



# ESG DISCLOSURE REPORT 2023

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# About Peak Re

Peak Reinsurance Company Limited ("Peak Re" or the "Company") is a Hong Kong-based global reinsurance company. Since commencing operations in 2012, the Company has grown steadily to rank 27th among global reinsurance groups in terms of net reinsurance premiums written.<sup>1</sup>

For the year ended 31 December 2023, Peak Re reported a reinsurance revenue of USD1.56 billion and a net profit of USD200 million. With net assets of USD1.28 billion as of 31 December 2023, Peak Re is rated A- by AM Best.

Peak Re is authorised by the Insurance Authority of Hong Kong under the Insurance Ordinance (Cap. 41). The Company offers both Property & Casualty ("P&C") and Life & Health ("L&H") reinsurance. It provides innovative and tailored reinsurance, risk management and capital management solutions to clients around the world.

Fosun International Limited (00656.HK) and Prudential Financial, Inc. own approximately 87% and 13% of Peak Re, respectively, through Peak Reinsurance Holdings Limited.

## About This Report

The Peak Re ESG Disclosure Report 2023 details our commitment to sustainable insurance practices and Environmental, Social and Governance ("ESG") principles. This report illustrates our aim to align with global standards while informing all relevant stakeholders of our ESG frameworks and disclosure procedures across our underwriting, investment and operational activities.

As a signatory to the United Nations Environment Programme Finance Initiative ("UNEP FI") Principles for Sustainable Insurance ("PSI"), we aim to maintain business conduct in responsible and forward-looking ways that can contribute to sustainable economic development.

The information presented in this report covers primarily the period from 1 January 2023 to 31 December 2023. Major developments in 2024 are also included.

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<sup>1</sup> "S&P Global Ratings Top 40 Global Reinsurers and Reinsurers by Country: 2023", S&P Global Ratings, 2023.

# CEO Message



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**Franz-Joseph Hahn**  
Chief Executive Officer

Adherence to environmental, social, and governance ("ESG") principles is at the core of Peak Re's founding mission and ongoing operations. This commitment is evident in our meticulous and sustained management of climate and environmental risks. The stakes are incredibly high, as demonstrated by the increasing frequency and severity of extreme weather events in recent years. The looming climate crisis is poised to escalate costs for households, corporations, and societies.

Insurance and reinsurance play a crucial role in mitigating damage and supporting swift recovery. However, the complexity of these issues and the necessary realignment of interests among different stakeholders often lead to market dislocations, as seen in our industry in 2022 and 2023. Despite these challenges, significant progress has been made, and the global reinsurance market is now better equipped to support climate change management efforts. I am confident that our dedication to sustainable development and strict adherence to ESG principles will enable us to navigate these challenges effectively, positioning us well to manage risks and seize emerging opportunities.

I firmly believe that the ESG challenges we face underscore the critical role of insurance and reinsurance in the markets we serve. Asia's burgeoning middle class is the cornerstone of global sustainable development, and protecting these communities is central to Peak Re's founding mission.

In addition to striving to improve our ESG practices, transparency in our actions and effective communication are also vital. Our ESG policies are designed to mitigate material risks across our business lines and support financial performance while uplifting communities. This report demonstrates how this dual approach is both possible and essential, showcasing the sustainability principles that strengthen our underwriting, investment, and operational frameworks.

As a purpose-driven organisation, advancing society and the reinsurance industry has been at the heart of Peak Re's founding principles. We strive to uphold this mission through responsible practices across our business.



# ESG at Peak Re

Protect Against Risks  
and Support Sustainable  
Development

# ESG at Peak Re

## Sustainability at Peak Re

Peak Re was established in 2012 with a mission to modernise reinsurance to support the protection needs of a rapidly growing middle class in emerging Asia and beyond. Since its establishment, Peak Re has embedded sustainability principles in its operations, diversity in its culture, an active engagement in social responsibility and a dedication to continually evaluating and advancing our ESG goals.

We have been a signatory to the United Nations Environment Programme Finance Initiative ("UNEP FI") Principles for Sustainable Insurance ("PSI") since 2012, demonstrating our long-standing commitment to sustainability. In 2024, Peak Re became one of the 33 inaugural signatories to the Hong Kong Insurance Industry Climate Charter ("Climate Charter") developed by the Hong Kong Federation of Insurers ("HKFI"), committing to aligning with the Hong Kong government's carbon neutrality target.

### ESG and sustainability fundamentals

Our sustainability framework, with its top-down approach, allows us to effectively monitor and manage a diverse array of ESG risks while meeting our business objectives.

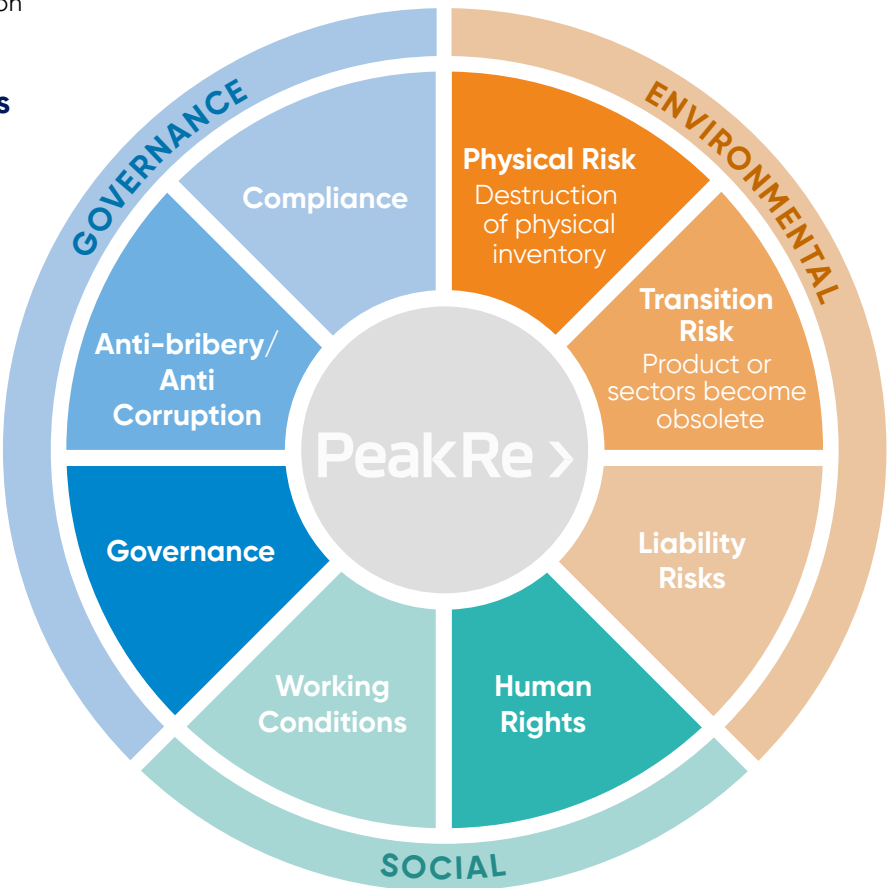
In addition to our ESG risk monitoring framework, our underwriting and investment portfolios also undergo an environmental and social screening.

Furthermore, our active approach to sustainability and research opens us up to new business opportunities in new risk solutions and investments in low-carbon

technologies or fuels, climate adaptation and nature-based solutions. In particular, we look to working together with our clients to create innovative solutions and products supporting our sustainability objectives.

Given Peak Re's expanding business portfolio and the evolving landscape around sustainability, we have embarked to thoroughly assess our existing ESG framework, benchmarking it against the evolving expectations of our stakeholders and the latest global industry practices. This includes a review of our data and processes that would help deepen ESG integration in our underwriting, investment and corporate operations.

### Our sustainability framework





# Governance at Peak Re

We recognise that our stakeholders’ ESG governance and monitoring expectations continue to evolve and expect to refine our ESG governance framework in keeping with these changes.

Currently, the responsibility for ESG governance at Peak Re sits with the executive committee, as delegated by the Board. The accountability for ESG integration is further taken up by different functions, including risk management on ESG risk assessment and regulatory requirements, analytics on climate risk assessment, the investment team on enabling ESG integration in investment portfolios, corporate communications on ESG disclosures and research on understanding the impacts of developing and emerging ESG risks and opportunities. Some functions have appointed dedicated ESG personnel responsible for the ESG initiatives and integration within their functions.

In 2023, we conducted a peer and industry analysis to understand the global industry best practices on ESG governance. We also regularly engage with industry bodies, regulators, ESG experts and the academia on ESG and green finance in Hong Kong, to keep abreast of developments on these topics.

We expect further reviews of our ESG strategy to encompass the deepening of the ESG governance structures, and setting of

workstreams, target key performance indicators (KPIs) and reporting mechanisms.

