Inspiring action together.

Zurich Insurance Group
Annual Report 2021

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Zurich Insurance Group (Zurich) is a leading multi-line insurer serving more than 55 million customers – both people and businesses – in more than 210 countries and territories. Founded 150 years ago, Zurich is transforming insurance. In addition to providing insurance protection, Zurich is increasingly offering prevention services such as those that promote wellbeing and enhance climate resilience.

Reflecting its purpose to 'create a brighter future together', Zurich aspires to be one of the most responsible and impactful businesses in the world. It is targeting net-zero emissions by 2050 and is one of the world's most sustainable insurers, as shown by the S&P Global Corporate Sustainability Assessment. In 2020, Zurich launched the Zurich Forest project to support reforestation and biodiversity restoration in Brazil.

The Group has about 56,000 employees and is headquartered in Zürich, Switzerland. Zurich Insurance Group Ltd (ZURN), is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt (ZURVY) program, which is traded over-the-counter on OTCQX. Further information is available at www.zurich.com.

When we work together, we achieve more. Meet some of the people who work with or for Zurich, helping to make the business what it is today. Read their perspectives and hear how they inspire others to join them to take action on causes that matter. We take stock of 150 years of innovation, and look to the future as Zurich continues adapting and growing – for the good of the Zurich business, its customers, employees, partners and the planet.

Inspiring action

Sowing the seeds of change.

Zurich is planting one million trees in Brazil's Atlantic Forest, a biodiversity hotspot, together with local non-profit Instituto Terra (see front cover image). As well as restoring native flora and fauna, the eight-year project aims to inspire Zurich employees to become more eco-conscious. For photographer Sebastião Salgado and his wife Lélia Wanick Salgado, who founded Instituto Terra in 1998, it's vital to work together to restore the planet. "To have an idea is very important. But it's not enough," says Sebastião. "You must have partners."

Sebastião Salgado and Lélia Wanick Salgado
Founders of Instituto Terra

To help raise awareness of biodiversity loss, Zurich is the main global partner of Salgado's Amazônia exhibition tour and concerts:
page 34

Inspiring action

Building resilience.

As Global Head for Climate Resilience Services, Amar Rahman and his team of risk engineers at Zurich Resilience Solutions advise customers on building resilience to natural catastrophes with tailored insights and solutions.

One such customer is automobile manufacturer AUDI AG (Volkswagen Group). When a downpour in 2016 flooded an AUDI AG (Volkswagen Group) production plant in the southwestern German city of Neckarsulm and halted production, the carmaker decided to embark on a journey to improve its flood resilience. It put in place a raft of innovative resilience measures, such as inflatable water barriers that would not only protect its plant from flash floods, but also protect its employees and the surrounding community.

"Climate resilience requires businesses to invest in adaptation now, and not wait for new data or government regulation before you act," says Amar. "If they wait, it will be too late to develop and deploy solutions."

A test came in June 2021, when heavy rain hit the Neckarsulm plant. Damage to the site was minimal and the automaker is now looking to transfer lessons learned and risk insights to other locations across the Volkswagen Group.

Amar Rahman
Global Head Climate Change Resilience Services,
Zurich Insurance Group

Our business

Our performance.

Zurich has a balanced and diversified global business, with industry-leading capital levels. It's our resilient business model, together with a clear strategy focused on customers, innovation and simplification, that positions us well to generate sustainable value for all our stakeholders.

USD 5.7bn
Business operating profit[1]

USD 7.8bn
Cash remittances[2]

CHF 60bn
Market capitalization as of December 31, 2021

SST 212%
Swiss Solvency Test ratio (SST) estimated as of January 1, 2022[3]

USD 7.0bn
Total amount of impact investments[4]

–59%
Reduction in operational emissions (vs. 2019 baseline)[5]

USD 5.2bn
Net income attributable to shareholders (NIAS)

14.0%
Business operating profit after tax return on equity[6]

AA/stable
Standard & Poor's financial strength rating of Zurich Insurance Company Ltd as of December 31, 2021

USD 69.9bn
Total revenues[7]

USD 211.3bn
Investment portfolio[8]

Around 1 million
Number of customers interviewed through Zurich's NPS program[9]

1 Business operating profit (BOP) indicates the operational performance of the Group's business units by eliminating the impact of financial market volatility and other nonoperational variables.
2 Cumulative cash remittances for full year 2021.
3 Estimated Swiss Solvency Test ratio (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.
4 Impact investments in 2021 consisted of: green, social and sustainability bonds (USD 5.8 billion), impact private equity (USD 211 million) and impact infrastructure private debt (USD 980 million).
5 In 2020.
6 Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges.
7 Total revenues including net investment result on unit-linked investments.
8 Market value of the investment portfolio (economic view). See page 231 for further details.
9 Through its net promoter system (NPS) program, Zurich interviewed around one million customers in 2021 across the business and took action based on their feedback. See ISD (page 168 of this report) and Sustainability Report 2021 (page 49) for further details.

Our business (continued)

Dynamic, agile and well balanced.

We are a leading multi-line insurer that serves its customers in global and local markets. We provide a wide range of products and services in more than 210 countries and territories. Our customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations.

Property & Casualty

Insurance, services and risk insights.

USD 3.1bn

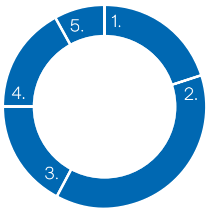
Business operating profit[1]

USD 40.1bn

Gross written premiums and policy fees

Business mix

2021 gross written premiums and policy fees by line of business (%)[2]



1.	Motor	**20%**
2.	Property	**38%**
3.	Liability	**17%**
4.	Special lines	**17%**
5.	Worker injury	**8%**

- Zurich is a leading global commercial insurer with a profitable retail franchise. Improved portfolio quality in commercial insurance positions us well for success through the cycle.
- Property & Casualty (P&C) reported a combined ratio – a measure of profitability – of 94.3 percent in 2021, the lowest level in 15 years.
- Commercial insurance generates around two-thirds of the Group's P&C gross written premiums.

Read more on Property & Casualty: pages 222–223

Life

Protection, savings and investment solutions.

USD 1.8bn

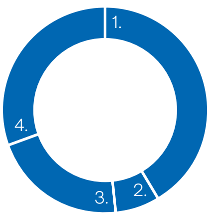
Business operating profit[1]

USD 28.4bn

Gross written premiums, policy fees and insurance deposits

Business mix

2021 gross written premiums, policy fees and insurance deposits by line of business (%)[2]



1.	Protection	**41%**
2.	Corporate pension	**7%**
3.	Unit-linked	**21%**
4.	Savings & annuity	**30%**

- Zurich operates a long-term strategy of focusing on protection and capital-light savings business. This positions the Life business well for the prevailing low-yield environment.
- In 2021, the protection, unit-linked and corporate savings business accounted for more than 90 percent of new business.

Read more on Life: pages 224–225

Farmers Group, Inc.[3]

A wholly owned subsidiary providing certain services to the Exchanges.[3]

USD 1.6bn

Business operating profit[1]

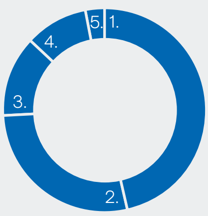
USD 4.3bn

Management fees and other related revenues

Farmers Exchanges[3]

Business mix

2021 gross written premiums by line of business (%)[2]



1.	Auto	**47%**
2.	Home	**28%**
3.	Speciality	**13%**
4.	Business insurance	**10%**
5.	Other	**2%**

- Zurich has no ownership interest in the Farmers Exchanges[3], which are owned by their policyholders. The Exchanges are a leading player in U.S. personal lines insurance.
- Farmers Exchanges[3] are focused on growing customer reach by expanding and diversifying distribution.

Read more on Farmers Group, Inc. and Farmers Exchanges[1]: page 226

1 Business operating profit (BOP) indicates the operational performance of the Group's business units by eliminating the impact of financial market volatility and other nonoperational variables.
2 Percentages may not total 100 due to rounding.
3 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

Inspiring action

Earning trust.

As a Zurich claims service assistant, Carriane Chan is at the forefront of our customer-focused strategy. With every claims inquiry, Carriane works to build trust with customers, listening to them, identifying their needs, and above all, treating them as individuals. "It's important to put ourselves in our customers' shoes," says Carriane, who is based in Hong Kong. "Focusing on the uniqueness rather than similarities of each claim inquiry helps us provide better customer experience – and happier customers increases our job satisfaction."

Carriane Chan
Claims Service Assistant, Zurich Hong Kong

Inspiring action

Taking a stand.

"Small changes and collective action can make a difference," says Amy Meek, co-founder of UK campaigning charity Kids Against Plastic. Meek established the campaign with her sister Ella in 2016, when aged just 12 and 10 years old. The charity raises awareness of the environmental issues associated with plastic pollution and inspires people to become 'plastic clever'. Amy recently spoke at the Youth Against Carbon Conference, organized by Zurich UK to give young people a voice in the debate on climate change action. She also played a key role in Zurich's global brand campaign acting as a 'climate hero' to inspire and show the cumulative power of collective action.

Amy Meek
Campaigner and co-founder of Kids Against Plastic

Inspiring action

150 years and counting.

A blue kiddy car, a hangover remedy and a golf set sit alongside reams of premiums, claims, and expenses dating from the 1880s to the 1980s. Welcome to Corporate Archives: a repository of files and artifacts that span the 150-year history of Zurich. Corporate historian Thomas Inglin is the custodian of these items and, together with his team, selects which objects should be preserved.

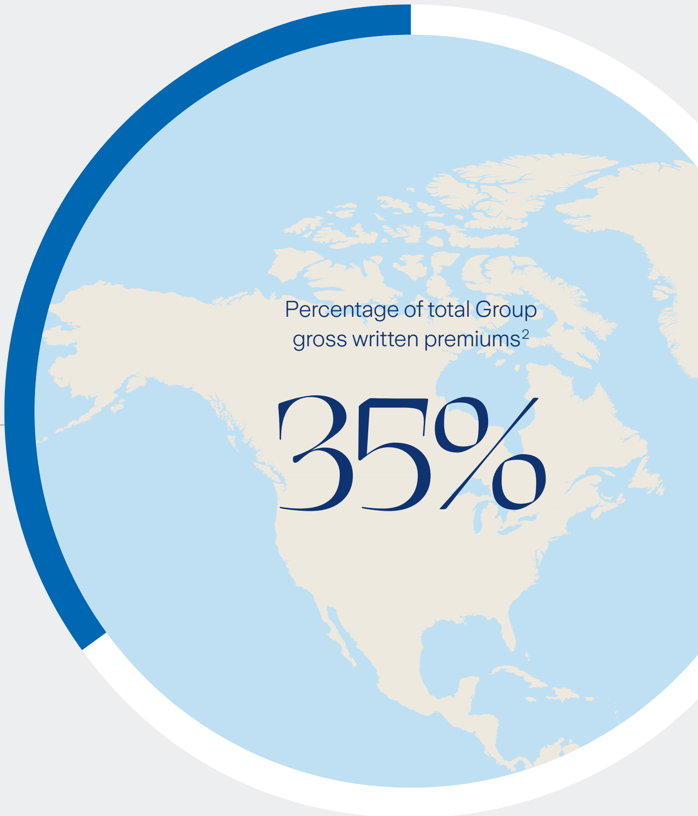
"Zurich has more experience and more knowledge than any individual, and it's important for future generations to make good use of this," says Thomas, who began the archive when he joined Zurich in 1995. For him, the archived material that end-to-end would stretch over 2,600 meters, is an "infinite source of inspiration."

Thomas Inglin
Head of Corporate Archives,
Zurich Insurance Group

Our business (continued)

Our global presence.

Since we were founded in 1872, we have grown to be a truly global insurer, with a balanced and diversified business. This includes a strong position in North America and Europe as a provider of insurance to individuals, commercial operations and global corporate customers, as well as growing positions in Asia Pacific and Latin America.



North America

In North America, Zurich is a leading commercial property and casualty insurance provider serving a number of sectors, including global corporate, large corporate and middle market. It additionally serves Life customers in the retail, affluent and corporate markets. The Group also operates through Farmers Group, Inc.[1] in the U.S.

Read more key details: pages 326–331

USD 18.6bn
Property & Casualty gross written premiums and policy fees[2]

USD 1.5bn
Life gross written premiums and policy fees[2]

USD 3.4bn
Business operating profit[2]

Latin America

Zurich operates in Brazil, Mexico, Argentina and Chile, among other countries.

Read more key details: pages 326–329

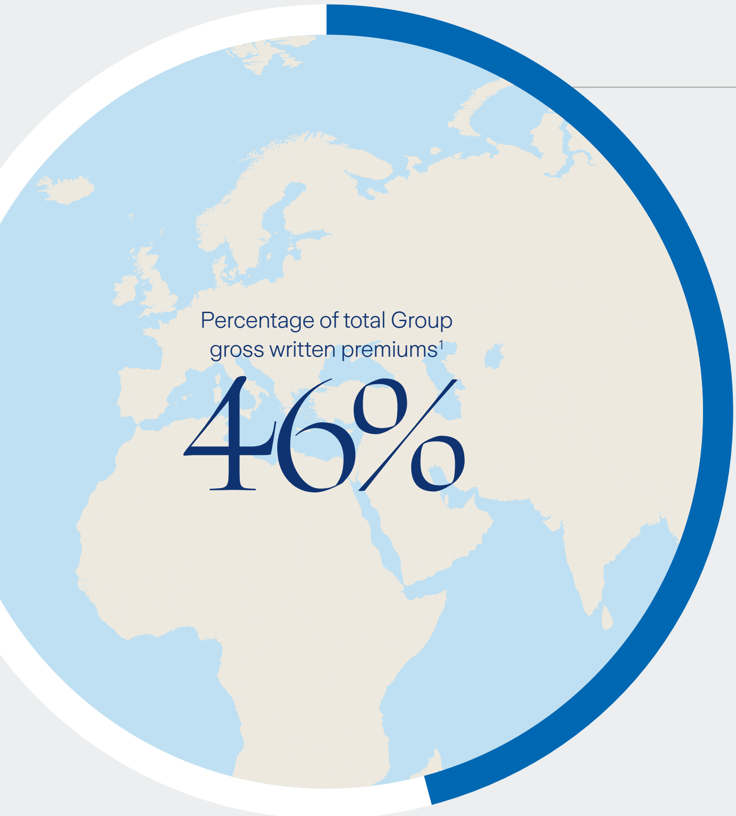
USD 2.6bn
Property & Casualty gross written premiums and policy fees

USD 2.3bn
Life gross written premiums and policy fees

USD 0.5bn
Business operating profit

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.
2 Including Farmers Group, Inc.

Our business (continued)



Europe, Middle East and Africa

Zurich has major operations in Germany, Italy, Spain, Switzerland and a presence in other countries, including key markets in the Middle East.

Read more key details: pages 326–329

USD 17.8bn
Property & Casualty gross written premiums and policy fees

USD 8.5bn
Life gross written premiums and policy fees

USD 2.0bn
Business operating profit

Asia Pacific

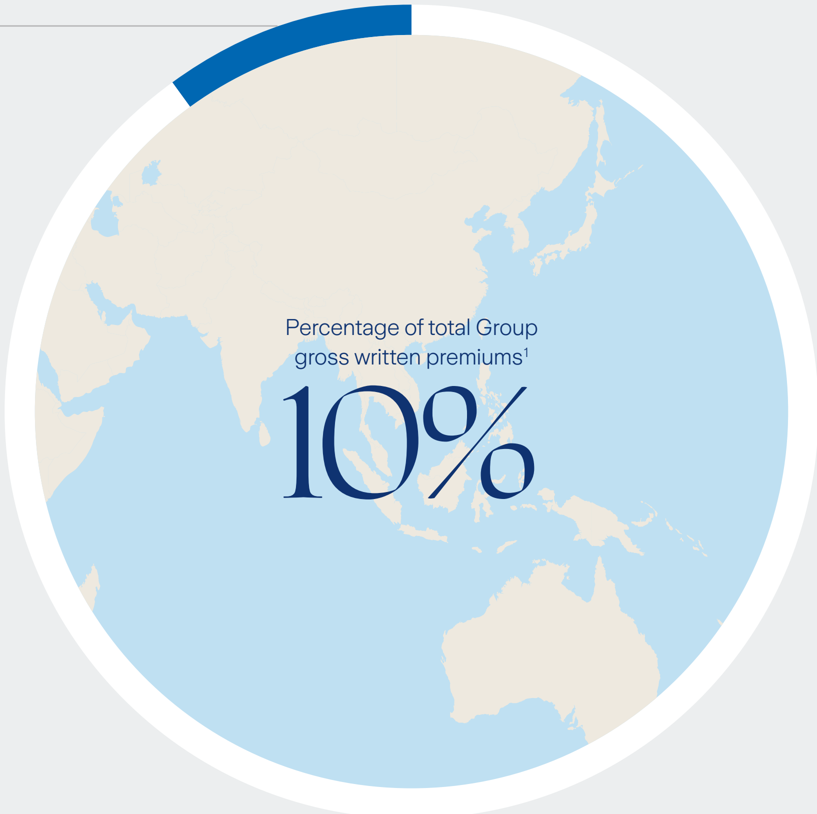
Zurich has a growing footprint in Asia Pacific, with operations in Australia, Hong Kong, Indonesia, Japan and Malaysia.

Read more key details: pages 326–329

USD 3.2bn
Property & Casualty gross written premiums and policy fees

USD 2.6bn
Life gross written premiums and policy fees

USD 0.6bn
Business operating profit



1 Including Farmers Group, Inc.

Inspiring action

Making a comeback.

'Returnships' offer qualified women a way to return to work after a career break – just one example of how Zurich is attracting and hiring diverse talent. A returnship helped Gabriela Reynolds land a permanent role at Zurich following a two-year hiatus from her job as a lawyer by providing on-the-job training and networking opportunities.

Now working in Human Resources, Gabriela hopes her story will inspire others to take advantage of returnships at Zurich. "It's a win-win situation for participants and the company," says Gabriela. "For the individual, it's about making the most of the experience: getting to know the organization, people, sharpening your skills and building on this for future opportunities. For the company, it's a wonderful opportunity to welcome people with energy, passion and a fresh perspective."

Gabriela Reynolds
HR Program Manager, Zurich Insurance Group

Message from our Chairman

Inspiring action

Laying foundations for our ambitions.

I am proud to chair the Board of a company that in difficult moments continues to live up to its commitment to support people and planet and bring benefits to all stakeholders.

Michel M. Liès
Chairman of the Board of Directors

Message from our Chairman (continued)

It is hard to believe it was two years ago that COVID-19 was declared a pandemic. We have been engaged in a long battle to combat the virus, save lives, safeguard our mental health, preserve livelihoods, continue education and carry on with our day-to-day routines as best we can.

As with the rest of the world, at Zurich we have had to continually adapt to this changing landscape. Yet our business has remained resilient and for that I thank each of our 56,000 employees. Our people have endured a stressful and turbulent time, and I have deep sympathy for those who have been impacted personally by the pandemic.

As with 2020, last year was again challenging for our customers. Our people displayed strength, flexibility and resourcefulness to ensure they continued to put customers first. I have been truly inspired by our employees' dedication.

Robust purpose and values

I am not surprised to see our people rise to the challenge. As part of our company's DNA, we all have an intrinsic understanding that we must be there when our customers need us most, even during these unprecedented times.

Our DNA is underpinned by an ambitious purpose and a robust set of values, supported by a credible code of conduct. I am proud to chair the Board of a company that in difficult moments continues to live up to its commitment to support people and planet and bring benefits to all stakeholders – customers, employees, investors and communities.

As a Board, we also take very seriously our responsibility to safeguard and embed an ever-evolving environmental, social and governance (ESG) strategy that enables us to respond to these critical risks – from climate change and biodiversity loss to social inequalities and the continuing pandemic (see pages 40–41).

Resilience lays the foundation for ambition

As we enter the final year of a three-year strategic cycle, the Group remains on track to achieve our 2022 targets. The steps we have taken to digitalize our business have created a Zurich that is fitter, faster and more resilient than ever. This provides us with a strong foundation to be ambitious as we set targets and objectives for a new three-year strategy cycle that we will unveil in November.

We will also mark our 150th anniversary in 2022. I hope it will be a year when we can focus on making the world a better place for all.

Michel M. Liès
Chairman of the Board of Directors

Message from our Group CEO

Inspiring action

Remarkable progress.

Our performance shows once again that our discipline is paying off. In the commercial business, our work in recent years to rebalance and improve the quality of the business portfolio has allowed us to benefit strongly from rising rates. We're also growing our retail business, thanks to our unwavering focus on customers.

Mario Greco
Group Chief Executive Officer

Message from our Group CEO (continued)

Our 2021 performance

We made remarkable progress in 2021: winning new customers, improving profitability and simplifying our business in a year of continued disruption from COVID-19 and heavy impacts from natural catastrophes.

This performance is based on a deep understanding of risk. For a century and a half, Zurich has protected those who put their trust in us and thrived throughout periods of great change. Our 150th anniversary this year is an occasion to take stock of our strengths and how far we have come – and to look ahead with confidence.

Today's challenges remind us that, as we build on our legacy, we need to continue to strengthen our resilience and prepare our business, our people and our communities for a sustainable future.

Meeting customer needs

Our results in 2021 were among the best in our history. Our net income attributable to shareholders of USD 5.2 billion and operating profit of USD 5.7 billion were the highest since 2007. These results are the reward of hard work by an outstanding team, and I'd like to thank all of my colleagues for their contribution.

Our performance shows once again that our discipline is paying off. In the commercial business, our work in recent years to rebalance and improve the quality of the business portfolio has allowed us to benefit strongly from rising rates.

We're also growing our retail business, thanks to our unwavering focus on customers. Last year alone we added 2.2 million net new retail customers[1] by being agile and quickly adapting to changing customer needs, and by using technology to improve the customer experience, streamline interactions and differentiate our offering from that of our peers.

Responding to a changing business environment:

Profound changes including digital advances, insurance offerings by new, non-traditional providers, and higher customer expectations are affecting us all. We are making sure we have the right expertise to succeed, ensuring Zurich is well-equipped for whatever the future brings.

Living in a digital world

Our lives are becoming increasingly digital, from how we communicate, to how we work, to how we buy insurance. We're investing in our digital capabilities to respond to the needs of our customers and remain their provider of choice. We're also harnessing digitalization to remove any unnecessary complexity in the way we deal with customers.

Evolving customer needs

Personalized, simple and available on demand. Zurich is redefining the global customer experience and creating innovative solutions for existing customers, as well as the next generation.

Staying ahead of the curve

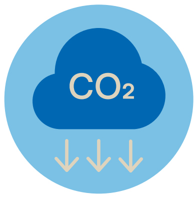
Companies of all sizes are increasingly focusing on risk prevention, mitigation and resilience. Through Zurich Resilience Solutions, we offer services beyond traditional insurance risk transfer. Our solutions help companies manage the risks of their core business and provide an early warning system along with timely practical help.

Preparing for new financial reporting rules

Zurich is finalizing the implementation of IFRS17 and IFRS9 accounting standards, two of the most significant changes to global financial reporting in recent history. Our focus now is to fully assess the dynamics of financial performance and metrics under the new standards, and educate our key stakeholders in anticipation of reporting under the new rules in 2023.

Offering fulfilling careers

People drive our business, and we believe our people should drive their own careers. We're empowering employees to take charge of their upskilling and reskilling and the direction of their career. By investing in our people, we can ensure we attract and retain the best talent.



For the planet

At Zurich, we believe doing well and doing good go hand in hand. That's why we're looking at ways to bring greener insurance options to our customers: from usage-based car insurance to the industry's first carbon-neutral equity fund for unit-linked life insurance customers.

1 Based on eight retail markets, i.e., Australia, Brazil, Germany, Japan, Italy, Santander JV, Spain, Switzerland.

Message from our Group CEO (continued)

150 years | ZURICH

Celebrating our 150-year anniversary

At Zurich, we want to inspire confidence in the future. Every day since 1872, we have helped businesses, families and communities to prosper and grow.

To mark our 150-year anniversary, we are celebrating our past and present, our customers, our communities, and our employees – all those who have helped us to come this far.

Festivities include global town halls, special events, and publication of a commemorative e-book, culminating in an official anniversary celebration in October 2022 (see page 32).

For more than 150 years, Zurich has been creating positive impact. We have proven our ability to change and respond to challenges and we look to the future with confidence.

Just a few months after announcing our targets for 2020–2022, the pandemic upended our plans and we responded rapidly to chart a new course. Two years later, we're well on track to deliver on our targets and are well prepared to set new targets for the next strategic cycle in November.

Turning risks into opportunities

The insurance business has changed dramatically since Zurich first started operating in 1872, in an age of steam, horses and telegraph. The risks we face today are more complex, interdependent and global. We are responding by actively helping customers, partners and communities to build their resilience to adverse events before they happen, adding these risk management services to the traditional risk transfer that covers the costs when things go wrong.

We have a close relationship with our customers and 150 years of experience. This means we can give customers specialized insights and tools to help them navigate traditional and evolving risks, whether related to climate change, supply chains or cyber security. This is part of insurance's role in society: we help reduce risk and promote sustainable behavior.

We're also responding to the complexity and rapid change of our age by helping our people become well-equipped to navigate this environment. As part of our focus on work sustainability, we help our colleagues keep their skills sharp, and the best testament to our success is that two-thirds of vacant positions at Zurich are filled with internal candidates.

Inspiring action

In order to deal with risks posed by climate change, digitalization or social inequality, collective action is needed – from governments, companies, and individuals. We want to empower our customers, employees, partners and the communities in which we work to act on what matters most to them.

Our Zurich Forest project, for example, is helping to raise awareness of environmental issues among our employees. In collaboration with non-profit Instituto Terra, we're supporting the creation of a biodiverse rainforest in Brazil's Atlantic Forest region. More than 200,000 seedlings have been planted since September 2020. Employees can claim a tree and follow the process of reforestation, step by step.

In 2021, Zurich's offices, employees, customers and distributors showed what can be achieved by joining forces when they participated in the biggest Z Zurich Foundation[1] fundraising campaign since the Foundation was established in 1973. The campaign raised enough funds for UNICEF to deliver two doses of COVID-19 vaccine to more than 1.7 million vulnerable people.

1 The Z Zurich Foundation is a Swiss-based charitable foundation funded by various members of the Group. It is the main vehicle by which Zurich delivers on its global community investment strategy.

Message from our Group CEO (continued)

We're also committed to making our own business more sustainable, adapting the way we run Zurich as well as how we work with our customers. Through our own behavior – from how we travel to how we eat – we can inspire others to take action to shape a brighter future for everyone. You can read more about our progress on sustainability issues – related to the planet, digital society and the workplace – in our Sustainability Report 2021.

The future

Zurich has been around for a century and a half because of its people: their discipline, ingenuity and commitment to be there for customers when it matters. I am proud to be at the helm of such a team as we celebrate 150 years of helping people, businesses and communities and chart a course toward a sustainable future.

As we build on our legacy, our skills, our strong capital position and our credibility in the markets, we are looking to the future with optimism.

Mario Greco
Group Chief Executive Officer

Inspiring action

Confident we'll meet or exceed our targets.

Compound organic earnings per share growth[1]
at least 5%
per annum

BOPAT ROE[2]
>14%
and increasing

Net cash remittances
>USD 11.5bn
(cumulative)

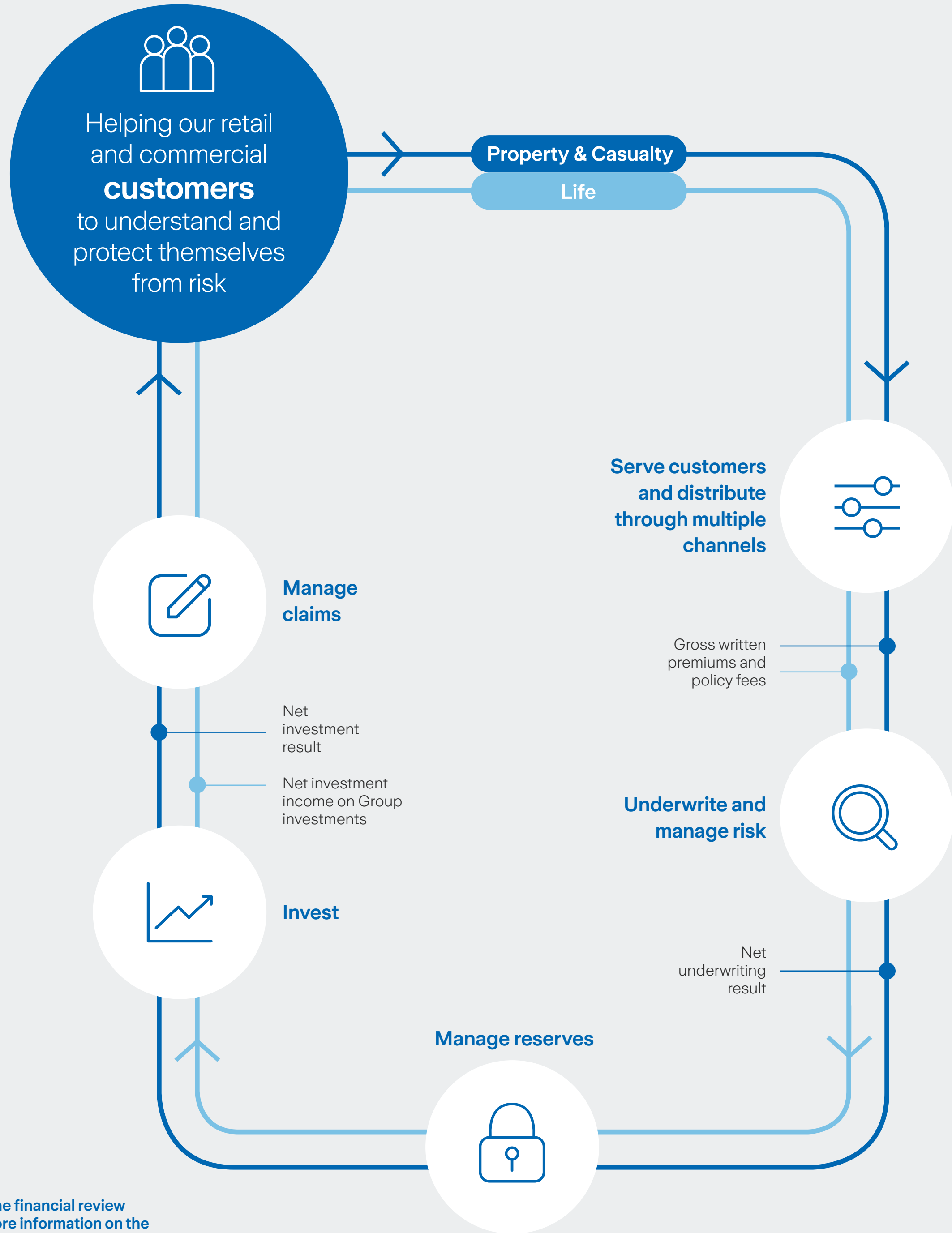
Swiss Solvency Test ratio[3]
160%
or above

1 Before capital deployment.
2 Business operating profit after tax return on equity, excluding unrealized gains and losses.
3 Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.

Our business model

We create sustainable value.

What we do



See the financial review for more information on the performance measures referenced: page 216

Our business model (continued)

Introduction

Over a century and a half, we have refined our business model to make the most of our resources and generate value for all our stakeholders. Our employees are helping our retail and commercial customers to understand and protect themselves from risk.

Serve customers and distribute through multiple channels

Renewed and new distribution agreements are expanding the pool of addressable customers. Our products and solutions are available to customers with a focus on great customer service through many channels: directly, or indirectly via brokers, through employee benefits consultants, and in cooperation with third parties including banks, travel providers, retailers, rental agreements and car dealerships.

Underwrite and manage risks

Insuring and managing risk is central to what we do. Understanding, measuring and modeling risks helps us to price risk fairly and offer competitive premiums to customers, who also look to us to provide expertise aimed at mitigating risks.

Manage reserves

Our Group-wide policy, the 'Zurich Way of Reserving,' with well-defined and prudent standards, is the basis for how we calculate insurance liabilities. Our reserving process is supported by strong governance, including extensive internal and external reviews.

Invest

Our income includes returns from invested premiums, policy fees and deposits. Our success as a business is important to those who depend on us to pay claims reliably, as well as investors who look to us to deliver savings returns and operate our business responsibly.

Manage claims

To ensure that we provide a positive experience to customers who do business with us, we are systematically listening to customers through our net promoter system (NPS) programs, not only as part of our claims process but throughout all customer touchpoints.

Farmers Group Inc. and Farmers Exchanges

Farmers Group, Inc. (FGI), is a wholly owned subsidiary of the Group. FGI provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services. These services may include underwriting, policy administration, premium collection, investment management and accounting and reporting.

Zurich Insurance Group has no ownership interest in the Farmers Exchanges, which are owned by their policyholders. Farmers Exchanges carry underwriting risk and handle claims, as well as own the Farmers brand and distribution assets, for example, exclusive agents and direct call centers. Fees paid to FGI for services are calculated as a percentage of gross earned premiums.

Our stakeholders

Read more: pages 21–37

Our strategy

Leveraging our strengths.

We implement our strategy by remaining true to our purpose and values, and play to our strengths to lay the foundation for success. We have a balanced business with a solid financial position and a trusted brand driven by talented people.

Our strategic priorities focus on:

1. Customers
2. Simplification
3. Innovation

1 2 3

Customers

Our transformation to become a truly customer-led company is showing results. We will continue to provide solutions that meet customers' changing needs.

Our progress so far

- We continued to grow customer numbers, adding 2.2 million net new retail customers[1] in 2021. We also invested in customer service in key markets for small- and medium-sized enterprises (SMEs).
- We continued to develop customer satisfaction through new technologies, adjustment of our services, and by listening to customers. We interviewed around 1 million customers through our net promoter system (NPS) program in 2021.
- Launched brand campaign to create emotional connections with retail customers (see page 26).

Next steps

- Continue to grow, positioning ourselves for further gains once the impacts of the COVID-19 pandemic ease.
- Rolling out our new CX Strategy and CX Standards globally.
- Implementing our new customer segmentation approach whilst digitalizing the agent channel.
- Dramatically increase the use of data analytics to service customers better and improve customer loyalty.

1 Based on eight retail markets, i.e., Australia, Brazil, Germany, Japan, Italy, Santander JV, Spain, Switzerland.

Our strategy (continued)

1 2 3

Simplification

We are successfully simplifying our business and operations, reducing unnecessary complexity to make better use of resources.

Our progress so far

– 'Zurich, Simplified' is a global challenge aimed at helping increase simplification across Zurich. It asks colleagues to suggest ways to simplify the organization, and collects and celebrates implemented initiatives with support from management. The competition has received 253 solutions from 1,000 colleagues in business areas such as HR, Underwriting, Compliance and Life. Colleagues are invited to choose their favorite solution, with each vote representing a USD 1 donation for charity.
– We focused on driving digitalization in underwriting. The most obvious way in which digitalization has influenced insurance industry underwriting is the development of automated risk assessment systems.
– Invested in digital platforms and IT solutions and simplified products in three key markets for SMEs: the UK, Switzerland and Germany.

Next steps

– Further simplify our interactions with customers (e.g., improving digital access, self-service capabilities, etc.).
– Continue to drive efficiencies in our operating model through automation and robotics.
– Further simplify products in the retail space for both SMEs and personal lines.
– Continue to reduce complexities around internal processes and procedures.

1 2 3

Innovation

We are adapting to make sure we continue to meet and exceed customers' expectations and needs.

Our progress so far

– Applications to the Zurich Innovation Championship 2022 doubled (2,672 versus 1,350 from the previous edition) as startups look to collaborate with us.
– Strengthened our digital capabilities for the future through acquisitions and hiring new talent (see page 30).
– Our investment in cyber security via our collaboration with insurtech BOXX gave us a foothold into the fast-growing cyber market.

Next steps

– Offer upskilling to all Zurich employees to become digitally savvy via the Digital Transformation Academy. The academy was created to enable all Zurich employees to build a foundation level of digital literacy.
– Deepen our in-house knowledge in specific technical areas via an internal platform, launched to support Technology & Operations employees in all aspects of their technical skill improvements.
– Continue to collaborate with our network of startups and academia to speed up accumulation of capabilities.

Making it happen...

We are a balanced and diverse business with unique capabilities.
We use our strengths to generate value for our stakeholders and reach our goals:

A solid financial position

The Group's balance sheet remains very strong, as demonstrated by S&P and Moody's financial strength ratings for the Zurich Insurance Company Ltd of AA and Aa3 with a stable outlook. Our solid financial position reassures our customers that we will be there when they need us to handle their claims and gives confidence to our shareholders that we are financially stable. It also gives us a well-earned positive reputation as a business and employer, and positions us to invest in future growth.

Remaining true to our purpose and values

Generating profit is only part of what it means to be a business today. We have the ambition to be one of the most responsible and impactful businesses in the world, producing positive outcomes for people and the planet. We aim to achieve this through collaborating with our employees, investors, customers and the communities in which we live and work – to create a brighter future together.

A balanced business

Our business is balanced both geographically and by products and customer segments. Our strong retail and commercial franchise and flexible operating model means we can weather economic and market volatility and take advantage of industry change.

A trusted brand with talented people

We understand the risks our customers face and can structure offerings that meet their needs. This reinforces our global brand, which, together with our strong reputation, allows us to attract the best talent worldwide.

Our stakeholders

Zurich is committed to creating sustainable value for all its stakeholders. Over the following pages, meet our stakeholders and hear how they inspire others to join them in taking action – for the good of our customers, employees, investors and the planet we share.

Our stakeholders (continued)

Inspiring action Planet

Doing well, doing good.

At Zurich, we believe creating long-term, sustainable value – doing well and doing good – is not only possible, but necessary. By engaging with our global internal investment teams and external asset managers, Responsible Investment Analyst Danielle Brassel helps embed our robust responsible investment principles to ensure we achieve outcomes that benefit people and planet in the long term.

Danielle and the responsible investment team enable Zurich to deliver on three distinct outcomes: fully decarbonizing our investment portfolio by 2050; helping avoid 5 million metric tons of CO2-equivalent emissions; and improving the lives of 5 million people per year through our impact investments. "Adopting responsible investment principles is the first and easiest step," says Danielle. "Measuring the positive impact of investments is the bigger and more important challenge."

Danielle Brassel
Responsible Investment Analyst,
Zurich Insurance Group

Our stakeholders (continued)

Case study

Inspiring green investment choices

Zurich launched the industry's first carbon-neutral equity fund for unit-linked life insurance customers. The Zurich Carbon Neutral World Equity Fund invests in low-emission companies and leaders in clean technology. It emits just 9 tons of CO2 per million dollars invested, compared with 68 tons for a traditional investment strategy. Any residual emissions are offset by Zurich via investments in the Rimba Raya biodiversity reserve in Indonesia. The fund is now available in Germany, Italy, Portugal, Switzerland and Zurich International.

–85%

Approximate reduction in the carbon footprint of the fund[1] compared with traditional investment strategies[2]

1 Scope 1+2 greenhouse gas emissions.
2 Based on MSCI World Index as of December 31, 2021.

Inspiring action | Planet

Seeing the light.

A new state-of-the-art solar installation is expected to generate more than 70 percent of the electricity consumed at our head office building on the Isle of Man. The Zurich Internal Carbon Fund provided some of the upfront costs to get the project off the ground. The scheme is expected to pay itself back through energy savings in about 10 years' time. Savings will be used to drive other sustainability initiatives. "I'm passionate about what I do and actively encourage staff to get involved," says Jason Buckley, Facilities Manager on the Isle of Man, who has set himself an ambitious personal goal of achieving zero emissions for the office by the end of 2022.

Jason Buckley
Facilities Manager, Zurich Isle of Man

Our stakeholders (continued)

Q&A with Sierra Signorelli

CEO Commercial Insurance

What does your job entail?

Leading our global commercial insurance business to successfully achieve our strategic goals. For this, I need to focus on our customers, our people and our financial performance. I aspire to continuously expand the support we provide to our customers through our expertise, products and services to protect what matters most and prevent losses from disrupting their business. We have great people in Commercial Insurance and I want to ensure that we offer an environment to help them thrive and grow. To be successful it is critical that we manage our portfolios to maintain profitability to ensure we are a consistent and predictable partner for the long term.

Why is it an interesting time for commercial insurance?

It is a time of change on many fronts with evolving risks and new opportunities. We continue to develop our capabilities to deliver greater insights. This helps us better predict and prevent losses for our customers and for Zurich, and through this we see a greater interest from our customers in not only transferring risk but preventing losses as well. There are very few insurers with the same global reach, expertise, and capabilities to support customers in this way, giving them the reassurance in preventing losses today while providing the confidence to realize opportunities for the future. We have an incredible opportunity in the coming years to help shape solutions for future challenges.

"We see both evolving risks and new opportunities."

Sierra Signorelli
CEO Commercial Insurance,
Zurich Insurance Group

What were some of the major achievements in Commercial Insurance at Zurich in 2021?

In 2021, we were able to realize the benefit of the hard work made in recent years in rebalancing our portfolio, which is important as we look to remain a consistent and predictable partner. The strong retention of our existing business and our portfolio growth signals that not only are our customers happy with us but that we also have a strong ability to attract new ones. We've built on our strengths by launching Zurich Resilience Solutions, which supports customers to build resilience today and for the future.

When you look at the market, do you see opportunities or challenges?

Opportunity – of course! We are building from a very strong foundation of long-term relationships with customers and brokers. Through these relationships we continue to navigate the right outcomes for our customers, broker partners and Zurich. We also have significant opportunity to build our middle market presence as well as grow our prevention and mitigation services. Nonetheless, there are significant challenges in the market such as natural catastrophes, social inflation, cyber and supply chain-related challenges. In the case of natural catastrophes, we increasingly see society unprepared for these events. Solving this challenge will require a collective effort from individuals, governments and organizations, and Zurich is helping to inspire this change.

Our stakeholders (continued)

Inspiring action Customers

Making dreams a reality.

Austrian startup and former Zurich Innovation Championship participant riskine was founded on a simple premise. People wish to feel safe and be protected from risks as well as achieve their dreams – and their finances play a central role in these goals.

"Many people lack a clear overview and understanding of their risks and financial needs, which is vital for finding matching financial products," says riskine Chief Executive Officer Ralf Widtmann. "Everyone should be able to make sound financial decisions."

The startup uses an algorithm to analyze customers' objective risks, their risk preferences and their wishes and dreams. This data is used to help customers make informed financial decisions: from building awareness and advising, up to the purchase of a product itself.

Zurich has been working with riskine since the second edition of the Zurich Innovation Championship in 2020. The championship challenges startups to come up with bold ideas with the potential to shape the future of insurance.

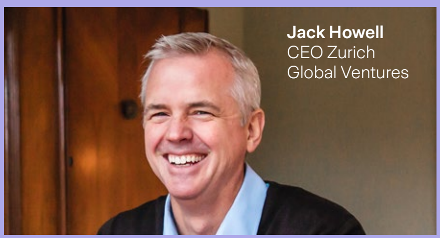
Ralf Widtmann
Chief Executive Officer, riskine

Case study

Innovation through Zurich Global Ventures

Zurich Global Ventures is a collection of independent businesses driving innovation to provide global services and products that go beyond traditional insurance.

Led by Jack Howell, the unit will enable Zurich to get closer to its customers by offering individuals and businesses customized, engaging and digital experiences that empower them to be better prepared for the future.



In 2021, through Corporate Life & Pension, Zurich International, Cover-More, LiveWell, and others, Zurich Global Ventures focuses on customers' needs in employee benefits, travel, health and wellbeing, and cyber.

Our stakeholders (continued)

Case study

What can go right?

Traditionally in customer communications, insurance companies focus on what can go wrong. They highlight the potential day-to-day mishaps, risks and catastrophes to raise awareness of the need for insurance coverage. At Zurich, we have turned this antiquated thinking on its head. It's time for insurance to be more optimistic and ask, what can go right?

The phrase, 'what can go right?', is at the heart of our first global brand campaign in seven years. We teamed up with climate activists from around the world, such as photographer Sebastião Salgado (see page 1) and environmentalist Amy Meek (see page 5) to create a highly engaging social media campaign reaching more than 150 million customers globally.

> It's time for us to shift the conversation.

Conny Kalcher
Group Chief Customer Officer,
Zurich Insurance Group

The campaign forms an emotional connection with our customers by communicating on topics that are relevant to their lives.

During COP26, we shared this optimism by placing a statue in the city of Glasgow, celebrating those who take climate action. Featuring six figures, it invites people to stand within the statue and pledge to help the planet. Imagine what can go right if we all take individual action to tackle climate change?

The statue does not just inspire and symbolize climate action, it also showcases innovation that can help combat global warming. The statue is sculpted from material made with captured carbon using technology that can play a key role in reducing carbon emissions.

Our brand campaign will continue to put customers at the center of everything we do and bring to life our purpose to 'create a brighter future together'.

Connecting with our customers is helping us to build meaningful relationships. This is reflected in record customer acquisition figures. In 2021, we added approximately 2.2 million net new retail customers.[1]

And it all starts with an optimistic question: What can go right?

1 Based on eight retail markets, i.e., Australia, Brazil, Germany, Japan, Italy, Santander JV, Spain, Switzerland.

Inspiring action Employees

Leading by example.

If there's one thing that Samantha Chow has learnt from her time at Brand Marketing and Communications, Zurich Malaysia, it's that actions speak louder than words.

"It's no good just preaching about something," says Samantha. "You've got to be prepared to get your hands dirty. The best way to inspire people to take action is by doing it yourself first and setting a good example."

Immersed in climate, sustainability and wellbeing campaigns since joining the company in 2020, she appreciates Zurich's commitment to fostering a culture where employees are empowered to make an impact both in the workplace and in the community. For 2022, we are aiming for 150,000 hours of employee volunteering.

What really gives Samantha hope is the potential of individuals to make an impact.

"Sometimes we may feel that our efforts will not have an effect but if everyone thinks the same, then nothing will ever happen. There are people who have single-handedly planted a forest over time but if they had thought that as one person, they wouldn't make a difference and hadn't planted the first tree, there wouldn't be a forest."

When Samantha needs encouragement herself, she knows exactly where to turn. "My dad is the best example of resilience, humility and intelligence, and the first person I call when I need clarity on important decisions."

Samantha Chow
Brand Marketing and Communications, Zurich Malaysia

Our stakeholders (continued)

Case study

Worth a shot

It's possibly the coolest vaccination center in town and it's located in our new global headquarters: Quai Zurich Campus. More like an airport lounge than a clinic, it's open to employees as well as their families and friends and our suppliers.

"It's about supporting the community," says Yves K. Leuenberger, Zurich Head of Group Property & Innovation. "Given that vaccination programs depend for their effectiveness on the more people participating, it's a small action that can have a big impact."

It's one of a number of vaccination centers Zurich set up in 2021 for employees in several countries in Asia, Europe and the Americas, aimed at contributing to government campaigns to accelerate COVID-19 vaccination. Designed to give Corporate Center employees free and easy access to a vaccination point, the center offers the flu vaccine as well as COVID-19 shots and boosters. The service is by appointment or walk-in.

Creating the atmosphere of a business lounge was deliberate. Employees can have a snack, get vaccinated, wait comfortably for a check-up from the doctors and then go back to work.

"We wanted to play our part in the fight against COVID-19," says Yves. "We have the facilities, we have the means to hire medical professionals and we can complement the service provided by the public authorities."

Between September 14, 2021 and January 31, 2022, more than 1,000 people used the center.

Inspiring action | Planet

We all make an impact.

"Every single one of us makes an impact every single day that we live." This was the message of hope and empowerment delivered by British ethologist and conservationist Dr. Jane Goodall at the inaugural session of discussion series Z-Talks by Zurich, which focused on how we can combat climate change.

Hosted at Zurich's global headquarters, Z-Talks by Zurich is a four-part live-event discussion series that brings together leading thinkers, academics, activists, NGOs, and business executives to discuss the most urgent issues of the day, such as climate change, mental health and digital transformation (see photo, page 29). The series is underpinned by Zurich's ambition to be one of the most responsible and impactful businesses in the world.

Jane Goodall, PhD, DBE
Founder of the Jane Goodall Institute & UN Messenger of Peace

Our stakeholders (continued)

Case study

Zurich and BASF: a long, sustainable relationship

German chemical giant BASF has been a Zurich customer since the 1980s. The relationship has only strengthened in recent years as the manufacturer has embarked on a sustainability transition.

"The most important thing for me is the reliability, to have a reliable partner for this transformation process," says Senior Vice President of BASF Patrick Fiedler. "You need an insurer that understands the challenges of the industry, has an interest in the challenges and then is also prepared to help and be part of the solution."

Zurich is committed to working together with its customers to help them transition to net-zero emissions and adapt their business models for a more sustainable future. Like Zurich, BASF has pledged to become a net-zero emissions company by 2050, in line with the goals of the Paris Agreement.

At the same time, Zurich is enabling customers to understand the physical risks they are facing from climate change and gives advice on mitigation and prevention through, for example, the Zurich Climate Change Resilience Services unit, created in 2020.

"Due to climate change, we now have higher risk when it comes to flooding, heavy rains and so on," says Fiedler, who manages all insurable risks of BASF, together with his global team of around 40 colleagues. "Zurich helps BASF to identify increased risks and help to identify the right responses to mitigate that risk."

But business relationships, even between large companies, are at their essence about humans, understanding and trust, according to Fiedler.

> You need an insurer that understands the challenges of the industry.

Patrick Fiedler
Senior Vice President of BASF

"It's about the individual people and how they are willing to understand and how they are willing to help," he says. "And that's where I also see Zurich doing a really good job."

It's a relationship that has, in a word, sustained.

Fiedler appeared on "Future Planet," the inaugural episode of the live-event discussion series Z-Talks by Zurich (pictured below).

To watch the episode, visit:
www.zurich.com/en/z-talks-by-zurich

Our stakeholders (continued)

Case study

Boosting our digital capabilities

Technology is a key differentiating factor in many industries, including insurance. The COVID-19 pandemic has accelerated digitalization and adoption of new technologies, increasing the need for best-in-class practices for cyber security and data stewardship. Zurich is strengthening its digital capabilities to help customers navigate these complex risks, reduce unnecessary complexity and create personalized products today's tech-savvy consumers want and need.

Conversing with computers

In 2021, Zurich agreed to acquire Estonia-based company AlphaChat, one of the most advanced startups in conversational artificial intelligence (AI), with a team of seasoned entrepreneurs and machine learning specialists. The acquisition will help Zurich meet increasing demand from customers for personalized products and services that are available around the clock. In particular, it will help to ensure a consistent and efficient approach to developing intelligent virtual assistants across businesses, for both internal and external purposes.

> The needs of customers are evolving rapidly.

Frank Verkerk
Group Chief Platform Officer, Zurich Insurance Group

Tech talent

Zurich further strengthened its digital transformation with the creation of two new roles in 2021. Peter Kasahara was named as Group Chief Data Officer, a position that oversees all aspects of data management and is taking Zurich one step closer to its goal of becoming a leader in responsible handling of data. In the role of Group Chief Platform Officer, Frank Verkerk focuses on accelerating the development of digital and modular services to meet rapidly evolving needs of customers, in close collaboration with Zurich Global Ventures (see case study on page 25).

Cyber security

The increased adoption of digital business models and use of technology in our day-to-day lives has brought benefits – as well as new risks. Cyber risks are growing and can result in cyberattacks, business disruption, loss of revenue and regulatory action on data protection. In 2021, Zurich announced a global collaboration with Toronto-based insurtech, BOXX Insurance, which provides fully-integrated cybersecurity and insurance solutions for small- to medium-sized businesses, consumers and families. The collaboration, together with BOXX's prevention-led approach, will help Zurich deliver on its goal to create confidence in a digital society while also tapping into the rapidly growing demand for cybersecurity solutions.

> We pride ourselves on transparency.

Peter Kasahara
Group Chief Data Officer, Zurich Insurance Group

Protection beyond policies

Established in 2021, Zurich Resilience Solutions (see case study on page 35) offers services to help commercial customers manage one of the most challenging risks for a modern-day business: cyber risk. Zurich Cyber Security Services goes beyond insurance policies to provide cyber risk engineering and advisory services and, together with cybersecurity company CYE, a continuous cybersecurity assessment solution. With benefits that include closing unknown security blind spots and ensuring proactive protection of critical business assets, Zurich Cyber Security Services can help customers stay one step ahead of cyber threats.

Our stakeholders (continued)

Q&A with Ericson Chan

Group Chief Information and Digital Officer

What gets you up in the morning?

As an engineer at heart, I get thrills working with like-minded people to find new, digital solutions to better serve our customers. All the fast-advancing technologies and data these days give us even more creative ways to be responsive to customer needs and expectations.

What were you most proud of in 2021?

Exceptional products and services start with exceptional teams. We further strengthened our great team with two new senior hires (see page 30). With our newly established Digital Academy, we also upskilled our workforce through 15,000 hours of learning and certifications to stay current. Plus, we recruited more than 100 new tech specialists and brought in market-leading startups such as AlphaChat for fresh conversational artificial intelligence (AI) capabilities.

How are you kick-starting a startup mindset at Zurich?

We're already comfortable working with startups, and our third and most popular round of the Zurich Innovation Championship is in full swing. Startups are obsessed with delivering customer-focused products and services, and I want our people to operate with this energy, too.

We're encouraging colleagues around the world to present their digital solutions – and their benefit to customers – in our internal Digital League. Whatever function you work in, you can showcase innovative, scalable customer solutions that deliver real impact and added value. It's crucial to stay agile and on top of market trends and act with a sense of urgency.

How important is data and digital for customer experience?

In the last two years, when boomers became Zoomers, customer behavior and expectations have changed. We need to anticipate customers' needs and provide innovative and hyper-personalized solutions. To do that we embed digital, data and platform (DDP) in everything we do, so our services are seamless through digital automation, are need-based through data insights, and are offered to customers at the right place at the right time through open platforms.

What's the next big thing you see in the insurance technology scene?

Moving away from once-a-year exchanges to more meaningful, natural and frequent interaction with customers. With the latest "ABCD" technology – artificial intelligence, Blockchain, cloud, and big data – we can create a new business model, offering engaging digital services at scale. That means in addition to selling a financial coverage policy, we provide value-added services first, such as Zurich's holistic wellbeing service, LiveWell, and Zurich's Risk Advisor App for our corporate clients.

> "It's crucial to anticipate customers' needs to provide engaging and personalized solutions.
>
> **Ericson Chan**
> Group Chief Information and Digital Officer, Zurich Insurance Group

Our stakeholders (continued)

Inspiring action

Celebrating 150 years.

Public and private spaces converge on the Quai Zurich Campus, our new global headquarters on Lake Zürich in Switzerland. Employees, locals and sightseers to the Swiss city can enjoy the peaceful courtyards of the Campus, or relax over a coffee in the Quai Café, designed by Zürich-based interior designer Iria Degen (pictured). Our close and longstanding ties to the local community are explored in our e-book *Quai Zurich Campus – in good company*, published to mark the opening of the site in 2021 and available on our website. Our 150th anniversary celebration plans in Zürich this year are likewise devised with community in mind and include the Amazônia exhibition (see pages 14 and 34).

Iria Degen
Owner & Founder of Iria Degen Interiors

Our stakeholders (continued)

Case study

Quai Zurich Campus: our historic HQ reinvented

Zurich's new headquarters, which opened to employees in 2021, blend elements of the original 1901 building with our vision of the future of work. The Quai Zurich Campus, on the banks of Lake Zürich, is one of the most sustainable buildings in the world. It is designed to facilitate our hybrid working model, which foresees a healthy balance between remote and onsite work. The office is cooled and heated by pumping lake water through the building, while rainwater is used to flush the toilets.

Window planters are filled with succulents, while leafy, green snake plants sprout from the tabletops of shared workspaces, purifying the air and bringing the calm of nature indoors. And, if that doesn't spark your interest, the fitness equipment in the employee gym generates its own energy.

Case study

Farmers Exchanges

The Farmers Exchanges[1] and Farmers Group, Inc. completed their acquisition of MetLife's U.S. Property & Casualty business in 2021. This acquisition uniquely positions the Farmers brand to expand its reach into new markets across the entire United States. Focused activities to integrate the new unit have already provided additional products to the dedicated Farmers® agents and have added distribution systems. These have delivered expanded opportunities for consumers to interact with Farmers and position it well for accelerated growth.

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

Our stakeholders (continued)

Case study

Taking climate action

At Zurich, we recognize the urgent need to respond to the climate crisis. That's why we announced in 2021 global measures to accelerate cuts in carbon emissions from our operations. Among the measures announced was a 70 percent cut in air travel versus 2019 levels, as well as a 100 percent electric car fleet by 2029, with the aim of encouraging changes to the way we live and work. In addition, we're growing our offering of products and services to help customers transition to a net-zero emissions future, including an expansion of our commitment to underwrite renewable energy. We also announced interim targets for our investment portfolio in 2021. These address three key areas on the road to decarbonization: emissions reduction in the portfolio; engagement with companies to bring about change; and direct investment in solutions.

> We aim to apply sustainability in every corner of our business.

Anja-Lea Fischer
Head of Operational Sustainability, Zurich Insurance Group

For more information on our climate targets for our operations, as well as our underwriting and investment portfolios, please see the **integrated sustainability disclosure (ISD)** on page 118 and our **Sustainability Report 2021**.

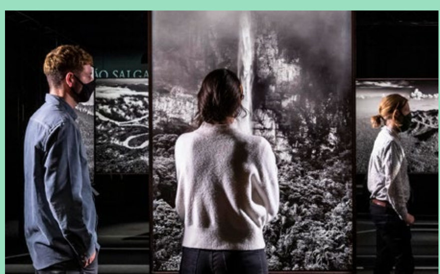
Case study

Heeding the cry of the Amazon

Amazônia, the latest exhibition from Brazilian photographer Sebastião Salgado, documents and celebrates the indigenous people and diverse landscapes of the increasingly fragile Amazon rainforest.

More than 200 black and white photos, along with an accompanying soundscape, show what the world stands to lose from deforestation and climate change.

Zurich is the main global partner for the Amazônia exhibitions and concerts starting in 2021 and continuing throughout 2022 in Rome, London, São Paulo, Rio de Janeiro and Zürich.



Our stakeholders (continued)

Case study

Zurich Resilience Solutions (ZRS)

Zurich created ZRS, led by Hanno Mijer, in 2021 to meet growing demand from businesses for risk prevention and mitigation services. These services enable customers to manage evolving risks more effectively, helping them improve their risk profile. ZRS customers have access to 750 risk engineers – and Zurich's 150 years of expertise in risk management.

Hanno Mijer
Global Head Zurich Resilience Solutions

Inspiring action | Investors

Stand out from the crowd.

Zurich has a highly cash-generative business model supporting a clear and attractive dividend policy. Our proposition to investors is based on our resilient business model, clear strategy and our responsible and impactful business. For more shareholder information, see pages 368–369.

Jon Hocking
Group Head of Investor Relations & Rating Agency Management, Zurich Insurance Group

Our stakeholders (continued)

ZURICH® Foundation

Acting together.

Case study

Raising funds for UNICEF

Z Zurich Foundation committed to support UNICEF (the United Nations Children's Fund) in its effort to deliver COVID-19 vaccine doses to the world's most vulnerable. Zurich's offices, employees, customers and distributors joined the race to end the pandemic and participated in the biggest fundraising campaign driven by the Foundation since its establishment in 1973. The campaign raised enough funds for UNICEF to deliver two doses of COVID-19 vaccine to more than 1.7 million people.

The Z Zurich Foundation (the Foundation) is a charitable foundation with its registered office in Zurich, Switzerland. Established by Zurich Insurance Company Ltd and Zurich Life Insurance Company Ltd in accordance with Swiss law, it is the main vehicle by which Zurich delivers on its global community investment strategy.

The Foundation is creating a brighter future for vulnerable people, with the aim to positively impact at least 11 million people worldwide by 2024.

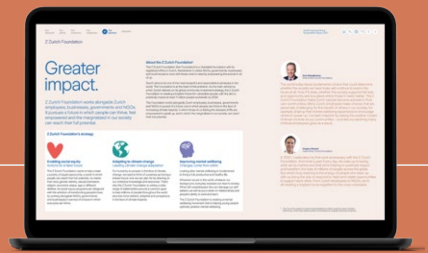
> "We're all creating a brighter future for the most vulnerable.
>
> **Grégory Renand**
> Head of the Z Zurich Foundation

It works alongside Zurich employees, businesses, governments and NGOs in pursuit of a future: one in which people can thrive in the face of increasing climate hazards, in which those of us feeling the stresses of life are empowered to speak up, and in which the marginalized in our society can reach their full potential.

Actions for equal opportunity and equity

One important way the Foundation tries to enable social equity is by building a platform for those without a voice and empowering young people to take control of their futures. Through its community grant programs, the Foundation collaborates with Zurich business units across the world in tackling local societal issues to promote and deliver social equity. In 2021, the Foundation approved funding for four new multi-year grants starting in 2022 in Ecuador, Spain and France.

For further information on the Z Zurich Foundation's work please see the 2021 Sustainability Report:
www.zurich.com/sustainability/reporting-and-news/reports-publications



Our stakeholders (continued)

Case study

Recognizing community heroes

Z Zurich Foundation's Community Hero Awards recognizes Zurich employees who make significant contributions in their communities. Employees can nominate colleagues for activities, including fundraising, volunteering and campaigning. Each winner receives a one-off donation of CHF 25,000. In 2021, we awarded 16 individuals or teams for going above and beyond to support their local communities. Zurich's CEO Mario Greco and the Foundation's Board of Trustees presented the awards at a virtual ceremony in November.

Keeping mental health front of mind

Building on a strong set of award-winning local projects in Australia, Ireland, Turkey and the Isle of Man, the Foundation launched a three-year global strategic partnership with UNICEF to promote young people's mental wellbeing. The partnership aims to initially equip 400,000 adolescents and 150,000 caregivers in seven countries (Vietnam, Mexico, Indonesia, Nepal, Colombia, Ecuador and the Maldives) with information, skills and strategies on how to care for their own and each other's mental wellbeing.

During 2021, the Foundation also committed funds to support three new, multi-year programs in New Zealand, Portugal and Brazil. It also co-funded a nationwide survey on the state of Swiss adolescents' mental health.

Scaling up our efforts

Building resilience in communities positively affects the lives of thousands. The Foundation has started work on helping to strengthen urban resilience among underserved and vulnerable communities. This expanded on expertise developed with the Zurich Flood Resilience Alliance, a multi-sectoral partnership focused on improving resilience to flooding. The Foundation committed support to three new urban resilience programs in 2021: in the U.S., Ecuador and Colombia. The Alliance quadrupled in size in 2021 and now supports 300 communities in 23 countries, compared with 75 communities in 2020.

To support its strategy, redefined in 2019, the Z Zurich Foundation focuses its efforts on three societal challenges. It does this by funding grant programs in collaboration with Zurich's business units and charities worldwide and by developing engagement initiatives.

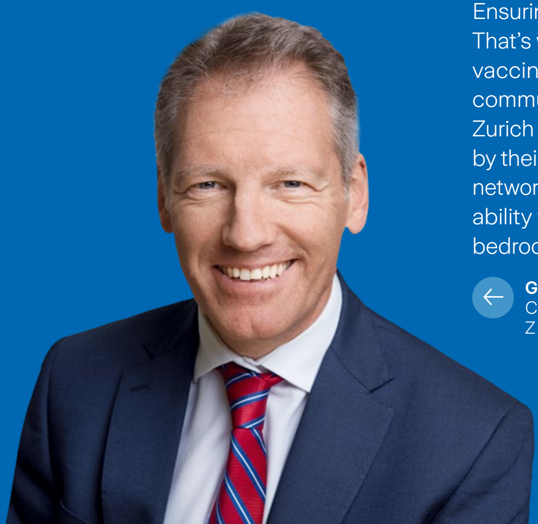
Adapting to climate change | **Improving mental wellbeing** | **Enabling social equity**

Inspiring action | Planet

Stronger together.

Ensuring equity is central to the Z Zurich Foundation. That's why we're supporting the distribution of COVID-19 vaccines to some of the world's most vulnerable communities. We've been energized by the response of Zurich employees to our global fundraising campaign: by their actions to mobilize their personal and professional networks, and by their passion and commitment. It's this ability we all have to inspire one another that forms the bedrock of the Foundation.

Gary Shaughnessy
Chair of the Board of Trustees, Z Zurich Foundation



Inspiring action

Empowering others.

Zurich has the ambition to be one of the most responsible and impactful businesses in the world. Together with our customers, employees, investors and communities, we want to empower everyone to make a contribution to a better future for people and the planet. “We can inspire others to take action by raising awareness, having champions and leaders help guide us, and then lead by example,” says Anna Wenger, Group Financial Accounting and Reporting.

Anna Wenger
Group Financial Accounting and Reporting,
Zurich Insurance Group

To watch the video, visit:
www.zurich.com/reports/2021/annual-report

Governance

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Message from our Chairman on corporate governance

Driving change.

"At Zurich, we're playing our part in responding to the challenges of the years to come."

Michel M. Liès
Chairman of the Board of Directors

Message from our Chairman on corporate governance (continued)

Dear Shareholder

We are confronted with unprecedented challenges impacting our planet: from climate change and biodiversity loss to social inequalities and the ongoing challenges relating to the COVID-19 pandemic.

In these demanding times, Zurich benefits from its strong corporate governance framework, including clear structures, rules and processes, and a diverse and independent Board that is well positioned to support management in its efforts to deliver on strategic priorities.

Our Board's engagement does not stop there. Supported by the work of our committees and management, we are consistently re-evaluating our role in society and how Zurich can play its part in responding to the challenges of the years to come.

Most importantly, we have a strong focus on ESG integration. We safeguard an ESG strategy that is not only robust and authentic, but also embedded across our businesses. This provides us with the credibility to have trustworthy dialogue on topics that affect society.

Our ESG strategy is increasingly important to our employees, customers and investors. With this in mind, we took steps throughout 2021 to strengthen our commitments and will continue to review our position in 2022.

Key steps towards a greener future

For instance, in 2021 we became a founding member of the Net-Zero Insurance Alliance and signed up to reduce the carbon intensity of our underwriting portfolios to net-zero by 2050.

We followed this up with new underwriting guidelines for the oil and gas sector that build on our existing guidelines for thermal coal, oil sands, and oil shales. But exclusions are always a last resort. We believe the best way to progress towards net-zero goals is to engage with customers and investee companies and provide them with guidance and support to help them transition to a greener future.

Zurich also became the first insurer to offer a carbon-neutral equity fund for its life insurance customers and introduced new global measures to accelerate cuts in carbon emissions from our operations. In addition, we are expanding our insurance coverage for the renewable energy sector and strengthening our alternative energy underwriting capabilities.

Diversity remains a key priority

Another key priority for us is to have a diverse Board and Executive Committee, along with the diverse backgrounds of our employees and customers. During the last year, we continued to have a diverse Board, particularly from a gender perspective, with a female representation of 55 percent. For 2022, we anticipate a balanced gender representation, provided that our shareholders follow our proposal to elect Peter Maurer as a new Board member at the next Annual General Meeting (AGM).

Furthermore, two of our four Board committees are currently chaired by female members, and in the Executive Committee four women lead important business units.

Outlook for the year 2022

2022 will be a special year for Zurich as we will mark our 150-year anniversary. We will spend time looking back through our history. Zurich has always proactively addressed societal concerns through philanthropy, internal policies and ESG risk assessments.

We will also take the time to consider the future – to consider how we can help create a brighter future together, and for all. It will require confronting climate change, leveraging the opportunities of a green recovery, and tackling societal inequalities.

We must balance this with the creation of sustainable value for all our stakeholders. This will be one of our focus areas as we set new targets and objectives for a strategy cycle that we will unveil in November.

You can rely on us to take decisions that support all stakeholders in the years ahead as we continue to be guided by our aspiration to be one of the most responsible and impactful businesses in the world.

Thank you for your continued trust, support and engagement.

M. M. Liès

Michel M. Liès
Chairman of the Board of Directors

Board Changes

At the AGM on April 7, 2021, we welcomed Sabine Keller-Busse as a new Board member. Prior to the AGM 2021, Jeffrey Hayman had withdrawn his candidacy due to future full-time commitments.

The Board proposes to shareholders the re-election of all current members at the AGM on April 6, 2022, and the election of Peter Maurer as new Board member, whereby Peter Maurer shall assume the director role as of October 1, 2022 only (please see for further details the AGM invitation 2022).

Executive Committee Changes

On July 13, 2021, Urban Angehrn, Group Chief Investment Officer since July 2015 and a member of the Group's Executive Committee, tendered his resignation. This followed his appointment as CEO of the Swiss Financial Market Supervisory Authority FINMA. As a result, Peter Giger, Group Chief Risk Officer and Executive Committee member, has taken on the additional responsibilities as Group Chief Investment Officer ad interim. Stephan van Vliet was appointed Group Chief Investment Officer and member of the Executive Committee effective from May 1, 2022.

Sierra Signorelli, former Group Chief Underwriting Officer, became CEO Commercial Insurance and Executive Committee member as of March 4, 2021. She succeeded James Shea, who decided to leave Zurich to pursue opportunities outside the company.

Tulsi Naidu, former CEO UK, was appointed CEO Asia Pacific and became a member of the Executive Committee as of January 1, 2021, succeeding Jack Howell who took over the role of CEO Zurich Global Ventures (formerly CEO Global Business Platforms) as of January 1, 2021, remaining a member of the Executive Committee in this capacity.

Kristof Terryn, former Group Chief Operating Officer, was appointed CEO North America as of January 1, 2021, succeeding Kathleen Savio who stepped down from the Executive Committee to move into the newly created role of Group Chief Transformation Officer as of the same date.

Corporate governance report

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Corporate governance report (continued)

Group governance

Our commitment to effective corporate governance

The Zurich Insurance Group, consisting of Zurich Insurance Group Ltd and its subsidiaries (the Group or Zurich), is committed to effective corporate governance for the benefit of its shareholders, customers, employees and other stakeholders based on the principles of fairness, transparency and accountability. Structures, rules and processes are designed to enable proper conduct of business by defining the powers and responsibilities of its corporate bodies and employees. Our structures provide for checks and balances and institutional independence of the Board from the Group Chief Executive Officer (Group CEO) and the Executive Committee (ExCo) which together are responsible for managing the Group on a day-to-day basis.

Zurich's corporate governance principles are described in a number of corporate documents, in particular in the Articles of Association, the Organizational Rules and the Charter of the Committees of the Board of Directors of Zurich Insurance Group Ltd (Organizational Rules) (www.zurich.com/about-us/corporate-governance/corporate-documents). Zurich also complies with the Swiss Code of Best Practice for Corporate Governance (Swiss Code of Best Practice) issued by economiesuisse. The Governance, Nominations and Sustainability Committee (GNSC) regularly reviews the Group's corporate governance against best practice standards.

Effective corporate governance is complemented by a remuneration system that fosters the right behaviors. Information on remuneration, shareholdings and loans to Board and ExCo members is contained in the remuneration report (see pages 84 to 117).

Supervision

Zurich is subject to insurance group supervision by the Swiss Financial Market Supervisory Authority FINMA (FINMA). The Swiss insurance regulation requires Swiss insurance companies and groups to establish and maintain strong governance and risk management systems, as well as effective internal control systems appropriate to their business activities. It prescribes the calculation of a risk-based solvency margin on a Group-wide basis and at legal entity level pursuant to the Swiss Solvency Test (SST). Amongst others, all material intra-group transactions must be reported to FINMA. In addition to the group supervision exercised by FINMA and its insurance supervision of the legal entities Zurich Insurance Company Ltd, Zurich Life Insurance Company Ltd, Zurich Reinsurance Company Ltd and Orion Legal Expenses Insurance Ltd., the insurance and other financial services subsidiaries of the Group are subject to the respective local financial market regulations.

Operational Group structure

Zurich Insurance Group Ltd, the Group's listed holding company, is a corporation organized under Swiss law with registered offices at Mythenquai 2, 8002 Zurich. Zurich's business is focused on providing best-in-class property and casualty, and life insurance products and services to individuals, small businesses, mid-sized and large companies.

The operational structure reflects the businesses operated by the Group and how these are strategically run to offer different products and services to specific customer groups. The Group is managed by regions, and in addition, Commercial Insurance, Zurich Global Ventures and Farmers in the U.S.:

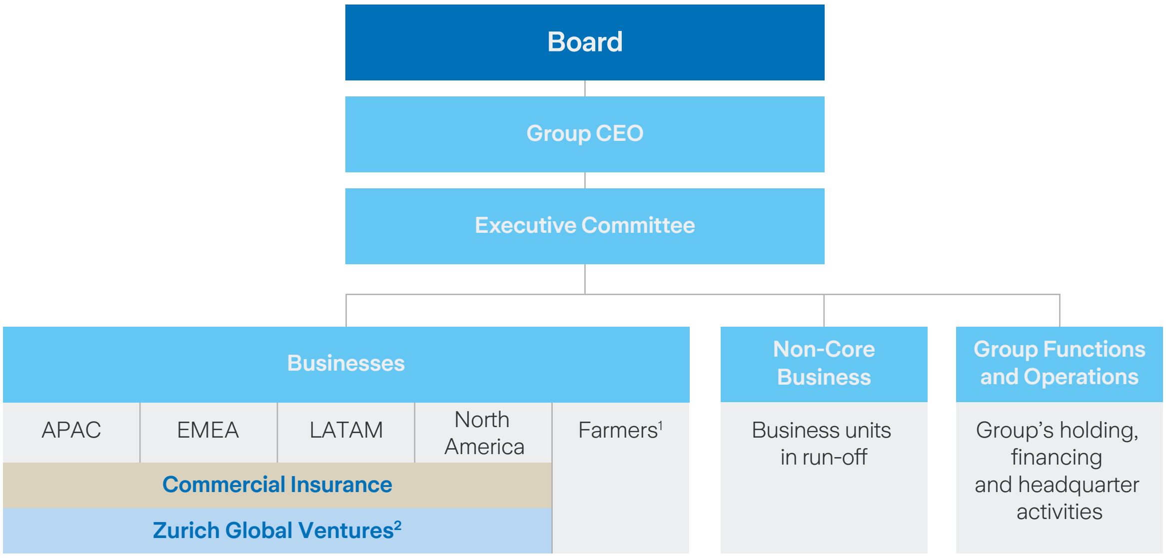
- Through regions (APAC, EMEA, LATAM and North America), the Group provides a variety of property and casualty and life products to retail and commercial customers as well as reinsurance propositions. Each region is headed by a regional CEO.
- Commercial Insurance brings together the corporate and commercial insurance expertise worldwide under a single umbrella. It is organized as a global business and headed by the CEO Commercial Insurance.
- Zurich Global Ventures (formerly Global Business Platforms) was created on January 1, 2021 to globally accelerate customer centricity and the development of digital services in furtherance of the insurance business. It also comprises Cover-More and Zurich International (ZINT), which are embedded in the regions. As of January 1, 2022, a new unit Zurich Integrated Benefits Solutions (ZIBS) was established within Zurich Global Ventures, bringing together various existing businesses providing employee benefits (including, amongst others, ZINT's International Markets and Europe business). Zurich Global Ventures is headed by the CEO Zurich Global Ventures.
- Farmers Group, Inc., a wholly owned subsidiary of the Group, is not an insurance company. It provides certain non-claims services and ancillary services to the Farmers Exchanges in the U.S. as its attorney-in-fact and receives fees for its services. Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc. is headed by the CEO of Farmers Group, Inc.

Corporate governance report (continued)

The Group's activities further comprise the non-core business including certain business units in run-off which are under the responsibility of the Group Chief Financial Officer (Group CFO) and the CEO North America. Group Functions and Operations comprise the Group's holding, financing and headquarter activities and include amongst others the Group Chief Information and Digital Officer, Group Chief Risk Officer (Group CRO) and the Group CFO.

On the investment side, Investment Management manages the Group's own assets and the assets of policyholders and is headed by the Group Chief Investment Officer (Group CIO).

Operational Group structure
as of December 31, 2021



1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.
2 Certain units of Zurich Global Ventures are reported under Group Functions and Operations. Cover-More and ZINT's businesses are embedded in the regions, which has remained unchanged following the establishment of ZIBS per January 1, 2022.

A detailed review of the 2021 business results can be found in the financial review starting on page 216. The Group's reportable segments can be found on pages 323 to 324.

Information about the Group's business activities is also available within the Group overview section starting on page 1 and on our website (www.zurich.com/about-us).

A list of the Group's significant subsidiaries can be found on pages 339 to 340.

For further information on the ExCo see pages 66 to 75.

Corporate governance report (continued)

Capital structure

Share capital and shares

The shares of Zurich Insurance Group Ltd (ZIG) are listed on the SIX Swiss Exchange (ISIN: CH0011075394, symbol: ZURN). Certain group companies have listed debt issued under its Euro Medium-Term Note Programme and other financial instruments.

As of December 31, 2021, the ordinary share capital of ZIG amounted to CHF 15,046,016.70 divided into 150,460,167 fully paid registered shares with a nominal value of CHF 0.10 each. The market capitalization as of December 31, 2021 was CHF 60,244,250,867.

ZIG has an American Depositary Receipt (ADR) level 1 program with The Bank of New York Mellon (BNYM).[1] As of December 31, 2021, investors held 23,343,430 ADRs (representing 2,334,343 ZIG shares).

Please refer to page 294 for information about treasury shares. Further information on ZIG's shares can also be found under: www.zurich.com/investor-relations/our-shares.

Authorized and contingent share capital

On April 7, 2021, the AGM approved a renewal of the authorized share capital for another two years (from April 2021 to April 7, 2023). Until and including April 7, 2023, the Board is authorized to increase the share capital by an amount not exceeding CHF 4,488,240 by issuing up to 44,882,400 fully paid registered shares with a nominal value of CHF 0.10 each (art. 5bis). This authorized share capital corresponds to about 30 percent of the total registered shares issued as of December 31, 2021. Share issuances from authorized share capital where the shareholders' subscription rights are restricted or excluded are limited to 14,960,800 shares (i.e., about 10 percent of the total registered shares issued as of December 31, 2021).

Furthermore, the share capital of ZIG may be increased by an amount not exceeding CHF 2,992,160 by issuing of up to 29,921,600 fully paid registered shares with a nominal value of CHF 0.10 each by the voluntary or mandatory exercise of conversion and/or option rights, which are granted in connection with the issuance of loans, bonds, similar debt instruments, equity-linked instruments or other financial market instruments (collectively, the "financial instruments") by ZIG or one of its group companies, or by mandatory conversion of financial instruments issued by ZIG or one of its group companies, that allow for contingent mandatory conversion into shares of ZIG, or by exercising option rights which are granted to the shareholders (art. 5ter para. 1a). This contingent share capital corresponds to about 20 percent of the total registered shares issued as of December 31, 2021.

Until and including April 7, 2023, the total number of new shares which could be issued from (i) authorized share capital under art. 5bis para. 4 where the subscription rights are restricted or excluded, and (ii) contingent share capital in connection with financial instruments under art. 5ter para. 1 where the advance subscription rights are restricted or excluded is limited to 14,960,800 shares (i.e., about 10 percent of the total registered shares issued as of December 31, 2021).

Moreover, there is an additional contingent share capital (art. 5ter para. 2a) of CHF 409,509.20, representing 4,095,092 fully paid registered shares with a nominal value of CHF 0.10 each, which may be issued to employees of ZIG or one of its group companies. This contingent share capital corresponds to about 2.7 percent of the total registered shares issued as of December 31, 2021.

For further information, see art. 5bis and 5ter of the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association) and the audited consolidated financial statements, note 19 on pages 293 to 295.

1 Under this program, BNYM issues the American Depositary Shares (ADSs). Each ADS represents the right to receive one-tenth of one share of ZIG. ZIG's ADSs are traded over the counter (OTC) and are evidenced by American Depositary Receipts (ADRs). Since July 1, 2010, ZIG's ADRs have been traded on "OTCQX", an electronic platform operated by OTC Markets Group Inc. under the symbol ZURVY. ADS holders are not treated as shareholders of ZIG and are not able to directly enforce or exercise shareholder rights. Only BNYM as depositary of the level 1 program may exercise voting rights with respect to instructions received from beneficial owners of ADRs.

Corporate governance report (continued)

Changes to share capital

Changes in the ordinary share capital over the last two years

	Share capital in CHF	Number of shares	Nominal value in CHF
As of December 31, 2019	14,960,802.70	149,608,027	0.10
Newly issued shares from contingent capital	85,214.00	852,140	0.10
As of December 31, 2020	15,046,016.70	150,460,167	0.10
Newly issued shares from contingent capital	0.00	–	–
As of December 31, 2021	15,046,016.70	150,460,167	0.10

For information on changes of the share capital during 2019, see the Annual Report 2019, pages 86 to 87 and pages 239 to 241 (www.zurich.com/investor-relations/results-and-reports).

Participation certificates, non-voting equity securities and preference shares

ZIG has not issued any participation certificates, non-voting equity securities or preference shares.

Convertible bonds and options

As of December 31, 2021, ZIG had no public convertibles or options outstanding. For information on employee share plans, see the audited consolidated financial statements, note 21 on pages 305 to 306.

Cross-shareholdings

As of December 31, 2021, ZIG had no cross shareholdings in excess of 5 percent of share capital, or voting rights with any other company.

Limitations on transferability and nominee registrations

There are no limitations on transferability except for the following:

Registration as a shareholder requires a declaration that the shareholder has acquired the shares in his or her own name and for his or her own account (art. 7 para. 2 of the Articles of Association, www.zurich.com/investor-relations/our-shares/articles-of-association). Nominees holding ZIG shares may for the benefit of, or as nominee for another person, be registered for up to 200,000 shares with voting rights, notwithstanding that the nominee does not disclose the identity of the beneficial owner. A nominee, however, is entitled to be registered as a shareholder with voting rights of more than 200,000 shares if the nominee discloses the identity of each beneficial owner and informs the beneficial owners about corporate actions, consults as to the exercise of voting rights and pre-emptive rights, transfers dividends and acts in the interests of and in accordance with the instructions of the beneficial owners.

There are special provisions relating to the registration and exercise of rights attached to shares held by BNYM in connection with the ADR program.

Corporate governance report (continued)

Shareholders

Significant shareholders

According to the rules on disclosure of significant shareholdings in Swiss listed companies, it has to be disclosed if certain thresholds starting at 3 percent are reached, exceeded or if the shareholding subsequently falls below those thresholds. Zurich Insurance Group Ltd (ZIG) is obliged to announce third party shareholdings upon receipt of a notification that the shareholding has reached, fallen below or exceeded the relevant thresholds. During 2021, the Group received no such notification.

As of December 31, 2021, ZIG was not aware of any person or institution, other than BlackRock, Inc., New York (> 5 percent) and The Capital Group Companies, Inc., Los Angeles (> 5 percent), which, directly or indirectly, had an interest as a beneficial owner in shares, option rights and/or conversion rights relating to shares of ZIG reaching or exceeding the relevant thresholds.

The announcements related to these notifications can be found via the SIX Disclosure Office's platform: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

ZIG is not aware of any person or institution which, as of December 31, 2021, directly or indirectly, alone or with others, exercised or was a party to any arrangements to exercise control over ZIG.

Duty to make an offer

The Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association) do not provide for opting out or opting up in the meaning of the Swiss Financial Market Infrastructure Act. Therefore, mandatory offers have to be submitted when a shareholder or a group of shareholders acting in concert exceeds 33 1⁄3 percent ownership of the issued and outstanding share capital of ZIG.

Shareholder structure

Number of shares held

as of December 31, 2021	Number of registered shareholders	% of registered share capital
1 – 500	126,769	13.6
501 – 1,000	5,351	4.2
1,001 – 10,000	4,412	11.4
10,001 – 100,000	439	13.3
100,001+	65	57.5
Total registered shares[1]	**137,036**	**100.0**

1 of registered shareholders.

Registered shareholders by type

as of December 31, 2021	Registered shareholders in %	Registered shares in %[1]
Individual shareholders	96.1	27.7
Legal entities	3.8	31.0
Nominees, fiduciaries	0.1	41.3
Total	**100.0**	**100.0**

1 of registered shareholders.

Registered shareholders by geography

as of December 31, 2021	Registered shareholders in %	Registered shares in %[1]
Switzerland	93.4	51.9
UK	0.4	31.1
North America	0.6	9.5
Asia	0.2	0.4
Latin America	0.1	0.0
Rest of the world	5.3	7.1

1 of registered shareholders.

Shareholders' rights

Overview

Pursuant to art. 14 of the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association), each share entered into the share register entitles the holder to one vote at shareholders' meetings and to exercise all other membership rights in respect of that share. Each share further entitles all shareholders to dividend payments (excluding treasury shares). The Board will propose to the shareholders at the AGM on April 6, 2022 a dividend of CHF 22 per share.

Voting rights restrictions and representation

There are no voting rights restrictions (other than set out under "Limitations on transferability and nominee registrations", see page 46).

A shareholder with voting rights can attend shareholders' meetings in person or duly authorize his or her legal representative, another person who need not be a shareholder, or the independent voting rights representative. Shareholders can order their admission card or authorize a representative either in writing or via the online platform of Computershare Switzerland Ltd.

The AGM elects the independent voting rights representative for a term of office until conclusion of the next AGM. The independent voting rights representative may be re-elected.

ZIG generally informs all shareholders at the beginning of the shareholders' meeting of the aggregate number of shares represented by shareholders or their representatives physically attending the meeting and the number of shares represented by the independent voting rights representative. However, in accordance with Swiss legislation passed in response to the COVID-19 pandemic, ZIG decided that shareholders could not personally attend the AGM on April 7, 2021 but only exercise their voting rights by instructing the independent voting rights representative in writing or electronically. ZIG informed its registered shareholders accordingly.

Statutory quora

Pursuant to art. 15 of the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association), the AGM constitutes a quorum irrespective of the number of shareholders present and shares represented. Resolutions and elections generally require the approval of an absolute majority of the votes represented, unless respective provisions in the Articles of Association (of which there are currently none) or mandatory legal provisions stipulate otherwise. Art. 704 of the Swiss Code of Obligations provides for a two-thirds majority of votes represented and an absolute majority of the nominal value of shares represented for certain important matters, such as a change of the company's purpose or domicile, a dissolution of the company and certain matters relating to capital increases.

Convening of shareholders' meetings

Shareholders' meetings are convened by the Board or, if necessary, by the external auditor and other bodies in accordance with the provisions set out in art. 699 and 700 of the Swiss Code of Obligations. Shareholders with voting rights representing at least 10 percent of the share capital may call a shareholders' meeting, indicating the matters to be discussed and the corresponding proposals. The invitation to shareholders is mailed to registered shareholders at least 20 calendar days before the meeting is held and, in addition, is published in the Swiss Official Gazette of Commerce.

Agenda

The Board is responsible for setting the agenda. Shareholders with voting rights who together represent shares with a nominal value of at least CHF 10,000 may request, no later than 45 days before the day of the meeting, that specific items be included in the agenda. Such request must be made in writing, and must specify the proposals.

Registrations in the share register

To ensure an orderly process, the Board determines the date on which a shareholder needs to be registered in the share register in order to attend the shareholders' meeting. That date is published, together with the invitation to the shareholders' meeting, in the Swiss Official Gazette of Commerce.

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Board of Directors

A diverse and independent Board.

Our Board is well positioned to support management in its efforts to deliver on strategic priorities. In addition, it is committed to addressing the needs of all stakeholders and has a strong focus on ESG integration.

Michel M. Liès
Chairman

Nationality: Luxembourg

Committee membership:
Governance, Nominations and Sustainability Committee (Chairman), Remuneration Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
Page 56

Christoph Franz
Vice-Chairman

Nationality: Swiss and German

Committee membership:
Remuneration Committee (Chairman), Governance, Nominations and Sustainability Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
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Joan Amble
Member of the Board of Directors

Nationality: U.S.

Committee membership:
Governance, Nominations and Sustainability Committee, Risk and Investment Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
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Catherine Bessant
Member of the Board of Directors

Nationality: U.S.

Committee membership:
Remuneration Committee, Audit Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
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Board of Directors (continued)

Dame Alison Carnwath

Member of the Board of Directors

Nationality: British

Committee membership:
Audit Committee (Chairman),
Risk and Investment Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
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Kishore Mahbubani

Member of the Board of Directors

Nationality: Singapore

Committee membership:
Remuneration Committee,
Risk and Investment Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
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Michael Halbherr

Member of the Board of Directors

Nationality: Swiss

Committee membership:
Governance, Nominations and
Sustainability Committee,
Risk and Investment Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
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Jasmin Staiblin

Member of the Board of Directors

Nationality: German

Committee membership:
Risk and Investment Committee (Chairman),
Remuneration Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
Page 59

Sabine Keller-Busse

Member of the Board of Directors

Nationality: Swiss and German

Committee membership:
Remuneration Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
Page 58

Barry Stowe

Member of the Board of Directors

Nationality: U.S.

Committee membership:
Audit Committee,
Risk and Investment Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
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Monica Mächler

Member of the Board of Directors

Nationality: Swiss

Committee membership:
Governance, Nominations and
Sustainability Committee,
Audit Committee

Other directorships within the Group:
Zurich Insurance Company Ltd

Read more:
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Corporate governance report (continued)

Board of Directors

The Board determines the Group's overall strategy. It holds the ultimate decision-making authority for Zurich Insurance Group Ltd (ZIG), except for decisions on matters reserved for the shareholders. The Board is chaired by the Chairman, or in his absence, by the Vice-Chairman. The Vice-Chairman and the Board's secretary are appointed by the Board.

Board of Directors and its committees
as of December 31, 2021

Board of Directors		
Michel M. Liès[1] Christoph Franz Joan Amble Catherine Bessant	Dame Alison Carnwath Michael Halbherr Sabine Keller-Busse Monica Mächler	Kishore Mahbubani Jasmin Staiblin Barry Stowe

Governance, Nominations & Sustainability Committee	Remuneration Committee	Audit Committee[2]	Risk and Investment Committee[2]
Michel M. Liès[1] Joan Amble Christoph Franz Michael Halbherr Monica Mächler	Christoph Franz[1] Catherine Bessant Sabine Keller-Busse Michel M. Liès Kishore Mahbubani Jasmin Staiblin	Dame Alison Carnwath[1] Catherine Bessant Monica Mächler Barry Stowe	Jasmin Staiblin[1] Joan Amble Dame Alison Carnwath Michael Halbherr Kishore Mahbubani Barry Stowe

1 Chairman of Board or Board committee, respectively.
2 To facilitate an ongoing exchange of information between the Risk and Investment Committee and the Audit Committee, the Chairman of the Audit Committee is a member of the Risk and Investment Committee and at least one member of the Risk and Investment Committee is a member of the Audit Committee. The Chairman of the Board regularly participates in both the Audit Committee and Risk and Investment Committee meetings as a guest.

Size and elections

The Articles of Association require that the Board shall consist of at least seven but not more than thirteen members (art. 21, www.zurich.com/investor-relations/our-shares/articles-of-association). Shareholders elect Board members at the AGM on an annual basis for a term of office until completion of the next AGM. According to the Organizational Rules (art. 4.4, www.zurich.com/about-us/corporate-governance/corporate-documents), in general, the maximum tenure of Board members may not exceed 12 years, although exceptions may be made under special circumstances.

Board members are elected by an absolute majority of the votes represented (art. 17 and 21 of the Articles of Association). The Board constitutes itself in its first meeting after the AGM, except for the Chairman and the members of the Remuneration Committee, who are elected individually by the shareholders.

All Board members of Zurich Insurance Group Ltd are also Board members of Zurich Insurance Company Ltd. Mr. Liès also serves as Chairman of that board. None of the Board members have further board memberships within the Group.

Corporate governance report (continued)

Independence

Zurich considers the independence of its Board members essential for good corporate governance. Zurich's independence criteria comply with applicable laws and reflect best-practice standards such as the SIX Exchange Regulation Directive on Information relating to Corporate Governance and Swiss Code of Best Practice. The GNSC reviews Board members' independence status annually and reports its findings to the Board for final determination. The GNSC checks the independence criteria before recommending a new Board member for election and, thereafter, for re-election on an annual basis. It confirms in particular that in 2021 and the past three years:

- no Board member (other than in their capacity as Board or committee member), member of their immediate family, or any other related party, received – either directly or indirectly – any consulting, advisory or other compensatory fees;
- no Board members or any member of their immediate family, are or were employed by a member of the Group;
- no Board member is or was employed or affiliated with the external auditor;
- no Board member has had a material direct or indirect relationship with any member of the Group.

Upon recommendation of the GNSC, the Board determined that, as of February 9, 2022, all Board members were non-executive and independent from management. For further information on the independence policy, please see art. 16.6 of the Annex to the Organizational Rules (www.zurich.com/about-us/corporate-governance/corporate-documents). Board members are also subject to rules and regulations to avoid conflicts of interest and misuse of insider information.

Succession planning

It is a key consideration for the Board to ensure that it continues to act as a strategic asset enabling anticipation of risks and opportunities as well as providing oversight and control particularly by preserving and increasing the Board's diversity.

To achieve this, the Chairman, supported by the GNSC, on a yearly basis leads a structured succession planning process involving an assessment of the Group's challenges and opportunities and the evaluation of skills, knowledge and expertise needed at present and in the foreseeable future. In 2021, the GNSC held a dedicated meeting sequence to discuss all these factors and the results of these discussions informed a search process that was assisted by an executive search firm and included the following:

- final definition of required background, skills and knowledge of possible candidates;
- identification of suitable candidates;
- meetings of shortlisted candidates with the Chairman and GNSC members;
- proposal of candidates by the GNSC to the Board to nominate candidates for shareholder election.

As part of this process, when identifying and proposing candidates as new Board members, the Board particularly puts great emphasis on: skills, expertise, diversity and background, interplay of a candidate's individual personality, expertise and experience with that of incumbent Board members, high values and integrity and ability to commit adequate time (for further information, see Nomination Principles in art. 15 ff. of the Annex to the Organizational Rules under www.zurich.com/about-us/corporate-governance/corporate-documents).

Corporate governance report (continued)

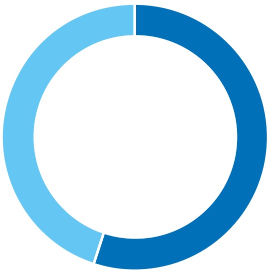
Composition

Diversity is a key factor for success in today's fast-changing global environment. Our Board consists of individuals with diverse geographic, cultural and educational backgrounds and experience, mirroring our international footprint and bringing local cultural perspective as well as regional networks. The backgrounds as shown below are measured based on key areas of the Board members' expertise and include insurance, banking and non-financial industries, CEO experience, risk management, ESG, IT, data, digital and cyber security, legal, regulatory and governance, macroeconomics, finance, accounting and audit, as well as people and culture. In addition, each Board member avails of a wide range of management experience in a variety of areas adding up to a well-balanced and diverse skill set of Zurich's Board.

As of December 31, 2021, our Board:

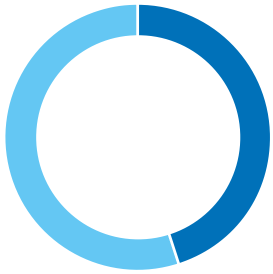
– is one of the most gender diverse in Switzerland with 55 percent women;
– represents an age range from 51 to 73 years;
– comprises members of six different nationalities;
– has an average length of tenure of 5.2 years.

Length of tenure
%, as of December 31, 2021



Less than 5 years	55
Between 5 and 10 years	45

Gender
%, as of December 31, 2021

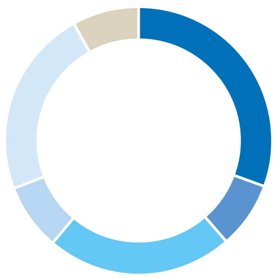


Male	45
Female	55

Background, experience, skills and knowledge
%, as of December 31, 2021

Board members are allocated to one or more nationality, sectors and/or specialization areas based on their individual profile.

Nationality[1]
%, as of December 31, 2021



Switzerland	31
Luxembourg	8
U.S.	23
UK	8
Germany	23
Singapore	8

1 Percentages may not total 100 due to rounding.

Changes to the Board in 2021

At the AGM on April 7, 2021, we welcomed Sabine Keller-Busse as a new Board member. Prior to the AGM 2021, Jeffrey Hayman had withdrawn his candidacy due to future full-time commitments (please see his biography in the Annual Report 2020, page 56, under the following link: www.zurich.com/investor-relations/results-and-reports).

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Corporate governance report (continued)

Biographies

Michel M. Liès
Chairman

Born: 1954

Skills and experience
Michel M. Liès has 40 years' experience in global insurance and reinsurance, life insurance, and property and casualty insurance. He has held a number of positions in the industry, including Group CEO of Swiss Re. He began his career at the reinsurer in 1978, working first in the life market in Latin America before moving to Europe in 1983, where he held a number of senior positions within Swiss Re's life businesses. In 1994, he moved into Swiss Re's non-life sector, with responsibility for southern Europe and Latin America. From 1998 he served as Swiss Re's head of Latin America division until 2000, when he was appointed head of the Europe division of its Property & Casualty business group. In 2005, he became Swiss Re's head Client Markets with responsibility for client relationships worldwide, and was appointed a member of the reinsurer's group executive committee. From 2011 to 2012, Mr. Liès served as Swiss Re's chairman of Global Partnerships, which works with governments, international development bodies and non-governmental organizations (NGOs) to mitigate and address global risks and increase resilience. He was appointed Swiss Re's Group CEO in February 2012 and served in that role until his retirement from Swiss Re in 2016. He became Chairman of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2018.

Committee membership
Governance, Nominations and Sustainability Committee (Chairman), Remuneration Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Mr. Liès is chairman of Avenir Suisse, member of the executive committee (vice chairman for insurance) of the board of the Institute of International Finance (IIF), and a trustee board member of The Swiss Institute of International Studies. He is also a member of the European Financial Services Round Table and a member of the board of trustees of the Lucerne Festival. He also serves as deputy chair of the steering committee of the Insurance Development Forum.

Educational background
Mr. Liès holds a master's degree in mathematics from the Swiss Federal Institute of Technology in Zurich (ETH). In 1991, he completed the Stanford Executive Program at Stanford University in the U.S. He completed the Senior Executive Program at Harvard University in 1996.

Christoph Franz
Vice-Chairman

Born: 1960

Skills and experience
Christoph Franz started his professional career in 1990 at Deutsche Lufthansa AG. From 1994 until 2003, he held different executive functions at Deutsche Bahn AG, including as member of the executive board and CEO of the passenger transport division. In 2004, he became CEO of Swiss International Air Lines Ltd, and in 2009 he was promoted to the role of deputy chairman of the executive board of Deutsche Lufthansa AG and CEO Passenger Airlines. From 2011 to 2014, Mr. Franz was chairman of the executive board and CEO of Deutsche Lufthansa AG. He became a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2014. He was elected Vice-Chairman in April 2018.

Committee membership
Remuneration Committee (Chairman), Governance, Nominations and Sustainability Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Mr. Franz was elected chairman of the board of Roche Holding Ltd in March 2014. He is also a member of the board of Chugai Pharmaceuticals Ltd. (controlled by Roche Holding Ltd), and of Stadler Rail Ltd. Mr. Franz serves as a member of the board of trustees of Ernst Goehner Foundation, of Avenir Suisse, of the Swiss Study Foundation and of the Lucerne Festival and is a member of the advisory board of the University of St.Gallen (HSG). He was named as an honorary professor of business administration at the University of St.Gallen in May 2017. In September 2017, the International Committee of the Red Cross (ICRC) appointed Mr. Franz as a member of its Assembly, the organization's top governing body, and in May 2018 he was elected to the Assembly Council.

Educational background
Mr. Franz studied industrial engineering at the Technical University Darmstadt (Germany) and completed his studies with a Ph.D. in economic sciences (Dr. rer. pol.) at the same university. He also studied at the Ecole Centrale de Lyon (France) and conducted post-doctorate research at the University of California, Berkeley.

