ASA | SVV

Sustainability Report 2022

Swiss insurance industry report

Contents

1 Foreword

Dear readers,

The insurance industry contributes to environmental, financial and social sustainability by assessing and assuming risks in its core business and as a large institutional investor. This makes it an important partner to the real economy on the path to sustainability.

This is already the fourth annual report on our industry's diverse sustainability activities, and the sector continues to be guided by the central idea of ensuring that future generations can enjoy at least the same conditions that exist today.

This commitment to sustainability by the insurance sector is no hollow promise. Rather, it is strategically anchored. As a property insurer in particular, the sector has a natural interest in achieving an economy and society oriented towards long-term benefit. The commitment to the insurance industry's sustainable development is one of the five main principles of the Swiss Insurance Association SIA's strategy. The SIA has approximately 70 members, including national and international primary insurers and reinsurers, and specialist property, life and supplementary health insurers.

Anchoring sustainability, as set out in the SIA's strategy, is, however, about more than 'just' carbon-neutral investments. The 17 relevant UN goals make clear that sustainability has three dimensions – environmental, financial and social. Only a stable, innovative economy can generate the resources necessary for decarbonisation and produce new, more environmentally friendly technology. Market-oriented regulation and a tax-friendly environment are essential. The legislator, which has a subsidiary role in regulation, therefore needs to focus on creating attractive conditions, for example by limiting government debt so as not to weaken companies' innovative strength through taxes or a monetarily unstable environment, thus undermining environmental sustainability.

The Swiss insurance sector's 2022 Sustainability Report does not claim to be exhaustive. However, it does claim to be transparent and, based on the available figures, to show where the sector stands today – and what challenges it must face, including in discourse with the legislator, to be able to fulfil its role for the real economy. Insurance and finance solutions must facilitate innovation. They can provide targeted support to companies, helping them to meet their goals as they transition towards greater sustainability.

Dr Rolf Dörig
Chairman

Urs Arbter
CEO

2 Key sustainability figures

INVESTMENT

65 %

of insurers measure the majority or parts of their portfolio footprint

INVESTMENT

14.8 kg/m²

is the median portfolio emissions figure for directly held buildings (PACTA)

TRANSPARENCY AND MEMBERSHIP

48 %

of investments
by Swiss insurers are subject to the net-zero pledge due to their NZAOA membership

TRANSPARENCY AND MEMBERSHIP

29 %

of insurers already report according to TCFD principles

INVESTMENT

CHF 19.2
billion in impact investments

OPERATIONS AND EMPLOYEES

1.33

tonnes CO_2
footprint per full-time equivalent

UNDERWRITING

Analysis of the integration of ESG considerations into underwriting for knowledge sharing within the industry
(based on PSI guidelines)

TRANSPARENCY AND MEMBERSHIP

52 %

of the premium volume
subject to the net-zero pledge through insurers' membership of the NZIA

OPERATIONS AND EMPLOYEES

3,480 kWh

total energy consumption per full-time equivalent

OPERATIONS AND EMPLOYEES

32 %

of managers are women

OPERATIONS AND EMPLOYEES

3,562 km

of business travel per full-time equivalent

OPERATIONS AND EMPLOYEES

2,106

trainees

3

Sustainability in the Swiss insurance industry

Insurers in Switzerland have been committed to the United Nations Sustainable Development Goals (SDGs) and the targets under the Paris Climate Agreement since 2018. Through its asset management activities, the Swiss insurance industry has a stake in the debate about climate-neutral investment, and at the same time it contributes to the achievement of Switzerland's sustainability goals via its preventive activities, the management of sustainability risks and responsible resource management.

3.1 Sustainable insurance

The role of insurers is to identify and minimise risk, develop innovative solutions for risk transfer and continue to improve performance through their business operations. Since risk sharing and precaution are intrinsic to their business models, they think long-term and across generations. The industry thus plays a major role in safeguarding the financial resilience of individuals and the economy, and contributes to environmental, social and economic sustainability. Environmental, social and governance (ESG) criteria feed into underwriting, investment decisions and collaboration with customers and other stakeholders. The result is that insurers are increasingly taking a holistic view in their activities and addressing ESG-related opportunities and risks in ways that support business growth, brand strengthening and sustainable development.

The insurance industry can make a decisive contribution in three key ways: Systematic integration of sustainability into their business models; support of the economic and social transformation towards net zero; adoption of transparency and collaborative approaches in relation to sustainability matters.

Connection of sustainability and business models

Insurers are increasingly concentrating on how they can apply targeted strategies, commensurate with their size and objectives, that promote forward thinking and sustainable action. The connection between ESG issues and the business model should encompass the entire value chain: From the customers it does business with, to investment of policyholders' money, the partners and other stakeholders that it works with, and more sustainable ways of running its business. Responsible corporate management recognises ESG issues as an opportunity and uses them innovatively as a competitive advantage. With a clear vision, the transition to a climate-friendly economy can be achieved. Insurance industry leaders are therefore increasingly regarding sustainability as a decisive element in their growth strategies.

Support for environmental change

Many insurers incorporate those sustainability aspects relevant to their business, in particular with regard to the impact of climate change, where they are working on improving their capacity to bear climate risks. For example, they are re-evaluating their investments, implementing CO_2 reduction pathways in their investment portfolios and creating incentives for resource-saving customer behaviour. It is not just insurers that benefit from measures to improve energy efficiency and implement a circular economy, but all sectors that implement climate-friendly solutions on their path towards net zero.

Insurance companies support their business partners on their journey towards the net-zero objective. They also give their policyholders feedback based on their business relationship via due diligence processes and in engagement dialogue. On the investment side, many insurers use their voting rights to steer the business decisions of the companies in which they invest in a more sustainable direction. In so doing, they narrow the protection gap caused by advancing climate change and improve loss prevention.

Collaboration and transparency

Sustainability challenges make collaboration more important than ever. The basis for this is transparency on the relevant ESG topics and alignment with international standards. Insurance companies make key contributions as members of multi-stakeholder initiatives, such as net-zero alliances.

Through voluntary commitments, they promote an inclusive and sustainable insurance industry. This also includes collective efforts by the individual insurers in conjunction with players in the real economy, aimed at achieving more transparent standards and improved reporting and data quality. The cooperation not only accelerates implementation of the transformation in the financial services industry, it also helps to bring about progress across the entire economy. Interested stakeholders can track the success of ESG integration via a growing range of sustainability parameters.

3.2 SIA's strategic approach

Under the fifth strategic pillar of its Strategy 2020-2024, 'Anchoring sustainability, enabling innovation', the SIA has committed itself to a comprehensive definition of sustainability[1] that encompasses both the UN Sustainable Development Goals and the targets under the Paris Climate Agreement. Thus, the SIA is driving forward the sustainable transformation in partnership with its members and the industry as a whole.

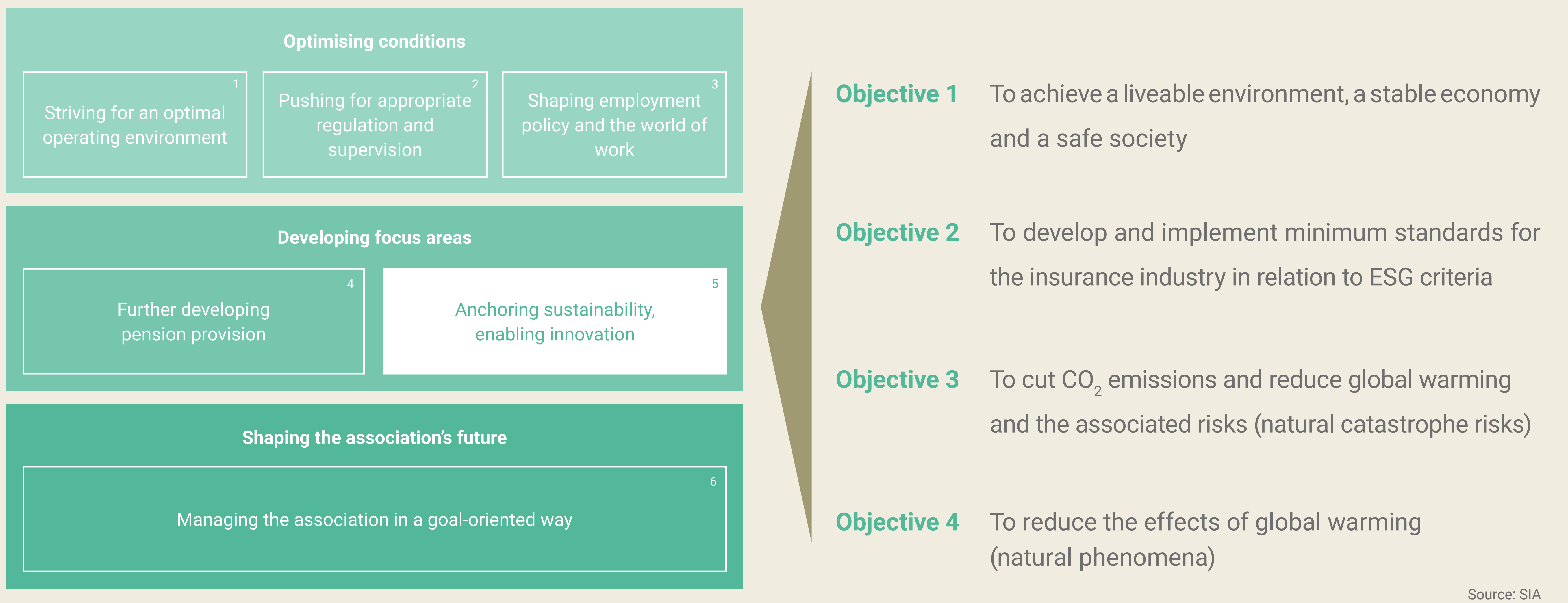
SIA's involvement

The SIA supports insurers in implementing sustainability requirements; for example, through the work of its committees on the exchange of experiences, the identification of potential for improvement, and the joint development of instruments and the operating framework. It also promotes voluntary initiatives.

The SIA has been a network partner of Swiss Sustainable Finance since 2018. In 2021, it became a supporting institution of the Net-Zero Asset Owner Alliance (NZAOA), reinforcing the efforts of its members to shift their investment portfolios to net-zero greenhouse gas emissions by 2050.

It will sign up to the Principles for Sustainable Insurance (PSI) in 2023, in order to promote the objective of a sustainable Swiss financial centre for the insurance industry.

SIA Strategy 2020-2024: Four sustainability targets



Source: SIA

[1] This is formulated as follows: 'The SIA works to achieve sustainability in the insurance industry by making an active contribution to addressing the main environmental, economic and societal challenges.'

Financial sustainability

In its broadest sense, sustainability is the ability of current generations to satisfy their needs without jeopardising the ability of future generations to meet their needs and choose their lifestyle. This goes beyond environmental considerations to also encompass financial and societal factors. A successful economic and societal transition towards sustainability will require financial support.

Renewable energy, resource-efficient infrastructure and appropriate working conditions are just some of the areas that require investment in order to achieve a sustainable economy. Both public funds and private financial sources have an important role to play. The focus of the legislature is above all on creating attractive operating conditions; e.g. through monetary stability that strengthens the innovative power of insurers.

Another observation is that increasing national debt is a drag on future generations: High levels of debt and the resulting tax burden may hamper investment that is urgently needed to combat environmental challenges. The business model of the insurer plays a major role here by offering financial protection against unforeseen events, freeing up individual and business capital. This helps to ensure sufficient financial freedom for innovation and transformation.

3.3 Key themes and challenges

A holistic examination of sustainability requires a consideration of the connections between financial, environmental and social developments. There were two political and regulatory issues in focus for the insurance industry last year.

Urgent pension reform

The reform of Switzerland's pension system represents a major challenge, and according to the Credit Suisse Worry Barometer is one of society's biggest concerns. For insurers, this is an urgent matter that needs to be resolved as quickly as possible. Demographic changes and rising life expectancy mean that state pensions from old-age and survivors' insurance (OASI; pillar 1) and occupational pensions (OPA; pillar 2) are being paid out both to more people and for longer. Within the OASI system, the number of contributors per pensioner is shrinking and the deficits are rising.

And in the OPA system, a non-systemic redistribution is taking place from the employed to the pension recipient. Following September's 'Yes' vote on stabilisation of OASI (OASI 21), occupational pension reform has been the focus since the winter 2022 parliamentary session. The OPA reform has now passed through its final vote in the parliamentary process. The referendum has been initiated and the expectation is that OPA reform will be put to the people in the first half of 2024.

Regulatory developments in sustainable finance

A huge amount has taken place in relation to sustainable finance since the last report both at the level of financial industry associations, which have developed and refined voluntary self-regulation, and at federal government level. The Federal Council published its report on Sustainable Finance Strategy 2022-2025 on 16 December 2022. The aim of its identified action areas and measures is to strengthen the country's position as a leading location for sustainable finance.