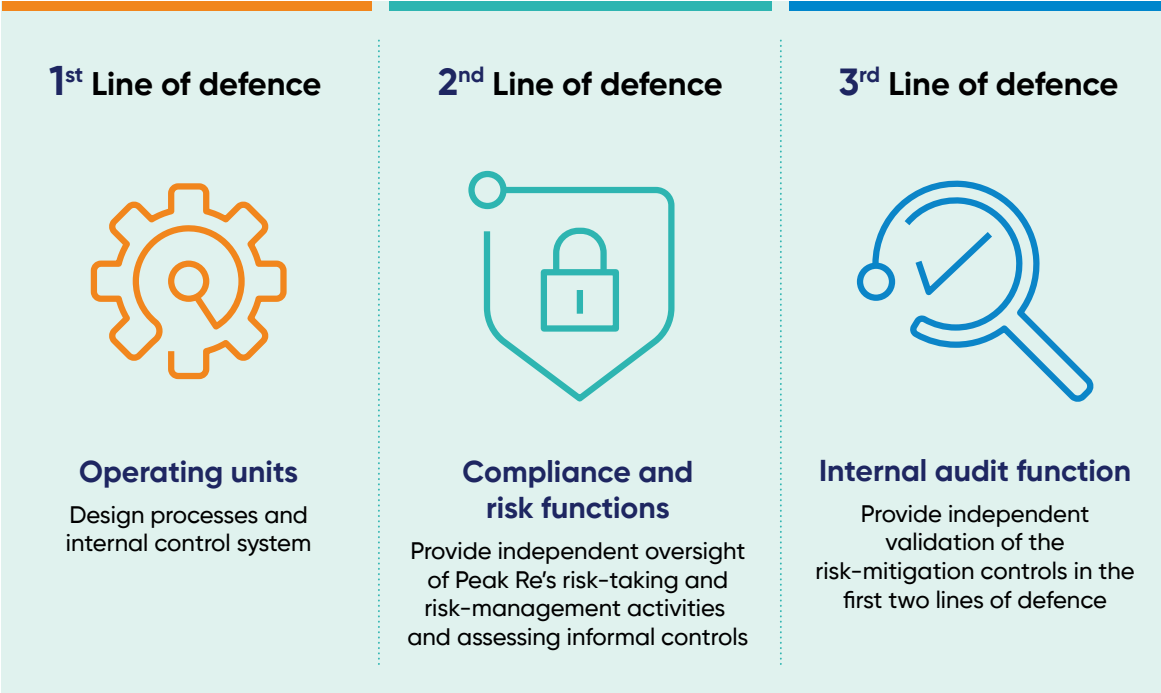
## Three lines of defence

Our "Three Lines of Defence" model for enterprise risk management underpins our governance and risk management framework. It helps mitigate business risks and protect against negative impacts from normal business operations. All our major decision-making processes, including monitoring of sustainability-related risks and practices, fall under this risk management structure.

The first line of defence refers to functions that own and manage processes and internal control systems. The second line encompasses the compliance, legal, and risk management oversight of all risk management activities including the monitoring of risk limits. The third line includes an internal audit or validation of all controls within the first and second lines of defence.

This model allows us to proactively manage and address risks with clear accountability, objective and independent oversight of risks, and a thorough risk awareness through the organisation of our risk appetite and capacity, and how it scales down to the granular metrics designed to use by business teams in their day-to-day decision making.

## Our three lines of defence



# Our governance model





## Governance framework

Our governance policies inform all decision-making processes, and we continuously update this framework to align with emerging risks. Peak Re's Board of Directors (the "Board") upholds the highest standards of corporate governance in accordance with the regulatory requirements of the Hong Kong Insurance Authority ("HKIA").

In particular, the composition of our Board includes a higher percentage of independent non-executive directors ("INEDs") than required by the HKIA and all the Board Committees are chaired by our INEDs, which further strengthens our independence and governance. The four Board committees that support the Board's oversight capacity, are:

- Audit committee
- Investment committee
- Risk management and compliance committee
- Nomination and remuneration committee

The director appointments are subject to regulatory approvals. The Board meets four times a year or more frequently as required. At the quarterly board meetings, the average director attendance was 96% in the year 2023.

## ESG training

Capacity building through ESG training is critical to integrating ESG across our business. We aim

to advance the firm's ESG awareness in line with evolving stakeholder expectations at all levels of governance.

In 2023, our Board members received an ESG-focused training to deepen their knowledge on ESG topics and to stay abreast of the latest developments in the field.

As part of our governance commitment, we regularly provide trainings for our employees on anti-money laundering ("AML"), counter-terrorist financing ("CTF"), anti-bribery and anti-corruption, data protection and sanctions compliance at a group-wide level. In 2023, we also included a mandatory compliance training module on "Diversity, Equality, and Inclusion", as part of our continuous commitment to discussing this topic.

In addition to our established ESG training and communications, in 2022-23 we added ESG seminars that draw on the expertise of external consultants and business partners to share their views. These addressed recent and forward-looking sustainability trends, courses of action for combating climate change, emissions-reduction targets, and the general criteria for setting Science-Based Targets ("SBTs").

Learnings from these sessions expand staff knowledge and engagement, help us communicate accurately with stakeholders, and promote ESG integrate across functions.

## Performance Standards

Our underwriting and investment portfolios undergo screening to limit exposure to companies, sectors and risk factors that conflict with our sustainability goals.

## ESG screening

Our exclusions correspond to the eight Performance Standards ("PS") set out by the IFC, which establish clear and forward-looking methods of identifying and assessing ESG impacts, risks or opportunities.

A number of international conventions and instruments, including the International Labour Organization ("ILO") and the United Nations ("UN"), have been influential in guiding the development of these standards.

We review each underwriting and investment opportunity for exposure thresholds and exclude those where gambling, tobacco products or

munitions are core tenets of a business or asset. Operations that may involve exposure to human rights abuses or environmental degradation are also of high concern and are actively excluded whenever such issues are confirmed.

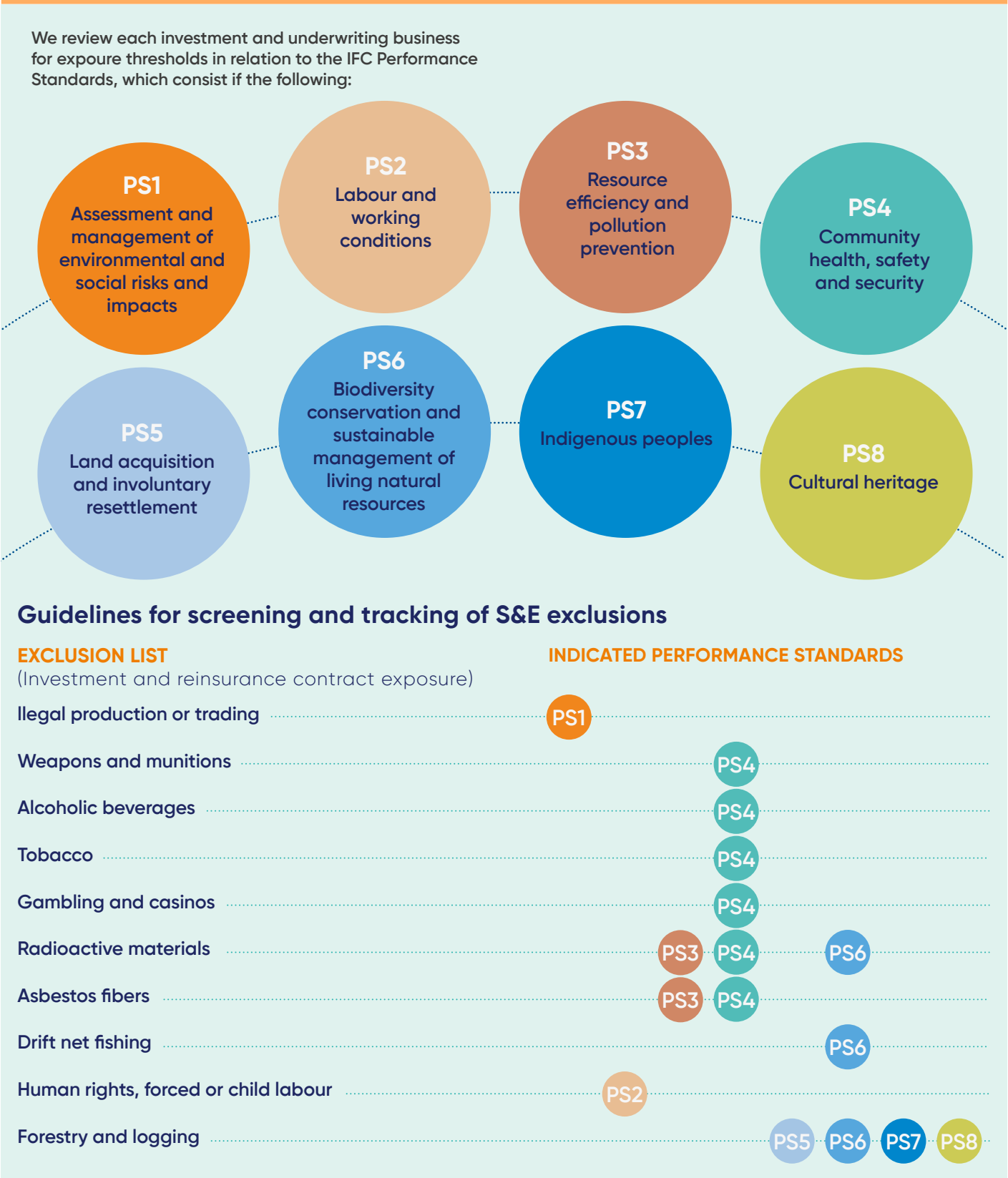
Starting in 2023, we further enhanced exclusions to better adjust for ESG risk in our underwriting processes. Business transacted must comply with not only legal and regulatory requirements but also with high ethical and moral standards that respect human rights, and are supportive of sustainable and environment-friendly development.

Specifically, we enacted exclusions in our facultative reinsurance businesses (typically one-off single-risk reinsurance solutions) to cover new construction projects of coal-based power plants or coal mines. Guidelines also restrict underwriting for new business directly involved in the exploration, drilling or production of oil and gas from the Arctic

Basin as well as for projects involving fossil fuel extraction from oil or tar sands. Exceptions to this policy are only allowed where the risk relates to companies that are Paris-Agreement aligned with credible transition plans, or where social

needs for power generation are significant, such as for projects in developing countries with low electrification rates. Our Chief Underwriting Officer holds the final decision on guideline exceptions.