Joan Amble
Member of the Board of Directors

Born: 1953

Skills and experience
Joan Amble has substantial financial industry experience. She started her professional career as an accountant with Ernst & Ernst (currently Ernst & Young) in 1977. From 1984 to 1989, she served at the Financial Accounting Standards Board (FASB), specializing in pensions, derivatives and other financial instruments. She then spent 14 years with the General Electric Company (GE) in various leadership roles, including CFO GE Real Estate, COO and CFO GE Capital Markets, and as vice president and chief accounting officer GE Financial Services. From 2004 to May 2011, Ms. Amble served as executive vice president and principal accounting officer and, until the end of 2011, as executive vice president, finance, of the American Express Company. In December 2011, Ms. Amble completed a four-year term as a member of the Financial Accounting Standards Advisory Council (FASAC) and in December 2020 she completed the second of two three-year terms as a member of the Standing Advisory Group (SAG) for the Public Company Accounting Oversight Board (PCAOB). From 2006 to 2008, she was a member of the board and chaired the audit committee of XM Satellite Radio and, following the merger of XM Satellite Radio with Sirius Satellite Radio, she was from 2008 to 2021 a member of the board of Sirius XM Satellite Radio and chaired the audit committee. She has been a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd since April 2015.

Committee membership
Governance, Nominations and Sustainability Committee, Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Amble is a member of the board and the audit committee at Booz Allen Hamilton and is a board member, audit committee chair and member of the nomination and governance committee at BuzzFeed Inc. Since October 2016, Ms. Amble has served as an independent adviser to the control and risk committee of the executive committee of the U.S. affiliate of Société Générale S.A., a French multinational banking and financial services company. She is also involved in developing women in business, including as chair emeritus and co-founder of W.O.M.E.N. in America Inc., and through her various speaking engagements. Ms. Amble also participates in director and other forums and speaks on corporate governance and culture.

Educational background
Ms. Amble received a Bachelor of Science in accounting from The Pennsylvania State University, and later became a certified public accountant (currently inactive).

Corporate governance report (continued)

Biographies (continued)

Catherine Bessant
Member of the Board of Directors

Born: 1960

Skills and experience
Catherine Bessant is vice chair, Global Strategy at Bank of America and a member of the Bank of America's executive management team. In this role she is responsible for working with Bank of America's European boards and focused on the Bank's global integrated strategy, governance, and client and regulator engagement. Since joining Bank of America in 1982 as a corporate banker, she has held numerous senior leadership positions within that company: president of Global Product Solutions and Global Treasury Services; chief marketing officer; president of Consumer Real Estate and Community Development Banking; national Small Business Segment executive; market president of Bank of America, Florida; and president of Global Corporate Banking. Prior to being appointed to her current position, Ms. Bessant served as chief operations and technology officer. Ms. Bessant led Bank of America's Global Technology and Operations team from 2010 until September 2021. In that role she was responsible for end-to-end technology and operating services, including business continuity and information security efforts across the company, and overseeing nearly 95,000 employees and contractors in more than 35 countries. Recognized for her multi-sector leadership, Ms. Bessant was inducted into the Most Powerful Women in Banking Hall of Fame by American Banker in 2020 after ranking as the No. 1 of the '25 Most Powerful Woman in Banking' for three consecutive years. She became a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in March 2017.

Committee membership
Remuneration Committee, Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Bessant serves as chair of the USA Field Hockey board and serves on the advisory board of the Ross School of Business at the University of Michigan. She previously served 16 years on the board of Florida Blue, formerly Blue Cross and Blue Shield of Florida, including serving as lead independent director.

Educational background
Ms. Bessant holds a Bachelor of Business Administration from the University of Michigan Ross School of Business.

Dame Alison Carnwath
Member of the Board of Directors

Born: 1953

Skills and experience
Dame Alison Carnwath has substantial financial industry experience. She began her career with Peat Marwick Mitchell, now KPMG, where she practiced as a chartered accountant from 1975 to 1980. From 1980 to 1982, she worked as a corporate financier for Lloyds Bank International. From 1982 to 1993, she was assistant director, then director, at J. Henry Schroder Wagg & Co in London and New York. From 1993 to 1997, Dame Alison was a senior partner at the financial advisory firm Phoenix Partnership. The firm was taken over by Donaldson, Lufkin & Jenrette (DLJ) in late 1997; she continued working for DLJ until 2000. Dame Alison has held several board offices. From 2000 to 2005, she was the chairman of the board of Vitec Group plc, from 2001 to 2006 a director of Welsh Water, from 2004 to 2007 of Friends Provident plc, from 2004 to 2007 of Gallaher Group and from 2007 to 2010, she was the independent chairman of MF Global Inc. She also served on the boards of Barclays from 2010 to 2012, and of Man Group plc from 2001 to 2013. From 2008 to July 2018, she was chairman of the board of Land Securities Group plc and from May 2018 to January 2021 member of the board of BP plc. She has been a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd since March 2012.

Committee membership
Audit Committee (Chairman), Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Dame Alison is a non-executive member of the boards of PACCAR Inc., Bellis Topco 2 Limited, Broadwell Capital Limited, Coller Capital Ltd. and EG Group Holdings Limited. She is also a member of the supervisory board and chairs the audit committee of BASF SE. In addition, she serves as senior advisor of Evercore Partners, chair of the strategic advisory board of Livingbridge, and as a member of the advisory council of the St. George's Society of New York.

Educational background
Dame Alison graduated in economics and German from the University of Reading. She was awarded honorary doctorates (LLB) from the University of Reading and the University of Exeter.

Michael Halbherr
Member of the Board of Directors

Born: 1964

Skills and experience
Michael Halbherr has extensive experience in the technology industry, serving as an investor, active board member and advisor for young, aspiring companies in many different areas including digital mapping, mobility technology, mobile operating systems, and industrial applications. He held leadership roles in Nokia Corporation from 2006 to 2014, including serving from 2011 to 2014 as member of Nokia's leadership team and later as CEO of HERE BV, a fully owned Nokia company and a leading company in automotive location technologies. From 2001 to 2006, he served as CEO of gate5, a Berlin-based mobile phone software startup, which Nokia acquired in 2006. From 2000 to 2001, he was a managing director at Europeatweb, an investor into gate5 and venture arm of Groupe Arnault. Prior to that he was a manager at the Boston Consulting Group (BCG) from 1994 to 2000, in the company's Zurich and Boston offices, where he was an active member of BCG's technology practice. He began his career at the Laboratory for Computer Science at Massachusetts Institute of Technology (MIT), where he worked as a visiting scientist and post-doctoral researcher from 1992 to 1994 with a focus on programming paradigms for massively parallel computers. He joined the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2019.

Committee membership
Governance, Nominations and Sustainability Committee, Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Mr. Halbherr is a member of the board of Vontobel Holding AG in Zurich. He is also a non-executive director and chairman of German Bionic Systems GmbH in Augsburg, Trafi Ltd. in Vilnius, FATMAP Ltd. in Berlin, Nanoleq AG in Zurich, and a strategic advisor of Zeotap GmbH.

Educational background
Mr. Halbherr holds a Ph.D. in electrical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich.

Corporate governance report (continued)

Biographies (continued)

Sabine Keller-Busse

Member of the Board of Directors

Born: 1965

Skills and experience
Sabine Keller-Busse has extensive financial industry experience. She is President UBS Switzerland. Since joining UBS in 2010, she has served as group chief operating officer, president Europe, Middle East and Africa, group head of Human Resources and chief operating officer UBS Switzerland.
Ms. Keller-Busse became a member of the group executive board at UBS in 2016.
Prior to joining UBS, she led Credit Suisse's Private Clients Region Zurich division from 2008 to 2010. From 1995 to 2008, she worked for McKinsey & Co., focusing on the financial services industry, where she was a partner since 2002. From 2012 to April 2021, Sabine Keller-Busse was a member of the board of SIX Group, since 2017 vice-chairman of the board and chairman of the nomination & compensation committee. She joined the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2021.

Committee membership
Remuneration Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Keller-Busse has been a member of the board of the USZ Foundation of the University Hospital Zurich since 2017. Since 2020, she has been a member of the Foundation Council of the UBS International Center of Economics in Society at the University of Zurich.

Educational background
Ms. Keller-Busse studied business administration at the University of St.Gallen (HSG) and completed her studies with a Ph.D. in economic sciences (Dr. oec.) at the same university.

Monica Mächler

Member of the Board of Directors

Born: 1956

Skills and experience
Monica Mächler has substantial legal, regulatory and governance expertise in a national and international context.
She served as vice-chair of the board of the integrated Swiss Financial Market Supervisory Authority (FINMA) from 2009 to 2012, after having been the director of the Swiss Federal Office of Private Insurance from 2007 to 2008. From 2010 to 2012, Ms. Mächler chaired the Technical Committee of the International Association of Insurance Supervisors (IAIS). She assumed the roles of Group General Counsel and Head of the Board Secretariat of Zurich Insurance Group from 1999 to 2006 and was appointed a member of the Group Management Board in 2001 after joining in 1990. During the years 1985 to 1990, she was in private practice specializing in banking and business law.
Ms. Mächler has been a member of several Swiss federal expert commissions on regulatory projects and regularly speaks, lectures and publishes on matters related to international business law and regulation, and their impact.
From May 2012 until May 2018, she was a member of the supervisory board of Deutsche Börse AG. She has been a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd since April 2013.

Committee membership
Governance, Nominations and Sustainability Committee, Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Mächler has been a member of the board of Cembra Money Bank AG since April 2015. She also chairs the advisory board of the International Center for Insurance Regulation at the Goethe University Frankfurt am Main and serves on the boards of the Stiftung für schweizerische Rechtspflege, the Europa Institut at the University of Zurich and the Institute for International Criminal Investigations (IICI), a public benefit corporation in California, as well as of the Institute for International Criminal Investigations Foundation (IICIF), a Dutch charitable foundation based in The Hague.

Educational background
Ms. Mächler earned her J.D. at the University of Zurich's Law School and complemented her studies by attending programs on UK, U.S. and private international law. She is admitted to the bar of the Canton of Zurich.

Kishore Mahbubani

Member of the Board of Directors

Born: 1948

Skills and experience
Kishore Mahbubani began his career in 1971 as a diplomat with the Singapore Foreign Service, where he served until 2004 with postings in Cambodia, Malaysia, Washington D.C. and New York. He served two postings as Singapore's ambassador to the United Nations and as president of the UN Security Council in January 2001 and May 2002. Mr. Mahbubani was permanent secretary of the Singapore Foreign Ministry from 1993 to 1998.
He served as founding dean at the Lee Kuan Yew School of Public Policy of the National University of Singapore (NUS) from 2004 until the end of 2017.
In July 2019, he became a Distinguished Fellow at the Asia Research Institute (ARI) of NUS. He has spoken and published extensively on geopolitical and economic issues. In 2013, the Financial Times chose one of his books, "The Great Convergence: Asia, the West and the Logic of One World," as one of the best books of the year on economics. His latest book, "Has China Won?" published in the U.S. in April 2020, was described by Martin Wolf as "an excellent and important book." He has been a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd since April 2015.

Committee membership
Remuneration Committee, Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
In February 2021, Mr. Mahbubani was appointed chairman of the NUS Medical International Council and in October 2021, Jabil Inc. appointed Mr. Mahbubani as their adviser. In September 2017, he was appointed non-executive chairman of the board of Aggregate Asset Management. Since January 2016, he has been an independent director of the board of Wilmar International Limited, Singapore.
In addition, he has served on boards and councils of several institutions in Singapore, Europe and North America, and is currently a member of Yale's President's Council on International Activities (PCIA) and the World Economic Forum's Global Agenda Council on China. He was named a member of the American Academy of Arts and Sciences in April 2019.

Educational background
Mr. Mahbubani graduated with a first-class honors degree in philosophy from the University of Singapore and an M.A. in philosophy from Dalhousie University, Canada, where he was also awarded an honorary doctorate.

Corporate governance report (continued)

Biographies (continued)

Jasmin Staiblin

Member of the Board of Directors

Born: 1970

Skills and experience
Jasmin Staiblin brings to her role extensive knowledge of how business sectors transform and the growing importance of digitalization and sustainability as a competitive differentiator. She is recognized as one of Europe's top experts in the field of energy and served as CEO of Alpiq, a leading Swiss energy services provider and electricity producer in Europe, until December 31, 2018. She began her career in 1997 at the ABB Group, the Swedish-Swiss global technology company. She served in various global functions as a member of the management team for ABB's power technologies division. She held the positions of CEO of ABB Switzerland from 2006 to 2012 and CEO of Alpiq Holding Ltd from 2013 to 2018. She joined the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2019.

Committee membership
Risk and Investment Committee (Chairman), Remuneration Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Staiblin is a board member of NXP Semiconductors N.V., Eindhoven, and Georg Fischer Ltd., Schaffhausen. She also chairs the board of Rolls-Royce Power Systems AG and its subsidiary Rolls-Royce Solutions GmbH, both in Friedrichshafen and fully controlled by Rolls-Royce plc.

Educational background
Ms. Staiblin studied physics and electrical engineering at the Karlsruhe Institute of Technology, Germany and the Royal Institute of Technology in Stockholm, Sweden. She completed her studies with a degree in physics and has a Master of Science in electrical engineering.

Barry Stowe

Member of the Board of Directors

Born: 1957

Skills and experience
Barry Stowe has extensive business experience and knowledge gained through executive roles in the insurance industry in North America and Asia. Between 2006 and 2018, he was a member of the board and the group executive committee of Prudential plc. From 2015 to 2018, he served as chairman and CEO of Jackson Holdings Ltd, a subsidiary of Prudential plc, and from 2006 to 2015, as CEO of Prudential Corporation Asia. From 1995 to 2006, he held senior executive positions at American International Group (AIG), including serving as president of AIG Life Companies Accident & Health Worldwide based in Hong Kong from 2001 to 2006. From 1992 to 1995, he served as president of NISUS, a subsidiary of Pan-American Life Insurance Group. From 1980 to 1992 he held several positions at Willis Corroon Group plc in the U.S., an insurance and reinsurance brokerage services company. He joined the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2019.

Committee membership
Audit Committee, Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Mr. Stowe serves as senior advisor to McKinsey & Company, and is co-chair of the Retirement Income Institute in Washington, D.C., vice chair of Cheekwood Estate & Gardens in Nashville, Tennessee, and a member of the Tennessee Business Leadership Council.

Educational background
Mr. Stowe has a Bachelor of Arts in politics and classical studies from Lipscomb University in Nashville, Tennessee.

Self-assessment

To regularly discuss and strengthen the Board's effectiveness, at least annually, the Board reviews, based on an assessment conducted by the GNSC (which includes an appraisal by an external expert at least every three years), the Board and committee performance. The review focuses on the Board's composition, availability and engagement at the meetings; co-operation and culture; processes, particularly agenda setting and meeting conduct; the Board's interaction with the Group's executive management and the Board's collective or individual training needs. The review seeks to determine whether the Board and the committees function effectively and efficiently.

In its 2021 self-assessment, the Board focused in particular on the adequacy of its composition, culture, its adaptability during the COVID-19 crisis and the prioritization of topics. Based on a report of the results, the Board has determined appropriate steps to address the matters discussed.

Meetings

During 2021, the Board held 10 meetings (of which 10 were partly attended by tele-/videoconference and seven were held over two days). Two meetings were fully dedicated to the discussion of strategy. Four meetings lasted four or more hours during the course of a day and three meetings lasted less than three hours on average.

In 2021, average attendance at Board meetings was 97.27 percent. In the fulfillment of their duties, the Board members spent additional time participating in Board committee meetings and preparing for meetings. Committee meetings lasted more than an hour and 30 minutes on average.

During 2021, in view of the challenges posed by COVID-19, Board meetings were in part held virtually. In addition, several informal exchanges between Board members, in some instances with management participation, were facilitated.

The Board approved two circular resolutions.

as of December 31, 2021	Board of Directors	Governance, Nominations and Sustainability Committee	Remuneration Committee	Audit Committee	Risk and Investment Committee
Minimum no. of meetings required	6	2	2	4	4
No. of meetings held	10	6	6	9	8
No. of members[1]	11	5	6	4	6
Meeting attendance, in %	97.27	100	100	97.22	97.92

Meeting attendance individualized

Joan Amble	10/10	4/4[4]	–	–	7/8
Catherine Bessant	10/10	–	6/6	8/9	–
Dame Alison Carnwath	10/10	2/2[5]	–	9/9	8/8
Christoph Franz	9/10	6/6	6/6	–	–
Michael Halbherr	10/10	4/4[4]	–	–	8/8
Jeffrey Hayman[2]	2/2	2/2[5]	–	2/2[5]	1/1[5]
Sabine Keller-Busse[3]	7/8	–	4/4[4]	–	–
Michel M. Liès	10/10	6/6	6/6	–	–
Monica Mächler	10/10	6/6	–	9/9	–
Kishore Mahbubani	10/10	–	6/6	–	8/8
Jasmin Staiblin	10/10	–	6/6	–	7/7[4]
Barry Stowe	9/10	–	–	9/9	7/7[4]

1 Until April 7, 2021, the Remuneration Committee, Audit Committee and the Risk and Investment Committee had five members.
2 Prior to the AGM 2021 on April 7, 2021, Jeffrey Hayman had withdrawn his candidacy due to future full-time commitments.
3 Elected at the AGM on April 7, 2021.
4 Joined committee on April 7, 2021.
5 Left committee as of April 7, 2021.

Corporate governance report (continued)

Training

The Chairman ensures, together with the GNSC, that new Board members are provided with an onboarding program and existing Board members receive appropriate ongoing training. For this purpose, the Board issued onboarding and training guidelines to underscore the importance of this topic.

Following their appointment, new Board members will be provided with an in-depth and tailor-made onboarding program that generally consists of:

- the Group's strategy, business operating model and its financial and non-financial goals;
- the Group's legal and management structure, corporate governance setup and processes, the Zurich Code of Conduct and relevant legal and regulatory frameworks;
- the Group's risk management framework and relevant compliance requirements and processes;
- training and introduction into specific topics based on regulatory requirements (e.g., regulatory capital models);
- applicable Board processes, meeting schedules and other administrative matters.

As part of the onboarding program, meetings will be scheduled with the Chairman, the chairs of the committee(s) on which the new Board member will be serving, the Group CEO, selected executive management members as well as the Company Secretary.

Furthermore, the Board's training needs are evaluated as part of the annual Board self-assessment or based on regulatory requirements and regularly reassessed throughout the year as need arises. In 2021, the Board received inter alia training as to reserving techniques/methodology and the use of technology in the audit practice. Individual trainings were held in the field of risk management strategy and processes, board governance and boards' challenges such as geostrategic challenges, digital transformation, ESG and communication with external stakeholders.

Role of the Board

The Board is responsible for the ultimate management of ZIG and of the Group as a whole, as well as for the supervision of management. In particular, it has responsibility for the following areas:

- **Group strategy:** The Board approves the Group strategic plan and the overall Group targets upon the recommendation of the Group CEO and receives reports by the Group CEO on the implementation of and progress toward the Group strategy.
- **Sustainability:** The Board approves the Group's sustainability strategy and objectives, including targets having a material impact on the Group. The Board also sets the Group's values and standards to ensure that the expectations of stakeholders are met.
- **Finance:** The Board approves the financial and operating plan annually and establishes guidelines for capital allocation and financial planning. Above certain thresholds, the Board approves major lending and borrowing transactions. It discusses the dividend policy and the Board's proposal for dividend. Within its authority, the Board also makes resolutions on capital increases.
- **Reporting:** The Board reviews and approves the Annual Report, the half-year financial reporting of the Group, the Group's updates for the first three and nine months of the year, as well as the financial condition report. In addition, the Board approves the Sustainability Report.
- **Structure and organization of the Group:** The Board determines and regularly reviews the basic principles of the Group's structure and major changes in the Group's management organization and to Group functions. In this respect, the Board discusses the Group's corporate governance framework, its remuneration system and adequate controls and assurance. Further, as part of its duty to convene the shareholders' meeting, it approves and submits proposals to the shareholders' meeting.
- **Business development:** Above certain thresholds, the Board regularly discusses and approves acquisitions and disposals of businesses and assets, investments, new businesses, mergers, joint ventures, cooperations and restructuring of business units or books of businesses.
- **Corporate culture:** The Board also approves and regularly reviews ethical and compliance standards of the Group, in particular the Zurich Code of Conduct.
- **Risk management:** The Board approves the Group's key risk management principles and procedures including, in particular, the Group's risk appetite and risk tolerance. It also approves the Group's Own Risk and Solvency Assessment (Group ORSA) as well as the Group Recovery Plan.

Additional information can be found in art. 5.1 to 5.13 of the Organizational Rules (www.zurich.com/about-us/corporate-governance/corporate-documents).

Corporate governance report (continued)

Activities/discussion focus topics in 2021 included:

- delivery on strategic priorities for strategic cycle 2020–2022, in particular with a view to commercial and retail business, including developments in all regions, new business models and brand;
- implementation of the sustainability strategy and its inclusion into business objectives;
- status and digital transformation of technology and operations;
- ExCo changes as proposed by the Group CEO;
- close monitoring of financial and business exposures during COVID-19, impact on strategy delivery, employees and operations;
- Board succession planning;
- risk management including risk appetite and tolerance and internal control framework, enabling integrated view of risks and assurance customer trends, structural industry changes and new technologies;
- Board recovery exercise;
- merger and acquisition and investment management;
- Board self-assessment and resulting recommendations;
- legal and regulatory environment.

Role of the Chairman

The Chairman leads the Board, calls Board meetings and sets their agenda. He has continuous contact with the Group CEO and facilitates a constructive relationship between the Board and the ExCo. In his role, he also:

- presides over the AGM;
- ensures accuracy and proper implementation of Board resolutions;
- ensures Board members receive accurate, timely and clear information;
- takes pressing decisions, subject to ratification by the Board;
- together with the GNSC, ensures the Board's onboarding and training program;
- issues further guidelines on compliance with fitness and properness of Board candidates and members;
- arranges the Board's self-assessment.

Additional information can be found in art. 9.1 to 9.4 of the Organizational Rules (www.zurich.com/about-us/corporate-governance/corporate-documents).

Role of the Vice-Chairman

The Vice-Chairman supports the Chairman with his responsibilities and assumes the role should the Chairman be unable to exercise his functions.

Role of the Board committees

The Board may establish committees for specific topics, terms of reference and rules with respect to delegated tasks, responsibilities and reporting to the Board. Except for the Remuneration Committee, the Board constitutes such committees from among its members at its own discretion.

The committees assist the Board in performing its duties. They discuss and propose matters to the Board unless they are authorized to take resolutions in specific areas on their own. All committees have the authority to retain external advice. To get an outside view, the Board and/or its committees occasionally invite external advisors (e.g., the independent executive compensation consultant of the Remuneration Committee, the external auditor) to attend a meeting and/or represent a specific topic.

The Board has the following standing committees:

Corporate governance report (continued)

Governance, Nominations and Sustainability Committee

Key tasks and responsibilities:

- assists the Board in setting an appropriate tone at the top to promote key values and behaviors, and to ensure a sound and open culture throughout the organization;
- supports the Board by establishing corporate governance best practices across the Group with a view to ensuring that the shareholders' and other important stakeholders' rights are protected;
- ensures structures and processes are in place allowing for sound corporate governance and proper documentation;
- monitors legislative and regulatory developments and reporting requirements relating to corporate governance and sustainability;
- is entrusted with Board and ExCo succession planning and makes proposals to the Board on the Board composition, the appointment of the Chairman, the Vice-Chairman, the Group CEO and members of the ExCo. Final decisions are made by the Board, subject to shareholder approval, where required;
- monitors the Group CEO's talent management and management succession planning;
- reviews and proposes to the Board for approval the Group's sustainability strategy and objectives, including targets having a material impact on the Group.

Activities/discussion focus topics in 2021 included:

- ExCo changes as proposed by the Group CEO in alignment with strategic priorities;
- driving and monitoring the implementation of the sustainability strategy and its three pillars of changing climate, confidence in a digital society and work sustainability in the business, including key initiatives such as aligning with a 1.5°C future or joining the Net-Zero Insurance Alliance;
- non-financial disclosure and best practices in the industry;
- sustainability governance structures including for reporting;
- Board and ExCo succession planning;
- review of corporate governance documents and recommendation of changes to the Board;
- developments affecting corporate governance, including changes to Swiss and international laws, regulations and trends;
- review of corporate governance report and Sustainability Report and recommendation to the Board for approval;
- ESG Roadshow.

Remuneration Committee

Key tasks and responsibilities:

- annually evaluates the Group's remuneration architecture and system, as well as Zurich's remuneration rules, and proposes amendments to the Board, which is responsible for the design, implementation and monitoring of the remuneration framework;
- annually reviews and proposes to the Board the remuneration terms of the Board members;
- reviews and proposes to the Board the employment terms and conditions of the Group CEO and reviews those of the ExCo members, as proposed by the Group CEO, including the annual review of performance targets and achievements, proposing respective amendments to the Board, as appropriate, for approval;
- reviews the achievements of the predefined performance metrics related to short-term and long-term incentive plans (STIP and LTIP), as well as conducts a qualitative assessment of the performance, before proposing to the Board the funding of the STIP pools, the LTIP vesting level and the amount of the total variable remuneration pool;
- liaises with the Group CEO on other important matters related to employment, salary and benefits;
- reviews and makes proposals to the Board on the amounts of Board and ExCo remuneration to be submitted for approval at the AGM;
- discusses the regulatory environment and risk management aspects regarding remuneration and related disclosure, and prepares the remuneration report.

Corporate governance report (continued)

Activities/discussion focus topics in 2021 included:

- performance of the Group, the countries and the ExCo, as well as the approval of the STIP awards and the LTIP vesting level for the period ending December 31, 2020;
- approval of the amount of total variable remuneration for 2020;
- regulatory environment and external developments regarding remuneration and related disclosures, as well as the implications for Zurich;
- Ordinance Against Excessive Compensation, including the proposed maximum amounts of total remuneration for the Board and the ExCo for the shareholder votes at the AGM, and the results of the votes from the AGM 2021;
- together with the Risk and Investment Committee, risk management aspects of the Group's remuneration architecture, as well as key activities with respect to identified key risk taker (KRT) positions, for example the risk-based assessment of KRTs;
- remuneration report, the information on the approval of the remuneration for the Board and ExCo in the AGM invitation and other related disclosures as appropriate;
- Zurich's remuneration rules, which were approved by the Board;
- compensation and remuneration structures of the Board and the ExCo, including share ownership in line with guidelines;
- activities of the Group Pensions Committee;
- performance and incentive architecture for 2021 and looking ahead into 2022;
- ESG Roadshow.

Further details of the Group's remuneration framework are set out in the remuneration report on pages 84 to 117.

Audit Committee

Key tasks and responsibilities:

- serves as a focal point for communication and oversight regarding accounting as well as financial and non-financial reporting, internal control, actuarial practice, and financial and regulatory compliance;
- reviews the Group's auditing process (including establishing the basic principles relating to and making proposals for the audit of ZIG and the Group);
- at least annually, reviews the standards of internal control, including activities, plans, organization and quality of Group Audit and Group Compliance;
- reviews annual and half-year consolidated financial statements of the Group, the Group's updates for the first three months and first nine months and the Annual Report of the Group.

Activities/discussion focus topics in 2021 included:

- annual and half-year reporting with a strong focus on accounting and reserving matters, as well as the Group's updates for the first three months and first nine months;
- regular assessment of the financial position of the Group in view of COVID-19, its impact on financial operations and on performance versus the financial plan;
- assessment of non-financial reporting;
- strategy, scope and effectiveness of the internal control framework, including internal controls over financial reporting (ICFR);
- annual Group Audit plan, Group Audit findings and management implementation of improvement actions;
- succession of Head of Group Audit;
- Group's framework on fraud risk;
- work of the external auditors including the regular review of the Non-Audit Services Policy, the external auditors' findings on key judgments and estimates in financial statements as well as the transition to the new external auditors;
- annual Group Compliance Plan, activities to support management of compliance risks, compliance policy updates and enhancements, compliance findings, the result of the annual Zurich Code of Conduct training, as well as evolving regulatory expectations;
- finance systems and digitalization initiatives inter alia in the field of artificial intelligence and process mining of Group Finance and the Group's external auditors' developments in corporate tax regulation;
- legal and regulatory matters including changes to the SIX ad-hoc disclosure requirements.

Corporate governance report (continued)

Risk and Investment Committee

Key tasks and responsibilities:

- Risk tolerance and risk governance framework:
  - oversees the Group's risk appetite and tolerance, including agreed limits that the Board regards as acceptable for ZIG and the Group to bear, the aggregation of agreed limits across the Group, the measurement of adherence to agreed risk appetite and tolerance and the Group's risk appetite and tolerance in relation to anticipated capital levels;
  - oversees the Group's Enterprise Risk Management Framework (embracing policies, models, methodologies, reporting, systems, processes and people);
  - oversees the impact of risk on economic and regulatory capital requirements;
- Risk reporting:
  - receives periodic reports from the risk management function and assessing whether all 'significant' risk matters (as defined in the Zurich Risk Policy (ZRP)) are being appropriately and timely addressed by ExCo members;
  - reviews and proposes to the Board for approval the Group ORSA report as well as the Group Recovery Plan;
- Investments:
  - oversees the investment process;
  - reviews and recommends for approval to the Board investments above pre-defined threshold;
  - monitors developments in the macroeconomic environment;
  - receives updates on the Group's annual strategic asset allocation, the market risk consumption relative to allocated market risk capital and limit and major market risk drivers;
  - receives updates on the accounting investment result, the economic investment return relative to liabilities, and the performance of asset managers.

Activities/discussion focus topics in 2021 included:

- update on enterprise risk management, including quarterly risk reports, strategic risk assessment (Group Total Risk Profile), Enterprise Risk Management Framework, and regular scenario analysis discussions;
- Group Risk Appetite and Tolerance Statement 2022;
- Group ORSA, including self-assessment of the effectiveness of the risk management system;
- Group Recovery Plan 2021;
- regular discussion of macroeconomic developments and impact on investment performance;
- investment management deep dive on approach to private debt and update on infrastructure allocation and illiquidity premium within private debt;
- updates from economic and regulatory capital perspectives, including disclosure;
- model validation results 2020 and the plan for 2021;
- update on credit and country risk and semi-annual derivative report;
- update on own insurance;
- updates on accumulation, commercial insurance underwriting and operational risk;
- developments in insurance exposure to mental health;
- updates on measures and controls to protect customer data and customer-facing conduct;
- Group Risk Management strategy update as well as regional risk updates;
- update on reinsurance strategy and country performance;
- remuneration architecture and update on KRTs.

For further information on risk governance, see the risk review on pages 183 to 214.

For further information on the Board committees in general, see the Annex to the Organizational Rules (under www.zurich.com/about-us/corporate-governance/corporate-documents).

Executive Committee

An Executive Committee focused on delivering results.

Our ExCo is well equipped to steer Zurich toward its 2022 goals and beyond to ensure the Group remains agile and ready for the future.

Mario Greco
Group Chief Executive Officer
Nationality: Italian

Read more:
Page 70

Ericson Chan
Group Chief Information and Digital Officer
Nationality: Chinese (Hong Kong SAR)

Read more:
Page 70

Jeff Dailey
CEO of Farmers Group, Inc.
Nationality: U.S.

Read more:
Page 70

Peter Giger
Group Chief Risk Officer and Group Chief Investment Officer ad interim
Nationality: Swiss

Read more:
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Executive Committee (continued)

Jack Howell
CEO Zurich Global Ventures
Nationality: U.S.

Read more: Page 71

George Quinn
Group Chief Financial Officer
Nationality: British

Read more: Page 72

Alison Martin
CEO EMEA (Europe, Middle East & Africa) and Bank Distribution
Nationality: British

Read more: Page 71

Sierra Signorelli
CEO Commercial Insurance
Nationality: U.S.

Read more: Page 73

Laurence Maurice
CEO Latin America
Nationality: French

Read more: Page 72

Kristof Terryn
CEO North America
Nationality: Swiss and Belgian

Read more: Page 73

Tulsi Naidu
CEO Asia Pacific
Nationality: British

Read more: Page 72

Corporate governance report (continued)

Executive Committee

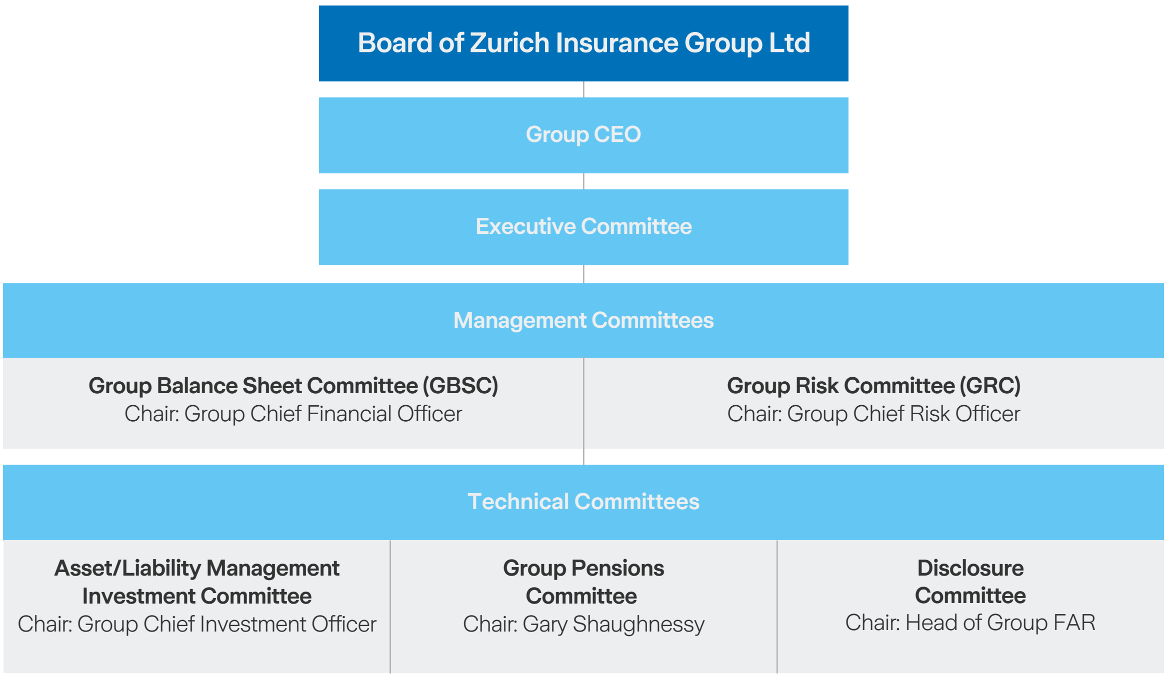
Subject to the powers reserved for the Board (see page 61), the Board has delegated management of the Group to the Group CEO and, under the Group CEO's supervision, to the ExCo and its members. The ExCo serves the Group CEO as the core management team in matters of Group-wide strategic, financial and business-policy relevance.
The Group CEO is responsible for:

- the Group's management and performance;
- representation of the overall interests of the Group toward third parties to the extent such interests are not represented by the Board;
- development and implementation of the strategic and financial plans approved by the Board;
- management, supervision and coordination of the activities of the ExCo members and of other direct reports;
- specific powers and duties pertaining to strategic, financial and organizational matters.

Zurich Insurance Group Ltd has not transferred key parts of management by contract to other companies (or individuals) not belonging to (or employed by) the Group.

Additional information can be found in art. 14 to 17 of the Organizational Rules (www.zurich.com/about-us/corporate-governance/corporate-documents).

Group Management
as of December 31, 2021



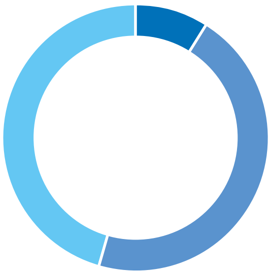
Corporate governance report (continued)

Composition

As of December 31, 2021, the ExCo included members of seven nationalities. ExCo members' business experience covers a broad range of jurisdictions, giving the ExCo profound collective knowledge of international business practices.

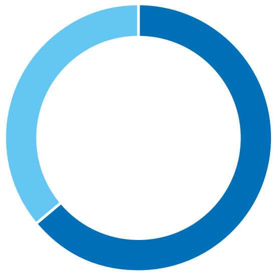
The average length of tenure was 4.6 years:

Length of tenure[1]
%, as of December 31, 2021



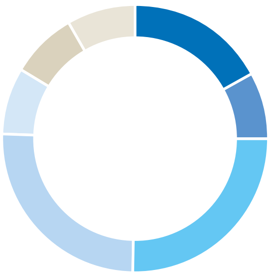
Less than 1 year	9
Between 1 and 5 years	45
More than 5 years	45

Gender
%, as of December 31, 2021



Male	64
Female	36

Nationality[1]
%, as of December 31, 2021



Switzerland	17
Italy	8
U.S.	25
UK	25
Belgium	8
France	8
China (Hong Kong SAR)	8

ExCo members are allocated to one or more nationality.

1 Percentages may not total 100 due to rounding.

Changes to the ExCo in 2021

On July 13, 2021, Urban Angehrn, Group CIO since July 2015 and ExCo member, tendered his resignation. This followed his appointment as CEO of FINMA. As a result, Peter Giger, Group CRO and ExCo member, has taken on the additional responsibilities as Group CIO ad interim. Stephan van Vliet was appointed Group CIO and ExCo member effective from May 1, 2022.

Sierra Signorelli, former Group Chief Underwriting Officer, became CEO Commercial Insurance and ExCo member as of March 4, 2021. She succeeded James Shea, who decided to leave Zurich to pursue opportunities outside the company.

Tulsi Naidu, former CEO UK, was appointed CEO Asia Pacific and became ExCo member as of January 1, 2021, succeeding Jack Howell who took over the role of CEO Zurich Global Ventures (formerly CEO Global Business Platforms) as of January 1, 2021, remaining a ExCo member in this capacity.

Kristof Terryn, former Group Chief Operating Officer, was appointed CEO North America as of January 1, 2021, succeeding Kathleen Savio who stepped down from the ExCo to move into the newly created role of Group Chief Transformation Officer as of the same date.

The biography of Urban Angehrn can be found on page 72 and the biographies of James Shea and Kathleen Savio on page 75 of the 2020 Annual Report (www.zurich.com/investor-relations/results-and-reports).

Corporate governance report (continued)

Biographies

Mario Greco

Group Chief Executive Officer

Born: 1959

Skills and experience
Mario Greco joined Zurich in March 2016 as Group Chief Executive Officer and member of the Executive Committee. Mr. Greco started his professional career in management consulting, working in McKinsey & Company's Milan office from 1986 until 1994, where he became a partner in 1992 and subsequently a partner leader in the insurance segment. In 1995, he joined RAS (Allianz Group) in Milan as head of the claims division. He became general manager in charge of the insurance business the following year. In 1998, he was appointed managing director and in 2000, he became the company's CEO. At the end of 2004, Mr. Greco joined Allianz AG's executive board, with responsibility for France, Italy, Spain, Portugal, Greece and Turkey. In April 2005, he joined the Sanpaolo IMI Group in Milan as CEO of EurizonVita and in October 2005, he was appointed CEO of Eurizon Financial Group. From 2007 to 2012, he served at Zurich, first as CEO Global Life and from 2010, as CEO General Insurance. In 2012, he was appointed CEO of Generali.

External appointments
Mr. Greco is chairman of the Pan-European Insurance Forum and a member of the board of the Swiss-American Chamber of Commerce. He is also a member of the international advisory council of Bocconi University, a member of the Executive Faculty and the EMBA X advisory board at the University of St.Gallen (HSG) and an advisory board member of the Department of Economics at the University of Zurich.

Educational background
Mr. Greco holds a bachelor's degree in economics from the University of Rome and a master's degree in international economics and monetary theory from Rochester University.

Ericson Chan

Group Chief Information and Digital Officer

Born: 1966

Skills and experience
Ericson Chan has an extensive background in technology leadership prior to joining Zurich as Group Chief Information and Digital Officer and as member of the Executive Committee in October 2020. From 2016 to 2020, he was CEO of Ping An Technology where he helped to transform Ping An Group's business model and online ecosystems through digital services including a range of Fintech products and online platforms. Between 1998 and 2016, he held several technology and operations leadership roles at Standard Chartered Bank in Hong Kong, Shanghai and Singapore, including chief information officer for North Asia, head of Corporate & Investment Banking Operations in China and global head of Consumer Banking Technology. He also has six years of HealthTech experience in the U.S.

External appointments
Mr. Chan is a member of the Hong Kong Monetary Authority Financial Infrastructure Advisory Committee and a member of the board of the Centre for Finance, Technology and Entrepreneurship in London. He is the chairman of the board of the Jane Goodall Institute in Hong Kong and is an advisory board member at the University of Wisconsin School of Business.

Educational background
Mr. Chan graduated from the University of Wisconsin-Madison with a bachelor of science degree in computer science and has an MBA from Edgewood College in Madison, Wisconsin.

Jeff Dailey

CEO of Farmers Group, Inc.

Born: 1957

Skills and experience
Jeff Dailey began his career in 1980 with Mutual Service Insurance Company. He also worked for Progressive Insurance Company. He went on to form Reliant Insurance Company, an auto insurance startup owned by Reliance Group Holdings, which was sold to Bristol West Holdings, Inc. in 2001. From 2001 until 2003, Mr. Dailey was chief operating officer of Bristol West Holdings, Inc. In 2003, he was named president and chief operating officer of Bristol West Holdings, Inc., in conjunction with the firm's initial public offering on the New York Stock Exchange. In 2006, he became CEO of Bristol West Holdings, Inc. Mr. Dailey joined Farmers Group, Inc. in 2007 as Vice President when Farmers acquired Bristol West Holdings, Inc., and he was promoted in 2008 to Executive Vice President of Personal Lines. In January 2011, he was promoted to the position of President and COO of Farmers Group, Inc. He became a member of the Board of Farmers Group, Inc. in February 2011 and has been its Chairman since October 2015. Mr. Dailey was appointed to his current role of CEO of Farmers Group, Inc. and became a member of the Executive Committee in January 2012.

External appointments
Mr. Dailey is a member of The Institutes board of trustees and serves on the advisory board of Team Rubicon, a disaster relief organization that brings together military veterans, first responders, medical professionals and technology experts.

Educational background
Mr. Dailey graduated from the University of Wisconsin-Madison with a bachelor's degree in economics and has an MBA from the University of Wisconsin-Milwaukee.

Corporate governance report (continued)

Biographies (continued)

Peter Giger

Group Chief Risk Officer and Group Chief Investment Officer ad interim

Born: 1964

Skills and experience
Peter Giger has extensive experience in insurance and reinsurance, including in areas of finance, risk, strategy, underwriting and regulatory management. He was appointed Zurich's Group Chief Risk Officer and member of the Executive Committee in October 2019 and took on the additional responsibilities as Group Chief Investment Officer on an interim basis in July 2021. Prior to that, he served for four years from 2014 to 2018 as the head of the Swiss Financial Market Supervisory Authority FINMA's insurance division. During that time he also served as FINMA's deputy CEO and a member of its executive team. While at FINMA he represented Switzerland in international organizations, instituted standard operating procedures and guidelines, and was instrumental in consolidating Swiss Solvency Test modeling. From 2002 to 2014, he held executive leadership roles at Zurich, including CFO General Insurance from 2010 to 2014. Prior to that he headed Structured Finance at Swiss Re from 1999 to 2002. Mr. Giger began his career at Zurich, holding a series of management positions between 1992 and 1999.

External appointments
Peter Giger became a member of the Swiss Federal Institute of Technology (ETH) Risk Center's advisory board in February 2020. He has been a member of the CRO Forum since October 2019 and was elected vice chair in October 2020.

Educational background
Mr. Giger has a doctorate in business administration from the University of Zurich, and a master's degree in business administration, specializing in IT, from the University of St.Gallen (HSG).

Jack Howell

CEO Zurich Global Ventures

Born: 1970

Skills and experience
Jack Howell has more than 25 years' experience in the financial services sector, of which more than 15 have been in various senior leadership positions for insurance companies in Asia. Prior to his appointment at Zurich, Mr. Howell was the regional officer for Asia for Assicurazioni Generali based in Hong Kong. He joined Generali from Prudential plc Group, where he briefly served as CEO and president director for PT Prudential Life Assurance, Indonesia, and for almost six years as CEO of Prudential Vietnam Assurance. Before Prudential, he held various positions with AIG in the Philippines, Hong Kong and New York, co-founded a boutique investment bank called TwentyTen, and spent several years as a consultant with organizations including The Boston Consulting Group. Mr. Howell joined Zurich in September 2016 as CEO for Asia Pacific and became a member of the Executive Committee in October 2016. He was named CEO Global Business Platforms effective January 1, 2021. Global Business Platforms has since been renamed to Zurich Global Ventures.

External appointments
None.

Educational background
Mr. Howell holds an MBA from the University of Chicago and a Bachelor of Science in quantitative economics from Tufts University in Massachusetts.

Alison Martin

CEO EMEA (Europe, Middle East & Africa) and Bank Distribution

Born: 1974

Skills and experience
Alison Martin has extensive management, financial and commercial experience within the insurance sector. She was appointed Chief Executive Officer Europe, Middle East & Africa (EMEA) and Bank Distribution in July 2019 and is responsible for Sustainability at Zurich Insurance Group. Prior to that, she served as Group Chief Risk Officer from January 2018 to September 2019. A qualified accountant, Ms. Martin began her career at PwC, where from 1995 to 2003 she worked with insurance clients in audit and advisory roles. She then served in leading executive positions at Swiss Re, starting in 2003 as finance director, Life & Health. Starting in January 2011 she served as group managing director of Swiss Re's Life & Health Products Division. She was appointed Swiss Re's head of Life & Health Business Management in 2013, a position she held until joining Zurich as Group Chief Risk Officer-designate and a member of the Executive Committee in October 2017.

External appointments
In June 2019 Alison Martin became a councillor of the British-Swiss Chamber of Commerce.

Educational background
Ms. Martin earned a bachelor's degree in law, with honors, from the University of Birmingham in 1995. In 1998, she qualified with the Institute of Chartered Accountants in England and Wales as an associate member, and in 2010 she completed the Chartered Financial Analyst investment management certificate.

Corporate governance report (continued)

Biographies (continued)

Laurence Maurice
CEO Latin America

Born: 1965

Skills and experience
Laurence Maurice has extensive experience in the insurance industry and in organizational transformation. Before joining as CEO Latin America and as member of the Executive Committee in October 2020, she served for five years as Allianz Partners' CEO of Spain and head of Southern Europe. During that time, she revamped strategy while supporting her company's global transformation. Before this, she spent seven years as global CFO at Allianz Global Assistance and seven years as Brazil and then Latam regional CFO for Allianz Seguros. After beginning her career at PWC, she held positions as head of business division and head of International Internal Audit at Allianz France.

External appointments
None.

Educational background
Ms. Maurice holds an engineering degree from SupAgro Montpellier and a master's degree in audit from ESCP Europe.

Tulsi Naidu
CEO Asia Pacific

Born: 1973

Skills and experience
Tulsi Naidu was appointed CEO Asia Pacific and became a member of the Executive Committee effective January 1, 2021. Ms. Naidu has more than 25 years of financial services experience in Europe and Asia including both life and general insurance, most recently as CEO of Zurich's UK business since November 2016. Prior to joining Zurich in September 2016 as Head of Business Development for Europe, Middle East & Africa, Ms. Naidu spent 14 years at Prudential in a variety of executive positions in their UK & Europe business. Earlier in her career she worked at Credit Suisse First Boston, ICICI and Arthur Andersen in locations that included Mumbai, Hong Kong and Singapore. Ms. Naidu is a past chair of the UK Financial Conduct Authority's Practitioner Panel.

External appointments
Tulsi Naidu is a member of the board of Wipro Ltd.

Educational background
Ms. Naidu earned a bachelor's degree in mathematics, economics and statistics from Nizam College in Hyderabad and a postgraduate degree in management from the Indian Institute of Management in Ahmedabad.

George Quinn
Group Chief Financial Officer

Born: 1966

Skills and experience
George Quinn started his career at KPMG 1988 in London, where he held several positions working with the insurance and reinsurance industry. He joined Swiss Re in 1999 as group chief accounting officer based in Zurich and later served as CFO for Swiss Re Group's financial services. Mr. Quinn became the regional CFO for Swiss Re Americas based in New York in 2005. In March 2007, he became Swiss Re Group's CFO. Mr. Quinn joined Zurich in May 2014 as Group CFO and is a member of the Executive Committee.

External appointments
Mr. Quinn is a member of the finance chapter of the Swiss-American Chamber of Commerce.

Educational background
Mr. Quinn holds a degree in engineering from the University of Strathclyde. He is also a member of the Institute of Chartered Accountants in England and Wales.

Corporate governance report (continued)

Biographies (continued)

Sierra Signorelli
CEO Commercial Insurance

Born: 1975

Skills and experience
Sierra Signorelli was appointed CEO Commercial Insurance and became a member of the Executive Committee in March 2021. She has extensive experience in the insurance industry, serving as Zurich's Group Chief Underwriting Officer from September 2020 and as Chief Underwriting Officer for Commercial Insurance after joining the company in 2017. Her prior experience includes 17 years with American International Group where she held a number of senior leadership roles in the insurer's Global Specialties division, including global chief underwriting officer, specialty lines and specialty executive in Asia/Pacific and global head of Network Partner Practice.

External appointments
None.

Educational background
Ms. Signorelli holds a Bachelor of Science degree in environmental science from the University of California, Santa Barbara. She completed the Stanford Executive Program at Stanford University School of Business.

Kristof Terryn
CEO North America

Born: 1967

Skills and experience
Kristof Terryn began his career in 1993 in the banking industry, where he worked in capital markets. In 1997, he joined McKinsey & Company where he held various positions within the financial services practice in Brussels and Chicago. He joined Zurich in 2004 in the Finance department. In 2007, he became Chief Operating Officer (COO) for the Global Corporate business division and in January 2009 was named COO for General Insurance. Mr. Terryn became a member of the Executive Committee in 2010 upon his appointment as Group Head Operations. In September 2013, he was appointed CEO Global Life, and after becoming CEO General Insurance in October 2015, continued to serve as CEO Global Life on an ad interim basis until the end of December 2015. He was appointed Group Chief Operating Officer effective July 2016. Mr. Terryn was named CEO North America effective January 1, 2021.

External appointments
Mr. Terryn is a board member of the American Property Casualty Insurance Association (APCIA) and a board member of St. John's School of Risk Management.

Educational background
Mr. Terryn holds a law degree and a degree in economics from the University of Leuven, Belgium, as well as an MBA from the University of Michigan.

Corporate governance report (continued)

Management committees

The following cross-functional committees have been established for key areas to facilitate the coordination and alignment of recommendations to the Group CEO for approval on specific subjects.

Group Balance Sheet Committee (GBSC)

Members: Group CFO (Chairman), Group CEO, Group CRO, Group CIO. The Group General Counsel attends the meetings ex officio but is not a voting member.

Key tasks and responsibilities: The GBSC acts as a cross-functional advisory body for matters that could materially affect the financial position of the Group as a whole. The committee issues recommendations to the Group CEO.

The GBSC has oversight of all of the main levers of the balance sheet, including but not limited to transactions, capital management, reinsurance, asset and liability management, dividend and share buyback programs, liquidity, leverage, rating agencies and other balance sheet-related matters and topics as measured by the Internal Economic Capital Model, including Zurich Economic Capital Model (Z-ECM), Risk-Based Capital (RBC) and related models, such as the SST and Solvency II.

Oversight is exercised through regular review of plans, policies and specific transactions related to these areas and recommending appropriate actions to the Group CEO and, where appropriate, to the relevant decision-making bodies and management committees of the Group.

Core topics are:

- capital management on capital allocations and lending and borrowing decisions;
- rating management strategy and target ratings management;
- balance sheet planning on liquidity, solvency, investment and asset/liability management strategies and associated capital allocation, including changes to investment strategy;
- business development matters on corporate transactions with third parties, internal restructuring, investments, including real estate, and entry into new types of business and markets;
- material Group reinsurance strategy and reinsurance programs;
- other topics with material impact on the balance sheet of the Group as determined by the Chairman of the GBSC.

The Group Risk Committee (GRC)

Members: Group CRO (Chairman), Group CFO, Group CIO, CEO EMEA and Bank Distribution[1], CEO Commercial Insurance[2], Group General Counsel. The Head of Group Audit and the Group Chief Compliance Officer are invited ex officio to attend the meetings, but are not voting members.

Key tasks and responsibilities: The GRC's main function is to review and provide recommendations to the Group CEO on activities related to the Group's overall risk profile, including but not limited to insurance, financial markets, credit, operational, strategic, and reputational risks.

The GRC reviews and recommends on topics such as:

- the Group's overall risk appetite, tolerance and limits, and aggregated risk profile and exposures compared to the Group's expressed risk tolerance and limits;
- requests to enter new lines of insurance business or types of insurance coverage with significant impact on the Group's risk profile;
- changes to key risk management principles and procedures, the ZRP, and exceptions to limits as required by the ZRP;
- key elements of regulatory filings (in particular SST, Group ORSA and Group Recovery Plan);
- the Group's overall internal control framework and internal operating controls;
- prospective changes to capital models and methodologies with significant impact on economic solvency ratios;
- the Group's model validation policy, and validation findings related to capital models and significant valuation models, including remedial actions;
- significant deviations from established target solvency levels by subsidiaries, including remedial actions if needed.

1 The CEO EMEA and Bank Distribution is member of the GRC by virtue of her responsibility for Life Business Management (incl. underwriting and claims for life insurance).
2 The CEO Commercial Insurance is member of the GRC by virtue of her additional responsibility for underwriting and claims for property & casualty insurance.

Corporate governance report (continued)

Technical committees

In addition to management committees, the Group's governance structure provides for committees of a more technical nature to support further aspects of Zurich's business activities. These include:

The Asset/Liability Management Investment Committee, chaired by the Group CIO, acts as a cross-divisional body and has primary responsibility for monitoring and reviewing the Group's asset/liability management and the strategic asset allocation of Zurich's invested assets.

The Group Pensions Committee, chaired by Gary Shaughnessy, is responsible for developing, reviewing and advising on the Group governance framework in matters related to pension and post-employment benefit arrangements. It provides oversight and guidance in the areas of market, demographic and reputational risk. It reports to and makes recommendations to the GBSC on material, pension-related matters, and reports regularly to the Remuneration Committee.

The Disclosure Committee, chaired by the Head of Group Financial Accounting and Reporting (FAR), is responsible for reviewing all external communications and disclosures that contain information material to the financial and capital position and/or performance of the Group. In particular, it reviews half-year and year-end IFRS financial results as well as the updates for the first three and nine months of the Group and related documents, e.g., related news releases and analysts' information. It reviews other external communications that contain information or guidance regarding earnings in respect of either current or future reporting periods as well as external documentation required under applicable laws and regulations in relation to public financing transactions or publicly announced share buy-back programs as well as non-financial reports and the Sustainability Report. It also reviews controls and procedures regarding the effectiveness of the Group's internal controls over financial reporting. It makes recommendations to the Group CFO.

Corporate governance report (continued)

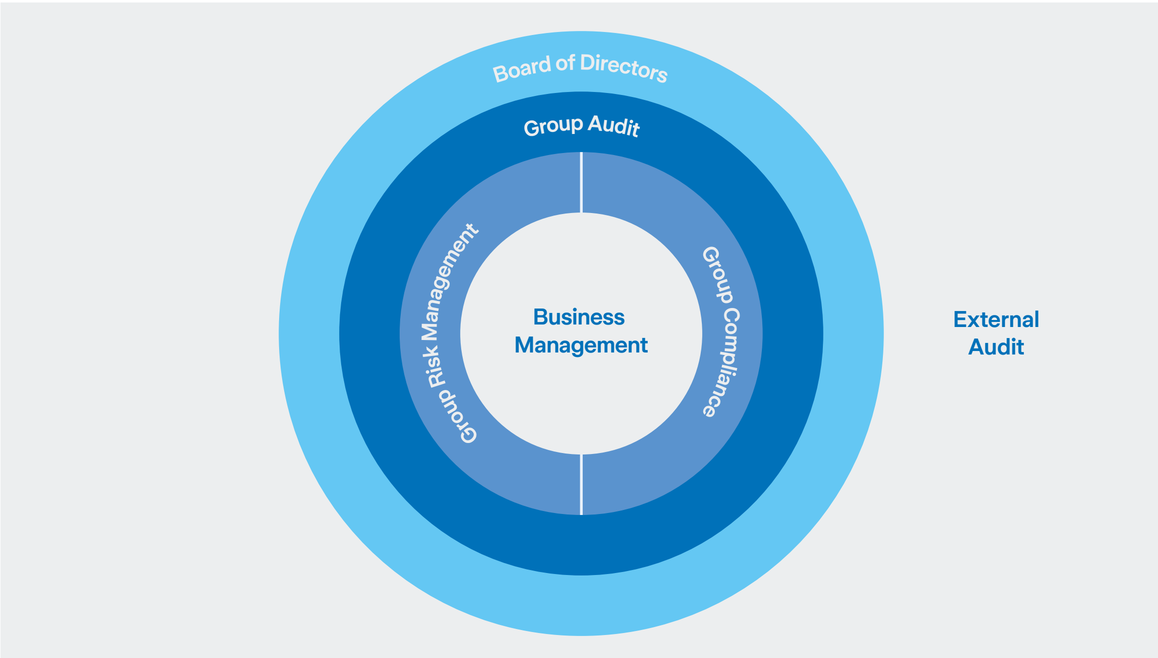
Governance and control functions

At Zurich, we are committed to complying with all applicable laws, regulations and internal requirements, professional and industry standards, and our corporate values. Various governance and control functions help to ensure that risks are identified and appropriately managed, and internal controls are in place and operating effectively. The Board is ultimately responsible for the supervision of these activities. The Board supervises management and monitors its performance through reporting and controlling processes. It receives regular and timely information on developments relevant to the Group as further described in this section.

Although each governance and control function maintains its distinct mandate, the functions are closely aligned and cooperate with each other through a regular exchange of information, planning and other activities. This approach supports management in its responsibilities and provides confidence that risks are appropriately addressed.

Zurich uses the three-lines-of-defense model in its approach to enterprise risk management. This model runs through Zurich's governance structure, so that risks are clearly identified, assessed, owned, managed and monitored.

Three lines of defense at Zurich Insurance Group
as of December 31, 2021



First Line: Business Management

The first line of defense consists of business management and all functions except Group Risk Management, Group Compliance and Group Audit. The first line takes risks and is responsible for day-to-day risk management (i.e., risks are identified and monitored, mitigation actions are implemented and internal controls are in place and operating effectively).

The Group CEO and other executives inform the Board through regular reports, including on key performance indicators and other Group-relevant financial data, existing and emerging risks, important market developments, industry peers and other significant events. The Group CEO attends Board meetings ex officio. ExCo members are regularly invited to Board or Board committee meetings, while other executives attend these meetings from time to time. Most Board and Board committee meetings include private sessions without management participation.

During 2021, the Chairman regularly met with the Group CEO. The Chairman meets from time to time with other ExCo members and management outside regular Board meetings. The other Board members do so as well, including meetings with the Group CFO and the Group CRO, in particular.

The Group has an information and financial reporting system. The annual plan for the Group, which includes a summary of financial and operational metrics, is reviewed by the ExCo in detail and approved by the Board. Full-year forecasts are revised, if necessary, to reflect changes in sensitivities and risks that may affect the results of the Group. Action is taken, where appropriate, when variances arise. This information is reviewed regularly by the ExCo and the Board.

Corporate governance report (continued)

Second Line: Group Risk Management and Group Compliance

The second line of defense consists of the two control functions, Group Risk Management and Group Compliance.

Group Risk Management

Group Risk Management is responsible for Zurich's Enterprise Risk Management Framework. The Group CRO regularly reports risk matters to senior management committees, the Group CEO and the Risk and Investment Committee (e.g. in the form of quarterly risk reports and updates). For information regarding the Group's Enterprise Risk Management and Internal Control Framework, see the risk review on pages 183 to 214. The Group no longer separately describes this information in this corporate governance report.

Group Compliance

Group Compliance provides assurance to management that compliance risks within its mandate are appropriately identified and managed. Group Compliance is responsible for:

- enabling the business to manage its compliance risks;
- being a trusted advisor;
- providing independent challenge, monitoring and assurance;
- assisting management to promote compliance culture and ethics.

Group Compliance is vertically integrated to support a global framework and led by the Group Chief Compliance Officer who reports directly into the Group CEO while maintaining functional independence as a second line of defense function. The Group Chief Compliance Officer has direct access to the Chairman of the Audit Committee and appropriate access to the Chairman of the Board.

Group Compliance provides an independent view on the key compliance risks to the business and performs independent risk-based monitoring and assurance activities, challenging the business. Group Compliance performs its activities according to the Global Annual Compliance Plan. Each Annual Compliance Plan (global, regional, local) is a risk-based plan and must be prepared on the basis of an independent forward-looking compliance risk assessment, considering both internal and external key risk drivers.

Group Compliance also provides compliance risk insight through relevant and targeted reporting. It provides the ExCo and the Audit Committee with insights into key compliance trends, issues and risks as well as on progress against the Global Annual Compliance Plan through quarterly reporting to enable the members of the respective bodies to take informed business decisions. The equivalent regional and local governance bodies receive insights into relevant compliance topics, including progress against the respective risk-based plans. These reporting flows ensure that the organization at all levels embeds the findings and activities of Group Compliance to safeguard against regulatory and business risk exposure.

The Group Chief Compliance Officer defines and issues compliance policies relevant to the Group and establishes appropriate processes and guidance. Group Compliance supports a strong compliance culture across the Group via training and awareness initiatives and maintains the global concerns reporting mechanism. Zurich encourages its employees to speak up and report improper conduct that they believe is illegal, unethical, or violates Zurich's Code of Conduct or our Group's policies. Employees are free to report their concerns to management, Human Resources, the Group's Legal department, the Compliance function, or through the Zurich Ethics Line (or similar service provided locally), a phone and web-based service run by an independent external provider. Zurich does not tolerate retaliation against any employee who reports concerns in good faith.

Third Line: Group Audit

The role of Group Audit is to provide independent and objective assurance on the adequacy and effectiveness of the Group's risk management, internal control and governance processes to the Board, the Audit Committee, the Group CEO and management, and to the boards and audit committees of subsidiary companies.

The Head of Group Audit reports functionally to the Chairman of the Audit Committee and administratively to the Group CEO. Group Audit has no operational responsibilities for the areas it reviews and, to ensure independence, all Group Audit staff report (via audit managers) to the Head of Group Audit. In some instances, country audit managers also have a reporting line to the local CEO to comply with regulatory requirements.

Group Audit develops a risk-based plan and continuously updates it as the risks faced by the business change. The plan is based on the full spectrum of business risks including issues raised by the Audit Committee, management and other stakeholders. The Audit Committee approves the plan annually and any changes to the plan are reviewed and approved quarterly. The audit plan for 2021 comprised 472 audits, addressing key risks and regulatory requirements, across the Group.

Corporate governance report (continued)

Group Audit is authorized to review all areas of the Group and has unrestricted access to all Group activities, accounts, records, property and personnel necessary to fulfill its duties. Group Audit takes into consideration the work of other assurance functions. In particular, Group Audit coordinates its activities with the external auditors, sharing risk assessments, work plans, audit reports and updates on audit actions. Group Audit and the external auditors meet regularly at all levels of the organization to optimize assurance provision and efficiency.

Group Audit executes its plan in accordance with defined operating standards, which incorporate and comply with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors (IIA). Group Audit ensures that issues identified by Group Audit, that could have an impact on the Group's operations, are brought to the attention of appropriate levels of management and that timely follow-up action occurs. The Head of Group Audit meets monthly with the Group CEO. The Audit Committee and audit committees of subsidiary companies are informed at least quarterly of important audit findings, including adverse opinions and status of mitigation actions by management. This is supported by the Head of Group Audit's attendance at each Audit Committee meeting and monthly meetings between the Head of Group Audit and the Chairman of the Audit Committee.

The Audit Committee assesses the independence of Group Audit and reviews its activities, plans, organization, work quality and its cooperation with the external auditors. As required by IIA Standards, the internal audit function's quality is reviewed at least every five years by an independent qualified assessor. This review was conducted most recently in the second half of 2021 and reported to the Audit Committee in February 2022. The results confirmed that Group Audit's practices are generally conforming to the Institute of Internal Auditors Code of Ethics and International Standards, and Guidance prepared by the European Confederation of Institutes of Internal Auditing.

Corporate governance report (continued)

External auditor

Duration of the mandate and term of office of the lead auditor

Ernst & Young Ltd (EY), Maagplatz 1, in 8005 Zurich, were appointed as the Group's external auditor for the financial year 2021, following the shareholders' approval of the Board's proposal to elect EY, at the AGM on April 7, 2021.

EY replaced PricewaterhouseCoopers AG (PwC), which together with its predecessor organizations had served as external auditor since 1983. This rotation is in accordance with the Group's updated policy on the rotation of the external audit mandate which adopts best practices from the European Union and requires a tender of the mandate every ten years going forward.

EY assumes all auditing functions which are required by law and the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association). EY is responsible for auditing the Group's financial statements and for auditing Zurich's compliance with specific regulatory requirements.

Isabelle Santenac of EY is the global relationship partner and lead auditor. Thomas Fiepke, audit engagement partner, co-signs the auditors' report for 2021. Christian Fleig is the auditor in charge for the regulatory audit work. All of these partners took up office in 2021. The Group together with EY ensures that they are rotated at least every five years.

The shareholders elect the external auditor annually. The Board proposes to re-elect EY at the AGM on April 6, 2022 as external auditor for the financial year 2022. EY fulfills all necessary requirements under the Swiss Federal Act on the Admission and Oversight of Auditors and is admitted as a registered auditing company by the Federal Audit Oversight Authority.

Audit fees

Total audit fees (including expenses and value added taxes) charged by EY in the year 2021 amounted to USD 39.3 million.

Audit fees are approved annually by the Audit Committee. Prior to the Audit Committee's approval, management reviews and validates EY's proposal, which is mainly based on an analysis of existing reporting units and expected changes to the legal and operational structure during the year.

Once the fees are agreed, they are further allocated to the countries and reporting units via a global allocation process with the allocations communicated to local CFOs and FAR Controllers. As the year comes to a close, actual fees charged are reviewed and agreed with the local CFOs. At all levels – Group and local – there is a clear understanding of the basis for the current year fee including the impacts of changes in scope or other factors. Unplanned overruns are reviewed and agreed with the business (responsible CFO or audit contact).

Non-audit fees

Total fees (including expenses and value added taxes) in the year 2021 for non-audit services, such as tax advice, audit-related services (primarily for Service Organization Control reports, non-audit assurance engagements and actuarial regulatory reviews) and other services were USD 16.8 million.

The Audit Committee has approved a comprehensive policy for non-audit services, which defines allowable and non-allowable non-audit services as well as approval limits for non-audit service mandates at the local and Group level. Allowable non-audit services may include tax advice, comfort and consent letters as well as certifications and attestations, to the extent that such work complies with applicable legal and regulatory requirements and does not compromise the independence or objectivity of EY. To avoid conflicts of interest, all allowable non-audit services need pre-approval from the Audit Committee (Chairman), the Group CFO, the Head of Group FAR or the local CFO, depending on the expected fee. The policy further requires, among other things, an engagement letter specifying the services to be provided.

EY also tracks non-audit services and reports quarterly to the Head of Group FAR and the Audit Committee the extent of non-audit services provided worldwide.

The audit and non-audit fees of EY (for 2021) respectively of PwC (for 2020) were as follows:

Audit and non-audit fees

in USD millions, as of December 31	2021	2020
Total audit fees	**39.3**	**44.3**
Total non-audit fees	**16.8**	**12.9**
– Tax advice	1.6	0.7
– Audit-related services	12.9	5.9
– Other services	2.2	6.3

Corporate governance report (continued)

Supervision and control over the external audit process

The Audit Committee regularly meets with the external auditors. During 2021, the Audit Committee met with EY eight times (including two times before EY's election at the AGM 2021). The external auditors regularly have private sessions with the Audit Committee without management present. Based on written reports, the Audit Committee and the external auditors discuss the quality of the Group's financial and accounting function and any recommendations that they may have. Topics considered during such discussions include strengthening of internal financial controls, applicable accounting principles and management reporting systems. In connection with the audit, the Audit Committee obtains from the external auditors a timely report relating to the audited financial statements of the Group.

The Audit Committee oversees external auditor's work. It reviews, at least annually, the external auditors' qualification, performance and independence and reviews any matters that may impair their objectivity and independence. The review is based on a written report by EY describing the firm's internal quality control procedures, any material issues raised and all relationships between EY and the Group and/or its employees that could be considered to bear on their independence. The Audit Committee evaluates the external auditors' performance during their audit examination. It elicits the comments of management regarding the auditors' performance (based on criteria such as their understanding of Zurich's business, technical knowledge and expertise, etc.) and the quality of the working relationship (responsiveness to the needs of Zurich Insurance Group Ltd and the Group and the clarity of communication). The Audit Committee reviews, prior to the commencement of the annual audit, the scope and general extent of the external audit and suggests areas requiring special emphasis.

The Audit Committee proposes the external auditor to the Board for election by the shareholders and is responsible for approving the audit fees (see page 79 for further information).

Additional information

Clauses on changes of control

The employment agreements with ExCo members are subject to a maximum notice period of 12 months. The regulations for the Group's share-based long-term incentive plan, which apply to all of the plan's participants including ExCo members and a defined group of senior managers, provide that in case of a change of control, the plan administrator may at its discretion either roll over existing share obligations into new share rights or provide for consideration in lieu of share obligations, or provide for accelerated vesting and removal of sales-restrictions.

There are no further change-of-control clauses that would benefit Board members, ExCo members, or other members of senior management.

Close periods

Under Zurich's Group Policy on Dealing in Securities (the Policy), persons qualifying as "Group Insiders" are prohibited from dealing in "Zurich Securities" during periods Zurich has designated as "Close Periods". "Close Periods" are those periods (of a minimum of 30 days) leading up to and including the trading day of the announcement of the Group's quarterly, half-year and annual results. In practice, Close Periods last approximately 40 days with a longer time span over year-end.

In addition, dealing restrictions during "Prohibited Periods" apply to insiders who are involved in (potentially) price-sensitive projects. Outside of Close and Prohibited Periods, Group Insiders may deal in Zurich Securities with prior clearance from Group Compliance.

Persons in scope

Senior executives (such as e.g. ExCo members, head of certain Group functions) and the members of the Board of Zurich Insurance Group Ltd (ZIG) and certain significant subsidiaries are deemed Group Insiders by reason of their positions.

Additional persons can be designated as Group Insiders based on the persons' exposure to potentially price-sensitive information regarding Zurich Securities. Zurich keeps a list of these individuals.

Furthermore, Group Insiders must ensure that "Connected Persons" (such as spouse, life or civil partner, minor child, financial advisor, affiliated company, etc.) do not deal in Zurich Securities during Close and Prohibited Periods.

Securities in scope

"Zurich Securities" are "Securities" of ZIG or of its subsidiaries and affiliates worldwide. The term "Securities" includes:

- Securities admitted to trading on a stock exchange or an institution similar to a stock exchange in and outside Switzerland;
- Securities traded on the primary (e.g., Initial Public Offering/IPO) and secondary market;
- Over-the-counter (OTC) financial instruments (e.g., ADRs, derivatives);
- Financial instruments deriving from Securities whose price is materially dependent (i.e., Zurich Securities weigh more than 20 percent) on the underlying Security, including debt instruments.

Exceptions

During a Close or Prohibited Period, clearance to sell may be granted to the Group Insider if the Group Insider is not in possession of inside information about Zurich and there is an exceptional circumstance (such as a personal or family emergency involving a health matter or legal or financial emergency) in which selling Zurich Securities is the only reasonably available course of action for the Group Insider. The determination whether circumstances are deemed exceptional is made by the Group Chief Compliance Officer and the Chairman.

Furthermore, provided the requirements of the Policy are met, periodic investments based on a pre-defined trading plan do not require clearance and may continue during Close and Prohibited Periods.

Corporate governance report (continued)

Limits on external mandates

Art. 33 para. 1 of the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association) sets forth the following, generally applicable, maximum limits for Board and ExCo members:

	Board	ExCo
Additional mandates for listed and non-listed companies (maximum in total)	8 maximum	4 maximum
Maximum of mandates for listed companies (included in total maximum)	3 maximum	1 maximum

Exempted from this general limit are the following categories of mandates (art. 33 para. 2 of the Articles of Association):

	Board	ExCo
Mandates for Group subsidiaries	No limit	
Mandates on behalf of the Group	5 maximum	5 maximum
Mandates for associations, charitable organizations, foundations or pension funds	5 maximum	5 maximum

Multiple mandates for different companies under unified control are counted as a single mandate. The maximum limits set forth in the Articles of Association do not discharge the Board and ExCo members from their duties to act with due care and protect Group interests. Additional mandates may be assumed only where, upon assuming such mandates, time and resources remain available to perform the office held in the Group.

Information policy

Please find below an overview of the different ways Zurich uses to communicate with shareholders as well as relevant sources of information:

Topic	Links
Shareholders' meeting invitation	is published in the Swiss Official Gazette of Commerce and on our website: www.zurich.com/agm It is also sent by mail to registered shareholders.
Group's updates for the first three months and first nine months	www.zurich.com/investor-relations/results-and-reports
Letters to shareholders	provide an overview of the Group's activities as the year progresses and outline ts financial performance based on the half-year and annual results. www.zurich.com/investor-relations/shareholder-area/letter-to-shareholders
Annual Report and half-year reports	www.zurich.com/investor-relations/results-and-reports
Sustainability Report	describes progress the Group has made toward delivering our ambition to be one of the most responsible and impactful businesses in the world. www.zurich.com/sustainability/reporting-and-news/reports-publications
Media releases	www.zurich.com/media
Free news subscription service	www.zurich.com/services/news-releases
Financial calendar	www.zurich.com/investor-relations/calendar
ESG Roadshow	to engage with our investors on an annual basis. This year's roadshow took place in November and December 2021. It focused on ESG strategy and execution. www.zurich.com/investor-relations/presentations
Registered office, contact/e-mail addresses, phone numbers	see page 373 of this Annual Report.
Investor Relations	www.zurich.com/investor-relations

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Message from our Chairman of the Remuneration Committee

Rewarding positive contributions.

"The balanced and effectively managed remuneration system is part of the overall employment offering supporting employees to make a positive contribution to the Group's success.

Christoph Franz
Chairman of the Remuneration Committee

Dear Shareholder

Zurich's employees are helping to shape this organization for the future. Every day, their agility, open mindset and commitment to personal growth bring Zurich's purpose and values to life for customers, partners, communities and our planet. The Group's remuneration philosophy is an integral part of the overall offering to employees. It supports them in contributing toward Zurich's aspiration of becoming one of the most responsible and impactful businesses in the world.

Zurich's remuneration approach ensures an appropriate balance between pay linked to demonstrable performance and pay that's competitive enough to attract the talent needed to drive positive impact. A strong risk framework plays a core part in aligning risk considerations with resulting pay decisions.

Message from our Chairman of the Remuneration Committee (continued)

The awards for the short-term incentive plan (STIP) and the long-term incentive plan (LTIP) reflect positive performance against predefined metrics under each plan. These metrics remained unchanged even as uncertainty related to COVID-19 persisted into 2021.

Business operating profit (BOP) of USD 5.7 billion, along with an increase of 4.1 points in the overall net promoter system (NPS) score measuring customer satisfaction, led to an achievement level of 105 percent of the target amount for the STIP pool relevant for the Executive Committee (ExCo). The overall STIP awarded across all the pools is 114 percent of the target amount for all STIP participants.

The Remuneration Committee continues to ensure that stakeholders' interests are reflected in remuneration decisions.

The target card framework of the ExCo and the wider leadership team, used to assess the individual performance component of the STIP awards, once again included both financial, as well as non-financial targets. These support the strategy and include non-financial targets related to customers, employees and strategic projects and accountabilities such as those with an ESG focus.

For the LTIP, no discretion was applied when determining the calculated vesting level of 200 percent of target, based on the performance during the period 2019–2021, as detailed in this report.

We value your input and in particular, your engagement on remuneration-related topics throughout the past year. You will see we have further enhanced our disclosures in this report, focusing on clearer communication of the metrics used to determine variable pay for the ExCo.

We welcome an ongoing open and transparent dialogue with you. Details on the upcoming remuneration votes can be found in the invitation to the Annual General Meeting 2022 (www.zurich.com/investor-relations/shareholder-area/annual-general-meeting). You can find information on the remuneration amounts previously approved for the Board and ExCo in the relevant sections of this report.

Thanks again for your support and engagement.

Christoph Franz

Christoph Franz
Chairman of the Remuneration Committee

Our remuneration framework considers the interests of all our stakeholders

Zurich's remuneration framework is regularly reviewed to ensure it complies with regulatory requirements, supports our strategic objectives and incentivizes the right behaviors.

Short-term incentive plan (STIP)

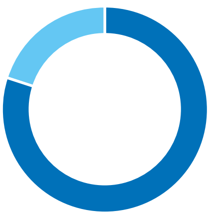
105%

achievement level as a percentage of the target amount for the STIP pool relevant for the ExCo. This takes into account the Group's BOP and the overall customer NPS for 2021 (2020: 90%).[1]

Read more: Page 89

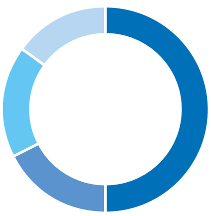
STIP metrics for the ExCo

Business performance



Group BOP	80%
Overall customer NPS	20%

Individual performance



Financial measures supporting strategy execution	~50%
Customers	15-20%
Employees	15-20%
Strategic projects and accountabilities incl. ESG	10-20%

1 These amounts differ from the overall amount awarded across all STIP pools which can now be found in the section detailing remuneration for all employees on page 114.

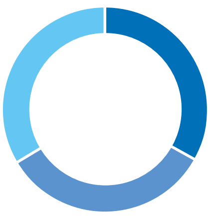
Long-term incentive plan (LTIP)

200%

vesting in 2022 of the 2019 LTIP target shares based on the actual achievements of the predefined metrics for the performance period 2019 to 2021 (2021: 189%).

Read more: Page 90

Performance metrics for the LTIP



Relative total shareholder return (TSR)	1/3
Net income attributable to shareholders' return on common shareholders' equity (NIAS ROE)	1/3
Cash remittance	1/3

Total variable remuneration

CHF 746m

The aggregate amount of variable remuneration for 2021 across the Group considering Zurich's long-term economic performance (USD: 814m) (2020: CHF 650m/USD 719m)

Read more: Page 88

Remuneration safeguards

- Emphasis on longer-term, deferred remuneration for the most senior positions and Group key risk takers.
- Risk-based performance assessment for ExCo, leadership team and Group key risk takers.
- Ability to apply risk adjustments and exercise malus (all participants) and clawback (ExCo and some additional participants) for variable remuneration.
- Minimum share ownership requirements for the Board, Group CEO and other members of the ExCo.

Remuneration report

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Remuneration summary 2021

This summary provides an overview of the 2021 remuneration of Zurich Insurance Group Ltd and its subsidiaries (the Group or Zurich), including the link between business performance and variable pay decisions for 2021.

Zurich's remuneration

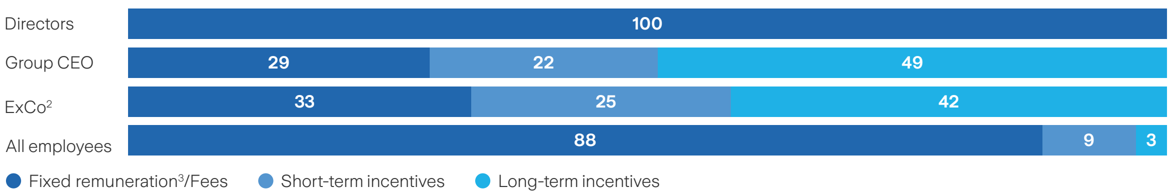
Zurich operates a remuneration system which aims to provide competitive total remuneration opportunities and variable remuneration awards based on results achieved and positive outcomes for all stakeholders. The remuneration system is embedded in the Group's Enterprise Risk Management Framework and is designed to not encourage or reward inappropriate risk-taking.

Board members receive fixed remuneration as an annual fee, of which the basic fee is paid half in cash and half in five-year sales-restricted shares which are not subject to the achievement of any specific performance conditions. Total remuneration for employees, including members of the Executive Committee (ExCo), comprises as applicable, fixed remuneration consisting of base salaries, pension benefits and other remuneration including employee benefits, as well as variable remuneration consisting of short- and long-term incentive awards. The Group's short-term incentive plan (STIP) and long-term incentive plan (LTIP) aim to align the remuneration architecture with the achievement of the Group's key financial and strategic targets, the Enterprise Risk Management Framework and operational plans, while considering the interests of key stakeholders.

Read more:
Pages 92–98

The illustration below shows a greater emphasis on variable remuneration elements, with a higher weighting on average toward the long term, for our most senior employees.

2021 remuneration structure[1]
%



1 At target, as a percentage of total remuneration.
2 Considering all members of the ExCo that were active for the full year, including the Group CEO.
3 Fixed remuneration includes base salaries, pension benefits and other remuneration.

Remuneration report (continued)

2021 remuneration in light of the business results

Expenditure on remuneration is considered in the context of Zurich's overall revenues, capital base and profitability. The key financial figures for 2021 compared with 2020 are shown in the following table.

Key financial figures

in USD millions, for the years ended December 31	**2021**	2020
Gross written premiums and fees[1]	60,042	54,258
Business operating profit (BOP)	5,742	4,241
Net income attributable to shareholders (NIAS)	5,202	3,834
Shareholders' equity	37,881	38,278
Return on common shareholders' equity (ROE)	16.4%	13.0%
Dividends paid to shareholders[2]	3,199	3,080
Total variable remuneration for all employees gross before tax[3]	814	719
– as a percentage of gross written premiums and fees	1%	1%
– as a percentage of shareholders' equity	2%	2%
– as a percentage of dividends paid to shareholders	25%	23%

1 Consists of USD 55,777 million gross written premiums and policy fees, as well as USD 4,265 million Farmers management fees and other related revenues in 2021. Farmers Group, Inc., a wholly owned subsidiary of Zurich Insurance Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services. The Farmers Exchanges are owned by their policyholders.
2 Dividend at transaction day exchange rate in 2021 and 2020, respectively.
3 The corresponding amount of total variable remuneration in Swiss francs is CHF 746m for 2021 and CHF 650m for 2020.

As can be seen from the metrics in the table, relative to Zurich's overall revenue and shareholders' equity, expenditure on variable remuneration remains relatively small.

The total variable remuneration for 50,292 employees across the Group in 2021, amounting to CHF 746 million, includes the following elements:

- The total expenditure on cash incentives to be paid for the performance year comprising the amount of the aggregated funding pools under the STIP, and the amounts to be paid under local short-term incentive plans.
- The one-off special COVID-19 payment communicated in the remuneration report for 2020, but made in 2021, equal to one-week of base salary, for approximately 30 percent of employees in the lowest career levels across the Group.
- The value of the target share allocations made in 2021 on the assumption that the LTIP allocations will vest at 100 percent of the target level in 2024 for performance over the three years 2021, 2022 and 2023.
- The total amount of sign-on payments[1] committed in 2021, regardless of when the payments are due, for people taking up their employment in 2021.
- The total amount of severance payments[2] committed in 2021, regardless of when the payments are due.

Commission payments made to employed sales agents are not included in the total variable remuneration amount.

In determining the amount of total variable remuneration, the Board considers the long-term economic performance of the Group as well as other relevant factors. The average economic profit is calculated by subtracting the required return on economic capital, based on the weighted average cost of capital, from the adjusted BOP (the amount before interest and variable remuneration) after tax. In this respect, the Group has continued to generate economic profit over the long term which exceeds the actual expenditure on variable pay.

1 Zurich defines sign-on payments as payments (whether paid immediately or over time) that are agreed on the execution of an employment contract. Sign-on payments may include compensation made prior to a person joining the company and providing any services (payments in advance) or compensation for benefits foregone with a previous employer (replacement payments). Payments in advance are not paid to members of the Board or the ExCo.
2 Zurich defines severance payments as payments that are provided in connection with the termination of an employment relationship. Zurich does not include under the term severance payments, garden leave or similar payments for employees in jurisdictions where such payments are required by applicable law, or where they are based on contractual notice periods which conform with recognized market practice, or where they are non-contractual, but in line with recognized market practice. Zurich does include garden leave or similar payments however, that go beyond recognized market practice, irrespective of whether these are provided pursuant to an agreement or are ex gratia. Severance payments are not paid to members of the Board or the ExCo.

Remuneration report (continued)

Variable remuneration outcomes

Short-term incentive plan

Participants are allocated to one of several STIP pools for the countries, Investment Management, the joint ventures, Farmers or the Group pools which include ExCo members and the wider leadership team, employees in control functions, and those in Group or regional roles. The primary measures used to determine the STIP pool achievement level and the respective funding for each pool are:

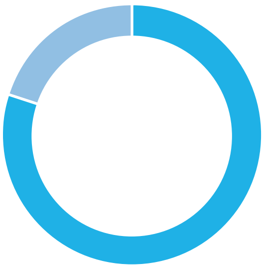
– the relevant BOP or other profitability metric achievements, and
– the relevant customer satisfaction achievements using the net promoter system (NPS) score where applicable, against the plan for 2021, including a qualitative assessment of the results.

The STIP award for an individual is then determined based on the achievement level of the STIP pool an individual has been allocated to and performance of the individual assessed against personal goals, including behaviors in line with Zurich's values and the Group's Code of Conduct.

Read more:
Pages 94–95

The achievement level for the STIP pools funded by the overall Group results, relevant for the ExCo, is outlined below.

Performance metrics for the STIP pool relevant for the ExCo



	Weight	STIP Pool Achievement (Minimum 0% – Target 100% – Maximum 175%)
Group BOP	80%	105%
Overall customer NPS	20%	100%
STIP pool achievement level 2021		**105%**
STIP pool achievement level 2020		90%

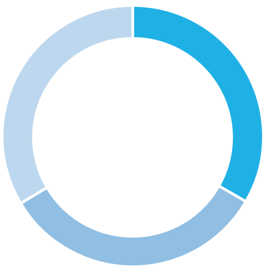
Remuneration report (continued)

Long-term incentive plan

Each of the three LTIP performance criteria driving the LTIP vesting level in 2022, has an equal weighting and is assessed over the three-year performance period. No discretionary adjustment was made to the vesting level, which was calculated based on the achievements of the predefined performance criteria over the period 2019–2021.

Read more:
Pages 96–98

Performance metrics for the LTIP



Vesting grid for the performance period 2019-2021

	Weight	0% vesting	50% vesting	100% vesting	150% vesting	200% vesting	
Relative TSR position	1/3	18th – 13th	12th – 10th	9th – 7th	6th – 4th	3rd – 1st	200%
Average NIAS ROE	1/3	<9.75% p.a.	9.75% p.a.	12.00% p.a.	13.125% p.a.	≥14.25% p.a.	200%
Cumulative cash remittance	1/3	<USD 8.5bn	USD 8.5bn	USD 9.5bn	USD 10.0bn	≥USD 10.5bn	200%
LTIP vesting level 2022							**200%**
LTIP vesting level 2021[1]							189%

1 Vesting grid for 2018 – 2020 applies.

For 2021, the remuneration amounts were as follows:

Remuneration amounts

in CHF millions, for the years ended December 31	Fixed remuneration/ Fees[1]	Variable remuneration: Short-term incentives[2]	Variable remuneration: Long-term incentives[3]	Total remuneration 2021[4]	Total remuneration 2020[4]
Directors	5.5	–	–	5.5	5.4
ExCo	14.8	15.8	17.1	47.7	48.2
All employees[5]	5,091	601	145	5,837	5,662

1 For the ExCo and all employees, fixed remuneration includes base salaries, pension benefits and other remuneration including employee benefits. For Directors, the amount includes payments in cash and in sales-restricted shares.
2 The cash incentives earned for the year for all employees comprise the amounts under the STIP and other local short-term incentive plans which are subject to approval by the applicable local boards. For all employees, payments such as sign-on and severance payments in cash are also included.
3 Represents the value of target share allocations made in 2021, which assumes vesting in 2024 at 100 percent of target, and for all employees, also includes any other share allocations such as sign-on payments in shares.
4 Actual, gross and for cash amounts based on the accrual principle.
5 Includes the remuneration of ExCo members.

Remuneration report (continued)

Outlook summary for 2022

- **Annual review of remuneration architecture:** The remuneration metrics will be reviewed in line with the strategic targets to be defined for the next strategic cycle from 2023–2025 to ensure the remuneration framework continues to support the execution of the strategy.

  Read more: Page 116

- **Exploring embedding additional ESG metrics in variable remuneration:** STIP currently incorporates non-financial metrics for both the funding of the awards and in the personal goals of employees used for the individual performance assessment. In 2022, further ESG metric options will be assessed that may be suited in incentive plans ahead of the next strategic cycle.

  Read more: Page 116

- **Board:** No changes to Board fees are proposed for 2022.

  Read more: Pages 102–106

- **ExCo:** No changes are proposed to the overall structure of remuneration for the ExCo in 2022. Relevant individual performance targets for 2022 are set to support the execution of the strategy, also considering risk and behavior aspects.

  Read more: Pages 106–113

Remuneration framework

Philosophy

Zurich's employees are helping shape the organization for the future. An organization that delivers a unique employee and customer experience, improves social conditions and creates a brighter future together with our stakeholders. Our remuneration philosophy is an integral part of the overall employment offering, supporting employees to make a positive contribution to the company's success. Based on established remuneration principles, the Group operates a balanced and effectively managed remuneration system providing competitive total remuneration opportunities to attract, retain, motivate and reward employees. The remuneration system and practices are embedded in the Group's Enterprise Risk Management Framework and consider legal and regulatory requirements, as well as market developments.

Guiding principles of the remuneration philosophy

The guiding principles of the remuneration philosophy, aligned to Zurich's Remuneration Rules, are as follows:

– The remuneration architecture is simple, transparent, can be put into practice and considers the interests of key stakeholders such as customers, shareholders and employees.
– Reward decisions are made on the basis of merit – performance, skills, experience, qualifications and potential – and are free from discrimination toward or against particular diverse backgrounds. The remuneration system and practices ensure all employees have equal opportunities.
– The structure and level of total remuneration are aligned with the Group's risk policies and risk-taking capacity.
– The elements of remuneration for each individual reflect appropriate internal and external factors and are tied to long-term results for individuals who have a material impact on the Group's risk profile.
– A clearly defined performance and development approach guides employees throughout the year to achieve personal goals and exhibit behaviors in line with the Group's Code of Conduct, purpose and values, and this can be used to support remuneration decisions.
– Variable remuneration awards are linked to key performance factors which can include performance of the Group, countries, business units, functions, as well as individual achievements.
– The Group's STIP and LTIP, used for variable remuneration, are linked to appropriate performance criteria that are selected to support the execution of the Group's strategy. The overall expenditure on variable pay is considered in connection with the Group's long-term economic performance.
– The design of the LTIP links remuneration with the future development of performance and risk by including features for deferred remuneration, thereby encouraging participants to operate the business in a sustainable manner.
– Employees are provided with a range of benefits based on local market practices.

Elements of remuneration

Total remuneration

Total remuneration for an individual employee and its composition may be influenced by factors such as the scope and complexity of the role, level of responsibility, risk exposure, business performance and affordability, individual performance, professional experience, internal relativities, external competitiveness, geographic location and legal requirements. Remuneration is benchmarked toward median levels in clearly defined markets which can be local, regional or global, and reflects practices in either insurance, financial services or general industry, depending on the role.

Remuneration report (continued)

Remuneration elements

	Fixed remuneration		Variable remuneration	
	Base salary	Pensions and employee benefits	Short-term incentives	Long-term incentives
Description	Fixed pay for the role performed to attract and retain employees that is reviewed annually.	Employee benefits are provided to attract and retain employees, are in line with market practices and targeted toward the market median.	Discretionary incentive awards to reward achievement of key business and individual goals during the year.	Annual target share allocations, subject to vesting in accordance with predefined performance criteria. Designed to support Zurich's longer-term goals, encourage participants to operate the business in a sustainable manner and align the Group's long-term interests with those of shareholders.
Drivers and/or performance metrics	Scope and complexity of the role, level of responsibility, professional experience and geographic location.	Market practice	Award is driven by: – The relevant business profitability achievements, as well as customer experience where applicable. – Individual performance against personal goals, including behaviors in line with Zurich's values.	Vesting is determined based on (i) the position of the TSR compared with an international peer group of insurance companies derived from the Dow Jones Insurance Titans 30 Index, (ii) the NIAS ROE and (iii) cash remittance.
Duration	n.a.	n.a.	1 year	3–6 years (target shares subject to 3-year cliff vesting and for the ExCo half of the vested shares are sales-restricted for an additional 3 years)
Range of opportunity	Generally paid within an 80–120 percent range around the relevant market median.	n.a.	Award of 0–200 percent of an individual's target amount.	Vesting level of 0–200 percent of an individual's target shares.
Eligibility	All employees	Location specific	Location specific (around 40,500 plan participants in 2021)	ExCo members and a defined group of the most senior positions, including key risk takers (1,228 plan participants in 2021).
Delivery	Fixed cash	Location-specific fixed benefits	Performance-based cash	Performance-based shares
Clawback, malus and hedging	n.a.	n.a.	Variable remuneration is subject to clawback provisions for ExCo members and also for additional participants in some jurisdictions as required by local laws and regulations, to allow for forfeiture or recovery of awards. Malus conditions to reduce or eliminate awards are applicable to all STIP and LTIP participants. Individual hedging of share-based remuneration is prohibited.	

Remuneration report (continued)

Fixed remuneration

Fixed remuneration encompasses base salaries, pension benefits and other remuneration including employee benefits.

Regarding pensions, the Group provides a range of pension benefits to employees, which are designed to reflect local market practices. Benefit levels are targeted toward the relevant market median. The Group Pensions Committee provides oversight and a point of focus and coordination at Group level in relation to the long-term financial and operational risk and governance relating to the Group's pension arrangements. In recent years, there has been a significant shift away from final salary defined benefit pension arrangements such that almost all new employees are now enrolled in defined contribution and/or cash balance type arrangements.

The Group also provides a range of other relevant employee benefits in line with the local market, for example life insurance, medical coverage and flexible benefits, and may also include distinctive Zurich components. Further, the Group operates several mobility-related policies to facilitate the movement of people across the organization.

Variable remuneration

Incentive plans are designed to provide a range of award opportunities linked to levels of performance. Business and individual performance may result in remuneration levels above target for superior performance, and reduced levels that are below target for performance below expectations. Variable remuneration opportunities are provided to motivate employees to achieve key short-term and long-term business goals that support the execution of the Group's strategy. Further information on the Group's STIP and LTIP is set out below.

Short-term incentives

Short-term (one-year) incentives are performance-driven based on the following design for 2021:

Short-term cash incentives support employees to focus their performance on the achievement of key financial, customer and individual goals set at the beginning of the year. They are delivered primarily through the Group's STIP, which is utilized across the organization and in many countries covers all employees. In some countries, based on market practice in that location, only the most senior individuals participate. Determination of the final individual STIP award for the year ending December 31, 2021, is based on an individual's STIP target amount, the performance of the business in line with the pool an individual has been allocated to, and an individual's personal achievements in terms of goals and behaviors as set out in the overview on the next page. For employees below a certain job level, markets also have the option to base the award solely on an individual's STIP target amount and the achievement level of the relevant pool, provided a minimum standard of individual performance and expected behaviors has been demonstrated.

Remuneration report (continued)

STIP target × **Business performance** × **Individual performance** = **STIP award**

Target amount

A STIP target amount is established for each participant for the performance year at a maximum of 100 percent of base salary, unless otherwise approved by the Board.

STIP pool achievement

Performance on business-relevant profitability and customer metrics[1], including a qualitative assessment of the performance, determines the STIP pool achievement level and the respective funding or allowable spend available for each STIP pool. This can vary between 0 and 175 percent of the target amount.

Key metrics for the STIP pools:

- Group pools[2]: Group BOP and the overall customer NPS
- Investment Management: Investment results
- Countries: Relevant BOP and customer NPS as applicable
- Farmers[3]: Growth, profitability and customer metrics
- Joint ventures: Relevant profitability metrics

Personal achievements

An individual's personal achievements considers performance against goals, as well as the behaviors demonstrated. These continue to be guided by the Group's Code of Conduct, purpose and values.

At year-end, a performance category is assigned with differentiated award levels which can vary between 0 and 185 percent of the target amount:

Partially met (0% to 75%)

Fully met (80% to 120%)

Exceeded (125% to 185%)

Resulting STIP award

Depending on business and individual performance achievements, the final STIP award can range from 0 percent up to a maximum of 200 percent of an individual's STIP target amount. The award is capped at 200 percent of the STIP target, irrespective of the STIP pool achievement level and individual performance award level.

The resulting STIP award is paid in cash.

1 The Net Promoter System (NPS) score is a global best practice standard for measuring customer experience and one of the key measures (20 percent weight) used to determine the business performance in markets where there is sufficiently robust data. Close to 90 percent of STIP participants are in a pool where funding is impacted by customer satisfaction achievements.
2 Group pools include ExCo members and the wider leadership team, employees in control functions, and employees in Group and regional roles.
3 Includes a separate pool for Farmers New World Life.

Remuneration report (continued)

Long-term incentives

Long-term (three- to six-year) incentives are performance-driven based on the following design for the performance period 2021 to 2023:

To support the achievement of the Group's longer-term financial goals, long-term incentives are utilized for a defined group of the most senior positions in the Group, those that have a significant influence on the risk profile of the Group, as well as individuals considered suitable for participation, for example, due to market competitiveness given their skills and areas of expertise. This group generally includes the individuals with the highest levels of total remuneration. The LTIP aligns the incentives and behaviors of participants with the long-term interests of the Group and its shareholders. To further support this purpose, the individual hedging of any shares of Zurich Insurance Group Ltd is prohibited.

In alignment with the Group's risk profile and business strategy, and considering best practice principles among insurance companies, as well as views from proxy advisers and shareholders, long-term incentives are provided with a deferral element that takes into account material risks and their time horizon. Such deferred remuneration is structured to promote the risk awareness of participants and to encourage participants to operate the business in a sustainable manner. An overview of the LTIP for the performance period 2021–2023 is set out on the following page.

Details of the LTIP relevant for the 2022 vesting decision following the performance period from 2019–2021, can be found in the remuneration report for 2019 (www.zurich.com/en/investor-relations/results-and-reports), and the performance outcomes are detailed in the remuneration summary of this report on page 90.

Remuneration report (continued)

Target shares: (Performance share units (PSUs) + Dividend equivalent units (DEUs)) x Vesting level = LTIP award

Target allocation

The number of PSUs allocated to each participant on the third working day in April is determined by dividing the target amount by the closing share price on the day prior to the allocation.

For 2021, the LTIP targets for members of the ExCo varied between 125 percent and 225 percent of base salary.

Alignment with shareholder interests

During the vesting period, the dividend amount is calculated on the number of PSUs allocated. This amount is converted into DEUs based on the closing share price on the day prior to the dividend payment. No DEUs are credited in the year of allocation if the allocation is made after the ex-dividend date. No dividends accrue on DEUs.

Performance assessment

The percentage of target shares that will vest, is calculated according to an assessment of the predefined performance criteria detailed in the vesting grid below for the three-year performance period 2021-2023. The performance criteria are set ahead of the performance period and reviewed by the Board annually to ensure alignment with the strategic and financial targets.

Resulting LTIP award

Vesting takes place on April 3, three years after the PSUs were allocated and can be between 0 and 200 percent of the overall target shares.

Half of the vested shares are sales-restricted for an additional three years for allocations made to members of the ExCo.