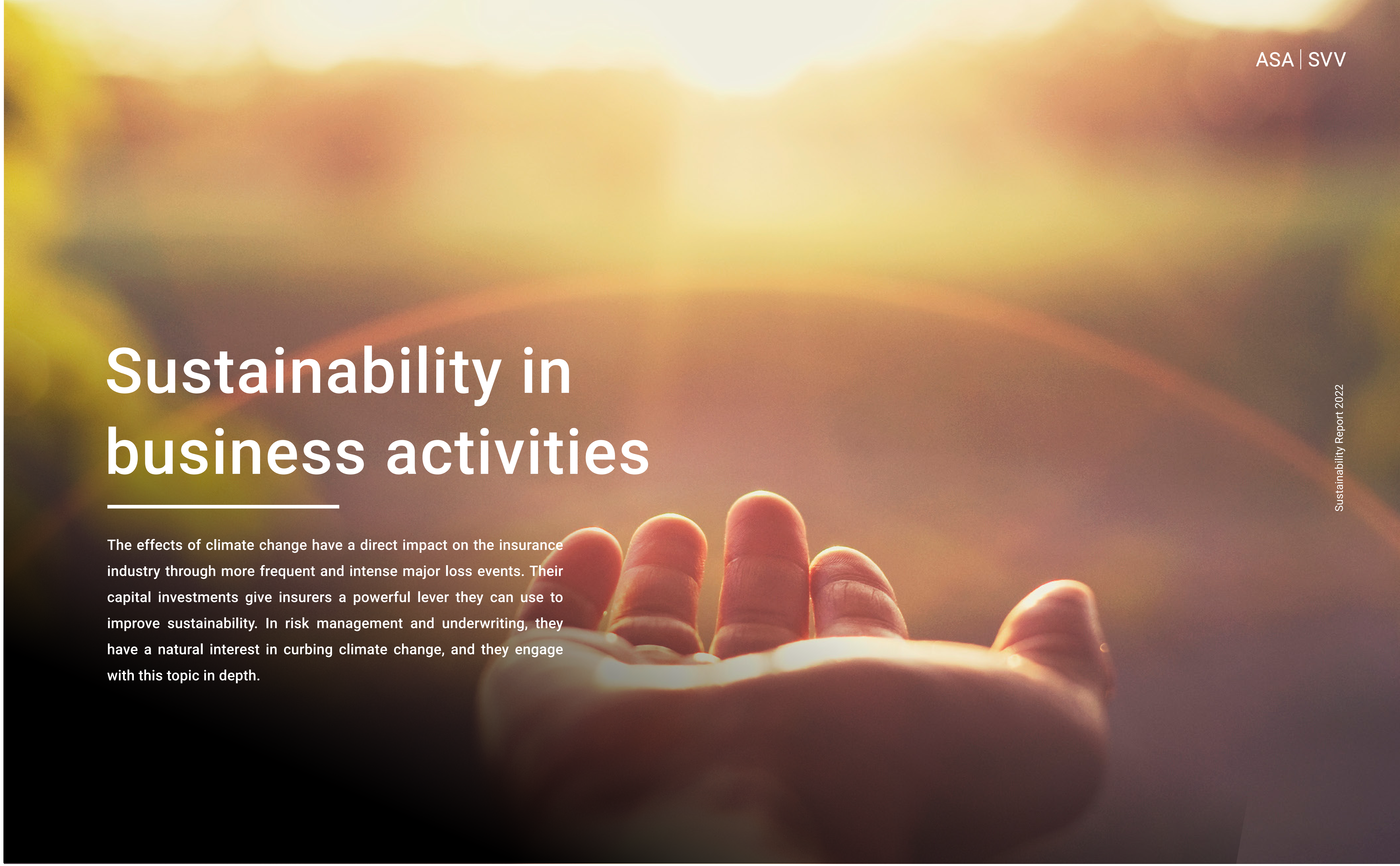
The Federal Council also issued a position paper on the prevention of greenwashing in the financial sector. This is aimed at achieving a common understanding of when financial products or services can be portrayed as sustainable. In future, further deepening and specific activities are to be expected in this area in particular, which will also affect the insurance industry.

The SIA took part in the information gathering exercise on greenwashing by the State Secretariat for International Finance and pointed out that uncertainties can often arise if the timing and content of regulation is not harmonised. The main area of concern for the insurance industry is that insurers' core business – i.e. traditional risk products – does not fall within the scope of the planned measures, which are instead limited to their third-party asset management activities.

FURTHER RISE IN GLOBAL TEMPERATURES

Switzerland and Europe experienced their second hottest summer since records began, with periods of extreme heat, record temperatures and large-scale, persistent drought. Water rationing had to be introduced in some European countries; in previous climate scenarios, this development was not expected until the middle of the century. Following the publication of the Intergovernmental Panel on Climate Change (IPCC) report in the spring and the COP27 Climate Change Conference in November, there was therefore widespread public concern that efforts to reduce global greenhouse gas emissions are not moving fast enough.

The environment was not just the number one fear expressed by Swiss people in the Credit Suisse Worry Barometer; climate protection also remains a top concern for the Swiss insurance industry, since both sides of the balance sheet – assets and liabilities – are affected.



4

Sustainability in business activities

The effects of climate change have a direct impact on the insurance industry through more frequent and intense major loss events. Their capital investments give insurers a powerful lever they can use to improve sustainability. In risk management and underwriting, they have a natural interest in curbing climate change, and they engage with this topic in depth.

4.1 Knowledge and management of risks

Being able to recognise and manage risks, and taking protective and precautionary measures are part and parcel of insurance business. Accordingly, the larger market participants were quick to develop holistic risk management approaches incorporating environmental, social and governance factors.

Sustainability risk does not represent a separate risk category; rather, it is a risk driver, affecting traditional types of risk such as actuarial, market, liquidity and reputational risk. As sustainability risk is of a medium- to long-term nature, the models used to capture it must be regularly refined. The shortage of data is a challenge in this respect.

Dynamic ESG risk landscape

Incorporating ESG aspects into risk management also brings into play the principle of 'double materiality'. In addition to the question of how insurers are themselves affected by a sustainability issue, potential adverse effects on the environment and society from their investment and insurance activities must also be taken into consideration.

The dynamic nature of the ESG risk landscape, which to some extent also reflects changing societal values, adds to the complexity. The ability to anticipate relevant sustainability issues of the future is therefore crucial in order to avoid reputational risk. One example might be biodiversity loss as an emerging sustainability risk.

Risks associated with climate change

Climate change has the greatest impact on risk analysis in the medium to long term.[2] In order to operate sustainably, the Swiss insurance industry must therefore engage with the transition to net zero. The aim is to avoid transition risks associated with climate change and cushion the impact on the economy. Climate models provide very concrete forecasts about changes in average temperatures.

[2] Global Risks Report 2023, WEF, 2023

A particular challenge is in determining the right assumptions and associated uncertainties for the climate scenarios. It is crucial that forward-looking scenarios consider not just the average values, but also changes in the underlying probability distribution. Insurers are particularly interested in the extreme values of the distribution – the tail. But much less information is available on this and it is often rather vague.

In order to understand the mechanisms behind global warming, examples of potential developments are also studied with the help of scenario analyses. The findings of these scenario analyses are of great interest to investors in particular. Climate change scenarios are also expected to feed into business planning and strategy, and into insurance industry reporting.

BIODIVERSITY

Loss of biodiversity (species, ecosystems, gene pools) can be a threat to lives and livelihoods. The risks to businesses and investors are manifold – and already very tangible. More than half of the world's gross domestic product depends on nature and the services it provides. Biodiversity is the basis for healthy, nutritious food, and it improves quality of life and agricultural productivity. Estimates by the DNB Biodiversity Working Group put the value of the biodiversity lost annually at between CHF 1.7 trillion and CHF 3.9 trillion. Protection of nature and wildlife is essential in order to stabilise ecosystems and protect them against threats such as resource shortages and health risks. That is why biodiversity is climbing up investors' agendas. As stakeholders in the financial and real economies, they demand the disclosure of impacts, dependencies and opportunities and risks for business models associated with biodiversity. The first insurers are using the work of the international Taskforce on Nature-related Financial Disclosures (TNFD) as a framework for construction of their future biodiversity strategies.

4.2 Investment

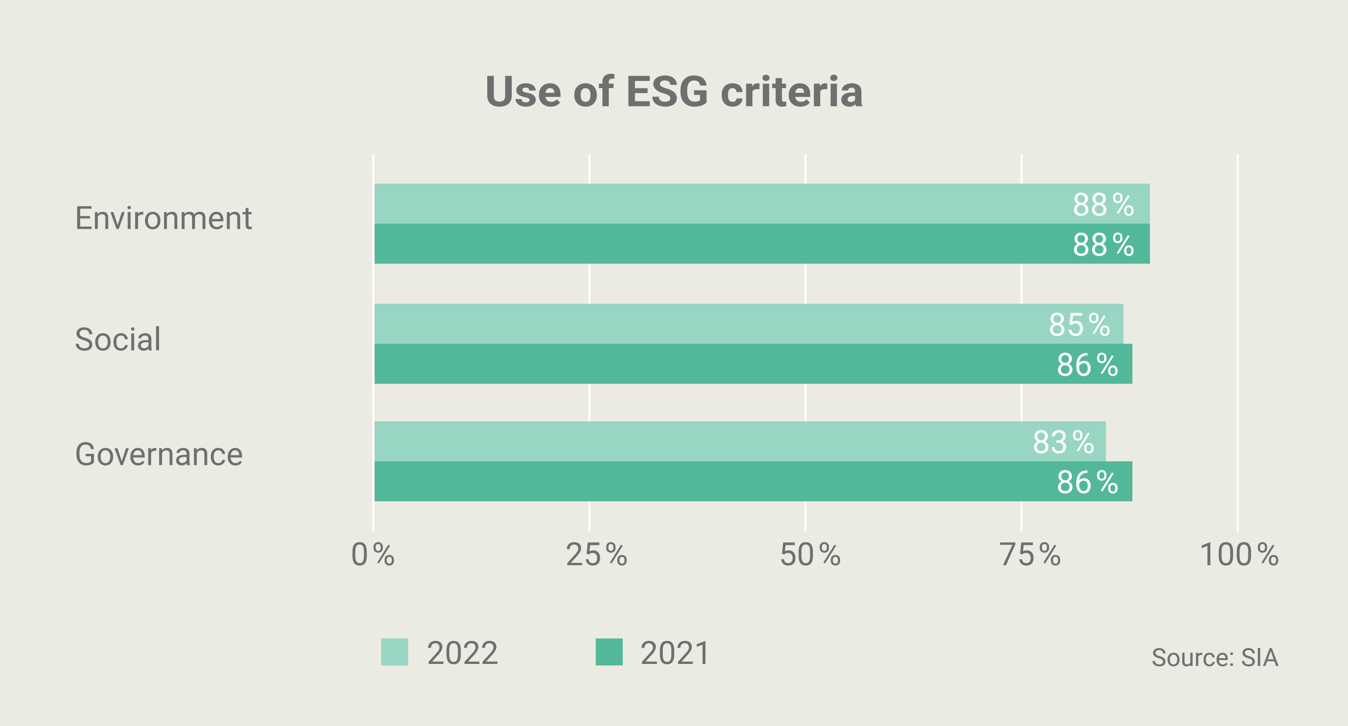
In 2021, Swiss private insurers held investments with a total value of CHF 570 billion[3]. That is the equivalent of seven times ordinary federal government spending in the same year. However, insurers cannot freely dispose of this money, as it belongs largely to their customers, which entrust it to the insurers in the form of temporary contributions. As such, insurance companies are bound by customer agreements and the regulator's rules in management of the assets and in their investment decisions.

For instance, they must always ensure that they can pay out the guaranteed pension benefits or claims in full at any time. The prudent person principle is particularly important. In the interests of their customers, insurers are therefore guided by considerations such as quality, security, liquidity and sustainability when investing.

Integration of ESG into investments

The data on sustainable investments (reporting year 2022) was gathered from 41 private insurers with their registered office in Switzerland – one fewer than in 2021. According to Finma statistics for 2021, the responses represent about 92 per cent of the Swiss insurance industry's invested assets. The topic of sustainability within investments became further established and developed in 2022. Of the participating insurers, 90 per cent said that they consider ESG criteria in their investment activities, which is comparable with the previous year. Once again, the three ESG dimensions were evenly weighted.

In addition to these three umbrella categories encompassing a multitude of individual criteria, sustainability considerations can also be considered in investment decisions from the perspective of risk reduction and impact. This is not without influence on the selection of companies or properties in which an insurer invests.

