

**suva**

2022

TCFD report

# Introduction and background

Sustainability is a firm fixture of the business model of social insurance provider Suva, with the aim of preventing accidents and occupational diseases, and strengthening Swiss industry. But Suva is not only committed to social and economic causes; it also addresses environmental concerns. Suva has also included climate change in its sustainability strategy. In accordance with the Paris Agreement, it wants to play its part in the transition to a climate-friendly economy. It has therefore incorporated the gradual reduction of its greenhouse gases to net zero by 2050 as a strategic objective at business level and adopted a climate strategy for capital investments in the financial year 2022.

As part of its climate strategy, Suva also supports the improvement of transparency in reporting on the impacts of climate change. This report discloses the impacts of climate change on Suva's business activities, as well as Suva's impacts on climate change.

## Goals of the TCFD

The Task Force on Climate-Related Financial Disclosures (TCFD) pursues the goal of creating internationally recognised and standardised climate reporting and a comprehensive approach for companies and organisations to assess, manage and disclose climate-related risks. This is intended to increase transparency regarding the financial impacts of climate-related risks and opportunities on companies and organisations, encourage companies and organisations to take responsibility for overcoming the challenges of climate change and support investors with making investment decisions. The Swiss Confederation will require large companies to disclose their climate-related risks in accordance with the TCFD from 2024.

## Contents and structure of the TCFD report

The report addresses the core elements of the TCFD recommendations (see Figure 1).

It outlines our understanding of the potential impacts of climate-related risks on our insurance and investment activities and includes an assessment of our strategy's resilience towards climate change. It also presents the incorporation of climate and sustainability into our organisation, our climate strategy with relevant metrics and targets, and our processes for managing climate-related risks.

## Core elements of the TCFD recommendations

### Governance

The company's governance around climate-related risks and opportunities

### Strategy

Actual and potential impacts of climate-related risks and opportunities on the company's business, strategy and financial planning

### Risk management

The company's processes for identifying, assessing and managing climate-related risks

### Metrics and targets

Metrics and targets used to assess and manage relevant climate-related risks and opportunities

Figure 1



# Governance

## **Incorporation of the climate goals and strategy by the Suva Council**

The Suva Council is Suva's top management and is made up of representatives of the Swiss Confederation and employer and employee organisations.

The climate goals and climate strategy for capital investments have been adopted by the Suva Council.

The Suva Council Committee is responsible for taking the climate goals and strategy into account in the investments and has incorporated them into the investment regulations accordingly. It is also tasked with ensuring that appropriate risk management is in place and receives regular updates on Suva's current risk situation.

## **Integration of sustainability into Suva's organisation**

The Board of Management is responsible for implementing the corporate strategy and is the top managing and executive operational body. Suva's climate goals are incorporated into the strategic management process. Coordinating and managing sustainability is part of the Corporate Development Division's remit. Responsibility for implementing the individual topics relating to sustainability is integrated into the respective sectors and processes (see Section 4 Risk management).

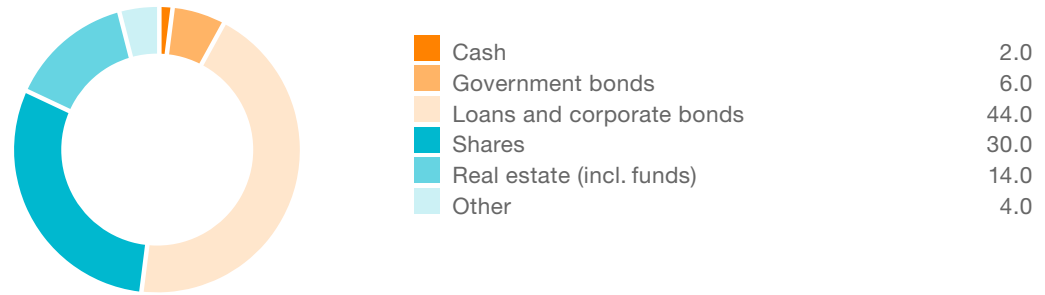
Company-wide risk management promotes the appropriate level of risk assessment and creates transparency. Risks are identified and evaluated on a regular basis. The internal control system (ICS) is part of company-wide risk management and involves the use of effective monitoring to reduce key risks in business processes. The climate-related risks associated with investments are therefore incorporated into Suva's risk management.