Performance criteria	Weight	Details	0% vesting	50% vesting	100% vesting	150% vesting	200% vesting
Relative TSR position	1/3	Considers Zurich's performance in comparison with an international peer group of insurance companies derived from the Dow Jones Insurance Titans 30 Index. The Remuneration Committee reviews the peer group regularly to ensure that peers exhibit a strong TSR correlation and reflect the Group's business profile and geographic spread. There were no changes to the industry peer group which includes the following companies: AIG, Allianz, Allstate, Aviva, AXA, Chubb, Generali, Legal & General, Manulife Financial Corp, MetLife, Munich Re, Progressive Ohio, Prudential Plc, QBE, Swiss Re, The Hartford, Travelers Cos. Inc.	18th – 13th	12th – 10th	9th – 7th	6th – 4th	3rd – 1st
Average NIAS ROE	1/3	Key measure for shareholders, supporting the alignment of LTIP participants with shareholder interests, and reflecting the targets in the financial plan. Linear interpolation is used to determine the level of vesting.	<11.75% p.a.	11.75% p.a.	14.00% p.a.	15.125% p.a.	≥16.25% p.a.
Cumulative cash remittance	1/3	Key component of Zurich's financial targets ensuring Zurich generates sufficient cash and demonstrates a commitment to creating liquidity for the business and shareholder requirements. Linear interpolation is used to determine the level of vesting.	<USD 10.5bn	USD 10.5bn	USD 11.5bn	USD 12.0bn	≥USD 12.5bn

Remuneration report (continued)

Exceptional adjustments

The Board may exercise discretion when determining the overall vesting level to prevent unreasonable outcomes, or to reflect the financial impact of decisions taken to implement the strategy, or to deal with exceptional circumstances. An adjustment of +/–25 percent to the calculated vesting level may be applied and this can be positive or negative. No discretionary adjustment was made to the calculated vesting level for 2022 following the 2019–2021 performance period.

The right to modify awards to reflect individual circumstances is reserved for the Group CEO, except for modifications regarding members of the ExCo where this right is reserved for the Board based on recommendation by the Remuneration Committee. An adjustment of +/–25 percent to the calculated final vesting level may be applied on an individual level prior to vesting. However, if performance under exceptional or unusual circumstances warrants it, exceptions to the +/–25 percent adjustment may be made. In this respect, Zurich reserves the right to adjust and even set the vesting level to 0 percent for an individual to reflect specific circumstances (e.g., in connection with a breach of internal or external rules) during the period prior to vesting. Any such adjustment is reserved exclusively for the Board based on recommendation by the Remuneration Committee.

Clawback and malus conditions

Variable remuneration is subject to clawback provisions for members of the ExCo and also for additional participants in some jurisdictions as required by local laws and regulations, to allow for the recovery or forfeiture of awards. Malus conditions to reduce or eliminate awards are applicable to all STIP and LTIP participants. Clawback or malus conditions may apply for example, in cases of misconduct, violation of the Group's Code of Conduct or applicable laws, or where there has been a material financial restatement.

Remuneration report (continued)

Remuneration governance

The Board is responsible for the design, implementation and monitoring of Zurich's Remuneration Rules[1], which include the overall remuneration philosophy, principles, system and practices. The Remuneration Committee supports the Board in performing these duties. On an annual basis, the Remuneration Committee evaluates Zurich's Remuneration Rules and the remuneration architecture, including the incentive plans which are discretionary and can be terminated or modified at any time. The Remuneration Committee proposes any amendments to the Board as required.

Read more on the Remuneration Committee's activities and responsibilities:
Pages 63–64

The Remuneration Committee and the Board receive independent advice from the executive compensation practices at Alvarez & Marsal. Alvarez & Marsal do not provide any other services to the Group. The Remuneration Committee reviews their mandates and fees and evaluates ongoing performance.

At Remuneration Committee and Board meetings where decisions are made on the individual remuneration of either the Chairman, the Group CEO or other members of the ExCo, those individuals are not present.

The remuneration approval framework is set out as follows:

A strong governance framework ensuring alignment of interest with shareholders

Remuneration governance

Topic	Recommended by	Board approval	Shareholders' approval
Remuneration architecture	Board Remuneration Committee and Board Risk & Investment Committee[1]		
Relevant chapters within the Organizational Rules	Board Remuneration Committee		
Zurich Remuneration Rules	Board Remuneration Committee		
Remuneration report	Board Remuneration Committee		Consultative vote
Board of Directors remuneration	Board Remuneration Committee		Binding vote
Group CEO remuneration	Board Remuneration Committee		Binding vote[2]
ExCo remuneration	Group CEO		Binding vote[2]
Total variable remuneration	Board Remuneration Committee		
STIP pool funding	Board Remuneration Committee[3]		
LTIP vesting level	Board Remuneration Committee[3]		

1 Based on recommendation by the Group CEO and evaluation by Group Risk Management.
2 The Group CEO remuneration is approved in aggregate with the ExCo remuneration.
3 Based on the performance achievements of the predefined metrics, an overall qualitative assessment and a risk assessment by Group Risk Management.

1 The remuneration policy of the Group, which serves as a framework for the governance, design, implementation and monitoring of the Group's remuneration architecture, is designed to support the Group's business strategy, Enterprise Risk Management Framework and operational and financial plans, and takes into account legal and regulatory requirements.

Remuneration report (continued)

Legal and regulatory requirements

This remuneration report provides all the information required by the following regulations with which Zurich complies:

- Chapter 5 of the Directive on Information Relating to Corporate Governance of the SIX Exchange Regulation.
- Swiss Code of Best Practice for Corporate Governance.
- Art. 14–16 of the Ordinance Against Excessive Compensation (Ordinance AEC).
- Art. 663c para. 3 of the Swiss Code of Obligations.
- Circular 2010/1 on minimum standards for remuneration schemes of financial institutions issued by the Swiss Financial Market Supervisory Authority, FINMA.

Shareholders vote on and approve the maximum total amount of remuneration for the Board for the next one-year period from AGM to AGM and the maximum total amount of remuneration for the ExCo for the subsequent financial year (art. 18 para. 1 Articles of Association: www.zurich.com/en/investor-relations/our-shares/articles-of-association). Details on the votes can be found in the AGM invitation 2022 (www.zurich.com/en/investor-relations/shareholder-area/annual-general-meeting) and in the respective sections of the remuneration report for the Board (page 105) and for the ExCo (page 111). Art. 18, 28, 32 and 34 of the Articles of Association outline the approach regarding the votes on pay, supplementary amounts for any new members of the ExCo during a period for which the remuneration for the ExCo has already been approved, performance-related remuneration for the ExCo, allocation of shares, contracts with Board and ExCo members, and loans and credits.

Remuneration and risk

The Remuneration and the Risk and Investment Committees meet jointly once a year to discuss a risk review of the remuneration architecture and the remuneration governance framework. The assessment of risk in making reward decisions, and the ability to apply risk adjustments and exercise malus and clawback, if required, are features of Zurich's remuneration framework. Group Risk Management evaluated the remuneration architecture in 2021 and reported that the remuneration architecture does not encourage inappropriate risk-taking that exceeds the Group's level of tolerated risk.

To help align remuneration with the Group's risk-taking capacity, Group Risk Management consults with other control, governance and assurance functions to provide the Group CEO with a review of risk factors to consider when assessing overall performance for the annual funding of incentive awards. The Group Chief Risk Officer is available to discuss these findings with the Remuneration Committee and the Board. The Group CEO considers Group Risk Management's assessment, amongst other factors, when proposing the STIP awards to the Remuneration Committee, which in turn makes its recommendation to the Board for final approval.

All leadership team roles are considered key risk-taker positions. The remuneration for key risk-taker positions includes STIP and LTIP, with a greater emphasis toward long-term incentives and therefore, deferred remuneration. Group Risk Management, together with other control and assurance functions, provide risk, compliance, and audit information about each key risk taker as part of the annual individual performance assessment and for the target cards of the leadership team, including the ExCo. This is considered when assessing performance and making reward decisions.

The variable remuneration of employees in control and assurance functions is structured to avoid conflicts of interest by linking to Group profitability metrics rather than the profitability of the business controlled by such functions.

Group Audit periodically assesses the operational implementation of Zurich's Remuneration Rules to verify that the remuneration architecture is adhered to across the Group.

Remuneration report (continued)

Share ownership guidelines

To align the interests of the Board and the ExCo with those of shareholders, Directors and ExCo members are required to meet the following levels of share ownership:

- Members of the Board: one time the basic annual fee.
- Group CEO: five times base salary.
- Other members of the ExCo: two-and-a-half times base salary.

Directors achieve this requirement by obtaining part of their fee in five-year sales-restricted shares and market purchases. ExCo members achieve this through their participation in the LTIP and market purchases. Directors, the Group CEO and other ExCo members have a period of five years to meet their ownership requirements and the Remuneration Committee monitors compliance with these guidelines annually.

At the end of 2021, all Directors and all ExCo members who have served at least five years on the Board or the ExCo, respectively, met the required share ownership level.

Share dilution

In 2018, Zurich began purchasing its own shares on the market to fulfill share obligations for share-based compensation awards. Zurich further took additional measures to offset the impact of historic dilution from previously vested long-term share plans with the completion of its public share buyback program for cancellation purposes in 2018. On April 3, 2019, the AGM approved the cancellation of the 1,740,000 own shares of Zurich Insurance Group Ltd with a nominal value of CHF 0.10 repurchased under the public share buy-back program. In March 2020, Zurich issued 852,140 new shares to fund the vesting of LTIP. The share capital of Zurich Insurance Group Ltd increased to 150,460,167 from 149,608,027 fully paid registered shares with a nominal value of CHF 0.10 each. In 2021, Zurich did not issue any new shares from contingent capital to fund share-based compensation awards.

Share dilution as of December 31

		2021	2020
Share dilution	Shares issued during the year[1]	–	852,140
	Registered shares as of December 31	150,460,167	150,460,167
LTIP	Total number of unvested target shares[2]	1,651,886	1,716,001
	– as a percentage of the registered shares	1.10%	1.14%

1 New shares were issued from contingent capital in 2020 to fund the LTIP. During 2021, share-based compensation awards were funded with own shares repurchased on the market.
2 Given the vesting level of 200% percent of target for the share allocations vesting in 2022 and assuming 100 percent vesting in 2023 and 2024. For 2020 the number of shares has increased from what was previously reported in line with the restated amount on page 114 for the unvested target shares under the LTIP, and represents vesting of 189 percent in 2021 with assumed vesting of 100 percent for 2022 and 2023.

Remuneration report (continued)

Audited

The information provided according to art. 14–16 of the Ordinance AEC contained in the remuneration report needs to be externally audited following the audit requirements of the Ordinance AEC. In addition, the information according to art. 663c of the Swiss Code of Obligations is being audited and disclosed as such in the remuneration report. All audited sections have been highlighted accordingly.

Remuneration and shareholdings 2021

The following section sets out the remuneration and shareholdings of members of the Board of Directors and members of the ExCo, as well as the remuneration of all employees.

Board of Directors

Directors' fees

As a global insurance provider, the Directors' fees need to be established at a level which enables the Group to attract and retain individuals with a long-term interest in Zurich's success and reflecting the diversity of the Group's employee and customer base. To assist in determining Board remuneration, an independent adviser carries out benchmarking studies on a regular basis. Zurich aims to set the remuneration of its Directors at the relevant median levels using the Swiss Market Index (SMI) as a basis. Adjustments to the Chairman and Vice-Chairman fees, and to the committee membership and chair fees, were proposed to shareholders and subsequently approved as of the AGM 2020. There was no change to the basic fee for the other Board members and half of this fee continues to be provided in five-year sales-restricted shares. Based on the role and the fee structure, fee levels are established for each member of the Board. The fees paid to Directors (including the portion provided in sales-restricted shares) are not subject to the achievement of any specific performance conditions.

The following table sets out the current fee structure. All Board members of Zurich Insurance Group Ltd are also Board members of Zurich Insurance Company Ltd, and the fees cover duties and responsibilities under both boards.

Fee structure for Board members[1]

	Fee elements in cash (CHF 000)	Fee elements in sales-restricted shares (CHF 000)	Total fees 2021 (CHF 000)	Total fees 2020 (CHF 000)
Basic fee for the Chairman of the Board[2]	1,000	1,000	2,000	2,000
Basic fee for the Vice-Chairman of the Board[2]	225	225	450	450
Basic fee for a member of the Board	120	120	240	240
Committee fee[3]	80	–	80	80
Chair fee for the Audit Committee	100	–	100	100
Chair fee for the Remuneration Committee[4]	80	–	80	80
Chair fee for the Risk and Investment Committee	80	–	80	80
Chair fee for the Governance, Nominations and Sustainability Committee[4]	80	–	80	80

1 These amounts are for the period from AGM to AGM. The table excludes other fees for board memberships of Zurich subsidiaries.
2 Neither the Chairman nor the Vice-Chairman receive any additional fees for their committee work on the Boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd.
3 Amount remains the same irrespective of the number of committees on which a Board member serves.
4 For 2021 and 2020 no Chair fee has been paid for the Governance, Nominations and Sustainability Committee or the Remuneration Committee, as the Chairman and Vice-Chairman of the Board respectively, have been chairing these committees.

Remuneration report (continued)

The committees on which the Directors serve are set out in the corporate governance report on page 52. In 2021, the Board consisted entirely of non-executive Directors independent from management.

Where a Director is also a member of one or more subsidiary boards of Zurich, the Director is entitled to an additional fee of CHF 50,000 per annum plus CHF 10,000 per annum if he or she also chairs an audit committee of such a board. The fee structure for subsidiary boards can be modified if certain circumstances, for example, the additional time commitment to discharge the duties of a board member, warrant it.

The following tables set out the actual fees paid to the Directors for 2021 and 2020 in Swiss francs. In 2021, ten members served for the full year and two members served for part of the year. In 2020, eleven members served for the full year. The total aggregate fees for the calendar year 2021 amounted to CHF 5,510,000, which is higher compared with the corresponding amount of CHF 5,386,250 for 2020, due to the fee adjustments effective as of the AGM on April 1, 2020.

Audited

Directors' fees 2021

in CHF	2021[1]					
	Fee elements in cash					
	Basic fee	Committee fee[2]	Chair fee[3]	Total cash	Basic fee in sales-restricted shares[4,5]	Total fees
M. Liès, Chairman[6]	1,000,000	n.a.	n.a.	1,000,000	1,000,000	2,000,000
C. Franz, Vice-Chairman[6]	225,000	n.a.	n.a.	225,000	225,000	450,000
J. Amble, Member	120,000	80,000	–	200,000	120,000	320,000
C. Bessant, Member	120,000	80,000	–	200,000	120,000	320,000
A. Carnwath, Member	120,000	80,000	100,000	300,000	120,000	420,000
M. Halbherr, Member	120,000	80,000	–	200,000	120,000	320,000
J. Hayman, Member[7]	30,000	20,000	20,000	70,000	–	70,000
S. Keller-Busse, Member[7]	90,000	60,000	–	150,000	120,000	270,000
M. Mächler, Member	120,000	80,000	–	200,000	120,000	320,000
K. Mahbubani, Member	120,000	80,000	–	200,000	120,000	320,000
J. Staiblin, Member	120,000	80,000	60,000	260,000	120,000	380,000
B. Stowe, Member	120,000	80,000	–	200,000	120,000	320,000
Total in CHF[8]	**2,305,000**	**720,000**	**180,000**	**3,205,000**	**2,305,000**	**5,510,000**

Remuneration report (continued)

Audited

Directors' fees 2020

in CHF	2020[1]					
	Fee elements in cash				Basic fee in sales-restricted shares[4,9]	Total fees
	Basic fee	Committee fee[2]	Chair fee[3]	Total cash		
M. Liès, Chairman[6]	937,500	n.a.	n.a.	937,500	1,000,000	1,937,500
C. Franz, Vice-Chairman[6]	218,750	n.a.	n.a.	218,750	225,000	443,750
J. Amble, Member	120,000	75,000	–	195,000	120,000	315,000
C. Bessant, Member	120,000	75,000	–	195,000	120,000	315,000
A. Carnwath, Member	120,000	75,000	95,000	290,000	120,000	410,000
M. Halbherr, Member	120,000	75,000	–	195,000	120,000	315,000
J. Hayman, Member	120,000	75,000	75,000	270,000	120,000	390,000
M. Mächler, Member	120,000	75,000	–	195,000	120,000	315,000
K. Mahbubani, Member	120,000	75,000	–	195,000	120,000	315,000
J. Staiblin, Member	120,000	75,000	–	195,000	120,000	315,000
B. Stowe, Member	120,000	75,000	–	195,000	120,000	315,000
Total in CHF[8]	**2,236,250**	**675,000**	**170,000**	**3,081,250**	**2,305,000**	**5,386,250**

1 The remuneration shown in the tables is gross, based on the accrual principle and does not include any business-related expenses incurred in the performance of the Directors' services.
2 Members of a committee receive a cash fee of CHF 80,000 as of the AGM 2020 (CHF 60,000 prior to this) for all committees on which they serve, irrespective of the number. The committees on which the Directors serve are set out in the corporate governance report.
3 Committee chairs receive an annual fee of CHF 80,000 as of the AGM 2020 (CHF 60,000 prior to this) and the chair of the Audit Committee receives an additional CHF 20,000. The committees on which the Directors serve and the chairs are set out in the corporate governance report.
4 The shares allocated to the Directors are not dependent on the achievement of performance criteria and are sales-restricted for five years.
5 As of June 16, 2021, Michel Liès was allocated 2,673 shares, Christoph Franz was allocated 601 shares, and the other Board members were allocated 320 shares. The closing share price on June 15, 2021 (CHF 374.00) was adopted to calculate the number of shares on half the basic fee amount. Where the value of shares allocated did not equal exactly half the member's basic fee, the difference was paid in cash.
6 Neither the Chairman nor the Vice-Chairman received any additional fees for their committee work on the Boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd.
7 At the AGM on April 7, 2021, Sabine Keller-Busse was elected as a new member of the Board and Jeffrey Hayman decided not to stand for re-election.
8 Zurich also paid the company-related portion of contributions to social security and pension systems in line with applicable laws, which amounted to CHF 228,957 in 2021. The amount in 2020 was CHF 224,752. In addition, an adjustment payment for social security contributions was made in 2020 related to prior years for a former member of the Board which amounted to CHF 48,803. Any personal contributions of the Directors to social security and pension systems are included in the amounts shown in the table above. Swiss-based Directors are eligible for selected employee benefits.
9 As of June 16, 2020, Michel Liès was allocated 3,032 shares, Christoph Franz was allocated 682 shares, and the other Board members were allocated 363 shares. The closing share price on June 15, 2020 (CHF 329.80) was adopted to calculate the number of shares on half the basic fee amount. Where the value of the allocated shares did not equal exactly half the basic fee, the difference was paid in cash.

Remuneration report (continued)

Audited

Special payments and termination arrangements, additional honoraria and remuneration and personal loans for Directors

There was one new member of the Board elected at the AGM on April 7, 2021 and one member of the Board decided not to stand for re-election. No replacement payments, termination payments (golden parachutes), nor any other benefits such as additional contributions to occupational pension schemes were provided.

None of the Directors received any additional honoraria, remuneration or benefits-in-kind from the Group or from any of the Group's companies other than what is set out earlier. In addition, none of the Directors had any outstanding loans, advances or credits as of December 31, 2021 and 2020.

Remuneration and personal loans for former Directors

No benefits (or waiver of claims), have been provided to former Directors during 2021 at conditions which are different to market conditions, nor were any provided during 2020. As of December 31, 2021 and 2020, no former member of the Board had any outstanding loans, advances or credits that have been provided on terms that are different to market conditions.

Related parties to current or former Directors

No benefits (or waiver of claims) outside of market practice have been provided in 2021 or 2020 to related parties of current or former Directors. No party related to current or former Directors had any outstanding loans, advances or credits that have been provided on terms that are different to market conditions, as of December 31, 2021 and 2020 respectively.

Board remuneration voting at the AGM

A summary of the actual amounts of remuneration paid to the Board for a one-year period from AGM to AGM, along with the respective maximum amounts of total remuneration approved by shareholders for the past two periods, is outlined in the table below. The amounts provided earlier in this report relate to a calendar year.

Summary of fees paid to the Board over the last two periods

		Fees				
Period AGM to AGM	Number of members	in cash (CHF 000)	in shares (CHF 000)	Total (CHF 000)	Maximum amount approved at the AGM (CHF 000)	Percent of votes in favor
2021–2022[1]	11	3,205	2,305	5,510	5,910[2]	97.1%
2020–2021	11	3,205	2,305	5,510	5,670	87.2%

1 Assumes the amount to be paid for the first quarter in 2022 remains unchanged. Zurich also pays the company-related portion of contributions to social security and pension systems in line with applicable law. These contributions are not included here, however as a reference, Zurich paid an amount of CHF 228,957 for the calendar year 2021.
2 This amount was based on 12 members of the Board.

Information on the proposed maximum total amount of remuneration for the Board for the one-year period from the AGM 2022 to the AGM 2023 can be found in the AGM invitation 2022 (www.zurich.com/en/investor-relations/shareholder-area/annual-general-meeting).

Remuneration report (continued)

Audited

Shareholdings of Directors

The shareholdings of the Directors who held office in 2021, in shares of Zurich Insurance Group Ltd are shown in the following table. All interests shown include the portion of shares allocated to the Directors as part of their fees, shares acquired in the market by the Directors and shares held by parties related to the Directors.

Directors' shareholdings[1]

Number of Zurich Insurance Group Ltd shares as of December 31	Ownership of shares	
	2021	2020
M. Liès, Chairman	10,451	7,778
C. Franz, Vice-Chairman	7,183	6,582
J. Amble, Member	2,816	2,496
C. Bessant, Member	1,861	1,541
A. Carnwath, Member	3,741	3,421
M. Halbherr, Member	1,038	718
J. Hayman, former Member[2]	n.a.	2,079
S. Keller-Busse, Member[3]	320	n.a.
M. Mächler, Member	3,364	3,044
K. Mahbubani, Member	2,816	2,496
J. Staiblin, Member	1,908	1,588
B. Stowe, Member	1,038	718
Total	**36,536**	**32,461**

1 None of the Directors, including parties related to them, held more than 0.5 percent of the voting rights of Zurich Insurance Group Ltd shares as of December 31, 2021 or 2020, respectively.
2 Jeffrey Hayman decided not to stand for re-election at the AGM 2021.
3 Sabine Keller-Busse was elected as a new member of the Board at the AGM 2021.

Executive Committee

ExCo remuneration

The total remuneration for ExCo members for 2021 comprises the value of base salaries, pension benefits, other remuneration including employee benefits, short-term cash incentives and the target share allocations made under the LTIP in 2021. To assist with decisions regarding the remuneration structure and the mix of the individual remuneration elements for ExCo members, the Board conducts benchmarking studies on a regular basis, taking into account relevant market practices within peer groups, as well as internal relativities.

The remuneration structures and practices of a core peer group, consisting of the following insurance and reinsurance firms in the Dow Jones Insurance Titans 30 Index, are analyzed:

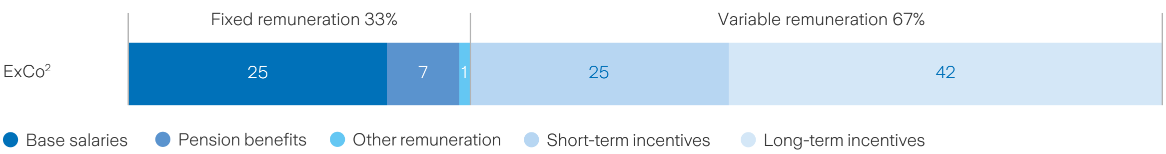
AIG, Allianz, Allstate, Aviva, AXA, Chubb, Generali, Legal & General, Manulife Financial Corp., MetLife, Munich Re, Progressive Ohio, Prudential Plc, QBE, Swiss Re, The Hartford and Travelers Cos. Inc.

The core peer group is regularly reviewed by the Remuneration Committee. Further, the analysis is supplemented by additional benchmarking studies as appropriate, for example, reviewing practices of large SMI companies in Switzerland or companies of a similar size in other countries.

The distribution of the individual elements making up the total remuneration of the ExCo in 2021 is set out in the following chart and is based on the target values for performance-related remuneration. It shows an appropriate balance of remuneration elements, with a significant emphasis on performance-related remuneration (STIP and LTIP), particularly long-term, deferred remuneration.

2021 remuneration structure[1]

%



1 At target, as a percentage of total remuneration.
2 Considering all members of the ExCo that were active for the full year, including the Group CEO.

Remuneration report (continued)

Amounts of remuneration for the ExCo

The following table shows the total remuneration in 2021 and 2020 for the highest-paid individual, which was Mario Greco, Group CEO, along with the total remuneration for all members of the ExCo (including the amounts for the Group CEO). The values of any one-off remuneration awards, such as replacement payments, and the amounts of contractually agreed remuneration after stepping down from the ExCo and during the notice period, are shown below the total amounts. Total remuneration for the ExCo in 2021 remained similar compared with the prior year. There were no changes to the overall remuneration structure for the ExCo in 2021. An increase in the amount of short-term incentives compared with the prior year reflects performance outcomes against targets for 2021.

Audited

Remuneration of the highest-paid individual and all ExCo members (including the highest-paid)

in CHF millions, for the years ended December 31		Highest-paid Group CEO		ExCo	
		2021[1]	2020[1]	**2021**[1,2]	2020[1,3]
Fixed remuneration	Base salaries	1.7	1.7	11.0	10.9
	Pension benefits[4]	0.4	0.5	3.4	3.0
	Other remuneration[5]	0.1	0.1	0.4	1.2
Variable remuneration	Short-term incentives	3.2	2.7	15.8	13.5
	Long-term incentives	3.8	3.8	17.1	19.6
Total in CHF[6]		**9.2**	**8.8**	**47.7**	**48.2**
Total in USD[6,7]		**10.1**	**9.4**	**51.8**	**51.5**
in CHF million, for the years ended December 31		**2021**[8]	2020[8]	**2021**[8,2]	2020[8,3]
Other payments and share allocations[9]		–	–	–	1.2
Contractual remuneration after stepping down until termination[10]		–	–	2.8	1.0

1 The remuneration shown is gross, based on the accrual principle, for the time employees are members of the ExCo during the year and does not include any business-related expenses incurred in the performance of the members' services.
2 On the basis of 14 members and former members of the ExCo, of whom 10 served in the ExCo during the full year in 2021.
3 On the basis of 13 members and former members of the ExCo, of whom 10 served in the ExCo during the full year in 2020.
4 The total value of pension benefits accruing to ExCo members during the year calculated on the basis of company contributions and service costs for the company as assessed under IAS 19 accounting principles.
5 ExCo members receive other remuneration in relation to employee benefits, expatriate allowances, perquisites, benefits-in-kind and any other payments due under each member's employment contract. Benefits-in-kind have been valued using market rates.
6 Zurich also paid the company-related portion of contributions to social security systems for members and former members of the ExCo in line with applicable laws where the executives are employed, which amounted to CHF 3.8 million in 2021 and CHF 3.4 million in 2020. Since the contributions are based on full earnings, whereas benefits are capped, there is no direct correlation between the costs paid to social security systems and the benefits received by the executives.
7 The amounts have been translated from CHF to USD at the relevant exchange rates throughout the year and the cash incentive to be paid in 2022 has been translated at the year-end rate in 2021.
8 The remuneration shown is gross, based on the accrual principle and does not include any business-related expenses incurred in the performance of the members' or former members' services.
9 These are extraordinary and include payments and share allocations to compensate incentive plan forfeitures with previous employers.
10 Relates to contractually agreed remuneration for the period of employment in 2021 or 2020 as applicable, after stepping down from the ExCo and during the notice period for leavers. Such remuneration may include base salaries, cash incentives, LTIP target allocations, pension costs and other remuneration including employee benefits, on a pro rata basis. Severance payments are not paid to ExCo members.

Remuneration report (continued)

Based on these figures, total ExCo remuneration consists of 31 percent in fixed remuneration, comprising base salaries, pension benefits and other remuneration including employee benefits, as well as 69 percent in performance-related remuneration, comprising short-term and long-term incentives (also 31 percent and 69 percent respectively, in 2020).

Variable remuneration of the ExCo
- Short-term incentives

The amount shown in the table relates to the total cash incentives earned under the Group's STIP. The individual STIP awards for members of the ExCo are determined in a similar way as for all employees, taking into account:

STIP target x Business performance x Individual performance = STIP award

Target amount

The STIP target amounts for ExCo members are 100 percent of base salary.

STIP pool achievement

Group BOP and overall customer NPS performance resulted in an achievement level of 105 percent for the STIP pool relevant for the ExCo.

Read more: page 89

Personal achievements

At the beginning of the year, each ExCo member receives a target card based on the general framework shown below. At year-end, a performance category is assigned with differentiated award levels.

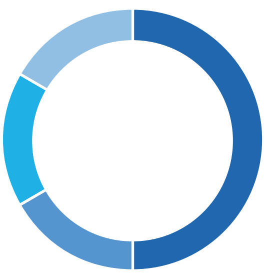
Resulting STIP award

STIP awards for each member of the ExCo are determined and approved by the Board. The maximum amount is 200 percent of the individual STIP target amount.

To assess individual performance, each member first conducts a self-assessment of their performance. Group Risk Management, together with other control and assurance functions, provide risk, compliance and audit information on each member. A discussion is then held between each member of the ExCo and the Group CEO. In a rigorous process, the Group CEO and the Remuneration Committee review the individual performance achievements, including risk and behavior aspects.

The Group CEO's performance is assessed by the Remuneration Committee and includes a review of the targets set at the beginning of the year, as well as progress on delivering the strategic plan, with risk and sustainability aspects as key considerations. The Group CEO is not present during these discussions.

ExCo target card framework



	Weight	Read more
Financial measures supporting strategy execution	~50%	Financial review
Customers	15-20%	Integrated sustainability disclosure – Customers
Employees	15-20%	Integrated sustainability disclosure – Employees
Strategic projects and accountabilities including ESG	10-20%	Group overview

Remuneration report (continued)

– Long-term incentives

The total number of PSUs allocated under the Group's LTIP to ExCo members in 2021 for the three-year performance period 2021–2023, was 42,116. The PSUs are valued using the closing share price of CHF 406.20 on the day prior to the allocation (second working day in April), assuming a vesting level of 100 percent in 2024. DEUs that may accrue during the performance period are not included.

The LTIP targets for the allocation in 2021 varied between 125 percent and 225 percent of base salary for ExCo members and the maximum vesting level, to be assessed in 2024, is 200 percent of the aggregate number of target shares (PSUs and DEUs).

The LTIP vesting level in 2022 for target shares allocated in 2019 is 200 percent. No discretionary adjustment was made to the calculated vesting level as outlined on page 90.

Replacement payments

In extraordinary circumstances where payments are made to new hires to replace forfeitures under the incentive plans of the previous employer, the payments tend to mirror the type and timing of the forfeited payments and can include cash payments and/or awards of restricted share units (RSUs) or PSUs. Where payments are made in cash, there is typically a clawback period if the employee leaves the company voluntarily during the first two years of employment. RSUs typically vest over three to five years following the date of allocation and are also credited with DEUs during the vesting period to compensate for any dividend paid. RSUs and associated DEUs are typically forfeited if the holder of such allocations leaves the company before the vesting date and the employment relationship terminates.

No replacement payments were made in 2021. In 2020, replacement payments made to the new members of the ExCo who took up employment with the Group during 2020, comprised of cash payments made in 2021 and RSUs vesting between 2021–2026.

Remuneration report (continued)

Audited

Special payments and termination arrangements, additional honoraria and remuneration, and personal loans for ExCo members

During 2021, there were two new members appointed to the ExCo as internal hires, and two members relinquished their responsibilities as members of the ExCo.

There were no termination payments (golden parachutes) or payments in advance, nor were any other benefits provided, such as agreements concerning special notice periods or longer-term employment contracts (exceeding 12 months in duration), or additional contributions to occupational pension schemes.

None of the members of the ExCo received any remuneration from the Group or from any of the Group's companies in 2021 or 2020 other than as set out in the tables above.

As of December 31, 2021 and 2020, there were no loans, advances or credits outstanding for ExCo members.

Remuneration and personal loans for former ExCo members

Former members of the ExCo are eligible to continue their mortgage loans following retirement on similar terms to those when they were employed. As of December 31, 2021 and 2020, no former ExCo member had any outstanding loans, advances or credits that have been provided on terms that are different to market conditions.

No former member of the ExCo received remuneration in 2021 or 2020 for their time as an ExCo member other than disclosed in the remuneration report 2021.

Related parties to current or former members of the ExCo

No benefits (or waiver of claims) outside market practice have been provided in 2021 or 2020 to related parties of current or former members of the ExCo. No party related to current or former members of the ExCo had any outstanding loans, advances or credits that have been provided on terms that are different to market conditions, as of December 31, 2021 and 2020, respectively.

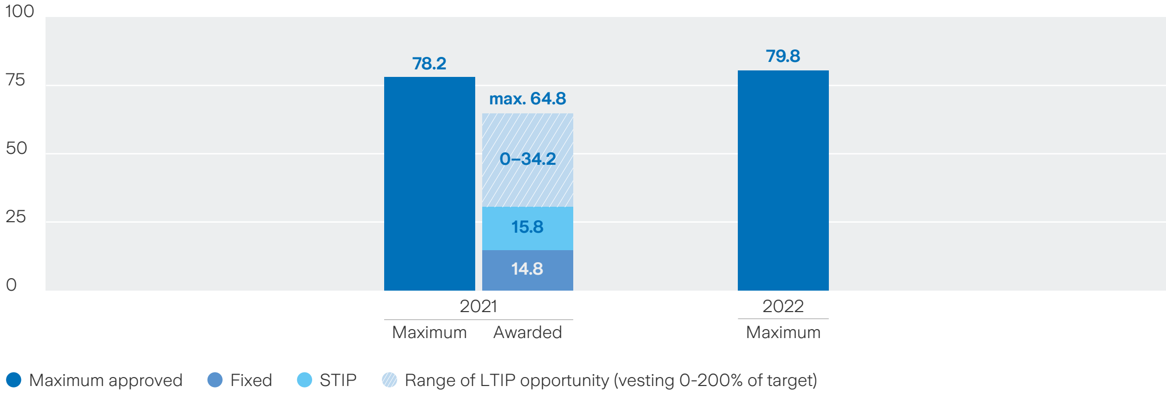
Remuneration report (continued)

ExCo remuneration voting at the AGM

The following chart provides an overview of the maximum total amounts of remuneration for the ExCo approved by shareholders at the last two AGMs, along with the maximum awarded remuneration for 2021 considering:

- Actual fixed remuneration including base salary, pension benefits and other remuneration, as disclosed in this remuneration report.
- STIP awards as disclosed in this remuneration report.
- The range of LTIP opportunity considering possible vesting between 0 and 200 percent of the value of the PSU allocation disclosed in this remuneration report. The final amount will depend on the vesting level calculated in 2024 upon completion of the three-year performance period.

Maximum total amounts of remuneration approved and the awarded amount for 2021[1,2]
in CHF millions



1 In addition to the awarded fixed remuneration, STIP and LTIP, other one-off payments and share allocations may be made. These could include extraordinary amounts for new ExCo hires to compensate incentive plan forfeitures with previous employers. There were no one-off payments in 2021. LTIP amounts do not consider shareholder returns including dividend equivalents from the date of the target share allocation until the date of vesting, as well as the impact of share price and foreign exchange rate fluctuations. The company-related portion of contributions to social security systems, in line with applicable laws, are not included in these amounts.
2 Based on art. 18 para. 4 of the Articles of Association (www.zurich.com/en/investor-relations/our-shares/articles-of-association), Zurich is authorized to make payments to any member who joins the ExCo during a period for which the AGM has already approved the remuneration of the ExCo, of a supplementary amount for the period(s) in question, where the total amount already approved for such remuneration is not sufficient. The sum of all supplementary amounts may not exceed, during any one remuneration period, 30 percent of the respective total amount of approved maximum total remuneration for the ExCo.

Information on the proposed maximum total amount of remuneration for the ExCo for 2023 can be found in the AGM invitation 2022 (www.zurich.com/en/investor-relations/shareholder-area/annual-general-meeting).

Remuneration report (continued)

Unvested share allocations of the ExCo

As of December 31, 2021, the total number of unvested target shares under the LTIP was 146,079 (170,887 as of December 31, 2020) and the number of unvested RSUs was 3,554 (2,128 as of December 31, 2020).

Within the context of the regular LTIP allocations made each year, the PSUs will be considered for vesting three years after the allocation, along with any DEUs that have accrued during the vesting period. For allocations made to ExCo members, half of the resulting vested shares are sales-restricted for an additional three-year period. The actual level of vesting is determined in accordance with the remuneration principles and vesting criteria set out in the remuneration report for the year of allocation.

Additional share allocations, for example to compensate incentive plan forfeitures with previous employers, can be made in the form of RSUs.

A summary of the unvested share allocations as of December 31, 2021, is set out in the following table:

Summary of unvested share allocations of the ExCo as of December 31[1]

	Year of allocation	Year of vesting					
		2022	2023	2024	2025	2026	Total
Target shares under the LTIP[2]	2019	48,513	–	–	–	–	48,513
	2020	–	53,114	–	–	–	53,114
	2021	–	–	44,452	–	–	44,452
RSUs[3]	2019	1,304	–	–	–	–	1,304
	2020	220	267	136	–	1,455	2,078
	2021	75	14	7	–	76	172

1 DEUs are credited during the vesting period and included in these amounts where they have already accrued. No further dividend equivalent shares will accrue on the DEUs.
2 At the vesting date, the original number of PSUs allocated, plus the DEUs, will be assessed for vesting in aggregate based on the performance achievements against the predefined vesting grid.
3 No performance conditions are applicable for vesting.

Remuneration report (continued)

Audited

Shareholdings of the members of the ExCo

The actual shareholdings of ExCo members in 2021, are shown in the following table for the past two years.

In addition to any shares acquired in the market, the numbers also include vested shares, whether sales-restricted or not, received under the LTIP. The table does not, however, include the share interests of the members of the ExCo that are currently unvested. All interests include shares held by related parties to members of the ExCo.

Shareholdings of ExCo members[1]

Number of shares, as of December 31	Shares	
	2021	2020
M. Greco, Group CEO	92,158	79,501
U. Angehrn, former Group Chief Investment Officer[2]	n.a.	24,139
E. Chan, Group Chief Information and Digital Officer	85	–
J. Dailey, CEO of Farmers Group, Inc.	26,488	23,846
P. Giger, Group Chief Risk Officer and Group Chief Investment Officer ad interim	–	–
J. Howell, CEO Zurich Global Ventures	15,891	11,540
A. Martin, CEO EMEA and Bank Distribution	13,977	8,864
L. Maurice, CEO Latin America	–	–
T. Naidu, CEO Asia Pacific[3]	5,369	n.a.
G. Quinn, Group Chief Financial Officer	57,780	46,479
K. Savio, former CEO North America[2]	n.a.	8,019
J. Shea, former CEO Commercial Insurance[2]	n.a.	9,526
S. Signorelli, CEO Commercial Insurance[3]	5,107	n.a.
K. Terryn, CEO North America	23,050	19,429
Total	**239,905**	**231,343**

1 None of the members of the ExCo, together with parties related to them, held more than 0.5 percent of the voting rights as of December 31, 2021 or 2020.
2 Urban Angehrn stepped down from the ExCo as of July 13, 2021, James Shea stepped down from the ExCo as of March 4, 2021 and Kathleen Savio stepped down from the ExCo to move into the newly created role of Group Chief Transformation Officer as of January 1, 2021.
3 Tulsi Naidu was appointed as CEO Asia Pacific as an internal appointment effective January 1, 2021 and Sierra Signorelli was appointed as CEO Commercial Insurance as an internal appointment effective March 4, 2021.

Trading plans

ExCo members may sell shares under predefined trading plans which require prior approval from the Chairman of the Board. The terms and conditions of the transactions under the trading plans must be defined and cannot be changed. Trading plans are reported to the SIX Swiss Exchange according to the rules on disclosure of management transactions. As of December 31, 2021, there were no trading plans in place. Further, no trading plans were entered into in 2021 or 2020.

Remuneration report (continued)

All employees

Remuneration of all employees

Please refer to the remuneration framework section on pages 92–98 for the key elements of remuneration and the benchmarking approach for all employees. The benchmarking analysis is mainly carried out and approved at a local level. The Group had 54,914 full-time equivalent employees as of December 31, 2021 (52,930 in 2020).

The following section includes information regarding the total remuneration earned by employees for 2021 and 2020 across the Group, including remuneration for ExCo members. The amount for cash incentive awards includes, amongst others, the awards across all of the pools in the Group's short-term incentive plan. The performance achievements against the predefined metrics resulted in an overall funding level of 114 percent of the target amount for 2021. This compares to 97 percent for 2020. The value of share allocations includes the target shares allocated under the LTIP, which assumes vesting in 2024 at 100 percent of target, as well as any other share allocations.

Total remuneration for all employees

in CHF millions, for the years ended December 31		2021	2020
Fixed remuneration	Base salaries, pension benefits and other remuneration[1]	5,091	5,012
Variable remuneration	Cash incentive awards earned for the year[2]	601	505
	Value of share allocations made in the year[3]	145	145
Total remuneration		**5,837**	**5,662**

1 Service costs for pension benefits represent the present value of the defined benefits from pension and post-retirement benefit plans, plus employers' contributions to defined contribution plans, arising from employee service over the accounting period. The amount included in this figure for defined benefit plans is calculated using actuarial factors and can vary year-on-year as economic conditions change. These numbers are explained in greater detail in note 20 of the consolidated financial statements. Other remuneration includes amounts for employee benefits and any other payments due under employment contracts.
2 Includes the amounts under the Group's STIP, as well as other cash incentive awards such as those from local plans which are subject to local Board approval, and any sign-on and severance payments in cash.
3 Includes the value of target shares from the LTIP and any other share allocations such as sign-on payments in shares.

Value of outstanding deferred remuneration

The Group's remuneration system includes instruments for the deferral of remuneration. The following table provides an overview of the overall value of outstanding deferred remuneration as of December 31, 2021 and 2020.

Value of outstanding deferred remuneration for all employees

in CHF millions, for the years ended December 31	2021	2020
Unvested target shares under the LTIP[1,2]	433	427
Unvested RSUs[1,3]	12	11
Vested but sales-restricted shares	373	285
Value of overall outstanding deferred remuneration	**818**	**723**

1 DEUs are credited during the vesting period and included in these amounts where they have already accrued. No further dividend equivalent shares will accrue on the DEUs.
2 Amount for 2020 has been restated from CHF 387m as reported previously. This is also reflected in the updated total number of unvested target shares on page 101.
3 Amount for 2020 has been restated to include an additional CHF 1.3m from some local plans omitted in the 2020 remuneration report.

The value of the deferred and unvested remuneration has been determined by multiplying the number of outstanding shares by the relevant share price at the original date of allocation and reflects the assumption of a future vesting level of 100 percent. The value of the vested, but sales-restricted shares considers the taxable value at the time of vesting.

Remuneration report (continued)

Impact on net income in 2021 and 2020 from remuneration made in prior years

The LTIP vesting level determines the actual number of shares to be awarded to participants relative to the target shares initially allocated. Differences in value between the initial estimated amount expensed in the income statement for the LTIP and the actual shares vesting in 2022, along with adjustments to the estimated value of shares vesting in 2023, depending on performance to date, are reflected in the 2021 consolidated income statement in line with accounting principles. For the 2019 and 2020 plans with shares vesting in 2022 and 2023 respectively, there was an increase of USD 81 million in the expense recognized in the 2021 income statement to reflect actual performance to date compared with original estimates. In 2020, there was an increase of USD 9 million to the expense recognized in the income statement to reflect adjustments due to actual performance.

Sign-on and severance payments for key risk takers

The following definition and principles for sign-on and severance payments apply:

- **Sign-on payments** are payments that are agreed on the execution of an employment contract (whether paid immediately or over time). Sign-on payments may include compensation made prior to a person joining the company and providing any services (payments in advance) or compensation for benefits foregone with a previous employer (replacement payments). Payments in advance are not paid to members of the Board or the ExCo. Any replacement payments for members of the ExCo, including the Group CEO, must be approved by the Board based on a proposal by the Remuneration Committee.
- **Severance payments** are provided in connection with the termination of an employment relationship. Zurich does not include under the term severance payments, garden leave or similar payments for employees in jurisdictions where such payments are required by applicable law, or where they are based on contractual notice periods which conform with recognized market practice, or where they are non-contractual, but in line with recognized market practice. Zurich does include garden leave or similar payments, however, that go beyond recognized market practice, irrespective of whether these are provided pursuant to an agreement or are ex gratia. Severance payments are not paid to members of the Board or the ExCo.

The Group as a principle does not make any sign-on or severance payments, however, if circumstances which in the Group's interest warrant such payments, these can be approved through a clear governance process. Any such payment with a value of CHF 1 million or more is approved by the Chairman of the Remuneration Committee prior to the time the employment offer is made or prior to the time the severance payment is committed to.

The following table discloses sign-on and severance payments committed to key risk takers. Key risk takers are incumbents of Zurich's most senior positions, as well as positions that have a significant influence on the risk profile of Zurich. For key risk-taker roles where the incumbent is a member of the ExCo, no payments in advance and/or severance payments have been made. Replacement payments for the ExCo in 2021 and 2020 are included where such payments were made.

Sign-on and severance payments for key risk takers

in CHF millions, for the years ended December 31	**2021**		2020	
	Amount (CHF m)	**Number of beneficiaries**	Amount (CHF m)	Number of beneficiaries
Sign-on payments/number of beneficiaries	2.0	5	3.1	8
Severance payments/number of beneficiaries	–	–	–	–

Outlook 2022

The Remuneration Committee reviews the Group's remuneration framework, system and practices annually. In 2022, there will be a particular focus on aligning the metrics and approach with the targets to be defined for the next strategic cycle from 2023–2025. Legal, regulatory and market developments, along with risk considerations and a strong governance framework, will remain an important part of the review process.

Alongside this, we will continue to explore additional ESG metrics within variable remuneration. The Group's STIP currently incorporates a non-financial customer metric to determine STIP funding for the majority of participants. Personal goals may also incorporate relevant ESG topics, supporting the Group's commitment to sustainability, to assess individual performance when determining STIP awards. Potential options to embed additional ESG metrics will be assessed ahead of the next strategic cycle. Considerations for this include the strategic relevance and materiality of any possible metrics for Zurich and its stakeholders.

The Remuneration Committee welcomed the engaging dialogue with investors and proxy advisers in the past year and looks forward to having the opportunity again in 2022. Shareholders are also invited to express their opinion on the remuneration report 2021, through an advisory vote at the AGM 2022. In addition they will have the opportunity to approve the maximum total amount of remuneration for the Board for the one-year period from the AGM 2022 – AGM 2023 and for the ExCo for the financial year 2023, in the binding votes. More information on these votes can be found in the AGM invitation 2022 (www.zurich.com/investor-relations/shareholder-area/annual-general-meeting) and in the relevant sections of this report.

Report of the statutory auditor

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To the General Meeting of
Zurich Insurance Group Ltd, Zurich

Zurich, February 9, 2022

Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report of Zurich Insurance Group Ltd for the year ended December 31, 2021. The audit was limited to the information according to articles 14-16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled "audited" on pages 103 to 107 and pages 110 and 113 of the remuneration report.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14-16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14-16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the remuneration report for the year ended December 31, 2021 of Zurich Insurance Group Ltd complies with Swiss law and articles 14-16 of the Ordinance.

Ernst & Young Ltd

Isabelle Santenac
Licensed audit expert
(Auditor in charge)

Thomas Fiepke

Integrated sustainability disclosure

122 Integrated sustainability disclosure

Inspiring action

Working together.

The Z Zurich Foundation[1] (the Foundation) works alongside governments, NGOs, Zurich employees and businesses in pursuit of a brighter future for disadvantaged people. "The Z Zurich Foundation is really inspiring for me," says Jayesh Kumar Baid at Group Reinsurance, who closely follows the Foundation's many campaigns. In 2021, for example, the Foundation agreed to support UNICEF's efforts to deliver COVID-19 vaccine doses to the most vulnerable. This resulted in the biggest fundraising campaign driven by the Foundation since its establishment in 1973, raising enough funds for UNICEF to deliver two doses of COVID-19 vaccine to more than 1.7 million people.

Jayesh Kumar Baid
Group Reinsurance, Zurich Insurance Group

To watch the video, visit:
www.zurich.com/reports/2021/annual-report

1 The Z Zurich Foundation is a Swiss-based charitable foundation funded by various members of the Group. It is the main vehicle by which Zurich delivers on its global community investment strategy.

Executive message on sustainability

Building resilience.

“In this report, we demonstrate the impact our actions are having by being more transparent about how we measure progress on our sustainability ambition and how we offer more sustainable solutions to our customers.

Alison Martin
CEO EMEA (Europe, Middle East & Africa) and Bank Distribution

Dear shareholder

We believe it's critical to be clear on what a company stands for and how the organization as a whole acts to deliver sustainable value to all stakeholders. We stand for doing business today in a way that supports future generations and builds resilience. That also means helping our people to have meaningful careers with relevant skills in a rapidly evolving digital world, treating our customers with the utmost priority and taking action to mitigate the impact of climate change.

Our three sustainability pillars call out the transformational themes that impact our business the most. They're the cornerstone of our sustainability ambition and guide us in building a resilient organization that responds to the needs of our time. By better managing the impact that digitalization will have on our own workforce as well as the way we serve our customers, we're preparing our organization for the future of insurance.

Executive message on sustainability (continued)

Taking bold climate action

Given the nature of our business as an insurer and investor, climate change presents undeniable challenges for us and our customers. We're therefore using the resources we have at hand to take bold climate action through our 1.5°C future plan. Our efforts are reflected in our own operations, our underwriting and our investments. In March 2021, we presented interim climate targets for our operations, setting out our intention to reduce our own carbon footprint by 50 percent by 2025 and 70 percent by 2029. For our investments, we aim to cut 25 percent in carbon intensity for listed equity and corporate bond investments, and target a 30 percent cut for our direct real estate by 2025. We also co-founded the Net-Zero Insurance Alliance with the ambition to set similar targets for our underwriting portfolio in the next couple of years.

Embracing the digitalization of our business

We aim to make people and organizations more resilient by enabling confidence in a digital society. We're committed to being transparent about data management and Zurich's data protection and privacy policy, as we believe this is a critical factor for customer trust. During the past year, we also focused on the development of ethical artificial intelligence solutions and invested in our digital capabilities to enhance customer experience.

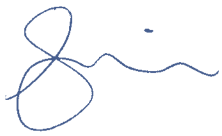
Preparing our workforce for the future

Within our own organization, as part of our strategic pillar work sustainability, we introduced a new hybrid world of work. We placed an increased focus on health and wellbeing in the workplace. In 2021, we also developed our global wellbeing strategy and launched a wellbeing employee resource group through which employees can support each other with mental, physical, financial and social wellbeing.

Reporting on our progress

Supporting our customers and society at large to build resilience against some of the most challenging environmental and social risks is at the heart of our purpose to create a brighter future together. To demonstrate the impact our actions are having we will provide more transparency about how we measure progress on our own sustainability ambition, how we respond to regulatory requirements and how we offer more sustainable solutions to our customers. Therefore, this report aims to connect this need for more transparency with our own ambition and the expectations of our key stakeholders.

It is critical that we all take the actions we can to support a more resilient world.



Alison Martin
CEO EMEA (Europe, Middle East & Africa) and Bank Distribution

Sustainability highlights 2021

156
sustainable solutions identified[1]

–21%
reduced intensity in financed corporate CO_2e emissions[2]

4.6m
tons CO_2e avoided through climate-related impact investments

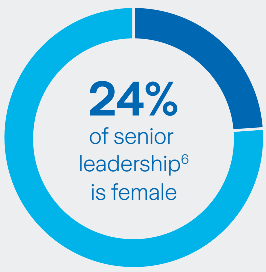
USD 8.2bn
investments in climate solutions

–59%
reduction in CO_2e emissions from our own operations[3]

4.1-point
increase in our overall transactional net promoter system (TNPS)[4] score, marking record level of customer satisfaction

3.4-point
increase in our claims TNPS[4] score

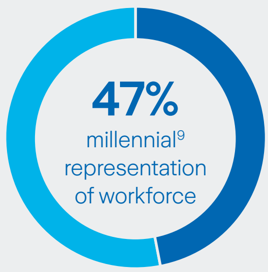
30%
increase in our global data transparency score[5]



23 hours
training received on average per employee[7]

4,996
new hires in 2021

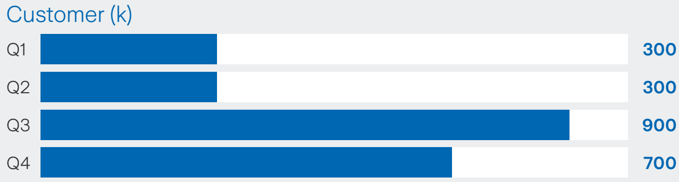
USD 2.3bn
tax contribution[8]



55%
of our procurement spend is in compliance to our Supplier Code of Conduct[10]

USD 59.3m
donated to charity, of which **USD 43.8m** via the Z Zurich Foundation

Net new customers
Customer (k)



1 Based on our internal definition.
2 Compared to our 2019 baseline.
3 In 2020.
4 TNPS is a specific indicator that is calculated as part of the NPS program – with NPS being the global best practice standard for customer experience measurement.
5 Since Q1 2020.
6 Career level E incorporates the most senior roles (country CEOs and other senior business leaders).
7 Only includes formal online training.
8 This amount represents the tax borne by shareholders in 2020.
9 Millennials (1981–1996).
10 The program started in 2021. Our goal is to achieve 75 percent by the end of 2022 as this will ensure we cover our main suppliers.

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George Quinn
Group Chief Financial Officer

Zurich Insurance Group[1] is committed to creating sustainable value for all its stakeholders, and we aim to achieve outcomes that benefit both the planet and its people in the long term.

As an insurer, a key component of our success is the trust built through doing the right things, in the right way, and measuring and reporting the effects of those actions. Therefore, we recognize and strongly believe in the need for transparency to disclose clear, comprehensive, and high-quality information on our performance on key non-financial and environment, social and governance (ESG) indicators.

The sheer number of frameworks and inherent complexity in quantifying some of these issues makes this a journey for the private sector and supervisors, regulators, and governmental agencies. We endeavor to create a meaningful sustainability disclosure based on good practices, sustainability regulations and reporting frameworks. Accordingly, this report has adopted a combination of existing reporting frameworks to provide insights into the topics that are most material to our business and our key stakeholders. It provides insights into sustainability risks and opportunities our business faces while embedding compliance and transparency.

This integrated sustainability disclosure (ISD) is complemented by the stand-alone Sustainability Report 2021[2], which provides more in-depth information on selected items.

This report contains our disclosure in line with the recommendations from the Task Force on Climate-related Financial Disclosure (TCFD), which we have enhanced this year with a portfolio-level climate risk scenario analysis. This analysis has provided us with a deeper insight into the challenges and opportunities associated with climate risk. It allows us to understand the resilience of our strategy to such risks. Read more about it in the Planet section, pages 134 to 166. Additionally, we have considered the 21 core World Economic Forum (WEF) Stakeholder Capitalism Metrics and the Sustainability Accounting Standards Board (SASB) standard for the insurance industry. Some of the indicators under these external frameworks are industry, entity or geography agnostic, precluding a one-size-fits-all situation. Within the report, therefore, we follow a 'disclose or explain' approach. We disclose the indicators that are most material to our business and our stakeholders in the ISD, while we address less material indicators in the index table with a short explanation.

In addition to these external frameworks, this report includes reporting on our targets under the three pillars of our sustainability strategy and the indicators we use to measure progress on them.

The indicators included in this report cover the period from January 1 to December 31, 2021, unless stated otherwise. Some data may be collected and reported as of an earlier date in the year. Certain cases are extrapolated for the remaining months of the year based on the Group's internal methodology and are indicated by footnotes in the respective tables.

For a detailed overview, please see the index tables related to the frameworks SASB, WEF IBC, Zurich Sustainability pillars, as well as the index table related to the key metrics of our planet section on our website[3]. Furthermore, we have used references to the Global Reporting Initiative (GRI), without adhering to the standards listed in the index[3] in its entirety.

Figure 1:
Our ESG reporting monitors strategy execution, meeting stakeholders' needs while ensuring compliance

Zurich sustainability strategy and objectives
Strategy execution metrics for our sustainability objectives (i.e., our 1.5°C future, confidence in a digital society, work sustainability)

Reporting standards adopted; stakeholder relevance
Standards that we decided to adopt and that are of relevance to our stakeholders, especially investors (e.g., WEF IBC, SASB)

Regulatory requirements
Reporting requirements, such as FINMA disclosure requirements on climate risks

1 Comprising Zurich Insurance Group Ltd and its subsidiaries (the Group or Zurich or we).
2 www.zurich.com/en/sustainability/reporting-and-news/reports-publications
3 www.zurich.com/sustainability/strategy/measuring-our-progress

1. Introduction (continued)

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Our three sustainability pillars call out the transformational themes that impact our business most. They are the cornerstone of our sustainability strategy and guide us in building a resilient organization that responds to the needs of our time.

Figure 2:
Our three sustainability pillars – selected highlights from 2021

Our 1.5°C future

- **No longer underwrite new greenfield oil** exploration projects[1]; full **phase out of thermal coal** from underwriting portfolio[2]; not underwrite oil & gas drilling and production in the **Arctic**[3]
- Targeted interim **CO2e reduction in investments and operations**
- Founding member of **Net-Zero Insurance Alliance**
- Launch of **Carbon-Neutral Fund and other ESG funds** for Life customers

Confidence in a digital society

- Global implementation of **Data Commitment almost completed**
- Rolling out **artificial intelligence assurance framework** based on key ethical principles of **fairness, transparency and accountability**

Work sustainability

- Increased **gender diversity** at Executive Committee and leadership level
- **Continued to increase the number of learning hours** as part of our efforts to strengthen a culture of learning
- Used the **hybrid working model** as an opportunity to create a healthier and more resilient organization
- Further improved **employee satisfaction**

Indicators discussed in this report are labelled to identify the sustainability pillar and standard to which the reporting is linked. Please note that indicators might impact several impact areas, environment, social and governance. In this case, we highlight the most relevant area only.

Legend of icons used

External frameworks and our standards				Impact area		
TCFD	WEF IBC	SASB	Zurich sustainability pillars	Environmental impact	Social impact	Governance impact

1 Unless meaningful transition plans are considered to be in place.
2 By 2030 for OECD and EU27 and 2040 for the rest of the world, unless the company has formally approved science-based targets in place, which are approved by either the Science Based Targets Initiative (SBTi) or a similar scientifically accredited body.
3 Considered as anything north of 66 degrees latitude with the exception of the Norwegian Continental Shelf (NCS).

2. Creating positive impact for stakeholders

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We believe social responsibility and care for our planet are aligned with shareholders' interests. Sustainability is a business opportunity as well as an urgent global imperative. Our ambition is to be one of the most responsible and impactful businesses in the world. This means creating positive outcomes for all stakeholders, taking economic, social and environmental considerations into account.

2.1 Our purpose

WORLD ECONOMIC FORUM G

Our purpose is to create a brighter future together. We do not strive to realize a static ideal, but rather to be an enabler for evolution and continuous improvement. Over a century and a half, we have refined our business model to make the most of our resources and generate value in a way that considers all our stakeholders and the physical and social environment around us. We are proud of our heritage and understand that protecting our reputation and our assets is critical to our long-term success. When looking to the future, we are confident we will thrive based on our tradition and grow based on our purpose.

We are convinced that living up to our purpose will strengthen our core business and have a positive impact on our performance as an underwriter and investor. With changing customer expectations and an increasing demand for social and environmental engagement, sustainability is increasingly becoming a driver for success. Evolving legislation and the increasingly visible impacts of climate change underline the urgency of the topic. We are supporting our customers who face these risks, and we are enhancing preventative advisory solutions to complement traditional underwriting services.

2.2 Sustainability in everything we do

To ensure we invest our resources where we can make the biggest impact, we continuously work to identify new challenges and opportunities that arise. We strive to understand the environment around us and look for ways to capture the opportunities it presents for our business. We believe that taking an integrated approach is the key to our success, hence we consider sustainability in everything we do.

We are conscious of the impact we have on people and planet and consider this in our own operations, our investment portfolio, and our underwriting. To set a solid foundation, we have been working on the efficiency and sustainability of our own operations for a long time. In 2021, for example, we established interim targets toward a climate-neutral 2050 to support our climate strategy on the one hand, and focused on digitalization and internal growth as part of our focus on developing our people, on the other. We believe challenging ourselves and our employees will enhance our positive environmental and social impact.

Secondly, we have been one of the early adopters when it comes to sustainable investment. To date, we leverage this expertise to engage companies on our portfolio in the net-zero transition. Finally, we see great opportunities in the field of underwriting and want to strengthen our focus on this to capture the value it holds for our business and our customers. We support our customers in risk prevention and mitigation, for example the increasing challenges of cyber security during the COVID-19 pandemic. We also became a founding member of the Net-Zero Insurance Alliance (NZIA) in 2021, as part of our goal to accelerate the transition to a net-zero emissions future and embed sustainability into our underwriting activities.

2. Creating positive impact for stakeholders (continued)

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Figure 3:
Sustainability is integrated in everything we do

Operations	Underwriting	Investing	Customers	Employees	Partners and communities
Science-based CO2e targets	Global climate risk assessment	Engage on net-zero transition	Accompany on net-zero transition	Workforce diversity	Sustainable sourcing
100% renewable power target	Mitigate climate change	Proxy voting	Responsible data management	Employee skill development	Contribute to communities
100% electric fleet target	Emerging technologies	Finance the transition	Sustainable insurance products	Wellbeing	Enhance food resilience

We do not only embed sustainability across all functional units, we also set high expectations for all our business units around the world. To engage all regions, we combine top-down and bottom-up initiatives. By taking a hybrid approach, we ensure all countries can contribute toward the same goals in a mutually empowering manner.

2.2.1 Assessing materiality

We want to work together with our employees, customers, investors and society to create a brighter future. To do this, it is necessary to involve these stakeholder groups in our decision-making process – and to figure out what issues matter most to them. In 2018, therefore, we carried out a materiality assessment to understand which sustainability-related issues are most relevant to internal and external stakeholders. The assessment included both quantitative and qualitative analyses and was built on internal risk expertise, engagement with 10 different stakeholder groups, and insights generated from big data tools. Based on this, 21 sustainability issues were identified and prioritized.

The outcome of the 2018 assessment was used to support the identification of our three strategic sustainability pillars[1]: our 1.5°C future, confidence in a digital society and work sustainability.

As the relevance of these issues fluctuates over time, we decided to partially revise the matrix in 2021. More specifically, we identified issues for which relevance has significantly shifted during the past three years. Among other things, we considered changing customer expectations, and upcoming legislation in the diverse areas we operate in.

Based on this revision, we identified three topics that were already highly material in 2018 and have been reinforced by events that happened during the past three years. We also identified three topics that were qualified as less material in the 2018 assessment but have gained significantly in importance since then. In general, the concept of interconnectivity is changing the picture. We strive to join the dots between different challenges and no longer look at them in isolation.

1 www.zurich.com/sustainability/strategy

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Topics confirmed to be of high importance during the 2021 materiality review

Climate change

- High-profile disasters from natural hazards have highlighted the global risks of climate change.
- Customers, investors and regulators/policymakers' awareness and expectations around corporate responsibility are on the rise. Companies are being judged based on their culture, actions, and impact.
- The shift in public opinion has driven eco-friendly brands and innovations to emerge at a rapid pace.
- The meaning of climate change is expanding from the sole focus on carbon emissions to an increased emphasis on issues such as biodiversity, climate risk, net-zero emissions ambitions, circular economy, green digitalization, and innovation for green growth.

Data privacy and security

- Remote working, accelerated by the pandemic, has increased IT vulnerability and compelled organizations to take extra steps to protect personal data of our customers and employees.
- There has been a global increase in ransomware attacks across sectors and governments.
- Globally, data security and privacy are still major challenges. In Europe, an additional focus on the ethical use of data is emerging (e.g., artificial intelligence regulations).

Fair and inclusive workplace

- The pandemic drove many businesses to rely on technology to continue operating, yet it continues to highlight the technology gap in many low-income households. It has led to long-term changes in the job market, increasing the pressure for automation and having an adverse effect on pay and employment conditions.
- The need for increased gender and ethnic diversity in the workforce has become prevalent. This will in turn demand increased diversity and inclusion efforts from the companies and more transparent reporting on these topics.

Topics identified as having become significantly more important during the 2021 materiality review

Product responsibility

- The COVID-19 pandemic highlighted the importance of transparency toward our customers, so they fully understand the conditions of policy coverage.
- There is an increasing demand from governments and customers to ensure that products and services offered meet existing needs with transparent terms and conditions.
- Greenwashing has become a more prominent issue in marketing.

Responsible supply chain

- The resilience of global supply chains has been challenged by multiple issues, such as cyber threats, the pandemic, political activity, financial disruption, and disasters from natural hazards.
- Increasing expectations downstream (up to the end-consumer) in supply chains are driving a greater need for social and environmental responsibility and transparency across the complete chain.

Wellbeing and health

- The pandemic and the measures taken to tackle it have exacerbated growing concern over general and mental health.
- Financial inequality is an aggravating factor for most vulnerable groups and leads to an expanding inequality gap in our society.
- To improve health and wellbeing outcomes, governments and employers invest in measures to mitigate risks. This has led to a growth in tech startups focusing on physical and mental health.

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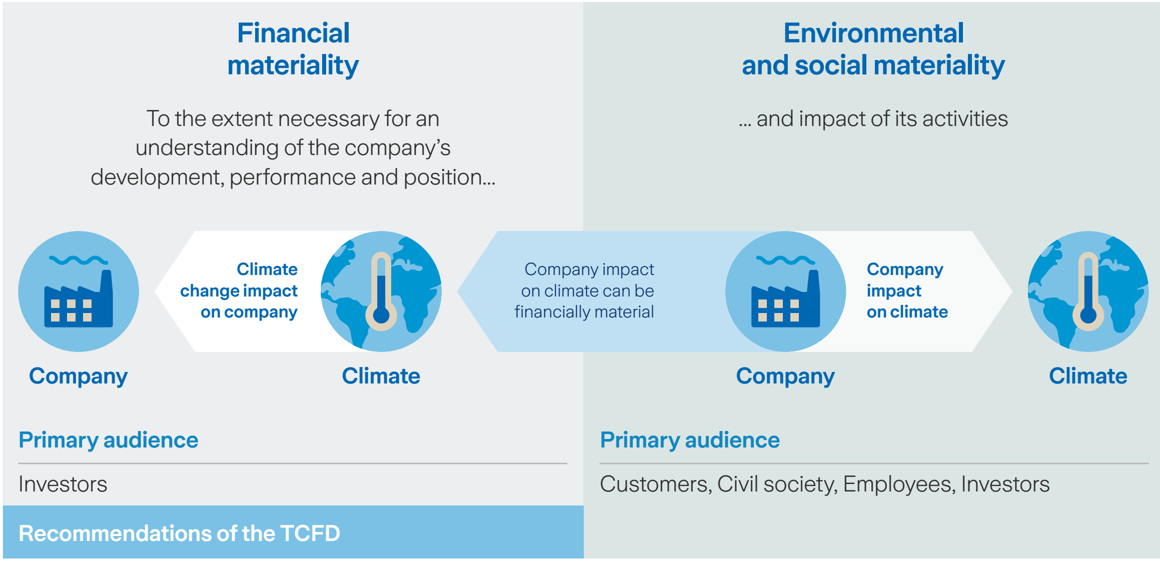
2.2.2 Managing risks and opportunities

To carry out effective sustainability risk management, we consider the impact of our company on the planet and society (inside-out perspective), as well as the impact of climate and society on our company's core business (outside-in perspective). This approach enables us to understand sustainability risks, such as climate change as a risk driver of the key risks in our risk taxonomy. The concept of double materiality is used to understand the risks associated with sustainability. The sustainability risk framework addresses the process of identifying, assessing and mitigating risks largely from an inside-out perspective, whereas other approaches, such as scenario-based climate risk assessment, are used to understand the risks from an outside-in perspective.

Figure 4:
Double materiality[1]



Through our risk management framework, our approach helps to protect our company against financial and reputational risks, and it supports the identification of potential business opportunities. For the same reasons, ESG integration is a core pillar of our responsible investment strategy.

To support our business in mitigating risks and managing the inside-out impact of our company, we have established a systematic and integrated approach to identifying and assessing the potential impact of sustainability issues, as well as recommending proper response strategies. This approach is applied across all Group activities, and in particular, in investment management and underwriting.

Figure 5:
Risk management framework

1 Risk identification
Filter risks from various sources (ESG research, social and traditional media, NGOs, businesses) and identify those selected risks to go through our risk assessment process.

2 Risk assessment
Risk assessment by filtering risks through public commitments, role of insurance, underwriting risk assessment, market exposure assessment, etc. Our Group CEO approves a position statement on the risk, recommends business actions and takes reputational management considerations into account.

3 Implementation
Businesses locally implement mitigation actions and reputational management plans. Support available from experts across the Group and escalation follows normal governance procedures.

We have used our proprietary risk-profiling methodology since 2012 to prioritize key sustainability risks that need to be monitored across all our business transactions. These include:

– Respect for human rights, in particular avoiding business involving child labor, forced labor, poor health and safety conditions or unfair remuneration.
– Banned weapons, avoiding business involving the manufacture, sale, distribution or stockpiling of cluster weapons or anti-personnel mines.
– Dam construction, avoiding unacceptable social, political or environmental risks of specific dam construction projects.

1 The image represents the double materiality perspective of the EU Non-financial Reporting Directive. It is included here for illustrative purposes of the double materiality.

2. Creating positive impact for stakeholders (continued)

– Oil and gas operations, and mining operations, avoiding risks involving damage to protected areas or critical natural habitats, corruption, and human rights abuses.
– Thermal coal, oil sand and oil shale.

The framework is also used to establish proper response strategies[1], for example, avoiding risks by divestment or underweighting assets[2], or not underwriting certain activities, like our thermal coal, oil sand and oil shale position.

For outside-in risks, the most prominent example of 2021 is a detailed scenario-based climate risk assessment that we performed, while using a range of Network for Greening the Financial System (NGFS) scenarios and applying these across our core underwriting and investment portfolios to understand the potential physical and transition risks. These risks' impacts and the strategies to manage them are disclosed through the TCFD disclosure in the planet section (pages 134 to 166).

2.3 Involving our stakeholders

We understand that the success of our sustainability strategy greatly depends on the willingness of our stakeholders to be involved in, and contribute to, our ambitions. Our customers and employees are two very important stakeholder groups. Therefore, we provide details on our interactions with them in the customer and people section respectively pages 167 to 171 and pages 172 to 177. In addition, we frequently interact with, for example, regulators, NGOs and industry associations. In our stand-alone Sustainability Report 2021[3], you can read more on the mutual benefits we gain from this.

In addition, we strive to involve our investors, suppliers, and vendors, and the communities in which we operate, in diverse ways.

2.3.1 Investors

Sustainability continues to grow in importance for many of our stakeholders. As a responsible business, we have embedded sustainability goals into our corporate strategy, and we are dedicated to transparently communicating on our progress. We therefore invest intensively in consistent and open engagement with stakeholders, including investors and rating agencies.

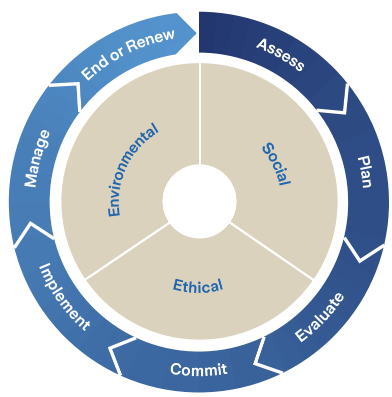
As part of our outreach to investors, dedicated interaction between our Board and larger investors has been established to provide insights into our sustainability strategy and performance. We also actively contribute to investor and rating agency events. This gives us objective insights into our current performance and supports us in our journey toward a more sustainable future. Based on our experience, we have learned that engaging with investors and rating agencies allows us to increase awareness on issues and potential solutions on the sustainability agenda, and also helps us to maintain our leadership position in this rapidly developing area.

2.3.2 Sustainable sourcing

WORLD ECONOMIC FORUM S

Our focus on expanding efforts to interact with partners in a way that supports our values, in combination with the challenges presented by the global pandemic (see assessing materiality; emerging topic 'responsible supply chain' (page 127), have reiterated the need for formalizing sustainability efforts in external partnerships. As part of this, we have established a Sustainable Sourcing Program[4]. This development aims to enhance the resilience of our supply chain, supports our aspiration to the Business Ambition for 1.5°C commitment[5], and create a positive social impact.

Figure 6:
Sustainable Sourcing Program



The program comprises three pillars that address environmental, social, and ethical factors. Its objective is to embed these factors throughout the sourcing lifecycle, align suppliers with our values and be transparent about our expectations.

So that there is a clear foundation for the systematic integration of responsible business conduct in our supply chain, we have developed a Supplier Code of Conduct (SCOC). By asking our suppliers to comply with this code, we aspire to use our influence as a significant buyer of goods and services to accelerate the adoption of sustainable business practices amongst our suppliers.

By the end of 2022, we aim to have 75 percent of our managed procurement spend (MPS)[6] in compliance with, or exceeding, our SCOC expectations. We measure compliance by asking suppliers to complete a self-assessment.

1 www.zurich.com/sustainability/governance-and-policies/exclusion-policies
2 www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/responsible-investment-at-zurich.pdf
3 www.zurich.com/en/sustainability/reporting-and-news/reports-publications
4 www.zurich.com/en/sustainability/governance-and-policies/sustainable-sourcing
5 UN Global Compact – Business Ambition for 1.5°C: www.unglobalcompact.org/take-action/events/climate-action-summit-2019/business-ambition
6 The spend of approximately USD 2 billion annually managed by Zurich's Procurement and Vendor Management function according to the 2020 baseline on goods and services that are required to enable Zurich to maintain and develop its operations.

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At the end of 2021, we have confirmed that 55 percent of our managed procurement spend is with suppliers that meet or exceed our expectations. The SCOC and related self-assessment process was launched in June 2021. We will continue to invite suppliers to carry out self-assessments during 2022 as we move toward our target of 75 percent by end of 2022.

We are working with the suppliers comprising the top 75 percent of our MPS to address any areas where they do not meet expectations and are seeking to agree contractual clauses to embed our standards. This ensures a continuing focus on sustainability for the benefit of our business, our customers and society. We take our sustainability engagement seriously, now and for the future. So, where engagement fails and suppliers cannot or refuse to embed the minimum standards, we will review the relationship and consider phasing them out to protect our effort in doing the right thing.

As part of our continuous efforts to improve processes and guidelines for managing sustainability issues in the supply chain, we are currently working on a new third-party governance framework (TPGF). The TPGF aims to establish a globally consistent framework of Group minimum standards that applies to the onboarding and management of our suppliers. The TPGF will provide a risk-based approach for embedding sustainability in a consistent way across our supply chain.

2.3.3 Responsible tax[1]

We aim to be recognized as a responsible member of the communities in which we operate and contribute to their prosperity. Being a responsible taxpayer is one of the ways we support their economic and societal development. We consider effective and efficient tax compliance to be a key objective and allocate significant resources to ensure that the tax affairs of the Group are sustainable, well governed and transparent.

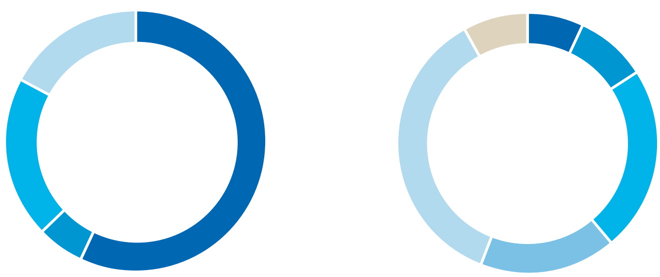
Our approach to tax is guided by our purpose – create a brighter future together – and is supervised by the Board and executed by members of the Executive Committee (ExCo). The Group's Code of Conduct is embedded into our responsible tax strategy and requires compliance with laws and regulations of all countries where the Group operates.

We are a significant contributor of taxes, both those borne by our own shareholders as well as those collected on behalf of tax administrations.

Figure 7:
Tax contribution 2020

Taxes borne by shareholders
Total 2020: USD 2.3bn
(All numbers based on IFRS excluding deferred income tax)

Taxes collected
Total 2020: USD 6.1bn
(All numbers based on IFRS excluding deferred income tax)



Shareholder income tax	57%
Stamp duty and other taxes	6%
Employer social security	20%
Irrecoverable VAT	17%

Employer social security	7%
PH income and other taxes	9%
Other taxes (incl. WHT)	23%
Payroll tax	17%
Premium tax	36%
VAT declared	8%

Tax contributions include but are not limited to:

Corporate income taxes
Employment taxes
Insurance premium taxes
Value added taxes (VAT)
Stamp taxes and other transactional taxes
Real estate and other asset taxes
Excise taxes
Withholding taxes (WHT)

1 Results are reported with a one year time lag. This content is already available on our website (Being a responsible taxpayer Zurich Insurance: www.zurich.com/sustainability/governance-and-policies/being-a-responsible-taxpayer) and features a more detailed view on our tax strategy. Our 2021 tax results will be communicated on our website. Also see financial review page 229.

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2.3.4 Community investment[1]

Our community investment activities are mainly delivered by the Z Zurich Foundation (the Foundation), a charitable organization funded by various members of Zurich Insurance Group. The Foundation is at the heart of Zurich's ambition to be one of the most responsible and impactful businesses in the world and is creating a brighter future for vulnerable people with the aim to positively impact at least 11 million people worldwide by 2024.

In 2021, the COVID-19 pandemic continued to challenge the world and its population. The Foundation has continued to support the most vulnerable by providing tailored grants to support local disaster relief initiatives identified by our business units. Our employees also went above and beyond to support vulnerable people affected by the various natural hazards, mobilizing their network. These collective efforts led to results of which we are proud, with some of the highlights for 2021 being:

– A global fundraising campaign, engaging our employees and all business units to support UNICEF's efforts to deliver COVID-19 vaccines to low- and middle-income countries for the COVID-19 Vaccines Global Access (COVAX) Facility.
– Significant developments of the Foundation's 'Adapting to Climate Change', 'Improving Mental Wellbeing' and 'Enabling Social Equity' activities with new local grants and new global partnerships signed.
– Seventeen new local grant programs to support projects under the Foundation's strategic areas.
– Sixteen Community Hero Awards presented to recognize Zurich employees, who are going above and beyond to support their communities.

In addition to the work driven by the Foundation, our local business units also hold smaller budgets to account for local needs and priorities.

Table 1:
Employee fundraising and volunteering 2020 figures[2,3]

	2020	2019	Change
Fundraising and donations (USD millions)[4]	2.5	2.3	10%
Total time volunteered by workforce (business hours)	38,830	129,702	(70%)
of which skills-based hours	19,485	31,463	(38%)
Workforce actively volunteering (% of total headcount)	9.3%	20.9%	(11.5 ppts)

Table 2:
Charitable cash contributions 2021 figures (USD millions)

	2021	2020	Change
Charitable cash contributions by Zurich business units[5]	15.6	31.9	(104%)
Charitable cash contributions by Zurich to Z Zurich Foundation[6]	43.8	42.7	3%

Please note that parentheses around percentages or points indicate a reduction.

1 Note: Zurich Insurance Group and its employees are contributing through fundraising, volunteering and cash contributions apart from the community investment activities carried out by the Foundation.
2 All figures exclude Farmers Exchanges. Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.
3 2021 figures will be disclosed in the Foundation's annual report published in June 2022.
4 Mostly includes Zurich employees' fundraising and donations. As the share of the Zurich business units' matching becomes negligible, the split of these two sub-categories is no longer reflected.
5 'Charitable cash contributions' captures voluntary contributions from Zurich business units to non-profit organizations, excluding the Foundation. Once a year the data is consolidated and the total group number is reported. The decrease in cash contributions in 2020 is mainly due to a one-off donation to the COVID-19 Support Fund in the UK in 2020.
6 Charitable cash contributions captures voluntary contributions from Zurich to the Foundation. The donation is made yearly and reported once a year. The donation is made by various legal entities of the Zurich Insurance Group and amounted to CHF 40 million in 2020 and 2021. The dollar amount increase in the table above is due to foreign exchange rate movements.

3. Governance: Sustainability is embedded in our governance

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Our governance structure supports a stakeholder-inclusive approach. As we believe sustainability needs to be embedded in the existing business to optimize our impact, it is treated as an integral part of our governing system.

The Board of Zurich Insurance Group Ltd has ultimate responsibility for the success of the Group and for delivering sustainable value within a framework of prudent and effective controls. It sets the Group's values and standards to meet the expectations of our stakeholders. As part of its strategic responsibility, the Board approves the Group's sustainability strategy and objectives, including related targets that have a material impact on the company or the Group. It is supported by its Board Committees within their respective core mandates:

- the Governance, Nominations and Sustainability Committee recommends the Group's sustainability strategy and objectives and exercises oversight on sustainability-related matters.
- the Audit Committee provides oversight on the ISD.
- the Risk and Investment Committee provides oversight of risks (including sustainability risks).
- the Remuneration Committee evaluates the Group's remuneration architecture, including incentive plans which are linked to appropriate performance criteria supporting the execution of the Group's strategy.

TCFD For example, the target card framework used to assess individual performance of the ExCo for the 2021 short-term incentive plan (STIP) awards, includes both financial and non-financial targets. The non-financial targets are related to customers, employees, and strategic projects such as those with an ESG, including climate, focus.

TCFD The Board of Zurich Insurance Group Ltd is a supervisory board. Its members receive fixed remuneration as an annual fee, of which the basic fee is paid half in cash and half in five-year sales-restricted shares which are not subject to the achievement of any specific performance conditions[1] (see the remuneration report, pages 84 to 117 for further details).

At management level, accountability for different areas of expertise, including sustainability aspects related to each of these areas, are assigned to an ExCo member or a Group CEO direct report. In addition, the Group CEO has designated the CEO EMEA & Bank Distribution as the ExCo-level sponsor for sustainability (Sustainability ExCo Sponsor). This role is supported by the Group Head of Sustainability and the Group Sustainability team. The sponsorship includes driving the strategic sustainability approach of the Group and acting as a sounding board for strategic alignment of global sustainability priorities to assure a consistent approach and to facilitate oversight. The Sustainability ExCo Sponsor is also responsible for monitoring progress with respect to the sustainability priorities and targets and reporting thereon to the Board's Governance Nominations and Sustainability Committee, the Group CEO and the ExCo.

By opting for an integrated approach, our existing governance bodies are responsible for sustainability related topics that concern their field of expertise.

The implementation of the sustainability strategy and objectives in the businesses, function, regions and countries is facilitated by the Sustainability Leaders Council (SLC). The SLC comprises senior executives from across the Group and is chaired by the Group Head of Sustainability and sponsored by the Sustainability ExCo Sponsor.

1 In line with the TCFD disclosure, we specify that the remuneration of the Board is not impacted by climate-related performance.

3. Governance: Sustainability is embedded in our governance (continued)

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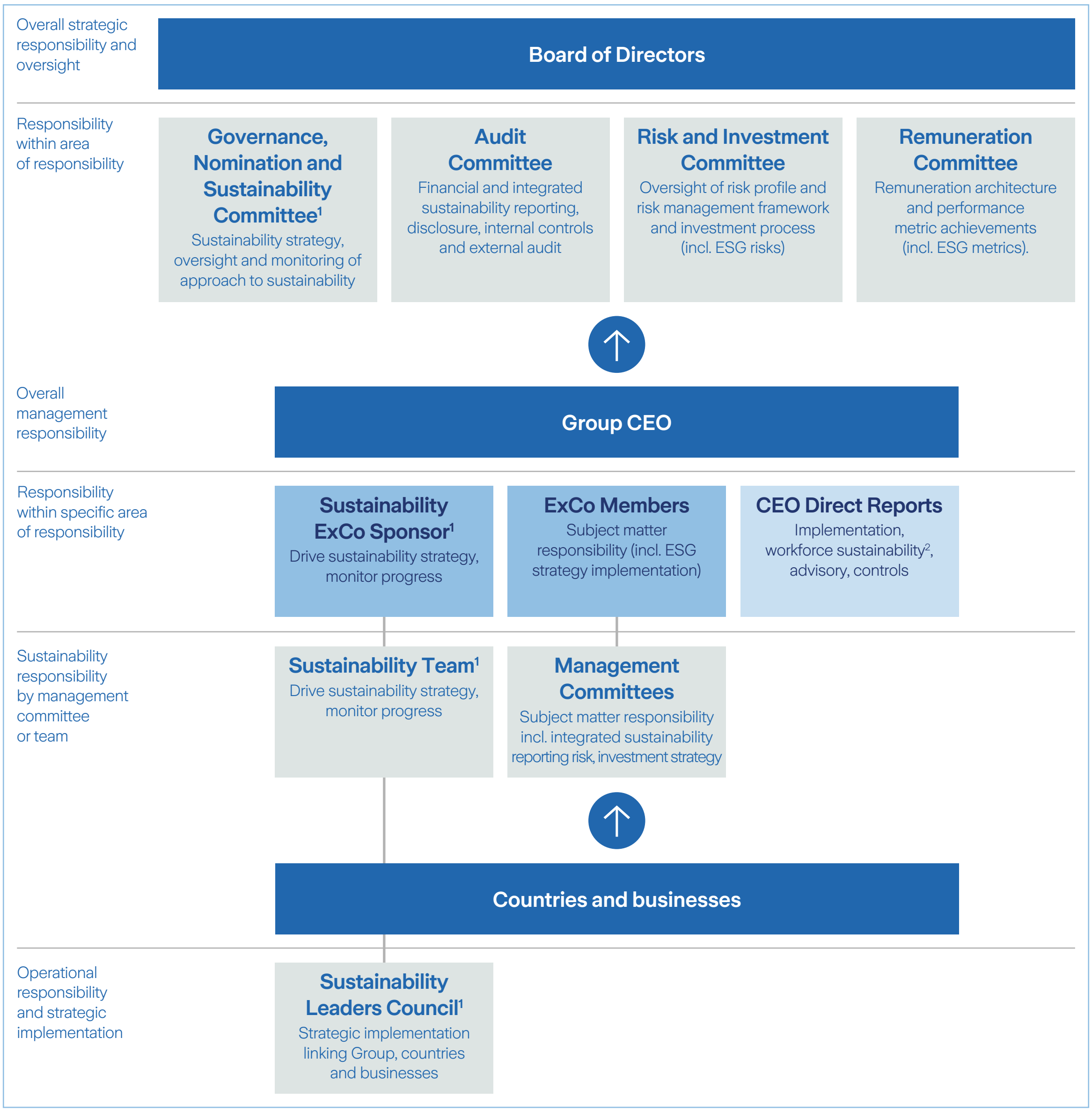
Sustainability is fully embedded in our governance



1 ESG-specific responsibilities.
2 Within responsibility of Group Chief Transformation Officer.

4. Our planet: Drive positive impact

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Linda Freiner
Group Head of Sustainability

Climate change is perhaps the most complex risk facing society today. It is intergenerational, international, and interdependent. We strive to be a leader in helping the world better manage climate risk and improve resilience to the adverse consequences of climate change.

Significant reductions in greenhouse gas emissions are required to achieve the outcomes of the Paris Agreement, with current political will as demonstrated in COP26 falling short of what is required to achieve a 1.5°C future. Through engagement and collaboration with our stakeholders, we remain committed to aligning our underwriting activities, our investment activities and our own operations with a 1.5°C future. The risks and opportunities associated with climate change affect our products, services, and operations. Understanding, measuring, and managing these impacts – while seizing the opportunities that arise from the transition to a climate-neutral world – is important to sustainable value creation for all our stakeholders.

TCFD This section presents our disclosure in line with the recommendations of the Financial Stability Board's Taskforce on Climate-related Financial Disclosure (TCFD). It outlines our understanding of potential climate risk impacts to our insurance and investment activities and an assessment of the resilience of our strategy to climate change risk. Also outlined is the governance we have established to make climate and sustainability an executive-level responsibility, our climate risk management processes and finally the metrics and targets we have implemented to track delivery of our stated targets. While climate change forms the focal point of this section, we are dedicated to environmental aspects in a broader sense.

Read more about our broader approach to sustainability
in our Sustainability Report 2021[1] and on www.zurich.com/sustainability

Our goals

1. Setting ambitious science-based CO2e reduction targets
2. Innovating for sustainable solutions
3. Deeply understanding and integrating climate risk into the way we conduct business

1. Setting ambitious science-based CO2e reduction targets

We became a founding member of the Net-Zero Insurance Alliance (NZIA)[2] in 2021 and in doing so, committed to individually transition our underwriting portfolios to net-zero GHG emissions by 2050.

Further, we announced interim 2025 climate targets for investments and operations to curb emissions in line with the Paris Agreement ambition to limit global warming to 1.5°C.

Our achievements in 2021:

–21%
reduction in corporate financed emission intensity (vs. 2019 baseline)

4.6m tCO2e
avoided through USD 5.1bn in climate-related impact investments

–6%
reduction real estate emission intensity (vs. 2019 baseline)[3]

USD 8.2bn
investments in climate solutions

–59%
(not: reductions) in operational emissions (vs. 2019 baseline)[3]

2. Innovating for sustainable solutions

We continued to provide sustainable solutions to our customers to enhance resilience and advocate for solutions to prevent or minimize damage and harm from climate-related perils. We continued to focus on the development of insurance and risk management solutions for new technologies, business models and approaches that are needed to achieve a climate-neutral economy.

Additionally, we have defined internal criteria[4] for sustainable solutions (products and services) based on environmental and social features.

USD 289m
associated with sustainable solutions meeting our stringent criteria

1 www.zurich.com/en/sustainability/reporting-and-news/reports-publications
2 www.unepfi.org/net-zero-insurance/
3 In 2020.
4 For a thorough definition, see the metrics and targets section, pages 157 to 158.

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3. Deeply understanding and integrating climate risk into the way we conduct business

We progressed in our efforts to develop a deeper understanding of potential climate risk impacts to our business by performing our first portfolio-level scenario-based climate risk assessment.

This exploratory exercise considered all aspects of our business, including underwriting, investment and our own operations.

The assessment suggests our customer-focused approach and diversified portfolios, supported by strong risk management practices, provide the resilience and flexibility to adapt to the impacts observed.

4.1 Strategy

TCFD “The actual and potential impacts of climate-related risks and opportunities on the organization’s businesses, strategy and financial planning.

Our three-pillar climate strategy is reflected across our organization and reinforces our move in 2019 to become the first insurer to sign the Business Ambition for 1.5°C commitment[1]. Our climate strategy focuses on supporting companies and people through the transition to a net-zero economy and demonstrates our commitment to using every lever available to accelerate this transition.

4.1.1 Our climate-related strategy

1. Setting ambitious science-based CO2e reduction targets

Aligning our business practices with the outcomes of the Paris Agreement is critical to delivering the low-carbon transition and achieving a 1.5°C future. Ambitious science-based targets are a key element of our climate strategy in recognition of the pivotal role they play in this effort.

Climate targets for our underwriting portfolio | **Climate targets for our investment portfolio** | **Climate targets for our own operations**

Climate targets for our underwriting portfolio

We are a founding member of the NZIA and, as such, have committed to:

– Transition all operational and attributable greenhouse gas (GHG) emissions[2] from our insurance and reinsurance underwriting portfolios to net-zero emissions by 2050.
– Establish, to the extent permissible by applicable laws and regulations, our intermediate, science-based targets every five years in line with Article 4.9 of the Paris Agreement.

Climate targets for our investment portfolio

As a founding member of the Net-Zero Asset Owner Alliance (NZAOA)[3], we are on a journey to holding a net-zero investment portfolio by 2050 and in 2021, set interim targets based on the NZAOA Protocol’s recommendations. Our roadmap to achieve these targets includes:

– Reducing emissions of our portfolio by 2025 both for listed equity and corporate bond investments by 25 percent in terms of tons of CO2e per million USD invested, as well as direct real estate investments by 30 percent in terms of kg of CO2e per square meter.
– Engagement with companies to promote change toward sustainable practices and aligning their business to the Paris Agreement.
– Direct investment in climate solutions (impact investment and green real estate).

Read about our targets and progress
in the metrics and targets section, pages 160 to 166

Climate targets for our own operations

While the Group’s operations have been carbon neutral since 2014, we announced further greenhouse gas emissions reduction targets in 2021:

– 50 percent by 2025 against a 2019 baseline.
– 70 percent by 2029 against a 2019 baseline.

Read about our progress
in the metrics and targets section, page 166

1 UN Global Compact – Business Ambition for 1.5°C: www.unglobalcompact.org/take-action/events/climate-action-summit-2019/business-ambition
2 GHG emissions here refers to insurers’ and reinsurers’ scope 1, 2 and 3 emissions. Insurers’ and reinsurers’ scope 3 emissions should include their customers’ scope 1 and 2 and scope 3 emissions, where significant, and where data allows.
3 www.unepfi.org/net-zero-alliance/resources/alliance-2025-target-setting-protocol/

4. Our planet: Drive positive impact (continued)

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2. Innovating for sustainable solutions

We believe insurance is key to facilitating the change required to achieve the low-carbon transition. We work with customers and collaborate with public and private organizations to enhance resilience and advocate for solutions to prevent or minimize damage and harm from climate-related perils. We develop insurance and risk management solutions for new technologies, business models and approaches that are needed to achieve a climate-neutral economy. We also use capital markets to search for and fund solutions to many pressing social or environmental issues. We apply our leading impact investing approach to build a portfolio of green impact investments that helps avoid five million tons of CO2e per year. We are working with the NZAOA to increase the pipeline of investment opportunities in climate solutions that are suitable for institutional investors.

Unit-linked sustainability solutions

We launched a set of innovative unit-linked sustainability solutions that leverage our responsible investment expertise for the benefit of our unit-linked customers. For example, we launched an industry-first Carbon Neutral World Equity Fund[1] that combines a low-carbon investment strategy with carbon offsetting. The fund is available in Germany, Italy, Portugal and Switzerland, with rollout to additional markets expected in 2022.

Read more about our unit-linked funds
in our Sustainability Report 2021[2], section Customer

Climate risk solutions

To enhance our customers' ability to manage transition risk, we have strengthened our support for renewable energy through the addition of specialist roles within the organization to help manage and develop risk positions. This will help ensure we maintain a balanced portfolio, keeping in mind the potential for higher risks associated with renewable energy construction projects.

We have expanded our existing natural hazards risk advisory service to address customers' physical climate change risks. As part of our Climate Change Resilience Services (CCRS)[3], a dedicated team of climate risk experts helps businesses better understand how climate change risk may affect their operations, strategy, and financial position and ultimately strengthen their resilience to climate risks.

Read more about our CCRS
in our Sustainability Report 2021[2], section Customer

Measuring sustainable solutions based on an internal definition

In 2021, we established an internal definition of sustainable solutions and measured their associated revenue for the first time. Those stringent criteria have been thoroughly assessed through an internal process to be qualified as sustainable solutions. Meeting those criteria are also a pre-requisite to promoting a product as sustainable.

Read more about our definition and progress
in the metrics and targets section, pages 157 to 158

Fostering internal innovation

To foster innovative thinking internally, we set up a community of practice focusing on knowledge sharing and the development of customer-facing solutions to support the transition (mobility, green consumerism, energy, carbon and sustainable infrastructure). We encourage our workforce to engage in efforts to reduce our operational footprint and in 2021 established an internal carbon fund to support this objective. Governed by the SLC, this fund supports the implementation of initiatives proposed by employees and intended to address operational emissions and ensure our continued carbon neutrality. Our internal carbon price – set at USD 15 per ton in 2021 – is subject to annual increase.

Read more about our carbon fund
in our Sustainability Report 2021[2], section Planet

1 www.zurich.com/media/news-releases/2021/2021-0907-01
2 www.zurich.com/en/sustainability/reporting-and-news/reports-publications
3 www.zurich.com/products-and-services/protect-your-business/risk-engineering/climate-change-resilience-services

4. Our planet: Drive positive impact (continued)

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3. Deeply understanding and integrating climate risk into the way we conduct business

Understanding and managing climate impacts is an important aspect of maintaining our long-term profitability. Our approach to climate risk is part of our Group-wide risk management process. It is managed in a way that is consistent with other risks to which the Group is exposed. We are integrating assessments of the evolving physical and transition risk landscape into our underwriting and investment strategies.

Natural catastrophe modeling

To manage our climate risks more effectively, we are investing to improve our understanding of them, with modeling the effects of physical risk on our portfolios as a key focus area. While climate change models are constantly improving, they remain less accurate at the smaller spatial resolutions needed for a detailed analysis of the impact of natural catastrophe changes on our portfolio. In contrast, traditional commercial catastrophe models that form the basis of our current modeling are typically based on historical data and hence would not reflect future changes in trends. For this reason, we have started to combine climate change scenarios and natural catastrophe models to complement our Zurich view framework with a view of climate change, and to integrate this view into our accumulation risk and peril-region modeling.

Read more about natural catastrophe modeling
in the managing risks from climate-related natural catastrophes section, page 155

Portfolio-level climate risk scenario analysis

A deep understanding of potential medium- to long-term impacts of climate change risk to our underwriting and investment portfolios is fundamental to formulating appropriate strategic responses. We employ scenario analysis at the portfolio level to develop such an understanding. Our first exploratory scenario-based climate risk assessment, performed in 2021, considered outcomes from 2030 onward, with impacts quantified where possible. Outcomes of this analysis are used to determine appropriate responses and ensure the resilience of our strategy.

We view disclosure of the outcomes of these processes in line with the TCFD recommendations as a critical proof point to demonstrate our understanding and management of this risk.

Read more about the outcomes of our first scenario-based climate risk assessment
in the climate risk assessment 2021 section, pages 144 to 152

Read more about how we have integrated scenario analysis into our risk management processes
in the portfolio-level scenario-based climate risk assessment section, pages 153 to 154

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Climate action as part of our broader responsible investment strategy

As the ownership and management of assets carries broad responsibilities, we have established our responsible investment approach which goes beyond climate risk. It integrates environmental and social factors in addition to financial considerations for the assessment of performance. Accordingly, our climate-related strategy must be understood as feeding into a broader sustainable approach to investment management.

Our responsible investment approach as an asset owner and manager

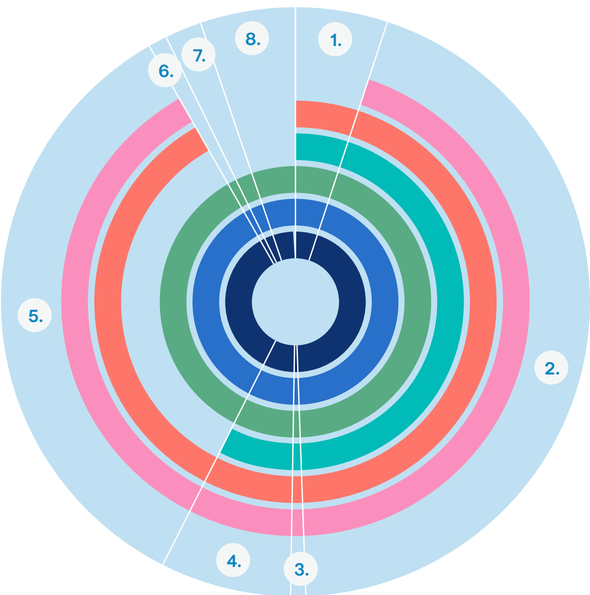
Responsible investment can mean different things to different people. We have primarily chosen to pursue it in three ways:

- ESG integration: Besides examining financial performance, we also assess environmental, social and governance (ESG) factors when analyzing individual investments and investment managers. We consider these sustainability risks and opportunities when we decide whether to buy or sell assets.
- Impact investing: We fund institutions or projects that, while generating a safe, adequate return on our premiums, also generate targeted and measurable positive environmental or social impacts. More specifically, we are aiming to build an impact investment portfolio that helps avoid 5 million metric tons of CO2 equivalent emissions and benefits 5 million people every year.
- Advancing together: Responsible investing is becoming more sophisticated. We are glad to play a leadership role in developing new and innovative ways to measure impact, scale sustainable investment markets and practices with integrity, and promote climate action – working together with a broad group of stakeholders.