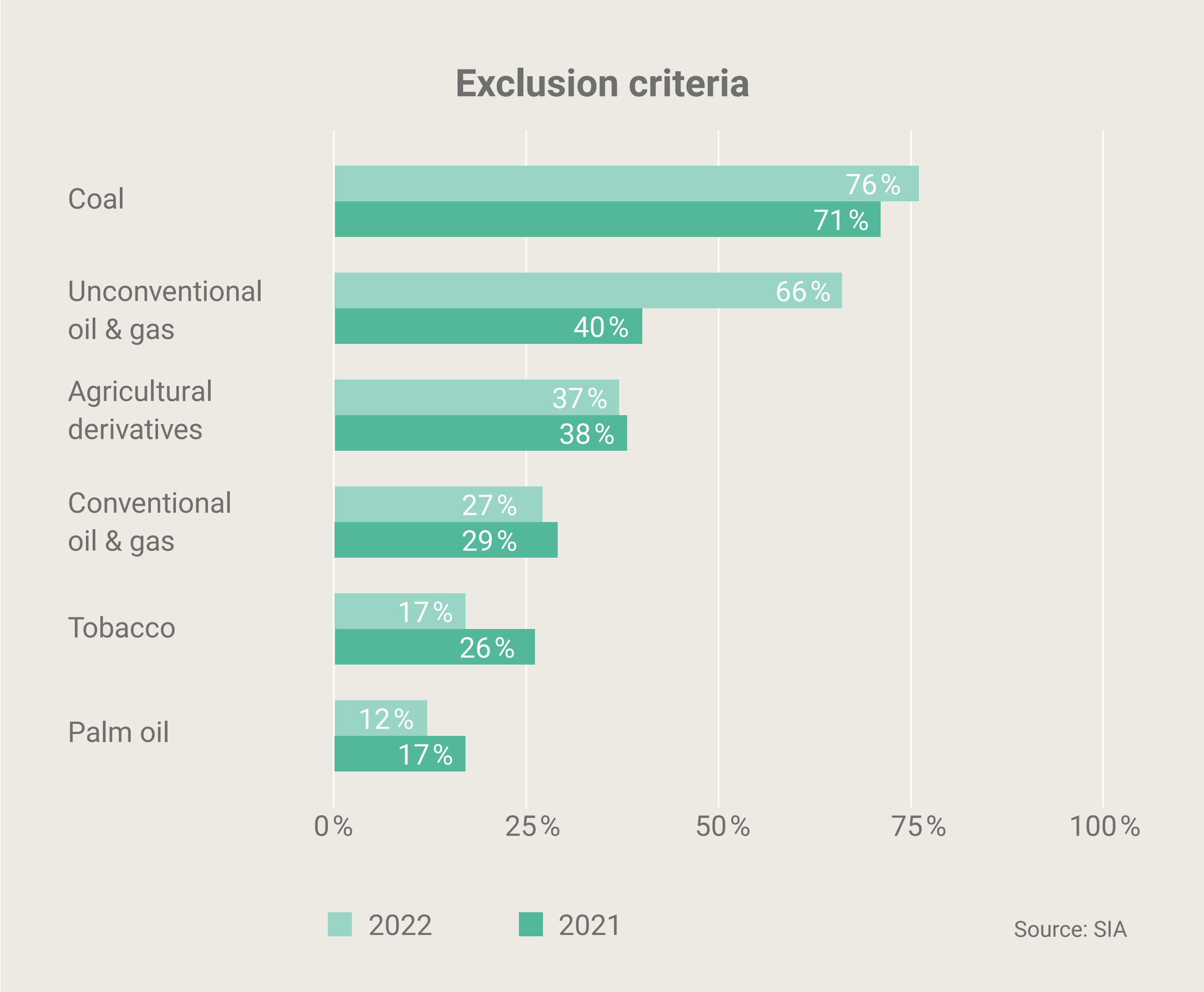


Sustainability approaches within investment management

Insurers have different ways of implementing their sustainability and ESG strategies in the investments they make. The most popular is by actively exercising voting rights (76 per cent of respondents; +2 percentage points year on year), followed by negative or exclusion lists (71 per cent; -1 percentage point) and engagement dialogue (61 per cent; +1 percentage point). Furthermore, 63 per cent of participating insurers (-3 percentage points) said that they support the application of measures involving comprehensive governance structures and policies on sustainable investment. Overall, the way in which voting rights are exercised was little changed compared with the previous year.

On the exclusion criteria front, environmental and climate topics were most frequently applied. The share of insurers that use criteria to exclude companies that generate revenue from oil or tar sands has doubled since 2020. Roughly 76 per cent of the insurers that responded exclude investments in companies that derive a large share of their revenues from coal-related activities. Last but not least, 40 per cent of respondents apply exclusion criteria in relation to agricultural derivatives.

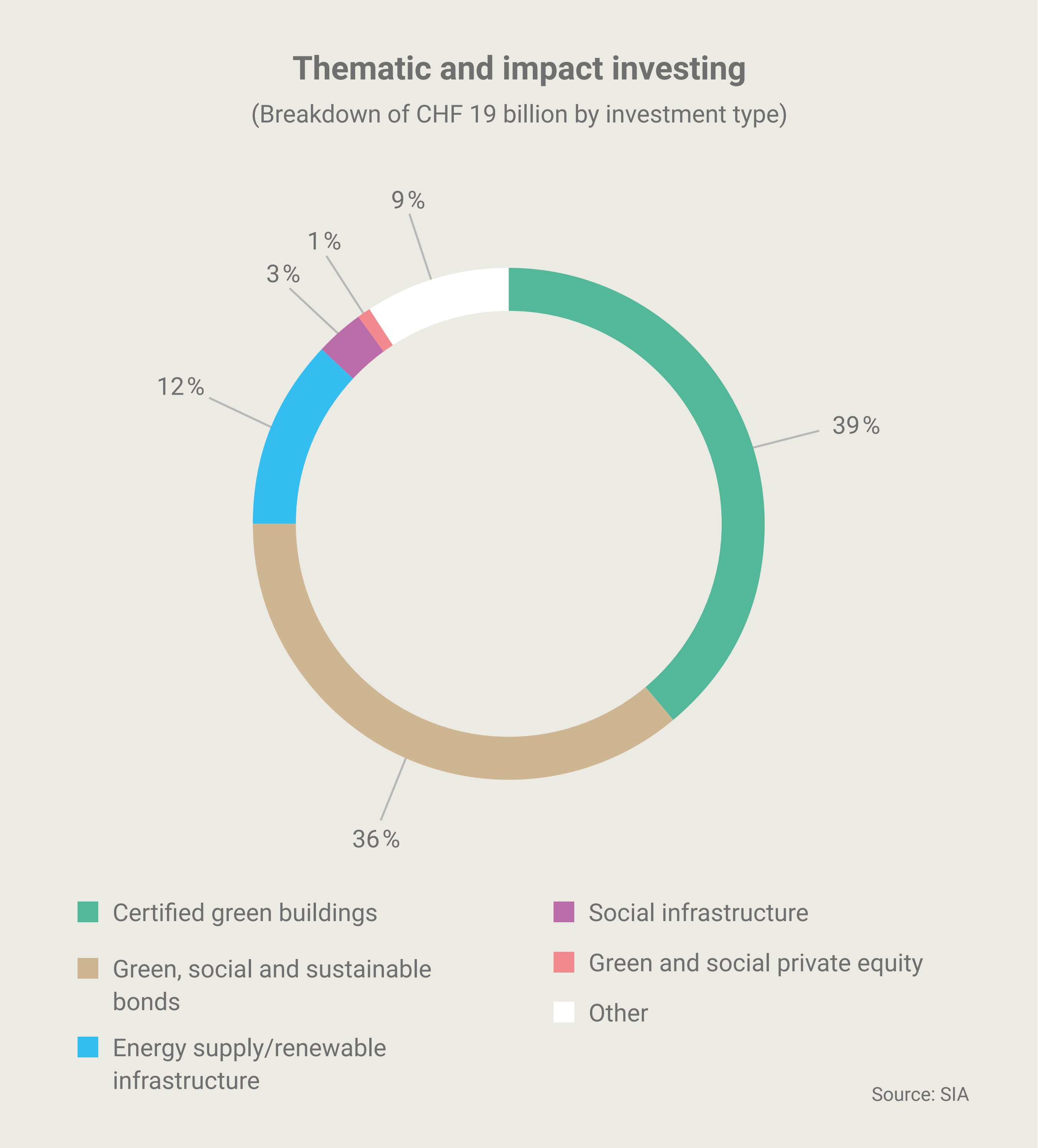
[3] Investments including unit-linked life insurance and cash and equivalents (Finma statistics, whole market, 2021 and 2022)



Impact investing

Impact investments are investments that make a measurable positive impact on sustainability in addition to a positive financial return. Investors' money might be used for renewable energy, healthcare or education projects, for example. As at the end of 2022, assets invested to make a positive contribution to sustainability or with a thematic purpose stood at more than CHF 19 billion.[4] Two investment themes stood out: Investment in sustainable buildings accounted for 39 per cent of the impact investments, followed by green, social and sustainability bonds with 36 per cent.

Real estate investment – the mainstay of impact investing – has traditionally been very significant for the industry. It has a long investment horizon and tends to deliver stable yields, making it particularly attractive to life insurers. The nature of the investment horizon means that it takes time to adjust a real estate portfolio to demands of growing importance, such as sustainability. Swiss private insurers are increasingly prioritising sustainability factors when choosing properties. This relates both to the management of directly and indirectly held real estate portfolios and to real estate investment vehicles, such as investment foundations and real estate funds.



[4] 63 per cent of respondents provided data on their impact investments. The figure of CHF 19 billion is based on these responses.

REAL ESTATE

Greenhouse gas (GHG) accounting shows that buildings are a powerful lever for reducing carbon footprints. They account for about a quarter of Swiss GHG emissions. This is associated with tremendous potential to optimise operating and maintenance costs, which private insurers are actively seizing.

In the short term, they concentrate on technical and operational actions to improve energy efficiency. These encompass heating, hot water, ventilation, air conditioning, lighting and general building technology.

Other action areas include medium- to long-term construction measures and the use of renewable energy. By adopting innovative strategies for new-builds, the insurance industry puts the conditions for sustainable building operation in place at an early stage.

The social dimension – i.e. all elements aimed at promoting the well being of the people who use the building – is also important for the sustainability of properties. This includes healthy buildings, effective heating and ventilation, and the surrounding environment. That starts with good transport links and access to green space, and also includes the need for developments to promote communication and cooperation between residents.

A real estate project of a Swiss insurer (2019): The greenhouse gas emissions from the building in operation are just under 1 kg CO_2/m^2 (the target for new builds set by the Swiss Society of Engineers and Architects is 2.5 kg CO_2/m^2).

Measurement of portfolio emissions

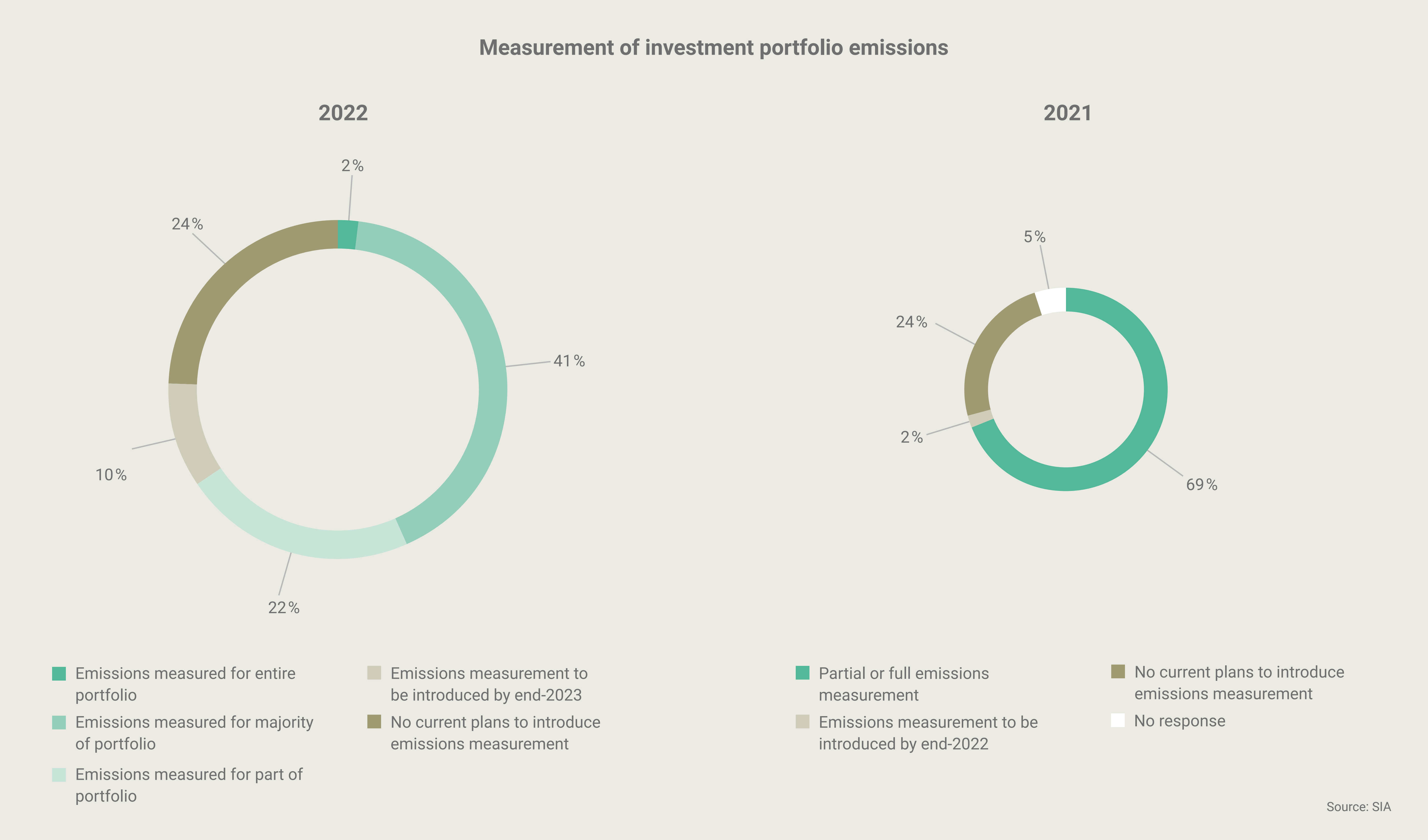
Furthermore, many Swiss insurers, as investors with a long-term focus, are looking into specific reduction paths for a climate-neutral alignment of their portfolios. This is borne out by the continued high level of interest within the sector in Switzerland's Paris Agreement Capital Transition Assessment (PACTA) climate goal alignment test; see also section 6.2).

