sub> emissions. Human rights violations, humane working conditions, arms production, nuclear proliferation, mining projects and environmentally unfriendly and socially detrimental infrastructure projects are also among the sustainability risks that insurers take into account in their underwriting practices.

Insurers also, however, have significant social and societal responsibility, particularly with regard to life, health and accident insurance. These are areas in which calls for sustainable action and the insurer's social responsibility and/or obligation to assume certain risks can give rise to conflict or pose a major challenge. Can employees of a company guilty of compromising practices be denied insurance cover against industrial accidents or pensions?

#### **4.2.3.3 Conflicting objectives**

In their quest to make sustainability an established part of their activities, insurers have to weigh up conflicts of objectives and interests very carefully. It may, for example, make sense not to insure a company with a poor environmental rating from a climate change perspective. But an insurer also has to consider the consequences for employees if it refuses to provide a company with social and health insurance. It may well be sustainable for insurers that take ESG criteria into account to refuse insurance cover for environmental reasons, but that decision may be questionable from a social perspective. A glance at the global economy reveals differences in the national legislation governing environmental and social standards. The social insurance system for employees in Switzerland, for example, is not the same as in a country where accident insurance is not compulsory. As a result, these questions regarding social and environmental sustainability show that the relevance of these matters differs for a national or regional insurer than for an international reinsurer.

The following implementation strategies used by insurers today should be evaluated bearing these questions in mind:

#### **Exclusion**

Some insurers refuse to insure certain companies or technologies. This involves definition of guidelines and exclusion criteria. Another focal point, also in the public eye, is exclusion of CO<sub>2</sub>-intensive industries and projects in particular. An insurance company can opt to set a CO<sub>2</sub> quota as an upper threshold for insurance cover (see Appendix).

#### **Engagement**

Insurers define objectives that they aim to achieve and maintain, but companies that fail to meet the required conditions do not have their insurance cover withdrawn or

denied. Rather, the insurers engage in dialogue with them to find a way in which the objectives can be achieved. For example, a company that relies on coal energy may be encouraged to reduce the proportion of coal and replace it with renewable energy sources. This allows the company to safeguard its reputation and assets, and to maintain room for manoeuvre in the future.

By developing new insurance products for new technology risks, insurers can promote these technologies – for example, in the energy sector – and help to reduce climate risks in the process. Thanks to the insurance cover, the financial risk for the investors involved is reduced and funds are freed up for other projects (see Appendix).





## 5 Outlook

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By including the topic of sustainability in its strategy, the SIA has made a commitment to providing information on the activities of the insurance industry in this area. This first Sustainability Report marks the first step towards achieving this objective. The plan is to publish it once a year. The annual collection of data will serve to illustrate the progress made by the industry in terms of sustainability. At the same time, the SIA will work towards further improving and harmonising the data available, taking international standards as a basis where appropriate. This means that the data collected will allow clearer statements to be made about the sector in the future, and will furnish evidence of the impact of the measures taken by the insurance industry as it moves towards more sustainable behaviour.

The SIA is aware of the efforts needed to achieve the climate targets. It has made a commitment to these targets. All member companies are prepared to live up to their responsibility to help achieve the Paris climate targets. This is their way of making a greater contribution to mastering the central ecological, economic and social challenges – independently and without regulation.





## 6 Appendix: Examples

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A number of examples show how insurers are gradually making sustainability a firm component of their business models. This list is by no means exhaustive. The survey participants are involved in numerous other specific activities. For further information on these activities, please refer to the annual or sustainability reports of the individual companies concerned. Some members already publish public climate-related risk reports (TCFD Report, Task Force on Climate-related Financial Disclosures).

### **Reduction of CO<sub>2</sub> emissions**

Since 2018, Swiss Re has no longer offered insurance cover for companies and projects that rely on thermal coal for more than 30 percent of their energy needs. The insurer Zurich also made the decision last year to stop offering insurance to companies that generate more than 30 per cent of their income from thermal coal or use coal to generate more than 30 per cent of their electricity. Existing customers that do not meet these criteria will be helped to reduce their reliance on fossil fuels. AXA decided in 2019 to tighten up its investment criteria in the coal business even further. It aims to have withdrawn from the coal business in all OECD countries by 2030, and from the coal business in the rest of the world by 2040. Swiss Life has defined internal requirements regarding the coal industry in its proprietary investments. These requirements prohibit Swiss Life from making new investments in bonds issued by companies that generate more than 10 per cent of their income from the mining and sale of thermal coal.

In its Responsible Investment Policy, Balaise has stipulated that throughout its entire insurance portfolio, investment must not be made in any issuer that generates more than 30 per cent of its revenue from coal. This applies to all new funds, and the company's existing portfolios have also been adjusted accordingly.

### **Supporting renewable energy**

In order to safeguard the generation of electricity using solar energy, a process that depends on weather conditions, making it subject to considerable fluctuations, Swiss Re has offered solar companies an insurance product that covers production losses of up to 95 per cent of a pre-defined annual production volume since 2018. This reduces the production risk involved and makes it cheaper to finance the facility.

### **Real estate investments**

Swiss Life and AXA have incorporated ESG criteria into the entire lifecycle and value creation process of their real estate investments. Swiss Life has developed its own sustainability framework for this purpose. AXA is committed to systematically reducing and decarbonising the environmental footprint of its properties in order to comply with the federal government's energy strategy and the objectives set out in the Paris Agreement 2015. Sustainable seals of quality, such as Minergie, DGNB, LEED, BREEAM and HQE, allow verification of compliance with the defined sustainability criteria by external experts. Allianz Suisse also takes stringent sustainability criteria into account in its acquisitions and attaches considerable importance to compliance with the Paris climate goals, particularly during the renovation phase. Allianz Suisse renovates its investment properties exclusively using CO<sub>2</sub>-free technology and models a decarbonisation path that complies with the SIA 2040 requirements for all its buildings. This approach is being adopted by Allianz Suisse to ensure that its building stock of about 300 properties will be net zero-compliant by 2050.

At the insurer Vaudoise, the incorporation of environmental, social and good governance criteria is a key element in the management of its real estate portfolio in particular, the aim being to reduce the ecological footprint. This focus is reflected in particular in work commissioned to improve the building envelope and heat production, and to optimise building use.

#### **Microinsurance for greater social sustainability**

Microinsurance offers affordable insurance protection to low-income sections of the population in the world's developing regions. Zurich Versicherung and Swiss Re are involved in such initiatives through joint ventures, such as Blue Marble Microinsurance and Hemayet Lead. In 2016, Blue Marble Microinsurance offered small-scale farmers in Zimbabwe insurance cover for extreme weather conditions in order to improve their financial stability. A similar project was launched in Colombia in 2018. In Egypt, poorer female market vendors were given access to healthcare and cover for natural hazards.

#### **A lab for natural hazards**

Initiatives such as the 'Mobiliar Lab for Natural Risks' help to drive research on climate risks and natural hazards in order to foster a better understanding and allow preventative measures to be taken. The Mobiliar Lab for Natural Risks is a joint research initiative of the Oeschger Centre for Climate Change Research at the University of Bern and the insurer Mobiliar. The main research areas are floods, storms and hail, and the modelling of the resulting damage.

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