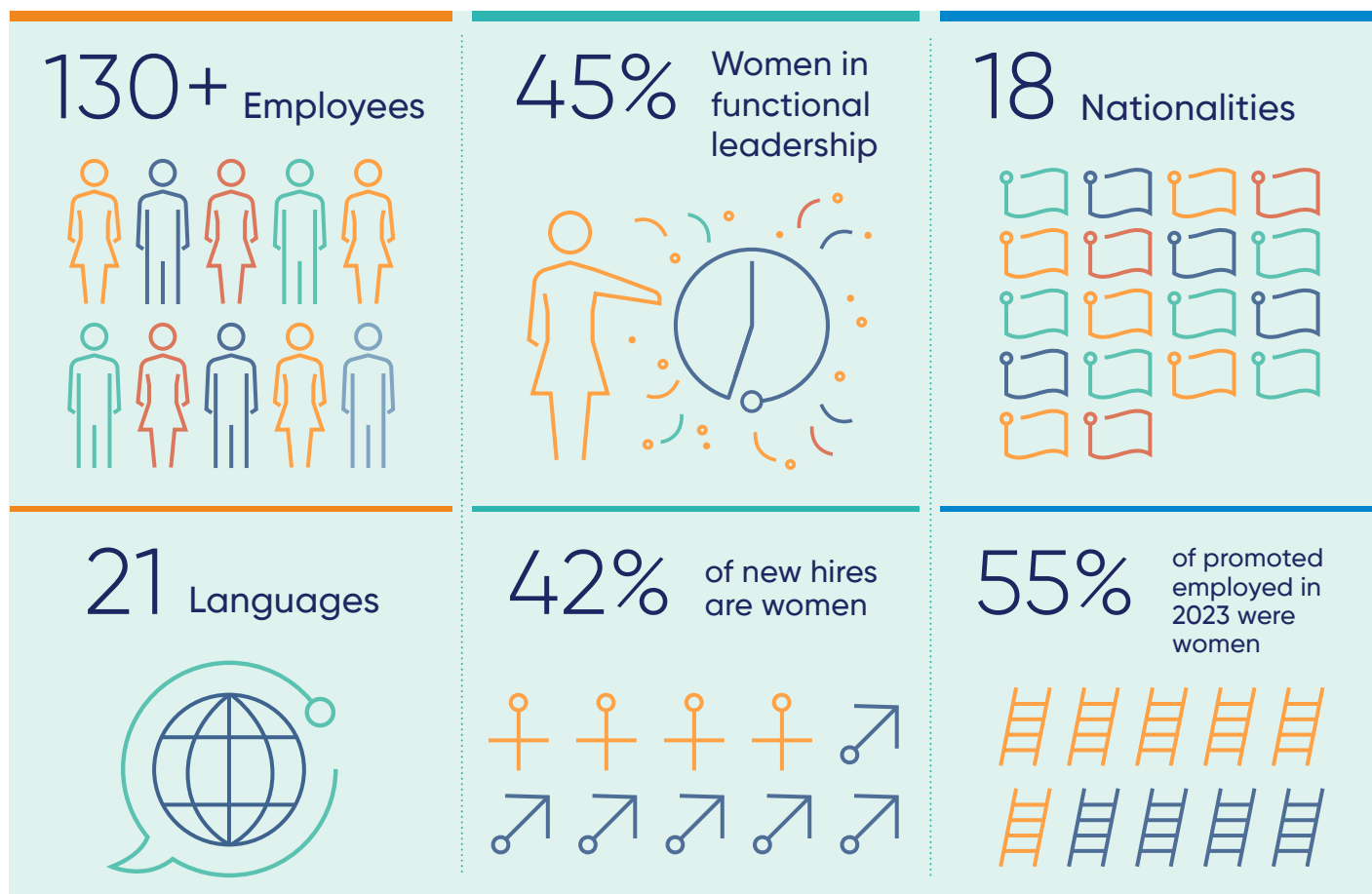
# Our performance standards



## Diversity and inclusion

Diversity and inclusion at Peak Re form a significant source of corporate strength by bringing diverse and innovative ideas and strengthening decision-making. As of year-end 2023, our staff of over 130 employees represented 18 nationalities. We also take pride in the fact that 45% of our leadership roles are held by women. Our code of conduct prohibits discrimination on any grounds and we follow anti-discrimination ordinances in the different jurisdictions where we operate. As part of our ESG strategy review we expect to bring in more ideas to deepen our diversity and inclusion initiatives and policies, especially in the areas of recruitment and employee development.

### Diversity and inclusion: our people



## Engagements

We actively engage with governments, regulatory bodies, academia, research institutions and other stakeholders on the development of sustainable investment and insurance policies.

- In February 2024, Peak Re joined the HKFI's Climate Charter as one of its 33 inaugural members, committing to align with the Hong Kong's Climate Action Plan 2050 and a commitment to publishing scope 1 and 2 interim targets by 2026. In parallel, we have continued to make progress on integrating sustainability in our operations, which was recognised by the WELL Certification - Gold in 2024.
- In September 2024, Peak Re hosted its inaugural forum on the topic of "Sustainability in a Changing World", where we invited in-house and industry experts to discuss strategies on closing the protection gaps in Asia, as well as sharing the cutting-edge research on climate risk.

- The views of Peak Re's natural catastrophe modelling team are also regularly sought at regional events and media engagements. These included the Artemis ILS Asia 2024 conference, the Bloomberg Insurance Forum 2024, Bloomberg interview on the "once-in-500-years" Hong Kong black rainstorm in 2023, and discussions on "Future-proofing the catastrophe models" at Singapore Actuarial Conference 2023.
- In 2024, Peak Re was a part of the Fosun ESG Ambassadors program, designed to share ideas and learn about the ESG innovations and progress within the Fosun group of companies, as well as learn about the latest ESG and sustainable finance advances from external experts.
- Peak Re is represented at the HKFI, including the Task-force on Green Insurance, which looks to advance sustainable insurance initiatives in Hong Kong and the Greater Bay Area. Peak Re is also represented at Hong Kong's Green and Sustainable Finance Cross-Agency Steering Group ("CASG"), whose aim is to create a comprehensive green finance ecosystem in Hong Kong.
- In addition, since 2015, Peak Re has an ongoing collaboration with the Shanghai Typhoon Institute ("STI") and Shanghai Central Meteorological Observatory ("SCMO") to provide storm predictions in the Northwest Pacific Basin and the South China Sea to insurers.

# ESG Strategy & Initiatives

Build Resilience with Reinsurance  
Products and Programmes

# ESG Strategy & Initiatives

## ESG Strategy Overview

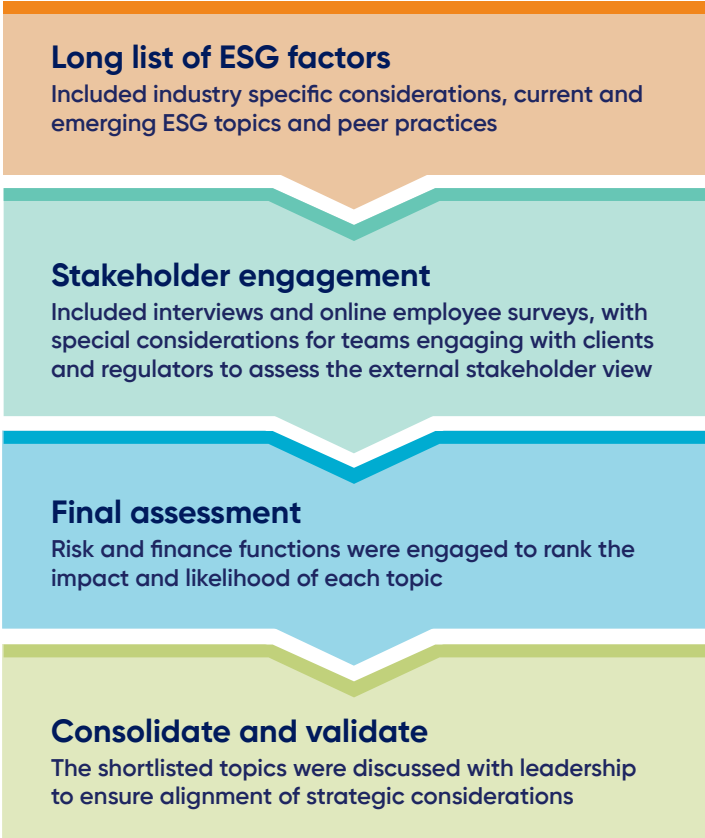
Our founding mission to modernise reinsurance while supporting the needs of the emerging middle-classes informs our strategy and aligns with the commitment to sustainable insurance. Examples of our commitment to creating positive impact through our business include our participation in reinsuring renewable energy across the globe, microinsurance schemes in Southeast Asia, crop insurance in Asia, disaster relief and natural peril pools and inclusive health insurance policies and public-private partnership ("PPP") schemes. We aim to ramp up the integration of ESG into our business along with developing appropriate targets and metrics that are aligned with international best practices.

In February 2024, Peak Re joined the Hong Kong Insurance Industry Climate Charter ("Climate Charter") as one of its 33 inaugural members, committing to align with the Hong Kong's Climate Action Plan 2050 and a commitment to publishing scope 1 and 2 interim targets by 2026. In parallel, we have continued to make progress on integrating sustainability in our operations, which was recognised by the WELLS gold standard certification in 2024.