We apply a holistic responsible investment strategy across all our investments. Our three main ways of managing our portfolio responsibly, as described above, are supported by a variety of other technical approaches such as active ownership, selective exclusion screens and a net-zero by 2050 decarbonization target. This enables us to apply the appropriate responsible investment approach to each individual asset class. In 2021, nearly all of our own assets were managed by a signatory to the Principles for Responsible Investment (PRI) or asset managers meeting our requirements for responsible investment, giving us confidence that these assets are managed in line with our strategy. We also believe that we can achieve the best outcomes when we specify the responsible investment management approach used on an asset class level.

As the graph below illustrates, every asset class is covered by at least one element of our responsible investment approach. The graph is a simplified visualization of our holistic responsible investment strategy, comprising a variety of tools we match with the asset classes where they have the most practical influence.

Figure 8:
Our holistic responsible investment approach



Investment approach

- Managed by a responsible investor*
- Net-zero 2050 target
- Exclusion screens
- ESG integration
- Active ownership
- Impact investing

Asset class

1. Equities
2. Credit, private debt
3. Private equity
4. Real estate
5. Government and government-guaranteed
6. Hedge funds
7. Mortgages
8. Cash

* Signatory to the PRI or fulfilling Zurich minimum requirements.

Read more about our holistic approach to responsible investment on our website[1]

1 www.zurich.com/sustainability/responsible-investment

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Climate-related investment approach

As part of our responsible investment strategy, we have designed a proactive and holistic approach to deal with climate change-related risks and opportunities that is based on action in eight strategic areas.

Net-zero portfolio by 2050

We are dedicated to transition our investment portfolios to net-zero greenhouse gas emissions by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial temperatures, taking into account the best available scientific knowledge. Science-based interim targets for 2025 have been set for listed equity, corporate debt and real estate. Additional asset classes will be added as methodologies become available.

Read about our progress in the metrics and targets section, pages 162 to 164

Scenarios

It is hard to take action without context. Scenario analysis is conducted using an integrated modeling approach for both investment management and underwriting portfolios to ensure that, to every extent possible, assumptions are used consistently across both portfolios. In addition, our Market Strategy and Macroeconomics team has defined high-level scenarios and is monitoring developments with the help of a scorecard that is updated regularly.

Read more about the outcomes of our first scenario-based climate risk assessment in the climate risk assessment 2021 section, pages 144 to 152

Strengthen ESG integration

Given its complexity and long-term nature, climate change represents a particular challenge for ESG integration. We will constantly evaluate additional data and tools to raise awareness among investment professionals and to support integration in investment strategies.

Read more about ESG integration on our website[1]

Benchmarks

ESG integration practices for passive investment portfolios can only be managed through benchmark adaptations. We launched a first pilot on policyholder money in the UK, where we use a customized benchmark that incorporates a climate risk assessment. We will evaluate the application of such benchmarks for new and existing portfolios on a case-by-case basis.

Finance the transition to a climate-neutral economy

As part of our ongoing commitment to impact investing and our target to help avoid the emission of 5 million tons of CO_2e per year, we will evaluate climate solution investments (impact investments and green real estate) across different asset classes on an ongoing basis.

Read about our progress in the metrics and targets section, page 164

Drive change through advocacy

Public and private sectors need to take decisive action. We have defined clear positions on topics such as transparent risk disclosure, carbon pricing, etc.

Read about our progress in the metrics and targets section, page 166

Engagement

As part of engaging with the companies in which we invest, climate change is reflected on the agenda of our bottom-up engagement approach. In addition, we drive a top-down climate engagement campaign for net-zero target setting, and consider climate change in voting actions.

Read about our progress in the metrics and targets section, pages 160 to 161

Selective exclusions

Recognizing the particularly harmful impact of coal on the climate, we have developed a Group approach on selectively excluding from our underwriting and investment activities companies related to the mining of, or electricity generation from, thermal coal, oil sands and oil shale.

Read more about our exclusion approach on our website[2]

Read about our progress in the metrics and targets section, page 160

1 www.zurich.com/en/sustainability/responsible-investment
2 www.zurich.com/sustainability/governance-and-policies/exclusion-policies

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4.1.2 Climate-related risks

In alignment with TCFD recommendations, we broadly categorize climate-related risks as physical and transition risk and outline below potential impacts to our business.

1. Climate-related physical risk

TCFD E

Figure 9:
Climate-related physical risk

Physical risk

Acute physical risks
- Tropical and extra-tropical cyclones
- Severe convective storms
- Hail
- Floods (riverine, pluvial, storm surge)
- Heatwaves
- Droughts
- Wildfires

Chronic physical risks
- Sea level rise
- Variability in temperature
- Variability in precipitation
- Water stress

Impact channels

Changes to extreme weather events
- Changes in severity of events
- Changes in frequency of events
- Geographic shifts of events

Land degradation

Changes in productivity
- Agricultural production
- Labor productivity

Economic impact

Individual companies
- Changes in revenue and costs from impacts on workforce and production assets
- Increased operating costs for adaptation measures
- Changes in revenue and costs from changes in supply chain costs and reliability
- Write-offs and early retirement of assets
- Increased costs of capital

Macroeconomy
- Higher infrastructure costs
- Increased disaster relief and recovery costs
- Changes in GDP and growth rates
- Changes in borrowing costs
- Interest rates changes

Impact to insurer's balance sheet

Liabilities (insurance)
- Changes in and shift of demand for products and services across geographies/ sectors/ lines of business
- Changes in loss ratios and profits
  - Changes in loss frequency
  - Changes in loss severity

Assets (investments)
- Valuation changes
- Changes in default rates

There is unequivocal scientific consensus that human greenhouse gas emissions are leading to an increase in global surface temperature and that this is driving changes in climate and weather systems across the globe. The Working Group I contribution to the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report, released in August 2021, provided further evidence that changes in climate extremes can already be attributed to the human-induced increase in global surface temperature, and that continuing emission trends will further exacerbate the direction of many of the emerging trends. Overwhelmingly, these developments will bring negative economic and societal impacts as extreme weather events increase in severity and frequency or undergo geographic shifts.

The scientific understanding of how weather events will respond to climate change varies greatly, but there is high confidence that further temperature increases will accelerate sea level rise due to thermal expansion and melting of glaciers and icesheets. It will also lead to more extreme temperatures, heatwaves, and droughts, impacting agricultural production and human productivity. As the warming atmosphere will also intensify evaporation, more extreme precipitation and variability in the global water cycle is seen as highly likely. There is less certainty around how other weather events will react to climate change, such as tropical and extra-tropical cyclones, severe convective storms and hail. Secondary effects of climate change can also have negative impacts, such as when extreme heat and drought lead to more wildfires and the combination of sea level rise and changes in hurricane intensity or tracks lead to higher storm surge damage.

Impact to demand and loss profiles

Up to 2030, we expect climate change-driven changes to physical risks to become increasingly relevant, but not yet to become a dominant loss driver over and above what is currently embedded into our risk appetite. We expect the inherent volatility and natural variability of extreme weather events and socioeconomic trends will continue to have a stronger influence on loss experience. Natural variability comes both from random fluctuations of extreme but rare events and multi-year variations in regional climate systems, such as the El Niño Southern Oscillation or Atlantic-Multidecadal Oscillation. This variability is also embedded in historic loss trends and taken into account in our pricing and capital management.

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Socioeconomic trends such as increase in asset values and accumulation through population growth and concentration in urban areas also contribute to increases in losses over time. The impact of such trends is considered in pricing and modelling, such that annual policy renewals provide mitigation against increasing physical risks for short-tail business and mitigate transition risk to the underwriting portfolio.

Through certain lines of business, we can be directly impacted by the changes in physical risk caused by climate change. Increases in severity and frequency of natural catastrophes such as tropical cyclones, flood or hail can lead to higher losses by customers that are covered under our property policies. More droughts and extreme precipitation can also impact losses in our agriculture insurance. Other lines are less sensitive to physical risk, and within these, only a minority of our losses are driven by natural catastrophes (see the current exposure to physical risk section, pages 142 to 144).

Impact through valuation changes

The physical impacts of climate change on the built environment are becoming more significant. With their locations fixed, buildings themselves may be at risk of suffering significant damage costs from climate change impacts. We currently explore possibilities to assess physical risks on property level by using our risk model on catastrophes and integrating data into our central portfolio management system.

The valuation of assets in our investment portfolio can also be affected by direct and indirect exposures to physical risk. Businesses will be directly affected through the impact on their costs and revenues, with a potential for supply chain disruptions and asset write-offs. The vulnerability of nations to physical risk, including through costs associated with infrastructure and adaptation measures, or through disruptions and vulnerability to extreme weather events, can also have an impact on the valuation of sovereign debt.

2. Climate-related transition risk

TCFD E

Figure 10:
Climate-related transition risk

Climate transition risk

Policy and legal
- Increased pricing of GHG emissions and removal of subsidies
- Enhance reporting requirements
- Restrictions on products and technologies

Technology
- New lower-carbon technologies
- New energy efficiency technologies

Market and sentiment
- Changing customer behavior and consumer preferences
- Stigmatization of sectors and technologies
- Changed cost of production inputs

Impact channels

Changes in demand
- Increasing demand for low-carbon products and materials
- Reduced demand for carbon intense technologies and products

Changes in costs
- Direct carbon costs
- Changes in operating costs (supply chain, commodity costs, compliance, new production processes)
- Abatement

Competition and pass-through effects
- Shifts in market share
- Pass-through of costs to end-customers for low price-elasticity products and services

Economic impact

Individual companies
- Lower product margins
- More operational break-downs
- Early write-offs and stranded assets
- Changes in borrowing costs
- Higher sales volumes and profits for companies providing low-carbon products and services

Macroeconomy
- Changes in GDP and growth rates
- Changes in borrowing costs
- Interest rates changes

Impact to insurer's balance sheet

Liabilities (insurance)
- Changes in and shift of demand across geographies/sectors/lines of business
- Changes in loss frequency
- Changes in loss severity

Assets (investments)
- Valuation changes
- Changes in default rates

If society moves to limit global warming in line with the Paris Agreement to below 2°C, and optimally to 1.5°C, the required decarbonization of the global economy will bring its own set of risks as the legal, policy, technological and market changes necessary for the transition will lead to significant shifts in economic activity and asset valuation.

Impact to demand and loss profiles

The steep rise in carbon prices and removal of subsidies on carbon-intensive resources and activities that is expected in this transition can lead to reduced profitability, stranded assets and impairments in sectors that are difficult to decarbonize and where additional costs cannot be passed on to customers. This will in turn affect demand for insurance from shrinking sectors. The transition will also shift demand toward low-carbon technologies and products, creating opportunities for companies that provide new solutions or are able to reduce their emissions more efficiently than competitors. The aggregate effect of transition risk will greatly vary across individual actors, depending on their detailed business models, assets, and transition strategy, complicating the assessment of aggregate transition impacts.

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On a portfolio level, for both our proprietary investments and underwriting, there will be winners and losers in any transition scenario. There will also be aggregate macro effects arising in a transitioning scenario, including the impact on economic activity, inflation and potentially also government borrowing costs.

As new policy measures and technologies are rolled out, uncertainties around their effectiveness and unintended consequences are likely to increase, with higher market volatility, and uncertain loss ratios among possible outcomes. Transition risk will have high dependencies on how predictable policy responses are and the time available for the economy to decarbonize. More disruptive impacts can be anticipated with a faster transition.

Impact through valuation changes and other drivers
In the commercial real estate sector, transition risk will manifest from the need to adhere to tighter policies, carbon and energy costs, market preferences and challenges to achieve energy efficiency, and will threaten to impact asset values.

The transition will also bring legal or litigation risks. Carbon intense energy producers are already defending lawsuits seeking to hold them accountable for their alleged historical contribution to CO2e emissions. This current litigation could expand to other industries whose operations contribute to CO2 or other climate-impacting emissions. Companies may be sued for failing to disclose climate-related risks, for failing to mitigate the impacts of their activities on climate change, for allegedly misrepresenting their level of climate impact, or for failing to adapt to the changing climate. Asset managers could be sued for financing climate change-inducing activities, or for inadequately driving emission reductions in their portfolios.

The global transition to a greener society will also bring with it new and emerging technologies that could potentially present unanticipated risks and new environmental concerns from both a resourcing and disposal aspect. Extreme weather events could present new risks to employers regarding worker safety or to companies engaged in building design, engineering, and construction. Governments could enact laws seeking to hold companies accountable for the climate impact of their supply chains.

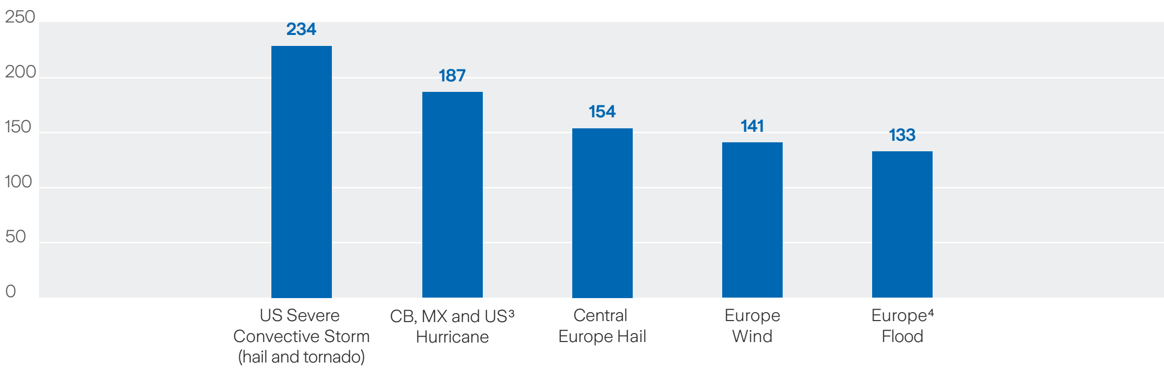
4.1.3 Climate risk assessment 2021

1. Current exposure to physical risk[1]
Current exposures to physical climate risk are expressed through average expected loss (AEL) and probable maximum loss (PML). Note that PML is a tail metric that looks at severe unexpected outcomes as opposed to AEL that provides a view on the expected. The PML is driven by different peril regions compared to the AEL.

Modelled exposures are shown below.[2] Our approach to modelling is discussed further in the managing risks from climate-related natural catastrophes section (page 155). We highlight how various drivers including exposed insurance portfolio and vulnerability changes, model updates, exposure data quality, foreign exchange rates and reinsurance can influence natural catastrophe modelling output (e.g., AEL, PML) over time.

TCFD *Average expected loss*

Figure 11:
Average expected losses for top five peril regions
in USD millions



Our modelled AEL from climate-related natural catastrophes provide an indicator of our current exposure to perils that might be affected by climate change. The AEL analysis above reflects the current top five peril regions in the Group, net of reinsurance, before tax and excluding unallocated claim adjustment expenses. This analysis helps us manage risks related to insuring these perils, such as accumulation risk. Risk appetite limits by peril region are in place and exposure is currently within appetite.

1 Countries comprising the peril regions referred to here are as follows:
– Central Europe Hail: Austria, Belgium, France, Germany, Italy, Luxemburg, the Netherlands and Switzerland.
– Europe Wind: Austria, Belgium, Czech Republic, Denmark, France, Germany, Guernsey, Ireland, Isle of Man, Jersey, Luxemburg, the Netherlands, Norway, Poland, Sweden, Switzerland and the UK.
– Europe Flood: Austria, Belgium, Germany, Italy, Switzerland and the UK, plus other small nations like Guernsey, Isle of Man, Jersey, San Marino and Vatican.
– CB, MX and US Hurricane: Caribbean, Mexico and the U.S.
2 Results from the Q4 2021 Group Cat Model are presented. There are timing differences in the underlying exposures considered in this analysis (underlying exposures by peril region are generally as at June or September 2021, and in exceptional cases as at September or December 2020).
3 The geographic scope is extended when compared to 2020 TCFD to include correlated exposure in the Caribbean (CB) and Mexico (MX). The AEL for US hurricane only is USD 169 millions in 2021.
4 The 2020 reporting for flood in Europe included the UK only which on a stand alone basis is not in the top 5.

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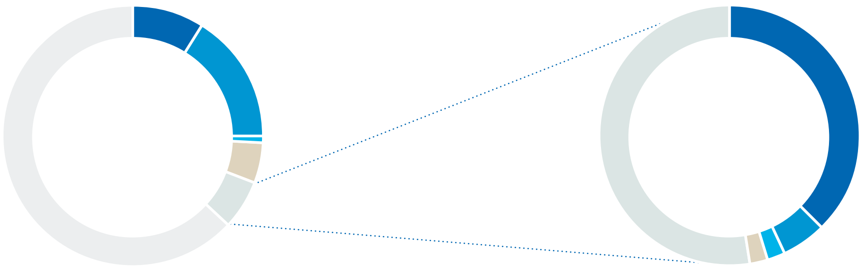
Probable maximum loss

The graphs below show the materiality of catastrophe risk relative to other risk types and the materiality of our climate-related perils to overall catastrophe risk.

Figure 12:
Swiss Solvency Test (SST) by risk type and climate-related perils as proportion of nat cat total SST

SST total risk capital contribution by risk type

Climate-related perils as a fraction of nat cat SST total risk capital[1]



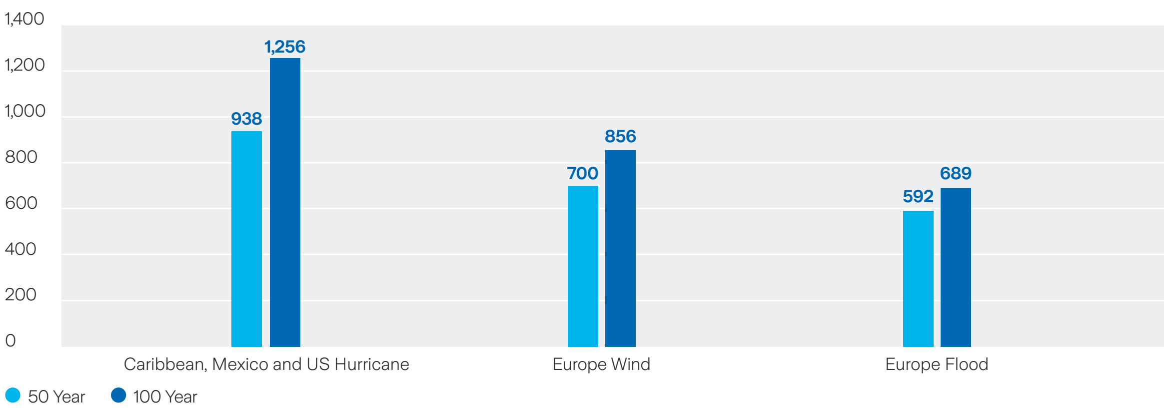
SST total risk capital contribution by risk type	
Business risk	9%
Premium & reserve risk	16%
Other credit risk	1%
Life insurance risk	5%
Natural catastrophe risk	6%
Market risk	63%

Climate-related perils as a fraction of nat cat SST total risk capital	
North America Hurricane	37.8%
Europe Wind	5.3%
Europe Flood	2.3%
Other climate-related	2.3%
Non-climate related	52.4%

Our 50 and 100 year PML measured by the net annual aggregate loss are shown below based on our top three peril regions.

Figure 13:
Probable maximum loss by top three peril regions
in USD millions

Probable Maximum Loss



Total monetary losses from natural catastrophes

Our loss ratio for the full year 2021 was 63 percent with 5.3 percentage points attributable to the following natural catastrophes experienced throughout 2021: Winter freeze in Texas, Hurricane Ida, European Hail and Central European Floods. These events and figures have been reviewed by the Group's Catastrophe Response Group (CRG), a cross functional committee which oversees and recommends to the ExCo the best estimate ultimate loss for material catastrophes. The term "catastrophe" in the context of the CRG covers both man-made and natural catastrophe peril events that are relatively infrequent or phenomena that produce unusually large aggregate losses.

1 The nat cat SST total risk capital is defined by the 1% worst annual losses. These are driven by peril regions with large potential losses beyond the 100 year return period (e.g. North America Hurricane).

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An important aspect of our proprietary view on natural catastrophe risk is the evaluation of patterns and trends in catastrophe activity with time. Natural variability of event activity is an integral part of our view on natural catastrophe risk, as are statistically significant trends that may be detectable in our claims experience or credible, conclusive modeling of past, present and future climate as a driver of loss activity. We regularly revisit our risk views on climate-related perils in order to reflect trends in the hazard, whereas exposure trends are naturally captured by exposure data updates. Natural variability is at the same time evaluated and kept up-to-date as part of the regular reviews of our natural catastrophe risk view, which underpins the structuring and purchase of reinsurance along with the profitability assessment and strategic capacity allocation for risk assumed from customers.

We follow a gross-line underwriting strategy and focuse substantial time and resource on ensuring risk-adequate underwriting and pricing of the business we assume up-front, including consideration of potential climate change-induced trends. Reinsurance is used as a means to maximize diversification of net retained risks and to protect shareholders against earnings volatility. We engage with a core panel of reinsurance partners to secure the required capacity at sustainable pricing over the medium term. Given our financial strength, we have the option to weigh the benefits and cost of reinsurance against other forms of risk financing and thus adapt to supply-side changes in the reinsurance market as a potential consequence of the macroeconomic response to climate change adaptation.

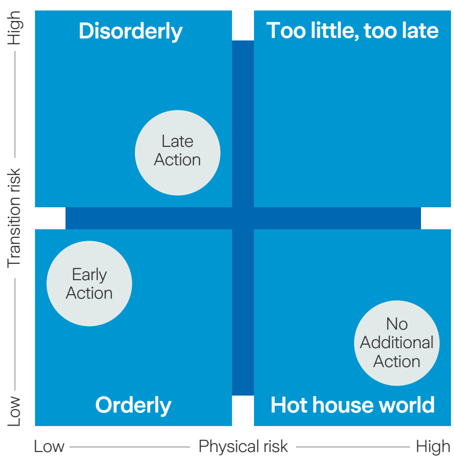
2. Forward-looking scenario analysis

Approach

Our assessment of climate risk leverages both our Total Risk Profiling™ methodology and scenario analysis.[1] While Total Risk Profiling™ offers a short term (1–3 years) qualitative risk assessment, scenario analysis allows us to assess the strategic implications of climate change over the medium (up to 10 years) and longer term (to 2050) and improve our ability to assess the resilience of our business model to potential climate risks.

The scenarios used to analyze our underwriting and proprietary investment portfolios are drawn from the NGFS suite, with scenarios chosen to cover a relevant set of emissions pathways and modelled to closely incorporate specific attributes required as part of the Bank of England Climate Biennial Exploratory Scenario (CBES) exercise.[2] The emissions pathways of the selected scenarios correspond broadly to representative concentration pathways (RCP) 2.6 and RCP 6.0.[3] The selected scenarios afford a broad analysis of potential risks and opportunities, covering high and low physical and transition risks. As shown below, the no additional action (NAA) scenario primarily explores physical risks from climate change where no new climate policies are introduced, while both early- and late-action scenarios consider alternative routes to net-zero emissions by 2050, and as such are aligned with our strategic objectives. Both scenarios anticipate significant transition risks due to the rapid change in the economy over that period as emissions decrease.

Figure 14:
NGFS scenario framework[4]



As outlined in the risk management section (pages 153 to 155), our scenario analysis leverages a third-party model to assess both our insurance and investment business.

As physical risk is assumed identical for both early- and late-action scenarios (per CBES guidance) and as transition risk is considered materially the same in both late-action and NAA over the quantification window (10 years), analysis of our underwriting portfolio excludes the late-action scenario.

The scenarios used to understand physical risk impacts to our own operations are broadly aligned with those used for our insurance and investment analysis in terms of the RCPs assumed (RCP 2.6 & RCP 8.5).[5]

Our scenario analysis leverages a third-party model and associated data to assess both our insurance and investment businesses. A high- level overview of the model, data sources and key assumptions are provided in the risk management section (pages 153 to 154).

Scope

The scenario-based assessment of our proprietary investment portfolio considers listed equities, corporate credit and real estate and places a focus on understanding potential risks to the valuation of corporate equities. While equities as an asset class has a low absolute share in our investment portfolio (5 percent), it has a material impact on our investment-related market risk position. The valuation of equity in the scenarios involves discounting future revenues and costs (quantified at 2050) to arrive at a net present value of future cash flows.

1 For details on the Total Risk Profiling™ methodology and scenarios analysis process, see the risk management section (pages 153 to 155).
2 In line with the requirements of the CBES exercise, and to ensure severe physical risks that may crystallise post 2050 are considered, physical risk is stressed in the NAA scenario by calibrating physical risk in the period 2021–2050 based on the level of physical risk that could be prevalent between 2050 and 2080. This is achieved by assuming temperature increases in this scenario are at the 90th percentile of expected temperature increases; a higher level than the expected (mean) temperature increase. Physical risks are therefore modelled based on a temperature trajectory that reaches 3.3°C by 2050. Because the level of physical risk is similar in the early-action and late-action scenarios, it is assumed when modelling physical risk that the early-action scenario has the same temperature trajectory as the late-action scenario in the period 2021–2050.
3 As described by NGFS, "the RCPs are greenhouse gas concentration scenarios that are commonly used in the climate modelling community. [...] They were officially adopted by the IPCC and provide a basis for the projections and predictions of the Fifth Assessment Report of the IPCC". The correspondence between CBES/NGFS scenarios and RCP pathways is based on the emissions trajectory in those scenarios over time. The correspondence is not exact, but NGFS Net-Zero 2050 and Disorderly scenario temperature pathways fall in the range of RCP 2.6, and current policies falls in the range of RCP 6.0. (More details available in the NGFS Technical Documentation).
4 www.ngfs.net/ngfs-scenarios-portal
5 These correspond to SSP1-2.6 and SSP5-8.5 respectively according to the new IPCC designations.

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The analysis of our underwriting portfolio leverages outputs from the same third-party model as inputs to a bespoke modeling of the relationship between key climate drivers, insurance demand, and loss experience. The total book was analyzed by line of business, geographic region and industry/sector to identify a set of nine at risk 'clusters' with potentially high exposure to the impacts of physical and transition risks. Each cluster was then subject to a deep dive analysis to identify and translate key drivers of physical and transition risk into quantitative impacts. The resultant deep dives performed consider 49 percent of the total Property & Casualty (P&C) portfolio (USD 18 billion of USD 37 billion), mostly concentrated in North America (NA) and Europe, reflective of our underwriting footprint. Analysis of our Life book focuses on protection-related products in EMEA and Latin America (LATAM), representing 37 percent of the Life portfolio (USD 5 billion of USD 14 billion).

Quantification is performed to underpin our medium-term assessment (to 2030), an approach considered reasonable for determining strategic management actions in response to risks identified given the prevalence of annual policy renewals across a high proportion of our portfolio. Given the increasing uncertainty inherent in considering longer time periods, impacts to 2050 are analyzed qualitatively.

TCFD Two metrics are chosen to quantify scenario-based impacts of climate risk on our insurance business:

- **percentage change in demand:** estimated impacts on size and composition of demand for insurance products due to physical and transition climate risk drivers in each scenario, compared with a baseline of no further climate action and no further climate change relative to current day levels.
- **percentage change in expected losses:** estimated impacts on claims due to physical and transition climate risk drivers in each scenario, compared with a baseline of no further climate action and no further climate change relative to current day levels.

A scenario-based assessment of the potential impacts of physical climate risk on our business operations was performed, leveraging a separate modelling approach underpinned by third-party data. This assessment focused on employee locations, strategic data centers and critical supplier locations.

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Sierra Signorelli
CEO Commercial Insurance

Underwriting analysis

High-level outcomes

The heatmap below presents a view of potential Group-level climate risk impacts and opportunities across key areas of our underwriting portfolio in 2030 as modeled under the NAA and early-action scenarios. As with all forward-looking analysis, the estimated movements in demand and loss experience presented below and throughout this disclosure are derived through the use of numerous assumptions, including for example the timing and severity of policy responses, the magnitude of temperature rises, future GHG emission trajectories and global energy mix. Analysis outcomes are therefore subject to considerable uncertainty and should not be interpreted as projections of future outcomes.

Figure 15:
Potential climate change-related impacts to our underwriting portfolio under NAA and early-action scenarios with strategically aligned responses[1]

			Demand impacts		Loss impacts		
Sector	Line of business	Portfolio weight	No additional action	Early-action	No additional action	Early-action	Responses
All sectors	Retail and commercial motor						Monitor loss trends associated with electric vehicles to reflect appropriately in pricing. Optimize claims network for emerging technology.
All sectors	Property						Continue best-in-class CAT modelling, accumulation management and continued development of Zurich Resilience Solutions. Reshape portfolios in case of NAA.
Construction	–						Optimize expected growth in construction by continuing to balance risk across the portfolio and understanding risks associated with changing construction methods.
Financial services	–						Deepen ESG review as part of the underwriting process within Financial Lines, with a focus on customers' climate-related reporting.
Agriculture	–						Continued investment in models developing insights at commodity, product and country level to support adjusting mix. Assess potential growth in private products.
Heavy industry and mining	–						Leverage carbon capture and storage and energy knowledge for customers developing own solutions. Explore customer activities around transition to understand growth opportunities.
Fossil fuels	–						Understand customers' transition plans and how Zurich can support. Increased risk engineering focus on maintenance of facilities that may be in run-off.
Power	–						Grow market share in renewables to maximize growth above that modelled. Continue to build on existing specialist knowledge to manage risk.
All sectors	Life protection						Focus on commercial sales to sectors with high growth, offer innovative life products with proactive measures and continuously monitor factors affecting vulnerability to climate.

Portfolio weight (% of GWP)
- High (>10%)
- Medium (5–10%)
- Low (<5%)

Impact thresholds
- High risk (managed through Group actions)
- Medium risk (managed through local actions)
- Low risk (managed through local actions)
- Low growth (managed through local actions)
- Medium growth (managed through local actions)
- High growth (managed through Group actions)

Overall impacts to P&C demand at Group-level in 2030 under the scenarios considered as modelled and with assumptions made are estimated to be of low materiality in both scenarios. Demand impacts related to Life protection products are observed to be higher under the early-action scenario. Impacts to Group-level P&C loss experience are observed to be more pronounced before mitigating actions are considered. In general, the diversification of our P&C business in terms of geographic footprint, industry mix and line of business provides a degree of insulation to potential negative changes in demand at Group-level. Material opportunities for growth are noted in an early-transition scenario, with only minor growth opportunities in areas not aligned with our strategic outlook observed in NAA (e.g., fossil fuel).

Analysis to date does not suggest material impacts to fee income received from Farmers Group Inc. through to 2030.

1 Definition of terms used:
– Sector: Industry group of the customer base except for transport which was considered together with the total motor book and property that was considered across industry due to the overarching impact of physical risk associated with climate change.
– Weight in underwriting portfolio: Indicates how much the sector/geography / line of business being considered contributes to the overall underwriting portfolio.
– Demand impacts: high, medium and low risk relate to the potential decline in premium volume due to the various scenarios whereas high, medium and low growth indicates that there is a potential increase in premium due to the changing landscape driven by transition.
– Loss impacts: High, medium and low as above relate to the potential increase in losses in each sector if no strategic or mitigating action taken as part of the underwriting strategy.

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NAA: a closer look

No additional climate action leads to an increased need for more sophisticated modelling as weather events increasingly impact portfolio, as well as stronger push on resilience. It also requires the focused reshaping of portfolios away from areas with high risk from physical impact of unabated climate change.

Physical risk is assumed to dominate in the NAA scenario. In line with scenario narratives, increased levels of physical risk modestly suppress economic activity up to 2030 due to impacts on productivity, reducing GDP and consequently demand for insurance. Impacts to demand quantified at the Group level are observed to be pervasive, relatively low and geographically inhomogeneous. The reduction in GDP impacts the motor book by reducing demand in commercial insurance and declining retail purchasing power leading to overall decline in vehicle sales. Retail property and life protection demand is similarly impacted due to suppressed economic activity. Impacts from insuring financial services are mostly second order, being driven by the exposure companies have to climate sensitive sectors.

Potential increase in demand in the agricultural sector is driven by the expansion of the North American biofuel sector and could represent an opportunity in this scenario but is expected to be offset by a decrease in other crop types. Other minor growth opportunities are noted in books to which we have limited exposure and in areas which are not aligned with our strategic objectives as we commit to move our underwriting portfolio toward net-zero.

The impact of climate change on physical losses in property, and to a lesser extent, construction is expected to be the main driver of increased losses under the NAA scenario. Adverse loss trends in property are reflective of expected average annual loss increase due to (extra-)tropical cyclones, floods and severe convective storms. Increase in frequency and severity of claims due to hydrological events such as heavy rain, cyclones and flooding are noted to drive trends for construction.

Early-action: a closer look

The early-action scenario aligns to our commitment to a 1.5°C future, and brings greater opportunities for growth in various sectors. The well-balanced nature of our portfolio limits negative demand impacts even before strategic actions aimed at maximising growth and limiting loss exposure are considered.

The transition to low carbon is observed to have pervasive impacts on our portfolio under the early-action scenario.

Increasing explicit and implicit carbon prices will in particular affect the heavy industry, mining and the fossil fuels sectors and the expected shift away from fossil fuels will in turn benefit the power sector, as end-use sectors move energy demand toward alternate sources of power.

Within the power sector, the transition will yield a shift toward renewables. The resulting impact on demand for insurance from the power sector will be contingent on the price trajectory of renewable assets. Indeed, by 2030 the increase in demand for electricity is expected to be offset by fast decreasing renewable asset prices in some regions, meaning overall sector revenue and insurance demand will stabilize.

Significant investment in the power sector to increase renewable generation capacity and grid infrastructure will have positive spillover impacts on the construction sector, together with the growing need to renovate and rebuild to reduce building emissions.

The increasing importance of biofuels to power the clean-energy transition will potentially drive growth in the agriculture sector (above that observed in the NAA scenario), together with increased yield size due to adoption of more efficient farming practices.

Heavy industry and mining will suffer from increased carbon costs potentially resulting in reduced demand. However, increases in demand for minerals critical to the transition to a low-carbon future, particularly cobalt and copper, which are input into key low-carbon technologies like batteries and photovoltaic panels, represent an opportunity for the mining portfolio.

The cumulative effect of corporate sectoral shifts associated with an early-action scenario contribute to overall decreases in demand for Life protection products.

Increasing carbon costs will drive the uptake of new low-carbon technologies; such emerging technologies represent opportunities for insurers, but they will also come with increased risk. This applies to new technologies in renewables, carbon capture and storage for power and industry, hydrogen for industry, as well as new construction materials and techniques in the construction sector.

The transformation of the motor industry, with increasing uptake of electric or alternatively fueled vehicles, is not expected to significantly impact demand or expected losses, as the behavior of drivers of electric vehicles will align with that of standard vehicles, meaning loss profiles will in turn align.

In the agriculture sector the increased productivity of land serves as an additional loss driver for agriculture as any loss event would potentially have a greater financial impact, however this would potentially be compensated for through the pricing mechanism within the crop business.

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Looking to 2050

In the long term (beyond 2030), the severity and frequency of acute and chronic physical risks are expected to increase, shifting loss profiles across many lines of business including, for example, property, given the expected concentration of acute hazards around high-risk regions (e.g., coastal areas, wildfire zones). The high degree of uncertainty over how electric vehicles and autonomous technology affects the functioning of the transport system (e.g., car sharing, modal shifts, self-driving vehicles) and the resulting demand for cars will likely lead to demand and loss impacts to our motor book. Overall, shifting loss profiles could mean that certain impacts can no longer be compensated through pricing, and that some risks may become uninsurable.[1]

The energy transition continues beyond 2030 and extends to other industrial sectors: this could further increase risks for sectors such as fossil fuels and create opportunities in others such as construction and power. The scale of electrical and mechanical construction projects required to deliver the low-carbon stock necessary for net-zero is a once-in-a-generation opportunity, but it will also come with new risks. Offsite construction, increasing value of materials and components and unknown risk profiles could all contribute to an increase in the number and value of claims in our property and engineering lines book.

Demand for insurance due to the growth in cropland for biofuels will continue to increase in the long term, as biofuel production picks up pace. Improvements in crop yields will remain constant after 2030 due to high initial penetration of new technologies in the sector. Demand profiles for financial services are likely to shift as exposure to climate sensitive holdings by financial institutions becomes a key driver of demand from individual companies. Liability risks are also likely to increase as stricter climate-related accountability and responsibility on financial institutions are introduced.

Proprietary investment portfolio analysis

High-level outcomes

The scenarios, as currently modeled, indicate that climate change-related risk to asset valuation would not pose a major risk to our capital position, either at aggregate portfolio or individual asset class level, even without considering the potentially mitigating effect on liability valuation. This conclusion considers impacts across three major asset classes (listed equities, corporate credit and real estate) covering 36 percent of the investment portfolio, without considering the potential mitigating effect on liability valuation, and is made in accordance with our Total Risk Profiling™ methodology.[2] This methodology considers a major risk to be one that could have a negative impact on the Group's economic capital position in excess of USD 5 billion, either at aggregate portfolio or individual asset class level.

In the NAA scenario, physical risk is limited over the time horizon in the analysis (2021–2050), with the exception of a few sectors and regions (e.g., agriculture and tropical regions) to which we have limited investment exposure.

In the transition risk scenarios, the aggregate impact is also low as transitioning is modelled as being relatively frictionless. Moreover, while some industries and businesses would experience a large negative impact on their market valuations in these scenarios, the aggregate risks stemming from this are limited.

Given the enormous transformation that is required, an orderly and smooth transition, such as the one described by the two 1.5°C scenarios, may be difficult to achieve, with periods of higher volatility likely. There is the potential for significant spill-over effects from the most affected sectors and regions, as well as a potentially positive – but possibly also disruptive – impact stemming from the development of new technology and productivity gains. As the scenarios highlight, there will also be large divergencies across businesses and sectors, with opportunities, as well as risk, associated with the transitioning.

Listed equities: a closer look

Applying the various scenarios and third-party model to our global listed equity portfolio in comparison with a broad market benchmark, transition risk is found to be material for businesses that operate in carbon-intensive sectors, have relatively high emissions, and are less able to absorb, reduce or pass on carbon costs. The approach also sheds light on transition opportunities, including those that stem from the greening of the economy.

In contrast to transition risk, additional physical risk relative to today's level is estimated to be relatively limited over the time span considered, even in the NAA scenario, as it will take time before more significant additional climate change effects materialize. More severe impact will therefore be restricted to a few regions and sectors such as agriculture and tropical regions, to which we have limited investment exposure.

As shown below, the largest relative valuation effects on our global listed equity portfolio are found in the early-action scenario, where the impact is somewhat higher than in the late-action scenario, due to the discounting of future impact, and a very front-loaded, albeit gradual, rise in the carbon price. From a financial materiality perspective, only minor impacts to our listed equity portfolio are observed.

1 This risk was not analysed quantitatively.
2 See the risk management section (pages 153 to 155) for further details on the Total Risk Profiling™ methodology.

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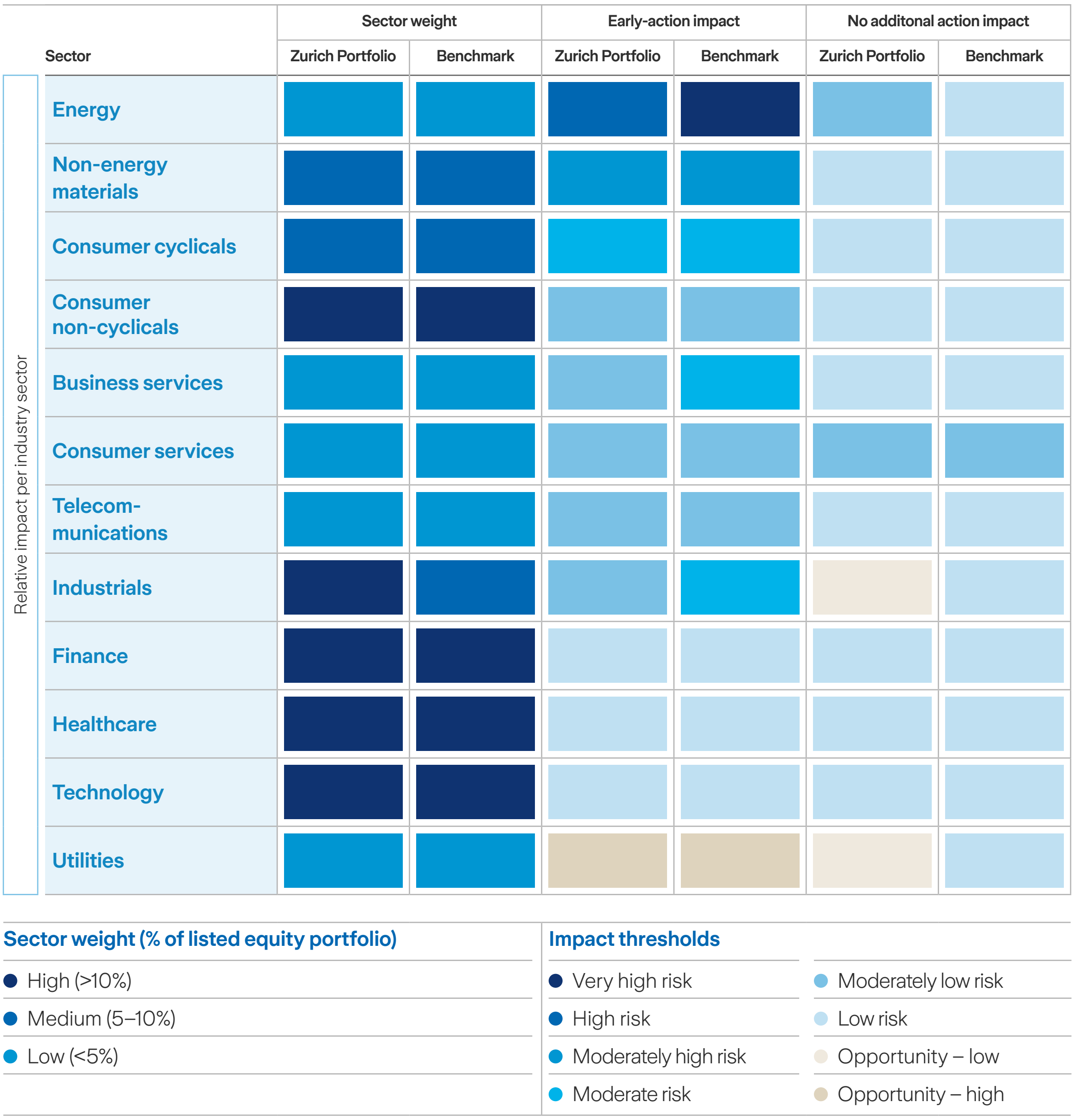
Figure 16:
Estimated impact on listed equity portfolio across early-action and NAA scenarios in comparison to a well-diversified global equity benchmark[1]



1 The sector heatmap is calibrated to highlight relative impact per industry sector. Aggregate scenario level impacts are assessed in relation to Zurich's definition of financial materiality.

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The results demonstrate how relatively higher transition risks to our listed equity portfolio are limited to few sectors, including energy, non-energy materials, and consumer cyclicals (which includes vehicles). This result is not a reflection of the relative weighting of our book but captures the general impact on the economy and consequently market pricing in a transition risk scenario. By contrast, the services sector, which contributes the largest share to global economy activity, sees little impact. The relative resilience of services appears reasonable, but there are a few caveats to this result. For the finance sector, only direct exposure to climate-related risk is considered. Indirect exposure through the valuation of assets and financial interlinkages, which are arguably more important in a transitioning scenario, are not captured. Additionally, if rapid transitioning were to lead to energy scarcity and bottlenecks in the economy and rising costs for energy and materials, this could impact sentiment and demand and have broader effects on the economy, including on the services sector.

Overall, the impacts on our global equity portfolio are somewhat smaller than those of a broad market benchmark. Reasons contributing to the difference are differing sector weights and geographic exposure; differing security selection resulting from our long-standing practice of ESG integration as part of our responsible investment approach as well as our climate-related exclusion screens. Since 2017 we have divested from companies that derive more than 30 percent of their revenues from mining of or generate more than 30 percent of electricity from thermal coal, oil sands and oil shale.

The applied model assumes that an early-transition scenario can lead to transition opportunities and risks within industry sectors. Within the energy, utilities, and non-energy materials sectors that experience significant and negative median impacts, the characteristics of individual counterparties also have a strong impact on their exposure to climate risk. In the utilities sector, for example, some utilities experience significant decreases in value, as their high CO2e emissions intensity leaves them in a weak competitive position relative to less emissions-intensive rivals, leading to reduced profitability and market share. Other utilities with lower emissions intensity benefit from increased electricity demand, higher electricity prices, and the ability to gain market share at the expense of more emissions-intensive rivals. This variance in individual counterparty impacts also occurs in other sectors, including for example industrials and consumer cyclicals, where median impacts are small.

Overall, the applied model suggests a manageable level of risk across all scenarios and results in a valuation impact of minor materiality. Relatively more material risks are connected to sectors where these risks are relatively well understood and an increasing body of climate risk-related ESG research provides ongoing insights. We also believe that an early transition to a climate-neutral economy may provide opportunities in a wider variety of business models and industry sectors than the applied model assumes. Our portfolio continues to be well diversified across sectors and geographies and is managed with an ESG integration lens, which includes information about both climate change risks and opportunities. It is also managed to become net-zero by 2050, with the progressing decarbonization successively shielding it from the companies that are lagging behind in the transition.

The analysis supports various hypotheses: earlier-action scenarios materially increase transition risks, but in turn reduce the long-term impacts of physical risks. Even in a challenging transition risk scenario, the overall negative effect on the listed equity portfolio is moderate and concentrated in sectors that are most CO2e emission intensive, but also play the largest role in actively driving the transition. Emissions in the economy are disproportionally concentrated in a few sectors (utilities, energy, materials, agriculture, forestry and land use) and so are financed emissions in a global equity portfolio. In our listed equity portfolio, 62 percent of financed emissions in the top emitting sectors (building materials, energy, chemicals and utilities) represent only 12 percent of market value. However, sector deep dives show that there are also investment opportunities in these sectors.

Overall, the risk appears well diversified though the portfolio requires ongoing monitoring and active management as risks materialize.

Own operations
An assessment of potential climate change impacts on our own business operations was performed in collaboration with our CCRS team.

Physical risk assessment scope and approach
A scenario-based assessment of physical risk was performed leveraging a third-party model and data[1] with quantification performed for 2030 and 2050.

The assessment considered:

- Offices supporting more than 250 employees (41 office locations).
- All strategic data centers (10 locations).
- Supplier locations including those providing critical services to the Group (focusing on the known service locations) and suppliers that together comprise 75 percent of managed procurement spend (346 locations).

An assessment of physical perils was conducted to understand exposure level and criticality under two scenarios: early-action and NAA. The assessment identified the number of employees or percentage of locations (relative to the overall total) exposed to the qualitative hazard levels, for our offices, data centers, and supplier locations. The qualitative hazard levels are based upon specific physical parameters for each peril and include flood, wind, temperature, drought, hail, wildfire, precipitation, thunderstorms (lightning), and coastal flooding.

1 Climate data sourced from Jupiter Intelligence, ClimateScore Global v2.3, Oct. 2021.

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The consequences of some of these hazards (hail, lightning, precipitation, wildfire, wind) may affect both property (buildings, equipment, cars, etc.) and employee safety, while others are limited to employees' wellbeing (temperature, drought). There is a potential interdependency (or combined effect) of some hazards. Increased temperature and drought may influence water availability and quality, and increase demand for electricity. Increased thunderstorm and temperature hazard may increase the likelihood of hailstorms. Roof-mounted equipment may be damaged (impact by lightning or hailstones). High wind speeds (intense rainfall may occur concurrently with windstorms) may displace (poorly anchored) roof-mounted equipment, with ensuing damage to the roofing system, resulting in ingress of water to the building interior. Poorly maintained or older roofing systems may also be damaged during a windstorm. Water penetration/ingress into the building may also occur if the roof drainage systems are poorly maintained (blockage of drains or collector pipes).

For data centers, a particular vulnerability is related to lightning strikes (thunderstorm). Loss of power or even data transmission cables may be exposed in thunderstorms if the lightning protection system (internal and external, e.g., power surge protection as well as lightning arrestors) is not effective or reliable.

Key outcomes

- Current exposure levels across offices, strategic data centers and suppliers are effectively managed through existing processes.
- In the early-action scenario, precipitation and drought demonstrated increased exposure (by at least 15 and 10 percent, respectively) between 2030 and 2050 across offices, strategic data centers and supplier locations.
- In the NAA scenario, the increased risk exposure for these perils persisted, most notably leading to an at least 90 percent exposure by 2050 across offices, strategic data centers and supplier locations. In the same scenario, thunderstorm risks are at least high across 70 percent of strategic data center locations already in 2030.
- We did not observe significant variances in risk exposures levels across either of the two scenarios between 2030 and 2050.

Our existing business resilience activities focus on protecting and recovering critical business assets and resources from a wide range of existing and developing risks, including those related to the impacts of climate change. Corporate real estate and security teams are responsible to ensure offices comply with evolving building safety and security codes and requirements. Local teams are aware of risks associated with public infrastructure including risks from aging infrastructure that impact mobility and security of energy supply. To avoid situations where safety, security, and business continuity can no longer be effectively managed, office re-locations would be planned for. These activities are forward looking and iterative, taking into account the changing and evolving risk landscape. The adaptive nature of the resilience program and daily operational planning requirements mean that processes will continue to change in response to the risks resulting from climate change. We note the significant increase in distributed workforces as a result of COVID-19, something which has redefined the operational boundaries to be considered for business continuity. Further analysis is required to identify opportunities to adapt our business continuity planning to a distributed workforce.

Business resilience planning is carried over into supply chain relationship management. We are aware of and manage concentration risks where multiple suppliers are located in a common geographic area. We run annual disaster recovery tests for our strategic data centers. The test assumes complete loss of the primary data center and recovery in the secondary data center which is located out of region or country.

Transition risks

Given the low-carbon intensity of the insurance sector's operations compared to more carbon-intensive manufacturing sectors, our focus on sustainability within our operations, and business-as-usual planning processes, we do not consider transition risk to be material for our own operations considering impacts through to 2050. Regulatory changes related, for example, to the price of carbon, are monitored and can be planned for, with impacts minimized by reducing our carbon footprint in line with our science-based targets.

Risks within our supply chain are mitigated by placing increasing scrutiny on our suppliers' sustainability performance and commitments and setting clear expectations for suppliers in our SCOC. Overall, price increases for products and services are anticipated with carbon pricing schemes and other policy or voluntary requirements to internalize the cost of climate change.

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Other climate risk assessment outcomes

Our climate risk assessment includes consideration of both litigation and reputational risks.

Litigation risk: Though not a focus of our scenario analysis, some current litigation drivers were considered in specific deep dive areas, with none presently identified as a material risk driver in the medium term. We closely monitor developments potentially impacting litigation-related risks and drive actions to address them proactively.

Reputational risk: Given our strong ambitions to address the impacts of climate change, we acknowledge we are under higher public scrutiny and any perceived or real failure to live up to our set objectives and targets could have a particularly significant impact on our reputation. To reduce the risk of failing against our targets, we employ controls and monitor progress through the governance structures described in the corporate governance report (see pages 38 to 83). We believe strong internal focus on delivery coupled with detailed public disclosure on progress are sufficient to mitigate this risk.

3. Conclusions

Our initial scenario-based climate risk assessment has strengthened our understanding of the potential impacts of climate risk on our business. The assessment suggests our customer focused approach and diversified portfolios, supported by strong risk management practices, provide the resilience and flexibility to adapt to the impacts observed.

From an underwriting perspective, we believe annual repricing will provide mitigation against short-tail business lines and mitigate transition risk in our underwriting portfolio. As the effects of climate change materialize over time, we have the possibility to ensure that our risk appetite for natural catastrophe exposure is maintained or adapted accordingly. We also purchase reinsurance to protect the company's balance sheet from large natural catastrophe impacts and to support earnings volatility management. The reinsurance strategy is regularly reviewed to account for relevant loss trends.

We believe our multi-faceted responsible investment strategy is sufficiently flexible to adapt to the impacts highlighted by this analysis and will continue to demonstrate resilience. Our structured and disciplined investment management approach is carefully crafted to match liabilities, minimize unrewarded risks and remain stable throughout the macroeconomic cycle. The resulting portfolio is highly diversified across asset classes, sectors and geographies. On an issuer level, both transition risks and opportunities are reflected through ESG integration. Our net-zero 2050 strategy is leading to a continuous decarbonization of the portfolio, which also reduces transition risks stemming from highly carbon intensive issuers without adequate transition pathways that could mitigate their risk, while seizing opportunities created by the transition.

Highly carbon intensive pockets of our insurance and proprietary investment portfolios experience elevated exposure to transition risk, however we believe our in force thermal coal, oil sands and oil shale exclusion policy allows us to address this exposure whilst aligning with our commitment to a low carbon future.

The adaptive nature of our business resilience program mean processes will adapt to changing physical risk profiles ensuring operational resilience.

We caveat these conclusions by acknowledging the hypothetical nature of scenarios, the uncertainty inherent in scenario modelling over the timeframes considered and the somewhat conservative modelling of physical and transition risk.

As the effects of climate change gradually increase over the coming decades, adaptation efforts at the individual, company and state level will increase and provide resilience against expected impacts. This is likely to reduce societal and economic losses, however the details heavily depend on uncertain societal and technological developments. On the other hand, exceeding tipping points, such as accelerated melting of Antarctic ice sheets or permafrost thawing, could lead to large-scale discontinuities in the global climate systems and accelerate the impacts from physical climate risk. We believe our strategy of continually analyzing changing risk profiles and retaining customer focus provides the flexibility required to maintain our resilience and continue to serve our customers' needs as climate-related risk profiles evolve.

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4.2 Governance

TCFD “The organization’s governance around climate-related risks and opportunities.

As outlined in the governance section of the ISD (see pages 132 to 133), sustainability, and therefore climate-related topics, are integrated into our existing governance structure.

We ensure climate change is discussed with our Board and committees where and when required. In 2021, as part of regular strategy discussions, the Board requested a discussion of how major global forces stand to shape the future of our industry over a 10- to 15-year period. Considering the relevance of climate change to our underwriting and investing activities and our own operations, this topic was covered as part of the discussion. Outcomes of scenario-based climate risk assessments are considered as part of strategy setting processes.

To accelerate our understanding of climate risk and support consistent management of our aspiration toward a climate-neutral economy, we established a cross-functional 1.5°C taskforce under the sponsorship of the Group Underwriting Officer, reporting into the SLC.

4.3 Risk management

Peter Giger
Group Chief Risk Officer

TCFD “The processes used by the organization to identify, assess and manage climate-related risks.

4.3.1 Integration of climate risk within the overall risk management framework

We consider impacts from climate change as drivers for other risks, such as market or natural catastrophe risks, that are managed within our existing risk management framework. Our approach to managing climate risk is embedded in our multi-disciplinary Group-wide risk management framework, following the same objectives of informed and disciplined risk taking. The risk management framework is based on a governance process that sets forth clear responsibilities for taking, managing, monitoring and reporting risks.

To identify, assess, manage, monitor and report risks that can have an impact on the achievement of our strategic objectives, including climate change, the Group applies a proprietary Total Risk Profiling™ methodology. This short-term assessment considers our planning horizon and allows us to classify risks according to their materiality based on the estimated severity and the likelihood of the risk materializing. Further, it supports the definition and implementation of mitigating actions. At Group level, this is an annual process, followed by regular reviews and updates by management.

Taking the long-term nature of climate change into account, we complement our Total Risk Profiling™ methodology with portfolio-level climate risk scenario analysis to provide an outlook on medium- and long-term risk developments relevant to our underwriting and investment portfolios, as outlined in the strategy section (see page 137). The details of our risk management framework are outlined in the risk review (see pages 182 to 215).

4.3.2 Portfolio-level scenario-based climate risk assessment

Assessments of the resilience of our business model to potential climate risks over longer time periods are performed using scenario analysis. To ensure a consistent Group view on potential climate change pathways, scenarios selected for this analysis will underpin all assessments Group wide, unless other local regulatory requirements exist. Assessment granularity and timeframes can be tailored to the specific requirements of the assessment.

In line with established governance, the ExCo Sponsor for Sustainability reviews the outcomes of the climate change scenario analysis exercise and reports key outcomes and agrees actions with the ExCo for Group CEO approval. The ExCo Sponsor for Sustainability reports outcomes and actions to the Board’s Governance, Nominations and Sustainability Committee (GNSC). The GNSC makes recommendations to the Board, as required.

An integrated modeling approach, leveraging a third-party model, is adopted for the analysis of our underwriting and proprietary investment portfolios to ensure, to the extent possible, the consistent use of assumptions.

To quantify impacts on Group assets, the model adopts a bottom-up approach to analyze the exposures of businesses and industries to physical and transition risk. To provide a map of vulnerabilities, it uses asset-level data on relevant risk drivers, including carbon emissions, abatement options, exposure to physical risks (including location-based exposure to acute physical risks), exposure to the greening of the economy, dependency on fossil fuels and competitiveness. The strength of this bottom-up approach is that it provides a coherent framework for analyzing climate change-related risk at the industry and corporate sector level.

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Data underpinning the assessment of impacts on group assets is used in conjunction with premium and loss data to model impacts on our insurance business in a bespoke process:

Figure 17:
Underwriting analysis process

1 Develop heatmap

Objectives

– **Assess and prioritize risk channels** using consistent quantitative metrics
– Provide **basis for selecting deep dives**

Method

Criteria for heatmap include:

– **Portfolio importance** (Underwriting volumes (GWP) by industry sector, line of business and geography)
– **Demand impact** (sectoral revenue change for physical and transition risks)
– **Expected loss impacts** (transition and physical risks)

2 Conduct deep dives

Objectives

– Assess **impact on underwriting volumes of key sectors, lines of business and geographies due to climate risks in 2030** (relative to the baseline scenario)

Method

– **Impact on demand** due to change in climate-related exposure
– **Impact on expected losses** arising from transition and physical risks

3 Conduct portfolio-level risk assessment

Objectives

– Identify **key risks and opportunities** (for risk management framework and disclosure)
– **Quantification of portfolio-level impact** on underwriting volumes

Method

– Building on analysis in steps 1 and 2, quantify impacts on underwriting volumes in 2030 (relative to baseline) due to climate risks

Data sources and assumptions

– A fixed balance sheet approach is adopted to better allow the impacts of climate change to be isolated. This implies quantified impacts assume no strategic reaction from us to the risks identified, and no movements in pricing to adapt to changing conditions.

– Scenario analysis has been performed using year-end 2020 financial data with latest available emissions data (mostly 2019). Given this difference in data recency, baseline emissions intensities for the modelling were calculated for 2019 and then scaled to reflect 2020 revenues, in order to avoid the risk of emissions intensity numbers being distorted by year-on-year changes in revenue between 2019 and 2020.

– Modelled impacts of acute physical risks on expected losses are, to every extent possible, based on our own natural catastrophe modeling. Coupled with the narrower set of perils captured in the underlying third-party model, this introduces a slight discrepancy with the modelling of acute physical risk impacts on our investment portfolios where such data substitution was not possible. This discrepancy will reduce as the set of perils modelled in the third-party model is expanded.

– While the bottom-up approach adopted by the underlying model facilitates granular analysis of climate change-related risk, the model displays characteristics that serve to present a somewhat conservative view of impacts, namely:
  – The assumption of smooth transitioning, as capital moves from carbon-intensive to low-carbon activities without bottlenecks or frictions (e.g., costs are passed to consumers), leads to a muted 'cost of transition', despite a very steep rise in the price of carbon (toward USD 700 per ton CO2e).
  – The assumption of perfect information, where action is only taken once new policies are in place, omits an important uncertainty effect.
  – Modeling of physical risk considers three acute hazards (coastal flood, inland flood and tropical cyclones), is location based and does not consider supply chain impacts, meaning aggregate estimates of physical risk are somewhat limited.[1]

For further details on our risk management process and supporting committees, see the risk review (pages 182 to 215).

1 Additional hazards, modelled as part of Zurich's natural catastrophe modelling, are reflected in the underwriting analysis.

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4.3.3 Managing risks from climate-related natural catastrophes

As outlined in the strategy section (see pages 140 to 141), changes in physical risks can impact us through the property business via changes in severity and probability of climate-related natural catastrophes. To manage our underwriting selection and ensure accumulations stay within intended exposure limits and assess the capital requirement due to natural catastrophes, we have established sophisticated natural catastrophe modeling capabilities. The resulting view on natural catastrophe risk also underpins profitability assessments and strategic capacity allocation and guides the type and quantity of reinsurance that we buy. To ensure global consistency, natural catastrophe exposures are modeled in the Group Risk Management function.

Third-party models provide a starting point for the assessment of natural catastrophe risk. However, they are generally built for the market average and need validation and adjustment by specialized teams to reflect the best view of risk. We have been a leader in model validation and developed our proprietary 'Zurich View' of risk since 2005, giving us over a decade of experience in applying a structured and quantitative approach to optimize our risk view. To arrive at the Zurich View, models are adjusted in terms of frequency, severity and event uncertainty. Adjustment factors address potential losses from non-modeled property-related exposures or secondary perils to the extent not covered by the third-party models. Every catastrophe event provides an opportunity to learn from our own claims experience and the modeling framework provides a place to capture the new insights. We constantly review and expand the scope and sophistication of our modeling and strive to improve data quality. We supplement internal know-how with external knowledge (e.g., the Advisory Council for Catastrophes). We are also a shareholder of catastrophe exposure and loss data aggregation and estimation firm PERILS AG, Switzerland and are a member of the open-source initiative Oasis Loss Modeling Framework.

Catastrophe models that are generally based on historical data would not capture potential future climate change-related shifts of extreme weather events. However, when combined with general circulation models (GCMs) they are best positioned to help also understand the risk of future climate conditions. GCMs build representations of the Earth's physical climate systems and therefore can provide model results for climatic scenarios beyond past events. The quality of GCMs continues to evolve as scientific understanding of the earth's climate systems increases and is also driven by progress in computing power and artificial intelligence that extrapolates insights from current modeled regions to future climate scenarios. This science is evolving, and we have strengthened our catastrophe modeling team with dedicated resources to create methodologies to integrate forward-looking aspects such as this into our modeling approach.

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4.4 Metrics and targets

TCFD "The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

We use numerous indicators across our underwriting and investment activities, as well as our own operations, to monitor, assess and manage climate-related impacts to and of our business. This section outlines the main targets underpinning our climate strategy and lists key performance indicators (KPIs) we track.

4.4.1 Our targets

Outlined below are the principle targets we have set to align our business activities with the outcomes of the Paris Agreement. In line with the efforts of the NZIA, we aim to establish, to the extent permissible by applicable laws and regulations, intermediate, science-based targets for our underwriting portfolios.

Target	Definition	Target year	Base year
Reduction of financed emissions	Our emissions reduction targets cover both listed equity and corporate bond investments as well as direct real estate investments. By 2025, we aim to: – Reduce the intensity of emissions of listed equity and corporate bond investments by 25 percent, in terms of tons of CO2e per USD million invested. – Reduce the intensity of emissions of direct real estate investments by 30 percent, in terms of kilograms of CO2e per square meter.	By 2025 (interim) By 2050 (net-zero)	2019
Engagement targets	We strongly believe that simply divesting from companies with carbon-intensive footprints is less effective than engaging with them to drive the shift to sustainable practices. Many of these companies have the knowledge and engineering capabilities required to make a green transition and harnessing this can benefit sustainability goals. We will: – Engage with the companies producing 65 percent of portfolio emissions and lacking targets aligned with the Paris Agreement. – Require these companies to set targets aligned with the Paris Agreement. – Collaborate with asset managers in highlighting best practice for climate-conscious active ownership and work together for a just transition. Over a period of at least two years, we will engage with companies directly and through organizations such as Climate Action 100+ and the NZAOA. Should engagement fail and companies refuse to set targets after due dialogue, we will vote against board members at shareholder meetings.	By 2025	2019
Financing the transition	Our targets for financing climate solutions enhance the Group's existing long-term impact investing strategy to provide green financing solutions under its impact investing strategy announced in 2017. We will: – Increase allocation to climate solution investments. – Avoid 5 million tons of CO2e emissions per year through impact investments. – Contribute to a market environment that enables a growing pipeline of climate solution investments suitable to institutional investors, based on our experience of building a multi asset class impact portfolio over the years.	Ongoing	2019
Reduction in operational carbon emissions	Our 1.5°C journey envisages a reduction of our operational carbon emissions as well. Our targets for our own operations against a 2019 baseline as follows: – Total emissions: absolute reduction in all operational emissions of 50 percent by 2025, and 70 percent by 2029. – Scope 1 + 2: reduction in emissions from the vehicle fleet and onsite heating as well as from purchased electricity, heat and steam (e.g., district heating) of 55 percent by 2025 and 80 percent by 2029. – Scope 3: reduction in operational emissions resulting from air, rental and rail business travel, employee commuting, strategic data centers, printed paper and waste, as well as indirect energy impacts of 50 percent by 2025 and 65 percent by 2029.	By 2025 (interim) By 2029	2019

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4.4.2 Our performance metrics

This section highlights our key metrics used to measure and manage climate-related risks and opportunities. They represent a combination of metrics derived from the SASB and WEF IBC standards expanded with further own metrics and in line with the guidance on metrics of the TCFD.

Underwriting

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Carbon intensity

As a founding member of the NZIA, we have agreed to report the carbon intensity of our underwriting portfolio and to independently set targets as we move toward net-zero within our underwriting book. Ahead of an agreed methodology from the NZIA, we have already started work to understand our weighted average carbon intensity (WACI) at a Group level as well as a country level.

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Revenues from sustainable solutions

As an insurer, we aim to support our customers in the transition toward a sustainable future. To succeed, we need to fully understand the changing world around us and respond to these emerging challenges through the lens of an underwriter. Our sustainable insurance and investment solutions enable us to formulate an answer to challenges such as climate change or changing demographics.

In order to measure the revenues from sustainable solutions, we developed an internal definition for sustainable solutions and collected data from business units for the first time in 2021.

The total revenue associated with sustainable solutions

Sustainable solutions refer to insurance products, add-on coverages, investment products and advisory services that are designed or adapted to support activities that generate positive environmental or social impacts and contribute to mitigating climate risks.

In the table, we share our definition of revenues from sustainable solutions of three categories (environmental, social and investment) and provide details for each category.

Table 3:
Internal definition of revenues from sustainable solutions

Revenues from sustainable environmental solutions	Solutions related to technologies and/or activities that have an impact on reducing greenhouse gases, preserve or enhance biodiversity as well as enable the responsible use of natural resources. These solutions aim to mitigate and support resilience against the adverse impact of environmental related risks on our customers.	Examples include: – Insurance coverage for electric vehicles. – Insurance coverage for carbon mitigation solutions. – Risk prevention services that contribute to more customer awareness and resilience to the adverse impacts of climate change e.g., flood resilience.

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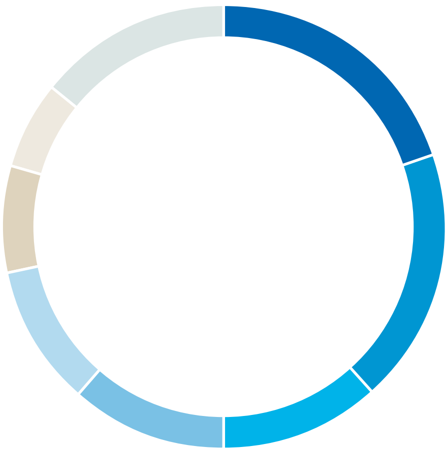
Revenues from sustainable social solutions	Solutions that enhance the social or financial inclusion of socially disadvantaged people, or are designed to incentivize healthy lifestyles and safe behavior.	Examples include: – Life protection for customers with existing chronic diseases such as diabetes or cancer. – Life protection policies sold in a bundle with LiveWell. – Micro-insurance for low-income customers, e.g., insurance for smallholder farmers.
Revenues from sustainable investment solutions	Investment products with a focus on sustainability both specific, and not-specific, to environmental and social aspects.	Examples include: – Unit-linked products investing in funds focused on sustainable environmental and social factors, e.g., ESG funds.

By calculating the Group-wide revenues coming from products that comply with our definition of sustainable solutions, we can quantify how we are supporting our customers with their sustainability strategies. Our first analysis revealed that gross written premiums and policy fees from sustainable solutions based on approved products related to our own definition represent approximately USD 289 million for 2021.

Across business units, a number of different categories were identified, of which insurance for electric vehicles, renewable energy and unit-linked products had the highest number of products fulfilling our internal definition.

The complete overview of all product categories totaling to 156 approved solutions are as follows:

Figure 18:
Breakdown of sustainable solutions by product category



Electric vehicles	31
Renewable energy	29
Investment products	18
Micro-insurance	18
Life protection for customers with existing health conditions	16
Products sold in a bundle with LiveWell propositions	12
Zurich Resilience Solutions (including Climate Change Resilience Services)	10
Other	22

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Revenues related to energy efficiency and carbon technology[1]

More specifically, we also assessed products related to energy efficiency and low-carbon technology, separately priced, which amount to USD 121 million of gross written premiums and policy fees.

Description of product incentivizing sustainable behaviors

Several products incentivize health, safety, and/or environmentally responsible actions and/or behavior. Please find below a set of examples.

Supporting climate informed practices

Our 'Build Back Better' program is one of the responsible initiatives that can be found in a range of policy clauses. For example, we offer retail customers in Europe a 20 percent payback above the cost of a property restoration after damage when environmentally friendly materials are used. In North America, we cover additional costs that might occur when choosing environmentally friendly alternatives to rebuild property, thereby helping customers rebuild their property after damage in compliance with existing or emerging green standards.

We have also launched several initiatives for our commercial customers. For example, as part of our CCRS, we help businesses to identify, assess, mitigate and adapt to current and future climate change risks.

As well as incentivizing green building and resource-efficient investment, we encourage green travel. For example, we provide retail customers in Italy with a 50 percent discount on their third party liability car insurance if the vehicle is fully electric. In Switzerland, customers receive a discount on their insurance if the vehicle uses alternative fuels. In addition, we developed a product called 'AutoSense' that incentivizes safe and ecological driving and allows customers to compensate for their CO2 emissions.

Incentivizing healthy behavior

In 2020, we developed our LiveWell program with a mission to inspire positive change and provide services and solutions that encourage our customers to make positive lifestyle choices. In 2021, LiveWell added capabilities around lifestyle tracking, challenges, screenings and telemedicine. To date, we are supporting **one million contracted lives** (lives in scope as per the customer contracts) on a daily basis to live a healthy lifestyle. LiveWell has achieved a strong NPS score in its first year. We will continue to measure our progress to understand how to best serve our customers and improve their daily experiences.

1 Revenues capture gross written premiums and policy fees.

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Underwriting and investment management

Exclusion screens

In line with our thermal coal and oil sands policy[1], all initial engagements with affected investee and customer companies were concluded in 2021. All companies covered by the thresholds have either been cleared, excluded or are under continued engagement, contingent on the presentation of credible transition plans. Progress on these targets is monitored and can be revoked if companies fail to meet their transition targets.

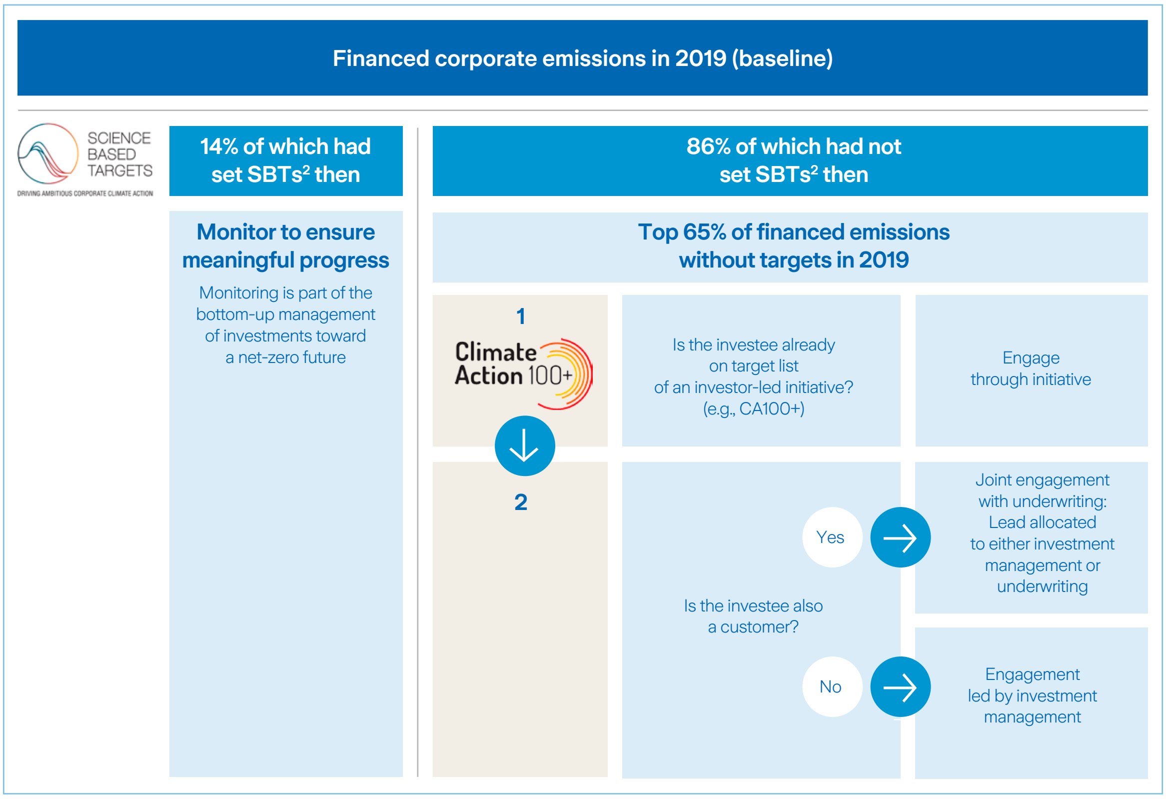
To measure the progress of the implementation of our coal policy, we are monitoring the number of companies affected by its thresholds and actions taken on both the insurance and investment side. Since the introduction of our first coal policy in 2017, our actions resulted in the divestment of USD 573 million in assets (equity and fixed income already disposed) and the phaseout of insurance relationships covering USD 38 million of gross written premiums. These figures represent less than half a percent of our respective investment or insurance portfolios, as our exposure to the thermal coal and oil sands industry was already limited before policy inception, reflecting our ESG integration approach.

Number of companies subject to our coal and oil sands policy since November 2017:

113	124	55
Excluded	Cleared	Engagement ongoing

Engagement for the transition

Figure 19:
Our engagement approach



1 www.zurich.com/en/sustainability/governance-and-policies/exclusion-policies
2 Science-based targets.

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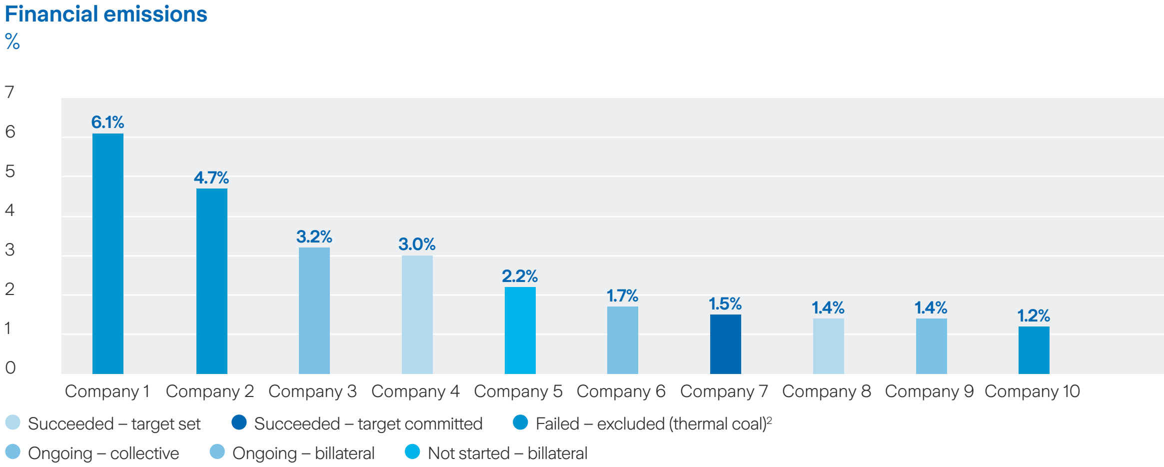
Table 4:
Engagement progress in 2021

Engagement started	46%
Engagement not started	19%
= Target	**65%**
...of which	
Engagement as part of thermal coal/oil sands policy	17%
Engagement as part of net-zero journey	48%
Started engagements undertaken...	
Collectively	25%
Bilaterally	21%
...with outcome	
Failed[1]	16%
Ongoing	18%
Succeeded[2]	12%

Note: All % corresponding to % of financed emissions in 2019 (baseline) without net-zero targets, cumulative progress since 31.12.2019.
1 Engagement failed under the coal and oil sands policy if it became clear the company would neither move under the 30% threshold nor set net-zero targets and was hence excluded; or that a company approached under the net-zero program refuses to set science-based net-zero targets.
2 Engagement succeeded if a company has publicly committed to science-based net-zero targets (under SBTi) or an equivalent scientific verification body.

Figure 20:
Engagement progress for top 10 emitters without science-based targets (SBTs)[1]



1 Corresponding to financed emissions in 2019 (baseline data).
2 Failed engagement under thermal coal program means that company was added to restricted list and hence equity exposure divested and credit exposure put in run-off.

In addition to direct company engagements (as illustrated above in figure 19), we also participated in roundtables supporting sector engagements and engaged with asset managers, bilaterally and as part of the NZAOA asset manager workstream. We contributed to an NZAOA paper that outlines how asset owners can engage their asset managers on climate-change topics. This can include: asking asset managers to set their own science-based targets; joining the Net-Zero Asset Manager Initiative; becoming a signatory to CA100+; and making sure their active ownership policies (proxy voting and engagement) are fit to manage climate transition risks and are conducive to climate change mitigation and the transition to a climate-neutral economy.

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Investment management

This section presents a progress update on the achievement of our investment-related targets. Please note that parentheses around percentages or points indicate a reduction.

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Emission reduction targets

Table 5:
Emission reduction targets

Emission profile 2021

		In scope AuM 2021 (USDbn)	In scope AuM 2020 (USDbn)	In scope AuM 2019 (baseline) (USDbn)	Diff (2021 to baseline)
Zurich Corporate Portfolio		63.1	64.3	58.5	8%
By region	Asia Pacific (APAC)	6.0	5.1	4.5	35%
	Europe, Middle East and Africa (EMEA)	40.7	42.5	38.2	7%
	Americas	16.3	16.7	15.9	3%
By sector	Utilities	4.8	4.7	4.4	10%
	Government Owned Company	2.2	2.6	2.7	(18%)
	Energy	2.5	2.7	2.1	16%

1 Financed emissions cover scope 1+2 of underlying companies (listed equities and listed corporate credit) attributed with enterprise value methodology and matched based on most recently available emission data.
2 Committed or set targets under SBTi.

	In scope AuM 2020 (USDbn)	In scope AuM 2019 (baseline) (USDbn)	Diff (2020 to baseline)
Zurich Global Real Estate Portfolio[7]	12.5	11.7	7%
Asia Pacific (APAC)[8]			
Europe, Middle East and Africa (EMEA)	10.8	10.0	8%
Americas	1.7	1.7	1%

3 The CO2 emissions are calculated according to the location based method. In cases where the data is available or properties use onsite/offsite renewable energies, the market based methodology is applied.
4 The emission factors are retrieved from the International Energy Agency (2020) with the exception of Switzerland for which KBOB (2016) is used.
5 The relative emission intensity is calculated based on the gross floor area (GFA) of the buildings.
6 Market-value weighted and based on balance sheet investments, incl. buildings used by Zurich.
7 Real estate emissions are only available with a four-quarter lag. 2021 emissions will be reported in the 2022 report. Includes investment portfolio buildings only, as own-use buildings are part of Zurich's own operations net-zero boundary and report.
8 Zurich does currently not directly hold real estate investments in the APAC region. Given that direct holdings form the base for the emission reduction targets, there are no applicable figures for this region.

Absolute emissions

$$\Sigma_{i=1}^{n}\left(\frac{C_i}{EV_i}\times I_i\right)$$

Relative emissions (intensity)

$$\frac{\Sigma_{i=1}^{n}\left(\frac{C_i}{EV_i}\times I_i\right)}{\Sigma_{i=1}^{n} I_i}$$

* Carbon emissions = scope 1 and scope 2 emissions

I: Current value of investment on issuer i

EV: Enterprise value of issuer i

C: Carbon emissions of issuer i

Emission reduction target-setting methodology and scope

Following the release of the NZAOA Protocol, we announced our initial set of interim (2025) targets in March 2021. The target boundary – listed equity, listed corporate debt and direct real estate – covers 36 percent of our assets under management in the baseline year of 2019.

We chose to calculate corporate financed emissions and the resulting relative emissions intensity using the Protocol's preferred approach, based on enterprise value (EV), not revenue. While a revenue-based carbon intensity measure is a good way to compare companies based on their size and underlying technology, NZAOA members believe that

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	Absolute financed emissions 2021 (m t CO_2e)[1]	Absolute financed emissions 2020 (m t CO2e)	Absolute financed emissions 2019 (baseline) (m t CO2e)	Diff (2021 to baseline)	Relative emission intensity 2021 (tCO2e/1m MV)	Relative emission intensity 2020 (tCO2e/1m MV)	Relative emission intensity 2019 (tCO2e/1m MV) (baseline)	Diff (2021 to baseline)	Target	% of financed emissions with SBT 2021[2]	% of financed emissions with SBT 2020	% of financed emissions with SBT 2019 (baseline)	Diff (2021 to baseline)	% of financed emissions in run-off under coal/ oil sands policy 2021
	6.8	8.3	7.9	(15%)	108	128	136	(21%)	(25%)	19.9	19.5	14.3	39%	12.7
	1.8	1.8	1.8	(2%)	292	355	400	(27%)		1.2	1.6	1.2	6%	44.7
	3.9	4.8	4.5	(13%)	95	113	118	(19%)		32.4	31.3	22.9	41%	0.8
	1.1	1.6	1.7	(32%)	70	98	105	(34%)		6.1	4.3	5.3	16%	3.8
	2.9	2.7	2.7	7%	600	565	616	(2%)		16.7	17.9	14.4	16%	28.5
	0.8	1.3	1.4	(42%)	375	498	529	(29%)		26.5	24.3	5.4	388%	2.1
	0.8	1.0	0.7	18%	310	384	305	2%		–	–	–	–	1.1

	Absolute emissions 2020 (tCO2e)[3,4]	Absolute Emissions 2019 (baseline) (tCO2e)	Diff (2020 to baseline)	Relative emission intensity 2020 (kg CO2e/ sqm)[5]	Relative emission intensity 2019 (kg CO2e/sqm) (baseline)	Diff (2020 to baseline)	Target	% of green certified buildings 2021[6]
	50,669	53,181	(5%)	20.4	21.6	(6%)	(30%)	19
	37,244	41,153	(9%)	21.3	22.9	(7%)		20
	13,425	12,028	12%	18.1	18.0	1%		19

the EV approach is a better measure to convert a corporation's operational emissions (scope 1+2) into the 'financed emissions' attributed to its underlying equity and debt investors who are ready to take additional responsibility for these emissions.

To calculate corporate financed emissions, we use the following methodology:

- Scope 1+2 emissions in line with the GHG Protocol are provided by S&P Trucost.
- EV is defined as the sum of market capitalization of common stock at fiscal year end, the market capitalization of preferred equity at fiscal year end, and the book values of debt and minorities' interests minus the cash and cash equivalents held by the enterprise. When EV is not available (for example for financial companies) it is substituted with market capitalization. EV data is provided by S&P Trucost.
- Market value (MV) is defined as the market value of listed equities and listed corporate debt at fiscal year end.
- While all financial data (EV and MV) is calculated as of 31.12.xx, we use the latest available corporate emission data available as of January, when portfolio-level financed emissions are calculated on an annual basis. This means that emissions data is systematically lagging. For example, financed emissions for 2021 will be largely based on FY2020 emissions data, as FY 2021 emissions data will only be made available by investees in H1 2021, and tends to flow to data providers via Carbon Disclosure Project (CDP) submissions in Q4 of a given year.

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Coverage tends to be almost universal for our listed equity universe, where data gaps were almost exclusively due to missing look-through to single holdings for comingled funds and ETFs. In the listed debt portfolio, data gaps were largely due to missing reported or estimated emission data for smaller or emerging market-based companies. To close these data gaps, we have worked on creating proprietary industry-based estimates that are based on the sector emission intensities.

In addition, to address issues with emissions data in the wider portfolio, work is ongoing: to match ETFs and mutual funds with the financed emission intensities provided by their respective fund managers or benchmark provider; engage with data providers to increase coverage of modeled emissions to small-cap and emerging market issuer; and engage with companies directly, encouraging them to report their operational emissions.

We have already made substantial progress in reducing the emission intensity of our corporate portfolio, based on latest available emission data – which is predominantly from 2020. With the COVID-19 pandemic resulting in the largest-ever decline in global emissions, undoubtedly Zurich's emission reduction benefited from this effect. As primary energy demand dropped nearly 4 percent in 2020, global energy-related CO2e emissions fell by 5.8 percent according to the latest statistical data.[1] Unfortunately, we already know that global CO2e emissions have rebounded in 2021. In addition, the divestments of restricted names based on our thermal coal, oil sand and oil shale policy contributed to the financed emission reduction. These two effects positively impacted the reduction of financed emissions, which might not continue at the same pace in forthcoming years.

In real estate, the entire Swiss portfolio has been optimized and monitored since 2014. The target set to reduce 20 percent of total operational carbon emissions (scope 1 and scope 2 emissions) against the baseline of 2010 was achieved by the end of 2019. The target to reduce 80 percent by 2050 has been reviewed as it was not in line with our net-zero strategy and current science-based target setting methodology. Energy and carbon reduction data have been audited and published in our sustainability report since 2016. As agreed in the NZAOA's target setting protocol, we calculated a baseline 2019 for scope 1 and scope 2 emissions for our global real estate investments and communicated a 30 percent reduction by 2025. As a science-based scenario is required, the use of Carbon Risk Real Estate Monitor (CRREM) 1.5°C pathways was analyzed and piloted in the Swiss real estate portfolio, then applied globally. Over the course of 2021, a carbon management platform was implemented in order to evaluate and report the progress of the global real estate carbon reduction performance. According to the methodological framework of CRREM, the reference area for the calculation of carbon intensity (kgCO2e/m²) and energy intensity (kWh/m²) figures is the Gross Internal Area (GIA: Gross floor area minus area of external walls).

Given the importance of sovereign debt for institutional investors, we are currently working with the NZAOA to develop a methodology that allows the target-setting protocol to be expanded to sovereign debt.

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Financing the transition 2021

Table 6:
Financing the transition 2021

	2021	2020	2019 (baseline)	Diff (to baseline)	Target
Climate solution investments (USDm)	8,203	8,054	7,408	11.0%	**upward trend**
of which green impact investments[1]	5,115	4,424	3,662	39.7%	
of which green certified buildings[2,3]	3,088	3,631	3,747	(18.0%)	
Milllion tCO2e avoided through climate-related impact investments[4]	4.6	2.9	2.8	64.0%	**5**

1 Values refer to the environmental share of Zurich's impact investments displayed in table 8: Impact investing portfolio.
2 Green certified buildings based on balance sheet investments, incl. buildings used by Zurich.
3 Values refer to the share of green certified buildings of Zurich's Global Real Estate Portfolio displayed in table 5: Emission reduction targets.
4 Impact numbers for 2021 include methodology upgrade from previous years, as explained in Zurich's impact measurement methodology paper: www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/zurich-impact-measurement-framework.pdf

1 www.iea.org/articles/global-energy-review-co2-emissions-in-2020

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Other Responsible Investment KPIs

The following section shows the progress we have made with our responsible investment strategy the last five years and 2021, specifically.

For more in-depth information please consult the latest Sustainability Report[1].

Responsible Investment strategy KPIs

Table 7:
Investment portfolio managed by responsible investors

	2021	2020	Change	2019	2018	2017
Assets managed by responsible investor[1]	99.6%	99.6%	–	98.2%	97.5%	97.5%
Total amount of impact investments (USD millions)	7,037	5,770	22.0%	4,555	3,790	2,830
Investment portfolio (USD millions)[2]	211,334	226,389	(6.6%)	204,803	195,472	207,261

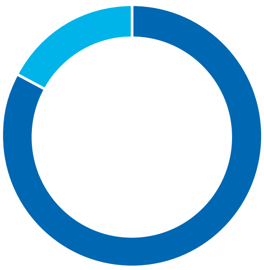
1 A United Nations supported PRI signatory or asset manager that fulfills our minimum requirements for ESG integration.
2 Investment portfolio is calculated on a market basis, and is different from the total Group investments reported in the consolidated financial statements, which is calculated on an accounting basis and doesn't include cash and cash equivalents.

Proxy voting

As part of our active ownership strategy, we require all our managers for listed equities to exercise their voting rights on directly held equities. We measure the votes we cast based on assets under management. Reasons for votes not cast are a combination of portfolio turnover and voting restrictions (such as demands to vote in person, share blocking or requirements that increase the cost of voting).

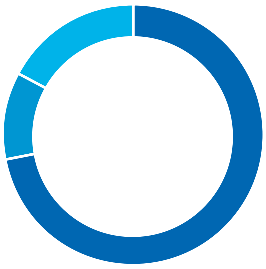
Figure 21:
Proxy voting 2021

Our voting activities in 2021



Votes cast	83%
No votes cast	17%

Our voting behavior in 2021



Voted with management	72%
Voted against management	11%
No votes cast	17%

1 www.zurich.com/en/sustainability/reporting-and-news/reports-publications

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Impact investing

In 2021, our impact investing portfolio of USD 7.0 billion helped avoid a total of 4.6 million tons of CO_2e emissions and benefited 3.6 million people.[1]

Table 8:
Impact investing portfolio

	2021	2020	Change	2019	2018	2017
Total amount of impact investments(USD millions)	7,037	5,770	22%	4,555	3,790	2,830
Total amount of impact investments – environmental share	73%	77%	–	–	–	–
Total amount of impact investments – social share	27%	23%	–	–	–	–
Green, social & sustainability bonds (USD millions)	5,846	4,677	25%	3,645	3,104	2,714
Impact private equity (USD millions)	211	189	12%	163	145	116
Impact infrastructure private debt (USD millions)	980	904	8%	747	540	–

1 Impact numbers for 2021 include methodology upgrade from previous years, as explained in Zurich's impact measurement methodology paper: www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/zurich-impact-measurement-framework.pdf

Advancing together

We believe that responsible investment will only truly have an impact if financial market participants advance together to take this approach mainstream. Supporting collaborative initiatives and working together with other industry participants to advance responsible investment practices forms an integral part of our approach. We have signed the UN-backed PRI as well as the Principles for Sustainable Insurance (PSI) and collaborate with a number of industry initiatives and research bodies. Most notably we are a founding member of the NZAOA, as well as Investor's Leaders Group at the University of Cambridge, have co-chaired the Executive Committee of the Green and Social Bond Principles for the first six years after its formation and represent asset owners on the Advisory Board of the Operating Principles for Impact Management. In 2021, we participated actively in 23 membership organizations. Our colleagues spoke about responsible investment at 48 conferences and other industry events around the globe.

Own operations

Progress in the achievements of Group targets for its operations against a 2019 baseline is presented below. Please note that parentheses around percentages or points indicate a reduction.

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Sustainable operations

The Group has set the following targets for its operations against a 2019 baseline:

Table 9:
Absolute carbon emissions coming from our own operations[1]

Key performance indicator	Unit of measurement	2019 (base year)[1]	2020	2020 change relative to base year	Target reduction 2025	Target reduction 2029
Absolute carbon emissions Absolute reduction in all operational emissions	CO_2e (metric tons)	164,346	66,708	(59%)	50%	70%
Scope 1 + 2 emissions Reduction in emissions from the vehicle fleet and onsite heating as well as from purchased electricity, heat and steam (e.g., district heating)	CO_2e (metric tons)	49,042	27,714	(43%)	55%	80%
Scope 3 emissions Reduction in operational emissions resulting from air, rental and rail business travel, employee commuting, strategic data centers, printed paper and waste, as well as indirect energy impacts	CO_2e (metric tons)	115,304	38,994	(66%)	50%	65%

1 Operational emissions include extrapolations to ensure 100 percent data coverage while details by categories are explained here: www.zurich.com/sustainability/sustainable-operations/our-environmental-kpis

5. Our customers: Their needs are at the heart of everything we do

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Conny Kalcher
Group Chief Customer Officer

Customers are at the core of our business. They include individuals, small businesses, mid-sized and large companies, and multinational corporations. We create value for our customers by helping them understand, prevent and protect themselves from risk. At Zurich we continue to take action to build more meaningful relationships with customers as part of an ongoing transformation program.

We have proven to be a reliable and trustworthy company in an unstable world, with a long history of using our expertise to care for society and people. However, customer expectations are evolving and lifestyles are changing, creating new demands. As technology has a profound impact on our lives, customers increasingly expect a seamless digital experience. They want more personalized products, faster delivery and simpler processes.

Our goals

5.1 Customer-centric solutions and experiences

5.2 Fair and transparent experiences

5.3 Digital confidence and trust

5.1 Customer-centric solutions and experiences

We aim to use every Zurich experience to build a meaningful relationship with our customers and become a trusted partner: so we feel confident together, connected to our community, and optimistic about the future. To create the solutions and experiences that support our customers, we must understand their evolving needs and innovate along the way.

This focus on innovative, customer-centric solutions is illustrated by the wide range of new products and services being developed across the Group. In the planet section, on page 136, of this report, we discussed the CCRS and the unit-linked sustainability solutions. Additionally, Zurich Global Ventures (ZGV), an innovation hub that drives the development of a series of independent and multi-faceted insurance-related solutions, was created with the aim, amongst others, of providing innovative services and product offerings that go beyond traditional insurance coverage and are available across markets globally. The goal is to get closer to our customers by offering a customized, proactive and digital experience that empowers individuals and businesses to be better prepared for the future.

These new products and services complement our existing insurance propositions, ensuring that we are providing our customers with a wide range of solutions that meet their needs.

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5.1.1 Customer attraction and retention

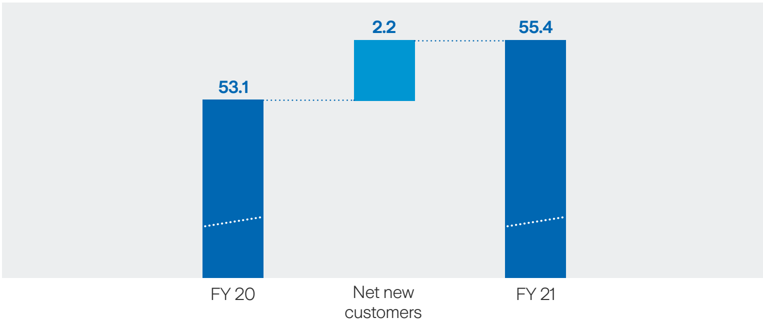
Customer retention rate

Figure 22:
Retail – customer retention rate and net new customers 2021[1]

P&C retail retention rate
(FY 21 vs. FY 20)

+1.5ppts

Net new customers
Customer (m)



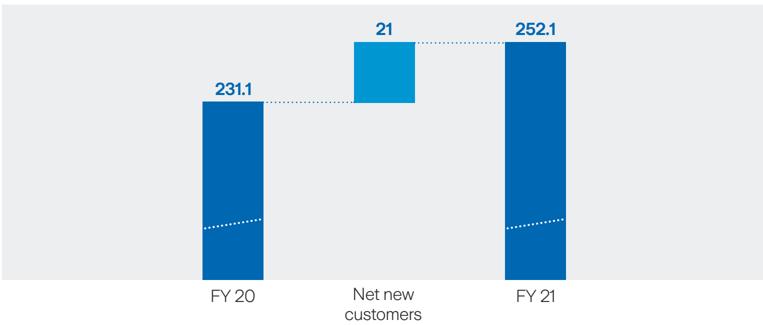
Within our insurance business, we have seen continued growth in our retail customer base driven by strong customer retention, which improved slightly in 2021, and growth in our partnership deals. Our ability to continue driving growth here is testament to our constant efforts to build long-term relationships with our customers and distribution partners. In 2021, this led to a net growth of 2.2 million new customers. In addition to the customer growth in our retail business, we have also delivered premium growth in our P&C commercial business across all regions within the Group.

Figure 23:
Commercial insurance – customer retention rate and net new customers 2021[2]

P&C commercial retention rate
(FY 21 vs. FY 20)

Stable

Net new customers
Customer (k)



Looking at Commercial Insurance, it is testament to Zurich's strength and position in the market, that customer loyalty has remained strong during a period of hard market conditions. Commercial Insurance executed on its customer-focused strategy throughout the year and in conjunction with achieving the desired rate increases, achieved a flat customer retention compared to 2020. This, coupled with targeted new business growth in selected markets, has resulted in almost 21,000 net new customers in 2021 through either organic growth or acquisition.

This strong performance gives us confidence that we are providing products and services that are attractive to our customers. In addition, we continue to evolve our customer experience by listening and acting on customer feedback through our NPS programs. We interviewed around one million customers in 2021 across our business and took action based on their feedback. Actions ranged from small process optimizations to more sizeable measures, such as collaborating with leading tech firms to co-create new technology solutions to deliver a more frictionless customer experience. One example is the collaboration with Sprout.ai in the UK, which has cut property claim settlement decisions to a few hours and gives customers additional clarity on the outcome of the claim. The combination of these small and large actions contributed to record levels of customer satisfaction, achieving a 4.1-point increase in our overall TNPS score in 2021.

1 The customer retention rate and number of customers are calculated based on retail customers in our biggest business units: Australia, Brazil, Germany, Italy, Japan, Spain, Switzerland and UK. For both indicators, we report on the change between 2020 and 2021. To calculate customer retention rate, no split between voluntary and involuntary leave was made.
2 The customer retention rate and number of customers are calculated based on the following business units: Australia, Belgium & Luxemburg, Canada, Denmark, Finland, France, Germany, Middle East, the Netherlands, Norway, Russia, Singapore, Spain, Sweden, Switzerland, UK, U.S. (ex Crop & Programs). For both indicators, we report on the change between 2020 and 2021. To calculate customer retention rate, no split between voluntary and involuntary leave was made.

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5.2 Fair and transparent advice and engagements

In line with our Group's Code of Conduct, we strive to manage the risks of poor outcomes for our customers and conduct our business in a way that treats them fairly. We acknowledge that they can be exposed to different risks at different stages of the customer journey and believe that clear and transparent communication is critical to mitigate these risks. To support strong customer management, including fair communication practices, in all our business units, we have a Global Customer Facing Conduct Framework[1] in place.

As part of our continued focus on enhancing customer experience, we have also defined a set of customer experience standards. These standards define what good customer experience looks like at Zurich and provide a common benchmark of quality for the whole organization. By going beyond what is required in local laws and regulations to strive for customer experience standards, we are better positioned to meet and exceed customer expectations.

5.2.1 Customer communication

To account for the wide range of products and services we provide across more than 215 countries and territories, our local businesses ensure that our approach to informing customers about our products is fully in line with both regulatory and customer expectations. We have a wide range of product literature available to inform customers about our products and services, including product suitability, policy coverage, cost structures, exclusions, etc. Information on our range of products is available through several channels, including our website, financial intermediaries, email, social media, television, press, digital and print advertising.