# Strategy

Figure 2

## Investment portfolio as at 31 December 2022

Assets of CHF 54.4 billion  
in %



Climate change is one of the biggest challenges facing society in the future. Switzerland has therefore pledged to reduce its greenhouse gas emissions to net zero by 2050 in the Paris Agreement.

As a company under public law, Suva committed to reducing the greenhouse gas emissions associated with its operations to net zero back in 2018. In the financial year 2022, the net-zero goal was extended to the indirect greenhouse gas emissions associated with its investments.

### Climate-related risks and opportunities relevant to Suva

Climate-related risks and opportunities are developments that can significantly affect business activities, Suva's reputation and the investments managed by Suva (see Figure 2). These may be transition risks that arise due to the need to transition to a lower-carbon economy (also known as transitory risks). There are also direct, physical

climate-related risks caused by climate change, such as a rise in claims as a result of an increase in periods of drought or storms.

### Potential climate-related risks and opportunities arising from direct business activities

As an accident insurer operating in Switzerland, Suva is only exposed to climate-related risks in its direct business activities to a limited extent.<sup>1</sup> An increase in storms mainly leads to property damage in Switzerland. Rising temperatures or more frequent periods of drought have also so far only had a minor influence on accident figures in Switzerland. No specific opportunities due to climate change were identified for Suva's accident insurance business either.

However, the [investments](#) managed by Suva to cover insurance benefits are potentially affected by climate-related risks.

### Potential climate-related risks and opportunities for investment

The companies and public issuers in which Suva invests are exposed to both transitory and physical risks and opportunities. These may affect the issuers' financial situation and therefore also influence the long-term value of Suva's investment portfolio.

Figure 3

**Potential climate-related risks and opportunities that are relevant to investments\***

	Short term 1–5 years	Medium term 5–10 years	Long term > 10 years
Possible climate-related risks and opportunities	<ul style="list-style-type: none"> <li>– Policy risks (e.g. increase in CO<sub>2</sub> prices)</li> <li>– Reputational risks</li> <li>± Winners and losers of climate change</li> <li>+ Capital required to finance the transition</li> </ul>	<ul style="list-style-type: none"> <li>– Increase in claims due to acute physical climate-related risks</li> <li>± Winners and losers of climate change</li> <li>+ Large amount of capital required to finance the transition</li> </ul>	<ul style="list-style-type: none"> <li>– Potentially sharp rise in claims due to chronic climate-related risks</li> <li>+ Large amount of capital required to finance the transition</li> </ul>

\* Opportunities are indicated by +, risks are indicated by – and factors that are both opportunities and risks are indicated by ±.

Based on the climate-related risks and opportunities listed by the TCFD,<sup>2</sup> as well as the methods and data available on the market (see Section 4 Models and scenarios used to assess climate-related risks), the potential climate-related risks and opportunities shown in Figure 3 were identified. The distinction between short-term and medium-term was determined based on the investment strategy, which has a five-year planning cycle.

**Short-term climate-related risks and opportunities**

Over the next few years, ambitious policies are to be expected to achieve the climate goals of the Paris Agreement. These are likely to include more stringent regulatory and political measures, which will increase the economy’s production costs. A rapid and coordinated greenhouse gas price<sup>3</sup> hike by the major economies in particular would trigger a global price shock, together with the associated negative economic consequences.