In addition, 15 Swiss private insurers are members of the Net-Zero Asset Owner Alliance (NZAOA), which provides Paris-compliant greenhouse gas reduction pathways aimed at achieving net zero (see section 6.1). As members of this organisation, these companies – which represent half of the industry's investment volume – support the sustainable transformation of the real economy. The CO_2 targets for their investments are based on measurements of emissions and emissions intensity. To date, this information has been available primarily for listed companies (equities and bonds). However, the methods and targets are gradually being introduced to other asset classes. Since 2020, the Global Greenhouse Gas Accounting Standard for the Financial Industry of the Partnership for Carbon Accounting Financials (PCAF) has served as a standard for measurement of portfolios' greenhouse gas emissions.

When asked about their sustainable investments, two-thirds of the participating insurers said that they measure the carbon footprint of at least part of their investment portfolios. That proportion is roughly on a par with the previous year.

Of the participating insurers, 43 per cent analysed the majority of their investment portfolios for attributable CO_2 emissions. On the basis of defined intensity and footprint indicators, 37 per cent of respondents also voluntarily provided the SIA with portfolio data. However, a lack of data on indirect emissions from their portfolio companies' value chains (Scope 3 emissions) makes it hard to evaluate and expand the available data. Companies do not routinely report their Scope 3 emissions, and these frequently capture only part of the value chain (e.g. only upstream emissions).

It is gratifying to see that a further 10 per cent of participating insurers that do not yet measure their portfolio emissions plan to start by the end of 2023. This is 8 percentage points more than for 2021. Conversely, almost a quarter of participating companies do not yet have plans to start measurement of emissions.



4.3 Underwriting of insurance risks

Insurance companies' business includes the assumption and diversification of risk in primary insurance and reinsurance. In addition to the company-specific implementation of ESG criteria in underwriting, insurers help to meet the Paris Climate Agreement targets by making climate-friendly new technologies such as photovoltaic, geothermal and wind power insurable and thus more attractive and financially viable for investors.

Although insurers can address objectives, strategies and progress on decarbonisation with the insured companies and support the required transformation to the best of their ability, implementation depends on the insured company itself. The debate about a standardised classification system – the EU taxonomy for sustainable activities – highlights another challenge. The division into 'sustainable' and 'unsustainable' is by no means trivial, is influenced by the political zeitgeist and is challenging to embed in processes and systems.

Integration of ESG criteria into the insurance business

Integration of ESG criteria is relevant for the insurance business in three respects. First, taking sustainability into consideration raises awareness among customers and business partners of sustainability issues. More and more insurers are seeking to engage in active dialogue with their business partners. They want to promote risk knowledge and raise awareness of ESG topics. In so doing, they support actors in all sectors, including those only just starting to engage with sustainable business practices.

Second, ESG-related risks and risk drivers can be identified more quickly, which helps insurers to avoid reputational risk.

Third, insurers are developing new coverage concepts based on ESG risks, which they then implement via sustainable solutions. These include innovative insurance concepts, such as 'use instead of own', 'repair instead of repurchase', e-mobility and solutions to expand renewable energy.

Principles for Sustainable Insurance (PSI)

As an established industry standard, PSI represent a very useful starting point. The principles help to identify, evaluate, manage and monitor risks and opportunities for the insurance industry associated with ESG issues.

In the non-life field, PSI and UNEP FI (United Nations Environment Programme Finance Initiative) developed the first global guidelines for dealing with sustainability risks in underwriting. This was followed in 2022 by the publication of another guide designed to help insurers align the global life and health insurance business with ESG issues and sustainability targets.

The SIA took this as an opportunity to conduct a voluntary, non-representative survey of domestic and international primary insurers and reinsurers in conjunction with Lucerne University of Applied Sciences and Arts. Twenty-one private insurers completed the survey; based on Finma data, they represent just under half of the insurance industry's total gross premium volume.

Sustainable underwriting survey

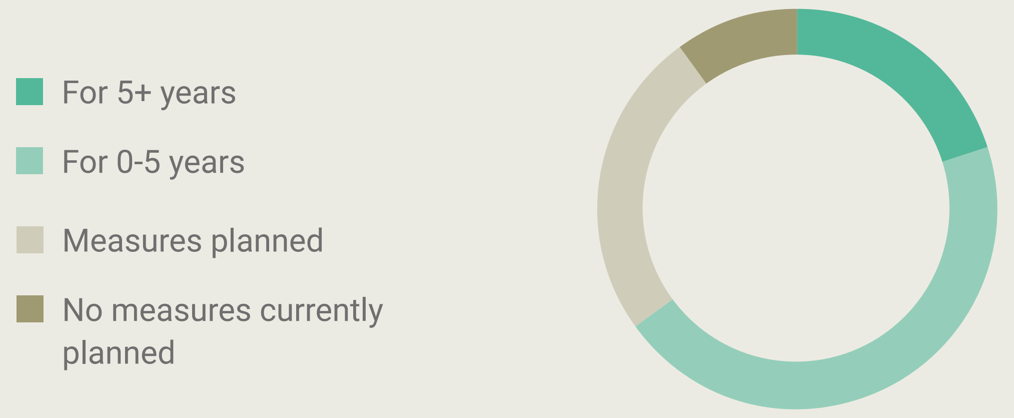
The results showed that most of the respondents have addressed the topic of sustainable underwriting in depth in the last five years, with the focus mainly on corporate customers.

Nearly all respondents said that they have a formal framework that they use to apply ESG criteria. This is very often published in the public domain. Such ESG guidelines are motivated by stakeholders' expectations and by voluntary, national and international commitments, as well as by the corporate culture, reputation among employees and the public, and attractiveness on the labour market. Insurers also see the incorporation of ESG criteria as an opportunity to optimise their underwriting strategy and governance. Many commented that they not only want to avoid risks, but also want to further develop the insurance business with the integration of ESG considerations.

Strategy and governance

The SIA survey found that sustainability in underwriting is a matter for senior management. The participating insurers that incorporate ESG into their insurance business stated that strategic responsibility for sustainable underwriting lies with either the Board of Directors or with the group or executive management. These bodies were also named as the highest level in the escalation process for the scrutiny of critical transactions.

Measures to integrate sustainability considerations into underwriting (e.g. ESG framework or policy)



Source: Adapted from HSLU

Many insurers that have not yet joined a relevant sustainability network such as PSI are looking into and evaluating such memberships. The desire to collaborate with others, contribute to operational efficiency and to better manage risk were cited as motivating factors.

Practical implementation

There were different approaches to practical implementation relating to the level of process and system integration, and to the identification of relevant ESG issues.

The determination, measurement and management of ESG considerations in underwriting are in some cases supported by software. Some insurers have integrated these into their enterprise resource management (ERM) systems. Others said that they use a flagging system in their customer relationship management (CRM) systems that underwriters can use to assess potential risks. As a result, risk assessment is becoming more standardised, more efficient and simpler.

Other insurers have opted for a manual route, with lists to apply during risk analysis. This increases the demands on transaction checks. The insurers surveyed emphasised that without system support, underwriters have greater responsibility and the risk analysis is more complex. They stated that they had not yet considered moving towards system support due to outstanding questions about data availability and the right level of process automation.

Insurers operating in Switzerland often apply climate and environmental themes and sustainability considerations that directly affect the Swiss-based insured companies. Those insurers that operate internationally generally set these measures at group level, to ensure they take due account of shareholder and investor interests across the board. The insurers surveyed were confident that crosscountry application of ESG criteria can bring greater credibility.

Most also said that they accept or reject sensitive business as a result of their enhanced ESG process. In general, performance restrictions or adjustments to the insurance conditions in the case of a critical transaction are therefore less important.

4.4 Healthcare provision

Overpopulation, food shortages, demographic trends and climate change together with associated biodiversity risks are major challenges for society that also have a direct impact on healthcare provision. A heatmap analysis by the PSI shows ESG factors that affect health insurers. They include antibiotic resistance, rising temperatures, infectious diseases and lifestyles, and they affect the actuarial risks of mortality, morbidity and hospital stays.

The Covid-19 pandemic was an object lesson in the impact that ESG issues can have on the Swiss healthcare system. During the pandemic, risk reduction measures included knowledge sharing with the public about viruses and infectious diseases, the development and roll-out of vaccines, and the dissemination of information about good personal hygiene. In the event of infection, insurers offered sick people support and compensation via their benefits.

Insurers as healthcare partners

Legislators, insurers and service providers are actively advancing the Swiss healthcare system. They support insured persons by improving processes, digitalisation and innovation, and are increasingly opting to work collaboratively. Whereas basic insurance is oriented towards effectiveness, fitness for purpose and profitability, supplementary insurance in particular offers the potential to invest more in quality, coordination and the additional services that insured persons want.

The Insurance Policies Act (IPA), which regulates non-mandatory medical benefits in Switzerland, offers flexibility for provision tailored to individual needs. It also paves the way for a shift towards prevention. As healthcare partners, health insurers want their customers to live a healthy life – from birth to old age. Many have therefore developed incentives in recent years to encourage healthy lifestyles. Swiss health insurers are gradually linking behaviour and health. For example, insured people can accumulate points on an app for activities such as sport or a balanced diet.

Customers can also access a range of healthcare services through their insurance; examples include advice and coaching on specific topics, publications about health issues and digital therapist search tools.

Product personalisation

Alongside prevention, the range of services in healthcare benefits also holds potential for further development. Medical developments are increasingly giving opportunities to focus on the personal needs of the insured. A study in 2021 by the Schweizerische Stiftung Patientenorganisation (Swiss patients' association, SPO) found that the majority of patients did not feel involved enough in their treatment and wanted more options to choose from in order to better tailor their treatment and

integrate it into their day-to-day lives. In addition, treatments and preventative and health promotion measures should as far as possible be commensurate with people's personal and financial resources.

To enable insured persons to benefit from services – optional or necessary – that are as personalised as possible through the outpatient and inpatient network, supplementary insurance places great emphasis on targeted cooperation with other participants in the healthcare system. Insurers work with service providers to offer integrated models. They build on their core competences in the provision of cover, specialised medicine, nursing care and therapies. Another added value for those with supplementary insurance lies in optimised seamless care and increased support along the treatment path. The coordination of measures also seeks to improve efficiency – and contribute to financial sustainability.

4.5 Pension provision

In 2021, the Federal Council approved its Sustainable Development Strategy 2030, which includes the strategic direction 'Ensuring the long-term stability of retirement pension systems'. This not only addresses the environmental dimension of sustainability (taking into account the goals of the Paris Climate Agreement when investing pension funds), but also the financial and social dimension that is inextricably linked to this (securing the financial stability of the pension systems).

This strategic direction addresses the often underestimated aspect of financial sustainability, which needs to be taken into consideration in the sustainability discussion and is not least a prerequisite to achieving social and environmental sustainability. It includes topics such as an appropriate level of regulation, avoiding a debt-laden economy and Switzerland's pension provision with its successful three-pillar model.

Medical advances mean people in Switzerland are living increasingly long lives and with better health overall. The country's low birth rate is intensifying the imbalance between the generations. Swiss demographic trends are thus increasingly undermining the intergenerational contract between younger and older people, placing a growing burden on younger members of society. According to the latest calculations by the Federal Statistical Office, the population of Swiss residents aged over 65 is set to grow by 30 per cent between 2020 and 2030, excluding immigration.

A key driver of this trend is that the baby boomer generation is reaching retirement age. Compared with 2018, the proportion of the population aged 65-plus is forecast to jump by 70 per cent by 2050, taking the pension-aged cohort to more than a quarter of the population. This will mean each pensioner is supported by just two workers.

Challenges for the three-pillar system

These demographic shifts bring with them huge challenges for the Swiss old-age pension system (OASI). Although the OASI referendum passed in September 2022 gave pillar 1 some breathing space, it does not solve the medium- to long-term financing issues. The growing financing requirement damages intergenerational solidarity: The fewer people of working age paying into the OASI system relative to the growing retirement-age population, the greater the financial burden on individual workers.