5.2.2 Continuously measuring and improving claims handling

As part of our TNPS survey, we strive to get a better understanding of how our customers experience different aspects of the customer journey. One of the elements that is very important to our customers, is the way we handle claims when we receive them. The claims TNPS provides us with insights on how our customers value our claims handling procedure and which aspects, or drivers affect their experiences most over time. The claims TNPS is calculated for a broad set of countries[2], both for retail and commercial insurance.

Compared to 2020, the claims TNPS score increased by 3.4 points[3] by end of 2021. In general, our customers value that we are easy to deal with and that we have helpful advisors in customer support. The lead time to handle claims and the quality of the information we provide, are the areas most in need of improvement. The main difference compared to last year is that the driver 'it was easy to deal with Zurich' has moved from an area in need of improvement to one of our strengths.

The results shown above prove that dedicated initiatives can have a direct impact on customer satisfaction. Some examples that helped us increase customer experience in 2021 include the obligatory onboarding of all advisors in Switzerland on the Digital Agents Workplace, leading to more personalized advice for our customers. Furthermore, we invested in additional education for our Swiss staff and the recruitment of extra advisors for the high-volume summer months.[4] All of this has led to quicker and easier claims settlements in Switzerland. In Brazil, we introduced several initiatives to simplify the communication toward our customers and reduced the lead time by digitalizing our processes. And in Japan, we simplified our claim process, which led to a steady increase in customer satisfaction. These initiatives confirm that our efforts improve our customer experience and, by consequence, strengthen our claims TNPS score.

1 www.zurich.com/about-us/corporate-governance/code-of-conduct/we-care-about-our-customers
2 Argentina, Austria, Australia, Brazil, Canada, Chile, China, Germany, Hong Kong, Ireland, Indonesia, Italy, Japan, Malaysia, Mexico, Portugal, Singapore, Spain, Switzerland, Turkey, UK, U.S., and Zurich International.
3 Due to optimizations in our system, we continue to collect feedback from an increasing number of customers. This can also impact the TNPS score, meaning that part of the increase should be attributed to this trend.
4 High volumes due to increased need for road assistance during the holiday period.

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5.3 Digital confidence and trust

One of our goals is to make people and organizations more resilient by fostering confidence in a digital society. We aim to use this goal to improve customer experience. We are determined to be transparent about data management and Zurich's data protection and privacy policy, as we believe this is a critical factor for customer trust. During the past year, we also focused on the development of AI solutions and invested in a resilient digital experience, in line with our customer promise.

5.3.1 Data Commitment[1]

We have accelerated global efforts to deliver on our Data Commitment, which aims to go beyond regulatory compliance. Particular focus is given to enhancing standards, processes, systems and controls across regions to ensure an increased level of transparency on how we collect, use and share personal data. The analysis of the effectiveness, strength and robustness of processes and controls in place is used to calculate the transparency score per country.[2]

In EMEA and North America (NA), more than 90 percent of countries achieved the transparency score we aim for.

Across LATAM and APAC, more than 70 percent of the countries have also achieved the targets we aim for, in spite of the different level of robustness of local data protection and privacy regulations. Countries with less demanding data protection and privacy regulations are using ongoing transformation and digitalization initiatives to enhance processes and systems, so they can proactively inform customers[3] about how their personal data is being used (and with whom it is being shared) and obtain appropriate consent. Overall, since Q1 2020 our transparency score has increased by 30 percent globally, taking into account the ratio of countries that made major improvements against the targets we aim for.

5.3.2 Cybersecurity[4]

Given the scale of the cybercrime threat, we have opted for a layered approach to protect our data and ensure resilience, by leveraging industry best practices and frameworks such as the NIST Cybersecurity Framework.[5] We continuously work on important areas of focus such as data protection, attack surface reduction and security capabilities development.

To strengthen our data protection, we have developed a global standard policy for data loss prevention (DLP), and we provide solution for DLP to our business units throughout the EMEA region, and this will be expanded globally over time. Local data protection coordinators for each country and business unit ensure responsiveness to local regulatory requirements for data protection. Data is protected and stored in accordance with its level of sensitivity. We address privacy by design from a forward-looking perspective for all new systems.

Our attack surface reduction efforts are focused on finding, reporting, and reducing risk associated with vulnerabilities and exploitable configuration issues for systems and applications. Cybersecurity and response capabilities allow us to understand the cyber threat environment and prevent, detect, and respond to malicious threats. To ensure proper oversight, our defense-in-depth security model enables us to identify information security risk across the organization through programs such as phishing and awareness training, insider threat detection, strategic and dedicated risk assessments, threat intelligence acquisition and vulnerability management. During 2021, we met all targets for application website protection from malicious threats and continued an aggressive attack surface reduction campaign to ensure positive management of all IT vulnerabilities.

We leverage dedicated security technologies with detection, protection, logging and monitoring capabilities and we are making additional investments to counter growing security threats. In 2021, we significantly enhanced our server and workstation threat protection capabilities by upgrading to an industry-leading threat management solution.

Our focus moving forward is to bring all privileged user[6] and system accounts under management, continuing vulnerability reduction, conducting dataflow analysis for confidential data, strengthening third-party information security governance, and continuing to enhance business resilience.

Since 2021 we have begun to implement a new internal controls integrated framework[7], which will provide control testing and assurance to ensure the effectiveness of information security controls (see the risk review, pages 210 to 211 for more information).

We are also dedicated to full transparency concerning information security and cyber incidents that may affect customer data. We have strict protocols in place to comply with all regulatory notification requirements and will immediately inform and provide full assistance to any customers whose data or data privacy may be impacted, regardless of whether the incident involved Zurich directly or one of our partners.

1 Reporting excludes Farmers Group Services, Joint Ventures and Zurich Global Ventures except for Zurich International.
2 The calculation of the score is based on self-assessment by reporting units, complemented by quality assurance reviews conducted at regional and Group level.
3 In the section on 'our digital society', customer refers to policyholders, claimants, beneficiaries and employees.
4 Reporting excludes Farmers Group Services, and Zurich Global Ventures except for Zurich International.
5 A set of guidelines for mitigating organizational cybersecurity risks, published by the U.S. National Institute of Standards and Technology (NIST) based on existing standards, guidelines, and practices.
6 A privileged user has special/higher access rights. These elevated access rights are usually given to superusers and allow for full control of systems, applications and data.
7 The framework covers the development, implementation, execution and monitoring of internal controls. Cybersecurity is just one topic.

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5.3.3 Business resilience[1]

The increased sophistication of cyberattacks also means we must continuously enhance our protective, responsive and recovery capabilities. Our goal is to be able to continue providing highly critical services to our customers under a "total loss of technology" scenario.

To do this, we have identified all critical services and management activities in all countries and functions. Services are considered end-to-end, to the ultimate third-party provider. They are defined as critical if their disruption, whether internally within Zurich or with a third party, can generate distress to our customers or threaten our viability under an extreme loss of technology scenario. The combination of these services and management activities represents the Zurich minimum viable operating environment (MVOE).

To ensure continuity of MVOE services and activities, we are implementing a set of digital capabilities that are required for internal and external communication (email, telephony), and to make key customer, policy and claims data available for minimum service, such as claims notification and claim settlement.

In parallel, we are building recovery capabilities, beyond traditional disaster recovery, to allow restoration of our critical IT infrastructure, and, ultimately, recovery of critical business applications before a transition to business as usual.

We set out clear expectations for suppliers in our SCOC including in relation to data protection, privacy and cyber security. We carry out risk based due diligence to verify that the supplier meets Zurich's expectations and have in place detailed policies and guidelines which our Procurement and Vendor Management teams follow. Our due diligence is based on the nature of the supplier engagement and the relevant risks. With supplier engagements that involve the processing of personal data, we carry out extensive checks on a supplier's cyber security and compliance measures. Once completed, we enter appropriate contractual clauses with robust obligations to keep personal data secure.

5.3.4 Ethical use of artificial intelligence (AI)[2]

In Q3 2021, we initiated the roll-out (field-testing phase) of an AI assurance framework – a governance model that ensures the ethical use of AI solutions taking into consideration emerging regulations (e.g., EU AI Act).

We use AI for several purposes, including i) to better understand our customers' needs; ii) to enhance the efficiency of our business operations; iii) to develop innovative solutions that best protect and serve our customers; and iv) to contribute to positive and sustainable societal outcomes, such as financial and social inclusion, affordability and fair treatment of vulnerable customers.

In the course of 2021, new AI/machine learning (ML) solutions have been implemented across the value chain in major markets, for example in Germany, Japan, Switzerland and the UK with processes and controls to ensure adherence to globally consented ethical principles of fairness, transparency and accountability. Currently, we have three focus areas for AI/ML. First the deployment of predictive models to better understand risks, e.g., in the area of property risk engineering or property enrichment with open data. Second, document classification techniques, e.g., to generate efficiency gains in the areas of underwriting or claims. And finally, testing of conversational AI by using chatbots to improve customer experience and increase operational efficiency.

Given this domain's growing importance, we are establishing AI ethics committees to provide assurance and guidance over implementation of AI solutions. These committees provide a holistic, diverse and balanced view on the risks and potential benefits of the AI solution and its compliance with our Ethical AI Principles.

1 Reporting excludes Farmers Group Services, and Zurich Global Ventures except for Zurich International.
2 Reporting excludes Farmers Group Services, Joint Ventures and Zurich Global Ventures except for Zurich International.

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"Let's grow together", reflects our aspiration to support employees in their lifelong learning and growth. It is a shared engagement that asks our people to play an active role in shaping their careers and reinforces the provision of good working conditions and fair and equal compensation, in line with our focus on work sustainability.

Kathleen Savio
Group Chief Transformation Officer

Our goals

6.1 Talent attraction for a sustainable future
6.2 A safe working environment that supports health and wellbeing
6.3 Integrated and systematic approach to diversity, equity, inclusion and belonging (DEIB)
6.4 Prevention of bribery and corruption

6.1 Talent attraction for a sustainable future

6.1.1 Talent attraction and retention

In 2021, we observed an increase in headcount composition across the organization, with a 6 percent increase year on year. At the same time, we have seen the continued effects of high demand for key skills and capabilities, with candidates holding strong choice and negotiating power in certain markets. In response, we have closely examined where to invest and how to attract and retain talent.

We have seen a decrease in Group employee turnover since 2016, with a drop in 2020 as a result of the COVID-19 pandemic. Although we had anticipated an increase in 2021 as labor markets picked up, the impact was less than expected, with continued low employee turnover across the Group.

We saw a higher turnover in NA, APAC and LATAM in 2021. This is partly in line with historical trends and the local context of more dynamic markets.

A particular area of attention for us is the increasing voluntary turnover of next-generation (NextGen) employees compared to other employee groups. In addition to us strengthening our junior pipeline, we are running "listen and act" initiatives to understand more about their preferences, pain points, and recommendations for developing potential solutions. We are also focused on offering more transparent and flexible career paths, which will form an integral part of developing and retaining all segments of the workforce.

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Table 10:
Turnover in 2021[1,2,3]

Dimension	Voluntary Turnover	Involuntary Turnover	Total Turnover
Female	7.8%	4.0%	11.9%
Male	7.5%	4.2%	11.7%
Baby boomers and prior generations (before 1964)	2.2%	10.6%[4]	12.8%
GenX (1965–1980)	4.7%	3.1%	7.8%
NextGen (1981 and after)	12.2%	3.2%	15.5%
Asia Pacific	11.6%	4.7%	16.2%
Corporate Center	4.0%	1.9%	5.9%
Europe, Middle East & Africa	4.6%	3.1%	7.6%
Latin America	9.1%	6.8%	15.9%
North America	10.0%	4.6%	14.6%
Career level A[5]	7.4%	4.8%	12.2%
Career level B	6.3%	3.0%	9.2%
Career level C	4.7%	3.0%	7.7%
Career level D	3.5%	4.9%	8.4%
Career level E	4.2%	11.5%[6]	15.6%
Total	**7.8%**	**4.2%**	**11.9%**

1 Reporting excludes Bolivia, Chile sales force, Covermore, Farmers Management employees, temporary employees and interns.
2 Total turnover formula: (number of voluntary leavers + number of involuntary leavers)/average headcount of the selected year. Voluntary turnover refers to employees deciding to leave the company, e.g., for personal reasons, better offer elsewhere. Involuntary turnover refers to cases where the decision to leave is not entirely made by the employee, e.g., retirement and mutual agreement.
3 Gender breakdown excludes employees with no declared gender (0.04 percent).
4 The high involuntary turnover for Baby boomers and prior generations can be attributed to retirement.
5 Our internal grading system determines the following progression by career level: career level A comprises all entry level and low specialization roles, career level B includes technical staff and frontline managers, career level C includes middle managers and highly specialized technical staff, career level D comprises senior managers and business unit leadership teams while career level E incorporates the most senior roles (Country CEOs and other senior business leaders). Unranked employees refer to employees in Germany and Farmers Management who are not assigned career levels and are not included (25 percent).
6 The high involuntary turnover for career level E can be attributed to retirement.

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As part of our 'Rethink Recruitment' vision, we launched a new global technology solution to support our talent acquisition requirements and improve the candidate's user experience for internal and external talent.

Table 11
New hires in 2021[1]

Dimension	New hires #	New hires %
Female	2,530	51%
Male	2,455	49%
Baby boomers and prior generations (before 1964)	140	3%
GenX (1965–1980)	1,018	20%
NextGen (1981 and after)	3,838	77%
Asia Pacific	831	17%
Corporate Center	135	3%
Europe, Middle East & Africa	2,207	44%[2]
Latin America	912	18%
North America	911	18%
Career level A	2,492	50%
Career level B	2,198	44%
Career level C	216	4%
Career level D	83	2%
Career level E	7	–
Total	**4,996**	**100%**

We seek to provide all generations within our workforce with the opportunities and skills they need to grow. Our NextGen population continues to increase, representing 47 percent of the workforce at the end of 2021. With 77 percent of our new hires belonging to NextGen, this segment of our workforce will continue to grow. We remain dedicated to our youth employment programs, particularly in light of the COVID-19 pandemic's impact on career starters entering the workplace.

Table 12
Internal hires in 2021[3,4,5]

		Career level			
Gender	Metric	B	C	D	E
Female	% Internal hires	67.9%	77.2%	75.2%	100.0%
Female	% External hires	32.1%	22.8%	24.8%	0.0%
Male	% Internal hires	63.4%	82.2%	78.5%	45.5%
Male	% External hires	36.6%	17.8%	21.5%	54.6%
Total	**% Internal hires**	**65.5%**	**80.2%**	**77.5%**	**50.0%**

In 2020, we adapted our onboarding and hiring programs to be fully virtual as a result of the ongoing pandemic and work- from-home requirements around the world. We continued to leverage this approach in 2021, adapting these programs to align with our hybrid working model.

1 Reporting excludes Bolivia, Chile sales force, Covermore, and Farmers Management employees. Gender breakdown excludes employees with no declared gender (0.04 percent). For career level, unranked employees are excluded. Unranked employees refer to employees in Germany and Farmers Management who are not assigned career levels and are not included (25 percent).
2 EMEA represents almost half of our total workforce, excluding Farmers Management, hence this number is in line with our expectations.
3 Internal hire % represents the proportion of appointments filled internally (through lateral or vertical career moves) versus through a new external hire. International transfers are considered external hires and rehires are excluded from the metric.
4 Reporting excludes Bolivia, Chile sales force, Covermore, Germany and Farmers Management employees. Gender breakdown excludes employees with no declared gender. For career level, unranked employees are excluded. Unranked employees refer to employees in Germany and Farmers Management who are not assigned career levels and are not included (25 percent).
5 Entry-level roles (career level A) are disproportionally filled with external candidates, therefore not included in the table.table 1 as in ().

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6.1.2 Training and development

We continue to place a strong emphasis on upskilling and reskilling our employees and giving them access to new and interesting job opportunities. Our approach will help us to target where upskilling and reskilling is needed, while helping to mobilize our talent around the organization.

To build new and diverse skills, we continue to support formal learning. Our global learning platform, MyDevelopment, houses more than 18,000 courses, including the full library of LinkedIn Learning. Our employees spent a total of 0.6 million hours on online learning in 2021, resulting in an average of just below 23 hours per employee. Courses completed in 2021 include bespoke curricula across our business, linked to our 12 technical academies, which focus on building relevant technical skills.

In 2021, we spent more than USD 36 million on training across the Group, an average of USD 870 per employee.[1]

Table 13:
Average learning hours in 2021[2,3]

Dimension	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total 2021
Female	4.6	7.5	6.4	7.1	25.5
Male	4.3	5.8	5.5	5.2	20.8
Career level A	3.8	6.7	5.3	6.8	22.6
Career level B	4.4	6.6	5.6	5.8	22.4
Career level C	5.8	7.3	9.4	6.4	28.9
Career level D	5.5	6.8	5.2	5.8	23.3
Career level E	4.8	4.2	2.8	5.0	16.8

On average, we see that women spend more time learning than men, and our middle career levels spend the most time learning within our organization. To promote a learning culture, we launched a "Let's be curious and learn" month in January/February 2021 and built a network of 'Curiosity Ambassadors', a group of volunteers who are passionately curious and help shape a brighter future for Zurich through sparking the curiosity of their colleagues.

Lower numbers at career level E could be attributed to the fact that the development of individuals on this career level takes place through channels that we are not yet measuring, such as mentoring and coaching.

6.2 A safe working environment that supports health and wellbeing

Throughout the pandemic, we have seen an increased focus on health and wellbeing in the workplace. In 2021, we developed our global wellbeing strategy and launched a wellbeing employee resource group through which employees can support each other with emotional, physical, financial and social wellbeing. To find out more about the global employee wellbeing framework and initiatives, see Employee Wellbeing at Zurich.[4]

We are supporting the physical safety of our employees and continue to report a low accident frequency rate of 84 accidents[5] and zero fatalities per almost 109 million working hours.

1 Reporting excludes Bolivia, Chile sales force, Covermore, Germany and Farmers Management employees. 'Employee' refers to both full-time and part-time employees.
2 Reporting excludes Bolivia, Chile sales force, Covermore, Germany and Farmers Management employees. Gender breakdown excludes employees with no declared gender (0.04 percent). For career level, unranked employees are excluded. Unranked employees refer to employees in Germany and Farmers Management who are not assigned career levels and are not included (25 percent).
3 Only includes hours tracked centrally on MyDevelopment. Does not include locally run trainings not recorded in the system.
4 www.zurich.com/careers/our-people/employee-wellbeing
5 Reporting excludes Bolivia and Covermore.

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6.3 An integrated and systematic approach to diversity, equity, inclusion and belonging (DEIB)

6.3.1 Ratio of compensation to areas of equality

We have a strong focus on gender equality in our workplace and have implemented measures globally to track progress. We have successfully pursued and obtained an EDGE[1] certification for several business units across our Group.[2] Following the EDGE certification process, we have developed an in-house equal pay for equivalent work (EPEW) methodology to embed a consistent evaluation approach across the Group. Our EPEW analysis looks at whether men and women are paid equally for the same or similar roles. Businesses with more than 100 employees are reviewed annually with our externally assured methodology. This analysis forms part of our yearly remuneration review cycle.

To find out more about our EPEW, see Pay Equality at Zurich.[3]

6.3.2 Global DEIB framework

Alongside the EPEW, we have a DEIB framework which provides a global direction while empowering local action. It focuses on targeted actions related to gender diversity, generational diversity, cultural diversity and LGBT+ and other aspects of diversity. To learn about our efforts to support diversity and inclusion, see DEIB at Zurich.[4]

Table 14:
Ratio of majority vs. minority in 2021[5]

Dimension	Career level A	B	C	D	E
Female	64.0%	46.8%	37.6%	26.5%	23.5%
Male	36.0%	53.1%	62.4%	73.4%	76.5%
Baby boomers and prior generations (before 1964)	10.3%	12.8%	13.1%	15.0%	21.2%
GenX (1965–1980)	30.1%	41.5%	59.0%	71.0%	78.8%
NextGen (1981 and after)	59.6%	45.7%	27.9%	14.0%	
National[6]	94.3%	90.0%	82.6%	73.5%	38.7%
Non-National	5.7%	10.0%	17.4%	26.5%	61.3%

At Zurich we have established a strategy and tools to help monitor gender representation amongst both external applicants and current teams. With this strategy we aim to reach gender balance across the organization. To increase gender balance, we are continuing to run a number of initiatives to support the development and promotion of women across the Group. For example, we have rolled out female sponsorship programs in Group Functions and business units to promote visibility of women. Another example is our FlexWork@Zurich program enabling flexible working arrangements for employees so that they can work in ways that better suit their lifestyles. As a result of these and other initiatives, we have seen some evolution in gender diversity in our workforce since 2017, particularly at the senior leadership level. In 2017, the percentage of senior executives at career level E who were female was 18 percent. At the end of 2021, it was 24 percent.

We also see that across the Group, non-national employees tend to have a larger representation at more senior career levels. This can be explained by the movement of seasoned, internal talent to new opportunities across our Group.

1 www.edge-cert.org
2 As of December 2021, the following business units are EDGE certified: Argentina, Australia, Brazil Chile, Corporate Center, Ireland, Mexico, Santander Brazil and Mexico, Spain and Switzerland. This covers 31 percent of our total employee population.
3 www.zurich.com/en/careers/our-people/pay-equality
4 www.zurich.com/en/careers/our-people
5 Reporting excludes Bolivia, Chile sales force, Covermore, Germany and Farmers Management employees. Gender breakdown excludes employees with no declared gender (0.04 percent). For career level, unranked employees are excluded. Unranked employees refer to employees in Germany and Farmers Management who are not assigned career levels and are not included (25 percent).
6 This data excludes NA, for additional information on ethnicity in NA, refer to: 9 actions on racial equity from Zurich North America. www.zurichna.com/knowledge/articles/2020/08/9-actions-on-racial-equity-from-zurich-north-america

6. Our employees: Let's grow together (continued)

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6.4 Prevention of bribery and corruption

6.4.1 Group Anti-Bribery and Anti-Corruption Policy

Given the serious consequences of financial crime, we invest heavily in controls to prevent and detect any bribery or corruption. We are firmly engaged with strong and effective controls, and we monitor financial, legal and regulatory developments to conduct business in an ethical and compliant manner.

Zurich's Group Policy Anti-Bribery and Anti-Corruption (Group Policy ABC) sets out the minimum requirements with which its subsidiaries and employees need to comply, and provides a list of best practices and recommendations that business units should adopt.

The Group Policy ABC requires the appointment of an Anti-Bribery and Corruption Officer (ABCO) for each business unit. The ABCO's duty is to monitor compliance with the Group Policy ABC and the applicable local anti-bribery and anti-corruption framework. The ABCO is also responsible for maintaining the local framework and reviewing it regularly to ensure that it appropriately addresses bribery and corruption risks in the business unit.

Our Group Policy ABC sets out minimum requirements in relation to the following, amongst others:

– Associated persons due diligence.

– Third-party payment due diligence.

– Incentives.

– Gifts, entertainment, and other adavantages.

6.4.2 Training and awareness

We are aware of the importance of fostering a culture of compliance among all our employees, and we understand that creating general awareness and understanding of potential areas of bribery and corruption risk, applicable laws, and our policies is critical to achieving this.

We frequently educate our employees and senior management on topics related to compliance and ethics. This begins with mandatory Code of Conduct training.[1] This annual training raises awareness on what it means to do the right thing and makes employees and managers more confident in making ethical decisions in their day-to-day work. Among other topics covered, the training helps employees to spot and report possible bribery and corruption incidents. In 2021, almost all our employees and senior management completed the training, resulting in a global completion rate of 99.96 percent. The completion rate was above 99 percent in all regions.[2]

Employees and managers whose role exposes them to potentially greater bribery and corruption-related risks are also required to undergo enhanced training on how to identify and respond to potential bribery and corruption risks. Group Compliance develops the training in line with the Group Policy ABC and in consideration of local risks, regulations and requirements for each jurisdiction. The training is reviewed on an annual basis to incorporate new developments and requirements. This keeps our employees and management at the forefront of managing the prevention of bribery and corruption and helps us make good on our ambition of being a responsible and ethical business.

6.4.3 Protected advice

As discussed above, Zurich and its employees are all subject to our Group Policy ABC[3] and Code of Conduct[4], and we provide them with training and other resources that aim to prevent and detect misconduct. If employees suspect misconduct, we want them to feel comfortable reporting their concern and feel supported by the organization when doing so.

There are multiple channels for employees to raise concerns, including local line managers and legal or compliance functions. They can also use the Zurich ethics line (ZEL) to report concerns, either via telephone or online via a web form. The ZEL can also be used by other (external) stakeholders to raise concerns. Reports to the ZEL can be made anonymously. We do not tolerate retaliation against any employee who reports a concern in good faith.

The ZEL is available globally and offers support in local languages. Once a report is received, it is sent to a designated person within Zurich to be reviewed and if necessary investigated. If a report of misconduct is substantiated, we will take remedial actions as appropriate, including potential disciplinary action, and if required, referring the matter to the relevant authorities.

1 The Code of Conduct training includes the topic of anti-bribery and anti-corruption.
2 The Code of Conduct training is shared with Board members and may be shared with various business partners depending on country requirements. Completion for both groups is not centrally tracked.
3 www.zurich.com/sustainability/governance-and-policies/anti-bribery-and-anti-corruption
4 www.zurich.com/about-us/corporate-governance/code-of-conduct

7. Independent assurance report

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Building a better working world

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To the Executive Committee of
Zurich Insurance Group Ltd, Zurich

Zurich, February 18, 2022

Independent assurance report

We have been engaged to perform assurance procedures to provide limited assurance on Sustainability Disclosures of the Zurich Insurance Group Ltd and its consolidated subsidiaries ('ZIG' or 'Zurich Insurance Group' or 'Zurich'). Our engagement is focused on selected quantitative performance indicators (the "performance indicators 2021") disclosed in the Annual Report 2021 of ZIG "Integrated sustainability disclosure" ("the sustainability disclosures") for the twelve-month period ending December 31, 2021. A listing of these performance indicators 2021 including section references and page numbers is attached as appendix to our independent assurance report.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the sustainability disclosures, and accordingly, we do not express a conclusion on this information.

Applicable criteria
Zurich Insurance Company Ltd defined as applicable criteria (the "applicable criteria"):

- World Economic Forum's (WEF) Metrics of Sustainable Value Creation for performance indicators 2021 listed under "WEF IBC metrics" section in the appendix. The guideline is presented on the WEF webpage.
- SASB Insurance reporting standard for performance indicators 2021 listed under "SASB standard disclosures" section in the appendix. The guideline is presented on the SASB webpage.
- ZIG's own methodology for performance indicators 2021 listed under "Disclosures based on Zurich Insurance Group Ltd's own methodology" section in the appendix. A description of the methodology for these performance indicators is included in the relevant sections of the sustainability disclosures as listed in the appendix.

We believe that these criteria are a suitable basis for our limited assurance engagement.

Responsibility of Zurich Insurance Group's management
ZIG's management is responsible for the selection of the applicable criteria and for the preparation and presentation of the performance indicators 2021 in accordance with the applicable criteria. This responsibility includes the design, implementation, and maintenance of internal controls relevant to the preparation of the performance indicators 2021 that are free from material misstatement, whether due to fraud or error.

Independence and Quality Control
We have complied with the independence and other ethical requirements of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies the International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Building a better working world

Our responsibility

Our responsibility is to express an opinion on the performance indicators 2021 based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information.* That standard requires that we plan and perform the engagement to obtain limited assurance about whether the performance indicators 2021 are free from material misstatement, whether due to fraud or error.

In accordance with the engagement agreement, our duty of care for this engagement only extends to the management of Zurich Insurance Group.

Based on risk and materiality consideration we have undertaken procedures to obtain sufficient appropriate evidence. The procedures selected depend on the practitioner's judgment. This includes the assessment of the risks of material misstatements in the performance indicators 2021. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in scope than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

Summary of work performed

Our limited assurance procedures included, amongst others, the following work:

- Assessment of the suitability of the underlying criteria and their consistent application
- Inquiries of company's representatives responsible for collecting, consolidating and calculating the performance indicators 2021 in order to assess the process of preparing the data, the reporting system, the completeness of the data capture and compilation methods as well as internal controls to the extent relevant for the limited assurance engagement
- Inspection of the relevant documentation of the systems and processes for compiling, analyzing, and aggregating the performance indicators 2021 and testing such documentation on a sample basis
- Analytical procedures and inspection of documents on a sample basis with respect to the compilation and reporting of the performance indicators 2021
- Analytical procedures of the sustainability report regarding plausibility and consistency with performance indicators 2021

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our conclusion

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the performance indicators 2021 have not been prepared, in all material respects, in accordance with the applicable criteria.

Ernst & Young Ltd

Isabelle Santenac (Qualified Signature)	Mark Veser (Qualified Signature)
Partner	Director

Appendix:

Selected quantitative performance indicators (performance indicators 2021)

7. Independent assurance report (continued)

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EY Building a better working world

Appendix: Selected quantitative performance indicators (performance indicators 2021)

WEF IBC metrics

- Section 2.3.3 Responsible tax on page 130
- Table 10: Turnover in 2021 in Section 6.1.1 Talent attraction and retention on page 173
- Table 11: New hires in 2021 in Section 6.1.1 Talent attraction and retention on page 174
- KPIs on training spend and Table 13: Average learning hours in 2021 in Section 6.1.2 Training and development on page 175
- Table 14: Ratio of majority vs. minority in 2021 in Section 6.3.2 Global DEIB framework on page 176
- Section 6.4.2 Training and awareness on page 177
- Financial assistance received from the government in WEF IBC index table online, disclosure 'Employment and wealth generation', reference 'Economic contribution'

SASB standard disclosures

- Figure 13: Probable maximum loss by top three peril regions in Section 4.1.3 Climate risk assessment 2021 on page 143, see also FN-IN-450a.1 in SASB index table online
- Revenues related to energy efficiency and carbon technology in Section 4.4.2 Our performance metrics on page 159, see also FN-IN-410b.1 in SASB index table online
- Section 5.1.1 Customer attraction and retention on page 168, see also FN-IN-270a.3 in SASB index table online

Disclosures based on Zurich Insurance Company Ltd.'s own methodology

- KPI on percentage of managed procurement spend with suppliers meeting or exceeding Zurich's expectations in Section 2.3.2 Sustainable sourcing on page 130
- Table 2: Charitable cash contributions 2021 figures in Section 2.3.4 Community investment on page 131
- Figure 11: Average expected losses for top five peril regions in Section 4.1.3 Climate risk assessment 2021 on page 142
- KPIs on revenue and number of sustainable products in Section 4.4.2 Our performance metrics on page 158
- KPIs on coal and oil sands policy in Section 4.4.2 Our performance metrics on page 160
- Table 4: Engagement progress in 2021 in Section 4.4.2 Our performance metrics on page 161
- Table 5: Emission reduction targets in Section 4.4.2 Our performance metrics on pages 162 to 163
- Table 6: Financing the transition 2021 in Section 4.4.2 Our performance metrics on page 164
- KPIs on Assets managed by responsible investor in Section 4.4.2 Our performance metrics on page 165
- Figure 21: Proxy voting 2021 in Section 4.4.2 Our performance metrics on page 165
- KPI on people benefited and emissions avoided through impact investment portfolio in Section 4.4.2 Our performance metrics on page 166
- Table 8: Impact investing portfolio in Section 4.4.2 Our performance metrics on page 166
- KPIs on transparency score in Section 5.3.1 Data commitment on page 170
- Table 12: Internal hires in 2021 in Section 6.1.1 Talent attraction and retention on page 174

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Risk review

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Inspiring action

Looking to the future.

At Zurich, being a responsible and sustainable company is at the foundation of our business. We're swiftly reducing our own carbon footprint, helping our customers adopt more sustainable behaviors, supporting employee wellbeing, and helping communities become more resilient to natural hazards and extreme weather. "We need a sustainable future for us and for next generations," says Caitlin St. Vincent Welch, Group Legal.

Caitlin St. Vincent Welch
Group Legal, Zurich Insurance Group

To watch the video, visit:
www.zurich.com/reports/2021/annual-report

Message from our Group Chief Risk Officer

Managing risk to help things go right.

"In 2021, risk management was at the center of the return toward normality, helping us to navigate through an increasingly dynamic environment. By effectively managing our risks, we maintained our resilience and made sure we were there to help when our customers needed us most.

Peter Giger
Group Chief Risk Officer and Group Chief Investment Officer ad interim

Risk management, at the center of what we do

In 2021, we returned toward normality following the severe disruption of the previous year. Zurich successfully navigated through a dynamic environment as the risk landscape evolved rapidly. Despite uncertainty from the continuing pandemic, we remained operationally resilient and maintained our focus on enabling our people to adapt and support our customers.

Maintaining principled and focused risk management was at the center of this journey. The Group's continued focus on high-priority matters allowed us to identify, assess and manage uncertain situations. Risk management equipped our business leaders with the right level of information and discipline to actively take risks within the Group's risk appetite and tolerance.

Message from our Group Chief Risk Officer (continued)

This process was supported by our experts in risk management who helped drive a culture where risk-reward trade-offs are transparent, understood and appropriately managed.

Our integrated Enterprise Risk Management Framework helped advance the Group's strategy by supporting effective risk identification and assessment to help protect our capital, liquidity, earnings, and reputation. Similarly, our well-established Total Risk Profiling™ methodology continued to support in delivering risk insights and focus on the risks that mattered.

By effectively managing our risks, we maintained our resilience and made sure we were there to help when our customers needed us most.

A dynamic risk landscape

The speed of change was a key element in the risk landscape of the Group in 2021. This was best illustrated by the evolution of cyber risk as attacks changed rapidly in scale, sophistication and targets. Cyber insurability is an area of increasing focus as risk appetites are adjusted.

Elsewhere, the sudden re-appearance of inflation concerns has brought to the fore the continued large-scale fiscal costs of the pandemic and the disconnect between markets and the real economy due to expansionary monetary policy. With limited appetite for changes to current policies, economic risks will continue to build.

We continue to apply our expertise and tools, such as dynamic scenario and sensitivity analyses, to assess and proactively manage potential impacts. Using output from the scenario assessments, we continue to develop, implement and monitor actions to give optimal outcomes for our customers, shareholders and other stakeholders.

Sustainability

Various events in 2021 illustrated the increasing risks posed by climate change. The Group's commitment to sustainability, including managing the risks posed by climate change, continues to be an integral part of Zurich's risk management approach.

Zurich is but one part of a financial system that, on its own, cannot meet the challenges posed by climate change. Rather, action from the whole of society is required, given the scale of the challenges we face. As a result, the Group aims to inspire action together with its customers and investees by continuing to promote best practices in managing the interconnectivity of environmental, social and governance (ESG) risks.

Strong financial position

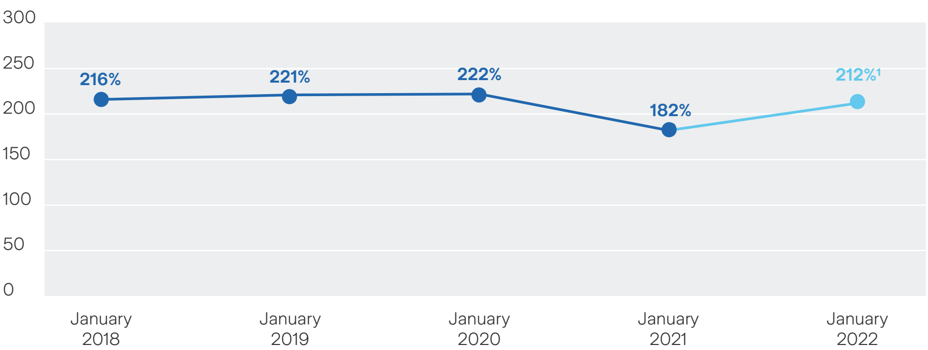
Our financial strength returned to pre-pandemic levels during 2021. This strength reconfirms our resilience and ability to continue to support our customers. Swiss Solvency Test results can be found on page 192.

Peter Giger
Group Chief Risk Officer and
Group Chief Investment Officer ad interim

Development of Swiss Solvency Test ratio

The Group Swiss Solvency Test (SST) ratio increased to 212 percent[1] as of January 1, 2022 from 182 percent as of January 1, 2021. The development of the SST ratio in 2021 reflects strong underlying capital generation and an improved economic environment, in particular higher interest rates and higher equity valuation.

SST ratio
in %



1 The SST results as of January 1, 2022 are estimated and may differ from the final SST results, which will be presented in the Financial Condition Report at the end of April 2022.

Analysis of Group total risk capital
in %, as of January 1, 2022

Insurance risk	36%
Market risk, including investment credit risk	63%
Other credit risk	1%

Highlights by risk type

Insurance risk

The Group's insurance risk is diversified by geography, line of business, product and customer, supported by our centralized purchase of reinsurance which led to continued sound insurance outcomes in 2021 in the face of COVID-19 and natural catastrophes.

Read more:
Pages 195–201

Market risk

The economic recovery of 2021, lower market volatilities and improved asset-liability-matching reduced the required capital held by the Group for investment risk taking. The portfolio remains well diversified across risk drivers and geographies.

Read more:
Pages 202–208

Other credit risk

In the face of the pandemic, the Group's credit risk exposures continuously remained at high credit quality.

Read more:
Pages 208–209

Operational risk

Zurich's operational risk management approach enables the Group to focus on high-priority matters under demanding circumstances.

Read more:
Pages 210–211

Risk review

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The risk review information marked 'audited' is an integral part of the consolidated financial statements.

Risk review (continued)

Audited

The risk review information marked 'audited' is an integral part of the consolidated financial statements.

Audited

Risk management

Objectives of risk management

Taking and managing risk is an integral part of the insurance business. Zurich takes and manages risks in an informed and disciplined manner and within a pre-determined risk appetite and tolerance.

The major risk management objectives at Zurich Insurance Group (Zurich, or the Group) are to:

- Support achievement of the Group's strategy and protect capital, liquidity, earnings and reputation by monitoring that risks are taken within the Group's risk tolerance.
- Enhance value creation by embedding disciplined risk-taking in the company's culture and contributing to an optimal risk-return profile where risk-reward trade-offs are transparent, understood, and risks are appropriately rewarded.
- Efficiently and effectively diversify risk and avoid or mitigate unrewarded risks.
- Encourage openness and transparency to enable effective risk management.
- Support decision-making processes by providing consistent, reliable and timely risk information.
- Protect Zurich's reputation and brand by promoting a sound culture of risk awareness, and disciplined and informed risk-taking.

Enterprise Risk Management Framework

The Enterprise Risk Management Framework is based on a governance framework that sets forth clear responsibilities for identifying, assessing, managing, monitoring and reporting risks.

The Group's risk appetite and tolerance statement reflects Zurich's willingness and capacity to take risks in pursuit of value creation and sets boundaries within which the businesses act. Zurich protects its capital, liquidity, earnings and reputation by monitoring that risks are taken within agreed risk appetite levels and tolerance limits. The Group regularly assesses and, as far as possible, quantifies material risks to which it is exposed.

The Zurich Risk Policy sets the principles and approach for effective risk management throughout the Group. The policy describes the Group's Enterprise Risk Management Framework and provides a standardized set of risk types. Risk-specific policy manuals provide requirements and procedures to implement the principles in the Zurich Risk Policy.

The Group identifies, assesses, manages, monitors and reports risks that have an impact on the achievement of its strategic objectives by applying its proprietary Total Risk Profiling™ methodology. The methodology allows Zurich to assess risks in terms of severity and likelihood, and supports the definition and implementation of mitigating actions. At Group level, this is an annual process, followed by regular reviews and updates by management.

To foster transparency about risk, the Group regularly reports on its risk profile at business and Group levels. The Group has procedures to refer risk topics to senior management and the Board of Directors in a timely manner.

Risk review (continued)

Audited

The Group's solvency position is disclosed on the basis of the Swiss Solvency Test (SST) ratio. The Group's SST internal model has been fully approved by the Swiss Financial Supervisory Authority (FINMA). Zurich's goal is to maintain capital consistent with a 'AA' financial strength rating for the Group, which translates into an SST ratio target of 160 percent or above.

The Group applies the Zurich Economic Capital Model (Z-ECM) as an internal metric. Z-ECM provides a key input into the Group's planning process as an assessment of the Group's economic risk profile.

Risk-based remuneration

Based on the Group's remuneration rules, the Board of Directors designs and structures remuneration arrangements that support the achievement of strategic and financial objectives and do not encourage inappropriate risk-taking.

Group Risk Management's role in respect of remuneration and its interaction with Board committees is described in the remuneration report.

Risk review (continued)

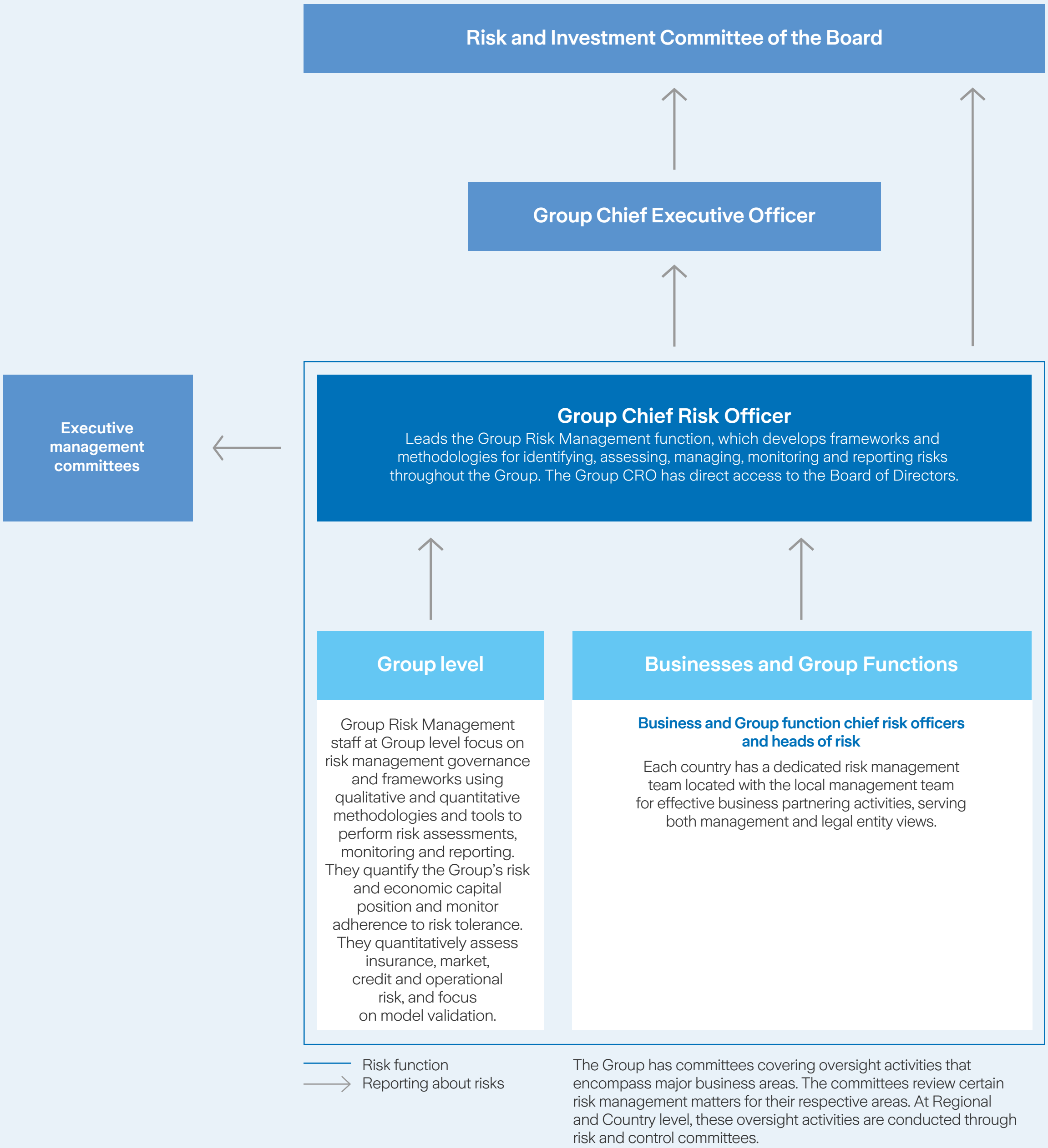
Audited

Risk governance and risk management organization

For information on the Group's overall governance, including the Board of Directors and Group executive level, see the corporate governance report (unaudited).

Risk management organization

The Group Risk Management function is a global function, led by the Group Chief Risk Officer (CRO).



The risk function is independent of the business by being a vertically integrated function. Unless otherwise required by local laws or regulations, risk officers and heads of risk report into the Group CRO, except for the Farmers Chief Risk Officer, who has a matrix reporting line to the Group CRO. Risk officers are embedded in the business, positioning them to independently challenge, support and advise on, business decisions from a risk perspective. As business advisers on risk matters, risk officers, equipped with technical risk skills as well as business skills, help foster a risk-aware culture in the business.

Risk review (continued)

Audited

Capital management

Objectives of capital management

The Group manages capital to maximize long-term value while maintaining financial strength within its 'AA' target range, and meeting regulatory, solvency and rating agency requirements.

As of December 31, 2021, International Financial Reporting Standards (IFRS) shareholders' equity of USD 37.9 billion and subordinated debt of USD 9.8 billion were part of the capital available in the Group's SST available financial resources (AFR). Further adjustments usually include items such as intangible assets, deferred tax assets and liabilities, allowing for discounting of liabilities and the value of in-force business, and market-consistent valuation of external debt according to the methodology under SST.

Zurich strives to simplify the Group's legal entity structure to reduce complexity and increase fungibility of capital.

Capital management framework

The Group's capital management framework forms the basis for actively managing capital within Zurich. The Group uses a number of different capital models, taking into account economic, regulatory, and rating agency constraints. The Group's capital and solvency position is monitored and regularly reported to the Executive Committee (ExCo) and Board of Directors.

Zurich's policy is to allocate capital to businesses earning the highest risk-adjusted returns, and to pool risks and capital as much as possible to operationalize its risk diversification.

The Group's executive management determines the capital management strategy and sets the principles, standards and policies to execute the strategy. Group Treasury and Capital Management executes the strategy.

Capital management program

The Group's capital management program comprises various actions to optimize shareholders' total return and to meet capital needs, while enabling Zurich to take advantage of growth opportunities. Such actions include paying and receiving dividends, capital repayments, share buybacks, issuance of shares, issuance of senior and hybrid debt, securitization and purchase of reinsurance.

The Group seeks to maintain a balance between returns for shareholders and the security that a sound capital position provides, also for our customers. Dividends, share buybacks, and issuances and redemption of debt have a significant influence on capital levels. In 2021, the Group paid a dividend out of retained earnings, bought own shares to reduce future dilution from share-based employee compensation plans and issued senior and hybrid debt to finance redemptions and investments in the Group's development.

The Swiss Code of Obligations stipulates that dividends may only be paid out of freely distributable reserves or retained earnings. Apart from what is specified by the Swiss Code of Obligations, Zurich Insurance Group Ltd faces no legal restrictions on dividends it may pay to its shareholders. As of December 31, 2021, the amount of the statutory general legal reserve was more than 50 times the paid-in share capital. The ability of the Group's subsidiaries to pay dividends may be restricted or indirectly influenced by minimum capital and solvency requirements imposed by insurance and other regulators in the countries in which the subsidiaries operate. Other limitations or considerations include foreign exchange control restrictions in some countries, and rating agencies' methodologies.

For details on issuances and redemptions of debt, see notes 18 and 29 of the consolidated financial statements.

Risk review (continued)

Audited

Risk and solvency assessment

Regulatory capital adequacy

The Group endeavors to manage its capital so that its regulated entities meet local regulatory capital requirements. In each country in which the Group operates, the local regulator specifies the minimum amount and type of capital that each of the regulated entities must hold in addition to their liabilities. In addition to the minimum capital required to comply with the solvency requirements, the Group aims to hold an adequate buffer under local solvency requirements to ensure regulated subsidiaries can absorb a level of volatility and meet local capital requirements.

Regulatory solvency regimes

Regulatory requirements in Switzerland

The Swiss Solvency Test (SST) adopts a risk-based and total balance sheet approach. Insurance companies are required to provide a market-consistent assessment of the value of their assets and liabilities. Possible changes to these balance sheet positions are modelled over a one-year period to arrive at the total required capital.

Under the SST, insurance companies and insurance groups can apply to use company-specific internal models to calculate risk-bearing and target capital, as well as the SST ratio. The SST ratio must be calculated as per January 1 and submitted to the Swiss Financial Market Supervisory Authority (FINMA). Zurich filed with FINMA an SST ratio of 182 percent (unaudited) as of January 1, 2021. Zurich met the regulatory solvency requirements in Switzerland throughout 2021.

The estimated SST ratio as of January 1, 2022 stands at 212 percent (unaudited). The final SST ratio as of January 1, 2022 will be filed with FINMA by the end of April 2022 and is subject to review by FINMA.

Regulatory requirements in the European Economic Area (EEA)

The main regulatory framework governing the Group's subsidiaries in the EEA is Solvency II. This is a risk-based capital framework which covers capital requirements (pillar 1), governance and risk management (pillar 2) and reporting (pillar 3). All EEA-based legal entities of the Group use the Solvency II standard formula for their pillar 1 requirements with the exception of Zurich Insurance plc (Ireland) that applies an approved internal model.

Regulatory requirements in the UK

The United Kingdom left the EU and the EEA on January 31, 2020 and the transition period ended on December 31, 2020, meaning UK regulations can diverge from Solvency II regulatory requirements. As of December 31, 2021 the UK regulations have not materially diverged.

Regulatory requirements in the U.S.

In the U.S., required capital is determined to be 'company action level risk-based capital' calculated using the National Association of Insurance Commissioners' risk-based capital model. This method, which builds on statutory accounts, measures the minimum amount of capital for an insurance company to support its overall business operations by taking into account its size and risk profile.

Regulatory requirements in other jurisdictions

Every country has a capital standard for insurance companies. Several jurisdictions (e.g., Brazil and Mexico) have implemented approaches similar to Solvency II.

Risk review (continued)

Swiss Solvency Test (SST) ratio

The SST ratio is calculated as Group's SST available financial resources (AFR) minus market value margin (MVM) divided by the net of SST target capital (TC) and MVM. Market value margin, also known as risk margin, is the cost of future regulatory risk capital stemming from the present portfolio of assets and liabilities.

In 2021, the solvency of the Group returned to a pre-pandemic level with an estimated SST ratio of 212 percent as of January 1, 2022, well above the Group's SST ratio target of 160 percent. The main drivers of the Group's SST ratio increase in 2021 were strong underlying capital generation and improved market conditions.

In the SST ratio calculations as of January 1, 2022, no allowances have been made for the sale of the Italian life and pension back book which is subject to regulatory approval or the redemption of USD 1bn of subordinated debt in January 2022.

SST available financial resources

The Group's AFR are derived from the SST net asset value (NAV). The NAV represents the difference between the market-consistent value of assets and liabilities according to the market-consistent valuation methodology under SST.

During 2021, the Group's AFR increased by USD 0.5 billion to USD 52.4 billion as of January 1, 2022, compared to USD 51.9 billion as of January 1, 2021. The main drivers of the AFR increase in 2021 were economic profits, positive equity market development, new net issuance of subordinated debt eligible as capital, partly off-set by the dividend accrual, U.S. dollar appreciation and assumption and model changes.

SST target capital

The Group uses an internal risk model to determine the required target capital (TC).

The Group's TC as of January 1, 2022 amounted to USD 27.7 billion, a decrease of USD 3.4 billion compared to USD 31.1 billion as of January 1, 2021, primarily due to a reduction in market risk following improved market conditions.

Table 1

Group Swiss Solvency Test (SST) ratio and underlying components

in USD billions	**January 1, 2022**[1]	January 1, 2021
Total risk capital	24.3	26.8
Other effects on target capital (TC)[2]	(2.3)	(1.5)
Market value margin (MVM)	5.7	5.8
TC	27.7	31.1
TC minus MVM	**22.0**	**25.3**
Available financial resources (AFR)	52.4	51.9
AFR minus MVM	**46.7**	**46.0**
Group SST ratio	**212%**	**182%**

1 The SST results as of January 1, 2022 are estimated and may differ from the final SST results, which will be presented in the Financial Condition Report at the end of April 2022.
2 Other effects are expected business development over the forecasting horizon, additional business costs and FINMA requirements.

Risk review (continued)

Total risk capital by risk type

The chart below shows the total risk capital, split by risk type, as of January 1, 2022 and as of January 1, 2021. As of January 1, 2022, the largest components of total risk are market risk and premium and reserve risk, comprising 63 percent and 16 percent of the total risk capital, respectively.

The decrease in total risk capital as of January 1, 2022 compared to January 1, 2021, reflects a reduction in market risk, mainly as a result of U.S. dollar appreciation against major currencies and a higher interest rate environment. Other risk types saw smaller movements as of January 1, 2022 compared to January 1, 2021, predominantly impacted by business growth and economic environment changes.

Total risk capital, split by risk type

January 1, 2022
in %

Market risk	63%
Premium & reserve risk	16%
Business risk	9%
Life insurance risk	5%
Natural catastrophe risk	6%
Other credit risk	1%

January 1, 2021
in %

Market risk	68%
Premium & reserve risk	14%
Business risk	9%
Life insurance risk	4%
Natural catastrophe risk	4%
Other credit risk	1%

Sensitivity and scenario analysis

The Group evaluates sensitivities to, and stress scenarios on, the SST ratio, and assesses results relative to Zurich's risk appetite and tolerance. The sensitivities and stress scenarios in the chart below capture two key risks to the Group: market risk and insurance risk.

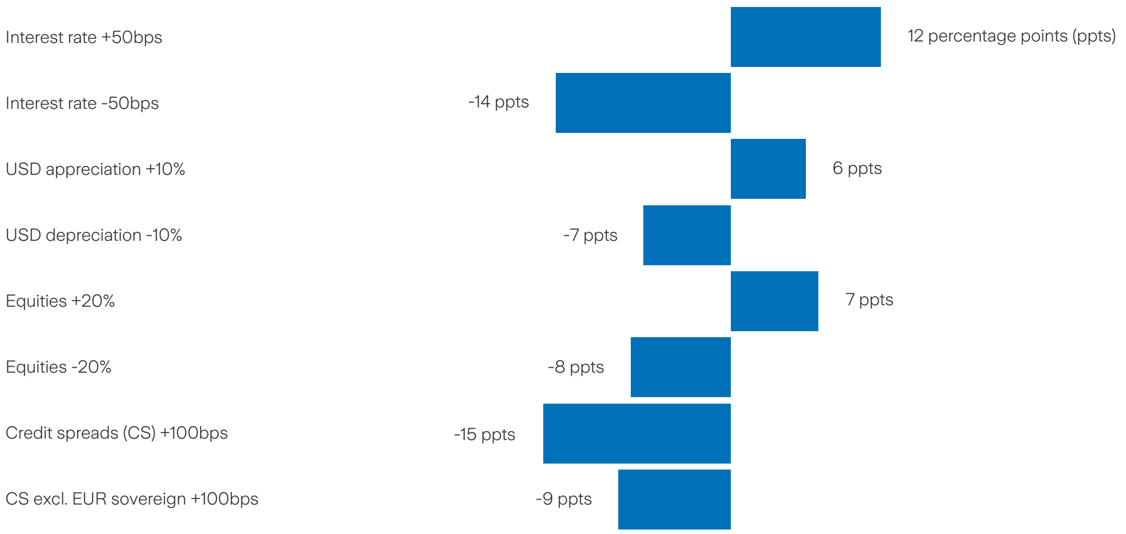
Market risk sensitivities show the estimated impact on the Group's SST ratio of a half percentage-point (50 basis points, or bps) increase or decrease in yield curves, a 10 percent appreciation or depreciation in the U.S. dollar, a 20 percent rise or decline in all stock markets, and a 100 bps increase in credit spreads, with and without euro-denominated sovereign bonds. The sensitivities are considered as separate but instantaneous shocks. They are a best estimate and non-linear, for example, a change to the size of the market movement could result in disproportionally higher (or lower) impact on the SST ratio depending on the prevailing market conditions at the time.

For insurance risk, the chart shows the three largest natural catastrophe events to which the Group is exposed. Insurance risk scenarios are defined as events that have a small probability of occurring but could, if realized, negatively affect the Group's AFR. The impact of insurance-specific scenarios on the target capital is not taken into account.

Risk review (continued)

SST sensitivities and scenarios
as of October 1, 2021

Impact on the SST ratio from sensitivities to financial market conditions:[1]



Impact on the SST ratio due to property and casualty risk-specific scenarios:[2]

1 Sensitivities are best estimate and reflect the impact on the pension plans in the UK. For the interest rate sensitivities, shocks are applied to the liquid part of the yield curve. Credit spreads (CS) include mortgages, including and excluding euro sovereign spreads. CS sensitivities of available capital include changes to the volatility adjustment applied to the interest rate curves but exclude profit sharing.
2 The insurance risk-specific scenarios relate to natural catastrophe events that are estimated on a modeled 250-year net aggregate loss (equivalent to a 99.6 percent probability of non-exceedance).

Audited

Insurance financial strength rating

The Group has interactive relationships with three global rating agencies: S&P Global Ratings (S&P), Moody's, and AM Best. The insurance financial strength rating (IFSR) of the Group's main operating entity, Zurich Insurance Company Ltd (ZIC), is an important element of Zurich's competitive position, while the Group's credit ratings also affect the cost of debt capital.

The insurance financial strength rating was upgraded by S&P to AA on March 15, 2021 because "ZIC's financial performance has sustainably improved" while also "improving its balance sheet resilience and capital-allocation discipline".

On October 1, 2021, AM Best revised the issuer credit rating (ICR) outlook of Zurich Insurance Group Ltd and its main subsidiaries to positive from stable. This "reflects Zurich's consolidated balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, very favorable business profile and appropriate enterprise risk management".

As of December 31, 2021, the IFSR of Zurich Insurance Company Ltd, the main operating entity of the Group, was rated 'AA/Stable' by S&P Global Ratings, 'Aa3/Stable' by Moody's, and 'A+ (Superior)/Stable' by AM Best. AM Best ICR was 'aa–/positive'.

Risk review (continued)

Audited

Analysis by risk type

Insurance risk

Insurance risk is the risk of deviations in the timing, frequency or severity of insured events from that expected, leading to loss, including adverse change in the value of insurance liabilities (Life and Property & Casualty (P&C)). This may result from inherent uncertainty of insured events or losses, inadequate or ineffective underwriting or accumulation management, inappropriate product development, pricing, claims management, reserving or reinsurance. The profitability of insurance business is also susceptible to business risk in the form of unexpected changes in expenses, policyholders' behavior, and fluctuations in new business volumes. Zurich manages insurance risk through:

- Specific underwriting and claims standards and controls.
- Robust reserving processes.
- External reinsurance.

Property & Casualty (P&C) insurance risk

P&C insurance risk arises from coverage provided for motor, property, liability, special lines and worker injury. It comprises premium and reserve risk, catastrophe risk, and business risk. Premium and reserve risk covers uncertainties in the frequency of the occurrence of the insured events as well as in the severity of the resulting claims. Catastrophe risk predominantly relates to uncertainty around natural catastrophes. Business risk for P&C predominantly relates to unexpected increases in the expenses relating to claims handling, underwriting, and administration.

Management of Property & Casualty (P&C) insurance risk

The Group's underwriting strategy takes advantage of the diversification of P&C risks across lines of business, customers and geographic regions. Zurich defines Group-wide governance for insurance risk including for new products. Underwriting discipline is a fundamental part of managing insurance risk. The Group sets limits on underwriting capacity and delegates authority to individuals based on their specific expertise and sets appropriate underwriting and pricing guidelines. Technical reviews assure that underwriters perform within authorities and adhere to underwriting policies.

P&C insurance reserves are regularly estimated, reviewed and monitored by qualified and experienced actuaries at local, regional and Group levels. To arrive at their reserve estimates, the actuaries take into consideration, among other things, the latest available facts, trends and patterns of loss payments. Inflation is monitored with insights feeding into actuarial reserving models and Zurich's underwriting processes and pricing.

To ensure a common understanding of business insights and new trends for reserve analysis, financial plans, underwriting and pricing decisions, the Group has established a culture of continuous cross-functional collaboration. For this, underwriting, actuarial (pricing and reserving), claims, finance, sales and distribution, risk engineering and risk management contribute to quarterly meetings at local and Group level.

Zurich's Emerging and Sustainability Risk Committee – with cross-functional expertise from core insurance functions such as underwriting, claims and risk management – identifies, assesses and recommends actions for emerging risks.

Governance is in place to ensure appropriate focus on top-line targets and profitability. Reinsurance is deployed to help manage insurance risk. Group Risk Management also provides independent assurance through risk reviews.

The Group is exposed to losses that could arise from natural and man-made catastrophes. The main concentrations of risks arising from such potential catastrophes are regularly reported to executive management. The most important peril regions for natural catastrophes are U.S. and Caribbean hurricane, California earthquake and European windstorm.

Risk review (continued)

Audited

Natural catastrophes

The Group uses third-party models, adjusted to Zurich's view, to manage its underwriting, ensure accumulations stay within intended exposure limits and assess the capital requirement due to natural catastrophes. Consistent with this view on natural catastrophes, Zurich performs profitability assessments and strategic capacity allocations, and chooses the type and quantity of reinsurance it buys.

To ensure global consistency, exposures to natural catastrophes are modeled by a dedicated Group function. Potential losses from property, motor and marine policies with material exposure in hazard-prone geographical areas are probabilistically modeled, as well as worker injury policies with material exposure in U.S. seismic zones. Losses for other lines of business are estimated based on adjustments to these modeled results. Risk modeling mainly addresses weather- induced perils such as wind, flood, tornado, and hail, and geological-induced perils such as earthquake.

Zurich regularly reviews and expands the scope and sophistication of its modeling and strives to improve data quality. Zurich has invested in a diversified, multi-vendor-based catastrophe modeling ecosystem and in expanding its catastrophe research and development capabilities to complement existing expertise in natural catastrophe risk management (e.g., risks relating to climate change, cyber, communicable diseases, and casualty catastrophes).

Zurich supplements internal know-how with external knowledge (e.g., the Advisory Council for Catastrophes) and is a shareholder of PERILS AG, Switzerland, a catastrophe exposure and loss data aggregation and estimation firm. Zurich is also a member of the open-source initiative, Oasis Loss Modelling Framework.

COVID-19 pandemic

Zurich has developed scenario modeling capabilities for the COVID-19 pandemic which continue to be refined based on claims data. The scope in terms of lines of business includes primarily property, travel, accident and health, and credit and surety. The scenario modeling continues to inform the Group about the financial impact of COVID-19 and understand the main sensitivities. The data and risk insights gained from COVID-19 were used to build a model to better assess the risk in the P&C portfolio from pandemics.

Man-made catastrophes

Man-made catastrophes include events such as industrial accidents, terrorism and cyber attacks.

For terrorism, worker injury and property risk exposures are analyzed to identify areas with significant risk concentration. Other lines of business are assessed, although the potential exposure is not as significant. A vendor-provided catastrophe model is used to evaluate potential exposures in every major U.S. city. The Group's analysis for the P&C business has shown that its exposures outside of North America are lower, in a large part due to government-provided pools. Outside the modeled areas, exposure concentrations are identified in Zurich's Risk Exposure Data Store (REDS). Exposure concentrations for location-based man-made scenarios, other than terrorism, are also identified in REDS, for example, industrial explosions at global ports.

The Group uses third-party models to manage its underwriting and accumulations for cyber and casualty catastrophe risks. The Group actively monitors and manages its cyber exposure and continues to refine products to ensure their appropriateness. Improving modeling capabilities and data quality for cyber and casualty catastrophe risks are key focus areas.

Concentration of Property & Casualty (P&C) insurance risk

The Group defines concentration risk in the P&C business as the risk of exposure to increased losses associated with inadequately diversified portfolios. Concentration risk for a P&C insurer may arise due to a concentration of business written within a geographical area or of underlying risks covered.

Tables 2.a and 2.b show the Group's concentration of risk within the P&C business by region and line of business based on direct written premiums before reinsurance. P&C premiums ceded to reinsurers (including retrocessions) amounted to USD 9.2 billion and USD 8.6 billion for the years ended December 31, 2021 and 2020, respectively. Reinsurance programs are managed on a global basis, and therefore, the net premium after reinsurance is monitored on an aggregated basis.

Risk review (continued)

Audited

Property & Casualty business – Direct written premiums and policy fees by line of business – current period

Table 2.a

in USD millions, for the year ended December 31, 2021	Motor	Property	Liability	Special lines	Worker injury	Total
Europe, Middle East & Africa	4,423	5,336	2,828	2,532	406	15,526
North America	1,728	7,226	3,388	2,540	2,417	17,299
Other regions	1,823	1,634	466	1,401	165	5,489
Total	**7,974**	**14,196**	**6,682**	**6,473**	**2,988**	**38,314**

Property & Casualty business – Direct written premiums and policy fees by line of business – prior period

Table 2.b

in USD millions, for the year ended December 31, 2020	Motor	Property	Liability	Special lines	Worker injury	Total
Europe, Middle East & Africa	4,162	4,842	2,278	2,154	344	13,781
North America	1,565	5,933	2,914	2,276	2,496	15,185
Other regions	1,683	1,462	420	1,256	141	4,961
Total	**7,409**	**12,237**	**5,612**	**5,686**	**2,981**	**33,926**

Analysis of sensitivities for Property & Casualty (P&C) risks

Tables 3.a and 3.b show the sensitivity of net income before tax and the sensitivity of net assets, using the Group effective income tax rate, as a result of adverse development in the net loss ratio by one percentage point. The sensitivities do not indicate a probability of such an event and do not consider any non-linear effects of reinsurance. Based on the assumptions applied in the sensitivity analysis in tables 3.a and 3.b, each additional percentage-point increase in the loss ratio would have a linear impact on net income before tax and net assets. The Group also monitors insurance risk by evaluating extreme scenarios, taking into account the non-linear effects of reinsurance contracts.

Insurance risk sensitivity for the Property & Casualty business – current period

Table 3.a

in USD millions, for the year ended December 31, 2021	Europe, Middle East & Africa	North America	Asia Pacific	Latin America	Reinsurance	Total
+1% in net loss ratio						
Net income before tax	(137)	(112)	(25)	(19)	(1)	(295)
Net assets	(106)	(87)	(19)	(14)	(1)	(227)

Insurance risk sensitivity for the Property & Casualty business – prior period

Table 3.b

in USD millions, for the year ended December 31, 2020	Europe, Middle East & Africa	North America	Asia Pacific	Latin America	Reinsurance	Total
+1% in net loss ratio						
Net income before tax	(123)	(98)	(24)	(18)	–	(264)
Net assets	(94)	(75)	(19)	(13)	–	(201)

Risk review (continued)

Audited

Life insurance risk

The risks associated with life insurance include:

Life liability risk

- Mortality risk – when, on average, the death incidence among policyholders is higher than expected.
- Longevity risk – when, on average, annuitants live longer than expected.
- Morbidity risk – when, on average, the incidence of disability due to sickness or accident among policyholders is higher than expected, or recovery from disability is lower than expected.

Life business risk

- Policyholder behavior risk – when, on average, policyholders discontinue or reduce contributions, or withdraw benefits prior to the maturity of contracts at a rate that is different from expected.
- Expense risk – when expenses incurred in acquiring and administering policies are higher than expected.
- New business risk – when volumes of new business are insufficient to cover fixed acquisition expenses.

Market risk

- Market risk – the risk associated with the Group's balance sheet positions where the value or cash flow depends on financial markets, which is analyzed in the 'market risk, including investment credit risk' section.

Credit risk

- Credit risk – the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations, which is analyzed in the 'market risk, including investment credit risk' and 'other credit risk' sections.

Management of Life insurance risk

The Group's Life underwriting results are based on the assumptions relating to life insurance risks. The actual experience may differ to that expected at the time of writing the business. For example, mortality could be either higher or lower than expected due to an unexpectedly harsh or benign flu season.

To understand the potential impact of experience differing from expectations, Zurich uses models to perform sensitivity analyses. The impact of changing the assumptions is considered under different scenarios across the risk types and products. Changes relating to absolute level and trend development in assumptions are considered by product category. For example, Zurich looks at the impact of an increase in morbidity rates for protection products or changes in the level and trend of longevity for annuity products. These analyses assist in understanding how sensitive the business is to changes in various assumptions and where there are benefits of having a diversified portfolio of risks and products. Changes in the same assumption can have a positive impact on one product and a negative impact on another. For example, people living longer than expected may have a positive impact on products that offer life cover, as claims are then paid later than expected, but could have a negative impact on annuity products as payments are made for longer than expected. At Zurich, the Life liability risks are managed through established processes with requirements described in the Zurich Risk Policy.

The Group has local product development and approval committees and a Group-level committee to review potential new life products that could significantly increase or change the nature of the risks or introduce new risks. The Group also regularly reviews the continued suitability and the potential risks of existing life products open to new business to ensure sustainability of the business.

Product pricing involves setting assumptions relating to life insurance risks. Local teams have responsibility for the pricing of the products in line with the experience and emerging trends observed in each market. The emerging experience is regularly monitored and compared against expectations. Where permitted, premiums are adjusted for factors such as age, gender, and smoker status to reflect the corresponding risks. Policy terms and conditions and disclosure requirements are designed to mitigate the risk arising from non-standard and unpredictable risks that could result in a severe financial loss.

The underwriting process forms an important part of risk management and risk selection for life insurance risks. This process is supported through setting standards in the Zurich Risk Policy and providing support through additional underwriting guidelines.

Risk review (continued)

Audited

Where required and appropriate, life insurance risks are also managed using reinsurance.

Unit-linked products are designed to reduce much of the market and credit risk associated with the Group's traditional business offerings. Risks that are inherent in these products are largely passed on to the policyholder, although a portion of the Group's management fees is linked to the value of funds under management, and hence is at risk if fund values decrease. Contracts may have minimum guaranteed death benefits where the sum at risk depends on the fair value of the underlying investments. Other life insurance liabilities include traditional life insurance products, such as protection and life annuity products.

Protection products (including disability products) provide benefits linked to policyholders' life and health and mainly carry mortality and morbidity risks. Changes in medical treatments and lifestyle changes are among the most significant factors that could result in earlier or more claims than expected or customers claiming for longer than expected. Disability, when defined in terms of the ability to perform an occupation, could also be affected by adverse economic conditions. This impact could come through, for example, an increase in claims relating to mental health conditions triggered by an economic downturn.

Life annuity products provide benefits that are paid to the customer either for a selected number of years, or until they die. Therefore, these products carry longevity risk as people living longer than expected can have a material impact on these products. Medical advances and improved social conditions that lead to increased longevity are significant risk drivers for these products. Annuitant (beneficiary) mortality assumptions include allowance for future mortality improvements. The trends in mortality improvements are monitored to ensure that changes in experience are considered. The exposure to longevity risk at a Group level is measured regularly and compared against the limit set by the Group.

The Group is exposed to risks posed by policyholder behavior and fluctuating expenses. These are mitigated by designing products that, as closely as possible, match revenue and expenses associated with the contract.

The Group is also exposed to investment and surrender risks related to bank-owned life insurance contracts sold in the U.S. These risks have reduced significantly in recent years as several significant policies have switched into less risky investment divisions. See heading 'other contracts' in note 7 of the consolidated financial statements for additional information.

In the past, low interest rates have led to an increase in both Life business risks and Life liability risks (especially longevity risk). While interest rates have recently started to rise, the level of interest rates remains an important factor in the evaluation of insurance risks.

Furthermore, interest rate guarantees (with concentration in traditional guaranteed business in Germany, Switzerland and Italy and variable annuity business in the U.S. containing minimum guaranteed death benefits) expose Zurich to financial losses that may arise as a result of adverse movements in interest rates. These guarantees are managed through a combination of asset-liability management and hedging.

The Group has a dynamic hedging strategy to reduce the investment risk associated with the closed book of variable annuitants written by its U.S. subsidiary Zurich American Life Insurance Company. This exposure has fallen substantially as a result of several policy buyback programs since 2015.

Diversification across regions and businesses, as shown in table 4 below, contributes to reducing the impacts of the risks associated with the Life business described above.

Concentration of Life insurance risk

The Group defines concentration risk in the Life business as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations. Concentration risk for a life insurer may arise with respect to investments in a geographical area, economic sector, or individual issuers, or due to a concentration of business written within a geographical area, of a product type, or of underlying risks covered.

Risk review (continued)

Audited

Table 4 shows the Group's concentration of risk within Life by geographic region and line of business based on reserves for life insurance on a net of reinsurance basis. The life insurance reserves also include policyholder surplus reserves with a loss absorbing capacity[1], predominantly in Germany in the amount of USD 9.5 billion in 2021 (2020: USD 12.0 billion) and in the UK in the amount of USD 0.5 billion in 2021 (2020: USD 0.6 billion). The net movement in Italy reserves in 2021 is mainly related to an agreement entered into by Zurich Investments Life S.p.A. to sell part of its life and pension back book (see note 5 of the consolidated financial statements). The Group's exposure to life insurance risks varies significantly by geographic region and line of business and may change over time. See note 8 of the consolidated financial statements for additional information on reserves for insurance contracts.

1 Policyholder surplus reserves with loss-absorbing capacity refer to funds allocated to the policyholders that can be used by the shareholders, and which, under certain conditions, may require regulatory approval.

Table 4

Reserves, net of reinsurance, by region

in USD millions, as of December 31	Unit-linked insurance contracts		Other life insurance liabilities		Total reserves	
	2021	2020	**2021**	2020	**2021**	2020
Life						
Europe, Middle East & Africa	51,005	50,476	78,194	90,470	129,199	140,945
of which:						
United Kingdom	15,700	15,934	4,116	4,018	19,816	19,952
Germany	22,757	22,016	38,155	43,235	60,912	65,251
Switzerland	1,148	936	17,069	18,491	18,216	19,426
Italy	4,071	4,163	3,227	6,859	7,297	11,023
Ireland	976	1,315	2,052	2,451	3,028	3,766
Spain	602	676	11,428	12,802	12,031	13,478
Zurich International	5,298	4,982	235	352	5,532	5,334
Rest of Europe, Middle East & Africa	454	453	1,913	2,262	2,367	2,715
North America	11,749	10,983	1,297	1,235	13,046	12,218
Asia Pacific	703	697	4,467	4,740	5,170	5,437
Latin America	13,516	13,740	5,068	5,984	18,585	19,725
Group Reinsurance	–	–	9	11	9	11
Eliminations	–	–	(6)	(15)	(6)	(15)
Subtotal	76,973	75,896	89,030	102,425	166,003	178,321
Other businesses	**5,551**	**5,261**	**10,411**	**10,371**	**15,961**	**15,632**
Total	**82,524**	**81,157**	**99,440**	**112,796**	**181,965**	**193,953**

Reinsurance for Property & Casualty (P&C) and Life businesses

The Group's objective in purchasing reinsurance is to provide market-leading capacity for customers while protecting the balance sheet, supporting management of earnings volatility, and achieving capital efficiency. The Group follows a centralized reinsurance purchasing strategy for both P&C and Life, and bundles programs, where appropriate, to benefit from diversification and economies of scale. In support of the Group's empowerment-based management model and to align risk-bearing capacities between the Group and individual country operations, internal reinsurance applies to all externally reinsured lines of business. In addition, to actively manage and reduce potential claims-recovery risks on facultative cessions and to support the strategy on operational excellence, the Group has specific facultative property and casualty reinsurance facilities.

The Group structures and aligns its external reinsurance protection to its capital position to achieve an optimal risk-return ratio. This includes participation in the underlying risks through self-retentions in line with the risk appetite of each line of business. The cession rate for P&C was 23.0 percent (14.2 percent excluding captives, unaudited) as of December 31, 2021 and 24.2 percent (14.4 percent excluding captives, unaudited) as of December 31, 2020. The cession rate for Life was 10.8 percent as of December 31, 2021 and 8.8 percent as of December 31, 2020.

The Group uses traditional and collateralized reinsurance markets to protect itself against extreme single events, multiple event occurrences across regions, and increased frequency of events. Specifically, to protect the Group against man-made and natural catastrophe scenarios per event, Zurich arranges an annual aggregate global cover as illustrated in the graph on the next page.

Risk review (continued)

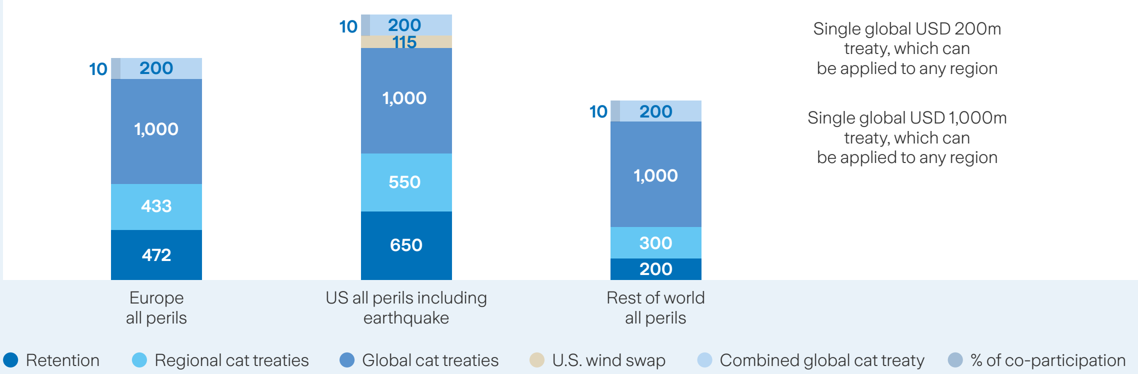
Audited

The Group participates in the underlying risks through its retention and through its co-participation in excess layers. The natural catastrophe reinsurance covers are on a loss-occurrence basis, except for the global aggregate catastrophe cover, which operates on an annual aggregate basis. The in-force natural catastrophe covers renew annually, with the exception of the global property catastrophe cover, which is up for renewal on April 1, 2022, following a three-year term.

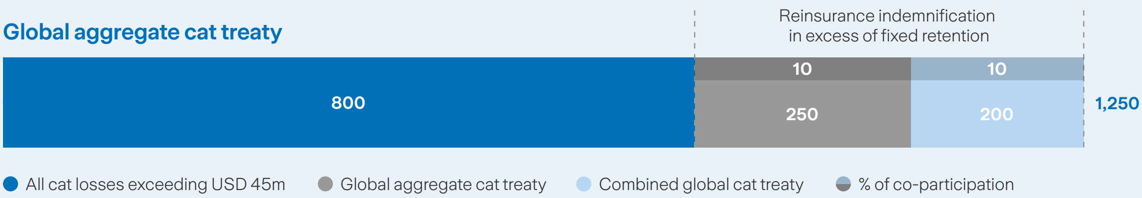
In addition to these covers, the Group purchases several regional catastrophe covers, has a bilateral risk swap, and various line of business-specific risk treaties. These covers are reviewed continuously and are subject to change in the future.

To complement existing treaties, the Group purchases catastrophe reinsurance specific to life insurance for its exposure to natural and man-made catastrophes.

Catastrophe reinsurance treaties
in USD millions



Global aggregate cat treaty



- Global aggregate cat treaty renewed on January 1, 2021; US treaties renewed per April 1 , 2021; Global all perils cat treaty renewed on April 1, 2021 (automaticaly renewed into year of the three years period); International and Europe all perils cat treaty renewed July 1, 2021. Please note: the attachment point and limit on Europe all perils tower are defined in EUR denomination (EUR390m xs EUR425m); currency exchange rates as of January 31, 2021.
- The USD 200m cover is the combined global occurrence and aggregate all perils cat treaty presiding over the global all perils cat treaty (plus over the US wind swap on the US windstorm tower). This cover can be used only once, either for aggregated losses or for an individual occurrence/event.

Risk review (continued)

Audited

Market risk, including investment credit risk

Market risk relates to the possibility of loss of value due to changes in financial market conditions. Risk factors include:

- Equity market price changes.
- Real estate market price changes.
- Interest rate changes.
- Credit and swap spread changes.
- Defaults of issuers.
- Changes in currency exchange rates.

The Group manages the market risk of assets relative to liabilities on an economic total balance sheet basis. This is done to achieve the maximum risk-adjusted excess return on assets relative to the liability benchmark, while also taking into account the Group's risk tolerance and local regulatory constraints.

The Group has policies and limits to manage market risk and keep its strategic asset allocation in line with its risk capacity. Zurich centrally manages certain asset classes to control aggregation of risk and provides a consistent approach to constructing portfolios and selecting external asset managers. It diversifies portfolios, investments and asset managers, and regularly measures and manages market risk exposure. The Group defines limits on concentration of investments in single issuers and certain asset classes, as well as the degree to which asset interest rate sensitivities may deviate from liability interest rate sensitivities. The Group regularly reviews its capacity to hold illiquid investments.

The Asset/Liability Management Investment Committee reviews and monitors the Group strategic asset allocation and tactical boundaries, and monitors Group asset/liability exposure. The Group oversees the activities of local asset/liability management investment committees and regularly assesses market risks at both Group and local business levels. The economic effect of potential extreme market moves is regularly examined and considered when setting the asset allocation.

Risk assessment reviews include the analysis of the management of interest rate risk for each major maturity bucket and adherence to the aggregate positions with risk limits. The Group follows processes to manage market risks and to analyze market risk hotspots. Actions to mitigate risks are taken, if necessary, to manage fluctuations affecting asset/liability mismatch and risk-based capital.

The Group may use derivative financial instruments to mitigate market risks arising from changes in currency exchange rates, interest rates and equity prices, from credit quality of assets, and from commitments to third parties. The Group enters into derivative financial instruments mostly for economic hedging purposes and, in limited circumstances, the instruments may also meet the definition of an effective hedge for accounting purposes.

In compliance with Swiss insurance regulation, the Group's policy prohibits speculative trading in derivatives, meaning a pattern of so-called 'in-and-out trading' activity without any reference to an underlying position. The Group addresses the risks arising from derivatives through a stringent policy that requires approval of a derivative program before transactions are initiated, and by subsequent regular monitoring by Group Risk Management of open positions and annual reviews of derivative programs.

For more information on the Group's investment result, including impairments and the treatment of selected financial instruments, see note 6 of the consolidated financial statements. For more information on derivative financial instruments and hedge accounting, see note 7 of the consolidated financial statements.

Risk review (continued)

Audited

Risk from equity securities and real estate

The Group is exposed to risks from price fluctuations on equity securities and real estate. These could affect the Group's liquidity, reported income, economic surplus and regulatory capital position. Equity risk exposure includes common stocks (including equity unit trusts), private equity, common stock portfolios backing participating-with-profit policyholder contracts, and equities held for employee benefit plans. Exposure to real estate risk includes direct holdings in property and property company shares and funds. Returns on unit-linked contracts, whether classified as insurance or investment contracts, may be exposed to risks from equity and real estate, but these risks are borne by policyholders. The Group is however indirectly exposed to market movements from unit-linked contracts with respect to both earnings and economic capital; market movements affect the amount of fee income earned when the fee income level is dependent on the valuation of the asset base. Therefore, the value of in-force business for unit-linked business can be negatively affected by adverse movements in equity and real estate markets.

The Group manages its risks related to equity securities and real estate as part of the overall investment risk management process and applies limits as expressed in policies and guidelines. Specifically, Zurich limits holdings in equities, real estate and alternative investments. To realize an optimal level of risk diversification, the strategy for equities is defined through a composite of market benchmark indices. The Group has the capability and processes in place to change the exposure to key equity markets via the use of derivatives or purchase or sale of securities within a short time frame.

For additional information on equity securities and investment property, see note 6 of the consolidated financial statements.

Risk from interest rates and credit spreads

Interest rate risk is the risk of an adverse economic impact resulting from changes in interest rates, including changes in the shape of yield curves. Yield curve changes affect the value of interest rate-sensitive investments and derivatives as well as the fair value of insurance liabilities. Other balance sheet items, such as liability investment contracts, debt issued by the Group, commercial and residential mortgages, employee benefit plans, loans and receivables, are also affected.

The Group manages credit spread risk, which is the variation in economic value due to changes in the level or the volatility of credit spreads over the risk-free interest rate. Movements of credit spreads are driven by several factors including changes in expected default probability, default losses, risk premium, liquidity and other effects.

Returns on unit-linked contracts, whether classified as insurance or investment contracts, are at the risk of the policyholder; however, the Group is exposed to fluctuations in interest rates and credit spreads insofar as they affect the amount of fee income earned if the fee income level is dependent on the valuation of the asset base.

Risk review (continued)

Audited

Analysis of market risk sensitivities for interest rate, equity and credit spread risks

Group investment sensitivities

The gross economic market risk sensitivities of the fair value of IFRS Group investments before tax as of 2021 was negative USD 6.1 billion (negative USD 7.1 billion as of 2020) for a 50 basis points (bps) increase in interest rates. For a 50 bps decrease in interest rates, the sensitivity was USD 6.7 billion in 2021 (USD 7.9 billion as of 2020). For a 10 percent decline in equity markets, Group investments drop in value by USD 1.3 billion in 2021 compared with USD 1.3 billion as of 2020. A 100 bps increase in credit spreads resulted in a decrease of USD 6.2 billion in 2021 compared with USD 6.8 billion as of 2020.

The following describes limitations of the Group investment sensitivities. Group sensitivities show the effects of a change of certain risk factors, while other assumptions remain unchanged. The interest rate scenarios assume a parallel shift of all interest rates in the respective currencies. They do not take account of the possibility that interest rate changes might differ by rating class; these are disclosed separately as credit spread risk sensitivities.

The sensitivity analysis is based on economic assets, and not on shareholders' equity or net income as set out in the consolidated financial statements. The sensitivities only cover Group investments and do not cover insurance or other liabilities. The equity market scenarios assume a concurrent movement of all stock markets. The sensitivity analysis does not take account of actions that might be taken to mitigate losses. Actions may involve changing the asset allocation, for example through selling and buying assets. Sensitivity calculations do not assign a probability to the scenario considered. The sensitivities do not indicate a probability of such events occurring in the future. They do not necessarily represent the Group's view of expected future market changes.

In addition to the gross sensitivities, management uses sensitivities and stress scenarios to assess the impact of market movements on the Group's net assets. For more information on sensitivities see 'Group economic net asset sensitivities' (unaudited), below.

Group economic net asset sensitivities

The following section presents the sensitivities of Group economic net assets under Swiss Solvency Test (SST) assumptions with respect to certain standard financial market scenarios.

The net asset impact – the difference between the impact on Group investments and liabilities – represents the economic risk related to changes in market risk factors to which the Group is exposed. Tables 5, 6 and 7 show the estimated economic market risk sensitivities of the net asset impact. Positive values represent an increase in the net assets, and values in parentheses represent a decrease. Mismatches in changes in value of assets relative to liabilities represent an economic risk to the Group.

In determining the sensitivities, investments and liabilities are fully re-valued under the given scenarios. Each instrument is re-valued separately, taking relevant product features into account. Non-linear valuation effects, where they exist, are reflected in the calculations. The sensitivities are shown before tax.

The basis of the presentation for tables 5, 6, and 7 is an economic valuation represented by the fair value of Group investments. IFRS insurance liabilities are discounted at risk-free market rates to reflect the present value of insurance liability cash flows and other liabilities, for example, own debt. The Group uses FINMA allowed risk-free curves for discounting. In the sensitivities, own debt does not include subordinated debt, which Zurich considers available to protect policyholders in a worst-case scenario.

The basis of presentation for the Life business to financial market movements uses replicating portfolios calibrated according to the methodology and cashflow models approved by FINMA. The replicating portfolios are portfolios of assets that replicate the cash flows or present values of the life insurance liabilities under stochastic scenarios from the local life valuation models. They are calibrated to match dependencies of life insurance liabilities on financial market developments in respect of interest rates, equity and property. The options and guarantees of the underlying life insurance liabilities are captured through the inclusion of options in the replicating portfolios.

Sensitivities are shown split by segment and for economic net assets net of minority interest. The heading 'Rest of the business' includes Farmers, Group Finance and Operations and Non-Core Businesses.

Risk review (continued)

Analysis of economic sensitivities for interest rate risk

Table 5 shows the estimated net impact before tax of a 50 basis point (bps) increase or decrease in yield curves after consideration of hedges in place, as of December 31, 2021 and 2020.

Economic interest rate sensitivities*

Table 5

in USD millions, as of December 31	2021	2020
50 bps increase in the interest rate yield curves		
Property & Casualty	(98)	(14)
Life	(340)	(82)
Rest of the business	(31)	(153)
Economic net assets net of minority interest	(441)	(220)
50 bps decrease in the interest rate yield curves		
Property & Casualty	45	(33)
Life	239	(97)
Rest of the business	96	276
Economic net assets net of minority interest	354	124

Analysis of economic sensitivities for equity risk

Table 6 shows the estimated net impact before tax from a 10 percent decline in stock markets, after consideration of hedges in place, as of December 31, 2021 and 2020.

Economic equity price sensitivities*

Table 6

in USD millions, as of December 31	2021	2020
10% decline in stock markets		
Property & Casualty	(664)	(617)
Life	(542)	(668)
Rest of the business	(100)	(119)
Economic net assets net of minority interest	(1,299)	(1,398)

Analysis of economic sensitivities for credit spread risk

Table 7 shows the estimated net impact before tax from a 100 basis point increase in corporate credit spreads, as of December 31, 2021 and 2020. The sensitivities apply to all fixed-income instruments, excluding government, supranational and similar debt securities. For the Life business, the loss-absorbing capacity of liabilities for losses on credit spreads are not included, as they are not modeled in the replicating portfolios.

Economic credit spread sensitivities*

Table 7

in USD millions, as of December 31	2021	2020
100 bps increase in credit spreads		
Property & Casualty	(1,725)	(1,727)
Life	(3,989)	(4,502)
Rest of the business	(534)	(565)
Economic net assets net of minority interest	(6,095)	(6,619)

* Limitations of the economic sensitivities: same limitations apply for Group investment sensitivities, except for the above sensitivities, which are based on economic net assets including liability representation; neither the impact of the UK pension plan nor the volatility adjustment on the insurance liabilities have been considered.

Risk review (continued)

Audited

Risks from defaults of counterparties

Debt securities

The Group is exposed to credit risk from third-party counterparties where the Group holds securities issued by those entities. Default risk is controlled by Group counterparty concentration risk limits which aim to keep the size of potential losses to an acceptable level.

Table 8

Debt securities by rating of issuer

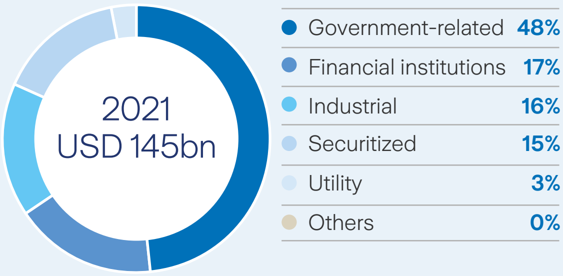
as of December 31	2021		2020	
	USD millions	**% of total**	USD millions	% of total
Rating				
AAA	28,339	19.5%	36,411	22.5%
AA	44,358	30.6%	42,240	26.1%
A	25,346	17.5%	25,084	15.5%
BBB	41,255	28.4%	51,636	31.9%
BB and below	5,411	3.7%	5,802	3.6%
Unrated	375	0.3%	536	0.3%
Total	**145,084**	**100.0%**	**161,710**	**100.0%**

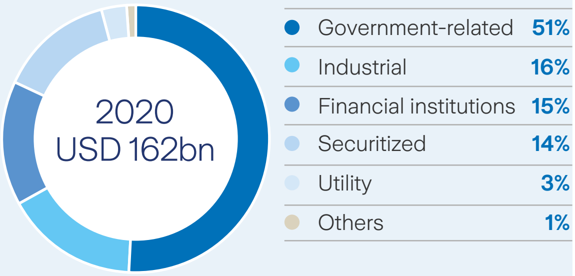
Table 8 shows the credit risk exposure of debt securities, by credit rating. As of December 31, 2021, 96.0 percent of the Group's debt securities was investment grade and 19.5 percent was rated 'AAA.' As of December 31, 2020, 96.1 percent of debt securities was investment grade and 22.5 percent was rated 'AAA.'

Exposure level limits are in place and are based on default and recovery rates. Limits tighten progressively for lower-rated exposures. Where the Group identifies investments that are expected to trigger limit breaches, appropriate mitigating actions are implemented.

The risk-weighted average credit rating of the Group's debt securities portfolio is 'A–' in 2021, unchanged from 2020.

Debt securities – credit risk concentration by industry
in %, as of December 31





As of December 31, 2021, the largest concentration in the Group's debt securities portfolio was government related at 48 percent of all debt securities. In all other categories, a total of USD 28.6 billion (38 percent) was secured. As of December 31, 2020, 51 percent of the Group's debt portfolio was invested in government-related securities. In all other categories, a total of USD 29.5 billion (38 percent) was secured.

The second-largest concentration in the Group's debt securities portfolio is financial institutions, comprising investments mainly in banking, finance companies and insurance.

In addition to debt exposure, the Group had loan exposures of USD 3.5 billion to the German central government or German federal states as of December 31, 2021. The equivalent figure for December 31, 2020 was USD 4.2 billion. For more information, see the 'mortgage loans and other loans' section on page 207.

Risk review (continued)

Audited

Cash and cash equivalents

To reduce credit concentration, settlement and operational risks, the Group limits the amount of cash that can be deposited with a single counterparty. The Group also maintains an authorized list of acceptable cash counterparties.

Cash and cash equivalents amounted to USD 8.7 billion as of December 31, 2021 and USD 11.1 billion as of December 31, 2020. The risk-weighted average rating of the overall cash portfolio was 'A–' as of December 31, 2021 and 'A' as of December 31, 2020. The ten largest bank exposures represent 68 percent of the total, the risk-weighted average rating of which was 'AA–' as of December 31, 2021 and 'AA–' as of December 31, 2020.

Mortgage loans and other loans

Mortgage loans amounted to USD 6.1 billion as of December 31, 2021 and USD 5.8 billion as of December 31, 2020. The Group's largest mortgage loan portfolios are held in Switzerland (USD 3.0 billion) and in Germany (USD 1.5 billion); these are predominantly secured against residential property but also include mortgages secured by commercial property. The Group invests in mortgages in the U.S. (USD 0.5 billion); these are mainly participations in large mortgage loans secured against commercial property.

The credit risk arising from other loans is assessed and monitored together with the debt securities portfolio. Out of the USD 7.1 billion reported loans as of December 31, 2021, 56 percent are government related, of which 89 percent are to the German central government or German federal states. As of December 31, 2021, USD 3.7 billion were rated as 'AAA' (52 percent) compared with 4.1 billion as of December 31, 2020; USD 1.0 billion as 'AA' (14 percent) compared with 1.8 billion as of December 31, 2020; USD 1.2 billion as 'A' (18 percent) compared with 1.4 billion as of December 31, 2020; USD 1.2 billion as 'BBB' and below (16 percent) compared with 1.0 billion as of December 31, 2020; and USD 0.0 billion as unrated (0 percent) compared with 0.3 billion as of December 31, 2020.

Derivatives

The replacement value of outstanding derivatives represents a credit risk to the Group. These instruments include interest rate and cross-currency swaps, forward contracts and purchased options. A potential exposure could also arise from possible changes in replacement values. The Group regularly monitors credit risk exposures arising from derivative transactions. Outstanding positions with external counterparties are managed through an approval process embedded in derivative programs.

To limit credit risk, derivative financial instruments are executed with counterparties rated 'BBB' or higher as per Zurich Risk Policy requirements. The Group's standard practice is to only transact derivatives with those counterparties for which the Group has in place an ISDA Master Agreement, with a Credit Support Annex. This mitigates credit exposures from over-the-counter transactions due to close-out netting and requires the counterparty to post collateral when the derivative position exceeds an agreed threshold. The Group further mitigates credit exposures from derivative transactions by using exchange-traded or centrally cleared instruments whenever possible. The Group remained under the applicable thresholds for phase 5 of the initial margin rules for over-the-counter derivatives and therefore was not subject to a duty to exchange initial margin in 2021.

Risk from currency exchange rates

Currency risk is the risk of loss resulting from changes in exchange rates. The Group operates internationally and therefore is exposed to the financial impact of changes in the exchange rates of various currencies. The Group's presentation currency is the U.S. dollar, but its assets, liabilities, income and expenses are denominated in many currencies, with significant amounts in euro, Swiss franc, British pound and U.S. dollar. On entity balance sheets a currency mismatch may cause a balance sheet's net asset value to fluctuate, either through income or directly through equity. The Group manages this risk by matching foreign currency positions on entity balance sheets within prescribed limits. Residual entity mismatches are reported centrally to make use of the netting effect across the Group. Zurich hedges these residual entity mismatches within an established limit through a central balance sheet. For information on net gains/losses on foreign currency transactions included in the consolidated income statements, see note 1 of the consolidated financial statements. The monetary currency risk exposure on entity balance sheets is considered immaterial.

Differences arise when functional currencies are translated into the Group's presentation currency, the U.S. dollar. The Group applies net investment hedge accounting to protect against the impact that changes in certain exchange rates might have on selected net investments.

Table 9 shows the sensitivity of total IFRS equity to changes in exchange rates for the main functional currencies to which the Group is exposed. Positive values represent an increase in the value of the Group's total equity. See notes 1, 3 and 7 of the consolidated financial statements for additional information on foreign currency translation and transactions.

Risk review (continued)

Audited

Sensitivity of the Group's total IFRS equity to exchange rate fluctuations

Table 9

in USD millions, as of December 31	**2021**	2020
10% increase in		
EUR/USD rate	309	363
GBP/USD rate	330	278
CHF/USD rate	520	599
BRL/USD rate	96	138
AUD/USD rate	373	355
JPY/USD rate	107	103
Other currencies/USD rates	493	528

The sensitivities show only the effects of a change of the exchange rates, while other assumptions remain unchanged. The sensitivity analysis does not consider management actions that might be taken to mitigate such changes. The sensitivities do not indicate a probability of such events occurring in the future. They do not necessarily represent Zurich's view of expected future market changes. While table 9 shows the effect of a 10 percent increase in currency exchange rates, a decrease of 10 percent would have the converse effect.

Other credit risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. See section 'risks from defaults of counterparties' for market risk-related asset categories. The Group's exposure to other credit risk is derived from the following main categories of assets:

- Reinsurance assets.
- Receivables.

The Group's objective in managing credit risk exposures is to maintain them within parameters that reflect the Group's strategic objectives, and its risk appetite and tolerance. Sources of credit risk are assessed and monitored, and the Group has policies to manage specific risks within various subcategories of credit risk. To assess counterparty credit risk, the Group uses ratings assigned by external rating agencies, qualified third parties, such as asset managers, and internal rating assessments. If the ratings of external rating agencies differ, the Group generally applies the lowest, unless other indicators justify an alternative, which may be an internal credit rating.

The Group actively uses collateral to mitigate credit risks. Underlying credit risks are managed independently from the collateral. The Group has limits and quality criteria to identify acceptable letter of credit providers. Letters of credit enable Zurich to limit the risks embedded in reinsurance, captives, deductible programs, trade credit and surety.

The Group has counterparty limits which are regularly monitored. Exposure to counterparties' parent companies and subsidiaries is aggregated to include reinsurance assets, investments, derivatives, and certain insurance products. Group aggregate concentration limits and relevant exception approvals are monitored in line with risk policy requirements.

On-balance sheet exposures are the main source of credit risk. Off-balance sheet credit exposures are related primarily to certain insurance products, reinsurance and collateral used to protect underlying credit exposures on the balance sheet. The Group has no material amount of off-balance sheet exposures related to undrawn loan commitments as of December 31, 2021. See note 22 of the consolidated financial statements for undrawn loan commitments.

Risk review (continued)

Audited

Credit risk related to reinsurance assets

The Group's Corporate Reinsurance Security Committee oversees the credit quality of cessions and reinsurance assets. The Group typically only cedes new business to authorized reinsurers with a minimum rating of 'A–.' Of the exposure ceded to reinsurers that are rated below 'A–' or are not rated, 54 percent was collateralized as of December 31, 2021 and 2020, respectively. Of the exposure ceded to reinsurers that are rated below 'A–' or are not rated, 66 percent was ceded to captive insurance companies in 2021, and 62 percent in 2020.