As a result of climate change and relevant laws and changes in behaviour, a transformation is also to be expected in certain carbon-intensive sectors (such as in the automotive industry due to the switch to electric cars or in the energy sector due to the climate-related need to phase out coal power).

There are also short-term regulatory risks in Switzerland. For example, various laws to achieve Switzerland’s obligations under the Paris Agreement are under [discussion](#). Laws to reach a net-zero goal early have already been accepted by voters in some Swiss cantons and municipalities.<sup>4</sup> This also implies a rapid decarbonisation of the real estate in these cantons. In addition, public awareness of climate change has increased, meaning that potential reputational risks for companies that pay too little attention to reducing their environmental impact have also grown.

**Medium- and long-term climate-related risks and opportunities**

In the medium term, we can expect claims to increase due to climate change, and this trend could worsen in the long term as a result of chronic risks (e.g. because of rising temperatures or sea levels). The transformation of the economy will also produce more winners and losers in the medium term. For financial investments, the transformation of the economy also opens up new investment opportunities, as it requires a considerable amount of additional financial resources in the short, medium and long term.

### Models and scenarios used to assess the climate-related risks

To calculate the potential financial impacts of the climate-related risks identified on the financial investments, the integrated climate and assessment models of the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) were used.<sup>5</sup> The NGFS’s models are macroeconomic models that illustrate the climate-related risks on a macroeconomic basis and represent them in the form of market risks (interest rate risk, stock market risk). This means that the results can be integrated directly into Suva’s existing risk models to calculate the capital required.

As the development of the climate-related risks, in particular the political responses to climate change, is difficult to determine, a range of climate scenarios was used to assess the potential impacts on the financial investments. A distinction was made between orderly and disorderly scenarios and between different levels of the expected temperature increase, as shown in Figure 4.

### Assessment of the climate-related risks and opportunities for Suva

The assessment of the climate-related risks with the aid of the NGFS models shows that the climate-related risks in all four scenarios analysed are within the market risks assumed for the financial investments.<sup>6</sup> Suva also assumes that the climate-related risks and opportunities to be expected in the short term, in particular, have already mostly been factored into the asset valuations.<sup>7</sup> With this in mind, the climate-related risks not yet reflected in the market prices of the financial investments do not present any material risks for Suva.

The biggest risk is linked to the possibility of a globally coordinated introduction of higher CO<sub>2</sub> prices in the short term. However, we believe that this short-term risk is not very likely in the current economic situation where energy

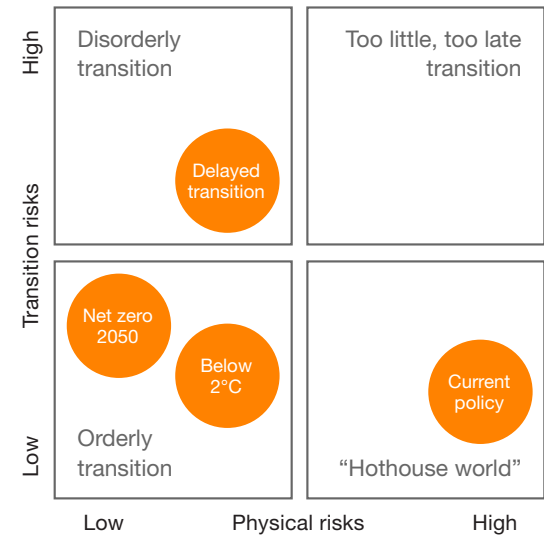
prices are already high. The medium- and longer-term physical and transitory risks are all significantly lower than the market risks on which our investment strategy is based. Suva will therefore continue to rigorously implement the measures of its current climate strategy to achieve the net-zero goal by 2050.

Thanks to Suva’s active investment approach and the measures defined in the climate strategy for financing the transition (see the section “Implications of climate change for Suva’s strategy”), the opportunities of climate change are also being utilised in a targeted manner. This involves selecting companies that are already in a good initial position with regard to climate-related risks and investing in the transition to a climate-neutral economy.