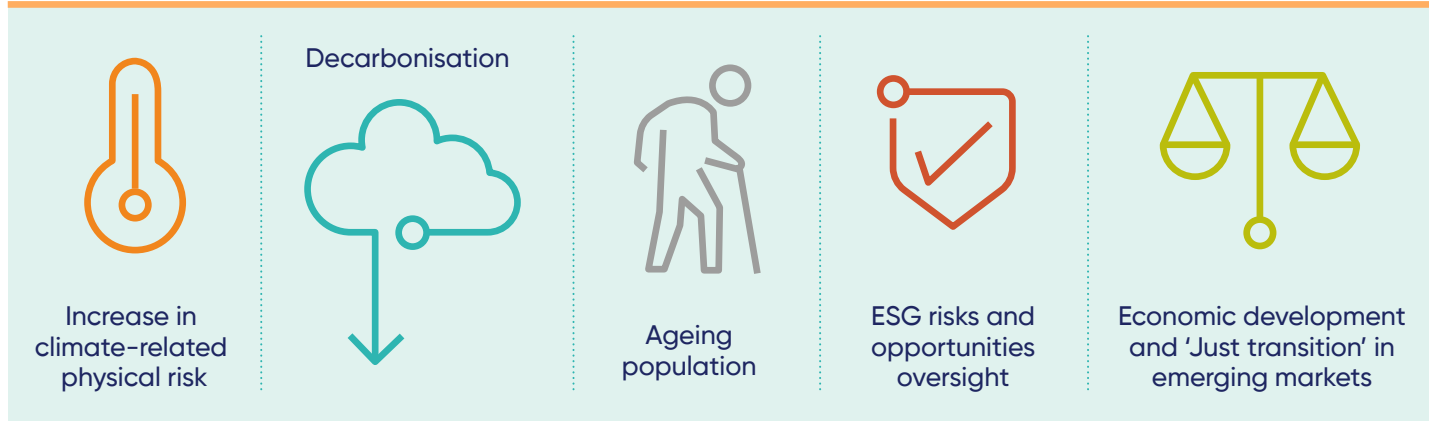
### Materiality assessment

In 2023-24, we conducted a double-materiality assessment to inform the development of our ESG initiatives and workplan for the coming years. We expect to continue refining our materiality approach and assessment in the coming years.

### Approach to materiality assessment



### Top 5 material topics in terms of impact to and from Peak Re's activities

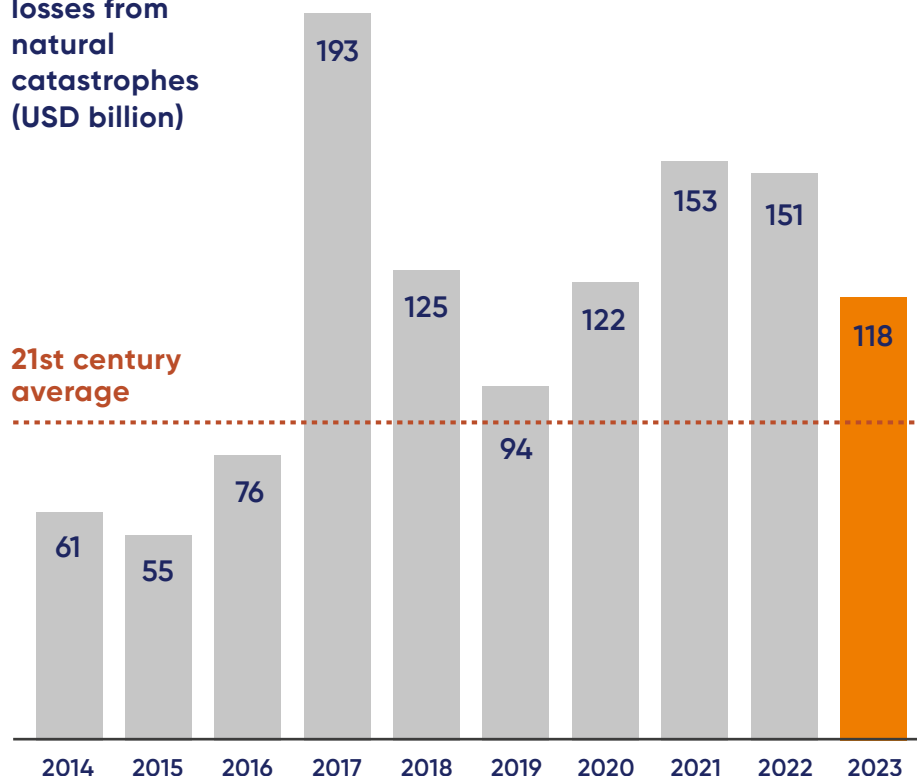




## Through the double-materiality analysis, we identified five key material topics for Peak Re:

**1 Increase in climate-related physical risk:** The increasing likelihood and severity of physical impacts from climate change, such as extreme weather events like hurricanes and tropical cyclones, as well as secondary perils like flooding, have been identified as material ESG topics for Peak Re. These are key exposures for property and casualty ("P&C") insurers and reinsurers. In 2023, global insured losses from natural catastrophes reached USD 118 billion, surpassing the 21st-century average of USD 90 billion and the decadal mean of USD 110 billion.<sup>2</sup> This marked the seventh consecutive year of higher-than-average losses. This trend is crucial to the industry's financial health and the future insurability of extreme climate risks. However, climate risk also presents an opportunity to support our cedants through our capacity, expertise in natural catastrophe risk underwriting, and innovative products that can aid in climate change mitigation and adaptation.

### Global insured losses from natural catastrophes (USD billion)



Source: Climate and Catastrophe Insight, Aon plc, 2024

**2 Decarbonisation:** The shift from carbon-intensive fossil fuels to cleaner energy sources is driving significant technological changes and reshaping economies. For P&C insurance and reinsurance, this transition towards net-zero emissions will likely impact risk assessment, product offerings, and underwriting practices. This includes evaluating new technologies and the sustainability of existing practices in carbon-intensive sectors like construction, mining, and utilities. Peak Re is committed to supporting the global energy transition in collaboration with our clients and business partners.

In 2023, Peak Re updated its environmental and social screening guidelines to exclude direct and facultative reinsurance for new construction of coal mining or thermal coal power plants as well as oil drilling and extraction from the Arctic Basin or oil/tar sands. Peak Re is also undergoing an assessment of our scope 1 and 2 emissions and looking at

approaches to continue reducing the carbon footprint of our operations.

**3 Ageing population:** The ageing demographic presents both risks and opportunities for insurers and reinsurers. Many existing products do not adequately meet the needs of the elderly due to underwriting and profitability challenges. Providing reinsurance support for innovative products tailored to the elderly, such as old-age care solutions, healthcare solutions, and annuity covers, will be key to addressing this challenge. Recognising the importance of this issue, Peak Re recently conducted a large-scale consumer survey in 2024 on the needs for old-age care among emerging Asian middle class.

**4 ESG risks and opportunities oversight:** With increasing emphasis on ESG from investors, regulators and other stakeholders, adopting robust processes to identify, assess and manage ESG risks and

opportunities has become a critical focus. Effective ESG oversight is essential for maintaining transparency around sustainability practices and enhancing Peak Re's reputation with cedants, investors and the broader public in alignment with our corporate mission.

**5 Economic development and 'Just transition' in emerging markets:** Peak Re's vision of closing protection gaps for the emerging middle class is closely tied to supporting economic development in emerging markets. As a reinsurer, we help economies recover from shocks such as natural catastrophes, contributing to a more equitable and resilient economic future through our global risk expertise, partnerships, and investment capabilities. The principle of a 'Just transition' is embedded within this goal, as we support the energy transition in emerging markets through cedant engagement and new reinsurance opportunities in the energy transition space.

<sup>2</sup> "Climate and Catastrophe Insight", Aon plc, 2024

Our business also supports the United Nations ("UN") sustainable development goals (SDGs) through our participation in products such as inclusive health and life insurance initiatives, agriculture insurance, infrastructure protection, compensation for business interruption/job losses, microinsurance, among others. We look to further formalise our support for sustainable development by improving the alignment of business incentives with these goals.

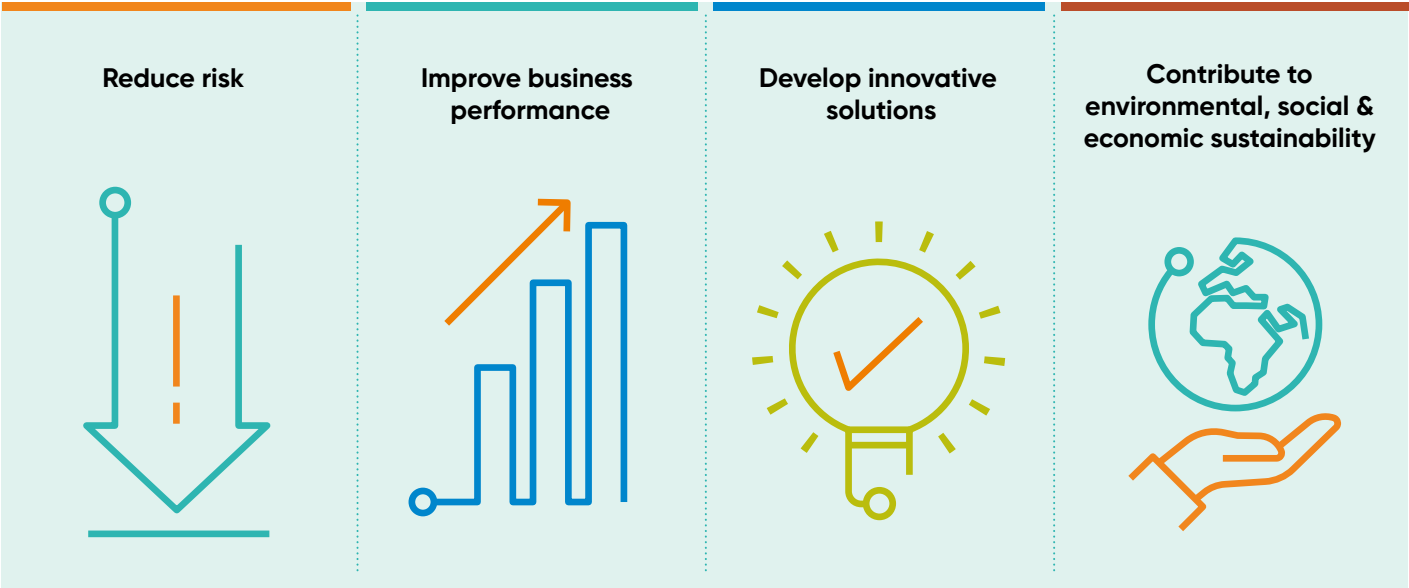
Beyond these, other topics such as nature-based solutions, climate

adaptation, and transition financing have recently gained attention, including at industry forums and the United Nations Environment Programme Finance Initiative ("UNEP FI"). While these topics were not reflected in our materiality assessment, we regularly engage in discussions on them, staying aware of emerging risks, opportunities, and ESG developments. Other material topics, such as data privacy, anti-bribery, and anti-money laundering, are crucial to governance and are well-integrated and monitored within Peak Re's existing policies and oversight mechanisms.