Reinsurance assets included reinsurance recoverables (the reinsurers' share of reserves for insurance contracts) of USD 25.7 billion and USD 25.6 billion, and receivables arising from ceded reinsurance of USD 1.6 billion and USD 1.5 billion as of December 31, 2021 and 2020, respectively, gross of allowance for impairment. Reserves for potentially uncollectible reinsurance assets amounted to USD 119 million as of December 31, 2021 and USD 149 million as of December 31, 2020. The Group's policy on impairment charges takes into account both specific charges for known situations (e.g., financial distress or litigation) and a general, prudent provision for unanticipated impairments.

Reinsurance assets in table 10 are shown before taking into account collateral such as cash or bank letters of credit and deposits received under ceded reinsurance contracts. Unsecured reinsurance assets shown are after deducting collateral. Bank issuing letters of credit for the benefit of Zurich are, on average, 'A' rated. The value of the collateral received amounts to USD 10.6 billion and USD 10.8 billion as of December 31, 2021 and 2020, respectively.

Table 10 shows reinsurance assets and unsecured reinsurance assets split by rating.

Table 10

Reinsurance assets and unsecured reinsurance assets by rating of reinsurer and captive

as of December 31	2021				2020			
	Reinsurance assets		Unsecured reinsurance assets		Reinsurance assets		Unsecured reinsurance assets	
	USD millions	% of total	USD millions	% of total	USD millions	% of total	USD millions	% of total
Rating								
AAA	26	0.1%	26	0.2%	37	0.1%	37	0.2%
AA	8,267	30.3%	7,525	45.2%	8,382	31.1%	7,445	45.9%
A	11,461	42.1%	5,630	33.8%	11,851	43.9%	5,644	34.8%
BBB	3,604	13.2%	1,642	9.9%	3,094	11.5%	1,385	8.5%
BB	652	2.4%	324	1.9%	411	1.5%	192	1.2%
B and below	206	0.8%	77	0.5%	204	0.8%	45	0.3%
Unrated	3,020	11.1%	1,416	8.5%	3,004	11.1%	1,485	9.1%
Total	**27,236**	**100.0%**	**16,640**	**100.0%**	**26,983**	**100.0%**	**16,233**	**100.0%**

Credit risk related to receivables

The largest amount of the Group's credit risk exposure to receivables is related to third-party agents, brokers and other intermediaries. It arises where premiums are collected from customers to be paid to the Group, or to pay claims to customers on behalf of the Group. The Group has policies and standards to manage and monitor credit risk related to intermediaries. The Group requires intermediaries to maintain segregated cash accounts for policyholder money. The Group also requires that intermediaries satisfy minimum requirements of capitalization, reputation and experience, and provide short-dated business credit terms.

Receivables that are past due, but not impaired, are regarded as unsecured; however, some of these receivable positions may be offset by collateral. The Group reports internally on Group past-due receivable balances and strives to keep the balance of past-due positions as low as possible, while taking into account customer satisfaction.

Receivables from ceded reinsurance are part of reinsurance assets and managed accordingly. See notes 15 and 24 of the consolidated financial statements for additional information on receivables.

Risk review (continued)

Audited

Operational risk

Operational risk is the risk of financial loss, adverse reputational, legal or regulatory impact, resulting from inadequate or failed processes, people, systems or from external events, including external fraud, catastrophes, or failure in outsourcing arrangements. Zurich has a framework to identify, assess, manage, monitor, and report operational risk within the Group. Within this framework, the Group:

– Uses a scenario-based approach to assess, model and quantify the capital required for operational risk for business units under extreme circumstances. This approach allows information to be compared across the Group and highlights the main scenarios contributing to the capital required under Zurich Economic Capital Model (Z-ECM).
– Documents and reviews operational events exceeding a threshold determined by the Zurich Risk Policy. Remedial action is taken to avoid the recurrence of such operational events.
– Conducts risk assessments where operational risks are identified for key business areas. Risks identified and assessed to be above a certain threshold must have a risk response. Risk mitigation plans are documented and tracked on an ongoing basis. In the assessments, the Group uses sources of information such as the Total Risk Profiling™ process, internal control assessments, and audit findings, as well as scenario modeling and operational event data.

The Group has specific processes and systems in place to focus on high-priority operational matters such as managing information security and business resilience (see sub-section 'risk focus specific to digital transformation'), as well as combating fraud.

Preventing, detecting and responding to fraud are embedded in Zurich's business processes. Both claims and non-claims fraud are included in the common framework for assessing and managing operational risks. For Zurich's internal model calculations, claims fraud is part of insurance risk and non-claims fraud is part of operational risk.

Risk focus specific to digital transformation

Digital and technological advances have not only created a wide spectrum of benefits for society but also amplified the associated risks. Organizations are realigning their operations, forging new third-party relationships and putting data at the heart of their decision-making and analysis. All of this is happening at a rapid pace and against a backdrop of an increasingly hostile cyber threat landscape. In order to succeed, organizations need to be able to assess and understand the risks inherent in this changing environment and ensure that they are managed appropriately.

On a regular basis, the Group assesses and monitors exposure to defined information security and cyber risk scenarios through key risk indicators (KRIs) to effectively focus on actions and adequate resource allocation.

Data risk

The strategic relevance of data as a business asset is rising at a rapid pace and the risks associated with data management are becoming more and more prominent. Preventing risks such as data losses and privacy breaches and assessing and monitoring the potential misuse of data and losses triggered by failures in data management remain in focus. Specifically, appropriate governance of data for business purposes and decision-making processes, including automation, machine-learning techniques and other advanced technologies, remains a priority. As Zurich strives to inspire confidence in a digital society with its data commitment, assurance on the ethical use of advanced technologies is provided from a risk management perspective for the protection and privacy of data of our customers and other stakeholders.

The relevance of technological risks, such as cyber risk, is rapidly increasing across all data-driven industries. Exposure to these risks has grown in lockstep with the significant rise in digital services provided directly to customers and the increasing prevalence of digital ecosystems and cloud solutions in today's interconnected world.

Third-party risk

Outsourcing and engagement with third parties introduces risks relevant to the delivery of our strategy, such as data loss or disclosure, disruption to critical customer services and regulatory compliance. Digitalization has accelerated the complexity and changes to the Group's third-party ecosystem. The Group addresses risks associated with third-party engagements along its supply and value chain. Applying a consistent Group-wide approach to outsourcing governance is among Zurich's key priorities.

Risk review (continued)

Business resilience risk

Zurich, along with the rest of the insurance industry, is going through a period of transformation in order to meet changing customer expectations. In addition, increasing automation of processes, development of advanced analytics capabilities, and fragmented supply chains have contributed to an increasingly complex operating environment. In response to these challenges, and to better protect the interests of stakeholders, the Group continues to evolve its business resilience capability through a number of ongoing initiatives in relation to the protection and recovery of critical services and enhancing transparency around any associated risks. Zurich's response to COVID-19 to date has proven to be effective with critical business services maintained throughout the Group.

Risk management and internal controls

The Group considers internal controls to be essential for managing operational risk. The Board has overall responsibility for the Group's risk management and internal control frameworks. The objectives of the Group's internal control system are to provide reasonable assurance that Zurich's financial statements and disclosures are materially correct, support reliable operations, and ensure legal and regulatory compliance. The internal control system is designed to mitigate rather than eliminate risks that could impact the achievement of business objectives.

The Group promotes risk awareness and understanding of controls through communication and training. Risk management and internal control systems are designed at Group level and implemented across the Group. Management, as the first line of defense, is responsible for identifying, evaluating and managing risk, and designing, implementing and maintaining internal controls. Testing effectiveness of relevant internal controls by the first line of defense also forms part of the control life cycle.

Key processes and controls in the organization are subject to review and challenge by all three lines of defense. The second and third lines of defense regularly report on observations, conclusions and recommendations that arise from their independent reviews of internal controls. Control issues of Group-level significance and associated mitigation actions are reported regularly to the Audit Committee of the Board. The Risk and Investment Committee of the Board reviews the effectiveness of the Group's risk management system, including the Group's risk tolerance and enterprise-wide risk governance framework, in accordance with the charter for each committee.

The Group's Disclosure Committee, chaired by the Head of Group Financial Accounting and Reporting, reviews the accuracy, completeness and timeliness and compliance with legal and regulatory requirements of external disclosures and the effectiveness of the respective internal controls. The conclusions result in a recommendation to the Group Chief Financial Officer to release the disclosures to the Audit Committee of the Board, who may then challenge the disclosures further. The Board reviews and approves the announcement of the results and the annual report before they are made public.

Risk review (continued)

Audited

Liquidity risk

Liquidity risk is the risk that an entity within the Group may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so. Zurich's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under normal conditions and in times of stress. To achieve this, the Group assesses, monitors and manages its liquidity needs on an ongoing basis.

Group-wide liquidity management policies and specific guidelines govern how entities plan, manage and report their entity liquidity and include regular stress tests for all major legal entities and branches within the Group. The stress tests use a standardized set of internally defined stress events, and are designed to provide an overview of the potential drain on liquidity should the Group have to recapitalize entity balance sheets. Similar guidelines apply at the Group level, and detailed liquidity forecasts are regularly conducted, based on entities' input and the Group's forecasts. As part of its liquidity management, the Group maintains sufficient cash and cash equivalents and high-quality, liquid investment portfolios to meet outflows under expected and stressed conditions.

The Group also maintains internal liquidity sources that cover the potential liquidity needs within the Group, including those that might arise in times of stress. The Group takes into account the amount, availability and speed at which these sources can be accessed. The Group has access to diverse funding sources to cover contingencies, including asset sales, external debt issuance and making use of committed borrowing facilities or letters of credit. The Group maintains a range of maturities for external debt securities. A potential source of liquidity risk is the effect of a downgrade of the credit rating of the Group. This could affect the Group's commitments and guarantees, potentially increasing liquidity needs. This risk – and mitigating actions that might be employed – are assessed on an ongoing basis within the Group's liquidity framework.

The Group regularly analyzes the liquidity of the investment assets and ensures that the liquidity of assets stays in line with liquidity requirements. In 2021, the Group's holdings in illiquid assets were within its capacity.

For more information on debt obligation maturities, see note 18 of the consolidated financial statements, and for information on commitments and guarantees, see note 22 of the consolidated financial statements.

The Group's ongoing liquidity monitoring includes regular reporting to the executive management and quarterly reporting to the Risk and Investment Committee of the Board, covering aspects such as the Group's actual and forecast liquidity, possible adverse scenarios that could affect the Group's liquidity and possible liquidity needs from the Group's main subsidiaries, including under conditions of stress.

For more information on the Group's other financial liabilities, see note 16 of the consolidated financial statements. See note 6 of the consolidated financial statements for information on the maturity of debt securities.

The Group has committed to contribute capital to subsidiaries and third parties that engage in making investments in direct private equity and private equity funds. Commitments may be called by the counterparty during the term of the investment (generally three to five years) and must be funded by the Group on a timely basis. See note 22 of the consolidated financial statements for more information.

Risk review (continued)

Audited

Strategic risk and risks to the Group's reputation

Strategic risk

Zurich defines strategy as the long-term plan of action designed to allow the Group to achieve its goals and aspirations based on Zurich's purpose and values.

Strategic risks can arise from:

- Inadequate risk-reward assessment of strategic plans.
- Improper execution of strategic plans.
- Unexpected changes to underlying assumptions, including those about the external environment.

The Group works to manage risks associated with strategic business decisions through its risk assessment processes and tools, including the Total Risk Profiling™ process. As part of the annual assessment of strategic risks, the Executive Committee assesses potential risks from both external and internal factors, looking at the current year and beyond. The Executive Committee members define actions to respond as appropriate and review changes to the key risks and their status of actions at least quarterly.

The Group evaluates the risks of merger and acquisition (M&A) transactions both from a quantitative and a qualitative perspective. The Group conducts risk assessments of M&A transactions to evaluate risks specifically related to integrating acquired businesses.

Risks to the Group's reputation

Risks include acts or omissions by the Group or any of its employees that could damage the Group's reputation or lead to a loss of trust among its stakeholders. Every risk type has potential consequences for Zurich's reputation. Effectively managing each risk type supports preventing adverse reputational outcomes.

The Group aims to preserve its reputation by:

- Adhering to applicable laws and regulations.
- Following the core values and principles of the Group's code of conduct that promote integrity and good business practice.
- Living up to its sustainability commitments.

The Group centrally manages certain aspects of risk to reputation, for example, communications, through functions with the appropriate expertise. Potential risks to Zurich's reputation are included in its risk assessment processes and tools, including the Total Risk Profiling™ process.

Sustainability risk

Zurich's ambition is to be one of the most responsible and impactful businesses in the world. Trends like globalization, the mobility of talent and funds, shifting geopolitics, reskilling for a digital workplace, demographics, and climate change all pose immensely complex social issues.

Sustainability means doing business today in a way that safeguards the future of our company and our society. Sustainability risks and opportunities emanate both from effects that environmental, social and governance (ESG) challenges have on the company, as well as from how the company handles its positive or negative impact on ESG issues. To protect against financial and reputational impacts, both perspectives are included in the identification and assessment of sustainability issues.

Climate change, as one of the most complex risks facing society today, is intergenerational, international and interdependent. As a global insurer, Zurich faces risks from climate change and discloses its climate risk in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

Sustainability topics associated with ESG challenges are also becoming more complex and interconnected as a result of these trends. Insurers are increasingly becoming agents of change and playing a more impactful role in addressing sustainability risk.

Zurich works with its customers and investee companies to ensure responsible and sustainable business practices while promoting best practices in managing ESG risks. The Group has policies in place that define the sustainability positions for which Zurich has no underwriting or investment appetite. Zurich continuously works to develop relevant products and services that help solve the most pressing societal and environmental issues of today.

Sustainability risk approach

To support the Group's businesses in applying its purpose and values, as well as mitigating reputational risk impacts, Zurich has established a systematic and integrated approach to identifying, assessing and recommending action on potential risk and opportunity areas from a sustainability perspective across all the Group's activities, in particular in investment management and underwriting.

This is a three-step process:

- Issue identification: Identify relevant issues to be considered within the risk assessment process by monitoring channels such as media, social media, information from non-governmental organizations and Zurich's businesses.
- Risk assessment: Assess issues related to public commitments, the role of insurance underwriting, market exposure and materiality. The Group Chief Executive Officer approves position statements, recommended business actions, and reputational management considerations.
- Implementation: Implement mitigation actions, including managing reputational impacts locally in the businesses. Mobilize expert support available across the Group and escalate as necessary, according to governance procedures.

Zurich applies these steps across portfolios based on stated thresholds and verified data. Wherever possible, Zurich engages and works together with customers on the margins of Zurich's thresholds to ensure responsible and sustainable business practices. This engagement may be short, or in some cases, last up to two years, depending on which part of the renewal cycle customers are in and the time required for them to demonstrate credible progress on ESG issues.

Clear roles and responsibilities, starting with the Board of Directors of Zurich Insurance Group Ltd and Zurich management, aim to ensure effective oversight and action with respect to climate change and other sustainability risks.

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Inspiring action

People power.

Our people drive our business. We support our employees with learning the right skills to navigate an ever-evolving world of work – so they can help our customers do the same. "Zurich inspires people to take action by creating networks where we can learn from colleagues around the world," says Wen Lin, Group Risk Management.

Wen Lin
Group Risk Management,
Zurich Insurance Group

To watch the video, visit:
www.zurich.com/reports/2021/annual-report

Message from our Group Chief Financial Officer

Excellent results.

“The Group has delivered the strongest performance in recent times, with all units contributing to underlying improvement in earnings. This demonstrates the success of the Group’s strategy and positions us well for continued growth and provides confidence to meet or exceed the Group’s 2022 targets.

George Quinn
Group Chief Financial Officer

Full-year 2021 results demonstrated a strong performance with a reported business operating profit (BOP) of USD 5.7 billion compared with USD 4.2 billion in 2020. Growth was driven by an underlying improvement across all businesses and reduced claims from COVID-19. Net income attributable to shareholders amounted to USD 5.2 billion and a dividend of CHF 22 has been proposed.

Executing on strategic priorities

The delivery of the strongest BOP performance since 2007 demonstrates the strength of the Group’s franchise and the benefits of repositioning the business in recent years. During the year, the Group continued to advance its customer-focused strategy, reflected in increased customer satisfaction and strong net customer growth. The Group further extended its customer reach through incremental distribution partnerships. At the same time, it’s looking for opportunities to optimize its capital allocation through the sale of the Italian life back book and the continued focus on growing capital-light products.

2020–2022 financial targets

Target: >14.0%
BOPAT ROE[1]
14.0%
FY 2021

Target: >USD 11.5bn
Cumulative cash remittances
USD 7.8bn
As of FY 2021

SST solvency target: 160% or above
Estimated SST ratio[2]
212%
FY 2021

Target: >5% p.a.
Earnings per share growth in CHF
7%
Compound annual growth rate (CAGR) FY-2021 versus FY-2019

1 Business operating profit after tax return on equity, excluding unrealized gains and losses.
2 Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group’s internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.

Message from our Group Chief Financial Officer (continued)

Strong performance across all businesses

The Group's Property & Casualty (P&C) saw a 50 percent increase in BOP driven by a stronger underwriting result due to a combination of top-line growth and improved combined ratio.

Gross written premiums (GWP) rose 11 percent on a like-for-like basis, with robust growth in both commercial and retail insurance. Commercial insurance benefited from higher premium rates and net new business, while growth in retail was primarily driven by net new business.

The combined ratio of 94.3 percent was 4.1 percentage points lower than in the prior year, driven by lower COVID-19 and catastrophe losses, increased reserve releases, as well as underlying improvement as higher premium rates fed into the results.

The Group's Life business BOP increased 27 percent compared with the prior year. Excluding COVID-19 effects, Life BOP grew 26 percent driven by the Group's continued focus on protection and capital-light saving products.

This, together with portfolio management actions and favorable claims experience, led to margin improvements in Asia Pacific and Europe, which were complemented by profitable growth in Latin America and Europe and higher investment returns. The quality of new business growth remained high with more than 90 percent of annual premium equivalent (APE) sales from protection and capital-light savings products.

Gross written premiums of the Farmers Exchanges[2] increased 20 percent. Excluding the contribution of the MetLife U.S. P&C transaction, which closed at the beginning of April 2021, gross written premiums rose 7 percent. Key customer metrics continued to improve as a result of the Farmers Exchanges' customer focused strategy.

Farmers BOP was 8 percent higher compared to the prior year. A 12 percent increase in BOP at Farmers Management Services (FMS) was partially offset by higher mortality claims related to COVID-19 in Farmers Life.

Group Functions and Operations' net expenses increased by 14 percent, largely due to financing and foregone investment income related to the acquisition of the U.S. P&C business of Metlife as well as unfavorable currency movements.

Very strong capital position and cash generation

During the year, management continued to optimize the use of capital. The Group's balance sheet and Swiss Solvency Test (SST) remained very strong at an estimated 212 percent[2], well above the Group's target level of 160 percent or above.

The Group continued to successfully convert earnings into distributable cash flow, with overall Group remittances of USD 4.4 billion, equivalent to more than 80 percent of net income attributable to shareholders. During the year, the level of remittances was driven both by operational earnings and remittances of excess capital that had built up over time from previously retained earnings.

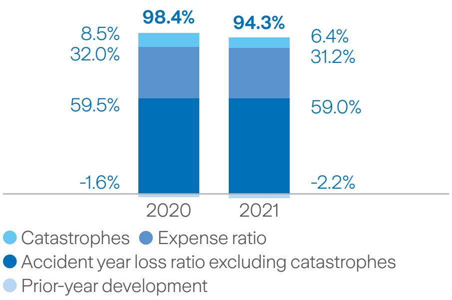
Dividend proposal of CHF 22

In line with the stated dividend policy, the board proposes a dividend of CHF 22 per share, representing a 10 percent increase.

George Quinn
Group Chief Financial Officer

Property & Casualty (P&C)

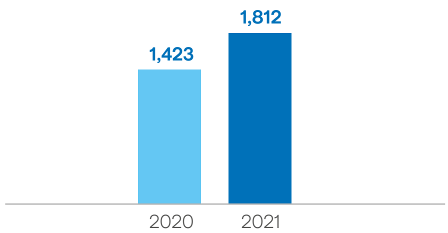
Combined ratio
%



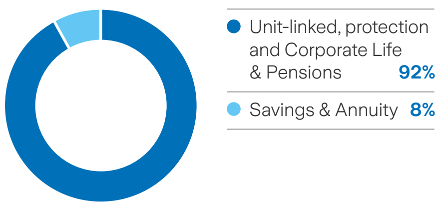
Like-for-like GWP growth
%[1]

Life

Business operating profit
in USD millions

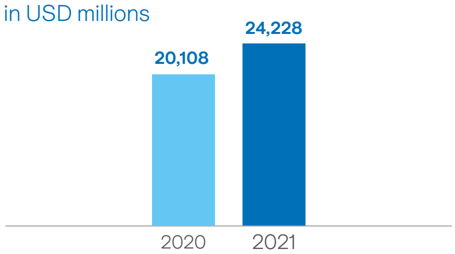


2021 APE product mix
%



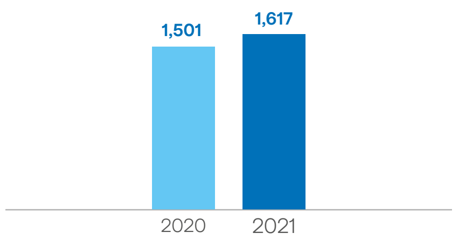
Farmers Exchanges[2]

GWP
in USD millions



Farmers

Farmers BOP
in USD millions



1 In local currency and adjusted for closed acquisitions and disposals.
2 The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

Financial overview

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The information contained within the financial overview is unaudited and is based on the consolidated results of the Group for the years ended December 31, 2021 and 2020. All amounts are shown in U.S. dollars and rounded to the nearest million unless otherwise stated, with the consequence that the rounded amounts may not always add up to the rounded total. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. This document should be read in conjunction with the annual results 2021 of the Group and in particular with its consolidated financial statements for the year ended December 31, 2021.

In addition to the figures stated in accordance with International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business metrics and other performance indicators to enhance the understanding of its results. Details of these additional measures are set out in the separately published glossary. These should be viewed as complementary to, and not as substitutes for, the IFRS figures. For a reconciliation of BOP to net income attributable to shareholders (NIAS), see note 27 (table 27.4) of the audited consolidated financial statements for the year ended December 31, 2021.

Certain comparatives have been revised as a result of reclassifications and other adjustments. For details refer to note 1 of the audited consolidated financial statements.

Financial overview (continued)

Financial highlights

in USD millions, for the years ended December 31	2021	2020	Change[1]
Business operating profit	**5,742**	4,241	35%
Net income attributable to shareholders	**5,202**	3,834	36%
P&C business operating profit	**3,121**	2,080	50%
P&C gross written premiums and policy fees	**40,123**	35,518	13%
P&C combined ratio	**94.3%**	98.4%	4.1 pts
Life business operating profit	**1,812**	1,423	27%
Life gross written premiums, policy fees and insurance deposit	**28,353**	27,616	3%
Life new business annual premium equivalent (APE)[2]	**3,824**	3,625	5%
Life new business margin, after tax (as % of APE)[2]	**29.1%**	25.1%	4.0 pts
Life new business value, after tax[2]	**959**	788	22%
Farmers business operating profit	**1,617**	1,501	8%
Farmers Management Services management fees and other related revenues	**4,265**	3,703	15%
Farmers Management Services managed gross earned premium margin	**6.6%**	6.8%	(0.1 pts)
Farmers Life new business annual premium equivalent (APE)[2]	**78**	75	4%
Average Group investments[3]	**203,121**	204,639	(1%)
Net investment result on Group investments[3]	**7,085**	6,950	2%
Net investment return on Group investments[3,4]	**3.5%**	3.4%	0.1 pts
Total return on Group investments[3,4]	**(0.8%)**	6.4%	(7.2 pts)
Shareholders' equity	**37,881**	38,278	(1%)
Swiss Solvency Test ratio[5]	**212%**	182%	31 pts
Return on common shareholders' equity (ROE)[6]	**16.4%**	13.0%	3.4 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)[6]	**14.0%**	11.0%	3.0 pts

1 Parentheses around numbers represent an adverse variance.
2 New business value and new business margin are calculated after the effect of non-controlling interests, whereas APE is presented before non-controlling interests.
3 Including investment cash.
4 Calculated on average Group investments.
5 Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.
6 Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges.

The Group reported very strong growth in profit for 2021, with business operating profit (BOP) increasing 35 percent. Growth came from a strong underlying performance together with a reduced impact from the COVID-19 pandemic, which more than offset higher weather and natural catastrophe losses.

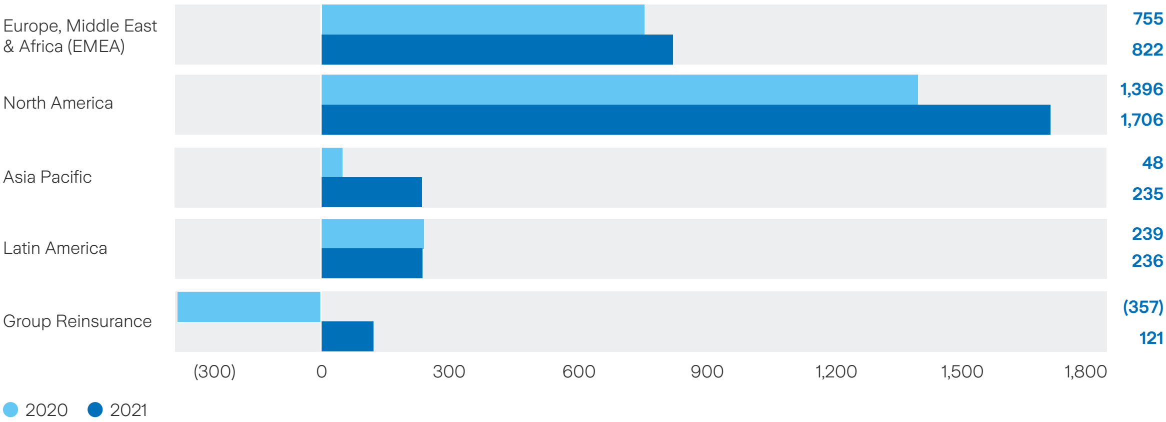
Net income attributable to shareholders increased by 36 percent in 2021, driven by the growth in business operating profit and higher net realized gains on equities and real estate, which more than offset slightly higher charges for other items.

Operating update

Property & Casualty (P&C)

in USD millions, for the years ended December 31			Total
	2021	2020	Change
Gross written premiums and policy fees	40,123	35,518	13%
Net earned premiums and policy fees	29,461	26,396	12%
Insurance benefits and losses, net of reinsurance	18,593	17,536	(6%)
Net underwriting result	1,681	423	nm
Net investment result	1,731	2,045	(15%)
Business operating profit	**3,121**	**2,080**	**50%**
Loss ratio	63.1%	66.4%	3.3 pts
Expense ratio	31.2%	32.0%	0.8 pts
Combined ratio	**94.3%**	**98.4%**	**4.1 pts**

P&C business operating profit (BOP)
in USD millions, for the years ended December 31



Gross written premiums in Property & Casualty (P&C) for 2021 reached a record high of USD 40.1 billion, up 11 percent compared with the previous year on a like-for-like basis, after adjusting for currency movements and closed acquisitions and disposals. In U.S. dollars, gross written premiums rose 13 percent, with growth amplified by favorable currency movements.

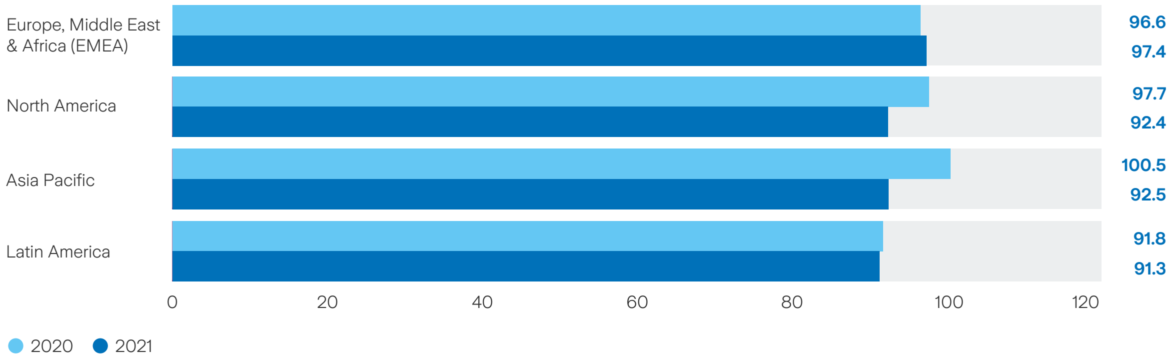
Business operating profit in 2021 was USD 3.1 billion, 50 percent higher than in the previous year. The increase was primarily driven by a higher underwriting result, benefiting from a combination of top-line growth and improved combined ratio.

The net investment result declined 15 percent compared with the previous year, driven by lower investment income due to the earn through of lower yields, and a reduced performance of the Group's hedge fund portfolio.

The contribution of other items, which include the net non-technical result and non-controlling interests, improved by USD 97 million compared to the previous year, mainly driven by a gain from the disposal of a real estate asset previously held for own use.

Operating update (continued)

P&C combined ratio
%, for the years ended December 31



The combined ratio of 94.3 percent in 2021 was 4.1 percentage points better than in the previous year. Both the loss ratio and expense ratio contributed to the improvement. The loss ratio was 3.3 percentage points below prior year, driven by underlying improvement as higher prices earned into the results, increased reserve releases and lower catastrophe and COVID-19 losses. The expense ratio was 0.8 percentage points below the prior year, reflecting continued expense discipline and top-line growth.

In EMEA, the combined ratio deteriorated by 0.8 percentage points, mainly driven by lower reserve releases compared with the previous year, while the current accident year combined ratio improved year on year driven by both loss ratio and expense ratio.

In North America, the combined ratio improved by 5.3 percentage points, mainly driven by a lower loss ratio, which benefited from the earn through of rate increases, as well as higher reserve releases and lower catastrophe and COVID-19 losses.

The Asia Pacific combined ratio improved 8 percentage points, driven by both loss ratio and expense ratio. The loss ratio benefited from a favorable prior-year development compared with an adverse development in the prior year. The expense ratio improvement was mainly driven by a reduction of other underwriting expenses and top-line growth.

The Latin America combined ratio was 0.5 percentage points better than in the previous year, with the improvement driven by a better expense ratio, reflecting changes in business mix and a reduction of other underwriting expenses.

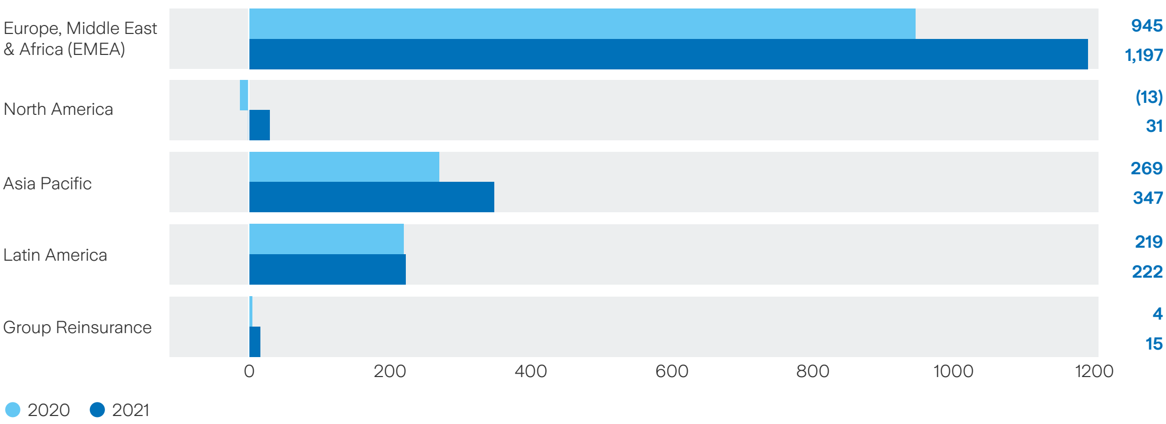
Operating update (continued)

Life

in USD millions, for the years ended December 31	2021	2020	Change
Insurance deposits	14,357	13,663	5%
Gross written premiums and policy fees	13,995	13,953	0%
Net investment income on Group investments	2,987	2,753	9%
Insurance benefits and losses, net of reinsurance	8,863	9,306	5%
Business operating profit	**1,812**	**1,423**	**27%**
Net policyholder flows[1]	6,002	4,310	39%
Assets under management[2]	295,007	303,433	(3%)
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts (net reserves)	234,475	247,439	(5%)

1 Net policyholder flows are defined as the sum of gross written premiums and policy fees and deposits, less policyholder benefits.
2 Assets under management comprise balance sheet Group investments and unit-linked investments plus assets that are managed by third parties, on which fees are earned.

Life business operating profit (BOP)
in USD millions, for the years ended December 31



The Group's Life business delivered a business operating profit of USD 1.8 billion for the full year 2021, 27 percent higher than the prior year. Excluding COVID-19 effects, Life business operating profit grew 26 percent, driven by the Group's continued focus on protection and capital-light saving products. This, together with portfolio management actions and favorable claims experience, led to margin improvements in Asia Pacific and Europe, which were complemented by profitable growth in Latin America and Europe and better investment returns. Other drivers were positive one-off benefits of around USD 150 million largely related to EMEA and resulting from favorable reserve releases, assumption updates and other one-offs.

In EMEA, business operating profit improved by 27 percent to USD 1.2 billion on a reported basis. Adjusted for COVID-19, business operating profit increased by 16 percent compared with the prior year to USD 1.3 million. Switzerland's business operating profit improved as a result of growth in higher-margin individual life business together with a positive claims experience largely related to the favorable reserve releases. Italy and Ireland delivered strong and profitable growth in unit-linked products and benefited from favorable markets conditions. Germany's business operating profit increased due to favorable economic assumption updates and other one-offs, while the UK benefited from loss reserve reviews and profitable growth in protection.

In Latin America, business operating profit increased 1 percent on a reported basis. Excluding COVID-19 claims, business operating profit grew by 43 percent. This growth was driven by profitable sales through Zurich Santander together with a positive run-off development of a large corporate protection scheme in Chile, which benefited from favorable market conditions.

Asia Pacific contributed a business operating profit of USD 347 million, USD 79 million higher compared with the prior year. The performance improved significantly due to re-pricing and portfolio improvement actions in Australia as well as higher investments returns.

Operating update (continued)

In North America, which excludes Farmers Life, business operating earnings increased by USD 43 million due to better claims experience and the sale of the group life business.

Net inflows of USD 6 billion were 39 percent higher than in the prior year, mainly benefiting from growth in EMEA, North America and Asia Pacific. Net inflows rose by 45 percent on a like-for-like basis, adjusting for currency movements, acquisitions and disposals, and the reclassification of Zurich Global Employee Benefit Solutions from Life to Zurich Global Ventures in Group Functions and Operations.

Assets under management (AuM) decreased by around 3 percentage points, driven by unfavorable currency movements and the reclassification of AuM as held for sale related to the sale of the Italian life and pension back book. These effects were partially offset by favorable market developments and the impact from positive net inflows.

NBV, APE and NBM by Segment

in USD millions, for the years ended December 31	New business value, after tax (NBV)[1]		New business annual premium equivalent (APE)[2]		New business margin, after tax (as % of APE) (NBM)[3]	
	2021	2020	**2021**	2020	**2021**	2020
Europe, Middle East & Africa (EMEA)	668	500	2,465	2,300	28.6%	22.7%
North America	24	44	120	108	19.8%	41.0%
Asia Pacific	103	101	198	213	52.7%	47.9%
Latin America	164	142	1,041	1,005	25.5%	23.0%
Total	**959**	**788**	**3,824**	**3,625**	**29.1%**	**25.1%**

1 New business value is calculated on embedded value principles net of non-controlling interests.
2 APE is shown gross of non-controlling interests.
3 New business margin is calculated using new business value as a percentage of APE based on figures net of non-controlling interests for both metrics.

During 2021, Life new business annual premium equivalent (APE) sales increased by 5 percent on a like-for-like basis. The growth in sales reflects favorable growth momentum in unit-linked business and protection products, partially offset by a strong reduction in savings and annuity business. On a reported basis, APE was 5 percent higher.

In EMEA, APE sales increased by 5 percent on a like-for-like basis, compared with the same period in 2020. This was mainly driven by strong growth of unit-linked business in Ireland, Italy and Switzerland and favorable APE sales of protection products in Spain, Switzerland and the UK. These factors were partially offset by lower sales of traditional life products in Germany and Italy, as well as by the reduction in corporate savings business in Switzerland, due to the COVID-19-related economic slowdown at the beginning of the year and competitive market conditions.

APE sales in Latin America increased 7 percent on a like-for-like basis, reflecting higher sales volumes of individual protection products at Zurich Santander and strong growth of unit-linked business in Chile and Brazil. These were partially offset by the non-renewal of a large corporate life and protection account in Chile.

In North America, APE sales increased 35 percent on a like-for-like basis, excluding the life business which was sold in the prior year. This was primarily driven by growth in unit-linked business.

In Asia Pacific, lower sales in Japan, Australia and Indonesia led to a decline of 10 percent on a like-for-like basis. The decline in Australia was in part due to repricing actions to improve margins.

The new business margin increased to an attractive level of 29.1 percent as reported and on a like-for-like basis. New business value (NBV) rose 21 percent on a like-for-like basis, driven by higher volumes and a more favorable sales mix in EMEA and Latin America. On a reported basis, NBV improved by 22 percent. The Group continues to focus on protection, unit-linked and corporate savings business, with these products accounting for more than 90 percent of APE sales. Protection business contributed around 75 percent of the total NBV.

Operating update (continued)

Farmers

in USD millions, for the years ended December 31	**2021**	2020	Change
Farmers Management Services (FMS)	1,534	1,375	12%
Farmers Re	(1)	26	nm
Farmers Life	84	100	(16%)
Total business operating profit	**1,617**	**1,501**	**8%**

Farmers Management Services (FMS) business operating profit increased 12 percent compared with the prior year and 5 percent on a like-for-like basis after adjusting for the first-time inclusion of the acquired MetLife U.S. P&C business. This was mainly driven by growth of the premium base of the Farmers Exchanges.

Farmers Re reported a loss of USD 1 million compared with a business operating profit of USD 26 million in the prior year. The loss was driven by catastrophe losses and unfavorable prior-year development related to older accident years, when Farmers Re had a higher proportion of ceded business from the Farmers Exchanges under the all lines quota share.

Farmers Life business operating profit of USD 84 million was 16 percent lower than in the prior year. The result was mainly driven by higher mortality claims, including USD 121 million of claims related to COVID-19.

Farmers Exchanges

The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

Financial information about the Farmers Exchanges is proprietary to the Farmers Exchanges, but is provided to support an understanding of the performance of Farmers Group, Inc. and Farmers Re.

in USD millions, for the years ended December 31	**2021**	2020	Change
Gross written premiums	24,228	20,108	20%
Gross earned premiums	23,689	20,109	18%

Gross written premiums at the Farmers Exchanges increased 20 percent. Excluding the contribution of the MetLife transaction, which closed at the beginning of April 2021, gross written premiums increased 7 percent.

Operating update (continued)

Group Functions and Operations

in USD millions, for the years ended December 31	**2021**	2020	Change
Holding and Financing	(445)	(353)	(26%)
Headquarters	(311)	(312)	0%
Zurich Global Ventures[1]	(49)	(44)	(12%)
Total business operating profit	**(806)**	**(709)**	**(14%)**

1 Includes Zurich Global Employee Benefit Solutions, new ventures and initiatives.

Group Functions and Operations reported net expenses of USD 806 million compared with USD 709 million in the prior year. This was mainly driven by an increase in charges related to Holdings and Financing due largely to financing and foregone investment income related to the acquisition of the MetLife U.S. P&C business and unfavorable currency movements.

Non-Core Businesses

in USD millions, for the years ended December 31	**2021**	2020	Change
Zurich Legacy Solutions	(48)	(14)	nm
Other run-off	46	(40)	nm
Total business operating profit	**(1)**	**(54)**	**97%**

The Group's Non-Core Businesses, which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported a loss of USD 1 million, an improvement of USD 53 million. The result benefited from the absence of adverse developments in a legacy life portfolio linked to the COVID-19 outbreak in the prior year.

Financial update

Balance sheet review

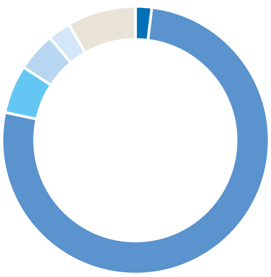
Total assets and liabilities:

The total assets of the Group stood at USD 436 billion in 2021 compared with USD 439 billion in 2020, mainly driven by a decrease in cash and cash equivalents, which reflects the dividend payment in 2021 as well as the valuation of investment assets. While the overall asset allocation remained stable, rising rates affected the valuation of debt securities. Investment property decreased by USD 679 million, driven by disposals and foreign exchange impacts due to a stronger U.S. dollar.

The completion of the acquisition of the Metlife's P&C business by Zurich subsidiary Farmers Group, Inc. and the Farmers Exchanges[1] increased the goodwill by USD 418 million and also increased the value of the attorney-in-fact intangible asset to USD 2.65 billion.

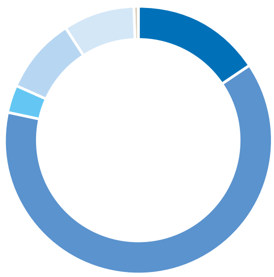
The Group also reclassified about USD 9 billion of assets and liabilities as held for sale reflecting the Group's capital optimization actions. These factors, including a reduction in pension liabilities, also drove a decrease in the total liabilities for the Group to USD 397 billion in 2021 from USD 399 billion in 2020.

Group assets
Total assets as of December 31, 2021
(in USD millions)



Cash and cash equivalents	8,698
Total investments	333,429
Reinsurers' share of liabilities	25,680
Deferred policy acquisition costs	20,446
Intangible assets	11,478
Other assets	36,095

Group liabilities and equity
Total liabilities and equity as of December 31, 2021
(in USD millions)



Liabilities for investment contracts	68,855
Liabilities for insurance contracts	272,707
Debt	15,109
Other liabilities	39,985
Shareholders' equity	37,881
Non-controlling interests	1,289

Shareholders' equity:

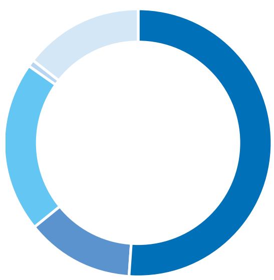
The Group's shareholder equity decreased by USD 397 million to USD 37.9 billion in 2021 from USD 38.3 billion in 2020. The decrease was mainly driven by the dividend of USD 3.2 billion paid in 2021 and lower net unrealized gains on investments, partially offset by net income for the year of USD 5.2 billion

Treasury and capital management

The Group's balance sheet remains very strong, as demonstrated by S&P and Moody's financial strength ratings for the Zurich Insurance Company Ltd of AA and Aa3 with a stable outlook. In addition, as of December 31, 2021, the Group's estimated SST ratio[2] remained very strong at 212 percent.

During the year the Group saw net remittances of USD 4.4 billion and remains committed to the 2020–2022 financial target to exceed USD 11.5 billion over this period. The level of remittances has been driven by both operational earnings and capital released as a result of the Group's efforts to extract capital from Non-core businesses.

Net cash remittances by business
for the year ended December 31, 2021
(in USD millions)



Property & Casualty	3,167
Life	791
Farmers	1,283
Non-Core Businesses	(6)
Group Functions and Operations	(877)

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Zurich Insurance Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.
2 Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.

Financial update (continued)

Significant transactions in 2021

On December 11, 2020, Zurich subsidiary Farmers Group, Inc. and the Farmers Exchanges[1] announced the acquisition of MetLife's U.S. property and casualty business for USD 3.96 billion. The acquisition successfully closed on April 7, 2021. The acquisition gives the Farmers Exchanges[1] a truly nationwide presence and access to new distribution channels. This includes a 10-year exclusive distribution agreement through which the Farmers Exchanges[1] will offer their personal lines products on MetLife's industry-leading U.S. Group Benefits platform, which today reaches 3,800 companies and 37 million employees.

On May 18, 2021, the Group acquired a 19.99 percent share in Project Policy BidCo Limited, the owner of MyPolicy Limited, a UK usage-based insurance technology provider and managing general agent, and Minerva. As part of the acquisition Zurich contributed Bright Box Hong Kong Limited and its subsidiaries as well as 10 million in cash.

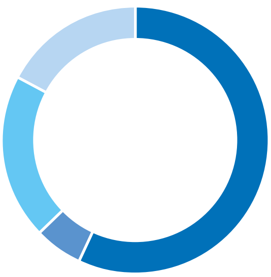
On August 4, 2021, Zurich Italy reached an agreement to acquire the network of Financial Advisors of the Deutsche Bank Group in Italy. The terms of the agreement provide for the transfer of a business unit consisting of approximately 1,085 financial advisors, 97 employees and 16.5 billion euros of assets under management. The acquisition allows Zurich Italy to further develop its financial and insurance distribution network in the Italian market. The transaction is expected to close in Q2 2022, subject to regulatory approval.

Being a responsible taxpayer

As part of Zurich's tax strategy, the Group strives to manage tax costs- and control-associated risks for the benefit of its customers, employees, shareholders and for society as a whole. The Group employs rigorous tax accounting and reporting oversight. The location of Group subsidiaries and affiliated companies is driven by business reasons and not the avoidance of tax. The Group's consolidated result includes only a very limited number of companies located in low or nil tax rate jurisdictions and in all cases these carry out operative insurance, reinsurance and asset management activities.

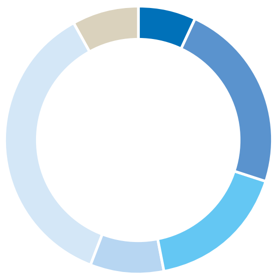
Total tax contribution reflects Zurich's economic contribution to the economy in taxes – the direct and indirect taxes paid by Zurich ('tax borne by the shareholders') and those taxes that Zurich is legally obliged to collect on behalf of the tax administrations ('tax collected'):

Taxes borne by Shareholders
Total 2020[2]: USD 2.3bn (all numbers based on IFRS excluding deferred income tax)



Shareholder income tax	57%
Stamp duty and other taxes	6%
Employer social security	20%
Irrecoverable VAT	17%

Taxes collected
Total 2020[2]: USD 6.1bn (all numbers based on IFRS excluding deferred income tax)



Employer social security	7%
Other taxes (incl. WHT)	23%
Payroll tax	17%
PH income and other taxes	9%
Premium tax	36%
VAT declared	8%

See more details on our tax strategy in our Sustainability pages at www.zurich.com/en/sustainability.

The shareholders' effective tax rate decreased to 23.0 percent for the period ended December 31, 2021 compared with 23.9 percent for the same period of 2020. The decrease was driven primarily by favorable developments in the geographical profit mix as the U.S. businesses performed strongly.

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Zurich Insurance Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.
2 The total tax contribution for 2021 will be reported in Zurich's tax strategy report, which will be published in Q2 2022.

Message from our Group Chief Investment Officer

A resilient portfolio.

We maintained the resilience of our portfolio during 2021, while also delivering on our responsible investment strategy. We launched a Carbon-Neutral World Equity Fund, an insurance industry first that combines a low-carbon investment strategy with carbon offsetting.

Peter Giger
Group Chief Risk Officer and Group Chief Investment Officer ad interim

Strong global growth, but resurgent inflation

Global economic conditions were broadly favorable over the course of the year, with growth significantly above trend despite continuing impact from the COVID-19 pandemic. While a number of developed economies surpassed pre-pandemic levels of activity, growth was unbalanced, with emerging economies experiencing a slower and more disjointed recovery. A defining feature of the year was the return of inflation. Disrupted supply chains, combined with rampant demand for manufactured goods and rising energy prices, pushed inflation well above the targets of many central banks, leading to a step change in monetary policy. Strong growth and surging inflation brought forward interest rate hikes and pushed bond yields higher, albeit relatively modestly by historic standards. From an asset class perspective, government bond returns were negative for the year, and while credit markets saw some pickup in yields, it was equities in developed markets that, once again, gave a stellar performance.

Message from our Group Chief Investment Officer (continued)

Maintaining our portfolio resilience

During 2021, our portfolio composition continued to demonstrate resilience, with minor defaults and portfolio downgrades. In 2021, impairments dropped significantly to below USD 60 million, led by the positive performance of the equity market and stable public and private credit markets. Zurich's fixed-income portfolio retained its high-quality profile with 96 percent invested in securities with credit rating BBB– and above. The credit and private debt portfolio further benefited from being well diversified across industries and issuers with private credit retaining a more defensive approach focused on senior credit. In real estate, the strategy to focus our investments on core properties in markets with growing demand continues to reward us: we recorded another year of excellent performance, with very limited COVID-19-related impacts on rental income and portfolio valuations.

Our net investment income remains stable versus prior year

Though bond yields remained near historically low levels, our net investment income rose by 3 percent to USD 5.0 billion compared with 2020, supported by continuing efforts in private credit and real estate, as well as by effects from foreign exchange and inflation. Compared with the prior year, net capital gains remained at the same level, largely supported by public equities and selected portfolio reallocations, as well as successful co-investments in alternative assets.

Compensated risk-taking in public equities, private equities, public credit, and real estate contributed positively to the total investment return of assets. However, the middling performance of public credit and the negative performance, driven by higher yields, of our government bonds resulted in negative total return of 0.84 percent on the assets.

While the total asset return was negative, we saw a considerable outperformance of assets over liabilities during 2021. Market risk capital required in support of our investments reduced during the year, benefiting from an improved asset/liability management position.

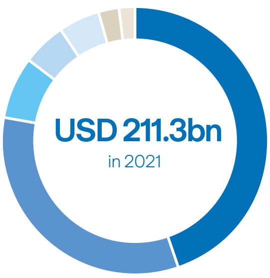
Delivering on responsible investment goals and driving innovation

During 2021 our responsible investment strategy saw considerable progress across multiple fronts: from advancing on our net-zero journey by setting interim targets and increasing our allocation to impact investments, to thought leadership and accelerating environmental, social, and governance (ESG) integration. We also developed a responsible investment strategy that ensures our knowledge also flows into the unit-linked space. We have increased our impact investment by 22 percent, reaching USD 7.0 billion, leading to an estimated avoidance of 4.6 million tons of CO_2-equivalent emissions and improving the lives of 3.6 million people. While driving this performance, we have started implementing our 2025 targets to reduce greenhouse gas emissions by 25 percent in our credit and equity portfolio and by 30 percent in our real estate portfolio. We initiated bottom-up exercises to measure and implement these reductions judiciously across multiple internal and external asset managers. We have also launched a Carbon-Neutral World Equity Fund, an insurance industry first in the unit-linked space that combines a low-carbon investment strategy with carbon offsetting. Various unit-linked ESG offerings are now available to our Life customers in Germany, Switzerland, Italy, and Portugal.

Further details are available online:
www.zurich.com/en/sustainability/responsible-investment

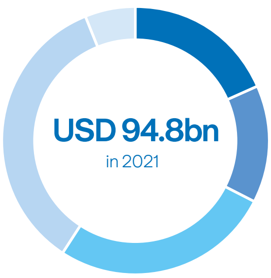
Peter Giger
Group Chief Risk Officer and Group Chief Investment Officer ad interim

Total investments[1], 2021
%



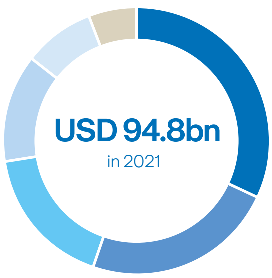
Credit, private debt	44.9%
Government and government guaranteed	33.2%
Real estate	7.5%
Cash	5.1%
Equities	5.0%
Mortgages	2.5%
Hedge funds, private equity	1.9%

Rating of Credit, Private Debt Securities, 2021
%



AAA	18.5%
AA	14.1%
A	26.8%
BBB	34.6%
Non-investment grade	6.1%
Unrated	0.0%

Credit and Private Debt Securities per segment, 2021
%



Non-Financial Credit	32.0%
Financial Credit	23.5%
Municipals, Agencies, State Credit	17.3%
Other	13.0%
Asset Backed Securities	8.6%
Covered Bonds	5.7%

1 Market value of the investment portfolio (economic view).

Consolidated financial statements

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Consolidated financial statements (continued)

Consolidated income statements

in USD millions, for the years ended December 31	Notes	**2021**	2020
Revenues			
Gross written premiums		53,185	48,221
Policy fees		2,592	2,334
Gross written premiums and policy fees		55,777	50,555
Less premiums ceded to reinsurers		(10,970)	(9,988)
Net written premiums and policy fees		44,806	40,567
Net change in reserves for unearned premiums	10	(1,776)	(623)
Net earned premiums and policy fees		43,031	39,944
Farmers management fees and other related revenues	26	4,265	3,703
Net investment income on Group investments		5,047	4,903
Net capital gains/(losses) and impairments on Group investments		2,038	2,047
Net investment result on Group investments	6	7,085	6,950
Net investment result on unit-linked investments		14,388	7,389
Net gains/(losses) on divestment of businesses	5	(185)	57
Other income		1,283	957
Total revenues		69,867	59,001
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance	10	34,470	35,899
Less ceded insurance benefits and losses	10	(6,186)	(8,158)
Insurance benefits and losses, net of reinsurance	10	28,284	27,741
Policyholder dividends and participation in profits, net of reinsurance	10	15,195	8,325
Underwriting and policy acquisition costs, net of reinsurance	10	9,213	8,555
Administrative and other operating expense	12	8,794	8,006
Interest expense on debt		469	399
Interest credited to policyholders and other interest		591	581
Total benefits, losses and expenses		62,546	53,606
Net income before income taxes		7,321	5,395
of which: Attributable to non-controlling interests		332	339
Income tax (expense)/benefit	17	(1,895)	(1,323)
attributable to policyholders	17	(275)	(46)
attributable to shareholders	17	(1,621)	(1,277)
of which: Attributable to non-controlling interests		(109)	(102)
Net income after taxes		**5,425**	**4,071**
attributable to non-controlling interests		223	238
attributable to shareholders		5,202	3,834
in USD			
Basic earnings per share	19	34.99	25.85
Diluted earnings per share	19	34.66	25.56
in CHF			
Basic earnings per share	19	31.98	24.24
Diluted earnings per share	19	31.68	23.98

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of comprehensive income

in USD millions, for the years ended December 31

	Net income attributable to shareholders	Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges
2020			
Comprehensive income for the period	3,834	1,716	71
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		2,942	64
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		(1,093)	(37)
Reclassification to retained earnings		–	–
Deferred income tax (before foreign currency translation effects)		(336)	–
Foreign currency translation effects		203	44
2021			
Comprehensive income for the period	5,202	(2,031)	(114)
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(669)	(67)
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		(1,714)	(54)
Reclassification to retained earnings		–	–
Deferred income tax (before foreign currency translation effects)		451	22
Foreign currency translation effects		(98)	(15)

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Cumulative foreign currency translation adjustment	Total other comprehensive income recycled through profit or loss	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income not recycled through profit or loss	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Total comprehensive income attributable to non-controlling interests	Total comprehensive income
585	2,372	61	(91)	(30)	2,342	6,176	211	6,387
601	3,608	83	29	112	3,720			
(17)	(1,146)	–	–	–	(1,146)			
–	–	(17)	–	(17)	(17)			
–	(337)	(5)	(13)	(18)	(355)			
	247	–	(107)	(107)	140			
(1,088)	(3,234)	(19)	885	865	(2,368)	2,834	45	2,878
(1,081)	(1,817)	8	886	895	(922)			
(7)	(1,775)	–	–	–	(1,775)			
–	–	(13)	–	(13)	(13)			
–	472	(15)	(34)	(49)	423			
	(114)	–	33	33	(81)			

Consolidated financial statements (continued)

Consolidated balance sheets

Assets

in USD millions, as of December 31	Notes	2021	2020
Assets:			
Cash and cash equivalents		**8,698**	**11,106**
Total Group investments	6	190,959	210,398
Equity securities		18,578	19,493
Debt securities		145,084	161,710
Investment property		14,070	14,749
Mortgage loans		6,106	5,783
Other loans		7,053	8,620
Investments in associates and joint ventures		68	43
Investments for unit-linked contracts		142,470	135,058
Total investments		**333,429**	**345,456**
Reinsurers' share of liabilities for insurance contracts	8	25,680	25,523
Deposits made under reinsurance contracts		444	503
Deferred policy acquisition costs	11	20,446	20,021
Deferred origination costs	11	441	426
Receivables and other assets	15	19,951	20,362
Deferred tax assets	17	1,198	1,314
Assets held for sale[1]	5	11,626	2,538
Property and equipment	13	2,436	2,705
Attorney-in-fact contracts	14	2,650	1,025
Goodwill	14	4,344	4,089
Other intangible assets	14	4,484	4,230
Total assets		**435,826**	**439,299**

1 As of December 31, 2021, the Group had USD 11.6 billion of assets held for sale based on agreements signed to sell business of Zurich Insurance plc, Zurich International Life Limited, Zurich Investments Life S.p.A. and Zurich Insurance plc (Spain) (see note 5). In 2020, the Group had USD 2.5 billion of assets held for sale business of Zurich Insurance plc and Zurich International Life Limited (see note 5).

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Liabilities and equity

in USD millions, as of December 31	Notes	2021	2020
Liabilities			
Liabilities for investment contracts	9	68,855	69,507
Deposits received under ceded reinsurance contracts		970	910
Deferred front-end fees		5,124	5,372
Liabilities for insurance contracts	8	272,707	283,497
Obligations to repurchase securities		1,381	784
Other liabilities[1]	16, 22	16,009	17,992
Deferred tax liabilities	17	5,151	5,136
Liabilities held for sale[2]	5	11,351	2,477
Senior debt	18	5,327	5,470
Subordinated debt	18	9,782	8,306
Total liabilities		**396,656**	**399,453**
Equity			
Share capital	19	11	11
Additional paid-in capital	19	1,449	1,438
Net unrealized gains/(losses) on available-for-sale investments		3,670	5,701
Cash flow hedges		411	526
Cumulative foreign currency translation adjustment		(9,633)	(8,698)
Revaluation reserve		265	284
Retained earnings		41,707	39,016
Shareholders' equity		37,881	38,278
Non-controlling interests		1,289	1,568
Total equity		**39,170**	**39,846**
Total liabilities and equity		**435,826**	**439,299**

1 Includes restructuring provisions, litigation and regulatory provisions and other provisions (see note 16).
2 As of December 31, 2021, the Group had USD 11.4 billion of liabilities held for sale based on agreements signed to sell business of Zurich Insurance plc, Zurich International Life Limited, Zurich Investments Life S.p.A and and Zurich Insurance plc (Spain) (see note 5). In 2020, the Group had USD 2.5 billion of liabilities held for sale business of Zurich Insurance plc and Zurich International Life Limited (see note 5).

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of cash flows

in USD millions, for the years ended December 31	2021	2020
Cash flows from operating activities		
Net income attributable to shareholders	5,202	3,834
Adjustments for:		
Net (gains)/losses on divestment of businesses	185	(57)
(Income)/expense from equity method accounted investments	4	(3)
Depreciation, amortization and impairments of fixed and intangible assets	849	911
Other non-cash items	(374)	558
Underwriting activities:	16,033	8,029
Liabilities for insurance contracts, gross	9,485	7,594
Reinsurers' share of liabilities for insurance contracts	(336)	(2,105)
Liabilities for investment contracts	7,676	3,047
Deferred policy acquisition costs	(889)	(627)
Deferred origination costs	(38)	1
Deposits made under assumed reinsurance contracts	56	206
Deposits received under ceded reinsurance contracts	79	(87)
Investments:	(17,857)	(7,893)
Net capital (gains)/losses on total investments and impairments	(14,918)	(8,264)
Net change in derivatives	432	42
Net change in money market investments	728	(572)
Sales and maturities		
Debt securities	42,492	47,775
Equity securities	53,695	57,137
Other	9,489	6,100
Purchases		
Debt securities	(48,985)	(48,527)
Equity securities	(51,580)	(56,741)
Other	(9,211)	(4,842)
Net changes in sale and repurchase agreements	615	(248)
Movements in receivables and payables	(2,059)	609
Net changes in other operational assets and liabilities	(75)	50
Deferred income tax, net	646	(89)
Net cash provided by/(used in) operating activities	3,167	5,701

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

in USD millions, for the years ended December 31	2021	2020
Cash flows from investing activities		
Additions to tangible and intangible assets	(576)	(552)
Disposals of tangible and intangible assets	155	60
(Acquisitions)/disposals of equity method accounted investments, net	(38)	12
Acquisitions of companies, net of cash acquired[1]	(2,446)	(26)
Divestments of companies, net of cash divested	16	8
Dividends from equity method accounted investments	2	1
Net cash provided by/(used in) investing activities	(2,886)	(496)
Cash flows from financing activities		
Dividends paid	(3,534)	(3,232)
Net movement in treasury shares	(455)	(214)
Issuance of debt	2,664	2,015
Repayment of debt	(740)	(1,024)
Lease principal repayments	(227)	(217)
Net cash provided by/(used in) financing activities	(2,292)	(2,672)
Foreign currency translation effects on cash and cash equivalents	(386)	666
Change in cash and cash equivalents	(2,396)	3,199
Cash and cash equivalents as of January 1	11,726	8,527
Total cash and cash equivalents as of December 31	**9,330**	**11,726**
of which: Cash and cash equivalents	8,698	11,106
of which: Unit-linked	632	620
Other supplementary cash flow disclosures[2]		
Other interest income received	4,676	4,479
Dividend income received	1,737	1,367
Other interest expense paid	(955)	(928)
Income taxes paid	(1,486)	(1,406)

1 Relates mainly to the acquisition of MetLife P&C (see note 5).
2 These amounts are primarily included in the operating activities of the Cash flow statement.

Cash and cash equivalents

in USD millions, as of December 31	2021	2020
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	8,663	10,949
Cash equivalents	667	777
Total	**9,330**	**11,726**

For the periods ended December 31, 2021 and 2020, cash and cash equivalents held to meet local regulatory requirements were USD 376 million and USD 440 million, respectively.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of changes in equity

in USD millions

	Share capital	Additional paid-in capital
Balance as of December 31, 2019 as previously reported	11	1,235
Issuance of share capital	–	233
Dividends to shareholders	–	–
Share-based payment transactions	–	(30)
Treasury share transactions	–	–
Change in ownership interests with no loss of control	–	–
Cumulative foreign currency translation adjustment due to hyperinflation	–	–
Reclassification from revaluation reserves	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of December 31, 2020	11	1,438
Balance as of December 31, 2020 as previously reported	11	1,438
Issuance of share capital	–	–
Dividends to shareholders	–	–
Share-based payment transactions	–	12
Treasury share transactions	–	–
Change in ownership interests with no loss of control	–	–
Cumulative foreign currency translation adjustment due to hyperinflation[1]	–	–
Reclassification from revaluation reserves	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of December 31, 2021	**11**	**1,449**

1 Current year effect of IAS 29 'Financial Reporting in Hyperinflationary Economies'.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges	Cumulative foreign currency translation adjustment	Revaluation reserve	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
3,985	454	(9,349)	223	38,445	35,004	1,545	36,549
–	–	–	–	–	233	–	233
–	–	–	–	(3,080)	(3,080)	(152)	(3,232)
–	–	–	–	50	20	–	20
–	–	–	–	(157)	(157)	–	(157)
–	–	–	–	(3)	(3)	–	(3)
–	–	67	–	–	67	6	73
–	–	–	–	17	17	–	17
1,716	71	585	61	3,742	6,176	211	6,387
–	–	–	–	3,834	3,834		
1,716	–	–	–	–	1,716		
–	71	–	–	–	71		
–	–	585	–	–	585		
–	–	–	61	–	61		
–	–	–	–	(91)	(91)		
–	–	–	–	–	–	(42)	(42)
5,701	526	(8,698)	284	39,016	38,278	1,568	39,846
5,701	526	(8,698)	284	39,016	38,278	1,568	39,846
–	–	–	–	–	–	–	–
–	–	–	–	(3,199)	(3,199)	(335)	(3,534)
–	–	–	–	(54)	(42)	–	(42)
–	–	–	–	(146)	(146)	–	(146)
–	–	–	–	–	–	–	–
–	–	153	–	(10)	143	12	155
–	–	–	–	13	13	–	13
(2,031)	(114)	(1,088)	(19)	6,087	2,834	45	2,878
–	–	–	–	5,202	5,202		
(2,031)	–	–	–	–	(2,031)		
–	(114)	–	–	–	(114)		
–	–	(1,088)	–	–	(1,088)		
–	–	–	(19)	–	(19)		
–	–	–	–	885	885		
–	–	–	–	–	–	–	–
3,670	**411**	**(9,633)**	**265**	**41,707**	**37,881**	**1,289**	**39,170**

Zurich Insurance Group Ltd and its subsidiaries (collectively the Group) is a provider of insurance products and related services. The Group operates in Europe, Middle East & Africa (EMEA), North America, Latin America and Asia Pacific through subsidiaries, as well as branch and representative offices.

Zurich Insurance Group Ltd, a Swiss corporation, is the holding company of the Group and its shares are listed on the SIX Swiss Exchange. Zurich Insurance Group Ltd was incorporated on April 26, 2000, in Zurich, Switzerland. It is recorded in the Commercial Register of the Canton of Zurich under its registered address at Mythenquai 2, 8002 Zurich.

On February 9, 2022, the Board of Directors of Zurich Insurance Group Ltd authorized these consolidated financial statements for issue. These financial statements will be submitted for approval to the Annual General Meeting of Shareholders to be held on April 6, 2022.

1. Basis of presentation

General information

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law. Where IFRS does not contain clear guidance governing the accounting treatment of certain transactions, including those that are specific to insurance and reinsurance products, IFRS permits reference to another comprehensive body of accounting principles that uses a similar conceptual framework. The Group's accounting policies for insurance and reinsurance contracts are therefore based on those developed by the Group before the adoption of IFRS 4 in areas where IFRS 4 did not include specific requirements. Before the adoption of IFRS 4 on January 1, 2005, the Group typically applied U.S. GAAP pronouncements issued by the Financial Accounting Standards Board (FASB) on insurance and reinsurance contracts. Any changes to such pronouncements subsequent to this adoption are not reflected in the Group's accounting policies. In case of business combinations, the Group may decide to maintain the local statutory treatment if this does not distort the fair presentation of the financial position of the Group. If significant, the impact of such cases would be described elsewhere in the notes to these consolidated financial statements.

The accounting policies applied by the reportable segments are the same as those applied by the Group. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices. Dividends, realized capital gains and losses as well as gains and losses on the transfer of net assets are eliminated within the segment, whereas all other intercompany gains and losses are eliminated at Group level. In the consolidated financial statements, intersegment revenues and transfers are eliminated.

Certain amounts recorded in the consolidated financial statements reflect estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors.

The COVID-19 pandemic continues to evolve globally with new variants of the virus emerging, and so do the impacts on the insurance industry and the global economy. Though most of the impacts of the pandemic on the Group's businesses, especially in the P&C business, are already known and management's best estimate of claims is reflected in the loss reserves and loss adjustment expenses, some uncertainties remain. The Group is closely monitoring and actively dealing with the potential for further exposure from (i) claims litigation on policy coverage, (ii) regulator and market-led test cases or legislative developments in certain jurisdictions that could impact the scope of intended coverage, (iii) potential second-order impact on health which could have mortality or morbidity effects, and (iv) other extended macroeconomic impacts around the pandemic, including governmental actions. While expected to be very remote, any extreme outcomes on the foregoing could have a material adverse impact on the Group's business, financial condition, results of operations or growth. For additional information on insurance liabilities, please see note 8.

Investment valuations and interest rates incorporate market conditions as of December 31, 2021 and recoverability of intangible assets has been tested where the value of these intangible assets, including goodwill, is sensitive to prevailing economic conditions. For more information on investments and fair value, please see note 6 and 23, respectively. For more information on intangible assets, please see note 14. Management has also implemented amendments to IFRS 16 Leases which allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. The impact of the amendments to IFRS 16 Leases is immaterial to the Group.

Disclosures under IFRS 4 'Insurance Contracts' and IFRS 7 'Financial Instruments: Disclosures' relating to the nature and extent of risks, and capital disclosures under IAS 1 'Presentation of Financial Statements' have been included in the audited sections of the risk review on pages 187 to 214, and they form an integral part of the consolidated financial statements.

Consolidated financial statements (continued)

The Group's consolidated balance sheets are not presented using a current/non-current classification. The following balances are generally considered to be current: cash and cash equivalents, deferred policy acquisition costs on property and casualty contracts, receivables, reserve for premium refunds and obligations to repurchase securities.

The following balances are generally considered to be non-current: equity securities, investment property, investments in associates and joint ventures, deferred policy acquisition costs on life insurance contracts, deferred tax assets, property and equipment, goodwill, other intangible assets and deferred tax liabilities.

The following balances are mixed in nature (including both current and non-current portions): debt securities, mortgage loans, other loans, reinsurers' share of liabilities for insurance contracts, deposits made under assumed reinsurance contracts, deferred origination costs, other assets, reserves and investments for unit-linked contracts, liabilities for investment contracts, deposits received under ceded reinsurance contracts, deferred front-end fees, reserves for losses and loss adjustment expenses, reserves for unearned premiums, future life policyholder benefits, policyholder contract deposits and other funds, other liabilities, senior and subordinated debt, and assets and liabilities held for sale.

Maturity tables have been provided for the following balances: debt securities (table 6.4), derivative assets and derivative liabilities (tables 7.1 and 7.2), reserves for insurance contracts (tables 8.9a and 8.9b), liabilities for investment contracts (tables 9.3a and 9.3b), finance lease receivables (table 13.6), operating lease payments to be received (table 13.7), other financial liabilities (table 16.2), lease liabilities (table 16.3) and outstanding debt (table 18.2).

All amounts in the consolidated financial statements, unless otherwise stated, are shown in U.S. dollars, rounded to the nearest million with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

Table 1 summarizes the principal exchange rates used for translation purposes. Net gains/(losses) on foreign currency transactions included in the consolidated income statements were USD (158) million and USD (65) million for the years ended December 31, 2021 and 2020, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD (56) million and USD 154 million for the years ended December 31, 2021 and 2020, respectively.

Table 1

Principal exchange rates

USD per foreign currency unit	Consolidated balance sheets at end-of-period exchange rates		Consolidated income statements and cash flows at average exchange rates	
	12/31/21	12/31/20	**12/31/21**	12/31/20
Euro	1.1373	1.2231	1.1831	1.1415
Swiss franc	1.0969	1.1304	1.0941	1.0663
British pound	1.3539	1.3656	1.3758	1.2836
Brazilian real	0.1793	0.1924	0.1856	0.1958
Australian dollar	0.7272	0.7716	0.7515	0.6907
Japanese Yen	0.0087	0.0097	0.0091	0.0094

Consolidated financial statements (continued)

2. New accounting standards and amendments to published accounting standards

Standards, amendments and interpretations effective or early-adopted as of January 1, 2021, and relevant for the Group's operations

Table 2.1 shows new accounting standards or amendments to, and interpretations of, standards relevant to the Group that have been implemented for the financial year beginning January 1, 2021, with no impact on the Group's financial position or performance.

Table 2.1

Standard/ Interpretation		Effective date
Amended standards		
IFRS 16	COVID-19-Related Rent Concessions	April 1, 2021[1]
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	June 1, 2021[2]

1 The Group early-adopted the amendment to IFRS 16 'Covid-19-Related Rent Concessions beyond 30 June 2021' to extend by one year the practical expedient to account for all lessees' rent concession occurring as a direct consequence of the COVID-19 pandemic in the same way as if the changes in lease payments were not lease modifications. The amendment has immaterial impact on the Group's financial statements.
2 The Group early-adopted the amendment to IAS 12 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'. The amendment has no impact on the Group's financial statements as the requirements of the amendment are consistent with the approach the Group applied at initial application of IFRS 16 'Leases' as of January 1, 2019.

Standards, amendments and interpretations issued that are not yet effective or adopted by the Group

Table 2.2 shows new accounting standards or amendments to, and interpretations of, standards relevant to the Group, which are not yet effective or adopted by the Group. Amendments resulting from the annual improvements to IFRS Standards 2018–2020 have no impact on the Group's financial statements.

Table 2.2

Standard/ Interpretation		Effective date
New standards/interpretations		
IFRS 9	Financial Instruments	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amended standards		
IFRS 3	Reference to the Conceptual Framework	January 1, 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 1	Disclosure of Accounting Policies	January 1, 2023
IAS 8	Definition of Accounting Estimates	January 1, 2023

IFRS 17 'Insurance contracts' and IFRS 9 'Financial Instruments'

IFRS 17 'Insurance contracts' provides comprehensive guidance on accounting for insurance contracts and investment contracts with discretionary participation features and is expected to have a significant impact on accounting for insurance contracts and presentation of the insurance revenue and insurance service result. For long-duration life insurance contracts, IFRS 17 is expected to have a significant impact on actuarial modeling as granular cash flow projections and regular updates of all assumptions will be required resulting in either profit or loss volatility or affecting 'contractual service margin (CSM)', a separate component of the insurance liability representing unearned profits from in-force contracts. IFRS 17 further introduces a risk adjustment for non-financial risk, a separate component of the liability covering uncertainty in the amount and timing of future cash flows. Thus, the insurance liabilities will be composed on the current best estimate present value of future cash flows (PVFCF), risk adjustment and CSM.

IFRS 17 introduces different measurement approaches for the insurance contract liabilities reflecting a different extent of policyholder participation in investment or insurance entity performance: non-participating or indirect participating (general model) and direct participating (variable fee approach). For short-duration contracts, IFRS 17 foresees a simplified (or premium allocation) approach, which can be applied to contracts that have a coverage period of 12 months or less or for which such simplification would produce a measurement of the liability for remaining coverage that would not differ materially from the one obtained applying the general model. The simplification applies to the measurement of the liability for remaining coverage, which is not required to be disaggregated into PVFCF, risk adjustment and CSM but rather is largely based premium received, less earned premium and unamortized acquisition cash flows. The liability for incurred claims is measured consistently with the general model, whereby all the incurred claims are subject to discounting and risk adjustment.

IFRS 17 will also affect the presentation of the insurance contracts revenue, which will no longer include gross written premium or investment components. Further, the insurance revenue and insurance service expenses will be presented gross of reinsurance, with the reinsurance result included in the insurance service expense. Under IFRS 17, the insurance liabilities are subject to discounting; the unwind of the discount on insurance liabilities will be part of the investment result, rather than insurance service result.

IFRS 9 'Financial Instruments' introduces a classification and measurement concept for financial assets that is based on the contractual cash flow characteristics and the holding intent. Under IFRS 9, all equity securities and fund investments, and some debt instruments will be measured at fair value through profit or loss because the characteristics of the contractual cash flows from such instruments are not solely payments of principal and interest on the principal amount outstanding. Though IFRS 9 introduces an option to account for some equity securities at fair value through other comprehensive income (OCI) with no recycling of gains or losses through profit or loss, the Group does not intend to make material use of this option. The debt instruments that are not measured at fair value through profit or loss will be measured at fair value with changes in fair value recorded in OCI, if held under the standard business model to collect contractual cash flows and for sale, or at amortized cost, if part of selected portfolios held to collect contractual cash flows. Furthermore, IFRS 9 introduces a requirement to recognize expected credit losses for financial assets carried at amortized cost or at fair value, with changes in fair value recognized in OCI.

Though overall profit or loss volatility is expected to increase under IFRS 9, the measurement approach for direct participating contracts in IFRS 17 allows such volatility to be largely absorbed in the measurement of insurance liabilities with an option to reflect in shareholders' equity (OCI) the effect of any asset-liability mismatch. Therefore, the Group decided to defer the full implementation of IFRS 9 until IFRS 17 becomes effective to better align the measurement approaches for the financial assets held and the insurance liabilities where appropriate. Based on the analysis performed as of December 31, 2015, the Group was eligible to apply the temporary exemption from the adoption of IFRS 9 for reporting entities that have not previously applied any version of IFRS 9 and whose activities are predominantly related to insurance, as the predominance ratio reflecting the share of liabilities connected with insurance to total liabilities exceeded 90 percent. No reassessment of eligibility was required during subsequent annual periods up to and including 2021 as there was no significant change in the activities performed by the Group. We refer to the Annual Report 2016 for further details on the eligibility assessment. The Group presents additional disclosures of indicative effects from adoption of IFRS 9 required by IFRS 4 'Applying IFRS 9 with IFRS 4' during the period of deferral (see note 24).

On December 9, 2021, the International Accounting Standards Board (IASB) published a narrow-scope amendment to the transition requirements of IFRS 17 and IFRS 9. The proposed amendment permits better alignment of presentation of comparative information under IFRS 17 and IFRS 9 by applying a 'classification overlay'. The Group does not intend to restate the comparative period on initial application of IFRS 9 and therefore anticipates applying the classification overlay for selected asset portfolios backing direct participating insurance contracts which are accounted for at amortized cost under IAS 39 but are expected to be accounted for at fair value with changes in fair value recorded in OCI under IFRS 9. The Group does not envisage to apply the expected credit loss requirements as part of the overlay approach.

In order to adopt IFRS 17 and IFRS 9 in the consolidated financial statements, a joint IFRS 17 and IFRS 9 Group Implementation Program (Program) sponsored by the Group Chief Financial Officer has been operating since 2017. A steering committee comprised of senior management from various functions (finance, risk, IT, operations and investment management) oversees the work performed by individual work streams. A dedicated methodology work stream covers group accounting policies, actuarial methodologies and disclosure requirements to be consistently implemented throughout the Group. This work stream further contributes to the industry-wide discussions on standard interpretation and its operational effects and has been closely monitoring the developments in the IASB Transition Resource Group for IFRS 17 and IASB re-deliberations to evaluate the effects and align the accounting policies and actuarial methodologies accordingly. The implementation work stream drives the development of the target core solution landscape at Group and local levels and analyses processes, data and systems implications. In 2021, the focus of the program has shifted towards education of key stakeholders and analysis of wider impacts on Group operations while finalizing the implementation efforts and completing another set of parallel run activities.

The Group continues to assess the impact of the application of both IFRS 17 and IFRS 9. The Group expects that the majority of its non-life insurance contracts issued, and reinsurance contracts held in force as of transition date will be eligible for application of the simplified approach and intends to apply the simplified approach for such contracts under IFRS 17. As the Group already applies best estimate reserving under its current accounting policies, the implementation of IFRS 17 is not expected to have a major impact on non-life nominal reserves. The Group further expects that a significant portion of its life insurance liabilities (including unit-linked insurance liabilities) will qualify as direct participating contracts under IFRS 17. For the majority of its in-force insurance and reinsurance contracts, the Group intends to apply the option in IFRS 17 to disaggregate the (re-)insurance finance income or expense between profit or loss and OCI. Under this option, the unwind of discount in profit or loss under the general model and the simplified approach is based on locked-in discount rates and the difference between the current rates and locked-in rates valuation due to changes in discount rates is presented in OCI. Consistently, the Group expects that the majority of debt instruments held will be accounted for at fair value with changes in fair value recorded in OCI. As of December 31, 2021, it was not practicable to quantify what the potential impact would be on the Group's financial position or performance once these standards are adopted.

Other standards, amendments and interpretations shown in table 2.2 are expected to have no, or an insignificant, impact on the Group's financial position or performance.

Interest rate benchmark reform (including Phase 2 amendments to IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The ongoing market-wide reform targets replacement of some interbank offered rates (IBORs) with alternative reference rates (ARRs). To ensure an orderly transition to ARRs, the Group launched a cross functional IBOR transition working group that has analyzed the exposure and defined mitigating actions, for example, by adhering to the ISDA fallback protocols for derivatives, amending terms and conditions of new debt issuances and entering into bilateral negotiations with counterparties.

During 2021, further progress has been made with transitioning most of the Group's exposures indexed to GBP, CHF and JPY to new ARRs. The decision to transition was made considering market readiness and liquidity. With the completion of the EURIBOR reform, no transition is required for financial instruments referencing those rates. Therefore, the exposures which are still subject to transition mainly consist of USD LIBOR linked instruments (such as floating rate notes, sinking bonds, asset- and mortgage-backed securities, collateralized loan obligations) representing 2.8 percent of the debt securities held by the Group. Given transition for these instruments is not foreseen before June 2023, the Group is not exposed to immediate risks arising from the IBOR reform. The reform has not resulted in changes to the Group risk management strategy.

The IASB addressed the financial reporting implications of the IBOR reform through IFRS amendments, which were fully adopted by the Group on January 1, 2020. Specifically, the phase 2 amendments introduce a practical expedient to account prospectively for a change in the basis for determining the contractual cash flows of a financial instrument attributable to the replacement of IBORs with ARR and relieves from specific hedge accounting requirements. Overall, the IBOR reform has no material effect on the Group's financial statements and the effectiveness of Group's hedging relationships.

3. Summary of significant accounting policies

Significant accounting policies applied in these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated. Other accounting policies are presented as part of the respective note disclosures.

a) Consolidation principles

The Group's consolidated financial statements include the assets, liabilities, equity, revenues, expenses and cash flows of Zurich Insurance Group Ltd and its subsidiaries. A subsidiary is an entity that Zurich Insurance Group Ltd either directly or indirectly controls. The results of subsidiaries acquired are included in the consolidated financial statements from the date of acquisition. The results of subsidiaries that have been divested during the year are included up to the date control ceased. All intra-Group balances, profits and transactions are eliminated.

Changes in ownership interests in a subsidiary that do not result in a change in control are recorded within equity.

Non-controlling interests are shown separately in equity, consolidated income statements, consolidated statements of comprehensive income and consolidated statements of changes in equity.

The consolidated financial statements are prepared as of December 31 based on individual company financial statements at the same date. In some cases, information is included with a time lag of up to three months. The resulting effect on the Group's consolidated financial statements is not material.

b) Foreign currency translation and transactions

Foreign currency translation

Due to the Group's economic exposure to the U.S. dollar (USD), the presentation currency of the Group's consolidated financial statements is USD. Many Group companies have a different functional currency, being that of the respective primary economic environment in which these companies operate. Assets and liabilities are translated into the presentation currency at end-of-period exchange rates, while income statements and statements of cash flows are translated at average exchange rates for the period. The resulting foreign currency translation differences are recorded directly in other comprehensive income (OCI) as cumulative translation adjustment (CTA).

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of the transaction or, for practical reasons, a weighted average rate, if exchange rates do not fluctuate significantly. Foreign currency monetary items and foreign currency non-monetary items that are carried at fair value are translated at end-of-period exchange rates. The resulting foreign currency translation differences are recorded in income, except for the following:

– Foreign currency translation differences that are recognized in OCI in conjunction with the recognition of unrealized gains or losses on available-for-sale investments; and
– Foreign currency translation differences arising on monetary items that form part of net investments in foreign operations, as well as foreign currency translation differences arising from monetary items that are designated as hedging instruments in a qualifying net investment hedge relationship, are included directly in OCI as CTA.

Hyperinflation

The Group considers various factors to determine whether an economy in a country where a foreign operation is situated is hyperinflationary, including the cumulative three-year inflation rate. If an economy becomes hyperinflationary, the financial statements of foreign operations with the functional currency of the hyperinflationary economy are restated to reflect the current purchasing power at the end of the reporting period using the official consumer price indices commonly used in the respective country. The restatement includes all balance sheet amounts that are not expressed in terms of the measuring unit current at the balance sheet date and items of comprehensive income for the current year by applying the change in the price index from the dates when the items of income and expense were originally recorded. The restated financial statements of a foreign operation are translated into the Group's presentation currency at closing rates. Any translation adjustment resulting from initial application of the hyperinflationary accounting is recognized directly in equity.

c) Insurance contracts and investment contracts with discretionary participating features (DPF)

Classification

Contracts issued that transfer significant insurance risk to the Group and obligations arising from investment contracts with DPF are accounted for as insurance contracts.

Consolidated financial statements (continued)

The Group also issues products containing embedded options that entitle the policyholder to switch all or part of the current and future invested funds into another product issued by the Group. Where this results in the reclassification of an investment product to a product that meets the definition of an insurance contract, the previously held reserve and the related deferred origination costs are reclassified and are accounted for in accordance with the accounting policy that is to be applied to the new product on a prospective basis. As a consequence, no gain or loss is recognized when a contract is reclassified from an investment to an insurance contract.

Once a contract has been classified as an insurance contract, no reclassification can subsequently be made.

Premiums

Property & Casualty

Premiums from the sale of property & casualty products are generally recorded when written and are recognized as revenue in relation to the insurance coverage provided. The unearned premium reserve represents the portion of the premiums written related to the unexpired coverage period.

Life insurance

Premiums from traditional life insurance contracts, including participating contracts and annuity policies with life contingencies, are recognized as revenue when they are due from the policyholder. For single premium and limited pay contracts, premiums are recognized as revenue when due, with any excess profit deferred and recognized in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

Amounts collected as premiums from investment-type insurance contracts such as universal life, unit-linked and unitized with-profits contracts are generally reported as deposits. Revenue from these contracts consists of policy fees for the cost of insurance, administration and surrenders during the period. Front-end fees charged to the customer at inception, particularly for single premium contracts, are deferred and recognized over the estimated life of the contracts following the same pattern that is applied to deferred acquisition costs and addressed below. Regular fees charged to the customer periodically (monthly, quarterly or annually) either directly or by making a deduction from invested funds are billed in advance and recognized on a straight-line basis over the period in which the service is rendered. Fees charged at the end of the period are accrued over the service period as a receivable and are offset against the financial liability when charged to the customer.

Cash flows from certain universal life-type contracts in the Group's Spanish operations are recognized as gross written premiums and insurance benefits and losses and not as deposits.

Reserves for losses and loss adjustment expenses

Losses and loss adjustment expenses are charged to income as incurred. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Any changes in estimates are reflected in the results of operations in the period in which estimates are changed. The Group does not discount its loss reserves, other than for claims with payment patterns which are fixed and reasonably determinable, and claims in economies determined to be hyperinflationary where inflation constitutes a significant input in the reserving process.

Reserves for life benefits

Future life policyholder benefits represent the estimated future benefit liability for traditional life insurance policies and include the value of accumulated declared bonuses or dividends that have vested to policyholders.

The reserves for life benefits for participating traditional life insurance policies are calculated using a net level premium valuation method based on actuarial assumptions taking into account guaranteed mortality benefits and interest rates.

The reserves for life benefits for other traditional life insurance policies are calculated using a net level premium valuation method based on actuarial assumptions including mortality, persistency, expenses and investment return, plus a margin for adverse deviations. These assumptions are locked in at inception and are regularly assessed as part of the liability adequacy testing over the period of the contract.

Policyholder contract deposits represent the estimated policy benefits for investment-type insurance contracts invested in non-unit-linked funds. This liability comprises the accumulation of premiums received, less charges, plus declared policyholder dividends.

Some insurance contracts and investment contracts with DPF offered by the Group contain benefit features for which the amount and timing of declaration and payment are at the discretion of the Group. Where that discretion has not been exercised, the total amount expected to be allocated to policyholders as required by local insurance regulation or contractual provisions is included in the policyholder other funds.

Unrealized gains or losses arising on the revaluation of available-for-sale assets are recorded directly in OCI in accordance with the Group's accounting policy for such assets. Where these assets are related to life insurance, corresponding adjustments to the reserves for life benefits and related assets are also recognized directly in OCI.

Reserves for unit-linked contracts are based on the fair value of the financial instruments backing those contracts less any fees and assessments charged to the policyholders. The related assets for unit-linked insurance contracts are designated at fair value through profit or loss in order to reduce measurement inconsistencies.

For products containing guarantees in respect of minimum death benefits (GMDB), retirement income benefits (GRIB) and/or annuitization options (GAO), additional liabilities are recorded in proportion to the receipt of the contracted revenues which are subject to a liability adequacy test taking into account policyholder behavior and current market conditions.

For products managed on a dynamic basis using derivative hedging strategies, an option in IFRS 4 is used to measure insurance liabilities using current financial and non-financial assumptions to better reflect the way that these products are managed. Financial assets related to these liabilities are designated at fair value through profit or loss.

Deferred acquisition costs (DAC)

Costs that vary with and are directly related to the acquisition of new and renewal business, including for example commissions and certain underwriting and policy issue expenses, are deferred and subsequently amortized over a defined period. Such costs are presented on balance sheet net of commissions paid to reinsurers in respect of business ceded.

Property & Casualty

DAC for property & casualty contracts is amortized over the period in which the related premiums are earned.

Life insurance

DAC for traditional participating life insurance contracts is amortized based on estimated gross margins expected to be realized over the life of the contract. Estimated gross margins are updated for actual and anticipated future experience and discounted using the latest revised interest rate for the remaining benefit period. Resulting deviations are reflected in income.

DAC for other traditional life insurance and annuity contracts is amortized over the life of the contracts, based on expected premiums. Expected premiums are estimated at the date of policy issue for application throughout the life of the contract unless a premium deficiency subsequently occurs.

DAC for investment-type insurance contracts such as universal life, unit-linked and unitized with-profits contracts is amortized based on estimated gross profits expected to be realized over the life of the contract. Estimated gross profits are updated for actual and anticipated future experience and discounted using either the interest rate in effect at the inception of the contracts or the latest revised interest rate for the remaining benefit period, depending on whether crediting is based on the policyholder's or on the reporting entity's investment performance. Resulting deviations are reflected in income.

Unamortized DAC for life insurance contracts accrues interest at a rate consistent with the related assumptions for reserves.

For traditional participating and investment-type life insurance contracts, DAC is adjusted for the impact of unrealized gains/(losses) on allocated investments that are recorded in OCI.

Liability adequacy tests

Liability adequacy tests are performed annually for groupings of contracts determined in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

Property & Casualty

For property & casualty contracts, unearned premiums are tested to determine whether they are sufficient to cover related expected losses, loss adjustment expenses, policyholder dividends, unamortized DAC and maintenance expenses, using current assumptions and considering anticipated investment returns. If a premium deficiency is identified, the DAC asset for the respective grouping of contracts is written down by the amount of the deficiency. If, after writing down the DAC asset to nil, a premium deficiency still exists for the respective grouping of contracts, then an additional reserve is established for the amount of the remaining deficiency.

Consolidated financial statements (continued)

Life insurance
For life insurance contracts, the carrying amount of the existing reserve for life benefits, including any deferred front-end fees, reduced by the unamortized balance of DAC or present value of future profits of acquired insurance contracts (PVFP), is compared with the reserve for life benefits, calculated using revised assumptions for actual and anticipated experience as of the valuation date. If a deficiency is identified, the DAC or PVFP for the respective grouping of contracts is written down by the amount of the deficiency. If, after writing down the DAC or PVFP to nil, a deficiency still exists for the respective grouping of contracts, the reserve for life benefits is increased by the amount of the remaining deficiency.

Reinsurance
The Group's insurance subsidiaries cede risk in the normal course of business to limit the potential for losses arising from certain exposures. Reinsurance does not relieve the originating insurer of its liability. Certain Group insurance companies assume reinsurance business as part of their normal business.

Reinsurance contracts that do not transfer significant insurance risk are accounted for using the deposit method.

A deposit asset or liability is recognized based on the premium paid, or received less any explicitly identified premiums or fees to be retained by the ceding company. Interest on deposits is accounted for using the effective interest rate method. Future cash flows are estimated to calculate the effective yield, and revenues and expenses are recorded as interest income or expense. Reinsurance deposit assets or liabilities also include funds deposited or held by the Group under assumed or ceded reinsurance contracts, respectively, when funds are retained by the reinsured under the terms of the contract.

Reinsurance is recorded gross in the consolidated balance sheet. Reinsurance assets include balances expected to be recovered from reinsurance companies for ceded paid and unpaid losses and loss adjustment expenses, ceded unearned premiums and ceded future life policy benefits. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for the liabilities associated with the underlying insurance contracts.

Reinsurance assets are assessed for impairment on a regular basis and impairment losses, if any, are recorded in the same manner as for loans and receivables.

d) Liabilities for investment contracts (without DPF)
Investment contracts are those contracts that do not transfer significant insurance risk. The Group issues investment contracts without fixed terms (unit-linked) and investment contracts with fixed and guaranteed terms (fixed interest rate).

Unit-linked investment contracts
These represent portfolios maintained to meet the specific investment objectives of policyholders who bear the credit, market and liquidity risks related to the investments. The liabilities are carried at fair value, which is determined by reference to the underlying financial assets. Changes in fair value are recorded in income. The related assets for unit-linked investment contracts are designated at fair value through profit or loss in order to reduce measurement inconsistencies.

The services provided by the Group under such contracts are investment management and policy administration services that are provided over time and are not contingent on meeting specified performance criteria. Fees from such services are recognized ratably over the service period as policy fee revenue except where such fees are charged in connection with contract origination in which case such fees are recognized as contract liabilities (included within deferred front-end fees). The costs to fulfill the services over time are generally recognized as incurred, except the costs of acquiring new investment contracts with investment management services, such as commissions and other incremental expenses directly related to the issuance of each new contract. Such fees enhance the resources that will be used to satisfy future performance obligations and – to the extent recoverable – are capitalized as contract assets (deferred origination costs; DOC) and amortized in line with the revenue generated by providing investment management services. See note 11 for further information.

Investment contracts at amortized cost
Liabilities for investment contracts with fixed and guaranteed terms are measured at amortized cost using the effective interest rate method. Transaction costs are included in the calculation of the effective yield. As of each reporting date, the Group re-estimates the expected future cash flows and re-calculates the carrying amount of the financial liability by computing the present value of estimated future cash flows using the original effective interest rate for the financial liability. Any adjustment is immediately recognized in income.

e) Group investments excluding derivative financial instruments

Group investments are accounted for at either (a) fair value through OCI; (b) fair value through profit or loss; or (c) amortized cost. The Group continues to apply the requirements in IAS 39 'Financial Instruments: Recognition and Measurement' until implementation of IFRS 9 'Financial Instruments' on January 1, 2023 (see note 2).

The majority of Group investments are accounted for at fair value through OCI (available-for-sale financial assets) and include debt and equity securities as well as fund investments. Such assets are carried at fair value, with changes in fair value recognized in OCI, until the securities are either sold or impaired. Interest income determined using the effective interest method and dividend income from financial assets at fair value through OCI is included in net investment income. The cumulative unrealized gains or losses recorded in OCI are net of cumulative deferred income taxes, certain related life policyholder liabilities and deferred acquisition costs. When available-for-sale financial assets are sold, impaired or otherwise disposed of, the cumulative gains or losses are reclassified from OCI to income as net capital gains/(losses) on investments and impairments.

Group investments at fair value through profit or loss include debt and equity securities backing certain life insurance contracts with participation features, and financial assets evaluated on a fair value basis. The designation of these assets at fair value through profit or loss eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or recognizing the gains and losses on these assets on a different basis to the liabilities.

Group investments at amortized cost include debt securities for which the Group has the positive intention and ability to hold to maturity (held-to-maturity financial assets) as well as mortgage and other loans (loans and receivables). Such investments are carried at amortized cost using the effective interest rate method, less any charges for impairment. When an impairment is determined to have occurred, the carrying amount of held-to-maturity investments and loans and receivables is reduced through the use of an allowance account, and the movement in the impairment allowance is recognized in income as an impairment loss.

The Group recognizes regular purchases and sales of financial assets on the trade date, which is the date on which the Group commits to purchase or sell the asset.

Realized and unrealized gains and losses arising from changes in the fair value are recognized in income, within net capital gains/(losses) on investments and impairments, in the period in which they arise. Interest income determined using the effective interest method and dividend income from financial assets at fair value through profit or loss is included in net investment income.

Group investments include investment property accounted for at fair value through profit or loss. Rental income from investment property is recognized on a straight-line basis over the lease term and included in net investment income along with rental operating expenses for investment property recognized on an accrual basis.

Group investments include the following in cash and cash equivalents: cash on hand, deposits held at call with banks, cash collateral received, and other highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible into cash and are subject to an insignificant risk of change in fair value. Cash and cash equivalents are stated at current redemption value.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that loss events have occurred that negatively affect the estimated future cash flows of a financial asset or a group of financial assets. The evaluation of whether a financial asset is impaired requires significant judgment (see note 4).

f) Derivative financial instruments and hedge accounting

Derivative financial instruments, except those designated under a qualifying cash flow or net investment hedge relationship, are carried at fair value on the balance sheet with changes in fair value recognized in income.

Derivative financial instruments that qualify for hedge accounting

Derivative financial instruments are used by the Group to economically hedge risks. In limited circumstances derivative financial instruments are designated as hedging instruments for accounting purposes in:

- Fair value hedges, which are hedges of the exposure to changes in the fair value of a recognized asset or liability.
- Cash flow hedges, which are hedges of the exposure to variability in cash flows attributable to a particular risk either associated with a recognized asset or liability, or a highly probable forecast transaction that could affect profit or loss.
- Net investment hedges, which are hedges of a net investment in a foreign operation.

All hedge relationships are formally documented, including the risk management objectives and strategy for undertaking the hedge. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the hedging instruments are expected to be (prospective assessment) and have been (retrospective assessment) highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. If the qualifying criteria for the application of hedge accounting are no longer met, the hedge relationship is discontinued prospectively, in which case the hedging instrument and the hedged item are then subsequently reported independently in accordance with the respective accounting policy.

The accounting treatment of a qualifying hedge relationship is further described in note 7.

g) Attorney-in-fact (AIF) contracts

The AIF contracts reflect the ability of the Group to generate future revenues through Farmers Group Inc. (FGI) based on the FGI's relationship with the Farmers Exchanges. The Farmers Exchanges are not owned by FGI, a wholly owned subsidiary of the Group. In determining that these relationships have an indefinite useful life, the Group took into consideration the organizational structure of inter-insurance exchanges, under which subscribers exchange contracts with each other and appoint an attorney-in-fact to provide non-claims services, and the historical AIF relationship between FGI and the Farmers Exchanges. The value of the AIF contracts is tested for impairment at least annually.

The services provided by FGI under such contracts are non-claims services including risk selection, preparation and mailing of policy documents and invoices, premium collection, management of the investment portfolios and certain other administrative functions. The multiple performance obligations covered by the consideration received are considered to be a series with the same pattern of transfer, therefore, the performance obligations are not separated. The revenue for the services provided includes Farmers management fee, membership fees and revenues for ancillary services. Farmers management fees are determined as a percentage of gross premiums earned by the Farmers Exchanges and recognized ratably over the period the services are provided. Membership fees are one-time fees charged at the time of the policy issuance that do not cover a distinct performance obligation. Such fees are recognized as revenue over the expected life of the customer relationship. The incremental costs incurred in connection with the customer setup activity are recognized as an asset and subsequently amortized using the same pattern as the related revenue. The revenue for ancillary services includes remuneration for services provided that are not covered by Farmers management fees where FGI acts as a principal. Typically, these services are provided over time, so that the revenue is also recognized over time. See note 26 for further information.

h) Goodwill

Goodwill on the acquisition of subsidiaries is capitalized and tested for impairment annually, or more frequently if there are indications of impairment. For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs) based on the level at which management monitors operations and makes decisions related to the continuation or disposal of assets and operations. If goodwill has been allocated to a CGU and an operation within that unit is disposed of, the carrying amount of the operation includes attributable goodwill when determining the gain or loss on disposal.

i) Other intangible assets

Other intangible assets typically have finite lives and are carried at cost, less accumulated amortization and impairments. Such assets are generally amortized using the straight-line method over their useful lives and reviewed for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Present value of future profits from acquired insurance contracts (PVFP)

An intangible asset representing the PVFP arises from the acquisition of life insurance businesses. Such an asset is amortized over the expected life of the acquired contracts, following the same principles as for DAC. The carrying value of the PVFP asset is tested periodically for impairment as part of the liability adequacy test for insurance contracts.