OPA reform

The SIA regards the reduction in the minimum conversion rate envisaged under the OPA reform from 6.8 per cent to 6 per cent as urgent and important in order to adjust the conditions of pillar 2 to the demographic realities. In recent years, the occupational pension system parameters have not been adapted to the realities. This has led to an unintentional redistribution in favour of pension recipients. The Occupational Pension Supervisory Commission estimates the cumulative amount redistributed over the 2014-2021 period at CHF 45.3 billion. This equates to an average of CHF 5.7 billion, or 0.7 per cent, of pension capital redistributed from active insured members to pensioners per year.

Other adjustments under the OPA reform passed in the spring 2023 session relate to compensation for the reduction in the conversion rate. The 'transitional generation', i.e. those aged 51 to 65 when the reform enters into force, will receive a lifelong pension top-up to compensate for the lower conversion rate. This will be capped at CHF 2,400 per year and will depend on the level of pension savings. Another key objective of the OPA reform is to better integrate low earners and part-time workers into the occupational pension system.

The final intention is to reduce the staggering of old-age credits. The current four age bands, with retirement credits of between 7 per cent and 18 per cent, will be replaced with just two. Those aged 25 to 44 will have salary deductions of 9 per cent; the figure for those aged 45 to 65 will be 14 per cent. The flatter structure for older workers is intended to make them more attractive on the employment market.

Private life insurance providers and occupational pensions

As at the end of 2021, private life insurers in Switzerland supervised by Finma insured nearly 255,000 SMEs with 1,915,000 employees (out of a total of 4,478,000 covered by occupational pensions). This breaks down into about 105,000 SMEs with 670,000 employees with full insurance and 150,000 SMEs and 1,245,000 employees with risk insurance.[5]

The last few years have seen hardly any change in the number of people covered by private life insurers as part of occupational pension provision. However, there is still evidence of a shift away from full insurance towards risk insurance. The number of actively insured people in a full-insurance collective foundation shrank by roughly a third between 2017 and 2021. In contrast, the number of people insured under a semi-autonomous collective foundation more than doubled over the same period.

In group life insurance, private life insurance providers managed investments totalling CHF 182 billion as at end 2021. For information about the investment of these funds, see section 4,2 Investment of this Sustainability Report.

[5] Pension Fund Statistics 2021, BFS, 2022; Operating statement of occupational pension schemes 2021, Finma, 2022

5

Sustainability within own business

As businesses and employers, Swiss insurers have social responsibility for some 50,000 employees, which makes promotion of sustainable conduct highly important.

5.1 The world of work

Insurers identify, evaluate and analyse risks to determine their probability and the scale of potential claims. That requires specific knowledge and skills, as a consequence of which the insurance industry has more job profiles than almost any other sector.

As a major employer, the Swiss insurance industry supports the proven dual education system. The industry is represented extensively at all levels of education and training, from basic and advanced vocational training to university study.

Training opportunities

The SIA is involved in a wide range of insurance apprenticeship initiatives and projects. Thanks in part to the www.startsmart.ch platform, which lists the full range of apprenticeships in the sector, about 2,100 young people undertook insurance apprenticeships in 2022. About 73 per cent of these were in an ongoing apprenticeship, with the remainder on post-Matura courses, internships for graduates and similar programmes. In this way, the industry ensures that trainees are well-equipped with a recognised qualification that can be built on and that opens up many opportunities.

Practical relevance and digitalisation

Insurance-specific training programmes are highly transferable with practical relevance, both within the industry and the wider business world. A key reason for this is the growing emphasis on digitalisation in the insurance industry, which is increasing demand for ICT skills. Thus, the SIA decided to join ICT-Berufsbildung Schweiz, the national ICT vocational training association, from 2023. The aim is to actively participate in the development of future-oriented job descriptions.

The SIA also organises innovative upskilling opportunities to broaden the skillsets of employees in the industry. These include, for example, the online self-analysis tool InsurSkills, which was launched in 2022. InsurSkills analyses 17 core skills that are set to gain in importance in the insurance industry. These include digital collaboration methods, openness to new things and decision-making ability.

The industry is also constantly investing in customer advisor and intermediary training in order to ensure high-quality customer advice.

The world of work in transition

In 2022, the working environment in the insurance sector was dominated by social and technological change. The benefits of different forms of work, such as home, remote, flexible and hybrid working, are undeniable. They promote sustainable mobility and help reduce the environmental impact of business travel and commuting. Swiss insurers have also added more opportunities for part-time work and jobshare arrangements, with a slight increase in the proportion of part-time employees over the last decade. Last year, 44 per cent of women and 12 per cent of men worked part time.

Diversity and inclusion

In 2022, the insurance industry workforce stood at about 44 per cent female employees. Of these, 34 per cent work in managerial positions and 23 per cent at senior manager level. As such, the insurance industry has a good pool of female talent.

Suitable networks can make an important contribution to diversity and equal opportunities. During the year under review, the SIA reached nearly 100 female employees at its member companies through WIND – Women Insurance Networking Day. People with disabilities represent another talent pool. The Compasso association, of which the SIA is a member and main sponsor, aims to unlock this potential. It empowers employers to (re)integrate employees with health problems into the workplace.

5.2 Business processes

The business model in insurance is less energy- and resource-intensive than in other sectors, and thus the industry's direct environmental impact is limited. Nevertheless, the industry works to make a positive impact on business operations.

Swiss private insurers take their responsibility for environmental issues linked to their operations in different national and international locations seriously. In defining their activities, they focus on reducing energy consumption and the associated CO_2 emissions and achieving greater material and resource efficiency in their processes. For example, this might involve raising their employees' awareness of ways in which they can help the environment, making business travel more environmentally friendly or switching to green power.

The measures are grounded in scientific findings about climate change and form the basis for establishing decarbonisation pathways to cut CO_2 emissions from operations. In accordance with the Paris Climate Agreement, insurers define environmental guidelines, set targets and evaluate their environmental footprint using selected measures, to take just a few examples.

Greenhouse gas reporting

The carbon footprint for operations (calculated per full-time equivalent, FTE) is the key indicator used to evaluate the sector's environmental performance. It enables a comparison of companies of different sizes. The SIA began compiling data on the carbon footprint per FTE in the insurance industry in 2019. The calculation is performed using the CO_2 emissions resulting from the consumption of energy, paper and water, business travel and waste. It is carried out in a standardised way for all insurers that respond to the survey and applies internationally recognised methods and conversion factors, such as the Greenhouse Gas (GHG) Protocol Standard and the Standard of the Association for Environmental Management and Sustainability in Financial Institutions (VfU).

As in previous years, the SIA survey for this Sustainability Report gathered consumption and emissions data for Scopes 1–3. A total of 49 insurers responded to the survey in 2022. In order to calculate primary consumption and the carbon footprint, 35 insurers that disclosed at least some greenhouse gas data were taken into account.

Despite an improvement in data quality, comparability with previous years is limited, partly because new companies have been added that are reporting for the first time and partly because some large insurers provided additional information on data categories that have only now been added to the survey, such as home working and travel by electric car.

Carbon footprint

The average carbon footprint per FTE fell slightly year on year again (-4 per cent) to stand at 1.35 tonnes. As in 2021, the results for the last four years must be interpreted in light of the Covid-19 pandemic. The energy-saving measures adopted in late 2022 in response to the global energy crisis will probably also have had an impact on the carbon footprint.

As with other sectors of industry, insurers are reliant on decarbonisation of energy and heat generation and the mobility revolution to reduce the carbon footprint of their operations. Carbon offsetting instruments and projects are currently used for the remaining emissions that cannot yet be avoided on economic or technological grounds. In 2022, 41 per cent[6] of the survey respondents said that they offset their residual emissions. A market in high-quality certificates for additive climate protection projects and the permanent removal of CO_2 from the atmosphere, as Switzerland is currently planning according to the Federal Council's report on the Sustainable Finance Strategy 2022-2025, are thus important.

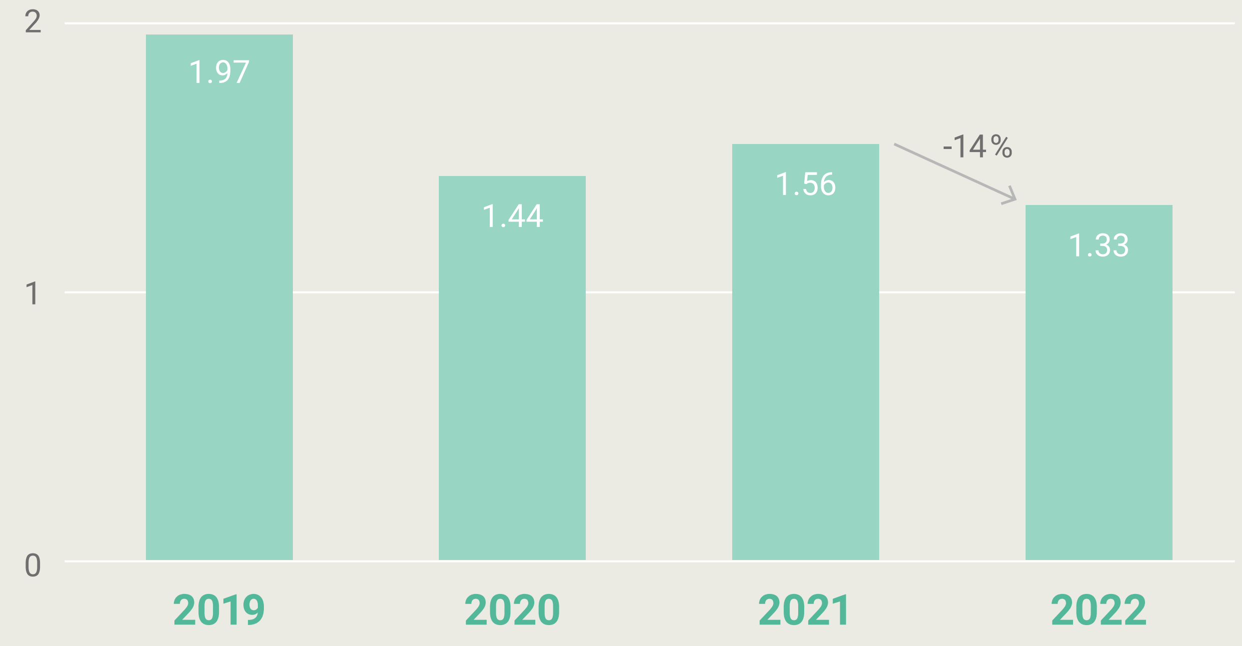
[6] This percentage was recorded for the first time in 2022

Energy consumption of buildings and business travel

Total energy consumption from the operation of buildings fell slightly compared with 2021 (-5 per cent). This reduction was largely attributable to the lower consumption of heating energy (-9 per cent). There was also a year-on-year reduction in paper consumption (-17 per cent). It appears that the trend towards paperless processes is continuing. Consumption averaged 52 kg per FTE, in the form of printed materials, forms, letters and photocopier paper. The more detailed data collection on paper categories in 2022 revealed the share of recycled paper for the first time. The figure was 56 per cent.

Business travel remains a major source of emissions, although these are still below 2019 levels. Before the pandemic, business travel averaged nearly 6,000 km per FTE. The figure for 2022 was about 3,500 km per FTE, or just over 60 per cent of the baseline. During the year under review, air travel (42 per cent) and cars (40 per cent) accounted for the bulk of business travel kilometres. Although air travel almost tripled compared with the previous year, it remains below its 2019 level.