## Responsible insurance

Peak Re is committed to driving positive change for both business and society. We collaborate with insurance companies, governments, and non-governmental organisations to explore and support innovative and inclusive products. Our entrepreneurial and collaborative approach addresses protection needs for sustainable development across an emerging Asia and beyond.

## Concept of sustainable insurance



### Examples of Peak Re's efforts to support sustainability and address the needs of vulnerable groups:

#### Agricultural insurance

To safeguard farmer incomes from the strains such as from extreme weather, price volatility, production risks (such as diseases or pests) and natural disasters, Peak Re works with large-scale agriculture schemes in India and Thailand to support insurance protection for farmer incomes. These schemes provide extensive cover against crop failure while reducing the premium burden on farmers.

#### Hospice care

Providing support to terminally ill patients towards

the end of their lives with principles of dignity, respect and meeting their wishes, Peak Re supports hospice care insurance in China. The coverage provides patients with holistic physical, psychological, spiritual and other aspects of humanistic care, while also supporting their family/carers by reducing their financial burden.

#### Hypertensive severe complications insurance

In another example of inclusion, Peak Re supports an insurance product for those with pre-existing

hypertensive conditions. The product covers medical treatments and death benefit for specific complications that could arise from hypertension, such as strokes, severe retinal disease and renal failure.

#### Worker's salary bond

Peak Re supports worker's salary bond to protect construction workers in China, from non-payment or delayed salary payments by contracting companies. This helps them receive salary payments on time, thus supporting their families and the wider community.

#### Microinsurance

We support the natural catastrophe protection program of the Center for Agriculture and Rural Development ("CARD") - Pioneer microinsurance in the Philippines. The collaboration provides microinsurance to socially and economically challenged families at affordable prices and brings coverage to families with limited access to insurance.

# Our Sustainability Commitments

Since its establishment, Peak Re has aligned its growth with the founding principle of supporting sustainable economic development. As a reinsurance provider, we are committed to enhancing societal resilience in emerging markets and protecting communities from the impacts of climate change.

## UN principles of sustainable insurance:

Developed by the UN Environment Programme Finance Initiative ("UNEP FI"), Peak Re was among the early signatories of the Principles for Sustainable Insurance ("PSI"), at its launch in 2012. The principles serve as a global framework for the insurance industry to address ESG risks and opportunities.

The UNEP FI promotes the concept of sustainable insurance, aiming to reduce risk, develop innovative solutions, improve business performance, and contribute to

environmental, social and economic sustainability. Through our regular engagement with the UNEP FI, we stay informed about key focus areas and emerging topics in the insurance sector.

As a signatory, we are committed to embedding ESG factors across our business

and collaborating with partners, regulators, and stakeholders to raise awareness of sustainability issues. Peak Re demonstrates transparency and accountability, fundamental to our PSI membership, through annual ESG disclosure reports.

## Hong Kong Insurance Industry Climate Charter

Peak Re was one of the 33 inaugural signatories of the Hong Kong Insurance Industry Climate Charter ("Climate Charter") developed by the Hong Kong Federation of Insurers ("HKFI"), launched in February 2024. The Charter demonstrates the Hong Kong insurance industry's collective commitment to building a sustainable future.

As part of this commitment, signatories pledged to align with the Hong Kong Climate Action Plan 2050 and the Paris Agreement goals. This involves integrating sustainability into business operations, investments, underwriting, and product design. Signatories will support this by setting emissions targets and measuring and reporting progress towards these climate goals.



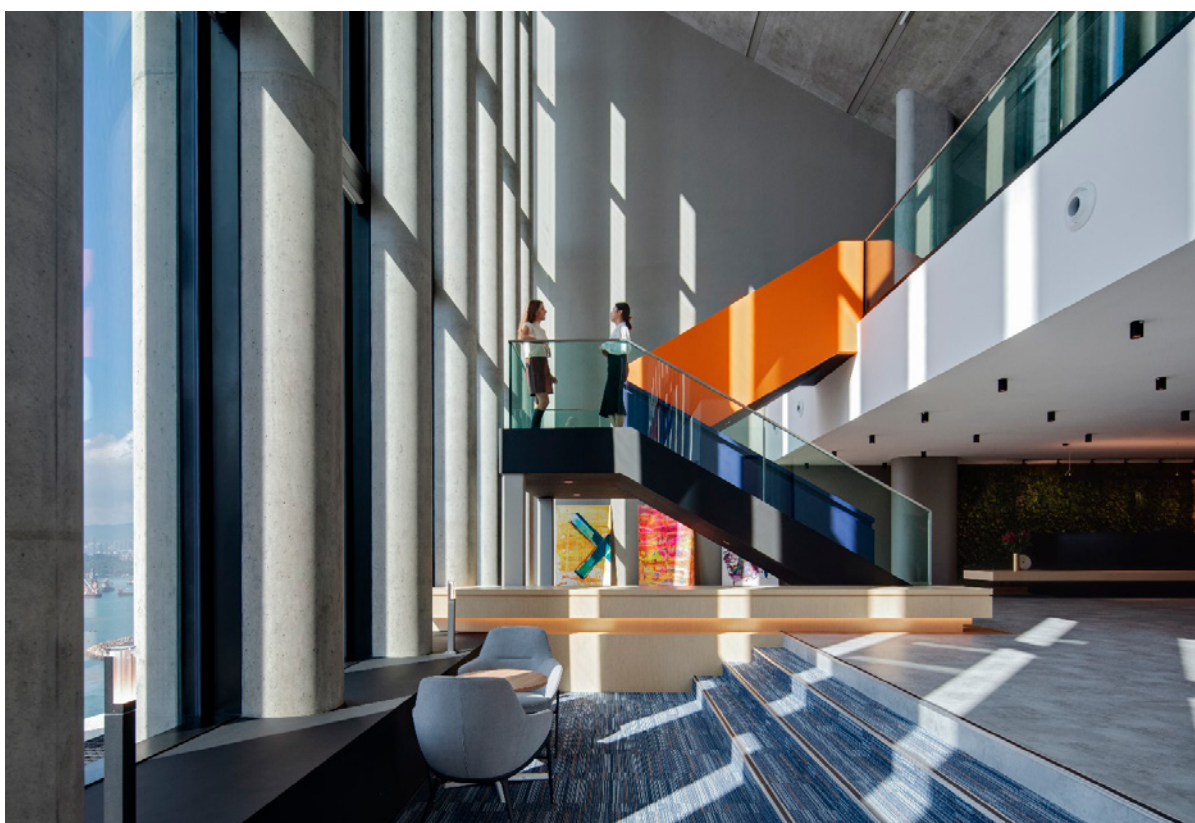
Peak Re is a signatory to the Hong Kong Insurance Industry Climate Charter



In addition, Peak Re representatives are also a part of the HKFI Task-force on Green Insurance and the Green and Sustainable Finance Cross-Agency Steering Group ("CASG") in Hong Kong, where they contribute to furthering the discussion on green initiatives for the industry.



Launch ceremony of the Hong Kong Insurance Industry Climate Charter



Peak Re's headquarters office is accredited with the WELL Certification - Gold

## Sustainability in our operations:

In line with these commitments, in 2024, we began identifying and scoping key categories of operational emissions for Peak Re's Hong Kong headquarters, where most of our global operations are based. Our initial assessment highlights the importance of the steps we have taken throughout our growth journey to improve energy efficiency and foster a culture of sustainability within the company. This includes our focus on energy savings and recycling.

These principles were reinforced in November 2022 when we relocated our Hong Kong headquarters to the West Kowloon Cultural District Authority ("WKCA") Tower, an energy-efficient complex embodying sustainable development principles. The BEAM Plus Gold certified building achieves significant energy optimisation, with reduced lighting consumption, deployment of motion and presence sensors for lighting controls, and temperature sensors that adjust to environmental conditions based on occupancy and natural light levels.

For the year 2023, the scope 1 (direct) operational emissions for Peak Re's Hong Kong office were negligible, as we do not own any building/stationary combustion sources or company cars. Scope 2 (indirect) operational emissions from purchased electricity are estimated at 0.81 tonnes CO<sub>2</sub>e/FTE, with average electricity consumption of 2074 KWh/FTE. Adjusted for square footage, our new office provides about 15% greater energy efficiency in our operations.

As a services company serving global clients, a considerable part of our operational carbon footprint comes from corporate travel. For 2023, our employee flight mileage was estimated at 8375 miles/ employee with an emissions intensity estimate of 1.35 tonnes CO<sub>2</sub>e/employee. While in-person meetings are important to our growing global business, we continue to encourage staff to use digital communications whenever possible.

## LEED and WELL certifications

Another example of our commitment to sustainability is the certification of Peak Re's Hong Kong headquarters with the Leadership in Energy and Environmental Design ("LEED") Gold standard. This award is based on an assessment of various factors, including building materials, workstations, air quality, lighting, noise levels, use of indoor plants, accessibility to public transport and local food options, and the provision of healthy snack options for employees.

