Sustainability Risk Framework.

Contents.

1. Introduction.

1.1 Purpose and scope

The Sustainability Risk Framework sets out Helvetia's management concept for sustainability factors and risks. With regard to sustainability risks, it represents the principles, methodologies, processes and procedures used to identify, assess and manage sustainability risks that could negatively impact Helvetia's business and financial success. In addition, using the principle of double materiality, it describes the dependence on dealing with adverse sustainability impacts.

The Sustainability Risk Framework thus defines the framework that Helvetia applies when dealing with sustainability risks. There are detailed internal requirements for implementation, in particular as part of the sustainability strategy and the integrated risk management system.

The Sustainability Risk Framework is supplemented by the "Principal Adverse Impact Statement", which is formulated annually in accordance with Art. 4 of the Sustainable Finance Disclosure Regulation (EU Disclosure Regulation) and published on the Helvetia website.

1.2 Definitions

In accordance with Art. 2 of the Sustainable Finance Disclosure Regulation (EU Disclosure Regulation), the following definitions shall apply for the purposes of the Sustainability Risk Framework.

Sustainability factors
Sustainability factors mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Sustainability risks
A sustainability risk is an environmental, social or governance event or condition, the occurrence of which could cause an actual or potential material negative impact on the value of a financial transaction/asset.

Adverse sustainability impacts
Adverse sustainability impacts are the impacts of investment and insurance products/services that can lead to negative effects on sustainability factors.

1.3 Sustainability standards

In order to ensure the proper identification, assessment and management of sustainability risks and adverse sustainability impacts, Helvetia refers to the following internationally recognized sustainability perspectives, principles and standards, and the associated guidelines and implementation recommendations:

- UNEP Finance Initiative (UNEP FI);
- United Nations Global Compact (UNGC);
- Universal Declaration of Human Rights (UNHDR);
- United Nations Guiding Principles on Business and Human Rights (UNGP);
- (United Nations Guiding Principles on Business and Human Rights, «UNGP»);
- OECD Guidelines for Multinational Enterprises;
- International Labour Organization's (ILO) Core Conventions;
- United Nations-backed Principles for Responsible Investment (PRI);
- (United Nations-backed Principles for Responsible Investment, «PRI»);
- United Nations-backed Principles for Sustainable Insurance (PSI);
- (United Nations-backed Principles for Sustainable Insurance, «PSI»);
- Natural Capital Declaration (NCO).

2. Overarching sustainability topics.

The Helvetia Sustainability Risk Framework encompasses the management of sustainability factors and risks in connection with Helvetia's activities, products and services that shall be given precedence in the context of investment decision-making processes and insurance business. In accordance with the Sustainable Finance Disclosure Regulation (Disclosure Regulation), sustainability factors are considered from both a sustainability risk and a potential adverse impact perspective.

Helvetia has identified three areas in which a holistic assessment of sustainability risks and adverse sustainability impacts is particularly relevant to managing risk and return.

– Environment and climate change: protecting the natural environment with special focus on the conservation of natural resources, biodiversity and combating climate change by supporting the transition to a low carbon and climate resilient economy.

– Social issues and human rights: supporting the humane development of the economy and society from social standpoints. Complying with all relevant laws, in particular taking into account international conventions for the protection of human rights and labour law, including the issues of children's rights and forced labour, the eight core conventions of the International Labour Organization and respecting the rights of indigenous peoples.

– Good corporate governance: implementing and supporting responsible business practices, including the fight against corruption and bribery, and compliance with laws – in particular, but not exclusively, in the first two areas – by providing a governance framework that covers all levels of governance and takes into account the relevant external and internal normative requirements.

These focus areas are applicable to all of Helvetia's business areas and market units. They are intended to support the management of sustainability risks and impacts on sustainability factors based on our activities along the value chain for all of Helvetia's products and services.

Helvetia publishes its assessment of the key sustainability issues, its strategy and the progress made in its Annual Sustainability Report. In addition, Helvetia publishes the "Principal Adverse Impact Statement" annually. This and other current information on overarching sustainability topics can be found on our website.

3. Management of sustainability risks.

Helvetia takes an integrated, holistic approach to sustainability risk management, focusing on mitigating relevant risks and avoiding negative impacts on reputation and capital. At the same time, the sustainability aspects associated with our business are part of our responsibility to customers, employees and shareholders, as well as to the countries and local communities in which we operate – both in terms of risk and impact.