Carbon footprint per full-time equivalent
(in tonnes)



Source: SIA

Relative consumption values per full-time equivalent

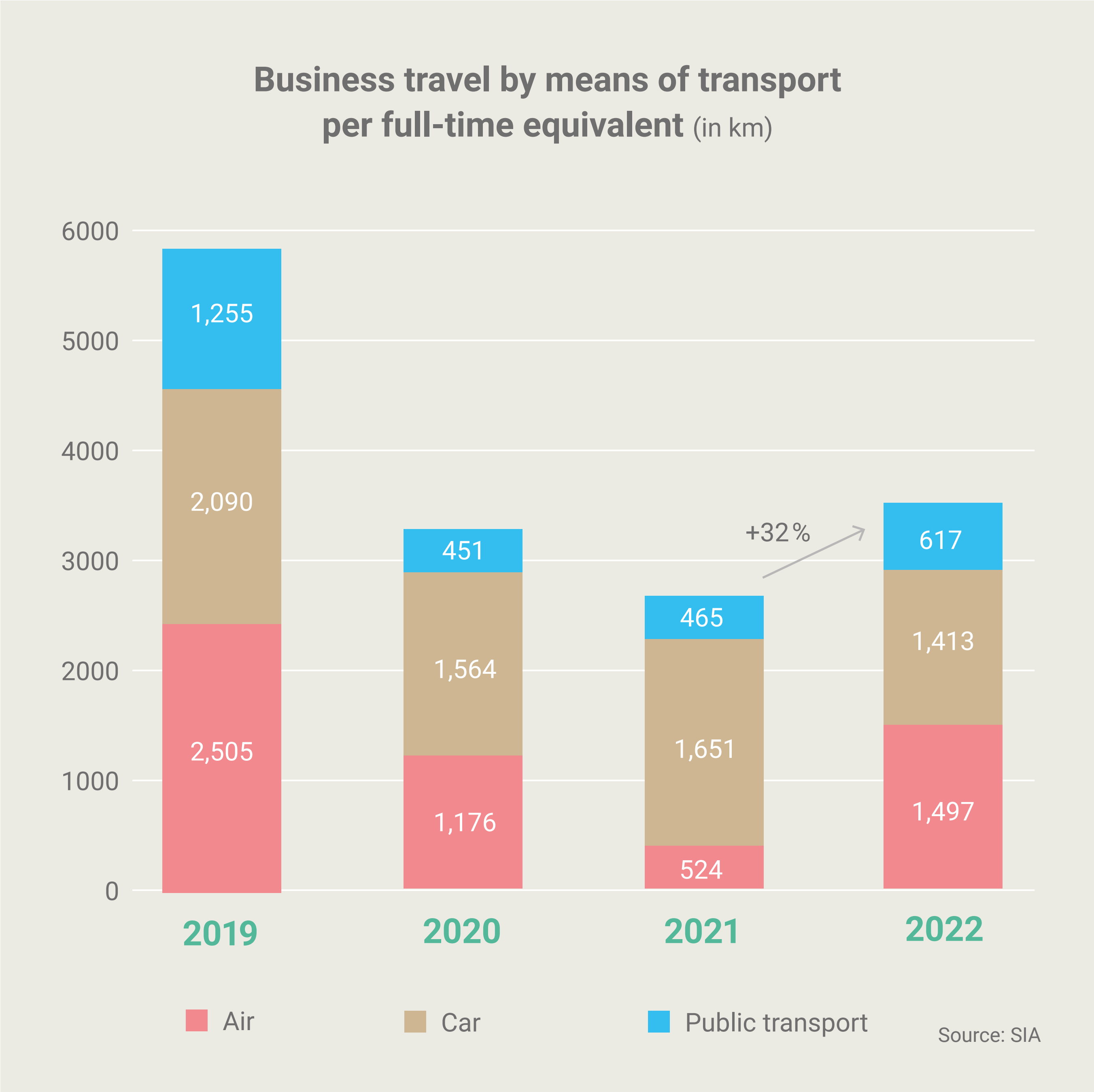
	Unit	2019*	2020*	2021*	2022*	Change year on year in %
Building energy consumption	kWh	4,408	3,846	3,667	**3,479**	-5%
Share of renewable energy	in %	55.3	55.0	57.3	**58.8**	+2 percentage points
Heating energy consumption	kWh	1,667	1,599	1,584	**1,436**	-9%
Water consumption	m³	10.9	7.8	5.7	**6.4**	12%
Paper consumption	in kg	70.4	60.7	63.1	**52.4**	-17%
Share of recycled paper***	in %	–	–	–	**38.8**	
Volume of waste	in kg	121	93	57	**71**	25%
Share recycled***	in %	–	–	–	**56**	
Business travel**	in km	5,850	3,199	2,700	**3,562**	32%
Kilometres travelled by air	in %	42.8	36.8	19.4	**42.0**	+23 percentage points
Kilometres travelled by car	in %	35.7	48.9	61.2	**39.7**	-21 percentage points
Kilometres travelled by public transport	in %	21.5	14.1	17.2	**17.3**	+0 percentage points

*The figures for each company are based on its own figures for the previous year; i.e. environmental data for 2021 feeds into 2022

**Due to rounding and some unknown means of transport, the figures do not add up to 100%

*** This use parameter was collected for the first time in 2022

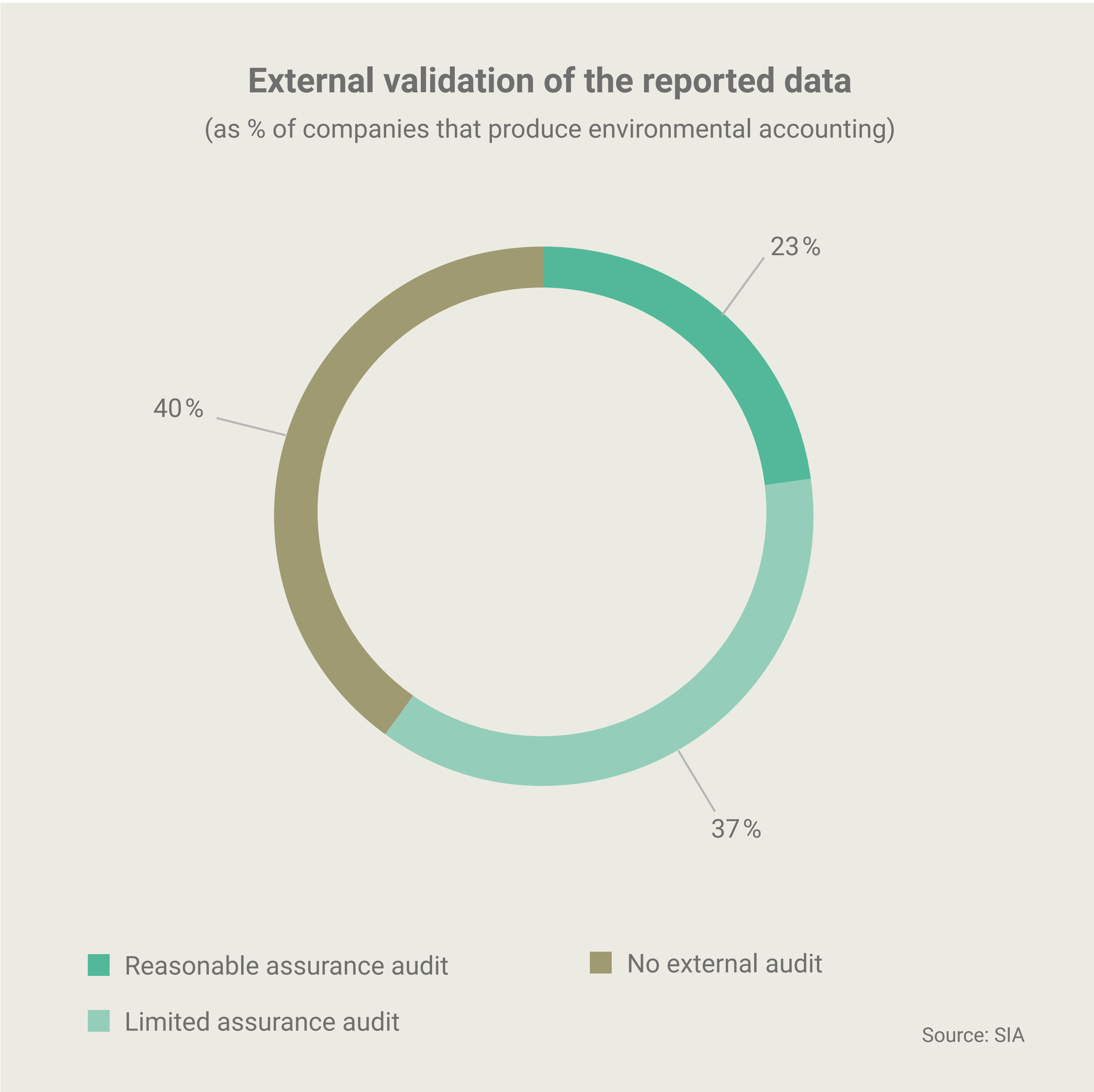
Source: SIA



There was a 33 per cent increase on 2021 in distances travelled by public transport, to 617 km per FTE. This too is below the figure for 2019. The logical conclusion is that despite a return to the office, meetings are still frequently taking place online. Data for the coming years will show whether and to what extent business travel behaviour has changed permanently.

Environmental reporting

Swiss insurers report transparently on the environmental impact of their operations. Just under 60 per cent (2021: 65 per cent[7]) of survey respondents this year said that they publish data and information on their primary consumption and the resulting carbon footprint, mainly in their annual report or sustainability report. This was also the first year in which they were asked about external validation of the reported data. Of those that publish environmental accounting, 60 per cent have their data externally audited. These audits tend to be based on overarching requirements and protocols for environmental reporting, which ensures standardised, comparable information and boosts credibility and transparency.



[7] The difference is attributable to a change in the questionnaire.

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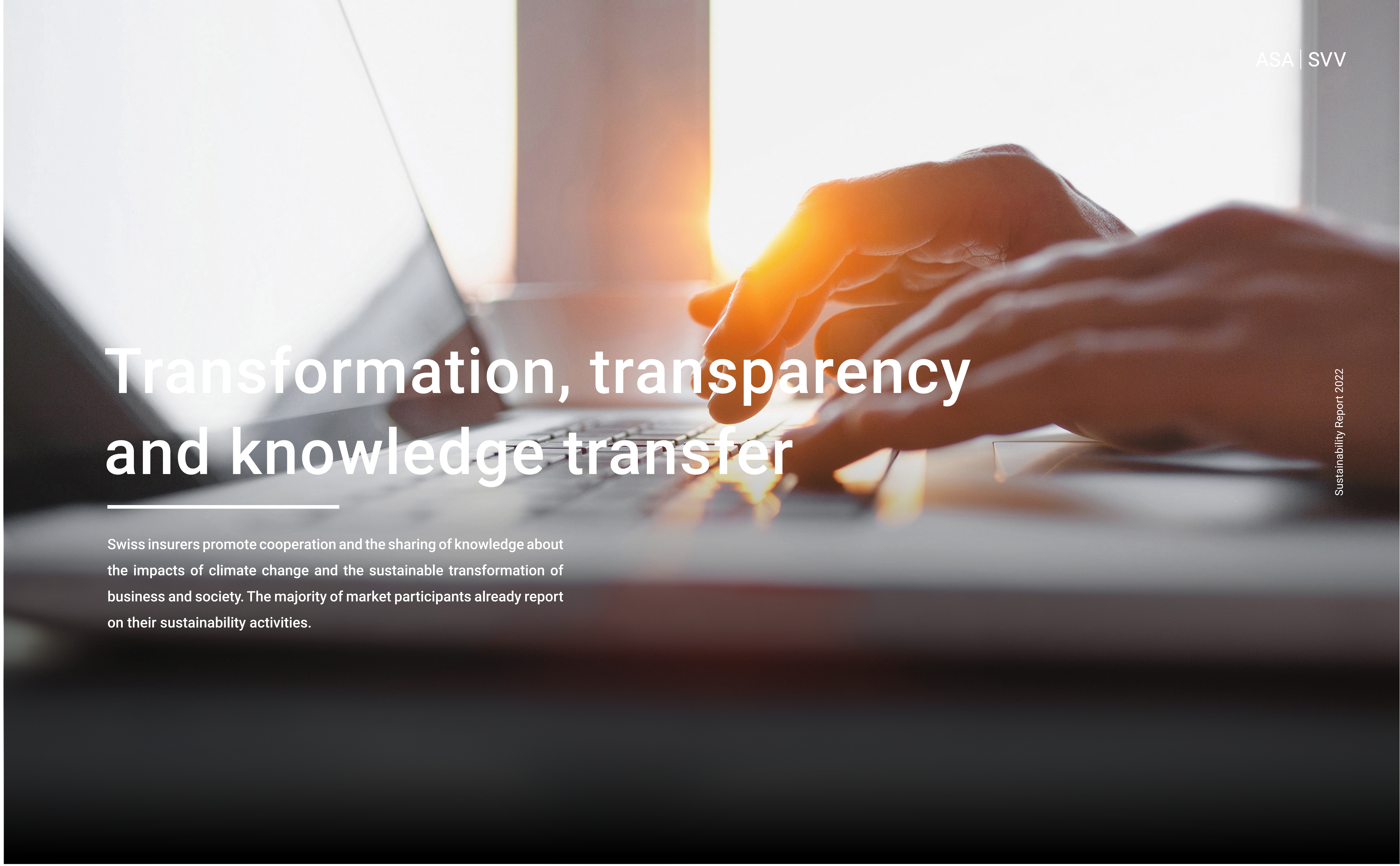


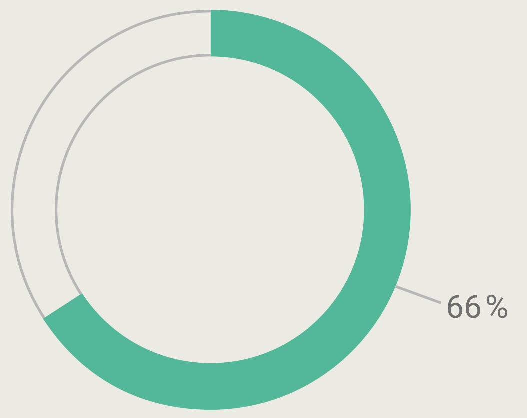
Transformation, transparency and knowledge transfer

Swiss insurers promote cooperation and the sharing of knowledge about the impacts of climate change and the sustainable transformation of business and society. The majority of market participants already report on their sustainability activities.