In February 2024, Peak Re headquarters also received the WELL Certification – Gold, highlighting our investment in employees' health and wellbeing, as well as in sustainable office design and operations. The assessment graded Peak Re offices on air quality, water safety, healthy materials, thermal and acoustic comfort, cognitive wellbeing, burnout mitigation, daily movement encouragement, and addressing the diverse needs of the workforce. Meeting these high standards should help attract talent that can support our mission of closing protection gaps for the emerging middle class.



# Adapting to Climate Change

Adapt and Innovate for  
a Robust Future



# Adapting to Climate Change



## Responding to Climate Change

2023 marked the seventh consecutive year of global insured catastrophe losses exceeding USD 100 billion. It was also the warmest year on record, with temperatures 1.45°C above the pre-industrial period, and 2024 is likely to be even warmer.<sup>3</sup> In the first half of 2024, insured losses have reached at least USD 51bn.<sup>4</sup>

Asia's natural catastrophe protection gap remains significant, estimated at USD 139 billion per annum by the Global Federation of Insurance Association ("GFIA"),<sup>5</sup> and it is widening. Rapid economic growth, urbanisation, and the concentration of assets in coastal regions are some drivers of this widening gap, along with the rising frequency and severity of extreme weather events.

Peak Re is committed to developing innovative solutions to close protection gaps in emerging markets in Asia and beyond. We exemplified this commitment by raising Asia's first sidecar and Hong Kong's first 144A catastrophe bond, bringing greater reinsurance capacity to the region. Through our expertise in natural catastrophe risk, modeling capabilities, efficient claims handling,

and strong relationships, we aim to play a pivotal role in helping emerging markets better manage and recover from climate-related risks.

### Effect of climate-related risks

#### Physical risk

Physical risks refer to the impact on our business from the physical consequences of climate change, such as the increasing frequency of extreme weather events like hurricanes and floods (i.e., "acute physical risks") and long-term environmental changes like rising global temperatures and sea levels (i.e., "chronic physical risks").

These risks are financially significant to Peak Re, particularly in our P&C business lines. We maintain strict underwriting guidelines and stringent geographic and probable maximum loss ("PML") requirements to keep our cumulative exposure to natural catastrophe risks at a manageable level. This also includes risk mitigation through diversification and securing adequate retrocession cover.

<sup>3</sup> "2024 hottest on record, with August 1.51°C above pre-industrial level", Climate Action, 2024

<sup>4</sup> "2024 Guy Carpenter mid-year renewal insights", Guy Carpenter & Company, LLC, 2024

<sup>5</sup> "Global protection gaps and recommendations for bridging them", The Global Federation of Insurance Associations, 2023

We regularly assess, review, and report our portfolio of natural catastrophe exposure to management. We continue to expand resources in catastrophe modeling and analytics to enhance our climate-conditioned modeling capabilities and work with academia to improve our understanding of changes in the frequency of extreme weather events.

Advanced risk modeling and data analytics for climate physical risks, including our internal research on lower-intensity but higher-frequency secondary perils (such as flash floods, hail, droughts, wildfires, and landslides), enable thorough underwriting of these risks.

The impact of climate change on our life & health ("L&H") business is likely limited, also considering the relatively short-term nature of our book. More research is needed on the impacts on health and mortality from climate change, and to what extent medical advances and adaptation measures are likely to offset these.

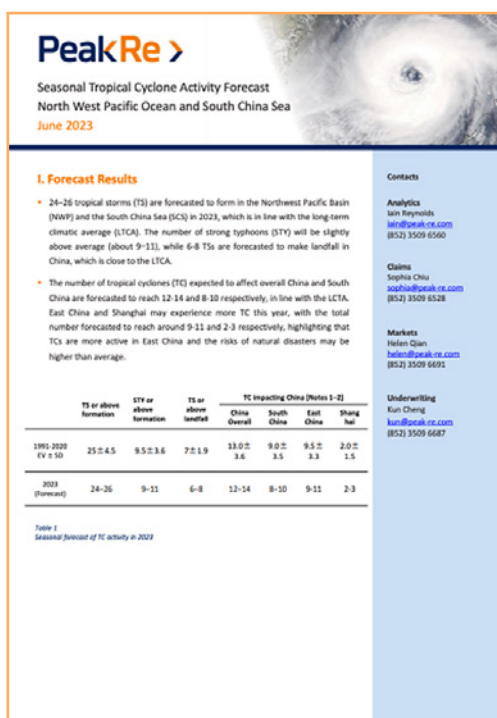
Physical risks can also affect our investment portfolio, either from direct damage to physical assets of investee companies or productivity losses coming from business disruption due to extreme weather events. We continue to actively monitor our exposure to high-physical-risk assets.

From a risk management perspective, we regularly discuss climate risks and stress-test our balance sheet for significant increases in climate change-related risks as part of our Own Risk and Solvency Assessment ("ORSA") exercise. ORSA is an annual review that tests our solvency and capital adequacy under both normal and severe stress scenarios, such as those caused by the increasing frequency of natural disasters, to ensure we can meet our reinsurance obligations.

To further the industry's collective understanding of natural catastrophe risks, Peak Re regularly collaborates with academia, scientific groups, regulators and industry groups on data and research.

Since 2015, Peak Re has collaborated with the Shanghai Typhoon Institute ("STI") and Shanghai Central Meteorological Observatory ("SCMO") on storm tracking, providing insurers with a biannual update on cyclone monitoring in the Northwest Pacific Basin and the South China Sea, including wind and rainfall predictions.

We also regularly host and participate in industry events to share our knowledge of catastrophe risk and pricing strategies with other stakeholders.



Peak Re collaborates with research institutions in China to forecasts seasonal tropical cyclone activities

## Transition risk

Transition risks can broadly be classified into technology change risks, policy change risks, and risks from shifts in market supply and demand due to the global transition to a low-carbon future. We believe the transition risk for Peak Re's business is limited. The nature of our business allows us to accommodate these risks through annual contract renewals, regular reviews of our underwriting assumptions, and new business opportunities arising from industry shifts.

For example, as the value of carbon-intensive assets declines, the need for related reinsurance coverage decreases. On the other hand, the rise in green sustainable assets could lead to increased reinsurance demand, particularly for renewable energy infrastructure.

To further mitigate transition risks, we have refined our underwriting guidelines to exclude facultative exposure for new coal mining construction and new thermal-coal-based power plants, as well as unconventional fossil fuel extraction, such as from the Arctic Basin and oil/tar sands.

For the L&H portfolio, transitioning away from fossil fuels could yield positive health impacts, though the consequences of new technical solutions for emissions mitigation (such as nuclear power) remain uncertain.<sup>6</sup>

<sup>6</sup> "Climate Change: What does the future hold for health and life insurance?", The Geneva Association, 2024

Transition risks to our investment portfolio could arise from the potential devaluation of investments in high carbon emission sectors (such as transport, utilities, and construction) or companies lagging in ESG action. A preliminary assessment of our investment portfolio using the MSCI ESG database shows limited exposure to these categories, with the caveat that data availability on our regional fixed-income portfolio was limited and subject to change. We intend to further work with asset managers to enhance the sustainability profile of our investment portfolio.

### Legal and reputational risk

Legal and reputational risks that the reinsurance industry faces with ESG investing and underwriting could arise from:

- Inaction or insufficient actions on the part of companies to support global decarbonisation efforts or country-based targets.
- Potential miscommunication by companies in the efforts that they are making towards decarbonisation.
- Quickly evolving public expectations that outpace delivery by the re/insurance and financial services industries.
- Regulators delegating more climate responsibilities to insurers and reinsurers.
- Legal or reputational risks could also arise from the value chain for insurance and financial companies.

Today's legal changes could incur future liabilities. For example, claimants might seek damages from

various companies for harm caused by climate change, as seen in some cases against the oil and gas sector. There are also legal risks related to a "failure to adapt" or "failure to appropriately account for the impact of climate change". In the financial industry, failing to take climate action could eventually be viewed as falling short of fiduciary duty.

To mitigate legal and reputational risks, we strive to ensure our sustainability efforts and actions are accurately represented and continuously improve our monitoring and accountability mechanisms. We are also assessing stakeholder sentiment to understand evolving expectations on ESG taxonomies, metrics, and methodologies.

### Climate opportunities

Climate opportunities for reinsurers could arise from increased demand for natural catastrophe protection and climate risk expertise due to extreme weather events. Additionally, new re/insurance opportunities may emerge from the transition to low-carbon alternatives in energy, transportation, property, and other sectors. We have already observed rising market demand for insurance products related to renewable energy and electric vehicles. Carbon offset insurance is another potential area of interest for our risk solutions.

We view these as significant business opportunities for our clients and partners. However, the lack of historical data on losses and risks associated with new technologies may complicate and increase the cost of underwriting. Furthermore, innovative green technologies and their applications are still in their infancy in many of emerging Asia's markets.

## Examples of recent climate-related opportunities at Peak Re:

### Low-carbon transition

In conjunction with our business partners, we provide reinsurance support for renewable energy adoption, including solar, wind, and bioenergy in Asia, the US and Europe. In addition, we are also exploring opportunities such as casualty covers for solar panel contingency facilities.