With the climate strategy adopted in 2022, the greenhouse gas emissions of the investment portfolio and the associated risks will be reduced over the next few years. The climate strategy also addresses Suva’s social responsibility for climate-related issues, thereby reducing potential reputational risks.

The transitory and physical risks for both the accident insurance business and Suva’s direct business operations are assessed as not material. Potential risks such as an increase in occupational diseases due to higher temperatures in summer and higher accident figures as a result of more frequent storms are not to be ruled out in the medium to longer term. However, these developments are gradual and are taken into account as part of the annual premium calculation.

Figure 4



### Climate scenarios used<sup>8</sup>

The **Net zero 2050** scenario aims to reduce greenhouse gas emissions to net zero by 2050 with strict climate policy measures and innovations to limit global warming to 1.5 °C.

The objective of the **Below 2°C** scenario is to limit global warming to below 2°C with a probability of 67 per cent based on a climate policy that becomes gradually more stringent.

**Delayed transition** assumes that emissions have not reduced by 2030 and that stricter policy measures are therefore required from 2030 to limit warming to below 2°C with correspondingly higher transition risks.

The **Current policy** scenario comprises all measures and laws that have already been implemented in today’s policy without making them more stringent and leads to a “hothouse world” with significantly higher temperatures.

## Implications of climate change for Suva's strategy

Suva is committed to environmental, social and economic causes. Sustainability in these three dimensions and the gradual reduction of greenhouse gases to net zero by 2050 are incorporated as a strategic objective at business level. Apart from direct emissions from operations, the net-zero goal covers the emissions associated with the [investments](#).

In the reporting year, Suva incorporated the strategy for achieving the newly defined climate goals into its investment strategy. This is based on the three pillars of commitment, climate risk management and impact investing. With its climate strategy, Suva is aiming to make a real economic impact and primarily uses pure divestments in the case of companies with which a dialogue as part of its commitment was unsuccessful.

Through stronger commitment, Suva wants to influence the behaviour of the companies that it invests in so that they make progress towards achieving the net-zero goal. In addition to assessing the climate-related risks in accordance with the TCFD's recommendations, climate risk management involves integrating climate-related risks into investment decisions. Impact investing aims to make a positive and measurable impact on the real economy to reduce greenhouse gas emissions.

Sustainability criteria are systematically considered in the direct [real estate](#) investments, which Suva can influence directly, in particular. This ensures the properties' long-term value and positions the real estate portfolio with the future in mind. An initial CO<sub>2</sub> reduction pathway for direct real estate was defined back in 2015. To achieve the new greenhouse gas goals, the plan for renovating the building envelopes and measures to replace the heating was revised last year.

## Some of Suva's activities for the climate



**Energy and climate role model:** Suva was one of the first signatories to join the new agreement with the Swiss Confederation on climate-friendly financial flows. Its objective is to report transparently on the goals, progress towards achieving the Paris Agreement with regard to investments and set an example for other companies and organisations.

[www.vorbild-energie-klima.admin.ch](http://www.vorbild-energie-klima.admin.ch)

**Phasing out coal:** The global reduction of power generation from coal is one of the most urgent measures to achieve the 1.5° goal.<sup>9</sup> As part of the measures to reduce the climate-related risks, Suva has therefore decided not to invest in companies that generate more than 30 per cent of their turnover from coal power.

**Commitment:** Suva is now a member of Climate Action 100+ and, as part of its membership of the Swiss Association for Responsible Investments (SVVK), has made a climate commitment together with selected companies. The 169 companies that are involved in this climate commitment cover around 39 per cent of the greenhouse gas emissions of the financial investments. Its successes include the fact that 75 per cent (124) of these companies have committed to achieving a net-zero goal by 2050, compared to just five companies in 2017.