Scrutinizing investments and insurance processes from a sustainability perspective as part of a holistic risk assessment is guided by Helvetia’s ambition to preserve and grow financial assets in the interest of its customers, shareholders and other stakeholders, and to align with the broader needs and objectives of its stakeholders. Meeting stakeholder expectations and limiting sustainability risks reduces the financial risk to Helvetia's insurance and investment portfolio. Failure to do so may result in reputational, compliance and financial risks for Helvetia and impede our ability to take advantage of potential business opportunities.

Helvetia does not consider sustainability risks as a new, separate risk category, but as a driver of existing and already monitored risk categories. In this context, sustainability risks can affect market, insurance, operational or strategic risks. Helvetia has developed a risk register that assigns possible sustainability risks in the environmental, social and governance areas (e.g. increase in extreme weather events) to the existing risk categories (e.g. actuarial risk or market risk). The risk register ensures that all relevant sustainability risks are identified and covered by the risk management framework and its processes (such as ICS).

The identification, assessment and management of sustainability risks takes place within the framework of Helvetia's standardized risk management, compliance and operational business processes. In operational business, sustainability risks and possible negative sustainability impacts are identified, assessed and managed accordingly, for example as part of due diligence checks on transactions. The principles for this are laid down in our internal underwriting and investment guidelines.

When it comes to environmental risks, Helvetia sees climate change in particular as a key challenge. Climate change risks can manifest either in the form of physical influences (physical risks) or as consequences of the transition to a low carbon economy (transition risks). Physical risks arise, for example, from a change in meteorological conditions. This can affect insurance in connection with natural forces, among other things. Transition risks could lead to changes in both the investment portfolio and the insurance business model due to the change in the energy economy, for example. Although short-term physical risks or transition risks are possible, climate change risks tend to be more long term in nature and difficult to predict today. Helvetia therefore uses both qualitative and quantitative approaches to assess climate change risks.

4. Implementation.

4.1 Due diligence

Business or control functions that are responsible for identifying and assessing sustainability aspects as part of their decision-making implement the internal and external standards set by Helvetia's governance. This includes, in particular, the use of appropriate due diligence processes and their documentation. It ensures that potential sustainability risks and significant adverse impacts are identified at different levels of corporate governance and taken into account in the decision-making.

At the transaction level, the Helvetia governance framework sets out how to deal with heightened sustainability risks and impacts. If the identified adverse impacts and risks are found to pose potentially significant environmental, social or governance problems or risks, the decision on a transaction is forwarded either to a specific control body for review or to a decision-making body via a defined escalation process. Control bodies make a recommendation on the further course of action, whereby legal reservations must in any case be taken into account as a requirement. Decision-making bodies give binding instructions to either carry out the transaction as planned or subject to conditions, or to reject it in its entirety.

Review processes at different levels and corporate functions are a central part of our risk management and sustainability approach. By assessing sustainability factors and risks, they enable Helvetia to effectively implement the Sustainability Risk Framework. In view of the many and complex environmental and social challenges globally, which will continue to increase in relevance for the company and are also relevant for it from a risk perspective, Helvetia also relies on a regular and critical assessment of its policies and implementation practices.

Helvetia keeps a Restricted Countries List. The list identifies countries where business activities are either prohibited or where additional due diligence is required prior to entering into business transactions. The underlying approach for this list follows comprehensive human rights-motivated economic sanctions (imposed by the UN Security Council) and sanctions imposed to counter serious violations of international law by a country. Furthermore, the list includes countries where significant deficiencies in compliance with environmental standards or weak measures to combat financial crime have been identified. The list is updated on an ongoing basis.

The Helvetia governance framework also includes clear provisions for dealing with anti-corruption. This involves risks arising from dealings with customers, intermediaries, suppliers and from further interactions with third parties that are susceptible to corrupt behaviour or practices. Business relationships with corrupt parties involve legal risks and reputational risks, but they also affect indirect negative sustainability impacts in social and economic areas. The risks are directly related to the countries in which we operate, in particular countries that are considered highly corrupt according to Transparency International's global corruption index (CPI). In addition, activities in certain sensitive industries and relationships with certain customers may increase the risk for Helvetia.

Finally, Helvetia has developed an investment and underwriting policy in transactions related to fossil fuels in order to implement the climate strategy and manage climate change risks. In addition to direct exclusions and limits, this also includes the gradual complete exit from coal-related transactions.