Distribution agreements

Distribution agreements may have useful lives extending up to 30 years, estimated based on the period of time over which they are expected to provide economic benefits, but for no longer than the contractual term, after taking into account all economic and legal factors such as stability of the industry, competitive position and the period of control over the assets.

Software

Costs associated with research and maintenance of internally-developed computer software are expensed as incurred. Costs incurred during the development phase are capitalized. Software under development is tested for impairment annually.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into use.

The useful lives of computer software licenses and capitalized internal software development costs generally range from three to five years. In limited circumstances, capitalized software development costs may be amortized over a period of up to 10 years, taking into account the effects of obsolescence, technology, competition and other economic and legal factors.

j) Employee benefits

Share-based compensation and cash incentive plans

The Group operates long-term incentive plans that are accounted for as equity-settled share-based compensation plans. The fair value of these incentive plans is determined at the grant date and is recognized as an expense in income over the vesting period, with a corresponding increase recorded in additional paid-in capital.

Subsequently, depending on the underlying performance metrics, the Group revises its estimates of the number of shares that are expected to be issued and recognizes the impact of the revision, if any, in income with a corresponding adjustment to additional paid-in capital. However, no subsequent adjustment is made after the vesting date.

Retirement benefits

The Group operates various post-employment benefit plans for its employees worldwide, which include defined benefit and defined contribution pension plans, and other post-employment benefits, such as medical care and life insurance.

Contributions to defined contribution plans are recorded as an expense in the period in which the economic benefit from the employees' service was received.

Defined benefit plan obligations and current service costs are determined annually by qualified actuaries using the projected unit credit method. The defined benefit liability represents the present value of defined benefit obligation at the end of the reporting period less the fair value of plan assets with changes from remeasurements recorded in OCI. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the recognition of the resulting net asset is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Group's expense related to these plans is accrued over the employees' service periods based on the actuarially determined cost for the period. Net interest and service costs are determined using the spot rate approach. Actuarial gains and losses are recognized, in full in the period in which they occur, in OCI. Past service costs, which result from plan amendments and curtailments, are recognized in income when the plan amendment or curtailment occurs (which is the date from which the plan change is irrevocable) and the date on which a constructive obligation arises. Settlement gains or losses are recognized in income when the settlement occurs.

Other post-employment benefits

Other post-employment benefits, such as medical care and life insurance, are also provided for certain employees and are primarily funded internally. Similar to defined benefit plans, the cost of such benefits is accrued over the service period of the employees based on the actuarially determined cost for the period.

k) Leases

The Group is typically acting as a lessee in property and car or equipment leases. Further, the Group is acting as a lessor in leases of investment property.

When acting as a lessee, under IFRS 16, the Group recognizes a right-of-use asset and a corresponding lease liability at the lease commencement date when the leased asset is available for use by the Group. The lease liability is measured at the present value of the lease payments due over the lease term, discounted using the Group's incremental borrowing rate. Any options to extend or terminate a lease that the Group is reasonably certain to exercise are included in the lease term. The right-of-use asset is initially recognized at an amount equal to the lease liability adjusted for lease prepayments made or lease incentives received, initial direct costs and any estimated costs to dismantle or restore the leased asset.

The right-of-use asset is depreciated over the shorter of the leased asset's useful life or the lease term on a straight-line basis. The right-of-use asset is included in 'Property and equipment' and disclosed separately in note 13. The carrying amount of the lease liability is increased to reflect the unwinding of the discount so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is reduced by the lease payments made during the period. Lease payments include fixed payments and variable payments that depend on a non-leveraged index or a rate. Lease liabilities are included within 'Other Liabilities.'

The Group records short-term leases and leases of low-value assets as an expense on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are comprised of hardware and smaller office equipment. The lease expense is included in 'Administrative and other operating expense.'

When acting as a lessor of investment property in an operating lease, the Group follows the accounting policy in paragraph e).

4. Critical accounting judgments and estimates

The application of certain accounting policies requires critical accounting estimates that involve discretionary judgments and the use of assumptions which are susceptible to change due to inherent uncertainties. Because of the uncertainties involved, actual results could differ significantly from the assumptions and estimates made by management. Such critical accounting estimates are of significance to insurance reserves and deferred acquisition costs, the determination of fair value for financial assets and liabilities, impairment charges, deferred taxes and employee benefits.

a) Reserves for insurance contracts and deferred acquisition costs

Property & Casualty

The Group is required to establish reserves for payment of losses and loss adjustment expenses that arise from the Group's property & casualty products. These reserves represent the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the balance sheet date. The Group establishes its reserves by product line, type and extent of coverage and year of occurrence. There are two categories of loss reserve: reserves for reported losses and reserves for incurred but not reported (IBNR) losses. Additionally, reserves are held for loss adjustment expenses, which contain the estimated legal and other expenses expected to be incurred to finalize the settlement of the losses.

The Group's reserves for reported losses and loss adjustment expenses are based on estimates of future payments to settle reported claims. The Group bases such estimates on the facts available at the time the reserves are established. These reserves are generally established on an undiscounted basis to recognize the estimated costs of bringing pending claims to final settlement. The reserve calculation takes into account inflation, as well as other factors that can influence the amount of reserves required, some of which are subjective and some of which are dependent on future events. In determining the level of reserves, the Group considers historical trends and patterns of loss payments, pending levels of unpaid claims and types of coverage. In addition, court decisions, economic conditions and public attitudes may affect the ultimate cost of settlement and, as a result, the Group's estimation of reserves. Between the reporting and final settlement of a claim circumstances may change, which may result in changes to established reserves. Items such as changes in law and interpretations of relevant case law, results of litigation, changes in medical costs, as well as costs of vehicle and home repair materials and labor rates can substantially impact ultimate settlement costs. Accordingly, the Group reviews and re-evaluates claims and reserves on a regular basis. Amounts ultimately paid for losses and loss adjustment expenses can vary significantly from the level of reserves originally set.

The Group establishes IBNR reserves, to recognize the estimated cost of losses for events which have already occurred but which have not yet been notified. These reserves are established to recognize the estimated costs required to bring such claims to final settlement. As these losses have not yet been reported, the Group relies upon historical information and statistical models, based on product line, type and extent of coverage, to estimate its IBNR liability. The Group also uses reported claim trends, claim severities, exposure growth, and other factors in estimating its IBNR reserves. These reserves are revised as additional information becomes available and as claims are actually reported.

The time required to learn of and settle claims is an important consideration in establishing the Group's reserves. Short-tail claims, such as those for motor and property damage, are normally reported soon after the incident and are generally settled within months. Long-tail claims, such as bodily injury, pollution, asbestos and product liability, can take years to develop and additional time to settle. For these claims, information concerning the event, such as the required medical treatment for bodily injury claims and the required measures to clean up pollution, may not be readily available. Accordingly, the reserving analysis of long-tail lines of business is generally more difficult and subject to greater uncertainties than for short-tail claims.

Since the Group does not establish reserves for catastrophes in advance of the occurrence of such events, these events may cause volatility in the levels of its incurred losses and reserves subject to the effects of reinsurance recoveries. This volatility may also be contingent upon political and legal developments after the occurrence of the event.

The Group uses a number of accepted actuarial methods to estimate and evaluate the amount of reserves recorded. The nature of the claim being reserved for and the geographic location of the claim influence the techniques used by the Group's actuaries. Additionally, the Group's Corporate Center actuaries perform periodic reserve reviews of the Group's businesses throughout the world. Management considers the results of these reviews and adjusts its reserves for losses and loss adjustment expenses, where necessary.

Life insurance

The reserves for future life policyholder benefits and policyholder contract deposits and other funds contain a number of assumptions regarding mortality or longevity, lapses, surrenders, expenses, discount rates and investment returns. These assumptions can vary by country, year of policy issuance and product type and are determined with reference to past experience adjusted for new trends, current market conditions and future expectations. As such the liabilities for future life policyholder benefits and policyholder contract deposits may not represent the ultimate amounts paid out to policyholders. For example:

- The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty arises because of the potential for pandemics and wide-ranging lifestyle changes, such as changes in eating, smoking and exercise habits, which could result in earlier deaths for age groups in which the Group has significant exposure to mortality risk.
- For contracts that insure the risk of longevity, such as annuity contracts, an appropriate allowance is made for people living longer. Continuing improvements in medical care and social conditions could result in further improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.
- Under certain contracts, the Group has offered product guarantees (or options to take up product guarantees), including fixed minimum interest rate or mortality rate returns. In determining the value of these options and/or benefits, estimates have been made as to the percentage of contract holders that may exercise them. Changes in investment conditions could result in significantly more contract holders exercising their options and/or benefits than has been assumed.
- Estimates are made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.
- Assumptions are determined with reference to current and historical customer data, as well as industry data. Interest rate assumptions reflect expected earnings on the assets supporting the future policyholder benefits. The information used by the Group's qualified actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies and profitability analysis.

Deferred policy acquisition costs and the present value of future profits (PVFP) are recognized on balance sheet only to the extent that they are recoverable from future policy income which also depends on the above assumptions. Recoverability is tested at contract inception and subsequently on a regular basis with reference to current expectations of future profits or margins.

See note 8 for further information on liabilities for insurance contracts and note 11 for deferred policy acquisition costs. Also refer to the insurance risk section of the risk review.

b) Fair value measurement

In determining the fair values of investments in debt and equity instruments traded on exchanges and in over-the-counter (OTC) markets, the Group makes extensive use of independent, reliable and reputable third-party pricing providers and only in rare cases places reliance on valuations that are derived from internal models.

In addition, the Group's policy is to ensure that independently-sourced prices are developed by making maximum use of current observable market inputs derived from orderly transactions and by employing widely-accepted valuation techniques and models. When third-party pricing providers are unable to obtain adequate observable information for a particular financial instrument, the fair value is determined either by requesting selective non-binding broker quotes or by using internal valuation models.

Valuations can be subject to significant judgment, especially when the fair value is determined based on at least one significant unobservable input parameter; such items are classified within level 3 of the fair value hierarchy. See notes 6, 7 and 23 for further information regarding the estimate of fair value.

c) Impairment of assets

Financial assets

A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more occurred loss events that have an impact on the estimated future cash flows of the financial asset.

The evaluation of whether an available-for-sale debt security is impaired requires analysis of the credit standing of a particular issuer and involves management judgment. When assessing impairment of available-for-sale debt securities, the Group places emphasis on issuer specific factors, such as significant financial difficulty, default or delinquency on interest or principal payments. A credit rating downgrade, worsened liquidity or decline in fair value below the weighted-average cost is not by itself considered a loss event, but rather incorporated in the impairment analysis along with other available information.

The Group determines that there is objective evidence of impairment of an available-for-sale equity security, if at the reporting date:

– its fair value is below the weighted-average cost by an amount significantly exceeding the volatility threshold determined quarterly for the respective equity market (such as North America, Asia Pacific, UK, Switzerland and other European countries); or
– its fair value has been below the weighted-average cost for a prolonged period of 24 consecutive months or longer.

Goodwill and attorney-in-fact (AIF) contracts

Goodwill is allocated to a cash generating unit (CGU) as outlined in note 3. The Group has defined the CGUs according to regions, separating Property & Casualty (P&C), Life businesses and other (see note 27). The CGUs which carry the majority of goodwill and AIF contracts are presented in table 4.

For goodwill impairment testing, the Group estimates the recoverable amount based on the value-in-use of the CGU.

Value-in-use is determined using the present value of estimated future cash flows expected to be generated from the CGU. Cash flow projections are based on business plan projections, which are approved by management, typically covering a three-year period or, if appropriate and adequately justified, a longer period, which may be necessary to more accurately represent the nature of the cash flows used to test the goodwill. Cash flows beyond this period are extrapolated using, among others, estimated perpetual growth rates, which typically do not exceed the expected inflation of the geographical areas in which the cash flows supporting the goodwill are generated. If cash flows are generated in different geographical areas with different expected inflation rates, weighted averages are used. The discount rates applied reflect the respective risk-free interest rate adjusted for the relevant risk factors to the extent they have not already been considered in the underlying cash flows.

The discount rates used in the recoverable amount calculations for developed markets are based on the weighted average cost of capital and consider government bond rates which are further adjusted for equity risk premium, appropriate beta and leverage ratio. In emerging markets, discount rates are based on the U.S. dollar discount rate taking into account inflation differential expectations and country risks. All input factors to the discount rates are based on observable market data.

Table 4 sets out for the major CGUs the applied discount rates and the perpetual nominal growth rates beyond the projection period that depend on expectations about country-specific growth rates and inflation as of the date of valuation, as well as the value of goodwill and AIF contracts as of December 31, 2021.

Table 4

Discount and perpetual growth rates for goodwill and AIF contracts for major CGUs

	Business	in USD millions	Discount rates in % 2021	Discount rates in % 2020	Perpetual nominal growth rate in % 2021	Perpetual nominal growth rate in % 2020
Farmers	Farmers	3,888	9.2	7.9	2.2	2.3
North America	P&C	350	9.0	7.8	2.2	2.0
Europe, Middle East & Africa	P&C	332	8.3	7.5	1.8	1.8
Asia Pacific	P&C	876	9.0	8.4	1.8	2.2
Asia Pacific	Life	1,198	9.1	8.4	2.0	2.1
Latin America	P&C	262	17.8	18.1	6.0	5.9
Latin America	Life	74	15.4	14.2	4.4	4.3

The recoverable amount of goodwill remains contingent on future cash flows and other assumptions, particularly discount rates and the perpetual growth rate. If the estimated future cash flows and other assumptions deviate significantly from the Group's current outlook, there is a risk that the goodwill is impaired.

Quantitative sensitivity tests have been performed for all CGUs, by applying a reasonably possible change to each of the key assumptions to capture potential future variations in market conditions: a decrease in cash flows of up to 20 percent, an increase in the discount rate of 1.0 percentage point and a decrease in the perpetual growth rate of 1.0 percentage point. Under each individual scenario, reasonably possible changes in key assumptions did not impair goodwill and AIF contracts.

Distribution agreements

Qualitative analyses have been performed on distribution agreements, typically comprising an analysis of the current financial performance, any change in the conditions in the agreement and environment that would indicate an impairment. No impairment was identified.

See notes 3, 6, 13, 14 and 15 for further information on impairment of assets.

d) Deferred taxes

Deferred tax assets are recognized if sufficient future taxable income, including income from the reversal of existing taxable temporary differences and available tax planning strategies, is available for realization. The utilization of deferred tax assets arising from temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax bases depends on the generation of sufficient taxable profits in the period in which the underlying asset or liability is recovered or settled. If applicable tax law acknowledges different types of expenses to be tax deductible, deferred tax assets are only recognized if they give rise to deductions against the same type of taxable income. The utilization of deferred tax assets arising from unused tax losses or tax credits depends on the generation of sufficient taxable profits before the unused tax losses or tax credits expire. As of each balance sheet date, management evaluates the recoverability of deferred tax assets and, if it is considered probable that all or a portion of the deferred tax asset will not be utilized, then a valuation allowance is recognized.

See note 17 for further information on deferred taxes.

e) Employee benefits

The Group provides defined benefit plans and other post-employment plans. In assessing the Group's liability for these plans, critical judgments include estimates of mortality rates, rates of employment turnover, disability, early retirement, discount rates, future salary and pension increases and increases in long-term health care costs. Discount rates for significant plans are based on a yield curve approach. The Group sets the discount rate by creating a hypothetical portfolio of high-quality corporate bonds for which the timing and amount of cash flows approximate the estimated payouts of the defined benefit plan. These assumptions may differ from actual results due to changing economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants. These differences may result in variability of pension income or expense recorded in future years.

See note 20 for further information on employee benefits.

5. Acquisitions and divestments

Transactions in 2021

Acquisitions

Deutsche Bank Italian Financial Advisors network acquisition

On August 4, 2021, Zurich Italy reached an agreement to acquire the network of Financial Advisors of the Deutsche Bank Group in Italy. The terms of the agreement provide for the transfer of a business unit consisting of approximately 1,085 Financial Advisors, 97 employees and 16.5 billion euros of assets under management. The acquisition allows Zurich Italy to further develop its financial and insurance distribution network in the Italian market. The transaction is subject to regulatory approval and is expected to close in the second half of 2022.

My Policy Group

On May 18, 2021, the Group acquired a 19.99 percent share in Project Policy Bidco Limited, the owner of MyPolicy Limited, a UK usage-based insurance managing general agent, and Minerva. Science Limited. As part of the acquisition Zurich contributed Bright Box Hong Kong Limited and its subsidiaries as well as USD 10 million in cash. The investment is valued at USD 28 million. As a result of the transaction, the Group recognized a USD 33 million loss on sale of Bright Box Hong Kong Limited.

MetLife Property and Casualty business

On December 11, 2020, Zurich Insurance Group (Zurich) subsidiary Farmers Group, Inc. (FGI) and Farmers Exchanges announced the acquisition of MetLife's property and casualty (P&C) business in the U.S. for a purchase price of USD 3.96 billion. The acquisition successfully closed on April 7, 2021, and the acquired P&C business has since been rebranded to Farmers Workplace Solutions (FWS). As part of the transaction in effect, FGI acquired MetLife P&C's management and administrative-related assets and liabilities to conduct its responsibilities as attorney-in-fact of the Farmers Exchanges and the Farmers Exchanges' underlying insurance business. Zurich contributed USD 2.44 billion through FGI and the Farmers Exchanges, USD 1.52 billion. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services. Attorney-in-fact services primarily include risk selection, preparation and mailing of policy documents and invoices, premium collection, management of the investment portfolios and certain other administrative and managerial functions. Fees for these services are primarily determined as a percentage of gross premiums earned by the Farmers Exchanges. Ancillary services primarily include information technology, brand advertising and certain distribution-related services that are not covered under the attorney-in-fact contracts for which FGI acts as a principal in arranging for those services to the Exchanges.

The acquisition gives the Farmers Exchanges a truly nationwide presence and access to new distribution channels. This includes a 10-year exclusive distribution agreement through which the Farmers Exchanges are offering their personal lines products on MetLife's industry-leading U.S. Group Benefits platform, which today reaches 3,800 companies and 37 million employees.

Table 5.1 shows the updated opening balance sheet line items as of the acquisition date, representing the fair value of tangible and intangible assets. Goodwill has increased by USD 133 million due to adjustments to the purchase price allocation, in the second half of 2021, based on the finalization of certain tax contingencies associated with the acquisition.

Consolidated financial statements (continued)

Table 5.1

MetLife P&C balance sheet as of the acquisition date

in USD millions, as of April 7, 2021	Total[1]
Receivables and other assets	8
Property and equipment	1
Goodwill[2]	418
Attorney-in-fact contracts	1,625
Software	153
Other intangible assets	375
Assets acquired	**2,580**
Other liabilities	9
Deferred tax liabilities[2]	126
Liabilities acquired	**135**
Net assets acquired	2,444
Cash consideration	**2,444**

1 As of December 31, 2021, the assets and liabilities of MetLife P&C are recognized at acquisition date, April 7, 2021.
2 Includes deferred tax adjustments of USD 133 million.

Management fees and other related revenues generated since the acquisition and net income after taxes for the period April 7, 2021, to December 31, 2021, were USD 473 million and USD 55 million, respectively. Calculating these items for the full year has been deemed impractical. The Group incurred transaction-related costs of approximately USD 20 million, the majority of which were incurred in 2021.

Divestments

Held for sale

As of December 31, 2021, the total assets and liabilities reclassified to held for sale were USD 11.6 billion and USD 11.4 billion, respectively, as per transactions below.

Zurich Investments Life S.p.A. portfolio

On January 2, 2022, Zurich Investments Life S.p.A. agreed to sell part of its life and pension back book, composed of both traditional and multi-class products, to the Portuguese insurance company GamaLife – Companhia de Seguros de Vida S.A. The transaction is subject to regulatory approval and is expected to be completed in 2022. The Group has recorded a pre-tax loss of USD 144 million in the statement of income. As of December 31, 2021, assets and liabilities reclassified to held for sale were USD 9.2 billion and USD 9 billion, respectively.

Spain Medical Malpractice portfolio

On December 9, 2021, Zurich Insurance plc (Spain), entered into an agreement to sell its medical malpractice portfolio. The transaction is subject to regulatory and court approvals and is expected to be completed in 2023. As of December 31, 2021, assets reclassified to held for sale were USD 131 million and liabilities reclassified to held for sale were USD 131 million.

Zurich International Life portfolio

On December 22, 2020, Zurich International Life Limited entered into an agreement to sell an insurance portfolio. The transaction is subject to regulatory and court approvals and is expected to be completed in the second half of 2022. As of December 31, 2021, assets reclassified to held for sale were USD 783 million and liabilities reclassified to held for sale were USD 745 million.

UK Employers' liability portfolio

On December 14, 2018, Zurich Insurance plc entered into an agreement with Catalina Holdings (Bermuda) Ltd and certain of its subsidiaries to transfer a portfolio of pre-2007 United Kingdom legacy employers' liability policies to Catalina London Limited, subject to regulatory and court approvals. The transfer is expected to be completed in 2024. As of December 31, 2021, assets reclassified to held for sale were USD 1.4 billion and liabilities reclassified to held for sale were USD 1.4 billion.

Transactions in 2020

Acquisitions

Healthinsite

On December 15, 2020, Zurich Insurance Company Ltd completed the acquisition of Healthinsite Proprietary Limited and Insite Holding Pty Limited (collectively referred to as Healthinsite). Healthinsite provides innovative health and behavioral risk management solutions internationally to corporate clients and is the owner of proprietary software.

Swiss Commercial Accident and Health business

On May 29, 2020, after receiving regulatory approval, Zurich Insurance Company Ltd acquired the Commercial Accident and Health business from CSS Versicherung AG.

Divestments

Divested

UK International Portfolio Bond

On November 30, 2020, Zurich Life Assurance plc completed the sale of its UK international Bond Portfolio to Monument Re, with a pre-tax loss of USD 14 million, recognized in the income statement.

US Corporate Life & Pensions (CLP)

On March 19, 2020, Zurich Holding Company of America, Inc., Zurich American Life Insurance Company and Zurich American Life Insurance Company of New York signed an agreement to sell the Corporate Life and Pensions (CLP) business to Aflac Incorporated (Aflac) and its insurance subsidiaries, American Family Life Assurance Company of Columbus and American Family Life Assurance Company of New York. On November 2, 2020, the Group completed the sale with a pre-tax gain of USD 115 million, recognized in the income statement.

UK Retail Wealth Business

On November 19, 2019, Zurich Financial Services (UKISA) Limited and Allied Zurich Holdings Limited (AZH) entered into an agreement with Embark Group Limited (Embark) to sell the UK Retail Wealth business, which includes an Investment and Retail Wealth Platform business, Sterling ISA Managers Limited (SIML), and an Investment Management business, Zurich Investment Services (UK) Limited (ZISUK). On May 1, 2020, the Group completed the sale with a pre-tax loss of USD 143 million, of which USD 123 million was recognized in December 2019, in the income statement, including an impairment of assets of USD 210 million.

Germany Architects & Engineers portfolio

On September 5, 2019, Zurich Insurance plc entered into an agreement to transfer the German Architects & Engineers portfolio to Darag Deutsche Versicherungs- und Rückversicherungs-AG. On June 30, 2020, the Group completed the sale of the portfolio with a pre-tax gain of USD 22 million, recorded in the income statement.

Consolidated financial statements (continued)

6. Group investments

Group investments are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Net investment result on Group investments includes returns on investment-related cash, which is included in cash and cash equivalents on the consolidated balance sheets.

Table 6.1

Net investment result on Group investments

in USD millions, for the years ended December 31	Net investment income		Net capital gains/(losses) and impairments		Net investment result		of which impairments	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
Investment cash	2	12	–	–	2	12	–	–
Equity securities[1]	488	384	1,844	883	2,332	1,267	(39)	(357)
Debt securities	3,886	3,798	(31)	905	3,855	4,702	(13)	58
Investment property[2]	474	502	520	514	994	1,016	–	–
Mortgage loans	151	141	(1)	6	150	147	(1)	(1)
Other loans	329	329	5	3	333	332	7	(1)
Investments in associates and joint ventures	(4)	3	(10)	15	(14)	18	(10)	–
Derivative financial instruments	–	–	(290)	(280)	(290)	(280)	–	–
Investment result, gross, on Group investments	5,326	5,168	2,038	2,047	7,363	7,215	(57)	(302)
Investment expenses on Group investments	(279)	(265)	–	–	(279)	(265)	–	–
Investment result, net, on Group investments	**5,047**	**4,903**	**2,038**	**2,047**	**7,085**	**6,950**	**(57)**	**(302)**

1 For the year ended December 31, 2020, the Group has recognized USD 357 million impairments on equity securities, mainly in EMEA and North America, due to the volatility of the stock markets in response to the COVID-19 pandemic.
2 Rental operating expenses for investment property amounted to USD 150 million and USD 144 million for the years ended December 31, 2021 and 2020, respectively.

Table 6.2

Details of Group investments by category

as of December 31	2021		2020	
	USD millions	**% of total**	USD millions	% of total
Equity securities:				
Fair value through profit or loss	4,571	2.4	4,714	2.2
Available-for-sale	14,008	7.3	14,779	7.0
Total equity securities	18,578	9.7	19,493	9.3
Debt securities:				
Fair value through profit or loss	7,181	3.8	7,115	3.4
Available-for-sale	136,005	71.2	152,330	72.4
Held-to-maturity	1,897	1.0	2,265	1.1
Total debt securities	145,084	76.0	161,710	76.9
Investment property	14,070	7.4	14,749	7.0
Mortgage loans	6,106	3.2	5,783	2.7
Other loans	7,053	3.7	8,620	4.1
Investments in associates and joint ventures	68	0.0	43	0.0
Total Group investments	**190,959**	**100.0**	**210,398**	**100.0**

Investments with a carrying value of USD 6.3 billion and USD 6.6 billion are held to meet local regulatory requirements as of December 31, 2021 and 2020, respectively.

Consolidated financial statements (continued)

Details of debt securities by category

Table 6.3

in USD millions, as of December 31	Fair value through profit or loss 2021	Fair value through profit or loss 2020	Available-for-sale 2021	Available-for-sale 2020	Held-to-maturity 2021	Held-to-maturity 2020	Total 2021	Total 2020
Debt securities:								
Government and supra-national bonds	3,156	3,854	64,441	75,598	1,798	2,077	69,395	81,529
Corporate securities	3,533	2,817	55,757	60,575	99	188	59,389	63,579
Mortgage and asset-backed securities	492	444	15,808	16,157	–	–	16,300	16,602
Total debt securities	**7,181**	**7,115**	**136,005**	**152,330**	**1,897**	**2,265**	**145,084**	**161,710**

Debt securities maturity schedule

Table 6.4

in USD millions, as of December 31	Fair value through profit or loss 2021	Fair value through profit or loss 2020	Available-for-sale 2021	Available-for-sale 2020	Held-to-maturity 2021	Held-to-maturity 2020	Total 2021	Total 2020
Debt securities:								
< 1 year	733	573	6,513	6,933	35	86	7,281	7,592
1 to 5 years	1,974	1,984	34,135	38,615	820	802	36,929	41,401
5 to 10 years	1,671	1,429	29,097	33,965	536	796	31,304	36,189
> 10 years	2,312	2,686	50,452	56,660	506	581	53,270	59,927
Subtotal	6,689	6,671	120,197	136,173	1,897	2,265	128,784	145,108
Mortgage and asset-backed securities:								
< 1 year	1	–	20	36	–	–	20	36
1 to 5 years	110	91	1,039	1,443	–	–	1,149	1,534
5 to 10 years	127	98	2,188	2,224	–	–	2,315	2,322
> 10 years	254	255	12,562	12,454	–	–	12,816	12,709
Subtotal	492	444	15,808	16,157	–	–	16,300	16,602
Total	**7,181**	**7,115**	**136,005**	**152,330**	**1,897**	**2,265**	**145,084**	**161,710**

The analysis in table 6.4 is provided by contractual maturity. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Investment property

Table 6.5

in USD millions	Total 2021	Total 2020
As of January 1	14,749	13,261
Additions and improvements	866	1,009
Acquisitions/(divestments)	(379)	–
Disposals	(908)	(1,112)
Market value revaluation	454	586
Transfer from/to assets held for own use	29	25
Transfer to assets held for sale	(22)	(88)
Foreign currency translation effects[1]	(718)	1,069
As of December 31	**14,070**	**14,749**

1 Increase is mainly driven by foreign exchange-related impacts on real estate in Germany and Switzerland as the USD strengthened against the EUR and CHF.

Investment property consists of investments in commercial, residential and mixed-use properties primarily located in Germany, U.S. and Switzerland.

Consolidated financial statements (continued)

Table 6.6

Net unrealized gains/(losses) on Group investments included in equity

in USD millions, as of December 31	Total 2021	2020
Equity securities: available-for-sale	2,329	1,679
Debt securities: available-for-sale	9,549	18,911
Other	498	585
Gross unrealized gains/(losses) on Group investments	12,376	21,176
Less amount of unrealized gains/(losses) on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	(6,444)	(12,119)
Life deferred acquisition costs and present value of future profits	(887)	(1,242)
Deferred income taxes	(940)	(1,481)
Non-controlling interests	(23)	(107)
Total[1]	**4,081**	**6,227**

1 Net unrealized gains/(losses) on Group investments include net gains arising on cash flow hedges of USD 411 million and USD 526 million as of December 31, 2021 and 2020, respectively.

Table 6.7

Securities lending, repurchase and reverse repurchase agreements

in USD millions, as of December 31	2021	2020
Securities lending agreements		
Securities lent under securities lending agreements[1]	4	329
Collateral received for securities lending	5	360
of which: Cash collateral	–	111
of which: Non-cash collateral[2]	5	248
Liabilities for cash collateral received for securities lending	–	111
Repurchase agreements		
Securities sold under repurchase agreements[3]	1,390	787
Obligations to repurchase securities	1,381	784

1 The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 4 million and USD 329 million as of December 31, 2021 and 2020, respectively. The majority of these assets were debt securities.
2 The Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of USD 5 million and USD 248 million as of December 31, 2021 and 2020, respectively.
3 The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 352 million and USD 346 million as of December 31, 2021 and 2020, respectively. The majority of these assets were debt securities.

Under the terms of securities lending or repurchase agreements, the Group retains substantially all the risks and rewards of ownership of the transferred securities, and also retains contractual rights to the cash flows from these securities. These securities are therefore not derecognized from the Group's consolidated balance sheet. Cash received as collateral is recorded as an asset, and a corresponding liability is established. Interest expense is charged to income using the effective interest rate method over the life of the agreement.

Under a reverse repurchase agreement, the securities received are not recognized on the Group's consolidated balance sheet, as long as the risk and rewards of ownership have not been transferred to the Group. The cash delivered by the Group is derecognized and a corresponding receivable is recorded within receivables and other assets. Interest income is recognized in income using the effective interest rate method over the life of the agreement.

7. Group derivative financial instruments and hedge accounting

The Group uses derivative financial instruments mainly for economic hedging purposes to mitigate risks. Such risks result from changes in interest rates, equity prices and exchange rates. Derivative financial instruments with a positive fair value are reported in receivables and other assets (see note 15) and those with a negative fair value are reported in other liabilities (see note 16).

Table 7.1 shows the fair value and notional amounts for all group derivatives as of December 31, 2021 and 2020 separated by risks. While these notional amounts express the extent of the Group's involvement in derivative transactions, they do not, however, represent the amounts at risk.

Table 7.1

Maturity profile of notional amounts and fair values of Group derivative financial instruments

in USD millions, as of December 31	2021						2020		
	Maturity by notional amount								
	< 1 year	1 to 5 years	> 5 years	**Notional amounts**	**Positive fair values**	**Negative fair values**	Notional amounts	Positive fair values	Negative fair values
Interest rate contracts[1]	2,520	11,072	4,265	17,857	738	(296)	20,890	1,401	(250)
Equity contracts	1,669	330	523	2,522	57	(65)	11,790	87	(68)
Foreign exchange contracts	17,961	529	319	18,808	143	(171)	20,699	275	(162)
Total Group derivative financial instruments	**22,149**	**11,931**	**5,106**	**39,186**	**938**	**(532)**	**53,379**	**1,763**	**(481)**
Thereof exchange-traded	511	–	–	511	1	(3)	1,187	6	(6)
Thereof OTC	21,638	11,931	5,106	38,676	937	(529)	52,192	1,757	(475)

1 Includes USD 1.8 billion and USD 679 million notional related to derivatives which are centrally cleared as of December 31, 2021 and 2020, respectively.

Interest rate contracts
Interest rate contracts are used to hedge risks from changes in interest rates and to manage asset liability mismatches. Whenever possible the Group enters into exchange-traded contracts, which are standardized and regulated. Furthermore, because of the structure of the exchanges, exchange-traded contracts are not considered to carry counterparty risk. Over-the-counter (OTC) contracts are otherwise entered into and comprised of swaps and swaptions.

Equity contracts
Equity contracts are entered into, either on a portfolio or on a macro level, to protect the fair value of equity investments against a decline in equity market prices or to manage the risk return profile of equity exposures. Short positions are always covered and sometimes used to mitigate hedging costs.

Foreign exchange contracts
Swaps and forward contracts are used to hedge the Group's foreign currency exposures and to manage balance sheet mismatches.

Credit contracts
The Group may from time to time enter into credit contracts. Credit contracts are credit default swaps entered into either on a portfolio or on a macro level to limit market risks arising from the investment portfolios against a change in credit spreads or to manage the risk return profile of the credit exposures. As of December 31, 2021, the Group does not hold credit defaults swaps.

Other contracts
Other contracts predominantly include stable value products (SVPs) issued to insurance company separate accounts in connection with certain life insurance policies (Bank Owned Life Insurance (BOLI) and Company Owned Life Insurance (COLI)) with an account value of USD 11.3 billion as of December 31, 2021 and USD 11.1 billion as of December 31, 2020, and with a market value of the underlying investments of USD 11.3 billion and USD 11.5 billion as of December 31, 2021 and 2020, respectively (not included in the table above). The Group includes the likelihood of surrender as one of the input parameters to determine the fair value of the SVPs, which was nil as of December 31, 2021 and 2020.

In certain circumstances, derivative financial instruments meet the requirements of an effective hedge for accounting purposes. Where this is the case, hedge accounting may be applied. Financial information for these instruments is set out in table 7.2.

Consolidated financial statements (continued)

Notional and fair values of Group hedge accounting derivative financial instruments

Table 7.2

in USD millions, as of December 31	2021 Notional principal amounts	2021 Positive fair values	2021 Negative fair values	2020 Notional principal amounts	2020 Positive fair values	2020 Negative fair values
Fair value hedge:						
Interest rate contracts	426	11	–	539	25	(5)
Foreign currency contracts	430	7	(55)	420	–	(53)
Total fair value hedges	**856**	**18**	**(55)**	**959**	**26**	**(58)**
Cash flow hedge:						
Interest rate contracts[1]	3,396	490	(108)	4,588	993	(78)
Foreign currency contracts	794	52	(28)	451	30	(11)
Total cash flow hedges	**4,190**	**542**	**(136)**	**5,040**	**1,023**	**(89)**
Net investment hedge:						
Foreign currency contracts	1,932	1	(8)	1,500	51	–
Total net investment hedges	**1,932**	**1**	**(8)**	**1,500**	**51**	**–**

1 Includes USD 1.8 billion and USD 679 million notional related to derivatives which are centrally cleared as of December 31, 2021 and 2020, respectively.

Fair value hedges

Designated fair value hedges consist of interest rate swaps used to protect the Group against changes in interest rate exposure of debt issued by Group.

Information on debt issuances designated as hedged items in fair value hedge relationships is set out in note 18.

The Group also has fair value hedge relationships consisting of cross currency swaps and forwards to protect the Group from foreign currency fluctuation of certain fixed income securities and hybrid equity securities denominated in a currency other than the functional currency of the reporting entity.

Forward Bonds are used to hedge bond's fair values against rates movements.

Changes in the fair value of the derivative financial instruments designated as fair value hedges and changes in the fair value of the hedged item in relation to the risk being hedged are both recognized in income.

Consolidated financial statements (continued)

Table 7.3 sets out gains and losses arising from fair value hedges:

Table 7.3

Gains/(losses) arising from fair value hedges

in USD millions, for the years ended December 31	2021	2020
Gains/(losses)		
on hedging instruments[1]	(5)	14
on hedged items attributable to the hedged risk	5	(15)

1 Excluding current interest income, which is recognized as an offset on the same line as the interest expense of the hedged debt.

Cash flow hedges

Designated cash flow hedges, such as interest rate swaptions and forwards are used to protect the Group against variability of future cash flows due to changes in interest rates associated with expected future purchases of debt securities required for certain life insurance policies. The effective portion of the gains and losses on these swaptions are initially recognized in OCI. Subsequently the gains or losses will be recycled to profit or loss within net investment income on Group investments over the period to December 31, 2036. The gains and losses related to the ineffective portion of these hedges are recognized immediately in income within net capital gains/(losses) on investments and impairments.

The Group also uses interest rate swaps and cross currency swaps for cash flow hedging to protect against the exposure to variability of cash flows attributable to interest rate and currency risk. The hedging instrument is measured at fair value, with the effective portion of changes in its fair value recognized in OCI. The effective portion, related to spot rate changes in the fair value of the hedging instrument, is reclassified to profit or loss within administrative and other operating expense as an offset to foreign currency revaluation on the underlying hedged debt securities. The ineffective portion of the change in fair value is recognized in net capital gains/(losses) and impairments.

The net change of gains/(losses) deferred in OCI on derivative financial instruments designated as cash flow hedges were USD 338 million and USD 276 million before tax for the years ended December 31, 2021 and 2020, respectively.

The Group recognized gains/(losses) of USD 36 million and USD 35 million in the consolidated income statements within net investment income on Group investments for the years ended December 31, 2021 and 2020, respectively. The Group also recognized net gains of USD 26 million and USD 2 million within administrative and other operating expense for the years ended December 31, 2021 and 2020, respectively, as an offset to the foreign currency revaluation on the underlying hedged items.

A nil amount for the years ended December 31, 2021 and 2020, respectively, was recognized in net capital gains/(losses) and impairments due to hedge ineffectiveness. The IBOR Reform did not impact the effectiveness of Group's hedging relationships and it is not expected to have any material impact in the future (see note 2).

Consolidated financial statements (continued)

Net investment hedges

The Group applies net investment hedge accounting to protect against the effects of changes in exchange rates in its net investments in foreign operations.

Measurement of hedge effectiveness is based on changes in forward rates. Gains and losses on the designated hedging derivative and non-derivative financial instruments related to the effective portion of the hedge are recognized in OCI together with the translation gains and losses on the hedged net investment. The accumulated gains and losses in OCI are reclassified to income on disposal or partial disposal of the foreign operation.

The net change of gains/(losses) deferred in OCI were USD (69) million and USD 120 million before tax for the years ended December 31, 2021 and 2020, respectively as a result of a hedge relationship by foreign exchange forwards and swaps.

The Group has also designated certain debt issuances as hedging instruments on a non-derivative net investment hedge relationship. The notional amount of these financial instruments was USD 11 billion and USD 9.7 billion for the years ended December 31, 2021 and 2020, respectively. The net gains/(losses) deferred in OCI were USD 171 million and USD 324 million before tax for the years ended December 31, 2021 and 2020, respectively.

Information on debt issuances designated as hedging instruments in a net investment hedge relationship is set out in note 18.

No ineffectiveness of net investment hedges was recognized in net capital gains/(losses) and impairments for the years ended December 31, 2021 and 2020.

Derivative financial instruments: offsetting of financial assets and liabilities

Table 7.4 shows the net asset and liability position of Group derivative financial instruments subject to enforceable master netting arrangements and collateral agreements. Master netting arrangements are used by the Group to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations. These arrangements commonly create a right of offset that becomes enforceable and affects the realization or settlement of individual financial assets and financial liabilities only following a specified event of default or other circumstances which would not be expected to arise in the normal course of business.

Table 7.4

Group derivative financial instruments subject to enforceable master netting arrangements and collateral agreements

in USD millions, as of December 31	Derivative assets		Derivative liabilities	
	2021	2020	**2021**	2020
Fair value	938	1,763	(532)	(481)
Related amounts not offset	(51)	(192)	30	196
Cash collateral (received)/pledged	(791)	(1,520)	246	114
Non-cash collateral (received)/pledged	(6)	(26)	72	61
Net amount	**89**	**25**	**(185)**	**(110)**

8. Liabilities for insurance contracts and reinsurers' share of liabilities for insurance contracts

Table 8.1

Liabilities for insurance contracts

in USD millions, as of December 31	Gross		Ceded		Net	
	2021	2020	**2021**	2020	**2021**	2020
Reserves for losses and loss adjustment expenses	63,577	63,327	(14,578)	(14,375)	48,998	48,951
Reserves for unearned premiums	19,909	18,724	(3,887)	(3,716)	16,022	15,009
Future life policyholder benefits	73,977	83,958	(4,096)	(4,256)	69,881	79,703
Policyholder contract deposits and other funds	28,052	31,497	(3,159)	(3,236)	24,893	28,261
Reserves for unit-linked insurance contracts	82,524	81,157	–	–	82,524	81,157
Other insurance liabilities	4,668	4,834	(1)	(1)	4,667	4,832
Total liabilities for insurance contracts[1]	**272,707**	**283,497**	**(25,722)**	**(25,584)**	**246,985**	**257,913**

1 Total liabilities for insurance contracts ceded are gross of allowances for uncollectible amounts of USD 41 million and USD 61 million as of December 31, 2021 and December 31, 2020, respectively.

Table 8.2

Discounted reserves for losses and loss adjustment expenses

in USD millions, as of December 31	Gross		Ceded		Net	
	2021	2020	**2021**	2020	**2021**	2020
Reserves for losses and loss adjustment expenses	63,577	63,327	(14,578)	(14,375)	48,998	48,951
of which: Discounted reserves	3,312	3,387	(45)	(45)	3,267	3,342
Discount effect	1,051	1,166	(18)	(23)	1,033	1,143
Undiscounted reserves for losses and loss adjustment expenses	64,627	64,492	(14,596)	(14,398)	50,031	50,094
of which: Undiscounted amount of discounted reserves	4,362	4,552	(63)	(68)	4,300	4,484
Average discount rate	3.2%	3.2%	1.7%	1.9%	3.3%	3.2%

Table 8.3

Development of reserves for losses and loss adjustment expenses

in USD millions	Gross		Ceded		Net	
	2021	2020	**2021**	2020	**2021**	2020
As of January 1	63,327	59,165	(14,375)	(12,137)	48,951	47,028
Losses and loss adjustment expenses incurred:						
Current year	24,631	23,832	(5,231)	(5,842)	19,400	17,989
Prior years[1]	(961)	767	361	(1,175)	(600)	(408)
Total incurred	23,670	24,598	(4,870)	(7,017)	18,800	17,581
Losses and loss adjustment expenses paid:						
Current year	(8,821)	(8,573)	969	1,165	(7,852)	(7,407)
Prior years	(13,581)	(14,119)	3,825	4,198	(9,756)	(9,921)
Total paid	(22,401)	(22,691)	4,794	5,363	(17,607)	(17,328)
Interest effects of discounted reserves	163	163	(4)	(3)	159	159
Acquisitions/(divestments) and transfers[2]	155	426	(327)	(356)	(171)	70
Foreign currency translation effects	(1,337)	1,666	204	(225)	(1,133)	1,441
As of December 31	**63,577**	**63,327**	**(14,578)**	**(14,375)**	**48,998**	**48,951**

1 In 2020, changes to incurred gross prior year losses and loss adjustment expenses relate largely to business with limited net impact to the Group such as liabilities related to captive business, development in losses related to 2017 catastrophe events that are substantially reinsured, and participation in large claims related to business where the Group retains only a portion of the overall loss.
2 In 2021, the Group reclassified USD 145 million of net reserves to assets and liabilities held for sale in Spain (see note 5). In 2020, net reserves increased by USD 288 million following the acquisition of the CSS Versicherung AG Commercial Accident and Health business and USD 23 million following the acquisition of Adira Insurance. Additionally, Zurich North America entered into an agreement with Lyft, a ride-sharing provider, which resulted in an increase in ceded reserves of USD 144 million. The increase in reserves is partially offset by the transfer of a portfolio in Brazil of USD 103 million to DPVAT, a motor insurance pool.

The Group establishes loss reserves, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates or judgments are reflected in the results of operations in the period in which estimates and judgments are changed.

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Significant delays may occur in the notification and settlement of claims, and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserves for losses and loss adjustment expenses are determined on the basis of the information available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

For the year ended December 31, 2021, the increase of USD 47 million in net reserves for losses and loss adjustment expenses is the result of an increase in reserves following natural catastrophe losses in North America including the Texas freeze event and Hurricane Ida and also in Europe, Middle East and Africa (EMEA) being offset by foreign exchange-related reserve decreases.

Net favorable reserve development emerged from reserves established in prior years amounting to USD 600 million mainly related to the following:

– In EMEA, favorable prior year development of USD 143 million driven by retail motor;
– In North America, favorable prior year development of USD 509 million driven by worker injury.

For the year ended December 31, 2020, the increase of USD 1.9 billion in net reserves for losses and loss adjustment expenses is mainly driven by foreign exchange-related increases as the U.S. dollar weakened against the euro and British pound, and from reserves related to catastrophe losses including Hurricane Laura and Civil Unrest in North America, and COVID-19-related losses mainly in North America, Europe and Asia Pacific.

Net favorable reserve development emerged from reserves established in prior years amounting to USD 408 million mainly related to the following:

– In EMEA, favorable prior year development of USD 286 million driven by motor and liability in retail segment;
– In North America, favorable prior year development of USD 140 million driven by worker injury in retail and commercial segments.

Consolidated financial statements (continued)

Development of insurance losses, net

Table 8.4

in USD millions, as of December 31	2012	2013	2014	2015	2016	2017	2018	2019	2020	**2021**
Gross reserves for losses and loss adjustment expenses (undiscounted)	69,986	68,312	64,472	62,971	62,254	66,715	62,187	60,384	64,492	64,627
Reinsurance recoverable (undiscounted)	(12,601)	(10,993)	(9,770)	(9,231)	(9,796)	(11,092)	(11,561)	(12,161)	(14,398)	(14,596)
Initial net reserves for losses and loss adjustment expenses	57,385	57,319	54,703	53,739	52,458	55,623	50,627	48,223	50,094	50,031
Cumulative paid as of:										
One year later	*(13,799)*	*(13,301)*	*(12,576)*	*(11,690)*	*(10,994)*	*(11,586)*	*(10,831)*	*(9,921)*	*(9,756)*	
Two years later	*(21,465)*	*(21,002)*	*(19,460)*	*(18,562)*	*(17,808)*	*(18,277)*	*(16,727)*	*(15,594)*		
Three years later	*(27,064)*	*(26,021)*	*(24,475)*	*(23,590)*	*(22,540)*	*(22,606)*	*(20,805)*			
Four years later	*(30,691)*	*(29,851)*	*(28,105)*	*(27,106)*	*(25,764)*	*(25,662)*				
Five years later	*(33,515)*	*(32,509)*	*(30,667)*	*(29,569)*	*(28,012)*					
Six years later	*(35,579)*	*(34,426)*	*(32,375)*	*(31,167)*						
Seven years later	*(37,108)*	*(35,728)*	*(33,639)*							
Eight years later	*(38,136)*	*(36,687)*								
Nine years later	*(38,875)*									
Cumulative Change in Reserves:										
One year later	*(757)*	*(59)*	*149*	*(479)*	*(326)*	*(674)*	*(583)*	*(408)*	*(600)*	
Two years later	*(652)*	*(139)*	*(25)*	*(1,106)*	*(1,043)*	*(1,516)*	*(1,429)*	*(1,073)*		
Three years later	*(777)*	*(72)*	*(438)*	*(1,666)*	*(1,996)*	*(2,372)*	*(2,017)*			
Four years later	*(709)*	*(214)*	*(823)*	*(2,402)*	*(2,920)*	*(3,027)*				
Five years later	*(912)*	*(576)*	*(1,382)*	*(3,257)*	*(3,487)*					
Six years later	*(1,136)*	*(1,041)*	*(2,046)*	*(3,663)*						
Seven years later	*(1,552)*	*(1,539)*	*(2,344)*							
Eight years later	*(1,994)*	*(1,827)*								
Nine years later	*(2,125)*									
Net undiscounted reserves reestimated[1]:										
One year later	*56,628*	*57,259*	*54,852*	*53,260*	*52,131*	*54,949*	*50,044*	*47,815*	*49,494*	
Two years later	*56,734*	*57,180*	*54,677*	*52,633*	*51,415*	*54,108*	*49,197*	*47,150*		
Three years later	*56,609*	*57,246*	*54,265*	*52,073*	*50,462*	*53,251*	*48,610*			
Four years later	*56,676*	*57,105*	*53,880*	*51,337*	*49,538*	*52,597*				
Five years later	*56,474*	*56,743*	*53,321*	*50,482*	*48,971*					
Six years later	*56,250*	*56,278*	*52,657*	*50,076*						
Seven years later	*55,834*	*55,780*	*52,359*							
Eight years later	*55,391*	*55,492*								
Nine years later	*55,260*									
Cumulative (deficiency)/redundancy of net reserves	2,125	1,827	2,344	3,663	3,487	3,027	2,017	1,073	600	
Cumulative (deficiency)/redundancy as a percentage of initial net reserves	3.7%	3.2%	4.3%	6.8%	6.6%	5.4%	4.0%	2.2%	1.2%	
Gross reserves reestimated	66,011	65,100	61,252	58,523	57,612	63,407	60,261	60,138	63,531	
Cumulative (deficiency)/redundancy of gross reserves[2]	3,976	3,212	3,221	4,447	4,642	3,308	1,927	246	961	
Cumulative (deficiency)/redundancy as a percentage of initial gross reserves	5.7%	4.7%	5.0%	7.1%	7.5%	5.0%	3.1%	0.4%	1.5%	

1 Undiscounted amounts starting 2016, prior years are shown discounted.
2 In 2020, changes to incurred gross prior year losses and loss adjustment expenses relate largely to business with limited net impact to the Group such as liabilities related to captive business, development in losses related to 2017 catastrophe events that are substantially reinsured, and participation in large claims related to business where the Group retains only a portion of the overall loss.

Consolidated financial statements (continued)

Table 8.4 presents changes in the historical reserves for losses and loss adjustment expenses, net of reinsurance, that the Group established in 2012 and subsequent years. Reserves are presented by financial year, not by accident year. The reserves (and the development thereon) are for all accident years in that financial year. The top line of the table shows the estimated gross reserves for unpaid losses and loss adjustment expenses as of each balance sheet date, which represents the estimated amount of future payments for losses incurred in that year and in prior years. The cumulative paid portion of the table presents the cumulative amounts paid through each subsequent year in respect of the reserves established at each year end. Similarly, the cumulative change in reserves section details the cumulative changes in loss reserves at the end of each financial year. The net undiscounted reserves reestimated portion of the table shows the reestimation of the initially recorded reserve as of each succeeding year end. Reserve development is shown in each column. Changes to estimates are made as more information becomes known about the actual losses for which the initial reserves were established. The cumulative deficiency or redundancy is equal to the initial net reserves less the liability reestimated as of December 31, 2021. It is the difference between the initial net reserve estimate and the last entry of the diagonal in the net undiscounted reserves reestimated portion of the table. Conditions and trends that have affected the development of reserves for losses and loss adjustment expenses in the past may or may not necessarily occur in the future, and accordingly, conclusions about future results cannot be derived from the information presented in table 8.4.

The Group has considered asbestos, including latent injury, claims and claims expenses in establishing the reserves for losses and loss adjustment expenses. The Group continues to be advised of indemnity claims asserting injuries from asbestos. Coverage and claim settlement issues, such as determination that coverage exists and the definition of an occurrence, together with increased medical diagnostic capabilities and awareness have often caused actual loss development to exhibit more variation than in other lines of business. Such claims require specialized reserving techniques and the uncertainty of the ultimate cost of these types of claims has tended to be greater than the uncertainty related to standard lines of business.

Net reserves for losses and loss adjustment expenses for asbestos amounted to USD 124 million and USD 121 million for the years ended December 31, 2021 and 2020, respectively.

Development of future life policyholder benefits

Table 8.5

in USD millions	Gross		Ceded		Net	
	2021	2020	**2021**	2020	**2021**	2020
As of January 1	83,958	77,756	(4,256)	(3,978)	79,703	73,778
Premiums	12,653	12,579	(1,717)	(1,385)	10,937	11,194
Claims	(10,902)	(11,182)	1,324	1,141	(9,578)	(10,041)
Fee income and other expenses	(4,341)	(3,856)	451	238	(3,890)	(3,618)
Interest and bonuses credited to policyholders	1,634	2,080	(73)	(101)	1,561	1,979
Changes in assumptions	14	76	–	–	14	76
Acquisitions/(divestments) and transfers[1]	(3,411)	20	11	39	(3,399)	59
Increase/(decrease) recorded in other comprehensive income	(1,135)	728	–	–	(1,135)	728
Foreign currency translation effects	(4,494)	5,757	163	(208)	(4,331)	5,548
As of December 31	**73,977**	**83,958**	**(4,096)**	**(4,256)**	**69,881**	**79,703**

1 The 2021 net movement is mainly related to an agreement entered into by Zurich Investments Life S.p.A. to sell part of its life and pension back book (see note 5). The 2020 net movement is mainly related to adjustments to the acquisition of OnePath.

Long-duration contract liabilities included in future life policyholder benefits result primarily from traditional participating and non-participating life insurance products. Short-duration contract liabilities are primarily accident and health insurance products.

Future life policyholder benefits are generally calculated by a net premium valuation. In terms of U.S. dollars, the weighted average discount rate used in the calculation of future life policyholder benefits is 2.2 percent and 2.1 percent as of December 31, 2021 and 2020, respectively.

The amount of policyholder dividends to be paid is determined annually by each life insurance subsidiary. Policyholder dividends include life policyholder share of net income and unrealized appreciation of investments that are required to be allocated by the insurance contract or by local insurance regulations. Experience adjustments related to future policyholder benefits and policyholder contract deposits vary according to the type of contract and the country. Investment, mortality and morbidity results may be passed through by experience credits or as an adjustment to the premium mechanism, subject to local regulatory provisions.

Consolidated financial statements (continued)

The net impact of changes in assumptions on future life policyholder benefits by type of assumption is shown in table 8.6.

Table 8.6

Effect of changes in assumptions for future life policyholder benefits

in USD millions, for the years ended December 31	2021	2020
Interest rates	5	13
Investment return	9	14
Changes in modeling	–	40
Expense	1	2
Morbidity	3	–
Longevity	(2)	–
Lapses	(1)	5
Other	(3)	1
Net impact of changes in assumptions	**12**	**75**

Table 8.7

Policyholder contract deposits and other funds gross

in USD millions, as of December 31	2021	2020
Universal life and other contracts	14,571	14,622
Policyholder dividends	13,482	16,875
Total	**28,052**	**31,497**

Table 8.8

Development of policyholder contract deposits and other funds

in USD millions	Gross		Ceded		Net	
	2021	2020	2021	2020	2021	2020
As of January 1	31,497	27,480	(3,236)	(3,285)	28,261	24,195
Premiums	1,334	1,204	(69)	(74)	1,264	1,130
Claims	(1,308)	(1,210)	261	245	(1,047)	(964)
Fee income and other expenses	(485)	(437)	–	(4)	(485)	(441)
Interest and bonuses credited to policyholders	1,125	1,114	(115)	(118)	1,009	995
Acquisitions/(divestments) and transfers	–	16	–	–	–	16
Increase/(decrease) recorded in other comprehensive income	(2,602)	1,517	–	–	(2,602)	1,517
Foreign currency translation effects	(1,508)	1,813	–	–	(1,508)	1,813
As of December 31	**28,052**	**31,497**	**(3,159)**	**(3,236)**	**24,893**	**28,261**

Consolidated financial statements (continued)

Tables 8.9a and 8.9b provide an analysis of the expected maturity profile of reserves for insurance contracts, net of reinsurance, based on expected cash flows without considering the surrender values as of December 31, 2021 and 2020. Reserves for unit-linked insurance contracts amounting to USD 83 billion and USD 81 billion as of December 31, 2021 and 2020, respectively, are not included, as policyholders can generally surrender their contracts at any time, at which point the underlying unit-linked assets would be liquidated. Risks from the liquidation of unit-linked assets are largely borne by the policyholders of unit-linked contracts.

Table 8.9a

Expected maturity profile for reserves for insurance contracts, net of reinsurance – current period

in USD millions, as of December 31, 2021	Reserves for losses and loss adjustment expenses	Future life policyholder benefits	Policyholder contract deposits and other funds	Total
< 1 year	15,176	14,704	1,817	31,697
1 to 5 years	18,008	13,674	2,173	33,855
5 to 10 years	5,748	11,306	2,589	19,643
10 to 20 years	4,427	8,791	2,649	15,868
> 20 years	5,639	21,406	15,665	42,709
Total	**48,998**	**69,881**	**24,893**	**143,772**

Table 8.9b

Expected maturity profile for reserves for insurance contracts, net of reinsurance – prior period

in USD millions, as of December 31, 2020	Reserves for losses and loss adjustment expenses	Future life policyholder benefits	Policyholder contract deposits and other funds	Total
< 1 year	14,304	8,826	1,785	24,915
1 to 5 years	19,394	18,138	2,232	39,764
5 to 10 years	6,819	15,459	2,795	25,073
10 to 20 years	5,413	13,027	2,958	21,398
> 20 years	3,022	24,253	18,491	45,767
Total	**48,951**	**79,703**	**28,261**	**156,916**

Consolidated financial statements (continued)

9. Liabilities for investment contracts

Table 9.1

Liabilities for investment contracts

in USD millions, as of December 31	**2021**	2020
Unit-linked investment contracts	60,930	55,174
Investment contracts (amortized cost)	837	878
Investment contracts with DPF	7,088	13,455
Total	**68,855**	**69,507**

Unit-linked investment contracts issued by the Group are recorded at a value reflecting the returns on investment funds which include selected equities, debt securities and derivative financial instruments. Policyholders bear the full risk of the returns on these investments.

The value of financial liabilities at amortized cost is based on a discounted cash flow valuation technique. The initial valuation of the discount rate is determined by the current market assessment of the time value of money and risk specific to the liability.

Table 9.2

Development of liabilities for investment contracts

in USD millions	**2021**	2020
As of January 1	69,507	61,761
Premiums	7,054	6,210
Claims	(6,812)	(5,959)
Fee income and other expenses	(478)	(366)
Interest and bonuses credited to policyholders	7,912	3,364
Acquisitions/(divestments) and transfers[1]	(4,394)	(301)
Increase/(decrease) recorded in other comprehensive income	(504)	525
Foreign currency translation effects	(3,430)	4,274
As of December 31	**68,855**	**69,507**

1 As of December 31, 2021, the net carrying amount of liabilities for investment contracts decreased by USD 4.4 billion mainly due to an agreement entered into by Zurich Investment Life S.p.A. to sell its life and pension back book (see note 5). As of December 31, 2020, the net carrying amount of liabilities for investment contracts decreased by USD 301 million due to portfolio transactions by Zurich International Life Limited and Zurich Life Assurance plc (see note 5).

Consolidated financial statements (continued)

Tables 9.3a and 9.3b provide an analysis of investment contract liabilities according to maturity, based on expected cash flows as of December 31, 2021 and 2020. The undiscounted contractual cash flows for investment contract liabilities are USD 69 billion as of December 31, 2021 and USD 69 billion as of December 31, 2020. Liabilities for unit-linked investment contracts amounted to USD 61 billion and USD 55 billion as of December 31, 2021 and 2020, respectively. Policyholders of unit-linked investment contracts can generally surrender their contracts at any time, leading the underlying assets to be liquidated, risks arising from liquidation of unit-linked assets are borne by the policyholders. Certain non-unit-linked contracts also allow for surrender of the contract by the policyholder at any time. Liabilities for such contracts amounted to USD 416 million and USD 444 million as of December 31, 2021 and 2020, respectively. The Group actively manages the Life in-force business to improve persistency and retention.

Table 9.3a

Expected maturity profile for liabilities for investment contracts – current period

in USD millions, as of December 31, 2021	**Liabilities related to unit-linked investment contracts**	**Liabilities related to investment contracts (amortized cost)**	**Liabilities related to investment contracts with discretionary participation features**	**Total**
< 1 year	4,142	615	267	5,025
1 to 5 years	9,204	83	1,863	11,151
5 to 10 years	10,317	51	736	11,104
10 to 20 years	8,605	50	977	9,632
> 20 years	28,661	37	3,245	31,944
Total	**60,930**	**837**	**7,088**	**68,855**

Table 9.3b

Expected maturity profile for liabilities for investment contracts – prior period

in USD millions, as of December 31, 2020	Liabilities related to unit-linked investment contracts	Liabilities related to investment contracts (amortized cost)	Liabilities related to investment contracts with discretionary participation features	Total
< 1 year	3,921	657	525	5,103
1 to 5 years	8,223	90	2,228	10,541
5 to 10 years	9,222	55	2,169	11,446
10 to 20 years	8,043	57	1,268	9,368
> 20 years	25,764	20	7,265	33,049
Total	**55,174**	**878**	**13,455**	**69,507**

Consolidated financial statements (continued)

10. Gross and ceded insurance revenues and expenses

Table 10.1

Insurance benefits and losses

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2021	2020	**2021**	2020	**2021**	2020
Losses and loss adjustment expenses	23,670	24,598	(4,870)	(7,017)	18,800	17,581
Life insurance death and other benefits	10,800	11,300	(1,316)	(1,141)	9,484	10,160
Total insurance benefits and losses	**34,470**	**35,899**	**(6,186)**	**(8,158)**	**28,284**	**27,741**

Table 10.2

Policyholder dividends and participation in profits

in USD millions, for the years ended December 31	**2021**	2020
Change in policyholder contract deposits and other funds	794	817
Change in reserves for unit-linked insurance contracts	6,834	4,233
Change in liabilities for investment contracts – unit-linked	7,598	3,223
Change in liabilities for investment contracts – other	187	147
Change in unit-linked liabilities related to UK capital gains tax	(219)	(95)
Total policyholder dividends and participation in profits	**15,195**	**8,325**

Table 10.3

Underwriting and policy acquisition costs

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2021	2020	**2021**	2020	**2021**	2020
Amortization of deferred acquisition costs	7,116	6,585	(763)	(889)	6,353	5,696
Amortization of deferred origination costs	67	67	–	–	67	67
Commissions and other underwriting and acquisition expenses[1]	3,354	2,996	(561)	(204)	2,793	2,792
Total underwriting and policy acquisition costs	**10,537**	**9,647**	**(1,324)**	**(1,092)**	**9,213**	**8,555**

1 Net of additions related to deferred acquisition and origination costs.

Table 10.4

Change in reserves for unearned premiums

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2021	2020	**2021**	2020	**2021**	2020
Change in reserves for unearned premiums	**2,023**	**903**	**(248)**	**(280)**	**1,776**	**623**

Consolidated financial statements (continued)

11. Deferred policy acquisition costs and deferred origination costs

Table 11.1

Development of deferred policy acquisition costs

in USD millions	Property & Casualty		Life		Other businesses[1]		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
As of January 1	5,984	5,694	12,248	11,695	1,789	1,818	20,021	19,207
Acquisition costs deferred	5,395	4,572	1,749	1,645	202	127	7,347	6,344
Amortization	(4,839)	(4,363)	(1,359)	(1,226)	(139)	(110)	(6,337)	(5,699)
Impairments	(2)	–	(118)	(19)	–	–	(120)	(19)
Amortization (charged)/ credited to other comprehensive income	–	–	268	(206)	32	(42)	300	(248)
Acquisitions/(divestments) and transfers[2]	–	43	2	(107)	–	(4)	2	(68)
Foreign currency translation effects	(179)	38	(588)	466	1	(1)	(766)	503
As of December 31	**6,359**	**5,984**	**12,201**	**12,248**	**1,886**	**1,789**	**20,446**	**20,021**

1 Net of eliminations from inter-segment transactions.
2 In 2021, the movement in Life of USD 2 million is related to an agreement entered by Zurich International Life Limited to sell an insurance portfolio of USD 3 million, offset by an agreement with GamaLife – Companhia de Seguros de Vida S.A. to sell an insurance portfolio of USD 5 million (see note 5). In 2020, Property & Casualty movement of USD 43 million is mainly related to the acquisition of Adira Insurance for USD 33 million and CSS Versicherung AG Commercial Accident and Health business for USD 5 million (see note 5). The movement in Life of USD 107 million is mainly related to an agreement entered by Zurich International Life Limited to sell an insurance portfolio (see note 5).

Table 11.2

Development of deferred origination costs

in USD millions	**2021**	2020
As of January 1	426	400
Origination costs deferred	105	69
Amortization	(67)	(71)
Acquisitions/(divestments) and transfers	2	(2)
Foreign currency translation effects	(25)	29
As of December 31	**441**	**426**

Consolidated financial statements (continued)

12. Expenses

Table 12 shows expenses by functional area and by type of expense.

Expenses

Table 12

in USD millions, for the years ended December 31	2021	2020
Administrative and other operating expenses	8,794	8,006
Underwriting and policy acquisition costs, net of reinsurance	9,213	8,555
Claims handling expenses[1]	2,515	2,494
Investment expenses	365	364
Total	**20,887**	**19,419**
of which:		
Personnel and other related costs	6,691	6,306
Building and infrastructure costs	526	588
Brand and marketing expenses	694	609
Commissions (net of DAC)	7,260	6,643
Premium taxes (net of DAC)	601	563
Asset and other non-income taxes	42	62
IT expenses	2,046	1,886
Outsourcing and professional services	2,047	2,049
Foreign currency translation	158	65
Other	823	647
Total	**20,887**	**19,419**

1 Included within losses and loss adjustment expenses (see table 10.1).

13. Property and equipment

Buildings held for own use and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss. Generally, these assets are depreciated on a straight-line basis to income over the following estimated useful lives:

- buildings 25 to 50 years;
- furniture and fixtures 5 to 10 years;
- computer equipment 3 to 6 years;
- other equipment 6 to 10 years (or determined by the term of lease).

Land held for own use is carried at cost less any accumulated impairment loss.

The right-of-use asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated over the shorter of the leased asset's useful life or the lease term on a straight-line basis.

Table 13.1

Property and equipment overview

in USD millions, as of December 31	Real Estate		Equipment		Total	
	2021	2020	**2021**	2020	**2021**	2020
Right-of-use	1,412	1,608	59	47	1,471	1,655
Owned and subject to operating lease	501	527	464	523	965	1,050
Total	**1,912**	**2,135**	**523**	**570**	**2,436**	**2,705**

Table 13.2

Property and equipment – current period

in USD millions	Real Estate				Equipment			Total		
	Owned	Owned – subject to operating lease	Right-of-use	Total	Owned	Right-of-use	Total	Owned incl. operating lease	Right-of-use	Total
Gross carrying value as of January 1, 2021	**661**	**–**	**2,637**	**3,298**	**1,394**	**94**	**1,488**	**2,055**	**2,731**	**4,785**
Less: accumulated depreciation/impairments	(134)	–	(1,029)	(1,163)	(871)	(46)	(918)	(1,005)	(1,075)	(2,081)
Net carrying value as of January 1, 2021	**527**	**–**	**1,608**	**2,135**	**523**	**47**	**570**	**1,050**	**1,655**	**2,705**
Additions and improvements	96	–	76	172	92	35	127	188	111	299
Lease modifications	–	–	(17)	(17)	–	–	–	–	(16)	(16)
Depreciation and impairments	(8)	–	(200)	(208)	(120)	(20)	(140)	(129)	(220)	(348)
Acquisitions/(divestments) and transfers	(97)	–	(7)	(104)	(14)	(3)	(17)	(111)	(10)	(121)
Foreign currency translation effects	(17)	–	(49)	(66)	(16)	(1)	(17)	(33)	(49)	(82)
Net carrying value as of December 31, 2021	**501**	**–**	**1,412**	**1,912**	**464**	**59**	**523**	**965**	**1,471**	**2,436**
Plus: accumulated depreciation/impairments	70	–	1,121	1,191	885	44	929	955	1,165	2,120
Gross carrying value as of December 31, 2021	**571**	**–**	**2,533**	**3,104**	**1,349**	**103**	**1,452**	**1,920**	**2,636**	**4,556**

Consolidated financial statements (continued)

Property and equipment – prior period

Table 13.3

in USD millions	Real Estate				Equipment			Total		
	Owned	Owned – subject to operating lease	Right-of-use	Total	Owned	Right-of-use	Total	Owned incl. operating lease	Right-of-use	Total
Gross carrying value as of January 1, 2020	**589**	**3**	**2,472**	**3,064**	**1,424**	**115**	**1,539**	**2,016**	**2,587**	**4,603**
Less: accumulated depreciation/impairments	(140)	(1)	(862)	(1,003)	(907)	(58)	(965)	(1,048)	(920)	(1,968)
Net carrying value as of January 1, 2020	**449**	**2**	**1,610**	**2,061**	**517**	**57**	**574**	**968**	**1,667**	**2,635**
Additions and improvements[1]	58	1	110	170	156	16	171	215	126	341
Lease modifications	–	–	42	42	–	(3)	(3)	–	39	39
Depreciation and impairments[2]	(8)	–	(218)	(226)	(131)	(20)	(151)	(139)	(238)	(377)
Acquisitions/(divestments) and transfers	(13)	(3)	(5)	(21)	(40)	(3)	(43)	(57)	(8)	(65)
Foreign currency translation effects	41	–	68	109	22	–	22	62	69	131
Net carrying value as of December 31, 2020	**527**	**–**	**1,608**	**2,135**	**523**	**47**	**570**	**1,050**	**1,655**	**2,705**
Plus: accumulated depreciation/impairments	134	–	1,029	1,163	871	46	918	1,005	1,075	2,081
Gross carrying value as of December 31, 2020	**661**	**–**	**2,637**	**3,298**	**1,394**	**94**	**1,488**	**2,055**	**2,731**	**4,785**

1 Includes the initial recognition of right-of-use asset in Australia of USD 47 million as a result of sale and leaseback transaction.
2 Includes impairment of fixed assets of USD 30 million.

Lessee – lease expenses and income

Table 13.4

in USD millions, for the years ended December 31	**2021**	2020
Lease expenses[1]		
Interest expense on lease liabilities[2]	43	49
Short-term lease expenses	12	12
Low-value asset lease expenses	30	25
Lease income		
Income from subleasing right-of-use assets	14	14
Gains arising from sale and leaseback transactions	–	24

1 Total cash outflow for leases amounts to USD 312 million and USD 303 million as of December 31, 2021 and 2020, respectively, excluding USD 2 billion and USD 2 billion of future cash outflows due to extension & termination options.
2 Included in 'Interest credited to policyholders and other interest.'

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Lessor – finance lease and operating lease income

Table 13.5

in USD millions, for the years ended December 31	2021	2020
Finance lease		
Selling profit or loss	(2)	–
Interest income on finance lease receivables	66	58
Total	**64**	**58**
Operating lease		
Operating lease income – property and equipment	9	18
Operating lease income – investment property	626	648
Total	**635**	**666**

Maturity schedule – finance lease receivable

Table 13.6

in USD millions, as of December 31		2021			2020	
	Carrying value	Unearned interest	Undiscounted cash flows	Carrying value	Unearned interest	Undiscounted cash flows
< 1 year	113	9	122	91	18	109
1 to 2 years	30	9	39	24	13	36
2 to 3 years	95	7	102	118	10	129
3 to 4 years	25	3	29	89	9	98
4 to 5 years	27	7	33	20	5	25
> 5 years	229	162	391	184	100	285
Total	**518**	**197**	**715**	**527**	**155**	**682**

Maturity schedule – operating lease payments to be received

Table 13.7

in USD millions, as of December 31	Undiscounted cash flows	
	2021	2020
< 1 year	494	480
1 to 2 years	347	324
2 to 3 years	289	274
3 to 4 years	245	221
4 to 5 years	198	190
> 5 years	978	945
Total	**2,550**	**2,434**

Consolidated financial statements (continued)

14. Attorney-in-fact contracts, goodwill and other intangible assets

Table 14.1

Intangible assets – current period

in USD millions	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software[2]	Other	Total
Gross carrying value as of January 1, 2021	1,025	4,412	2,649	4,273	5,030	340	17,730
Less: accumulated amortization/impairments	–	(323)	(2,236)	(1,885)	(3,810)	(131)	(8,385)
Net carrying value as of January 1, 2021	1,025	4,089	413	2,388	1,221	209	9,345
Additions and acquisitions	1,625	418	–	81	529	375	3,029
Divestments and transfers	–	(19)	–	–	(20)	–	(39)
Amortization[1]	–	–	(41)	(107)	(288)	(39)	(475)
Amortization charged to other comprehensive income	–	–	26	–	–	–	26
Impairments	–	(5)	–	–	(16)	(4)	(25)
Foreign currency translation effects	–	(140)	(23)	(177)	(38)	(4)	(382)
Net carrying value as of December 31, 2021	**2,650**	**4,344**	**375**	**2,185**	**1,387**	**537**	**11,478**
Plus: accumulated amortization/impairments	–	274	2,180	1,836	3,871	147	8,307
Gross carrying value as of December 31, 2021	2,650	4,617	2,555	4,021	5,258	683	19,785

1 Amortization of distribution agreements is included within underwriting and policy acquisition costs.
2 For the year ended December 31, 2021 Farmers Group, Inc. has USD 1.3 billion of fully amortized software, which is still in use.

As of December 31, 2021, intangible assets related to non-controlling interests were USD 41 million for present value of future profits (PVFP) of acquired insurance contracts, USD 888 million for distribution agreements, USD 9 million for software, USD 43 million for goodwill and USD 2 million for other intangible assets.

As a result of the acquisition of MetLife's property and casualty (P&C) business in the U.S., intangible assets increased by USD 2.571 billion, of which USD 1.625 billion is Attorney-in-fact relationships, USD 418 million is goodwill, USD 153 million is software and USD 375 million is other intangible assets (see note 5).

Table 14.2

Intangible assets by business – current period

in USD millions, as of December 31, 2021	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Property & Casualty	–	1,820	–	714	798	167	3,499
Life	–	1,277	344	1,471	51	23	3,166
Farmers	2,650	1,237	32	–	500	347	4,766
Group Functions and Operations	–	9	–	–	37	–	47
Net carrying value	**2,650**	**4,344**	**375**	**2,185**	**1,387**	**537**	**11,478**

Consolidated financial statements (continued)

Table 14.3

Intangible assets – prior period

in USD millions	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Gross carrying value as of January 1, 2020	1,025	3,883	2,556	4,286	5,059	331	17,140
Less: accumulated amortization/impairments	–	(274)	(2,116)	(1,752)	(3,917)	(113)	(8,171)
Net carrying value as of January 1, 2020	1,025	3,610	440	2,534	1,141	218	8,968
Additions and acquisitions	–	366	–	54	355	5	780
Divestments and transfers	–	–	–	(5)	(6)	–	(12)
Amortization[1]	–	–	(33)	(115)	(300)	(12)	(460)
Amortization charged to other comprehensive income	–	–	(17)	–	–	–	(17)
Impairments	–	(33)	–	(24)	(13)	(4)	(74)
Foreign currency translation effects	–	146	24	(56)	43	2	159
Net carrying value as of December 31, 2020	**1,025**	**4,089**	**413**	**2,388**	**1,221**	**209**	**9,345**
Plus: accumulated amortization/impairments	–	323	2,236	1,885	3,810	131	8,385
Gross carrying value as of December 31, 2020	1,025	4,412	2,649	4,273	5,030	340	17,730

1 Amortization of distribution agreements is included within underwriting and policy acquisition costs.

As of December 31, 2020, intangible assets related to non-controlling interests were USD 50 million for present value of future profits (PVFP) of acquired insurance contracts, USD 972 million for distribution agreements, USD 10 million for software, USD 44 million for goodwill and USD 2 million for other intangible assets.

As a result of the acquisition of Adira Insurance in Indonesia, intangible assets increased by USD 253 million, of which USD 212 million is goodwill, USD 35 million is distribution agreements and USD 6 million is other intangible assets. Goodwill further increased following the acquisition of the CSS Versicherung AG Commercial Accident and Health portfolio in Switzerland and also as a result of post-acquisition adjustments related to the OnePath acquisition.

A goodwill impairment of USD 33 million was recognized relating to Bright Box, which is part of the Group Functions & Operations segment.

The Group performs quantitative tests of goodwill recoverability annually during the third quarter by applying a reasonably possible change to each of the key assumptions to capture potential future variations in market conditions: a decrease in cash flows of up to 20 percent, an increase in the discount rate of 1.0 percentage point and a decrease in the perpetual growth rate of 1.0 percentage point. Under each individual scenario, reasonably possible changes in key assumptions did not impair goodwill and AIF contracts. The Group's quantitative tests support the carrying value of the goodwill in these CGUs.

Table 14.4

Intangible assets by business – prior period

in USD millions, as of December 31, 2020	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Property & Casualty	–	1,876	–	762	749	183	3,570
Life	–	1,365	381	1,625	57	26	3,455
Farmers	1,025	819	32	–	351	–	2,228
Group Functions and Operations	–	29	–	–	64	–	92
Net carrying value	**1,025**	**4,089**	**413**	**2,388**	**1,221**	**209**	**9,345**

Consolidated financial statements (continued)

15. Receivables and other assets

Receivables and other assets

Table 15

in USD millions, as of December 31	**2021**	2020
Financial assets		
Group derivative assets	938	1,763
Unit-linked derivative assets	12	26
Receivables from policyholders	3,364	3,319
Receivables from insurance companies, agents and intermediaries	5,950	5,508
Receivables arising from ceded reinsurance	1,633	1,549
Amounts due from investment brokers	1,128	949
Other receivables	2,053	2,505
Allowance for impairments[1]	(300)	(332)
Accrued premiums	1,054	910
Accrued investment income[2]	1,398	1,576
Assets for defined benefit plans[3]	603	630
Other financial assets	190	174
Non-financial assets		
Current income tax receivables	974	905
Prepaid expenses	554	475
Other non-financial assets	400	404
Total receivables and other assets	**19,951**	**20,362**

1 Includes receivables arising from ceded reinsurance of USD 78 million and USD 88 million as of December 31, 2021 and 2020, respectively.
2 Accrued investment income on the unit-linked investments amounts to USD 82 million and USD 87 million as of December 31, 2021 and 2020, respectively.
3 See note 20.

Receivables are carried at notional amounts and are generally settled within one year. The notional and fair value amounts are not significantly different.

Consolidated financial statements (continued)

16. Other liabilities

Table 16.1

Other liabilities

in USD millions, as of December 31	2021	2020
Other financial liabilities		
Group derivative liabilities	532	481
Unit-linked derivative liabilities	21	1
Amounts due to agents & intermediaries	789	773
Liabilities for cash collateral received for securities lending	–	111
Amounts due to investment brokers	1,145	1,910
Bank deposits	1	1
Collateralized bank financing for structured lease vehicles	124	139
Liabilities for defined benefit plans[1]	1,759	2,800
Other liabilities for employee benefit plans	142	131
Lease liabilities	1,878	2,082
Accrued liabilities	2,527	2,221
Other financial liabilities	5,445	5,424
Other non-financial liabilities		
Current income tax payables	622	770
Provisions[2]	748	893
Other non-financial liabilities[2]	277	256
Total other liabilities	**16,009**	**17,992**

1 See note 20.
2 In 2021, provisions include restructuring provisions, litigation and regulatory provisions and other provisions (see table 16.4 for further details). In 2020, restructuring provisions of USD 167 million were separately disclosed, and litigation and regulatory provisions and other provisions of US 726 million were included in other non-financial liabilities.

Table 16.2 shows the maturity schedule of other financial liabilities excluding liabilities for defined benefit plans and lease liabilities as of December 31, 2021 and 2020. The allocation to the time bands is based on the expected maturity date for the carrying value and the earliest contractual maturity for the undiscounted cash flows.

Table 16.2

Maturity schedule – other financial liabilities

in USD millions, as of December 31	2021		2020	
	Carrying value	Undiscounted cash flows	Carrying value	Undiscounted cash flows
< 1 year	10,430	10,438	10,769	10,781
1 to 2 years	50	52	136	144
2 to 3 years	16	19	67	71
3 to 4 years	82	100	6	7
4 to 5 years	38	39	77	93
> 5 years	110	238	139	240
Total	**10,727**	**10,886**	**11,193**	**11,336**

Table 16.3

Maturity schedule – lease liabilities

in USD millions, as of December 31	2021		2020	
	Carrying value	Undiscounted cash flows	Carrying value	Undiscounted cash flows
< 1 year	225	263	235	276
1 to 2 years	193	228	215	252
2 to 3 years	163	194	179	212
3 to 4 years	157	185	155	186
4 to 5 years	133	158	145	172
> 5 years	1,006	1,288	1,153	1,478
Total	**1,878**	**2,316**	**2,082**	**2,576**

Consolidated financial statements (continued)

Provisions[1]

Table 16.4

in USD millions	Restructuring provisions		Litigation and regulatory provisions[2]		Other provisions		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
As of January 1	167	106	142	127	584	480	893	713
Provisions made during the period	50	121	16	80	334	280	401	481
Increase of provisions set up in prior years	12	22	4	3	9	34	25	59
Provisions used during the period	(118)	(78)	(52)	(59)	(257)	(216)	(427)	(353)
Provisions reversed during the period	(13)	(12)	(8)	–	(54)	(52)	(75)	(64)
Foreign currency translation effects	(4)	6	12	(5)	(56)	40	(47)	40
Net changes due to acquisitions/divestments	–	–	–	–	(32)	13	(32)	13
Other changes	(1)	2	35	(4)	(23)	5	11	4
As of December 31	**93**	**167**	**150**	**142**	**504**	**584**	**748**	**893**

1 In 2021, the Group enhanced the presentation of Provisions by adding to the Restructuring provisions table the movements related to Litigation and regulatory provisions and other provisions.
2 See note 22 for further information on legal, compliance and regulatory developments.

17. Income taxes

Income tax expense – current/deferred split

Table 17.1

in USD millions, for the years ended December 31	2021	2020
Current	1,250	1,412
Deferred	646	(89)
Total income tax expense/(benefit)	**1,895**	**1,323**

Expected and actual income tax expense

Table 17.2

in USD millions, for the years ended December 31	Rate	2021	Rate	2020
Net income before income taxes		7,321		5,395
less: income tax (expense)/benefit attributable to policyholders		(275)		(46)
Net income before income taxes attributable to shareholders		7,046		5,348
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	20.0%	1,409	21.0%	1,123
Increase/(reduction) in taxes resulting from:				
Tax rate differential in foreign jurisdictions		(102)		(57)
Tax exempt and lower taxed income		(150)		(152)
Non-deductible expenses		139		166
Tax losses not recognized		64		66
Prior year adjustments and other		260		130
Actual income tax expense attributable to shareholders	**23.0%**	**1,621**	**23.9%**	**1,277**
plus: income tax expense/(benefit) attributable to policyholders		275		46
Actual income tax expense	25.9%	1,895	24.5%	1,323

Table 17.2 sets out the factors that cause the actual income tax expense to differ from the expected expense computed by applying the Swiss statutory tax rate of 20.0 percent, which is the rate applicable in the jurisdiction where the ultimate parent company is resident. Following changes in the Swiss tax legislation, the applicable Swiss statutory tax rate has been revised to 20.0 percent for 2021 from 21.0 percent in 2020.

The UK tax reform had an adverse impact on the Group's shareholder income tax position in 2021, which is included in the line "Prior year adjustments and other".

The Group is required to record taxes on policyholder earnings for life insurance policyholders in certain jurisdictions. Accordingly, the income tax expense or benefit attributable to these life insurance policyholder earnings is included in income tax expense. In certain jurisdictions an accrual for future policy fees that will cover the tax charge is included in insurance benefits and losses.

Taxes paid by certain of the Group's life insurance businesses are based on the investment result, and it is normal practice for certain of the Group's businesses to recover from policyholders the taxes attributable to their share of the investment result. While the relevant insurance businesses have the contractual right to charge policyholders for the taxes attributable to their share of the investment result, the obligation to pay the tax authority rests with the company and therefore the full amount of tax including the portion attributable to policyholders is accounted for as income tax. Income tax expense, therefore, includes an element attributable to policyholders.

Consolidated financial statements (continued)

Deferred tax assets/(liabilities) analysis by source

Table 17.3

in USD millions, as of December 31	2021 Assets	2021 Liabilities	2020 Assets	2020 Liabilities
Gross deferred tax				
Deferred acquisition and origination costs	89	(578)	79	(529)
Depreciable and amortizable assets	209	(150)	215	(141)
Life policyholders' benefits and deposits[1]	237	(5)	256	(4)
Unrealized (gains)/losses on available-for-sale investments and cash flow hedges	44	(82)	27	(114)
Accruals and deferred income	50	(12)	38	(18)
Reserves for losses and loss adjustment expenses	157	(38)	127	(13)
Reserves for unearned premiums	622	(2)	570	(1)
Deferred front-end fees	3	–	4	–
Pensions and other employee benefits	427	(77)	513	(37)
Other assets/liabilities	331	(81)	369	(91)
Tax loss carryforwards	432	–	476	–
Gross deferred tax assets/(liabilities) before valuation allowance	2,601	(1,025)	2,673	(949)
Valuation allowance	(379)	–	(410)	
Gross deferred tax assets/(liabilities) after valuation allowance	2,223	(1,025)	2,263	(949)
Deferred tax assets	**1,198**		**1,314**	
Gross deferred tax				
Deferred acquisition and origination costs	63	(2,762)	57	(2,643)
Depreciable and amortizable assets	766	(2,442)	473	(1,842)
Life policyholders' benefits and deposits[1]	1,538	(1,296)	1,533	(1,308)
Unrealized (gains)/losses on available-for-sale investments and cash flow hedges	283	(1,249)	263	(1,674)
Accruals and deferred income	189	(78)	183	(90)
Reserves for losses and loss adjustment expenses	401	(741)	281	(612)
Reserves for unearned premiums	290	(114)	244	(76)
Deferred front-end fees	649	–	586	–
Pensions and other employee benefits	415	(422)	375	(382)
Other assets/liabilities	661	(1,427)	673	(1,285)
Tax loss carryforwards	450	–	511	–
Gross deferred tax assets/(liabilities) before valuation allowance	5,705	(10,531)	5,181	(9,913)
Valuation allowance	(325)	–	(404)	–
Gross deferred tax assets/(liabilities) after valuation allowance	5,380	(10,531)	4,777	(9,913)
Deferred tax liabilities		**(5,151)**		**(5,136)**
Net deferred tax liabilities		**(3,953)**		**(3,822)**

1 Includes reserves for unit-linked contracts.

The Group's deferred tax assets and liabilities are recorded by its tax-paying entities throughout the world, which may include several legal entities within each tax jurisdiction. Legal entities are grouped as a single taxpayer only when permitted by local legislation and when deemed appropriate. The first part of table 17.3 includes single taxpayers with a net deferred tax asset position and the second part includes single taxpayers with a net deferred tax liability position.

As of December 31, 2021 and 2020, the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognized amount to approximately USD 26 billion and USD 26 billion, respectively. In the remote likelihood that these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

Consolidated financial statements (continued)

Table 17.4

Development of net deferred tax liabilities

in USD millions	2021	2020
As of January 1	(3,822)	(3,382)
Net change recognized in the income statement	(646)	89
Net change recognized in equity	423	(355)
Net changes due to acquisitions/(divestments)	(99)	24
Foreign currency translation effects	190	(198)
As of December 31	**(3,953)**	**(3,822)**
attributable to policyholders	(756)	(691)
attributable to shareholders	(3,197)	(3,131)

The net deferred tax liabilities related to non-controlling interests amounted to USD 118 million and USD 162 million as of December 31, 2021 and 2020, respectively.

Table 17.5

Development of deferred income taxes included in equity

in USD millions	2021	2020
As of January 1	(585)	(193)
Net unrealized (gains)/losses on available-for-sale investments	451	(336)
Cash flow hedges	22	–
Revaluation reserve	(15)	(5)
Net actuarial (gains)/losses on pension plans	(34)	(13)
Foreign currency translation effects	25	(37)
As of December 31	**(137)**	**(585)**

Table 17.6

Tax loss carryforwards and tax credits

in USD millions, as of December 31	2021	2020
For which deferred tax assets have been recognized, expiring		
< 5 years	7	100
5 to 20 years	75	175
> 20 years or with no time limitation	721	619
Subtotal	803	894
For which deferred tax assets have not been recognized, expiring		
< 5 years	181	121
5 to 20 years	225	371
> 20 years or with no time limitation	2,245	2,585
Subtotal	2,651	3,077
Total	**3,454**	**3,971**

The tax rates applicable to tax losses for which a deferred tax asset has not been recognized are 25.0 percent and 24.5 percent as of December 31, 2021 and 2020, respectively.

The recoverability of the deferred tax asset for each taxpayer is based on the taxpayer's ability to utilize the deferred tax asset. This analysis considers the projected taxable income to be generated by the taxpayer, as well as its ability to offset the deferred tax asset against deferred tax liabilities.

Management assesses the recoverability of the deferred tax-asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred tax assets as of December 31, 2021, to be recoverable.

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18. Senior and subordinated debt

Senior and subordinated debt

Table 18.1

in USD millions, as of December 31		2021	2020
Senior debt			
Zurich Insurance Company Ltd	2.875% CHF 250 million notes, due July 2021[1]	–	282
	3.375% EUR 500 million notes, due June 2022[1,3]	572	623
	1.875% CHF 100 million notes, due September 2023[1]	114	121
	1.750% EUR 500 million notes, due September 2024[1,3]	579	627
	0.500% CHF 350 million notes, due December 2024[1]	384	396
	0.510% CHF 120 million loan, due December 2024	132	136
	1.500% CHF 150 million notes, due July 2026[1]	179	188
	0.750% CHF 200 million notes, due October 2027[1]	219	226
	1.000% CHF 200 million notes, due October 2028[1]	220	226
	1.500% EUR 500 million notes, due December 2028[1,3]	565	607
	0.000% CHF 200 million notes, due August 2031[1]	219	–
	0.100% CHF 250 million notes, due August 2032[1]	275	283
Zurich Holding Comp. of America Inc	2.300% USD 400 million notes, due February 2030[1]	400	400
Zurich Finance (Australia) Limited	3.271% AUD 200 million loan, due May 2023	145	154
	3.477% AUD 350 million notes, due May 2023[1]	254	270
	4.500% AUD 375 million notes, due July 2038[1]	288	308
Zurich Finance (Ireland) DAC	2.250% USD 200 million notes, due December 2031[1]	200	–
	1.625% EUR 500 million notes, due June 2039[1,3]	567	610
Other	Various debt instruments	14	14
Senior debt		5,327	5,470
Subordinated debt			
Zurich Insurance Company Ltd	2.750% CHF 225 million perpetual capital notes, first callable June 2021[1]	–	254
	2.750% CHF 200 million perpetual capital notes, first callable September 2021[1]	–	229
	4.750% USD 1 billion perpetual capital notes, first callable January 2022[1,3]	1,000	999
	4.250% EUR 1 billion notes, due October 2043, first callable October 2023[1,3]	1,135	1,219
	4.250% USD 300 million notes, due October 2045, first callable October 2025[1,3]	299	299
	5.625% USD 1 billion notes, due June 2046, first callable June 2026[1,3]	998	997
	3.500% EUR 750 million notes, due October 2046, first callable October 2026[1,2,3]	861	939
	5.125% USD 500 million notes, due June 2048, first callable June 2028[1,3]	499	498
	4.875% USD 500 million notes, due October 2048, first callable October 2028[1,3]	498	498
	2.750% EUR 500 million notes, due February 2049, first callable February 2029[1,3]	564	606
Zurich Finance (Ireland) DAC	1.875% EUR 750 million notes, due September 2050, first callable June 2030[1,3]	848	912
	3.000% USD 1.75 billion notes, due April 2051, first callable January 2031[1,3]	1,746	–
	3.500% USD 500 million notes, due May 2052, first callable February 2032[1]	499	–
	1.600% EUR 200 million notes, due December 2052, first callable September 2032[1,3]	227	244
Zurich Finance (UK) plc	6.625% GBP 450 million perpetual notes, first callable October 2022[1]	608	613
Subordinated debt		9,782	8,306
Total senior and subordinated debt		**15,109**	**13,777**

1 Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).
2 The Group applied the fair value hedge methodology either partially or in full to hedge the interest rate exposure.
3 These bonds are part of a qualifying net investment hedge to hedge the foreign currency exposure.

None of the debt instruments listed in table 18.1 were in default as of 31 December 2021 or 31 December 2020.

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To facilitate the issuance of debt, the Group has in place a Euro Medium Term Note Program (EMTN Program) allowing for the issuance of senior and subordinated notes up to a maximum of USD 18 billion. All issuances under this program are either issued or guaranteed by Zurich Insurance Company Ltd. The Group has also issued debt outside this program.

Debt issued is recognized initially at fair value of the consideration received, net of transaction costs incurred, and subsequently carried at amortized cost using the effective interest rate method, unless fair value hedge accounting is applied.

Table 18.2

Maturity schedule of outstanding debt

in USD millions, as of December 31	**2021**		2020	
	Carrying value	**Undiscounted cash flows**	Carrying value	Undiscounted cash flows
< 1 year	2,195	2,646	779	1,228
1 to 2 years	1,649	2,021	2,234	2,630
2 to 3 years	1,095	1,401	1,763	2,072
3 to 4 years	299	604	1,159	1,393
4 to 5 years	2,038	2,281	299	537
5 to 10 years	5,977	6,760	6,098	6,660
> 10 years	1,856	2,018	1,444	1,627
Total	**15,109**	**17,731**	**13,777**	**16,148**

Debt maturities reflect original contractual dates, taking early redemption options into account. For call/redemption dates, see table 18.1. The total notional amount of debt due in each period is not materially different from the total carrying value disclosed in table 18.2. Undiscounted cash flows include interest and principal cash flows on debt outstanding as of December 31, 2021 and 2020. Floating interest rates are assumed to remain constant as of December 31, 2021 and 2020. The aggregated cash flows are translated into U.S. dollars at end-of-period rates.

Table 18.3

Development of debt arising from financing activities

in USD millions		**Total**
	2021	2020
As of January 1	13,777	11,999
Issuance of debt recognized in cash flows	2,664	2,015
Repayment of debt recognized in cash flows	(740)	(1,024)
Changes in fair value	(12)	9
Other changes	(14)	(14)
Foreign currency translation effects	(565)	792
As of December 31	**15,109**	**13,777**

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19. Shareholders' equity, dividends and earnings per share

Table 19.1

Share capital

	Share capital in CHF	Number of shares	Par value in CHF
Issued share capital			
As of December 31, 2019	14,960,803	149,608,027	0.10
New shares issued from contingent capital in 2020	85,214	852,140	0.10
As of December 31, 2020	15,046,017	150,460,167	0.10
New shares issued from contingent capital in 2021	–	–	
As of December 31, 2021	**15,046,017**	**150,460,167**	**0.10**
Authorized, contingent and issued share capital			
As of December 31, 2020	22,935,926	229,359,259	0.10
As of December 31, 2021	22,935,926	229,359,259	0.10

The following information related to authorized share capital and contingent share capital is specified in articles 5^{bis} and 5^{ter} of the Articles of Association of Zurich Insurance Group Ltd (ZIG).

a) Authorized share capital

On April 7, 2021, the Annual General Meeting (AGM) of ZIG approved an extension of the authorized share capital for another two years (from April 2021 to April 7, 2023). The extension of the authorized share capital required the corresponding extension of the validity of the combined dilution limitations for the authorized and contingent share capital (Art. 5^{bis} 5 and 5^{ter} 1d of the Articles of Association).

The Board of ZIG is authorized to increase the share capital of ZIG by an amount not exceeding CHF 4,488,240 by issuing up to 44,882,400 fully paid registered shares with a nominal value of CHF 0.10 each until April 7, 2023. An increase in partial amounts is permitted. The Board would determine the date of issue of any such new shares, the issue price, type of payment, conditions for exercising subscription rights, and the commencement of entitlement to dividends.

The Board may issue such new shares by means of a firm underwriting by a banking institution or syndicate with a subsequent offer of those shares to current shareholders. The Board may allow the expiry of subscription rights which have not been exercised, or it may place these rights as well as shares, the subscription rights of which have not been exercised, at market conditions.

The Board is further authorized to restrict or exclude the subscription rights of shareholders and to allocate them to third parties, ZIG or one of its Group companies, up to a maximum of 14,960,800 shares, if the shares are to be used:

– for the take-over of an enterprise, of parts of an enterprise or of participations or for investments by ZIG or one of its Group companies, or the financing including re-financing of such transactions; or
– for the purpose of expanding the scope of shareholders in connection with the quotation of shares on foreign stock exchanges or issuance of shares on the national or international capital markets (including private placements to one or more selected investors); or
– for the conversion of loans, bonds, similar debt instruments, equity-linked instruments or other financial market instruments (collectively, the 'Financial Instruments') issued by ZIG or one of its Group companies; or
– for the improvement of the regulatory and/or the rating capital position of ZIG or one of its Group companies in a fast and expeditious manner.

Up to April 7, 2023, the total of new shares issued from (i) authorized share capital where the subscription rights were restricted or excluded, and (ii) contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,960,800 new shares.

b) Contingent share capital

Financial Instruments

The extension of the authorized share capital until April 7, 2023, (see a) above) required the corresponding extension of the validity of the combined dilution limitations for authorized and contingent share capital until April 7, 2023, which was resolved at the AGM of April 7, 2021, by the shareholders (see also below). No other changes were resolved with respect to the contingent share capital.

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The share capital of ZIG may be increased by an amount not exceeding CHF 2,992,160 by issuing of up to 29,921,600 fully paid registered shares with a nominal value of CHF 0.10 each by the voluntary or mandatory exercise of conversion and/or option rights which are granted in connection with the issuance of Financial Instruments by ZIG or one of its Group companies or by mandatory conversion of Financial Instruments issued by ZIG or one of its Group companies, that allow for contingent mandatory conversion into shares of ZIG, or by exercising option rights which are granted to the shareholders. The subscription rights are excluded. The then-current owners of the Financial Instruments shall be entitled to subscribe for the new shares. The conversion and/or option conditions are to be determined by the Board.

The Board is authorized, when issuing Financial Instruments to restrict or exclude the advance subscription rights in cases where they are issued:

- for the financing including re-financing of a take-over of an enterprise, of parts of an enterprise, or of participations or of investments by ZIG or one of its Group companies; or
- on national or international capital markets (including private placements to one or more selected investors); or
- for the improvement of the regulatory and/or the rating capital position of ZIG or one of its Group companies in a fast and expeditious manner.

If the advance subscription rights are restricted or excluded by a resolution of the Board, the following applies: the Financial Instruments are to be issued at prevailing market conditions (including standard dilution protection clauses in accordance with market practice) and the setting of the conversion or issue price of the new shares must take due account of the stock market price of the shares and/or comparable instruments priced by the market at the time of issue or time of conversion.

The conversion rights may be exercisable during a maximum of ten years and option rights during a maximum of seven years from the time of the respective issue; contingent conversion features may remain in place indefinitely.

Up to April 7, 2023, the total of new shares issued from (i) authorized share capital where the subscription rights were restricted or excluded, and (ii) contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,960,800 new shares.

Employee participation

During 2021, no shares were issued to Group employees out of the contingent share capital while during 2020, 852,140 shares were issued to Group employees out of the contingent capital. As of December 31, 2021, and as of December 31, 2020, the remaining contingent share capital available for issuance to Group employees amounted to CHF 409,509.20 and 4,095,092 fully paid registered shares with a nominal value of CHF 0.10 each, respectively. Subscription rights, as well as advance subscription rights of the shareholders are excluded. The issuance of new shares or respective option rights to employees is subject to one or more regulations to be issued by the Board and taking into account performance, functions, levels of responsibility and criteria of profitability. New shares or option rights may be issued to employees at a price lower than that quoted on the stock exchange.

c) Additional paid-in capital

This reserve is not ordinarily available for distribution. However, as of January 1, 2011, a Swiss tax regulation based on the Swiss Corporate Tax Reform II became effective, allowing for payments free of Swiss withholding tax to shareholders out of the capital contribution reserve, created out of additional paid-in capital. Therefore, amounts qualifying under this regulation can be paid out of additional paid-in capital. As of December 31, 2021, the general capital contribution reserve amounted to CHF 252 million.

d) Treasury shares

Table 19.2

Treasury shares

number of shares, as of December 31	**2021**	2020	2019
Treasury shares	2,169,197	1,964,106	1,549,714

Treasury shares comprise shares acquired in the market.