**Impact investing:** Suva has built a portfolio of green bonds worth CHF 645 million. These prevented around 150,000 tonnes of greenhouse gas emissions in 2022.

### **Energy-efficient and environmentally friendly design:**

Suva is also taking energy efficiency and environmentally friendly design into account when it comes to new builds.

For example, an innovative Minergie-P-certified timber construction with photovoltaic installations, solar heating and a groundwater heat pump was built as an extension to the rehabilitation clinic in Sion. The structure of the pavilion housing 23 patient rooms was implemented using timber elements, enabling a moderate use of resources. Natural materials in the interior fittings also help to create a good atmosphere in the rooms and comfort for patients.

**Photovoltaic installations:** Suva has also made progress towards its goal with regard to installing solar panels. We produced 1,290 MWh of sustainable power in 2022. This is almost seven times more than in 2018.



# Risk management

## Suva's risk management

Suva operates a company-wide risk management system (Enterprise Risk Management – ERM). The ERM is integrated into the existing management processes and promotes the appropriate level of risk assessment. It addresses the risks that are significant for the company as a whole and can negatively affect the achievement of the corporate objectives. Risks are identified, evaluated and monitored on a regular basis. The internal control system (ICS) is part of company-wide risk management and involves the use of effective monitoring to reduce key risks in business processes.

The Risk Management Department regularly informs the strategy group, the Board of Management and the Suva Council Committee about the current risk situation in the risk report.

Based on the climate strategy, the climate-related risks are integrated into Suva's risk management process and are therefore monitored on an ongoing basis.

## Processes for identifying and assessing climate-related risks

The Sustainability Unit assesses the materiality of climate-related risks every year.

For the investments, the assessment of climate-related risks is integrated into the investment processes as part of the climate strategy. This includes an annual update of the assessment of climate-related risks and reporting to the internal bodies. Regulatory risks are observed systematically by Suva's Public Affairs as part of the monitoring of topics and legislative processes.

The annual TCFD report presents the assessment of the climate-related risks to the Board of Management and supervisory bodies as well.

## Integration of climate-related risks into Suva's risk management

The potential climate-related risks linked to financial assets are described, reviewed regularly and documented in the ERM process. The assessment is carried out by the Financial Assets Department, and is checked by the Corporate Accounting and Controlling Department and reported to the relevant bodies.

# Metrics and targets

Figure 5

## Suva's greenhouse gas emissions

Area	Measurement	2022		
		Direct GHG emissions	Indirect GHG emissions from energy supply	All other indirect GHG emissions
Operations	Tonnes of CO <sub>2</sub> e in 1,000s	1.9	0.5	2.6
Direct real estate investments <sup>13</sup>	Tonnes of CO <sub>2</sub> e in 1,000s	8.5	3.0	–
Financial investments (listed shares and corporate bonds) <sup>14</sup>	Direct and indirect emissions associated with investments in tonnes of CO <sub>2</sub> e in 1,000s	–	–	2,225.5
<b>Total</b>	<b>Tonnes of CO<sub>2</sub>e in 1,000s</b>	<b>10.5</b>	<b>3.6</b>	<b>2,228.1</b>

CO<sub>2</sub>e = CO<sub>2</sub> equivalent<sup>15</sup>

Based on the climate goals, Suva publishes the greenhouse gas emissions from its operations, the direct greenhouse gas emissions from the direct real estate investments managed by Suva and the listed shares and corporate bonds in the financial investments (see Figure 5).

### Operations

Suva can directly influence the operational greenhouse gas emissions by adjusting its own behaviour. Thanks to extensive measures, we have already reduced them by 20 per cent since 2019.

### Direct real estate investments

Suva also directly controls the greenhouse gas emissions associated with its directly managed real estate investments via its real estate strategy and maintenance plan. These amount to 16.2 kg per square metre of energy reference area.