Where applicable, appropriate due diligence measures are defined at the level of operational processes and for the monitoring of risks. As already stated, these are embedded in a risk transfer process. Affected business areas follow predefined assessment processes, in which responsible risk assurance functions are also involved.

4.2 Responsible investment

As a signatory of the Principles for Responsible Investment (PRI), Helvetia strives to integrate sustainability aspects into the investment process. The consideration of sustainability opportunities, risks and impacts is intended to complement the traditional techniques of analysing financial risks and returns in the management of invested capital. In the investment area, Helvetia is continuously working on expanding the integration of sustainability aspects.

In order to take sustainability risks and negative sustainability impacts into account in general in our investment decisions and in the management of our investment portfolio, and also to be able to report on them transparently, we use appropriate indicators and key figures from external data service providers. For the consideration of long-term climate change risks, we rely on the results of our qualitative and quantitative scenario analyses.

With regard to sustainability criteria in securities selection, investments are classified as very risky and therefore excluded from our investment universe if issuers (i) produce or use weapons or central parts for weapons that, if used, violate fundamental humanitarian principles (cluster bombs, anti-personnel mines, etc.), (ii) are involved in violations according to the United Nations Global Compact (e.g. serious human rights violations), (iii) have an insufficient overall sustainability performance or (iv) exceed certain thresholds in the coal, oil and natural gas sector[1]. This is implemented in the investment processes via a monitoring of the investment universe. The identification of issuers with a higher exposure to sustainability factors is based on an exclusion and watch list. The lists are updated monthly on the basis of information on ESG indicators and controversies from MSCI ESG Research and may directly influence our investment decisions.

Helvetia's Responsible Investment approach is set out in the Responsible Investment Directive published on our website and reflected in the Group-wide investment guidelines. It is being further developed with the aim of increasing the coverage of asset classes and optimizing the methods used.

The real estate portfolios managed directly by Helvetia also take sustainability risks and the resulting negative effects on real estate into account when assessing and planning new developments and major renovations. Real estate held in the portfolio is regularly evaluated according to sustainability factors and targeted improvements are sought. The focus is on increasing energy efficiency through regular consumption measurements and operational optimizations.

4.3 Reporting

In its Annual Report, Helvetia reports transparently and in accordance with international standards on its risk management approach and on the sustainability targets and progress in the implementation of its sustainability strategy. We not only comply with the legal requirements in the field of sustainability reporting, but we also strive to meet the various information requirements of our stakeholders in terms of reporting.

Internally, the relevant management bodies are regularly informed about existing or potential risks and adverse impacts based on our governance requirements, and appropriate measures are taken to enable them to fulfil their role when it comes to decision-making. Internal reporting includes the relevant sustainability factors and all other topics classified as material. It is embedded in the internal sustainability reporting and in the standardized reporting of the monitoring functions (Group Risk Management and Group Compliance).

[1] For further details, please refer to Helvetia's "Fossil Fuel Policy".

4.4 Governance

Based on Helvetia's governance, Group Executive Management has the responsibility for the development and execution of the Sustainability Risk Framework and for its integration into Helvetia's investment and insurance processes.

The practical implementation is the responsibility of all business areas. They work closely with the responsible Group functions, in particular with Risk Management, Compliance, Investment, Actuarial and the Sustainability area. The units coordinate with each other and set requirements for implementation that are consistent with the Group approach. The business areas themselves also have corresponding functions that support them with implementation at the local level.

4.5 Further development

Given the dynamic nature of sustainability issues, Helvetia is continuously developing its approach to sustainability risk management, taking into account and building on regulatory requirements and industry standards. This includes the incorporation of policies and guidelines that apply a consistent methodology to understanding, assessing and considering sustainability aspects in decision-making, aligned with Helvetia's risk appetite and business objectives. The Sustainability Risk Framework is reviewed annually and updated as necessary. Updates and changes are listed in the "Change log" section.

5. Change log.

Version	Date	Amendments	Prepared	Approved
1.0	10.3.2021	First publication	Risk Management Group (Group Risk)	Group Executive Management
1.1	31.03.2024	Update	Risk Management Group (Group Risk) Group Corporate Sustainability	

03.21

Helvetia Insurance
www.helvetia.ch

simple. clear. helvetia
Your Swiss Insurer