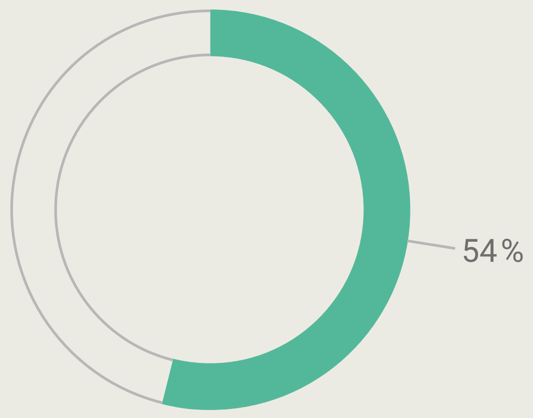
6.1 Collaboration in sustainable development

Alongside the financial sector's official efforts and coordinated measures, a range of private initiatives have sprung up aimed at driving forward the transition to a low-emission, sustainable economy. These bring together market participants that are working towards the Agreement objectives or the Sustainable Development Goals.

Insurers signed up to PRI



Insurers signed up to PSI



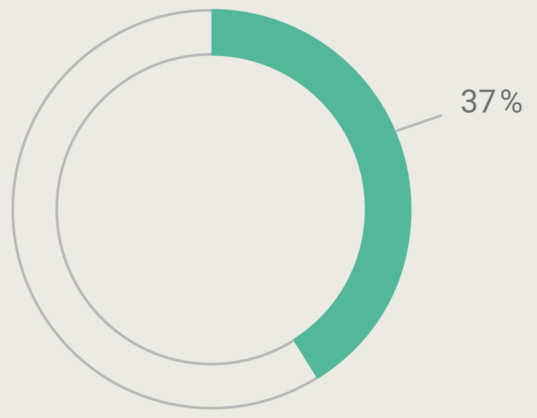
Source: SIA

Participation in voluntary initiatives

Joining voluntary initiatives is another way in which insurers can contribute to the achievement of global targets. For example, many companies sign up to the Task Force on Climate-related Financial Disclosures (TCFD) climate reporting recommendations, the PSI or the Principles for Responsible Investment (PRI). In so doing, they commit to implementation of the principles in their business activities and to regular reports on their progress.

As at the end of 2022, 19 Swiss and international private insurers and pension institutions had joined the Climate Action 100+ investor initiative for their investment activities. They want to exercise their voting rights to help push the world's biggest companies to take action to stem climate change and reduce their greenhouse gas emissions. The Climate Action 100+ members demand a commitment to CO_2 reduction and to improving the environmental impact of their activities.

Insurers signed up to Climate Action 100+

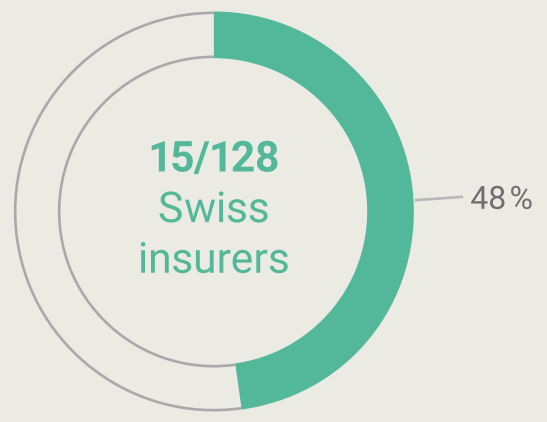


Source: SIA

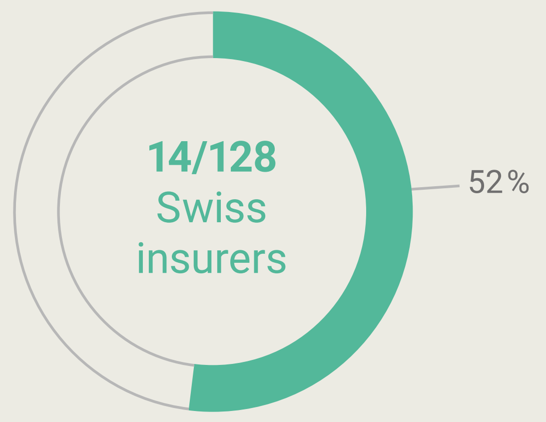
Net-zero alliances

Large insurers have also joined the relevant net-zero alliances for the sector: The Net-Zero Insurance Alliance (NZIA) and the Net-Zero Asset Owner Alliance (NZAOA). As members of these alliances, they formally commit to achieving a more climate-friendly business model with a science-based climate target.

Investment commitments under NZAOA's net-zero target
(as a % of the total market)



Premium volume commitments under NZIA's net-zero target
(as a % of the total market)



Source: SIA, Finma

In 2022, 15 Swiss insurance companies were NZAOA members, out of a total of 128. Their investments equate to 48 per cent of all investments by the Swiss insurance market. Of these, 12 are private insurers and SIA members.

Worldwide, 30 insurance companies were members of the NZIA in 2022. These firms have undertaken to transition their insurance and reinsurance portfolios to net-zero greenhouse gas emissions by 2050. Of Swiss insurers, 14 were members of the alliance in 2022. These companies together represented about 52 per cent of the total premium volume reported to the Swiss Financial Market Supervisory Authority (Finma), at just under CHF 60 billion.

Support from the association for cooperation targets

Through its activities, the SIA supports sustainable development and improvements in climate efficiency. As a network partner of Swiss Sustainable Finance and an NZAOA supporter, the association fosters dialogue with stakeholders from the financial services sector, business, politics, academia and society. In 2022, the SIA was able through its involvement in the Sustainable Finance Advisory Committee of the umbrella association economiesuisse to help draft its sustainable finance guidelines for the Swiss economy. The SIA also supports the use of the Swiss Climate Scores and TCFD recommendations within the insurance industry. Both are designed to boost transparency and comparability on climate-related matters at national and international level.

At its Insurers' Day in June 2022, the SIA invited 220 guests from the business, administration, academic and political spheres to engage in dialogue about matters of financial sustainability. Attendees learned about the preconditions for and background to a sustainable insurance and financial services industry in a speech by political economist Christoph A. Schaltegger and the podium debate that followed.

A key theme of the collaboration with universities and colleges, alongside building knowledge about the impact of climate change, is integration of ESG considerations into core business. The SIA wants to play an even greater role in the promotion of knowledge about sustainability in the insurance industry. That is why it will start to work with the PSI, a United Nations-convened financial initiative, from 2023. Membership as a supporter will open up the opportunity to pursue this agenda along the entire length of the value chain.

6.2 PACTA climate goal alignment test

Under the Paris Climate Agreement, Switzerland has set itself the objective of ensuring that financial flows are consistent with a low-emission and climate-resilient development pathway. Thus, it can play its part in keeping the rise in global temperatures below 1.5˚C. The Paris Agreement Capital Transition Assessment (PACTA) provides a way of measuring whether the Swiss insurance industry is on track in its investments.

In 2022, numerous insurers again took part in the third PACTA climate test for the Swiss financial centre, organised by the Federal Office for the Environment and the State Secretariat for International Finance. The results of the analysis of different asset classes show to which climate risks insurers' investment portfolios are exposed.

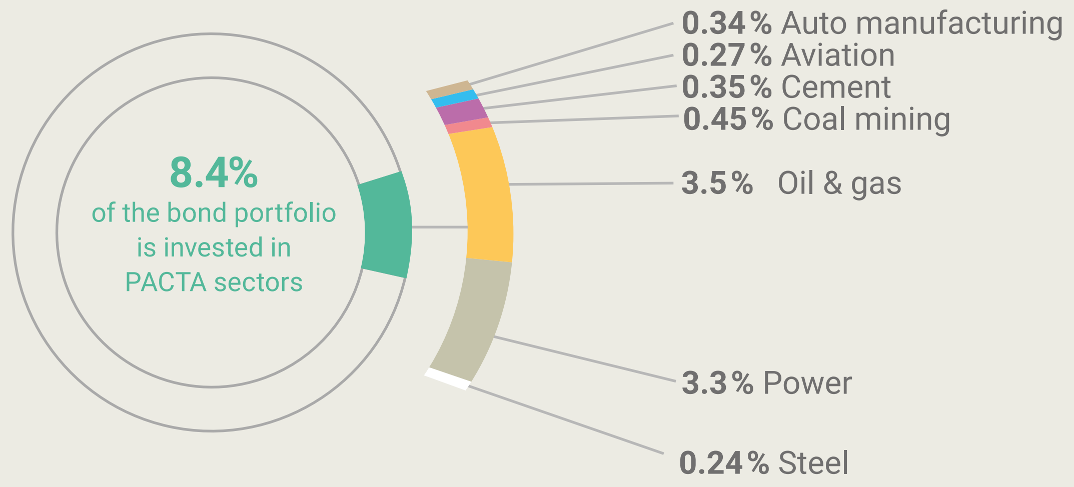
The investment data gathered and reported on by the SIA (see 4.2) is not comparable with the figures used in the Federal Office for the Environment's climate goal alignment test. The questions about private insurers' investments overlap partially, but given that the SIA can refer only to the published results of the climate goal alignment tests and the number of participating insurance companies differs, a comparison is not statistically possible.

Listed equities and corporate bonds

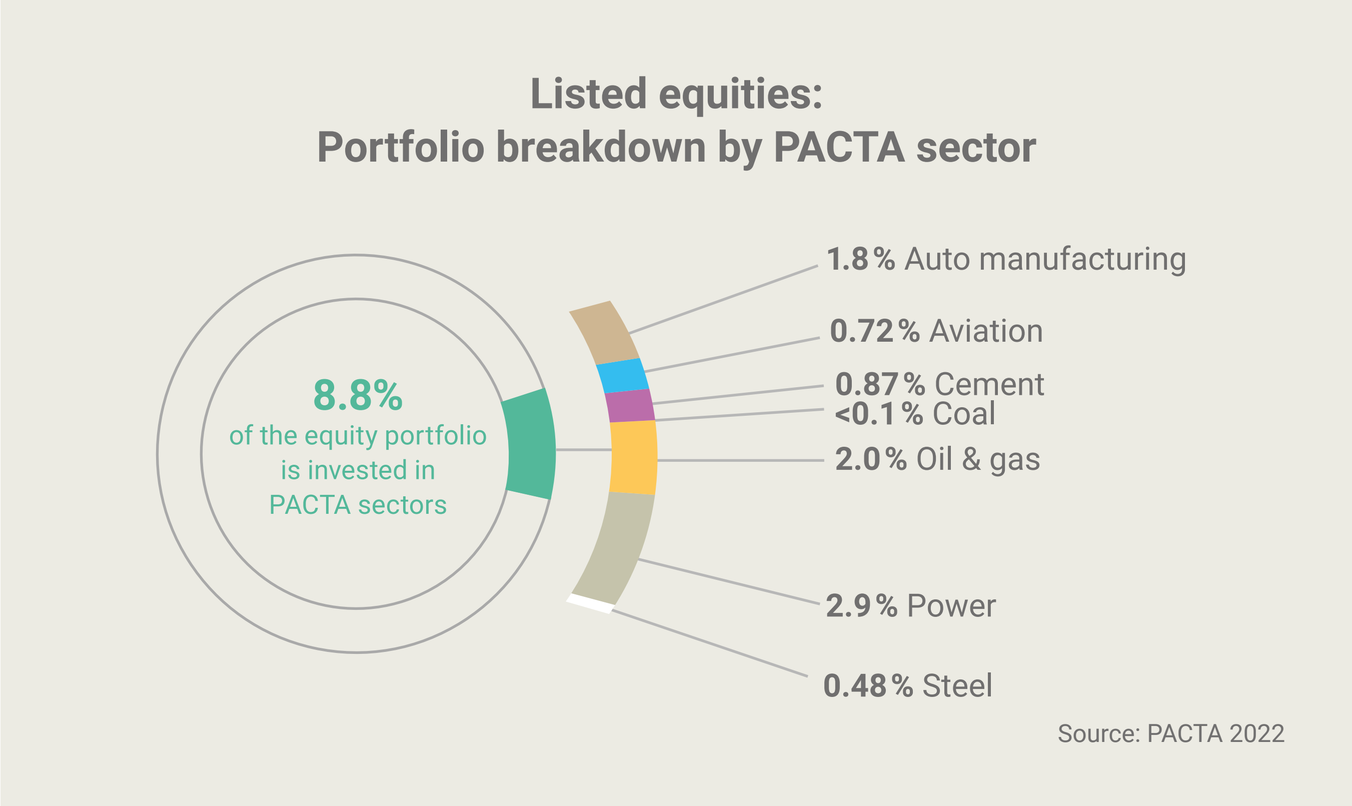
The fair value of the investment portfolios submitted by the insurers had risen by almost a further CHF 100 billion to CHF 342 billion since the second PACTA test in 2020. Equities and corporate bonds together accounted for 77 per cent of this figure. The fair value of the equities studied was CHF 47 billion. Corporate bonds represented a much larger share, with a fair value of approximately CHF 210 billion. Funds with a value of CHF 4.7 billion were also studied.

