

Risk Management

Swiss Life pursues an integrated, value-oriented risk management approach, involving both quantitative and qualitative elements. The goal is to protect customers' funds and ensure the best possible investment of risk capital, while complying with the regulatory requirements.

Risk management is a key component of the Swiss Life Group's management process. The respective committees of the Corporate Executive Board and the Board of Directors monitor and make decisions in the area of risk management; these are then incorporated into the annual planning process. On the one hand, they comprise qualitative assessments relating to the strategy, to operational risks and to the internal control system (ICS). On the other hand, quantitative elements for each insurance unit, such as risk budgeting and investment strategy, are included in asset and liability management. Based on risk capacity and risk appetite, limits are set in the individual units for the financial risks incurred, according to which the investment targets are set.

The qualitative risk management elements mentioned above are presented and discussed below. Detailed information on the risk budgeting process and asset and liability management is provided in Note 5 (Risk Management Policies and Procedures) of the Consolidated Financial Statements.

STRATEGIC RISK MANAGEMENT — Swiss Life uses various analytical methods to ensure that strategic risks are dealt with adequately in today's very demanding economic environment. In its strategic risk management process, Swiss Life incorporates all the information on risks and the risk/return characteristics in its strategic decisions. An understanding of the interplay of individual risks is essential in order to take due account of the factors influencing risks during strategy development so that these factors can be steered appropriately.

OPERATIONAL RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM — Operational risk management (ORM) at Swiss Life includes the methods and processes used for the identification, assessment and steering or avoidance of operational risks. ORM defines operational risk as the danger that losses may result from shortcomings or failures in internal processes, people or systems, or from external events.

Swiss Life's internal control system (ICS) consists of the totality of procedures, methods and measures prescribed by the Board of Directors and the Corporate Executive Board to ensure the orderly conduct of business. The focus is on the reliability of financial reporting, the effectiveness of business processes and compliance with laws and regulations issued to protect the company's assets.