### Financial investments

The greenhouse gas emissions associated with financial investments are based on the greenhouse gas emissions of the companies in which Suva invests. The calculation is performed with the aid of the greenhouse gas emissions reported by the companies or estimated by our data provider ISS ESG; the data includes both CO<sub>2</sub> emissions and the other climate-relevant gases according to the Greenhouse Gas Protocol. Due to data that is not reported in full and the uncertainty of the estimated data, the greenhouse gas emissions posted are unreliable. In accordance with the Greenhouse Gas Protocol, the greenhouse gas emissions associated with financial investments are disclosed under indirect emissions.<sup>10</sup>

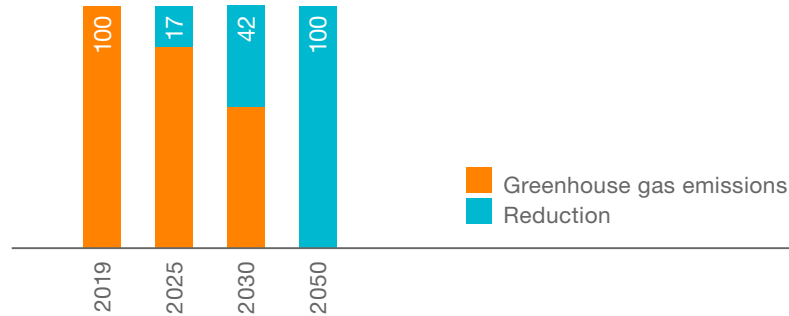
The carbon footprint of the financial assets for 2022 amounts to 93 tonnes of CO<sub>2</sub>e per million francs of investments.<sup>11</sup> The carbon intensity of the financial investments stands at 148 tonnes of CO<sub>2</sub>e per million francs of turnover.<sup>12</sup>

More figures relating to greenhouse gas emissions are available on the Suva website. [Find out more→](#)

Figure 6

**Reduction goals for greenhouse gas emissions**

in %



**Goals for managing the climate-related risks and opportunities**

Suva is aiming to gradually reduce the greenhouse gas emissions associated with its investments to net zero by 2050, as shown in Figure 6.

The overarching goal of the climate strategy is to reduce Suva’s greenhouse gas emissions to net zero by 2050 in accordance with a maximum temperature increase of 1.5 degrees Celsius above pre-industrial levels. To match Switzerland’s greenhouse gas reduction target,<sup>16</sup> Suva has set itself an interim goal of reducing direct greenhouse gas emissions<sup>17</sup> for the shares, corporate bonds and real estate asset classes by 17 per cent by 2025 and by 42 per cent by 2030 compared with the base year 2019. For the other asset classes (government bonds, loans and alternative investments) where no specific greenhouse gas reduction goals can yet be set as there is no measurement methodology, measures to decrease greenhouse gas emissions are also defined as part of the implemen-

tation of the climate strategy. In particular, investments with a positive impact on the climate are already to be made in these asset classes.

Through stronger commitment, the behaviour of companies that Suva invests in is to be influenced so that they make progress towards achieving the net-zero goal. The climate strategy stipulates actively engaging with companies that we invest in that are together responsible for at least 65 per cent of the greenhouse gases associated with the shares and corporate bonds asset classes by 2025. This also includes engaging directly with the external asset managers who manage selected Suva investments.

With impact investing, Suva is aiming to make a positive and measurable impact on the real economy to reduce greenhouse gas emissions. Suva has already prepared a reduction pathway to net zero for the direct real estate portfolio that it can influence directly.

With regard to shares, bonds and alternative investments, Suva wants to take opportunities in a targeted manner in the rapidly growing market for investments that support the economy’s transition to net zero.