### Climate risks

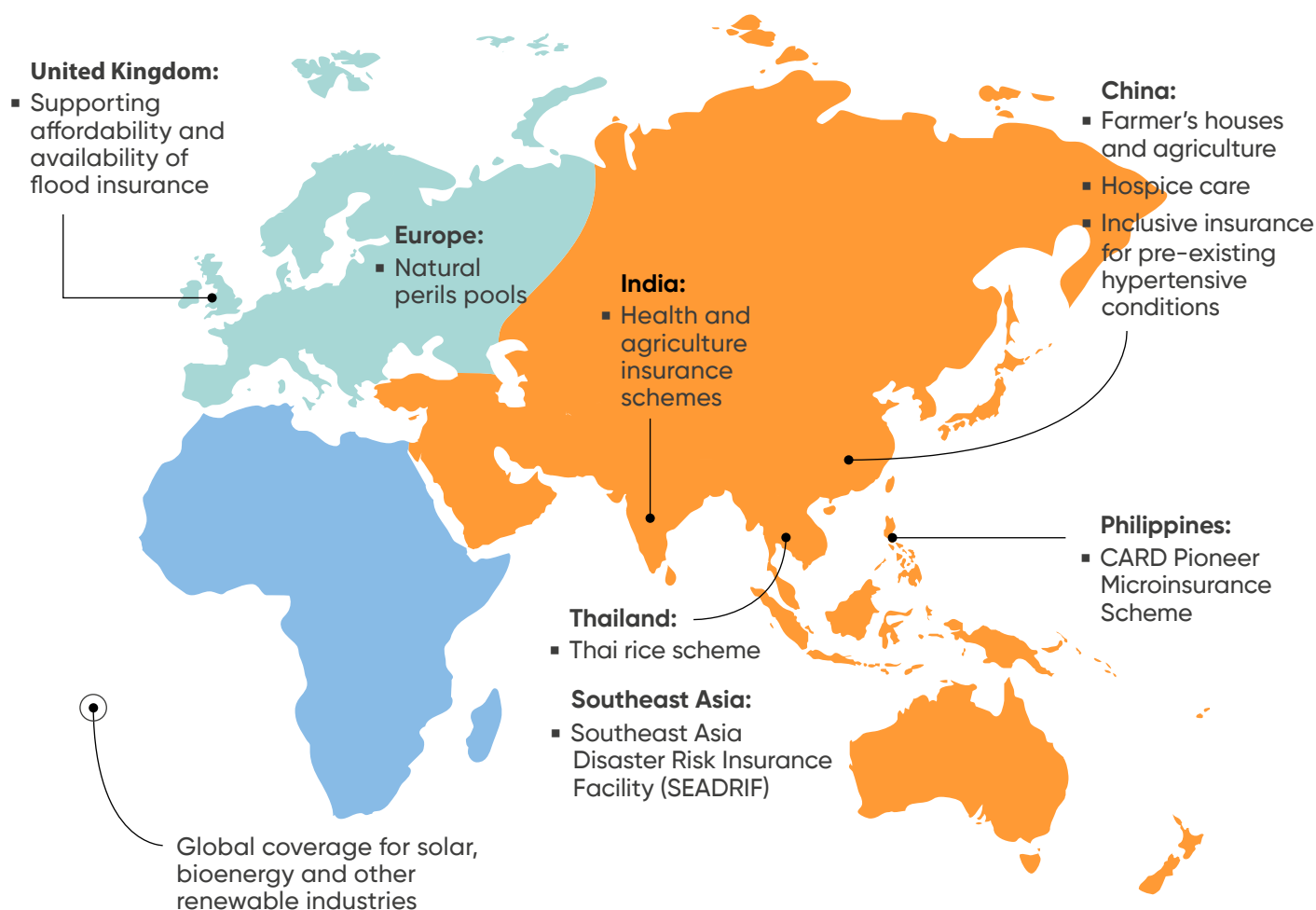
In Southeast Asian markets, we support protection against natural catastrophes through our participation in the Southeast Asia Disaster Risk Insurance Facility ("SEADRIF"). Through pre-disaster planning and post-disaster relief and reconstruction funding, SEADRIF protects people and livelihoods, reinforces ongoing economic development

and contributes to poverty reduction. This regional facility provides risk financing and insurance solutions through a partnership between the ASEAN+3 grouping (the 10 countries of the Association of Southeast Asian Nations as well as Japan, China and South Korea) and the World Bank, with an aim to enhance financial resilience in the region.

### Natural perils pools

We participate in several natural peril pools globally, which provide affordable natural peril insurance for homeowners in high-risk areas where protections would otherwise become unaffordable. These are critical, financially sustainable protections that help close protection gaps in vulnerable areas.

## Peak Re's participation in sustainability-related projects



## Catastrophe bonds

Broadening underwriting capacity is critical to our mission to close protection gaps in emerging Asia. To this end, in 2022, we were the first reinsurer based in Hong Kong to issue a 144A catastrophe bond ("cat bond"), which helped to strengthen our capital base and increase our underwriting capacity. The USD150 million issuance attracted significant investor interest, allowing for a 100% upsize from the initially announced transaction size, and enabled us to enter into a multiyear retrocession agreement to cover typhoon risk in Japan.

This landmark deal allowed us to tap into the deeper financial market for capacity and support the continued growth of our underwriting portfolio, enhancing our ability to support Asia's sustainable development.

Catastrophe bonds with parametric triggers, such as the one we issued in 2022, are designed to release funds when specific conditions are met, such as the severity of an earthquake or windspeed of a typhoon. Parametric bonds are increasingly being used in disaster risk financing given they pay claims speedily to support reconstruction and rehabilitation efforts. A 2022 IMF paper characterised catastrophe bonds as among "the most prominent innovations in the field of sustainable finance in the last 15 years."<sup>7</sup>

<sup>7</sup> "Sovereign Climate Debt Instruments: an Overview of the Green and Catastrophe Bond Markets", International Monetary Fund, 2022



# SDGs + CSR

Responsible Underwriting and  
Support to Communities



# SDGs + CSR

## Contribution to SDGs and CSR

Peak Re's performance standards and exclusion screens such as those around controversial weapons, tobacco, and pollution have, since its early days, aligned our business with the United Nations ("UN") Sustainable Development Goals ("SDG") such as SDG 3: Good health and well-being. Our founding mission of closing the protection gaps in emerging markets is also aligned with SDG 8: Decent work and economic growth, and SDG 1: No poverty, as our business is fundamentally aligned to supporting post-disaster financial resilience.

In addition, our strong partnerships in the region and

our support for inclusive policies, such as microinsurance schemes for women, government health and agricultural insurance schemes, and innovative health products that promote inclusion of vulnerable populations, align with SDG 10: Reduced inequalities and SDG 17: Partnership for goals.

As part of our ESG strategy review, we look to further formalise our business framework to promote our participation in sustainable insurance programs in the Asian emerging markets. We are also exploring ways to measure our business impact on sustainable development.

## United Nations' Sustainable Development Goals

### 1 NO POVERTY



Our mission to close the protection gaps for the emerging middle class aligns with SDG1. The emerging middle class remains vulnerable to falling into poverty due to economic shocks such as job loss, illness and natural disasters.

### 3 GOOD HEALTH AND WELL-BEING



We support good health and well-being by advocating for inclusive health insurance in emerging Asia, where many populations lack access to affordable and quality healthcare.

### 8 DECENT WORK AND ECONOMIC GROWTH

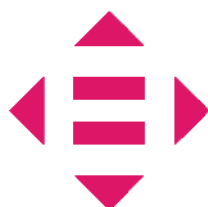


### 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Supporting economic growth in emerging markets is central to our mission. Our contributions to building and upgrading critical transport and utility infrastructure drive economic growth and improve living standards in these regions.

### 10 REDUCED INEQUALITIES



Through innovative financial inclusion solutions, such as collaborations on microinsurance for women and health solutions for vulnerable and excluded populations, we aim to reduce inequalities in the availability and accessibility of insurance protection.

### 13 CLIMATE ACTION



Emerging Asia is particularly vulnerable to the increasing severity and frequency of extreme weather events due to climate change. Protecting livelihoods and properties from natural catastrophes supports SDG 13.



## Creating a positive impact with CSR

Peak Re staff regularly engage in corporate social responsibility ("CSR") activities, charity and outreach programmes and contribute to local communities through poverty alleviation projects, knowledge sharing and activities that help build sustainable lifestyles. We collaborate with local NGOs and community projects to amplify our impact with our time, energy and commitment.

### ESG awareness partnership with CCIL:

As part of a strategic partnership with CarbonCare Innolab ("CCIL"), a Hong Kong based NGO, Peak Re employees

participated in multiple events in 2023–24 aimed at educating and helping to integrate environmental and social responsibility into daily lives. Throughout the engagement, Peak Re and CCIL jointly organise awareness-building activities with an emphasis on climate solutions and making a positive impact across the community.



### Solar energy tour with SEN students

In partnership with CarbonCare Innolab ("CCIL"), Peak Re joined SEN students from Mary Rose School, Hong Kong, on an inspiring solar energy tour on 17 May 2024. In addition to discussing sustainable energy, the event focussed on diversity and inclusion. The day included experiential learning on renewable energy, interactive climate change games, and sharing with SEN students.

### Organic food production

To increase awareness about locally produced organic food in Hong Kong, Peak Re employees and their families engaged in a day of organic ecofarming. After an educational session, employees got involved in ploughing, planting, weeding, watering and harvesting, as well as preparing a healthy lunch from freshly picked farm produce.



### Nutritional insights for physical and mental wellbeing

In the spirit of employee well-being, combined with our "Green Monday" healthy vegetarian lunch initiative, Peak Re invited nutritional experts to share their insights on how specific foods, diets and nutrients can boost gastro-intestinal, immune system and mental health.

### Low-carbon cooking

Small changes in habits can have a large impact on the environment. To bring attention to the environmental impact of the food we consume, and how we prepare our food, an accredited dietician guided Peak Re employees through the preparation of a low-carbon, healthy and delicious meal.