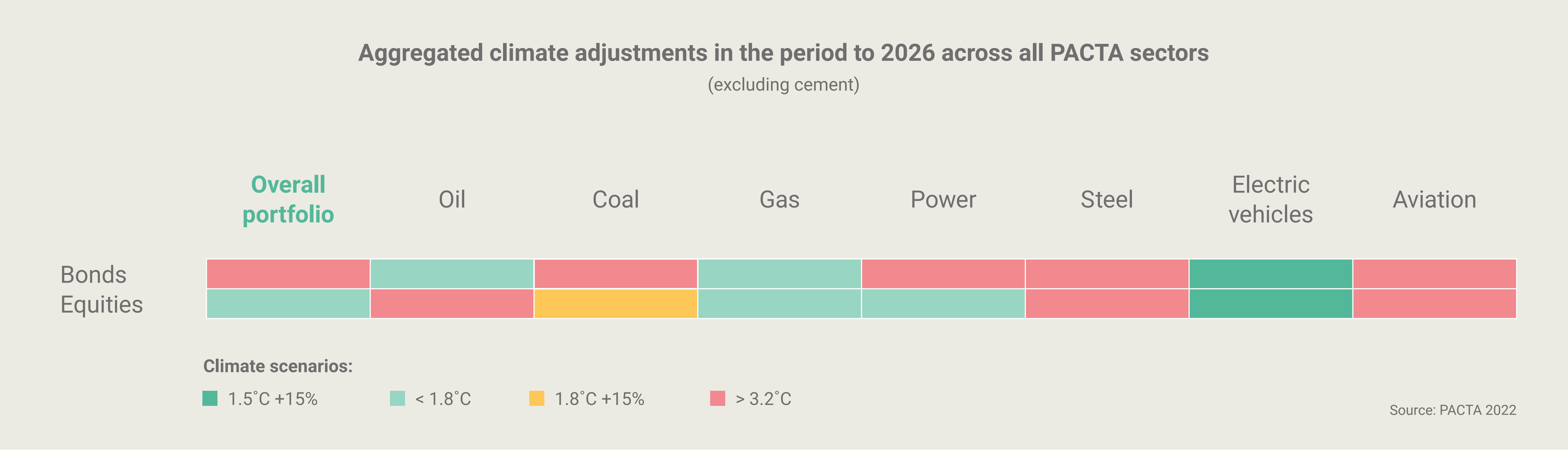
Just under 8.5 per cent of the sector's corporate bond portfolios were invested in carbon-intensive sectors, with about 3.5 per cent invested in bonds from oil and gas companies. A similar proportion (3.3 per cent) was invested in electricity generation. Overall, the insurers' portfolios had lower exposure to climate-sensitive industries than international benchmark indices. Nevertheless, these carbon-intensive sectors still accounted for 70 per cent of the carbon footprint of all corporate bonds in the portfolios.

Corporate bonds: Portfolio breakdown by PACTA sector



Source: PACTA 2022





There was a similar story for equities: The allocation to investments in carbon-intensive sectors was just marginally higher than for corporate bonds, at 8.8 per cent. A third of this (roughly 3 per cent) was in electricity generation.

The second largest slice of 2 per cent was invested in oil and gas stocks, followed by 1.8 per cent in automotive stocks. In all, equities of carbon-intensive sectors represented 66 per cent of the total carbon footprint.

A scenario analysis was also used to test the insurance portfolio's resilience to climate change in the next five years. This was based on an estimate of greenhouse gas emission trends for each company in the portfolio, with the data then set against five different climate scenarios. The findings from the analysis of technology risks were a mixed bag. The companies remaining in the insurers' portfolios are nearly all above the 2.7˚C pathway, despite a scaling back of fossil fuel exposure.

The production capacity of the oil companies, in which the insurance companies participate via equities and bonds, is set to more than triple from current levels by 2026. The production capacity of natural gas companies is forecast to rise 2.5-fold over the same period. In contrast, the insurers are doing well in their investments in coal-fired power generation and renewables, both of which should reach their net-zero pathways by 2024 at the latest.

Real estate and mortgage portfolios

For 2022, the insurers submitted 5,615 buildings (2020: 7,263) and 12 mortgage portfolios (2020: eight) for assessment. In both segments, the lion's share of the properties were of residential use – as in the previous test. Data quality, particularly for the properties held directly, improved significantly compared with the 2020 study. All mandatory information was present for 95 per cent of the buildings. There was also plausible renovation data for 86 per cent of the buildings. Median CO_2 emissions from portfolios of directly held properties fell slightly to 14.8 kg/m2 (2020: 15.2 kg/m2). This meant that the average CO_2 intensity of the buildings owned by the insurance companies in 2021 was also below the figure for Switzerland's total housing stock under the net-zero 2050 reduction pathway.

Climate compatibility performance to 2050 was also calculated based on the submitted renovation plans for the next five years. Across all the insurers, a double-digit percentage plan to carry out various renovation measures in the period to 2026: roofs (40.1 per cent), façades (37.1 per cent), windows (38.9 per cent), floors (12.5 per cent), repairs (46.7 per cent) and new heating systems (14.1 per cent). These measures should bring CO_2 intensity down to 9.2 kg/m2 by 2050 – a reduction of 38 per cent. Thus, the industry can currently be certified as having a good result in terms of climate goal alignment for the properties that are held directly. However, further renovations will be needed to achieve the net-zero target by 2050.

The average annual CO_2 intensity of the mortgage segment is 30.8 kg/m². This is above the required reduction pathway for the respondents. The portfolio as a whole has double the CO_2 intensity of 15.7 kg/m² defined as the climate alignment target for the baseline 2021. Statements on remedial measures cannot be made. This information is not available to the insurers as mortgage lenders, as the buildings' owners provide information on planned renovations only when refinancing, if at all.

PARIS AGREEMENT CAPITAL TRANSITION ASSESSMENT (PACTA)

PACTA is an open-source software that measures the compatibility of investment portfolios with various Paris-compliant climate scenarios. For financial investments, eight heavy-emitting sectors are analysed that together account for 75 per cent to 80 per cent of global greenhouse gas emissions: Power, oil, gas, coal mining, auto manufacturing, steel, cement and aviation. The investment portfolio valuation is based on the technology roadmaps for five climate change scenarios defined by organisations including the Joint Research Centre of the European Commission and the International Energy Agency. PACTA compares these scenarios with the production plans for the next five years of all companies held in the portfolio.

In addition, since 2020 the coordinated Swiss PACTA report has also reported the climate impact of Swiss real estate and mortgage portfolios. The analysis is based on a national net-zero pathway for the entire Swiss building stock.

6.3 Sustainability disclosures

As with their stakeholders – from politicians and supervisory authorities to businesses in the real economy, shareholders, institutional investors and the general public – insurers need reliable, clear and accessible sustainability information. Most companies in the sector therefore publish sustainability reports.

Insurers that operate internationally tend to have several frameworks that have become established as best practice in sustainability reporting. They include voluntary approaches and standards, such as the Global Reporting Initiative (GRI), UN Global Compact and Integrated Reporting Framework guidelines. Other voluntary publications include progress reports on commitments entered into under sustainability initiatives, such as the PSI or PRI, or as a member of net-zero alliances; e.g. TCFD or CDP disclosures.

Statutory requirements

In 2021, Finma put the transparency obligations for climate-related financial risks into concrete terms with the revised Circular 2016/2 Disclosures – Insurers, in which it was guided by the TCFD recommendations. At national level, the indirect counter-proposal to the Responsible Business Initiative will also bring greater transparency and comparability on sustainability topics and climate targets. The disclosure obligations are set out in the Ordinance on Climate Disclosures.

Swiss insurance groups with subsidiaries in the EU are also affected by EU regulations. For example, the European Insurance and Occupational Pensions Authority (EIOPA) has published recommendations on the greatest challenges for insurers resulting from climate change. These affect frameworks such as Solvency II and the Own Risk and Solvency Assessment (ORSA) process and the associated disclosures. With publication of the European Sustainability Reporting Standards, the EU also issued detailed instructions on implementation of the Corporate Sustainability Reporting Directive (CSRD), which enters into force next year.

Challenge in data management

Data management remains a challenge for sustainability reporting. Insurers are reliant on the accuracy of information from various external and internal data sources. They must ensure that they use sufficient data of good enough quality in their disclosures to enable their products and services to be geared to compliance with global climate, environmental and sustainability agreements.

This is particularly relevant where ESG opportunities and risks need to be quantified and translated into financial risks. One example is the TCFD recommendations, which have now also been embedded as reference standards in the Ordinance on Climate Disclosures. The SIA conducted a joint analysis with PwC in 2022 to establish whether and in what ways the sector had implemented climate-related financial reporting in relation to core business.

TCFD reporting

The data collection exercise discussed in the Investments section found that 29 per cent of participating insurers disclosed their climate topics in accordance with the TCFD recommendations in 2022. An analysis carried out by the consultants PwC in conjunction with the SIA studied seven publicly available TCFD reports by large primary insurers and reinsurers for 2021.

Although the level of maturity of the reports still has to be improved, the analysis found that the challenges of climate reporting were already being intensively addressed. The majority of companies had implemented all the TCFD recommendations. However, there were sizeable differences between the different dimensions of the TCFD disclosure recommendations. In particular, the level of maturity of implementation varied across four thematic areas: Governance, strategy, risk management, and metrics and objectives. Improvement measures were discussed for the areas of optimisation potential identified in these categories. The output in a fifth category, the principles of effective disclosure, was judged very good for all the insurers studied. On a general note, the reports could be made more reader-friendly and were often too short. In some cases, details required to ensure full transparency or traceability of the information provided were lacking.

In parallel to this analysis, the management consultancy PwC also began to develop a TCFD self-assessment tool for the industry. This is intended to equip and encourage insurance companies to optimise their reporting. The self-assessment can be used to identify strengths and weaknesses and draw sector comparisons. The SIA is inviting member firms to take part in a pilot study in early 2023, the aim of which will be to further simplify and improve the TCFD reporting process.

Glossary

Term	Meaning
Engagement dialogue	A forum for investors to actively influence business decision-making processes
ERM	Enterprise Resource Management System – software used to manage a company's assets and resources
ESG criteria	Environmental, social and governance criteria
IPA	Insurance Policies Act
NZAOA	Net-Zero Asset Owner Alliance
NZIA	Net-Zero Insurance Alliance
OASI	Old Age and Survivors' Insurance
OPA	Occupational Pensions Act
PACTA	Paris Agreement Capital Transition Assessment – evaluates investments against the Paris Climate Agreement targets
PCAF	Partnership for Carbon Accounting Financials
PRI	Principles for Responsible Investment
PSI	Principles for Sustainable Insurance

Term	Meaning
Scope 1	Direct greenhouse gas emissions by a company
Scope 2	Indirect greenhouse gas emissions by a company's energy suppliers
Scope 3	Indirect release of climate-damaging gases in the up-stream and downstream supply chain (based on GHG Protocol, A Corporate Accounting and Reporting Standard, p. 25.)
SDG	Sustainable Development Goals – United Nations' goals for sustainable development
TCFD	Task Force on Climate-related Financial Disclosures
Transition risks	Transition risks result from the transition to a low-carbon economy (e.g. loss or rise in value, changes in policy, regulations, technology or consumer prefer-ences)
Underwriting	The process of accepting business in primary insur-ance and reinsurance, assessment of (re)insurance risks and setting of appropriate premiums
UNEP FI	United Nations Environment Programme Finance Initiative

About the SIA and this report

The Swiss Insurance Association (SIA) represents the interests of the private insurance industry at national and international level. The association has approximately 70 members, which include many nationally oriented specialist non-life, life and supplementary health insurers, and global primary insurers and reinsurers.

The sector is one of the most productive and highest value-added sectors of the economy. The private insurance sector employs about 50,000 people in Switzerland. With its expertise in risk coverage and hazard prevention, it assumes economic responsibility. Private insurers make a significant contribution to the stability of the economic system and prosperity within Switzerland. With that in mind, the SIA is committed to the sustainable development of the sector and its locations.

The SIA has reported on the sector's sustainability performance annually since 2020. This report relates to the activities of the SIA and the insurance industry in 2022.

The consolidated data in this report was collected at company level and, as with the Sustainability Report 2021, it covers the majority of Swiss insurance companies. Participation in the data collection is voluntary, with the result that sampling differences may limit comparability over the years. In addition, the data for 2022 was for the first time collected using a new survey tool that includes filter questions. That may result in changes to how respondents complete the survey.

The data gathered on investments, operational environmental management, and transformation, transparency and knowledge transfer relate to the period from 1 January to 31 December 2022 (with the exception of eight private insurers with different financial years in the operational environmental management figures). The reference date for the employment statistics cited in the section 'The world of work' is 31 December 2022.

The Sustainability Report 2022 is published in German, French and English. The Management Summary is also available in Italian. Further information on the industry association of Swiss private insurers can be found at svv.ch.

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Disclaimer:
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