More goals relating to our sustainability management can be found on our website. [Find out more →](#)

# Footnotes/colophon

- 1 The analysis is based on the climate-related risks and opportunities specified by the TCFD (TCFD, [Implementing the Recommendations of the TCFD](#), October 2021, page 74ff) and the climate-related risks included in the models used.
- 2 TCFD, [Implementing the Recommendations of the TCFD](#), October 2021, page 74ff.
- 3 According to NGFS scenarios, CO<sub>2</sub> prices need to be increased to USD 160 per tonne of CO<sub>2</sub> soon in order to achieve the climate goals of the Paris Agreement (NGFS, [NGFS Climate Scenarios for central banks and supervisors](#), June 2021, page 15).
- 4 For example, the Canton of Basel Stadt with a [net-zero goal by 2037](#), the City of Zurich with a [net-zero goal by 2040](#) and the City of Lucerne with a [net-zero goal for energy-related greenhouse gas emissions by 2040](#).
- 5 The “Remind” model from the [NGFS](#) was used. Data from a range of providers on the potential climate-related risks at the level of individual companies was evaluated, but not procured due to the considerable uncertainties and differences between the results of the various providers. The models for assessing medium-term sector- and country-specific climate-related risks are not credible enough to be incorporated into the investment strategy either.
- 6 The calculation of the climate-related risks is based on a static, simplified total asset allocation over the next ten years and implies that no adjustment is made as a result of the potential risks identified. The climate-related risks quantified are compared with the market risks expected for the investment strategy.
- 7 The NGFS model does not address the extent to which the climate-related risks correlate with the current market risks. This means that no quantitative statement can be made on the extent to which the climate-related risks are included in today’s market prices.
- 8 NGFS, [NGFS Climate Scenarios for central banks and supervisors](#), June 2021.
- 9 According to the International Energy Agency, coal-fired power generation is responsible for around 30 per cent of global greenhouse gas emissions and a phase-out by 2040 is required. Investments in coal-fired power plants are therefore exposed to a significant transitory risk (IEA, [Phasing Out Unabated Coal](#), October 2021).
- 10 The emissions are calculated in accordance with the Greenhouse Gas Protocol and are classified as emission category 15.
- 11 The carbon footprint of Suva’s financial investments is calculated by dividing the Scope 1 and 2 greenhouse gas emissions associated with Suva’s financial investments by Suva’s total shares in all companies in the investment portfolio.
- 12 The carbon intensity is calculated by multiplying the absolute Scope 1 and 2 greenhouse gas emissions of a company as a ratio of its turnover by Suva’s equity share in the company, then adding this figure to the results for all companies in Suva’s investment portfolio.
- 13 The emissions do not include any buildings used by Suva.
- 14 ISS data is used to calculate the emissions of the financial investments. This includes the greenhouse gas emissions reported by the companies and emissions estimated by ISS for companies that do not publish any data. The most recent emissions data available is used for the calculation. This is usually the previous year’s figures reported by the companies. The calculation is performed in accordance with the methodology of the Net Zero Asset Owner Alliance and Swiss Climate Scores. Greenhouse gas emissions include Scope 1 and Scope 2 emissions and are extrapolated to the whole portfolio. For green bonds, the reported or estimated direct emissions of the financed projects according to data from S&P are used.
- 15 CO<sub>2</sub>e stands for carbon dioxide equivalent and indicates the impacts of various greenhouse gases such as carbon dioxide (CO<sub>2</sub>), methane, nitrous oxide, etc. on the atmosphere in the form of a CO<sub>2</sub> equivalent.
- 16 Switzerland’s greenhouse gas reduction target in accordance with the 2030 Sustainable Development Strategy is 50 per cent for the period between 1990 and 2030. By 2019, a reduction of 13 per cent had already been achieved. Therefore, based on 2019, a further reduction of 42 per cent is still needed by 2030.
- 17 Direct greenhouse gas emissions comprise the proportional financed Scope 1 and Scope 2 emissions of the companies in which Suva invests.

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Concept, design, production:  
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**Publication number and download**  
1281-22.e  
[www.suva.ch/1281-22.e](http://www.suva.ch/1281-22.e)

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