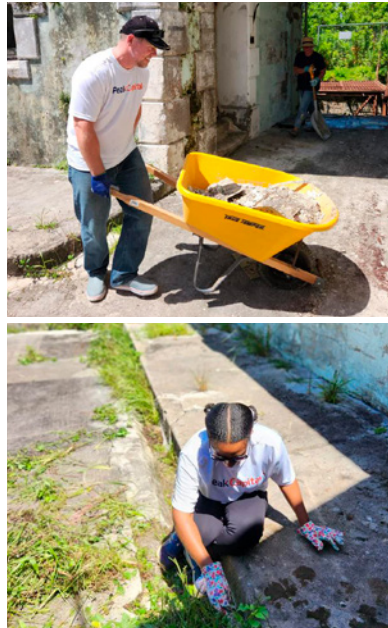






### Local community education

Peak Re has partnered with Tasse Coffee, a local Hong Kong community education project. Tasse teaches coffee culture and business skills to disadvantaged communities and has a focus on empowering women. As part of the initiative, Peak Re sponsored coffee, prepared by Tasse trainees, for our Hong Kong office. This initiative supports underprivileged workers in re-training for jobs and re-entering the workforce, ultimately supporting sustainable development in Hong Kong.



### UNESCO World Heritage: Restoration and clean-up

In partnership with the St. George Foundation, Peak Capital Bermuda volunteered to restore Bermuda's largest fortification, Fort St. Catherine – a UNESCO World Heritage Site. Peak Re volunteers worked to clean and repair the surrounding grounds with the goal of giving back to their community in a meaningful way.



### Making changes for the environment

In the spirit of sharing how small actions can impact our energy consumption and carbon footprint, a Biz-Green Dress Day was organised in the Hong Kong office. Air conditioning was adjusted in our offices to save energy, and employees were encouraged to come to work dressed in light fabrics in smart casual clothing. In addition, healthy, vegetarian organic meals were provided.



### Blood donation drive

Peak Re volunteers participated in a blood donation drive organized in collaboration with the Hong Kong Red Cross Blood Transfusion Service. The initiative shows our support for the health and well-being of the communities that we work in, aligning with our mission to create social impact.

## Peak Re support for Yongping

A project close to Peak Re's heart is one that addresses poverty and fosters sustainable development in Yongping, China. Peak Re has established a deep and ongoing relationship with tea farmers in an initiative centred on procuring, packaging and promoting exceptional teas for our corporate gifts.

The project meticulously sources tea from the Dapingtan Tea Garden, which is renowned for its organic and chemical-free farming practices. The selection of teas, handpicked by local farmers, is a testament to our responsible sourcing policy while contributing to local livelihoods. Our consistent purchases assist villagers with household expenses and children's education.

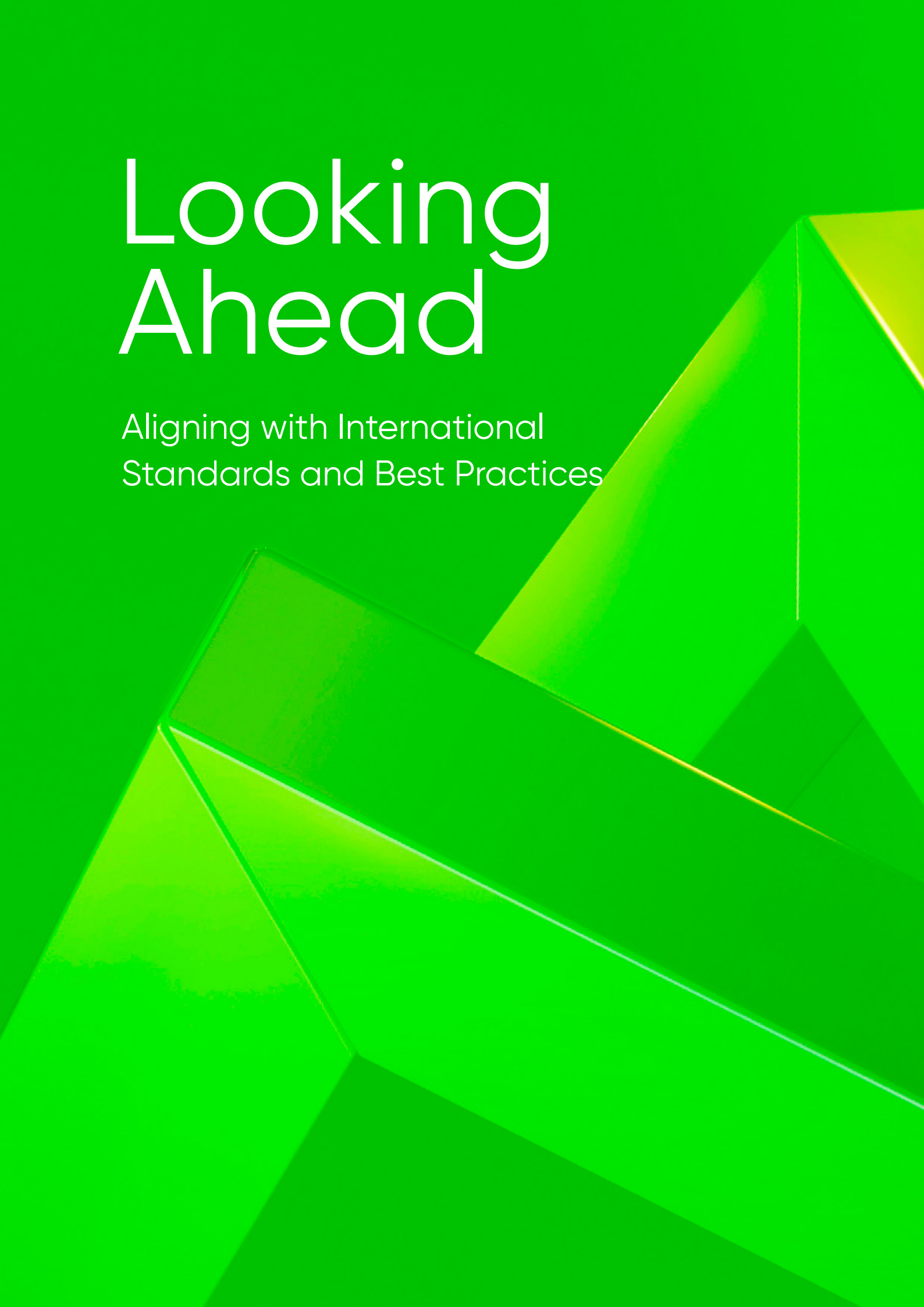
Peak Re's staff are actively engaged in this undertaking. They dedicate time and effort to packaging teas into specially designed gift boxes during annual events. Our team not only facilitates the project but also forges personal connections with the region, leading to a deeper sense of community and social responsibility.



2024 Tea packing

# Looking Ahead

Aligning with International  
Standards and Best Practices



# Looking Ahead

## Advancing Our ESG Journey

Peak Re continues to take proactive steps to review and enhance its ESG strategy, aligning with international standards and best practices. In 2023, we initiated a project to measure and benchmark our performance against regulatory expectations and industry standards. Additionally, we conducted a materiality assessment to identify the ESG issues impacting Peak Re and to gain insights into our stakeholders' ESG expectations.

### ESG strategy review

"Excellence in ESG" is a mantra we follow as part of our corporate culture and strategy. We are currently reviewing our ESG strategy and developing a roadmap for the next 3-5 years to advance our ESG goals and commitments. As part of these initiatives, we aim to refine our ESG governance structure, including ESG monitoring and the development of functional KPIs.

Regarding climate change, we continue to add resources to our meteorologists and analysts to enhance our climate-conditioned modeling capabilities. We also seek to deepen ESG integration within different business lines by developing a framework to capitalise on the considerable opportunities that ESG and the global transition are likely to bring.

### Emissions baselining

We have initiated an emissions baselining exercise for 2023 at Peak Re's Hong Kong headquarters, where most of our employees and operations are based. As a financial institution, the largest component of our emissions is likely to come from financed emissions via our investment portfolio and underwriting emissions. We have started gathering data on our investments using the MSCI ESG database and are exploring collaborations with external fund managers to accurately measure our investment-related emissions

and develop suitable ESG targets for our portfolio. For underwriting emissions, we are in communication with the Partnership for Carbon Accounting Financials ("PCAP") who is developing guidelines and standards for treaty underwriting.

### Aligning on disclosures

We are closely following regulatory developments across the jurisdictions in which we operate and the changes in disclosure standards. This includes the introduction of the IFRS Sustainability Disclosure Standards (IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 - Climate-related Disclosures) by the International Sustainability Standards Board ("ISSB") in 2023. Hong Kong is one of the jurisdictions that has adopted the IFRS S2 standards into its ESG disclosure requirements. We have conducted a gap analysis for Peak Re to align with these standards and are discussing ways to narrow these gaps in preparation for future adoption.

### A sustainable future

With the growing importance of ESG to our business and stakeholders, we aim to continually monitor our progress on ESG strategy and implementation, enhance our data, research, and risk management on ESG risks and opportunities, reduce our carbon footprint, and support our clients in climate risk mitigation and adaptation, as well as their progress on the global United Nations ("UN") Sustainable Development Goals ("SDG").

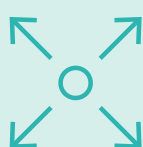
Peak Re remains committed to developing innovative reinsurance and risk management solutions that support the global low-carbon transition while advancing social development goals and economic growth in emerging markets. We look forward to working with our partners and stakeholders to support sustainable insurance for the future.



**IDENTIFY**  
and resolve gaps  
between  
communicated  
and actual ESG  
practices



**BUILD**  
capacity and  
training to improve  
capability to meet  
ESG challenges



**EXPAND**  
data collection to  
better inform  
decision-making



**UPDATE**  
risk analytic to  
identify, analyse  
and manage ESG  
risks



**ELEVATE**  
ESG policies to  
embed ESG into  
respective  
functions



**INTEGRATE**  
wider business  
strategies with  
ESG-related  
opportunities

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