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e) Dividends

The dividend of CHF 20 per share was paid out of the available earnings on April 13, 2021, as approved at the AGM on April 7, 2021. The difference between the respective amounts of the dividend at transaction day exchange rates amounting to USD 3.2 billion and at historical exchange rates are reflected in the cumulative foreign currency translation adjustment.

The dividend of CHF 20 per share was paid out of the available earnings on April 7, 2020, as approved at the AGM on April 1, 2020. The difference between the respective amounts of the dividend at transaction day exchange rates amounting to USD 3.1 billion and at historical exchange rates are reflected in the cumulative foreign currency translation adjustment.

f) Earnings per share

Table 19.3

Earnings per share

for the years ended December 31	Net income attributable to common shareholders (in USD millions)	Weighted average number of shares	Per share (USD)	Per share (CHF)[1]
2021				
Basic earnings per share	**5,202**	**148,685,004**	**34.99**	**31.98**
Effect of potentially dilutive shares related to share-based compensation plans		1,385,619	(0.32)	(0.30)
Diluted earnings per share	**5,202**	**150,070,623**	**34.66**	**31.68**
2020				
Basic earnings per share	**3,834**	**148,304,623**	**25.85**	**24.24**
Effect of potentially dilutive shares related to share-based compensation plans		1,662,328	(0.29)	(0.26)
Diluted earnings per share	**3,834**	**149,966,951**	**25.56**	**23.98**

1 The translation from U.S. dollars to Swiss francs is shown for information purposes only and has been calculated at the Group's average exchange rates for the years ended December 31, 2021 and 2020, respectively.

Basic earnings per share is computed by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the year, excluding the weighted average number of shares held as treasury shares. Diluted earnings per share reflects the effect of potentially dilutive shares.

20. Employee benefits

The Group operates a number of retirement benefit arrangements for employees. Historically, the majority of employees belonged to defined benefit pension plans and some will still have past service benefits accrued in those plans.

However, the majority of employees now accrue benefits under defined contribution plans, which provide benefits equal to the amounts contributed by both the employer and the employee plus investment returns.

Certain of the Group's operating companies also provide post-employment benefit plans covering medical care and life insurance, mainly in the U.S. Eligibility for these plans is generally based on completion of a specified period of eligible service and reaching a specified age. The plans typically pay a stated percentage of medical expenses subject to deductibles and other factors. The cost of post-employment benefits is accrued during the employees' service periods.

The Group Pensions Committee is responsible for developing, reviewing and advising on the Group governance framework in matters related to pension and post-employment benefit arrangements. It provides oversight and guidance in the areas of market, demographic and reputational risk. It reports to and makes recommendations to the Group Balance Sheet Committee on material pension-related matters and reports regularly to the Remuneration Committee. The Group Pensions Committee provides a point of focus and coordination on the topic of pensions and post-retirement benefits at Group level for the supervision and exercise of company powers and obligations in relation to pension and post-retirement benefit plans.

Funding and asset allocation is subject to local legal and regulatory requirements.

a) Defined benefit pension plans

The largest defined benefit obligations are in the pension plans in Switzerland, the UK, the U.S. and Germany, which together comprise over 90 percent of the Group's total defined benefit obligation. The remaining plans in other countries are not individually significant, therefore no separate disclosure is provided.

Certain Group companies provide defined benefit pension plans, some of which provide benefits on retirement, death or disability related to employees' service periods and pensionable earnings. Others provide cash balance plans where the participants receive the benefit of the accumulated employer and employee contributions (where paid) together with additional cash credits in line with the rules of the plan.

Most of the Group's defined benefit pension plans are funded through contributions by the Group and, in some cases also by employees, to investment vehicles managed by trusts or foundations independent of the Group's finances, or by management committees with fiduciary responsibilities. Where a trust or foundation exists, it is required by law or by articles of association to act in the interests of the fund and of all relevant beneficiaries to the plan, which can also include the sponsoring company, and is responsible for the investment policy with regard to the assets of the fund. The trust/foundation board or committee is usually composed of representatives from both employers and plan members. Independent actuarial valuations for the plans are performed as required. It is the Group's general principle that plans are appropriately funded in accordance with local pension regulations in each country.

The pension plans typically expose the company to risks such as interest rate, price inflation, longevity and salary increases. To the extent that pension plans are funded, the assets held mitigate some of the liability risk but introduce some investment risk.

The overall investment policy and strategy for the Group's defined benefit pension plans is to achieve an investment return which, together with contributions, targets having sufficient assets to pay pension benefits as they fall due while also mitigating the various risks in the plans. The actual asset allocation is determined by reference to current and expected economic and market conditions and in consideration of specific asset class risk in the risk profile.
The Group has a governance framework to ensure the trust/foundation board or committee considers how the asset investment strategy correlates with the maturity profile of the plan liabilities and the potential impact on the funding status of the plans, including short-term liquidity requirements. The investment strategies for each pension plan are independently determined by the governance body in each country, with oversight by the Group Pensions Committee. The pension assets are invested in diversified portfolios across geographical regions and asset classes to ensure diversified returns, also taking into account local pension laws. The investment strategies aim to mitigate asset-liability mismatches in the long run. In recent years, the integration of environmental, social and governance (ESG) factors has become a significant element of Zurich's pension plans' investment decision making. Pension plans will continue progressing on their responsible investment journey, leveraging Zurich's expertise and leadership while being cognizant of their fiduciary responsibility.

For post-employment defined benefit plans, total contributions to funded plans and benefits paid directly by the Group were USD 331 million for 2021 compared with USD 268 million for 2020. The estimated total for 2022 is USD 297 million (actual amount may differ).

Swiss pension plan

The main plan provides benefits that exceed the minimum benefit requirements under Swiss pension law. It provides a lifetime pension to members based on their accrued retirement savings in the basic and additional accounts multiplied by the applicable conversion rate at the normal retirement age of 65 (age 62 for Executive Staff). Participants can draw retirement benefits early from age 60 (age 58 for Executive Staff). Alternatively, the benefit can be taken as a lump sum payment at retirement. In addition, at retirement, the plan pays a one-off cash sum settlement equal to the accrued retirement savings in the capital account. Contributions to the plan are paid by the employees and the employer, both for retirement savings and to finance risk benefits paid out in the event of death and disability.
The accumulated balance on the pension account is based on the employee and employer pension contributions and interest accrued. The interest rate credited is defined annually by the plan's Board of Trustees which is responsible for the governance of the plan. The trustees review the Pension Plan's funding status regularly as well as the technical interest rate and the conversion rates. The conversion rate at age 65 is currently being phased down to 5 percent until 2023 to align it more closely with the low interest rate environment and increased life expectancy. In 2018, both the employer and employee savings contributions were increased. The insured salary was increased by reducing the coordination deduction. The flexibility of the plan was improved by introducing three levels of savings. Top-up payments from the company were introduced to those members' pension accounts which had been part of the plan in 2017 and were affected by the changes. For them, this ensures that expected benefits at normal retirement age will be at least equal to 98.5 percent of their pensions expectations under the previous conversion rates. The top up payments will be made until 2023.

Although the Swiss plan operates like a defined contribution plan under local regulations, it is accounted for as a defined benefit pension plan under IAS 19 'Employee Benefits' because of the need to accrue a minimum level of interest on the mandatory part of the pension accounts and the payment of a lifetime pension at a fixed conversion rate under the plan rules.

Actuarial valuations are completed annually and if the plan becomes underfunded under local regulations, options for dealing with this include the Group paying additional contributions into the plan and/or reducing future benefits. At present, the plan is sufficiently funded, meaning that no additional contributions into the plans are expected to be required in the next year. The investment strategy of the Swiss plan is constrained by Swiss pension law including regulations related to diversification of plan assets. Under IAS 19, volatility arises in the Swiss pension plan net asset because the fair value of the plan assets is not directly correlated to movements in the value of the plan's defined benefit obligation in the short-term.

If the fair value of plan assets exceeds the plan's defined benefit obligation, a surplus is only recognized on the balance sheet to the extent that it does not exceed the estimated future economic benefit. The value of the future economic benefit is estimated as the sum of two items: the difference between the present value of the estimated future net service cost and the present value of estimated future employer contributions, plus employer contribution reserves in accordance with local Swiss regulations.

UK pension plan

The major UK pension plan is a hybrid arrangement and defined benefits entitlements accrued to December 31, 2015, increase in line with salary increases. Normal retirement age for the plan is 60. The plan is split into distinct sections and the two defined benefit sections are closed to new entrants and, with effect from January 1, 2016, to future benefit accrual. All employees now participate in a defined contribution section within the same trust. The notes that follow consider only the defined benefit sections. The UK Pension Trustee Board is responsible for the governance of the plan. The employer contributions are determined based on regular triennial actuarial valuations which are conducted using assumptions agreed by the Trustee Board and the sponsoring company. A local statutory valuation was carried out at an effective date of June 30, 2019, and was finalized in September 2020. This valuation disclosed a funding surplus of USD 86 million (GBP 63 million) after taking into account the value of the asset-backed funding arrangement established in 2014. The asset-backed funding arrangement does not qualify as a plan asset under IAS19 and is therefore not included in the tables set out in the rest of this note.

The ongoing funding of the plan is closely monitored by the Trustee Board and a dedicated funding committee is made up of representatives from the Trustee Board and the Group. The plan rules and UK pension legislation set out maximum levels of inflationary increases applied to plan benefits. The plan assets are invested in diversified classes of assets.

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U.S. pension plans

There are two major pension plans in the U.S., the Zurich North America (ZNA) pension plan and the Farmers Group, Inc. (FGI) pension plan. Both plans are funded entirely by the participating employers. The ZNA plan is a cash balance and the FGI pension plan utilizes a cash balance pension formula for benefits accruing after January 1, 2009, except with respect to certain grandfathered participants who retained a final average pay formula. Under a cash balance pension formula, an amount is credited to the cash balance account each quarter, determined by an employee's age, service and their level of earnings up to and above the social security taxable wage base. The minimum annual interest credited on the account balance is 5 percent. The cash balance account is available from age 65, or age 55 with five years of service. The benefit can be taken as a monthly annuity or as a lump sum. Both the ZNA plan and the FGI pension plan have fiduciaries as required under local pension laws. The fiduciaries are responsible for the governance of the plans. Actuarial valuations are completed regularly. The annual employer minimum required contributions are equal to expected expenses paid from the plan each year, plus a rolling amortization of any prior underfunding.

The ZNA and FGI plans have been frozen with effect from December 31, 2018. ZNA and FGI employees with a cash balance account will continue to earn interest credits on their existing cash balance account balance after the freeze date and will continue to earn eligibility service used to determine vesting and early retirement eligibility. FGI employees participating in the final average pay formula will continue to earn eligibility service used to determine vesting and the percentage of pension benefit payable for early retirement before normal retirement age of 65. ZNA and FGI employees earn only defined contribution retirement benefits with effect from January 1, 2019. In conjunction with the change in the pension plan, ZNA and FGI employees receive an additional company contribution within their defined contribution plan.

German pension plans

There are a number of legacy defined benefit plans in Germany, most of which were set up under works council agreements. Contributions to support the pension commitments are made to a contractual trust arrangement.
A separate arrangement was also established in 2010 to provide for retirement obligations that were in payment at that time. Consideration is given from time to time based on the fiscal efficiency of adding recent retirees to this arrangement and to adding assets to the contractual trust. In 2021 the pension liabilities are nearly fully funded therefore no additional funding was required.

The defined benefit plans provide benefits on either a final salary, career average salary or a cash balance basis. New entrants participate in a cash balance arrangement, which has the characteristics of a defined contribution arrangement, with a lump sum paid at retirement and a capital guarantee on members' balances, which mirrors the capital guarantee given in a conventional life insurance arrangement in Germany.

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Tables 20.1a and 20.1b set out the reconciliation of the defined benefit obligation and plan assets for the Group's post-employment defined benefit plans.

Table 20.1a

Movement in defined benefit obligation and fair value of assets – current period

in USD millions	Defined benefit obligation	Fair value of assets	Asset ceiling	Net defined benefit asset/ (liability)
As of January 1, 2021	(25,939)	24,236	(467)	(2,170)
Net post-employment benefit (expense)/income:				
Current service cost	(178)	–	–	(178)
Interest (expense)/income	(222)	195	–	(27)
Settlements gains/(losses)	1	–	–	1
Past service (cost)/credit	(2)	–	–	(2)
Net post-employment benefit (expense)/income	(401)	195	–	(207)
Remeasurement effects included in other comprehensive income:				
Return on plan assets excluding interest income	–	658	–	658
Experience gains/(losses)	(499)	–	–	(499)
Actuarial gains/(losses) arising from changes in demographic assumptions	201	–	–	201
Actuarial gains/(losses) arising from changes in financial assumptions	1,012	–	–	1,012
Change in asset ceiling	–	–	(475)	(475)
Remeasurement effects included in other comprehensive income	714	658	(475)	896
Employer contributions	–	295	–	295
Employer contributions paid to meet benefits directly	36	–	–	36
Plan participants' contributions	(76)	76	–	–
Payments from the plan (incl. settlements)	977	(977)	–	–
Foreign currency translation effects	472	(478)	–	(6)
As of December 31, 2021	**(24,218)**	**24,005**	**(942)**	**(1,155)**
of which: Assets for defined pension plans				603
of which: Liabilities for defined pension plans				(1,759)

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Movement in defined benefit obligation and fair value of assets – prior period

Table 20.1b

in USD millions	Defined benefit obligation	Fair value of assets	Asset ceiling	Net defined benefit asset/ (liability)
As of January 1, 2020	(22,838)	21,071	(436)	(2,203)
Net post-employment benefit (expense)/income:				
Current service cost	(168)	–	–	(168)
Interest (expense)/income	(315)	275	–	(40)
Settlements gains/(losses)	6	(5)	–	1
Past service (cost)/credit	(3)	–	–	(3)
Net post-employment benefit (expense)/income	(480)	269	–	(210)
Remeasurement effects included in other comprehensive income:				
Return on plan assets excluding interest income	–	2,271	–	2,271
Experience gains/(losses)	(174)	–	–	(174)
Actuarial gains/(losses) arising from changes in demographic assumptions	(50)	–	–	(50)
Actuarial gains/(losses) arising from changes in financial assumptions	(2,027)	–	–	(2,027)
Change in asset ceiling	–	–	(30)	(30)
Remeasurement effects included in other comprehensive income	(2,251)	2,271	(30)	(10)
Employer contributions	–	233	–	233
Employer contributions paid to meet benefits directly	35	–	–	35
Plan participants' contributions	(71)	71	–	–
Payments from the plan (incl. settlements)	820	(820)	–	–
Foreign currency translation effects	(1,154)	1,141	–	(14)
As of December 31, 2020	**(25,939)**	**24,236**	**(467)**	**(2,170)**
of which: Assets for defined pension plans				630
of which: Liabilities for defined pension plans				(2,800)

Net post-employment benefit (expense)/income is recognized in other employee benefits, which is included within administrative and other operating expense.

Post-employment benefits are long-term by nature. However, short-term variations between long-term actuarial assumptions and actual experience may be positive or negative, resulting in actuarial gains or losses, which are recognized in full in the period in which they occur and are included within other comprehensive income.

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Table 20.2 provides a breakdown of plan assets by asset class.

Table 20.2

Fair value of assets held in funded defined benefit pension plans

in USD millions, as of December 31	2021				2020			
	Quoted in active markets	**Other**	**Total**	**% of Total**	Quoted in active markets	Other	Total	% of Total
Cash and cash equivalents	469	–	469	2%	581	–	581	2%
Equity securities	5,640	236	5,876	24%	5,538	203	5,742	24%
Debt securities	–	17,652	17,652	74%	–	17,913	17,913	74%
Investment property	–	1,949	1,949	8%	–	1,742	1,742	7%
Mortgage loans	–	372	372	2%	–	397	397	2%
Other assets	–	(2,314)	(2,314)	(10%)	–	(2,139)	(2,139)	(9%)
Total	**6,109**	**17,896**	**24,005**	**100%**	**6,119**	**18,117**	**24,236**	**100%**

For the classification of pension assets the Group follows the same principles as outlined in note 23 (Fair value measurement). Assets meeting the criteria of Level 1 are generally considered quoted in active markets, while assets meeting the criteria of Level 2 or Level 3 are generally considered in other assets.

Tables 20.3a and 20.3b provide a breakdown of the key information included in tables 20.1a and 20.1b for the main countries for the years ended December 31, 2021 and 2020, respectively.

Table 20.3a

Key information by main country – current period

in USD millions, as of December 31, 2021	**Switzerland**	**United Kingdom**	**United States**	**Germany**	**Other**	**Total**
Defined benefit obligation	(5,394)	(12,308)	(3,666)	(1,504)	(1,345)	(24,218)
Fair value of plan assets	6,420	11,412	3,479	1,463	1,230	24,005
Impact of asset ceiling	(877)	(65)	–	–	–	(942)
Net defined benefit asset/(liability)	**149**	**(962)**	**(187)**	**(41)**	**(115)**	**(1,155)**
of which: Assets for defined pension plans	162	–	265	112	64	603
of which: Liabilities for defined pension plans	(13)	(962)	(452)	(153)	(179)	(1,759)
Net post-employment benefit (expense)/income	(106)	(36)	(18)	(19)	(27)	(207)

Table 20.3b

Key information by main country – prior period

in USD millions, as of December 31, 2020	Switzerland	United Kingdom	United States	Germany	Other	Total
Defined benefit obligation	(5,643)	(13,257)	(3,968)	(1,605)	(1,465)	(25,939)
Fair value of plan assets	6,274	11,371	3,699	1,604	1,287	24,236
Impact of asset ceiling	(412)	(55)	–	–	–	(467)
Net defined benefit asset/(liability)	**219**	**(1,941)**	**(269)**	**(1)**	**(178)**	**(2,170)**
of which: Assets for defined pension plans	232	–	207	147	44	630
of which: Liabilities for defined pension plans	(13)	(1,941)	(476)	(148)	(222)	(2,800)
Net post-employment benefit (expense)/income	(96)	(44)	(22)	(21)	(29)	(210)

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The Groups' post-employment defined benefit obligations and the Group's post-employment benefit expenses in the Group's major plans shown in table 20.4 are calculated by discounting using the full yield curve for each country. For the UK, where price inflation is required for projecting benefits in those calculations, this is done using the full breakeven price inflation curve. The figures for discount rates and for UK price inflation in table 20.4 are single-equivalent rates for the defined benefit obligations (i.e., the single assumption that would produce the same defined benefit obligation as using the full curve); single-equivalent rates for other elements of the accounting results will differ slightly from the figures set out below.

Key financial assumptions used for major plans

Table 20.4

as of December 31	2021				2020			
	Switzerland	United Kingdom	United States	Germany	Switzerland	United Kingdom	United States	Germany
Discount rate	0.2%	1.8%	2.8%	1.1%	0.0%	1.3%	2.5%	0.6%
Inflation rate (CPI)[1]	1.0%	2.2%	2.7%	2.2%	1.1%	1.9%	2.2%	1.4%
Salary increase rate	1.0%	2.8%	5.2%	3.5%	1.1%	2.8%	4.7%	2.7%
Expected future pension increases	0.1%	3.5%	n/a	2.2%	0.1%	3.4%	n/a	1.4%
Interest crediting rate[2]	1.0%	n/a	5.0%	n/a	0.3%	n/a	5.0%	n/a

1 In the UK part of the liability is linked to the inflation measure of the Retail Price Index (RPI), which is assumed to be 1.0 percent higher than the Consumer Price Index (CPI) as of both December 31, 2021 and 2020. As RPI is expected to converge with CPI no earlier than in 2030, the RPI assumption for the UK was assumed to be 1.0 percent higher than CPI for durations up to and including 2029 and the same as CPI for 2030 onwards.
2 As at 31 December 2021 the approach for setting the Interest crediting rate assumption in Switzerland has been adjusted to assume that the BVG minimum crediting rate applies to all funds – both BVG and non BVG funds.

Tables 20.5a and 20.5b set out the life expectancies used in the valuation of the Group's major plans. The mortality assumptions in each country have been based on mortality tables in accordance with typical practice in that country.

Mortality tables and life expectancies for major plans – current period

Table 20.5a

in years, as of December 31, 2021		Life expectancy at age 65 for a male currently		Life expectancy at age 65 for a female currently	
		aged 65	aged 45	aged 65	aged 45
Country	Mortality table for major plans				
Switzerland	BVG 2020 with generational projections according to CMI model adapted to Swiss mortality with a long-term trend rate of 1.25%	21.79	23.42	23.52	25.10
United Kingdom	SAPS Series 3 with CMI_2020 projection with plan specific adjustments	21.93	22.93	23.92	25.12
	Pri-2012 with MP-2020 Generational projection and white collar adjustment	21.78	23.16	23.18	24.53
United States	Pri-2012 with MP-2021 Generational projection and white collar adjustment	21.90	23.28	23.33	24.69
Germany	Heubeck 2018G	20.47	23.23	23.92	26.15

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Table 20.5b

Mortality tables and life expectancies for major plans – prior period

in years, as of December 31, 2020		Life expectancy at age 65 for a male currently		Life expectancy at age 65 for a female currently	
		aged 65	aged 45	aged 65	aged 45
Country	Mortality table for major plans				
Switzerland	BVG 2015 with generational projections according to CMI model adapted to Swiss mortality with a long-term trend rate of 1.25%	21.70	23.90	23.70	25.70
United Kingdom	SAPS Series 3 with CMI_2019 projection with plan specific adjustments	21.93	22.93	23.92	25.12
United States	Pri-2012 with MP-2020 Generational projection and white collar adjustment	21.74	23.12	23.14	24.49
Germany	Heubeck 2018G	20.33	23.10	23.81	26.04

Table 20.6 shows the expected benefits to be paid under the Group's major plans in the future. It should be noted that actual amounts may vary from expected amounts. Therefore, future benefit payments may differ from the amounts shown.

Table 20.6

Maturity profile of future benefit payments for major plans

as of December 31	2021				2020			
	Switzerland	**United Kingdom**	**United States**	**Germany**	Switzerland	United Kingdom	United States	Germany
Duration of the defined benefit obligation (in years)	13.7	19.0	12.1	13.9	14.8	20.2	12.3	13.5
Maturity analysis of benefits expected to be paid (in USD millions):								
< 1 year	307	329	210	61	253	353	298	83
1 to 5 years	1,148	1,603	855	232	1,049	1,634	859	264
5 to 10 years	1,285	2,531	1,035	318	1,283	2,572	1,046	335

Table 20.7 sets out the sensitivity of the defined benefit obligation to changes in key actuarial assumptions. The effect on the defined benefit obligation shown allows for an alternative value for each assumption while the other actuarial assumptions remain unchanged. While this table illustrates the overall impact on the defined benefit obligation of the changes shown, the significance of the impact and the range of reasonably possible alternative assumptions may differ between the different plans that comprise the overall defined benefit obligation. In particular, the plans differ in benefit design, currency and average term, meaning that different assumptions have different levels of significance for different plans. The sensitivity analysis is intended to illustrate the inherent uncertainty in the evaluation of the defined benefit obligation under market conditions at the measurement date. Its results cannot be extrapolated due to non-linear effects that changes in the key actuarial assumptions may have on the overall defined benefit obligation. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Group's view of expected future changes in the defined benefit obligation. Any management actions that may be taken to mitigate the inherent risks in the post-employment defined benefit plans are not reflected in this analysis.

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Table 20.7

Sensitivity analysis of significant actuarial assumptions

	Defined benefit obligation[1]	
in USD millions, as of December 31	**2021**	2020
Discount rate +50 bps	1,851	2,093
Discount rate –50 bps	(2,112)	(2,395)
Salary increase rate +50 bps	(78)	(87)
Salary decrease rate –50 bps	75	88
Price inflation increase rate +50 bps	(1,245)	(1,078)
Price inflation decrease rate –50 bps	1,122	961
Cash balance interest credit rate +50 bps	(80)	(93)
Cash balance interest credit rate –50 bps	54	89
Mortality 10% increase in life expectancy	(2,294)	(2,445)
Mortality 10% decrease in life expectancy	2,239	2,480

1 A negative number indicates an increase and a positive number indicates a decrease in the defined benefit obligation.

b) Defined contribution pension plans

Certain companies of the Group sponsor defined contribution pension plans. Eligibility for participation in such plans is either immediate on commencement of employment or based on completion of a specified period of continuous service. The plans provide for voluntary contributions by employees and contributions by the employer which typically range from 2 percent to 13 percent of annual pensionable salary, depending on a number of factors. The Group's contributions under these plans amounted to USD 289 million and USD 279 million for the years ended December 31, 2021 and 2020, respectively.

21. Share-based compensation and cash incentive plans

The Group has adopted various share-based compensation and cash incentive plans to attract, retain and motivate employees. The plans are designed to reward employees for their contribution to the performance of the Group and to encourage employee share ownership. Share-based compensation plans include performance-based share plans and employee share purchase plans. Share-based compensation plans are based on the provision of Zurich Insurance Group Ltd shares.

a) Cash incentive plans

The Group's short-term incentive plan (STIP) is utilized across the Group and, in many countries covers all employees in that country who are selected to participate in a short-term incentive plan. In addition, there may be other local short-term incentive plans in place. Awards are made in cash, based on the accomplishment of both organizational and individual performance objectives. The expense recognized for these cash incentive plans amounted to USD 597 million and USD 532 million for the years ended December 31, 2021 and 2020, respectively.

b) Share-based compensation plans for employees

The Group encourages employees to own shares in Zurich Insurance Group Ltd and has set up a framework based on the implementation of performance share programs. Actual plans are tailored to meet local market requirements.

The cost of share-based payments depends on various factors, including achievement of targets, and are subject to the discretion of the Remuneration Committee and the Board. Costs may therefore vary significantly from year to year. The net amounts of USD 279 million and USD 187 million for the years ended December 31, 2021 and 2020, respectively, reflect all aspects of share-based compensation, including adjustments made during the year.

The explanations below provide a more detailed overview of the main plans of the Group.

Employee share plans

Share incentive plans for employees in the UK

The Group established an Inland Revenue approved Share Incentive Plan and launched the Partnership Shares element of this plan in 2003, which enabled participating employees to make monthly purchases of Zurich Insurance Group Ltd shares at the prevailing market price from their gross earnings. This plan was terminated in 2007. There were 16 and 25 participants in the plan as of December 31, 2021 and 2020, respectively.

A revised Partnership Share Scheme was launched in March 2013. Participants benefit from purchasing shares by making deductions from gross salary up to a maximum of GBP 1,800 or 10 percent of their year-to-date earnings. There were 694 and 690 active participants in the plan as of December 31, 2021 and 2020, respectively.

The Group also operates a profit-sharing element of the Share Incentive Plan (Reward Shares) which was launched in 2004 with annual share allocations being made in May each year subject to business performance. The awards are based on business operating profit (BOP) after tax for the year achieved by the business unit of each participating employee. Individual awards are subject to a maximum of 5 percent of a participant's base salary (before any flexible benefit adjustments) with an overall maximum of GBP 3,600. The total number of participating employees in Reward Shares as of December 31, 2021 and 2020 was 3,997 and 4,280, respectively.

A Dividend Shares scheme was launched in 2014 which allows employees to reinvest their dividends from Partnership Shares and Reward Shares. As of December 31, 2021 and 2020, there were 564 and 522 participants in the scheme, respectively.

Share incentive plan for employees in Switzerland

Under the Employee Share Plan, eligible employees are allowed to acquire sales-restricted shares at a 30 percent discount to the market value. The maximum permitted investment at the preferential price in shares is equivalent to CHF 3,500 per employee per annum. During 2021, 4,383 employees were eligible to participate in the plan, compared with 4,145 in 2020. For the years ended December 31, 2021 and 2020, 2,240 and 2,080 employees, respectively, purchased shares under the 2020 and 2021 share plans.

The Group Long-Term Incentive Plan (LTIP)

Participants in this plan are allocated a target number of performance shares units (PSUs) as notional shares of Zurich Insurance Group Ltd in April each year. The number of PSUs is calculated as a percentage of the annual base salary of each participant. To further align participants with the interests of shareholders, PSUs are credited with dividend equivalent units (DEUs) during the vesting period to compensate participants in LTIP for dividends paid to shareholders.

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PSUs allocated in 2021 will vest after a period of three years following the year of allocation (three year cliff vesting), with the actual level of vesting between 0 percent and 200 percent of the overall target shares (PSUs allocated and DEUs that accrued during the vesting period), depending on the achievement of pre-defined performance criteria. The performance criteria used to determine the level of vesting are the Group's net income attributable to shareholders' return on common shareholders' equity (NIAS ROE), the position of its relative total shareholder return (TSR) measured against an international peer group of insurance companies, and the achievement of cash remittance targets. The three pre-defined performance criteria are each assessed over a period of three consecutive financial years starting in the year of allocation and have an equal weighting. One half of the shares that actually vest are sales-restricted for a further three years for members of the Executive Committee. As of December 31, 2021 and 2020 there were 1,228 and 1,162 participants in this plan, respectively.

Table 21

Shares allocated during the period

for the years ended December 31	Number		Fair value at the allocation date (in CHF)[1]	
	2021	2020	**2021**	2020
Shares allocated during the period	422,606	510,046	406	333

1 Fair value measured using the market price of the shares at the allocation date and volatility indicators.

The shares allocated each year are based on parameters under the Group's LTIP. The level of vesting will depend on the level of achievements in the performance criteria.

22. Commitments and contingencies, legal proceedings and regulatory investigations

The Group has provided contractual commitments and financial guarantees to external parties, associates and joint ventures as well as partnerships. These arrangements include commitments under certain conditions to make liquidity advances to cover default principal and interest payments, make capital contributions or provide equity financing.

Quantifiable commitments and contingencies

Table 22

in USD millions	**12/31/2021**	12/31/2020
Remaining commitments under investment agreements	2,297	3,695
Guarantees and letters of credit[1]	978	974
Undrawn loan commitments	1	1
Other commitments and contingent liabilities[2,3]	717	306

1 Guarantee features embedded in life insurance products are not included.
2 Includes USD 79 million future cash outflows, that the Group as lessee is potentially exposed to which are not reflected in the measurement of lease liabilities in the balance sheet.
3 Of which USD 47 million represents a lease agreement in UK commencing in 2022 (sale and leaseback of a new building).

Commitments under investment agreements

The Group has committed to contribute capital to third parties that engage in making investments in direct private equity, private equity funds and real estate. Commitments may be called by the counterparty over the term of the investment (generally three to five years) and must be funded by the Group on a timely basis.

Guarantees and letters of credit

In 2021 and 2020, USD 643 million and USD 649 million, respectively, related to guarantees in the aggregate amount of GBP 475 million which were provided to the directors of a wholly owned subsidiary in connection with the repatriation of capital. These guarantees have no expiry date.

The Group knows of no event of default that would require it to satisfy financial guarantees. Irrevocable letters of credit have been issued to secure certain reinsurance contracts.

The Group is active in numerous countries where insurance guarantee funds exist. The design of such funds varies from jurisdiction to jurisdiction. In some, funding is based on premiums written, in others the Group may be called upon to contribute to such funds in case of a failure of another market participant. In addition, in some jurisdictions the amount of contribution may be limited, for example, to a percentage of the net underwriting reserve net of payments already made.

The Group carries certain contingencies in the ordinary course of business in connection with the sale of its companies and businesses. These are primarily in the form of indemnification obligations provided to the acquirer in a transaction in which a Group company is the seller. They vary in scope and duration by counterparty and generally are intended to shift the potential risk of certain unquantifiable and unknown loss contingencies from the acquirer to the seller.

Zurich Insurance Group Ltd has provided unlimited guarantees in support of entities belonging to the Zurich Capital Markets group of companies.

Other contingent liabilities

The Group has received notices from various tax authorities asserting deficiencies in taxes for various years.
The Group is of the view that the ultimate outcome of these reviews will not materially affect the Group's consolidated financial position.

The Group has commitments to provide collateral on certain contracts in the event of a financial strength downgrading for Zurich Insurance Company Ltd from the current AA by Standard & Poor's. Should the rating by Standard & Poor's fall to A+, then the additional collateral based on information available amounts to nil as of both December 31, 2021 and 2020.

In common with other insurance companies, the Group is mindful of the trend toward enhanced consumer protection. There is significant uncertainty about the ultimate cost this trend might have on our business. The main areas of uncertainty concern court decisions as well as the volume of potential customer complaints related to sales activities and withdrawal rights, and their respective individual assessments.

Pledged assets

The majority of assets pledged to secure the Group's liabilities relate to debt securities pledged under short-term sale and repurchase agreements. The total amount of pledged financial assets including the securities under short-term sale and repurchase agreements amounted to USD 2.1 billion and USD 1.5 billion as of December 31, 2021 and 2020, respectively.

Terms and conditions associated with the financial assets pledged to secure the Group's liabilities are usual and standard in the markets in which the underlying agreements were executed.

Legal, compliance and regulatory developments

The Group's business is subject to extensive supervision, and the Group is in regular contact with various regulatory authorities. The Group is also involved in legal and arbitration proceedings and regulatory investigations arising, for the most part, in the ordinary course of its business operations in various jurisdictions where it operates. In addition, the Group and/or its subsidiaries are involved in legal matters arising out of transactions involving the transfer of portfolios or businesses. These legal matters can include claims brought by purchasers or other parties asserting claims for damages on various theories, including failure to disclose material information, failure to perform contractual duties or otherwise seeking to impose liability on the Group and/or its subsidiaries. With respect to significant legal or regulatory matters, the Group considers the likelihood of a negative outcome and when the likelihood of a negative outcome is probable, and the amount of the loss can be reliably estimated, a reserve or provision is established to record the estimated loss for the expected outcome. While the Group believes that it is not a party to, nor are any of its subsidiaries the subject of, any unresolved current legal proceedings, claims, litigation and investigations that will have a material adverse effect on the Group's consolidated financial condition, proceedings are inherently unpredictable, and it is possible that the outcome of any proceeding could have a material impact on results of operations in the particular reporting period in which it is resolved.

- Specifically, COVID-19-related coverage litigation: Several of the Group's subsidiaries as well as other insurance companies are involved in litigation relating to the extent to which COVID-19 was intended to be covered under Property Damage Business Interruption policies. A limited number of class actions have also been initiated. To date, most of the litigation has been filed in United States courts, which have predominantly found in favor of insurers. The final determination of outcomes may take many years as appeals are pursued by the plaintiffs and insurers, including the Group or its subsidiaries.
- In 2016, the Group, on its own initiative, undertook an internal review of the life insurance, savings and pension business sold by its non-U.S. operating companies with relevant cross-border business to customers with a nexus to the U.S. The review confirmed that the Group's cross-border business with U.S. persons was very limited and of a legacy nature, with the large majority of sales having occurred more than a decade ago. The review also confirmed that the Group's U.S. operating companies were not involved in or connected to those activities. The Group voluntarily disclosed the results of the review and the regulatory issues presented by sales to U.S. residents to the Swiss Financial Market Supervisory Authority (FINMA), the U.S. Department of Justice (DOJ) and other authorities. The Group continues to cooperate with these authorities.

In April 2019, the DOJ announced that Zurich Life Insurance Company Ltd (ZLIC) and Zurich International Life Limited (ZILL) entered into a non-prosecution agreement (NPA) with the DOJ, which memorializes the DOJ's decision not to prosecute these entities for any U.S. tax-related offenses in connection with legacy cross-border sales to U.S. persons. Under the terms of the NPA, ZLIC and ZILL have agreed to comply with certain specified conditions during the four-year term of the NPA.

This resolution has not had, and will not have, an adverse effect on the Group's business or consolidated financial condition.

23. Fair value measurement

To measure fair value, the Group gives the highest priority to quoted and unadjusted prices in active markets. In the absence of quoted prices, fair values are calculated through valuation techniques, making the maximum use of relevant observable market data inputs. Whenever observable parameters are not available, the inputs used to derive the fair value are based on common market assumptions that market participants would use when pricing assets and liabilities. Depending on the observability of prices and inputs to valuation techniques, the Group classifies instruments measured at fair value within the following three levels (the fair value hierarchy):

Level 1 – includes assets and liabilities for which fair values are determined directly from unadjusted current quoted prices resulting from orderly transactions in active markets for identical assets/liabilities.

Level 2 – includes assets and liabilities for which fair values are determined using significant inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable market inputs.

Level 3 – includes assets and liabilities for which fair values are determined using valuation techniques with at least one significant input not being based on observable market data. This approach is used only in circumstances when there is little, if any, market activity for a certain instrument, and the Group is required to rely on third-party providers or develop internal valuation inputs based on the best information available about the assumptions that market participants would use when pricing the asset or liability.

The governance framework and oversight of the Group's standards and procedures regarding the valuation of financial instruments measured at fair value lies within the responsibility of Group Risk Management, Group Investment Management, Treasury Capital Management and Group Finance. Specialists from these departments ensure the adequacy of valuation models, approve methodologies and sources to derive model input parameters, provide oversight over the selection of third-party pricing providers, and on a semi-annual basis review the classification within the fair value hierarchy of the financial instruments in scope.

The Group makes extensive use of third-party pricing providers to determine the fair values of its available-for-sale and fair value through profit or loss financial instruments, and only in rare cases places reliance on prices that are derived from internal models. Investment accounting, operations and process functions, are independent from those responsible for buying and selling the assets, and are responsible for receiving, challenging and verifying values provided by third-party pricing providers to ensure that fair values are reliable, as well as ensuring compliance with applicable accounting and valuation policies. The quality control procedures used depend on the nature and complexity of the invested assets. They include variance and stale price analysis, and comparisons with fair values of similar instruments and with alternative values obtained from asset managers and brokers. Model review activities are also conducted for evaluated prices supplied by third parties to verify that their valuation processes, methodologies, models, and governance and control framework comply with applicable internal guidance, and that the allocation of those instruments within the fair value hierarchy is adequate. They include the compilation and review of relevant documentation as well meetings with third-party representatives to supplement the analysis.

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Table 23.1 compares the fair value with the carrying value of financial assets and financial liabilities. Certain financial instruments are not included in this table as their carrying value is a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, obligations to repurchase securities, deposits made under assumed reinsurance contracts, deposits received under ceded reinsurance contracts and other financial assets and liabilities. This table excludes financial assets and financial liabilities related to unit-linked contracts.

Table 23.1

Fair value and carrying value of financial assets and financial liabilities

in USD millions, as of	Total fair value		Total carrying value	
	2021	2020	**2021**	2020
Available-for-sale securities				
Equity securities	14,008	14,779	14,008	14,779
Debt securities	136,005	152,330	136,005	152,330
Total available-for-sale securities	150,013	167,109	150,013	167,109
Fair value through profit or loss securities				
Equity securities	4,571	4,714	4,571	4,714
Debt securities	7,181	7,115	7,181	7,115
Total fair value through profit or loss securities	11,752	11,829	11,752	11,829
Derivative assets	938	1,763	938	1,763
Held-to-maturity debt securities	2,358	2,991	1,897	2,265
Mortgage loans	6,371	6,205	6,106	5,783
Other loans	8,284	10,412	7,053	8,620
Total financial assets	**179,716**	**200,311**	**177,758**	**197,369**
Derivative liabilities	(532)	(481)	(532)	(481)
Financial liabilities held at amortized cost				
Liabilities related to investment contracts	(1,042)	(1,134)	(837)	(878)
Senior debt	(5,487)	(5,851)	(5,327)	(5,470)
Subordinated debt	(10,287)	(9,204)	(9,782)	(8,306)
Total financial liabilities held at amortized cost	(16,815)	(16,189)	(15,946)	(14,655)
Total financial liabilities	**(17,347)**	**(16,669)**	**(16,478)**	**(15,135)**

All of the Group's financial assets and financial liabilities are initially recorded at fair value. Subsequently, available-for-sale financial assets, fair value through profit or loss financial assets, and derivative financial instruments are carried at fair value as of the balance sheet date. All other financial instruments are carried at amortized cost. The valuation techniques used to determine fair value measurement are described below.

Fair values of held-to-maturity debt securities and senior and subordinated debt are obtained from third-party pricing providers. The fair value received from these pricing providers may be based on quoted prices in an active market for identical assets, alternative pricing methods such as matrix pricing or an income approach employing discounted cash flow models. Such instruments are categorized within level 2.

Discounted cash flow models are used for mortgage loans and other loans (except for loans classified as private debt). The discount yields in these models use interest rates that reflect the return a market participant would expect to receive on instruments with similar remaining maturities, cash flow patterns, currencies, credit risk and collateral. Such instruments are categorized within level 3.

Different valuation techniques are used to value private debt instruments, including the income approach (such as discounted cash flow models) or the market approach (such as relative value models). Where prices are obtained from an evaluated pricing service from a data vendor in which price transparency data indicates no use of significant unobservable inputs, they are categorized within Level 2. All other prices are classified to Level 3 unless factual evidence indicates that unobservable inputs are not significant to the valuation.

Fair values of liabilities related to investment contracts and investment contracts with DPF are determined using discounted cash flow models. Such instruments are categorized within level 3 due to the unobservability of certain inputs used in the valuation.

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Recurring fair value measurements of assets and liabilities

Fair value hierarchy – non-unit-linked – current period

Table 23.2a

in USD millions, as of December 31, 2021	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Equity securities	9,052	3,002	1,953	14,008
Debt securities	–	129,857	6,148	136,005
Total available-for-sale securities	9,052	132,859	8,101	150,013
Fair value through profit or loss securities				
Equity securities	1,804	617	2,150	4,571
Debt securities	–	7,141	40	7,181
Total fair value through profit or loss securities	1,804	7,758	2,190	11,752
Derivative assets	1	834	103	938
Investment property	–	3,270	10,800	14,070
Reinsurers' share of liabilities for insurance contracts fair value option[1]	–	–	184	184
Total	**10,857**	**144,721**	**21,379**	**176,957**
Derivative liabilities	(3)	(375)	(154)	(532)
Liabilities for insurance contracts fair value option[2]	–	–	(1,999)	(1,999)
Total	**(3)**	**(375)**	**(2,153)**	**(2,532)**

1 Included within reinsurers' share of liabilities for insurance contracts.
2 Included within liabilities for insurance contracts.

Fair value hierarchy – non-unit-linked – prior period

Table 23.2b

in USD millions, as of December 31, 2020	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Equity securities	9,742	3,291	1,746	14,779
Debt securities	–	144,354	7,976	152,330
Total available-for-sale securities	9,742	147,645	9,722	167,109
Fair value through profit or loss securities				
Equity securities	1,835	561	2,318	4,714
Debt securities	–	7,033	83	7,115
Total fair value through profit or loss securities	1,835	7,594	2,400	11,829
Derivative assets	6	1,404	353	1,763
Investment property	–	3,448	11,301	14,749
Reinsurers' share of liabilities for insurance contracts fair value option[1]	–	–	213	213
Total	**11,583**	**160,091**	**23,990**	**195,663**
Derivative liabilities	(6)	(423)	(52)	(481)
Liabilities for insurance contracts fair value option[2]	–	–	(2,294)	(2,294)
Total	**(6)**	**(423)**	**(2,346)**	**(2,775)**

1 Included within reinsurers' share of liabilities for insurance contracts.
2 Included within liabilities for insurance contracts.

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Fair value hierarchy – unit-linked – current period

Table 23.3a

in USD millions, as of December 31, 2021	Level 1	Level 2	Level 3	Total
Fair value through profit or loss securities				
Equity securities	108,023	16,142	1,516	125,680
Debt securities	–	10,136	30	10,166
Other loans	24	2,801	–	2,825
Total fair value through profit or loss securities	108,046	29,078	1,546	138,671
Derivative assets	2	9	–	12
Investment property	–	–	3,167	3,167
Total investments for unit-linked contracts[1]	**108,049**	**29,088**	**4,713**	**141,850**
Financial liabilities at FV through profit or loss				
Liabilities related to unit-linked investment contracts	–	(60,930)	–	(60,930)
Derivative liabilities	(8)	(14)	–	(21)
Total	**(8)**	**(60,944)**	**–**	**(60,951)**

1 Excluding cash and cash equivalents.

Fair value hierarchy – unit-linked – prior period

Table 23.3b

in USD millions, as of December 31, 2020	Level 1	Level 2	Level 3	Total
Fair value through profit or loss securities				
Equity securities	102,259	16,329	1,163	119,751
Debt securities	–	8,543	25	8,568
Other loans	10	3,152	–	3,162
Total fair value through profit or loss securities	102,269	28,024	1,188	131,481
Derivative assets	24	1	–	26
Investment property	–	–	2,957	2,957
Total investments for unit-linked contracts[1]	**102,294**	**28,026**	**4,145**	**134,464**
Financial liabilities at FV through profit or loss				
Liabilities related to unit-linked investment contracts	–	(55,214)	–	(55,214)
Derivative liabilities	–	(1)	–	(1)
Total	**–**	**(55,216)**	**–**	**(55,216)**

1 Excluding cash and cash equivalents.

Within level 1, the Group has classified common stocks, exchange-traded derivative financial instruments, investments in unit trusts that are exchange listed or daily published and other highly liquid financial instruments.

Within level 2, the Group has classified government and corporate bonds, thinly traded common stocks, investments in unit trusts without daily prices or with sales restrictions, agency mortgage-backed securities (MBS), 'AAA' rated non-agency MBS and other asset-backed securities (ABS) and certain private debt instruments where valuations are obtained from independent pricing providers. The fair value received from these pricing providers may be based on quoted prices in an active market for similar assets, alternative pricing methods such as matrix pricing or an income approach employing discounted cash flow models. If quoted prices are not available, then fair values are estimated on the basis of information from external pricing providers or internal pricing models (for example, discounted cash flow models or other recognized valuation techniques).

Where there are active and transparent real estate markets and no significant adjustments to the observable data are required, the investment property held by the Group is classified within level 2.

Over-the-counter derivative financial instruments are valued using internal models and third-party valuation services. The fair values are determined using dealer price quotations, discounted cash flow models and option pricing models, which use various inputs including current market and contractual prices for underlying instruments, time to expiry, yield curves and volatility of underlying instruments. Such instruments are classified within level 2 as the inputs used in pricing models are generally market observable or derived from market observable data.

Fair values of liabilities related to unit-linked investment contracts are usually determined by reference to the fair value of the underlying assets backing these liabilities. Such instruments are classified within level 2.

Within level 3, the Group has classified:

- Unlisted stocks, private equity funds and hedge funds that are not actively traded. The valuations of such instruments are obtained from quarterly net asset value information from the fund manager and annual audited financial statements provided by the issuing company. The prices are generally derived for each underlying company in line with the International Private Equity and Venture Capital Valuation (IPEV) guidelines, using discounted cash flow (income approach) or multiple methods (market approach). The Group has only limited insight into the specific inputs used by the fund managers hence a narrative sensitivity analysis is not applicable.
- Non-agency MBS, ABS and collateralized loan obligations (CLO) rated below 'AAA' and private debt holdings including certain private placements that are valued by independent pricing providers or external asset managers using primarily the discounted cash flow method with significant unobservable input parameters such as asset prepayment rate, default rates and credit spreads. A significant market yield increase of the benchmark securities in isolation could result in a decreased fair value, while a significant market yield decrease could result in an increased fair value. However, a reasonable variation in the option-adjusted spread taken from a set of benchmark securities with similar characteristics has only immaterial impact on fair value.
- All investment properties for which there are no active and transparent real estate markets or observable data available. The valuation for majority of these investment properties – other than certain investment properties located in Switzerland – are typically performed annually by independent qualified appraisers. The parameters used for the valuations are specific to each country or region and vary significantly across different markets. External appraisals are reviewed by internal real estate valuation specialists, however, since the unobservable inputs were not developed by Zurich they are not readily available. In some cases, where external valuations are obtained at least every three years, interim valuations by internal valuation specialists are performed. Further, internal valuations are performed for certain investment properties located in Switzerland. Overall, as of December 31, 2021 around 30 percent of level 3 investment properties were covered by internal valuations. Where internal valuations are performed, significant unobservable inputs include rental income and discount rate. Significant increases/(decreases) in rental income, in isolation, would result in a significantly higher/(lower) fair value measurement. For example, a decrease in rental income by 5 percent, considered in isolation, would result in a decrease in fair value of internally valued properties by approximately USD 175 million. Significant increases/(decreases) in the discount rate, in isolation, would result in a significantly lower/(higher) fair value measurement. For example, an increase in discount rate of 10bps, considered in isolation, would result in a decrease in fair value of USD 70 million as of December 31, 2021.
- Options and long-dated derivative financial instruments with fair values determined using counterparty valuations or calculated using significant unobservable inputs such as historical volatilities, historical correlation, implied volatilities from the counterparty or derived using extrapolation techniques. Quantitative information on unobservable inputs are not available when counterparty pricing was used. For internally calculated fair values significant increases/(decreases) in volatilities or correlation, would result in a significantly higher/(lower) fair value measurement, however, the overall effect on Group financial statements would not be material.
- Reinsurers' share of liabilities and liabilities for insurance contracts fair value option. The fair values are determined using discounted cash flow models. The discount factors used are based on derived rates for LIBOR swap forwards, spreads to U.S. Treasuries and spreads to U.S. corporate A or higher rated bond segments for financials, industrials and utilities. The liability-projected cash flows use contractual information for premiums, benefits and agent commissions, administrative expenses under third-party administrative service agreements and best estimate parameters for policy decrements. The primary unobservable inputs are the policy decrement assumptions used in projecting cash flows. These include disability claim parameters for incidence and termination (whether for recovery or death) and lapse rates. Significant increases/(decreases) in claim incidence rates and significant decreases/(increases) in claim termination rates would result in a significantly higher/(lower) fair value measurement.

For details on Group investments sensitivities, refer to section analysis by risk type in the risk review.

The fair value hierarchy is reviewed at the end of each reporting period to determine whether significant transfers between levels have occurred. Transfers between levels mainly arise as a result of changes in market activity and observability of the inputs to the valuation techniques used to determine the fair value of certain instruments.

For the year ended December 31, 2021, the Group recorded a transfer of USD 66 million of non-unit-linked fair value through profit or loss equity securities out of level 1 into level 2 for mutual funds without daily published prices, and a transfer of USD 345 million of unit-linked fair value through profit or loss equity securities out of level 2 into level 1 for mutual funds with daily published prices.

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Table 23.4a

Development of assets and liabilities classified within level 3 – non-unit-linked – current period

in USD millions	Available-for-sale securities		Fair value through profit or loss securities				
	Equity securities	Debt securities	Equity securities	Debt securities	Derivative assets	Derivative liabilities	Investment property
As of January 1, 2021	1,746	7,976	2,318	83	353	(52)	11,301
Realized gains/(losses) recognized in income[1]	483	15	25	–	18	(87)	39
Unrealized gains/(losses) recognized in income[1,2]	–	11	129	–	(10)	(9)	359
Unrealized gains/(losses) recognized in other comprehensive income	296	(181)	–	–	(208)	(91)	6
Purchases	321	980	357	–	7	(11)	652
Settlements/sales/redemptions	(881)	(1,459)	(683)	(46)	(29)	90	(730)
Transfer from/to assets held for own use	–	–	–	–	–	–	21
Transfers into level 3	25	201	27	5	–	(1)	–
Transfers out of level 3	–	(1,250)	–	–	–	–	–
Acquisitions and divestments[3]	(1)	–	–	–	–	–	(379)
Foreign currency translation effects	(36)	(144)	(23)	–	(27)	8	(469)
As of December 31, 2021	**1,953**	**6,148**	**2,150**	**40**	**103**	**(154)**	**10,800**

1 Presented as net capital gains/(losses) and impairments on Group investments in the audited consolidated income statements (see note 6).
2 Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments.
3 The movement in Investment property is related to an agreement signed to sell business of Zurich Investments Life S.p.A. (see note 5).

For the year ended December 31, 2021, the Group transferred USD 1.3 billion of available-for-sale debt securities out of level 3 into level 2, mainly collateralized loan obligations (CLO) and non-agency asset- and mortgage-backed securities (ABS and MBS) with a 'AAA' rating that are priced using valuation inputs that are generally observable as of December 31, 2021. Partially offsetting this is the transfer of USD 201 million of available-for-sale debt securities from level 2 to level 3 primarily attributable to private debt instruments with a lower degree of input observability.

Table 23.4b

Development of assets and liabilities classified within level 3 – non-unit-linked – prior period

in USD millions	Available-for-sale securities		Fair value through profit or loss securities				
	Equity securities	Debt securities	Equity securities	Debt securities	Derivative assets	Derivative liabilities	Investment property
As of January 1, 2020	1,417	7,713	2,179	81	132	(42)	10,501
Realized gains/(losses) recognized in income[1]	146	11	38	–	(11)	–	228
Unrealized gains/(losses) recognized in income[1,2]	(7)	(50)	272	2	–	(5)	130
Unrealized gains/(losses) recognized in other comprehensive income	103	198	–	–	198	4	67
Purchases	281	928	331	–	16	(8)	640
Settlements/sales/redemptions	(262)	(699)	(436)	(4)	(6)	1	(1,089)
Transfer from/to assets held for own use	–	–	–	–	–	–	25
Transfers into level 3	–	523	–	9	–	–	–
Transfers out of level 3	–	(894)	–	(6)	–	–	–
Acquisitions and divestments	–	–	(134)	–	–	–	–
Foreign currency translation effects	68	246	66	1	24	(3)	798
As of December 31, 2020	**1,746**	**7,976**	**2,318**	**83**	**353**	**(52)**	**11,301**

1 Presented as net capital gains/(losses) and impairments on Group investments in the audited consolidated income statements (see note 6).
2 Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments.

For the year ended December 31, 2020, the Group transferred USD 894 million of available-for-sale debt securities out of level 3 into level 2. The transfers were caused by the application of additional data vendors improving rating and price coverage in the areas of non-agency asset/mortgage backed/private debt securities. Partially offsetting this is the transfer of 523 million in securities from level 2 to level 3 predominantly resulting from a transfer of corporate bonds into private debt priced by asset managers.

Consolidated financial statements (continued)

Table 23.5a

Development of liabilities for insurance contracts fair value option classified within level 3 – current period

in USD millions	Gross	Ceded	Net
As of January 1, 2021	2,294	(213)	2,081
Premiums	41	(4)	38
Claims	(206)	15	(191)
Fee income and other expenses	(89)	14	(74)
Interest and bonuses credited to policyholders	(41)	3	(38)
As of December 31, 2021	**1,999**	**(184)**	**1,815**

Table 23.5b

Development of liabilities for insurance contracts fair value option classified within level 3 – prior period

in USD millions	Gross	Ceded	Net
As of January 1, 2020	2,215	(206)	2,010
Premiums	48	(4)	44
Claims	(212)	20	(192)
Fee income and other expenses	6	–	5
Interest and bonuses credited to policyholders	235	(23)	212
Changes in assumptions	2	–	2
As of December 31, 2020	**2,294**	**(213)**	**2,081**

Table 23.6a

Development assets and liabilities classified within level 3 – unit-linked – current period

in USD millions	Fair value through profit or loss securities		
	Equity securities	Debt securities	Investment property
As of January 1, 2021	1,163	25	2,957
Realized gains/(losses) recognized in income[1]	7	(1)	158
Unrealized gains/(losses) recognized in income[1]	123	–	212
Unrealized gains/(losses) recognized in shareholder's equity	–	(1)	–
Purchases	274	6	347
Sales/redemptions	(65)	(5)	(507)
Transfers into level 3	17	11	–
Transfers out of level 3	–	(4)	–
Foreign currency translation effects	(4)	(1)	–
As of December 31, 2021	**1,516**	**30**	**3,167**

1 Presented as net investment result on unit-linked investments in the consolidated income statements.

Table 23.6b

Development assets and liabilities classified within level 3 – unit-linked – prior period

in USD millions	Fair value through profit or loss securities		
	Equity securities	Debt securities	Investment property
As of January 1, 2020	919	21	3,034
Realized gains/(losses) recognized in income[1]	8	–	(62)
Unrealized gains/(losses) recognized in income[1]	93	–	(75)
Unrealized gains/(losses) recognized in shareholder's equity	–	2	–
Purchases	224	–	34
Sales/redemptions	(85)	(2)	(143)
Transfers into level 3	–	3	–
Transfers out of level 3	(1)	–	–
Foreign currency translation effects	4	1	169
As of December 31, 2020	**1,163**	**25**	**2,957**

1 Presented as net investment result on unit-linked investments in the consolidated income statements.

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24. Analysis of financial assets

Tables 24.1a and 24.1b provide an analysis, for non-unit-linked businesses, of the age of financial assets that are past due but not impaired, and of financial assets that are individually determined to be impaired.

Table 24.1a

Analysis of financial assets – current period

in USD millions, as of December 31, 2021	Debt securities	Mortgage loans	Other loans	Receivables and other financial assets	Total
Neither past due nor impaired financial assets	145,054	6,068	7,044	12,242	170,408
Past due but not impaired financial assets					
Past due by:					
1 to 90 days	–	26	3	1,515	1,545
91 to 180 days	–	3	–	232	234
181 to 365 days	–	2	–	194	196
> 365 days	–	4	–	270	274
Past due but not impaired financial assets	–	35	3	2,210	2,248
Financial assets impaired	30	11	3	181	224
Gross carrying value	**145,084**	**6,114**	**7,050**	**14,633**	**172,880**
Less: impairment allowance					
Impairment allowances on individually assessed financial assets	–	5	(3)	123	124
Impairment allowances on collectively assessed financial assets	–	3	–	177	180
Net carrying value	**145,084**	**6,106**	**7,053**	**14,333**	**172,576**

Table 24.1b

Analysis of financial assets – prior period

in USD millions, as of December 31, 2020	Debt securities	Mortgage loans	Other loans	Receivables and other financial assets	Total
Neither past due nor impaired financial assets	161,670	5,729	8,615	12,015	188,029
Past due but not impaired financial assets					
Past due by:					
1 to 90 days	–	36	2	1,281	1,319
91 to 180 days	–	6	2	355	362
181 to 365 days	–	4	1	212	216
> 365 days	–	5	–	295	300
Past due but not impaired financial assets	–	51	4	2,143	2,198
Financial assets impaired	40	11	12	201	264
Gross carrying value	**161,710**	**5,791**	**8,632**	**14,358**	**190,491**
Less: impairment allowance					
Impairment allowances on individually assessed financial assets	–	4	12	105	121
Impairment allowances on collectively assessed financial assets	–	4	–	226	230
Net carrying value	**161,710**	**5,783**	**8,620**	**14,026**	**190,140**

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Tables 24.2a and 24.2b show how the allowances for impairments of financial assets in tables 24.1a and 24.1b developed during the periods ended December 31, 2021 and 2020, respectively.

Table 24.2a

Development of allowance for impairments – current period

in USD millions	Mortgage loans	Other loans	Receivables
As of January 1, 2021	8	12	332
Increase/(decrease) in allowance for impairments	1	(7)	33
Amounts written-off	–	(8)	(42)
Acquisitions/(divestments) and transfers	–	–	(3)
Foreign currency translation effects	–	–	(20)
As of December 31, 2021	**8**	**(3)**	**300**

Table 24.2b

Development of allowance for impairments – prior period

in USD millions	Mortgage loans	Other loans	Receivables
As of January 1, 2020	6	21	263
Increase/(decrease) in allowance for impairments	1	1	90
Amounts written-off	–	(11)	(29)
Acquisitions/(divestments) and transfers	–	–	10
Foreign currency translation effects	1	1	(2)
As of December 31, 2020	**8**	**12**	**332**

The Group has elected to defer the full implementation of IFRS 9 until IFRS 17 becomes effective on January 1, 2023. For further information on the Group’s eligibility to the temporary exemption from IFRS 9, please refer to note 2.

Under IFRS 9, the classification and measurement of all debt instruments will be driven by the business model in which these assets are held and by their contractual terms. The combined effect of the application of the business model and contractual cash flows characteristics determine whether the financial assets are measured at amortized cost, fair value with changes recognized in other comprehensive income (OCI) or fair value through profit or loss. The business model will be assessed at the date of the initial application of IFRS 9.

Debt instruments with contractual terms that give rise to cash flows that are solely payment of principal and interest on the principal amount outstanding (SPPI) will be measured at either amortized cost or at fair value with changes recognized in OCI, unless they are managed on a fair value basis. The assessment of the features of the contractual terms is referred to as the SPPI test. Debt instruments that do not pass the SPPI test will always be measured at fair value through profit or loss.

Equity instruments including fund investments will be accounted for at fair value through profit or loss. The Group does not intend to make use of the election to present changes in fair value of certain equity instruments that are not held for trading in OCI with no subsequent reclassification of realized gains or losses to the income statement.

Table 24.3a and Table 24.3b show the fair value and the carrying value at the end of current and previous reporting period for the following two groups of financial assets:

- Financial assets with contractual terms that give rise to cash flows that are SPPI;
- Other financial assets not passing the SPPI test, as well as financial assets managed on a fair value basis for which no SPPI assessment has been performed. Financial assets that have not passed the SPPI test include equities, callable bonds with significant prepayment features, hybrid bonds with certain cash flows at the discretion of the issuer and some ABS/MBS that do not fulfill the SPPI criteria for contractually linked instruments.

Net unrealized gains/(losses) on debt securities available for sale that are not SPPI amounted to USD 212 million and USD 408 million for the years ended December 31, 2021 and 2020, respectively. The carrying value on held-to-maturity debt securities, mortgage loans, other loans, and receivables include impairment allowances of USD 320 million and USD 340 million of the years ended December 31, 2021 and 2020, respectively.

Consolidated financial statements (continued)

Table 24.3a

Fair value and carrying value of financial assets split by SPPI and other financial assets – current period

in USD millions, as of December 31, 2021	SPPI Fair value	SPPI Carrying value	Other financial assets Fair value	Other financial assets Carrying value	Total Fair value	Total Carrying value
Available-for-sale securities						
Equity securities	–	–	14,008	14,008	14,008	14,008
Debt securities	127,622	127,622	8,383	8,383	136,005	136,005
Total available-for-sale securities	127,622	127,622	22,390	22,390	150,013	150,013
Fair value through profit or loss securities						
Equity securities	–	–	4,571	4,571	4,571	4,571
Debt securities	–	–	7,181	7,181	7,181	7,181
Total fair value through profit or loss securities	–	–	11,752	11,752	11,752	11,752
Held-to-maturity debt securities	2,358	1,897	–	–	2,358	1,897
Mortgage loans	6,371	6,106	–	–	6,371	6,106
Other loans[1]	7,456	6,344	34	55	7,490	6,399
Receivables	13,362	13,362	–	–	13,362	13,362
Derivative assets	–	–	938	938	938	938
Total financial assets	**157,170**	**155,331**	**35,114**	**35,135**	**192,284**	**190,466**

1 Do not include policyholder loans, which will come under IFRS 17 and are therefore not applicable for IFRS 9, of USD 794 million and USD 654 million for fair value and carrying value, respectively.

Table 24.3b

Fair value and carrying value of financial assets split by SPPI and other financial assets – prior period

in USD millions, as of December 31, 2020	SPPI Fair value	SPPI Carrying value	Other financial assets Fair value	Other financial assets Carrying value	Total Fair value	Total Carrying value
Available-for-sale securities						
Equity securities	–	–	14,779	14,779	14,779	14,779
Debt securities	144,106	144,106	8,224	8,224	152,330	152,330
Total available-for-sale securities	144,106	144,106	23,003	23,003	167,109	167,109
Fair value through profit or loss securities						
Equity securities	–	–	4,714	4,714	4,714	4,714
Debt securities	–	–	7,115	7,115	7,115	7,115
Total fair value through profit or loss securities	–	–	11,829	11,829	11,829	11,829
Held-to-maturity debt securities	2,928	2,217	63	47	2,991	2,265
Mortgage loans	6,205	5,783	–	–	6,205	5,783
Other loans[1]	9,488	7,885	63	59	9,552	7,944
Receivables	13,037	13,037	–	–	13,037	13,037
Derivative assets	–	–	1,763	1,763	1,763	1,763
Total financial assets	**175,764**	**173,028**	**36,722**	**36,702**	**212,486**	**209,731**

1 Do not include policyholder loans, which will come under IFRS 17 and are therefore not applicable for IFRS 9, of USD 861 million and USD 675 million for fair value and carrying value, respectively.

With IFRS 9, the incurred loss impairment approach will be replaced by a forward-looking expected credit loss (ECL) approach that will apply to debt securities, loans and receivables that are not accounted for at fair value through profit or loss. Thus, the same ECL requirements will apply to all financial assets measured at amortized cost and those measured at fair value with changes recognized in OCI.

At initial recognition of a debt instrument, a loss allowance is recognized for expected credit losses resulting from default events within the next 12 months after the reporting date (12-month ECL). Such instruments are classified as Stage 1. The Group does not originate or acquire financial assets that are credit-impaired at initial recognition.

In the event of a significant increase in credit risk (SICR) since initial recognition, IFRS 9 requires the ECL allowance to be measured at an amount equal to lifetime expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Such instruments are referred to as Stage 2.

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The Group applies the 'low credit risk practical expedient,' by assuming that no increase in credit risk has occurred since initial recognition for financial assets that have an external or internal rating equivalent to 'investment grade' (i.e., 'AAA' to 'BBB–') at the reporting date. For the remaining financial assets, the Group considers all relevant reasonable supporting information that is available without undue cost or effort when determining whether a SICR has occurred since initial recognition, or not. An increase in credit risk is assessed using a transition matrix approach that determines SICR thresholds depending on the credit rating at initial recognition and residual time to maturity of the instrument. Where necessary, the quantitative assessment is supplemented by a qualitative assessment of the issuer's credit quality. For certain less material portfolios, including residential mortgage loans, the '30 days past due' criterion is used as a primary indicator of a SICR. Where a SICR is no longer observed, the instrument transitions back to stage 1.

The Group has elected to apply the simplified approach for receivables from policyholders and other receivables that are allocated to 'Stage 2' unless individually impaired. Financial assets that have become credit-impaired are allocated to stage 3 based on similar principles as are applied under IAS 39 to determine whether credit loss has been incurred.

The tables 24.4a and 24.4b show the fair value and the carrying amount (before adjusting for any impairment in case of financial assets measured at amortized cost) of financial assets whose contractual terms give rise to cash flows that are SPPI, by impairment stages:

Table 24.4a

Financial assets (SPPI) by stages – current period

in USD millions, as of December 31, 2021	Stage 1		Stage 2		Stage 3		Total	
	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value
Available-for-sale debt securities	127,179	127,179	418	418	26	26	127,622	127,622
Held-to-maturity debt securities	2,358	1,897	–	–	–	–	2,358	1,897
Mortgage loans	6,338	6,079	19	17	15	18	6,371	6,114
Other loans[1]	7,389	6,282	67	66	–	–	7,456	6,348
Receivables	3,195	3,255	10,150	10,283	17	124	13,362	13,662
Total financial assets	**146,458**	**144,692**	**10,654**	**10,784**	**58**	**168**	**157,170**	**155,643**

1 Do not include policyholder loans, which will come under IFRS 17 and are therefore not applicable for IFRS 9, of USD 794 million and USD 654 million for fair value and carrying value, respectively.

Table 24.4b

Financial assets (SPPI) by stages – prior period

in USD millions, as of December 31, 2020	Stage 1		Stage 2		Stage 3		Total	
	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value
Available-for-sale debt securities	143,508	143,508	560	560	38	38	144,106	144,106
Held-to-maturity debt securities	2,927	2,216	–	–	1	1	2,928	2,217
Mortgage loans	6,166	5,750	12	12	28	29	6,205	5,791
Other loans[1]	9,461	7,858	27	27	–	–	9,488	7,885
Receivables	2,441	2,505	10,554	10,718	42	145	13,036	13,368
Total financial assets	**164,503**	**161,838**	**11,153**	**11,316**	**108**	**213**	**175,764**	**173,367**

1 Do not include policyholder loans, which will come under IFRS 17 and are therefore not applicable for IFRS 9, of USD 861 million and USD 675 million for fair value and carrying value, respectively.

25. Related-party transactions

In the normal course of business, the Group enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. Related parties of the Group include, among others, subsidiaries, associates, joint ventures, key management personnel, and the post-employment benefit plans (see note 20). Transactions between the Group and its subsidiaries are eliminated on consolidation, and they are not disclosed in the consolidated financial statements. A list of the Group's significant subsidiaries is shown in note 28. The transactions of the Group concluded with its associates and with its joint ventures are not considered material to the Group, either individually or in aggregate.

Table 25 summarizes related-party transactions with key management personnel reflected in the consolidated financial statements. Key management personnel includes members of the Board of Directors of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd and members of the Executive Committee.

Related party transactions – key personnel

Table 25

in USD millions, for the years ended December 31	**2021**	2020
Remuneration of key personnel of the Group		
Cash compensation, current benefits and fees	33	31
Post-employment benefits	4	4
Share-based compensation	33	42
Other remuneration	4	4
Total remuneration of key personnel	**74**	**81**

As of December 31, 2021, and 2020, there were no loans, advances or credits outstanding from members of the Executive Committee. Outstanding loans and guarantees granted to members of the Board of Directors amounted to nil for the years ended December 31, 2021 and 2020. The terms 'members of the Board of Directors' and 'members of the Executive Committee' in this context include the individual as well as members of their respective households. The figures in table 25 include the fees paid to members of the Board of Directors of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd, which were USD 6 million and USD 6 million for the years ended December 31, 2021 and 2020, respectively.

The information required by articles 14–16 of the Swiss Ordinance Against Excessive Compensation, which prevails over article 663b^{bis} of the Swiss Code of Obligations, is disclosed and audited in the Remuneration report.

The cash compensation, current benefits and fees are short term in nature.

26. Relationship with the Farmers Exchanges

Farmers Group, Inc. and its subsidiaries (FGI) provide certain non-claims services to the Farmers Exchanges as their attorneys-in-fact, and also provide certain ancillary services to the Farmers Exchanges. Farmers Group Inc. is a wholly owned subsidiary of the Group. Attorney-in-fact services primarily include risk selection, preparation and mailing of policy documents and invoices, premium collection, management of the investment portfolios and certain other administrative and managerial functions. Fees for these services are primarily determined as a percentage of gross premiums earned by the Farmers Exchanges. Ancillary services primarily include information technology, brand advertising and certain distribution related services that are not covered under the attorney-in-fact contracts for which FGI acts as a principal in arranging for those services to the Exchanges. The finances and operations of the Farmers Exchanges are governed by independent Boards of Governors. In addition, the Group has the following relationships with the Farmers Exchanges.

a) Surplus notes issued by the Farmers Exchanges

As of December 31, 2021 and 2020, FGI and its subsidiary held the following surplus note issued by the Farmers Exchanges.

Table 26.1

Surplus note

in USD millions, as of December 31	2021	2020
3.758% surplus note, due December 2027	100	100
Total	**100**	**100**

The USD 100 million of 10-year, no call five-year note at a 3.758 percent rate that the Farmers Exchanges issued to Farmers New World Life Insurance Company remains unchanged in 2021. At the end of the five years, starting December 20, 2022, interest shall accrue at the floating annual rate equal to the three-month USD LIBOR plus 2.60 percent rate.

Conditions governing payment of interest and repayment of principal are outlined in the surplus note. Generally, repayment of principal and payment of interest may be made only when the issuer has an appropriate amount of surplus, and then only after approval is granted by the appropriate state insurance regulatory department in the U.S. Additionally, the approval by the issuer's governing board is needed for repayment of principal.

b) Quota share reinsurance treaty with the Farmers Exchanges

The Farmers Exchanges cede risk through a quota share reinsurance treaty, the All Lines Quota Share reinsurance agreement (All Lines agreement) with Farmers Reinsurance Company (Farmers Re Co), a wholly owned subsidiary of FGI, as well as numerous unrelated reinsurers. The All Lines agreement can be terminated after 90 days' notice by any of the parties.

The All Lines agreement provides for a cession of a quota share of the premiums earned and the ultimate net losses sustained in all lines of business written by the Farmers Exchanges.

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Quota share reinsurance treaty

Table 26.2

in USD millions, for the years ended December 31	All Lines agreement	
	2021[1]	2020[2]
Net earned premiums and policy fees	192	48
Insurance benefits and losses, net[3,4]	(145)	(24)
Total net technical expenses[5]	(62)	(16)
Net underwriting result	**(15)**	**9**

1 From January 1, 2021, through March 31, 2021, Farmers Re Co assumed a 0.25 percent quota share. Another 25.75 percent was assumed by third parties. Effective April 1, 2021, Farmers Re Co assumed a 1.0 percent quota share. Another 32.00 percent was assumed by third parties. Effective December 31, 2021, Farmers Re Co assumed a 1.75 percent quota share. Another 29.25 percent was assumed by third parties.
2 From January 1, 2020, Farmers Re Co assumed a 0.25 percent quota share. Another 25.75 percent was assumed by third parties. Effective December 31, 2020, Farmers Re Co participation in the All Lines agreement remained at 0.25 percent. Another 25.75 percent was assumed by third parties.
3 Under the All Lines agreement, the Farmers Exchanges catastrophe losses are subject to a maximum of 6.75 percent of net earned premiums dependent on loss experience and recoveries at a specified rate for each year. Based on the results for 2021, the total catastrophe recoveries subject to the All Lines agreement was USD 1.5 billion. Effective December 31, 2021, the maximum will increase to 7.88 percent of net earned premiums in the year 2022.
4 From 2012 to 2018, Zurich Insurance Company Ltd (ZIC) participated in the All Lines agreement. The insurance losses include prior-year loss development assumed by ZIC of USD 9 million and USD 8 million, for the years 2021 and 2020, respectively.
5 Under the All Lines agreement, the Farmers Exchanges receive 26.7 percent of premiums for ceding commissions, 8.1 percent of premiums for unallocated loss adjustment expenses and 5.3 percent of premiums for other expenses. Effective December 31, 2021, ceding commissions remain at 26.7 percent of premiums, the unallocated loss adjustment expenses decrease to 6.24 percent of premiums, and the other expenses decrease to 5.2 percent of premiums.

c) Farmers management fees and other related revenues

Farmers Group, Inc. and its subsidiaries (FGI), wholly owned subsidiaries of the Group, are the appointed attorneys-in-fact of the Farmers Exchanges, which are not owned by FGI. As the attorney-in-fact, FGI is permitted by policyholders of the Farmers Exchanges to receive a management fee of up to 20 percent (up to 25 percent in the case of the Fire Insurance Exchange) of the gross premiums earned by the Farmers Exchanges. This management fee, the primary source of revenue for FGI, has an agreed upon margin cap of 7 percent which is derived from FGI gross management result divided by the gross premium earned by the Farmers Exchanges. The expected revenues and expenses are assessed monthly to determine if expected revenues will be in excess of the cap, in which case the revenue is reduced on a pro-rata basis to ensure that no revenue is recognized for the amounts exceeding the cap. For 2021 only, FGI and the Farmers Exchanges agreed to calculate the margin cap based on results excluding Farmers Workplace Solutions (FWS). In addition, FGI revenue includes reimbursement of certain ancillary service costs incurred by FGI on behalf of primarily the Farmers Exchanges that are not covered under the attorney-in-fact contracts. The amounts incurred for these services are reimbursed to FGI at cost in accordance with allocations that are subject to approval by the Farmers Exchanges Boards of Governors.

FGI has historically charged a lower management fee than the amount allowed by policyholders. The range of fees has varied by line of business over time and from year to year. The gross earned premiums of the Farmers Exchanges were USD 23.7 billion and USD 20.1 billion for the years ended December 31, 2021 and 2020, respectively.

Farmers Management Services

Table 26.3

in USD millions, for the years ended December 31	2021	2020	Change
Management fees and other related revenues	4,265	3,703	15%
Management fees[1]	3,141	2,749	
Revenues for ancillary services[2]	1,019	842	
Membership fees	59	59	
Other revenues	46	53	
Management and other related expenses	2,697	2,345	15%
Expenses for ancillary services[2]	1,019	842	
Management and other expenses[3]	1,678	1,504	
Gross management result	**1,568**	**1,357**	**15%**
Managed gross earned premium margin[4]	6.6%	6.8%	(0.1 pts)

1 Increase in 2021 fee revenues in FWS (see note 5) as well as 2020 COVID-19 premium credits to customers at the Farmers Exchanges.
2 Increase in ancillary service revenues and expenses in FWS and higher Exchanges brand advertising and distribution related service expenses.
3 Increase in operating expenses in FWS.
4 Decrease in 2021 margin due to lower FWS margin.

27. Segment information

The Group pursues a customer-centric strategy, where the Property & Casualty (P&C) and Life businesses are managed on a regional basis. The Group's reportable segments have been identified on the basis of the businesses operated by the Group and how these are strategically managed to offer different products and services to specific customer groups. The Group has identified 13 reportable segments in accordance with IFRS 8 'Operating Segments' and segment information is presented accordingly as follows:

- Property & Casualty regions
- Life regions
- Farmers
- Group Functions and Operations
- Non-Core Businesses

The Group's reportable segments comprise the following:

Property & Casualty and Life regions

- Europe, Middle East & Africa
- North America
- Asia Pacific
- Latin America
- Group Reinsurance

Property & Casualty regions provide a variety of motor, home and commercial products and services for individuals as well as small and large businesses on both a local and global basis. Products are sold through multiple distribution channels including agents, brokers and bank distribution.

Life regions provide a comprehensive range of life and health insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and investment-oriented products, as well as full private health, supplemental health and long-term care insurance. In addition to the agent distribution channel, certain of these products are offered via bank distribution channels.

Farmers, through Farmers Group, Inc. and its subsidiaries (FGI), provides certain non-claims services and ancillary services to the Farmers Exchanges, which are owned by their policyholders. This segment also includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal and small commercial lines of business in the U.S. In addition, this segment includes the activities of Farmers Life, a writer of individual life insurance business in the U.S.

Group Functions and Operations comprise the Group's Holding and Financing, Headquarters and the new digital ventures of the Zurich Global Ventures. Certain alternative investment positions not allocated to business operating segments are included within Holding and Financing. In addition, this segment includes operational technical governance activities relating to technology, underwriting, claims, actuarial and pricing.

Non-Core Businesses include insurance and reinsurance businesses that the Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off. Non-Core Businesses are mainly situated in the U.S., Bermuda, and in Europe.

Aggregations and additional information

Regional Property & Casualty and Life results are further aggregated to show a total Property & Casualty and total Life business view.

- Property & Casualty – total
- Life – total

For additional informational purposes, the Group also discloses income statement information for

- Property & Casualty Commercial Insurance
- Property & Casualty Retail and SME

Business operating profit

The segment information includes the Group's internal performance measure, business operating profit (BOP). This measure is the basis on which the Group manages all of its business units. It indicates the underlying performance of the Group's business units, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains/(losses) and impairments on investments (except for certain non-insurance operations included in Non-Core Businesses, investments in hedge funds as at fair value through profit or loss, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses) and non-operational foreign exchange movements. Significant items arising from special circumstances, including restructuring charges, legal matters or large one-off regulatory projects outside the ordinary course of business, gains and losses on divestment of businesses, certain business combination integration costs and impairments of goodwill are also excluded from BOP.

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Consolidated financial statements (continued)

Property & Casualty – Overview by segment

Table 27.1

in USD millions, for the years ended December 31	Europe, Middle East & Africa		North America	
	2021	2020	**2021**	2020
Revenues				
Direct written premiums	15,526	13,781	17,299	15,185
Assumed written premiums	2,319	2,058	933	851
Gross written premiums and policy fees	17,845	15,839	18,232	16,036
Less premiums ceded to reinsurers	(3,549)	(3,109)	(6,302)	(5,970)
Net written premiums and policy fees	14,296	12,730	11,930	10,066
Net change in reserves for unearned premiums	(578)	(387)	(685)	(250)
Net earned premiums and policy fees	13,718	12,343	11,246	9,816
Net investment income on Group investments	524	498	888	981
Net capital gains/(losses) and impairments on Group investments	7	50	35	255
Net investment result on Group investments	531	547	923	1,236
Other income	486	355	205	37
Total BOP revenues	14,735	13,246	12,374	11,089
Benefits, losses and expenses				
Insurance benefits and losses, net	9,363	8,298	7,192	6,761
Policyholder dividends and participation in profits, net	9	8	12	7
Underwriting and policy acquisition costs, net	2,788	2,440	2,825	2,538
Administrative and other operating expense (excl. depreciation/amortization)	1,429	1,433	482	231
Interest credited to policyholders and other interest	174	173	60	65
Restructuring costs and other items not included in BOP	(54)	(84)	(15)	(19)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	13,709	12,268	10,555	9,583
Business operating profit (before interest, depreciation and amortization)	**1,026**	**978**	**1,819**	**1,506**
Depreciation and impairments of property and equipment	111	109	61	72
Amortization and impairments of intangible assets	69	90	53	39
Interest expense on debt	4	9	–	–
Business operating profit before non-controlling interests	842	770	1,706	1,396
Non-controlling interests	19	15	–	–
Business operating profit	**822**	**755**	**1,706**	**1,396**

Consolidated financial statements (continued)

	Asia Pacific		Latin America		Group Reinsurance		Eliminations		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	2,989	2,719	2,499	2,242	–	–	–	–	38,314	33,926
	233	207	89	57	696	597	(2,462)	(2,178)	1,809	1,592
	3,223	2,926	2,589	2,299	696	597	(2,462)	(2,178)	40,123	35,518
	(638)	(567)	(637)	(565)	(580)	(568)	2,462	2,178	(9,244)	(8,601)
	2,585	2,359	1,951	1,734	117	28	–	–	30,879	26,918
	(67)	80	(72)	37	(17)	(3)	–	–	(1,418)	(522)
	2,519	2,439	1,879	1,771	100	26	–	–	29,461	26,396
	86	92	178	160	12	10	–	–	1,688	1,740
	–	–	–	–	–	–	–	–	42	305
	86	92	178	160	12	10	–	–	1,731	2,045
	82	136	46	41	16	3	–	–	836	573
	2,686	2,668	2,104	1,972	128	38	–	–	32,028	29,014
	1,383	1,476	744	641	(88)	360	–	–	18,593	17,536
	1	–	1	–	–	–	–	–	23	15
	577	601	716	719	(19)	(9)	–	–	6,886	6,288
	424	487	312	260	108	36	–	–	2,755	2,447
	4	2	36	32	6	7	–	–	279	278
	(15)	(23)	(54)	(14)	–	–	–	–	(138)	(140)
	2,374	2,543	1,754	1,638	6	393	–	–	28,398	26,425
	312	**124**	**350**	**335**	**122**	**(355)**	**–**	**–**	**3,630**	**2,589**
	49	51	15	17	1	1	–	–	236	251
	25	23	14	11	–	–	–	–	161	162
	–	–	–	–	–	1	–	–	4	10
	239	51	322	306	121	(357)	–	–	3,229	2,166
	3	3	85	68	–	–	–	–	108	86
	235	**48**	**236**	**239**	**121**	**(357)**	**–**	**–**	**3,121**	**2,080**

Consolidated financial statements (continued)

Life – Overview by segment

Table 27.2

in USD millions, for years ended December 31	Europe, Middle East & Africa		North America	
	2021	2020	**2021**	2020
Revenues				
Life insurance deposits	10,476	9,390	713	761
Gross written premiums	6,948	7,420	139	137
Policy fees	1,573	1,388	404	369
Gross written premiums and policy fees	8,521	8,808	543	505
Net earned premiums and policy fees	7,807	8,133	418	469
Net investment income on Group investments	2,278	2,226	27	31
Net capital gains/(losses) and impairments on Group investments	662	434	17	6
Net investment result on Group investments	2,940	2,660	44	37
Net investment income on unit-linked investments	1,050	917	–	–
Net capital gains/(losses) and impairments on unit-linked investments	11,556	4,413	191	615
Net investment result on unit-linked investments	12,606	5,330	191	615
Other income	336	384	33	40
Total BOP revenues	23,689	16,507	687	1,161
Benefits, losses and expenses				
Insurance benefits and losses, net	6,469	6,993	325	385
Policyholder dividends and participation in profits, net	13,380	6,196	191	615
Income tax expense/(benefit) attributable to policyholders	245	37	–	–
Underwriting and policy acquisition costs, net	909	791	42	53
Administrative and other operating expense (excl. depreciation/amortization)	1,159	1,240	45	90
Interest credited to policyholders and other interest	228	230	56	32
Restructuring costs and other items not included in BOP	(79)	(82)	(3)	–
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	22,311	15,404	656	1,174
Business operating profit (before interest, depreciation and amortization)	**1,378**	**1,103**	**31**	**(13)**
Depreciation and impairments of property and equipment	23	26	–	–
Amortization and impairments of intangible assets	54	35	–	–
Interest expense on debt	–	–	–	–
Business operating profit before non-controlling interests	1,301	1,042	31	(13)
Non-controlling interests	104	97	–	–
Business operating profit	**1,197**	**945**	**31**	**(13)**

Life includes approximately USD 1.1 billion and USD 1.1 billion of gross written premiums and future life policyholder benefits for certain universal life-type contracts in the Group's Spanish operations for the years ended December 31, 2021 and 2020, respectively.

Consolidated financial statements (continued)

Asia Pacific		Latin America		Group Reinsurance		Eliminations		Total	
2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
145	112	3,023	3,401	–	–	–	–	14,357	13,663
2,467	2,242	2,236	2,193	35	33	(35)	(45)	11,791	11,980
132	147	95	69	–	–	–	–	2,205	1,973
2,599	2,389	2,332	2,262	35	33	(35)	(45)	13,995	13,953
2,006	2,021	2,042	1,977	26	24	–	–	12,299	12,624
204	167	480	331	–	–	(1)	(2)	2,987	2,753
(63)	34	4	12	–	–	–	–	621	486
141	201	484	343	–	–	(1)	(2)	3,608	3,239
139	107	27	31	–	–	–	–	1,217	1,055
38	(4)	908	715	–	–	–	–	12,693	5,739
177	104	935	746	–	–	–	–	13,909	6,794
25	23	93	68	–	–	(1)	(2)	486	513
2,349	2,348	3,554	3,133	26	24	(3)	(3)	30,301	23,169
1,087	1,094	978	825	4	10	–	–	8,863	9,306
143	124	946	756	–	–	–	–	14,660	7,691
30	10	–	–	–	–	–	–	275	46
174	324	999	937	7	9	(1)	(2)	2,129	2,112
600	522	250	162	–	1	–	–	2,054	2,015
1	13	29	22	–	–	–	–	315	297
(58)	(40)	(33)	41	–	–	–	–	(173)	(81)
1,977	2,048	3,169	2,742	10	20	(1)	(2)	28,123	21,387
371	**300**	**385**	**391**	**15**	**4**	**(1)**	**(2)**	**2,178**	**1,782**
8	9	11	10	–	–	–	–	42	45
8	9	9	9	–	–	–	–	71	52
11	16	–	1	–	–	(1)	(2)	10	16
344	266	365	371	15	4	–	–	2,055	1,670
(4)	(3)	143	152	–	–	–	–	243	246
347	**269**	**222**	**219**	**15**	**4**	**–**	**–**	**1,812**	**1,423**

Consolidated financial statements (continued)

Business operating profit by business

Table 27.3

in USD millions, for the years ended December 31

	Property & Casualty		Life	
	2021	2020	**2021**	2020
Revenues				
Direct written premiums	38,314	33,926	11,770	11,760
Assumed written premiums	1,809	1,592	20	220
Gross Written Premiums	40,123	35,518	11,791	11,980
Policy fees	–	–	2,205	1,973
Gross written premiums and policy fees	40,123	35,518	13,995	13,953
Less premiums ceded to reinsurers	(9,244)	(8,601)	(1,507)	(1,225)
Net written premiums and policy fees	30,879	26,918	12,489	12,727
Net change in reserves for unearned premiums	(1,418)	(522)	(190)	(104)
Net earned premiums and policy fees	29,461	26,396	12,299	12,624
Farmers management fees and other related revenues	–	–	–	–
Net investment income on Group investments	1,688	1,740	2,987	2,753
Net capital gains/(losses) and impairments on Group investments	42	305	621	486
Net investment result on Group investments	1,731	2,045	3,608	3,239
Net investment result on unit-linked investments	–	–	13,909	6,794
Other income	836	573	486	513
Total BOP revenues	32,028	29,014	30,301	23,169
of which: inter-business revenues	4	(12)	29	(165)
Benefits, losses and expenses				
Losses and loss adjustment expenses, net	18,596	17,539	–	–
Life insurance death and other benefits, net	(2)	(2)	8,863	9,306
Insurance benefits and losses, net	18,593	17,536	8,863	9,306
Policyholder dividends and participation in profits, net	23	15	14,660	7,691
Income tax expense/(benefit) attributable to policyholders	–	–	275	46
Underwriting and policy acquisition costs, net	6,886	6,288	2,129	2,112
Administrative and other operating expense (excl. depreciation/amortization)	2,755	2,447	2,054	2,015
Interest credited to policyholders and other interest	279	278	315	297
Restructuring costs and other items not included in BOP	(138)	(140)	(173)	(81)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	28,398	26,425	28,123	21,387
Business operating profit (before interest, depreciation and amortization)	**3,630**	**2,589**	**2,178**	**1,782**
Depreciation and impairments of property and equipment	236	251	42	45
Amortization and impairments of intangible assets	161	162	71	52
Interest expense on debt	4	10	10	16
Business operating profit before non-controlling interests	3,229	2,166	2,055	1,670
Non-controlling interests	108	86	243	246
Business operating profit	**3,121**	**2,080**	**1,812**	**1,423**

Life includes approximately USD 1.1 billion and USD 1.1 billion of gross written premiums and future life policyholder benefits for certain universal life-type contracts in the Group's Spanish operations for the years ended December 31, 2021 and 2020, respectively.

Consolidated financial statements (continued)

Farmers		Group Functions and Operations		Non-Core Businesses		Eliminations		Total	
2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
638	610	3	(7)	34	34	–	–	50,759	46,323
353	49	357	–	52	54	(165)	(17)	2,426	1,899
992	659	359	(7)	86	88	(165)	(17)	53,185	48,221
359	337	–	–	27	24	–	–	2,592	2,334
1,351	996	359	(7)	113	112	(165)	(17)	55,777	50,555
(175)	(174)	(194)	–	(16)	(5)	165	17	(10,970)	(9,988)
1,176	822	165	(7)	98	107	–	–	44,806	40,567
(161)	(1)	(11)	2	4	2	–	–	(1,776)	(623)
1,015	821	154	(5)	102	109	–	–	43,031	39,944
4,265	3,703	–	–	–	–	–	–	4,265	3,703
176	189	155	163	131	167	(90)	(109)	5,047	4,903
5	2	–	–	(177)	174	–	–	491	966
180	191	155	163	(46)	340	(90)	(109)	5,538	5,869
203	163	–	–	276	433	–	–	14,388	7,389
73	89	123	133	31	(9)	(266)	(342)	1,283	957
5,736	4,967	432	291	362	873	(356)	(451)	68,504	57,863
(7)	(18)	(377)	(245)	(6)	(11)	356	451	–	–
145	24	2	–	57	18	–	–	18,800	17,581
590	522	105	(3)	(71)	338	–	–	9,484	10,160
735	545	107	(3)	(14)	356	–	–	28,284	27,741
213	173	12	–	287	446	–	–	15,195	8,325
–	–	–	–	–	–	–	–	275	46
175	145	25	4	5	5	(7)	–	9,213	8,555
2,702	2,372	471	380	59	88	5	(74)	8,047	7,228
111	108	124	121	25	26	(262)	(250)	591	581
(29)	(64)	(70)	(78)	–	–	–	–	(411)	(363)
3,908	3,280	669	424	362	921	(265)	(323)	61,195	52,113
1,829	**1,687**	**(237)**	**(132)**	**–**	**(49)**	**(91)**	**(127)**	**7,310**	**5,750**
59	72	14	12	–	–	–	–	351	380
141	114	23	70	–	–	–	–	396	398
12	–	532	495	2	5	(91)	(127)	469	399
1,617	1,501	(806)	(709)	(1)	(54)	–	–	6,094	4,574
–	–	1	–	–	–	–	–	352	332
1,617	**1,501**	**(806)**	**(709)**	**(1)**	**(54)**	**–**	**–**	**5,742**	**4,241**

Consolidated financial statements (continued)

Table 27.4

Reconciliation of BOP to net income after income taxes

in USD millions, for the years ended December 31

	Property & Casualty		Life	
	2021	2020	**2021**	2020
Business operating profit	**3,121**	**2,080**	**1,812**	**1,423**
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	1,440	835	167	390
Net gains/(losses) on divestment of businesses[1]	–	–	(151)	56
Restructuring costs	(59)	(92)	(33)	(64)
Impairments of goodwill	(5)	–	–	–
Other adjustments[2]	(75)	(49)	(140)	(17)
Add back:				
Business operating profit attributable to non-controlling interests	108	86	243	246
Net income before shareholders' taxes	4,531	2,861	1,898	2,034
Income tax expense/(benefit) attributable to policyholders	–	–	275	46
Net income before income taxes	**4,531**	**2,861**	**2,173**	**2,081**
Income tax (expense)/benefit				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

1 In 2021, Life included losses of USD 144 million as Zurich Investments Life S.p.A. agreed to sell its life and pension back book and USD 9 million as Zurich International Life Limited entered into an agreement to sell an insurance portfolio, Group Functions included losses of USD 33 million related of the sale of Bright Box (see note 5).
In 2020, Life included gains of USD 115 million due to the sale of the Corporate Life and Pensions (CLP) business to Aflac Incorporated (Aflac) by Zurich Holding Company of America, Inc., Zurich American Life Insurance Company and Zurich American Life Insurance Company of New York, offset by losses of USD 20 million as Zurich International Life Limited entered into an agreement to sell an insurance portfolio, USD 14 million due to the sale of UK International Portfolio Bond by Zurich Life Assurance plc, USD 19 million for re-measurements of assets held for sale based on agreements to sell businesses in the UK and USD 7 million related to the sale of the UK Life business.
2 Other adjustments in 2021 and 2020 include charges related to the implementation of IFRS 17 and business combination integration costs.

Consolidated financial statements (continued)

	Farmers		Group Functions and Operations		Non-Core Businesses		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	1,617	**1,501**	**(806)**	**(709)**	**(1)**	**(54)**	**5,742**	**4,241**
	18	9	(58)	(172)	(19)	18	1,547	1,080
	–	–	(33)	1	–	–	(185)	57
	(4)	(55)	(10)	(3)	–	–	(106)	(214)
	–	–	–	(33)	–	–	(5)	(33)
	(26)	(8)	(60)	(42)	–	–	(301)	(116)
	–	–	1	–	–	–	352	332
	1,605	1,446	(967)	(957)	(21)	(37)	7,046	5,348
	–	–	–	–	–	–	275	46
	1,605	**1,446**	**(967)**	**(957)**	**(21)**	**(37)**	**7,321**	**5,395**
							(1,895)	(1,323)
							(275)	(46)
							(1,621)	(1,277)
							5,425	**4,071**
							223	238
							5,202	3,834

Consolidated financial statements (continued)

Assets and liabilities by business

Table 27.5

in USD millions, as of December 31

	Property & Casualty		Life	
	2021	2020	**2021**	2020
Assets				
Cash and cash equivalents	8,626	9,850	3,821	4,789
Total Group Investments	75,314	73,303	105,203	124,873
Equity securities	9,038	9,250	8,267	9,087
Debt securities	54,634	53,743	76,392	93,864
Investment property	4,973	5,195	8,845	9,298
Mortgage loans	930	950	4,643	4,299
Other loans	5,735	4,159	7,034	8,305
Investments in associates and joint ventures	5	6	23	20
Investments for unit-linked contracts	–	–	136,920	129,797
Total investments	75,314	73,303	242,123	254,670
Reinsurers' share of liabilities for insurance contracts	17,846	17,518	2,928	3,026
Deposits made under assumed reinsurance contracts	56	56	2	73
Deferred policy acquisition costs	6,359	5,984	12,201	12,248
Deferred origination costs	–	–	441	426
Goodwill	1,820	1,876	1,277	1,365
Other intangible assets	1,679	1,694	1,889	2,090
Other assets[1]	17,239	17,187	16,908	8,708
Total assets (after cons. of investments in subsidiaries)	**128,939**	**127,467**	**281,590**	**287,394**
Liabilities				
Liabilities for investment contracts	–	–	68,472	69,118
Liabilities for insurance contracts, gross	84,892	83,545	168,932	181,348
Reserves for losses and loss adjustment expenses, gross	62,225	61,951	–	–
Reserves for unearned premiums, gross	19,707	18,709	–	–
Future life policyholder benefits, gross	26	30	68,333	78,151
Policyholder contract deposits and other funds, gross	44	34	22,031	25,495
Reserves for unit-linked insurance contracts, gross	–	–	76,973	75,896
Other insurance liabilities, gross	2,890	2,821	1,595	1,806
Senior debt	880	730	575	663
Subordinated debt	975	983	650	655
Other liabilities[1]	13,474	13,986	24,183	15,478
Total liabilities	**100,221**	**99,244**	**262,811**	**267,263**
Equity				
Shareholders' equity				
Non-controlling interests				
Total equity				
Total liabilities and equity				
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets	465	412	94	82

1 As of December 31, 2021, the Group had USD 11.6 billion of assets held for sale based on agreements signed to sell business of Zurich Insurance plc, Zurich International Life Limited and Zurich Investments Life S.p.A. (see note 5). In addition, assets held for sale include land and buildings formerly classified as investment property and held for own use amounting to USD 429 million. In 2020, the Group had USD 2.5 billion of assets held for sale based on agreements signed to sell business of Zurich Insurance plc and Zurich International Life Limited (see note 5). In addition, assets held for sale include land and buildings formerly classified as investment property and held for own use amounting to USD 32 million.

Consolidated financial statements (continued)

Farmers 2021	Farmers 2020	Group Functions and Operations 2021	Group Functions and Operations 2020	Non-Core Businesses 2021	Non-Core Businesses 2020	Eliminations 2021	Eliminations 2020	Total 2021	Total 2020
823	818	5,191	5,926	796	637	(10,559)	(10,914)	8,698	11,106
5,855	5,802	11,300	9,986	5,222	5,779	(11,935)	(9,345)	190,959	210,398
71	71	1,105	946	97	139	–	–	18,578	19,493
4,212	4,150	5,825	5,762	4,338	4,551	(317)	(360)	145,084	161,710
159	159	–	–	94	96	–	–	14,070	14,749
533	534	–	–	–	–	–	–	6,106	5,783
880	887	4,329	3,260	694	993	(11,618)	(8,985)	7,053	8,620
–	–	41	17	–	–	–	–	68	43
1,286	1,086	–	–	4,265	4,175	–	–	142,470	135,058
7,140	6,887	11,300	9,986	9,487	9,954	(11,935)	(9,345)	333,429	345,456
1,992	2,074	189	–	2,937	2,936	(212)	(30)	25,680	25,523
98	142	135	–	220	283	(68)	(52)	444	503
1,885	1,788	–	–	–	–	1	1	20,446	20,021
–	–	–	–	–	–	–	–	441	426
1,237	819	9	29	–	–	–	–	4,344	4,089
879	383	37	64	–	–	–	–	4,484	4,230
3,477	1,812	1,374	1,327	2,571	2,664	(3,708)	(3,753)	37,861	27,944
17,531	**14,723**	**18,235**	**17,332**	**16,011**	**16,475**	**(26,481)**	**(24,092)**	**435,826**	**439,299**
247	235	–	–	137	153	–	–	68,855	69,507
7,915	7,484	410	–	10,882	11,182	(326)	(62)	272,707	283,497
186	198	1	–	1,196	1,203	(32)	(26)	63,577	63,327
182	21	1	–	22	(2)	(4)	(4)	19,909	18,724
2,359	2,304	374	–	3,061	3,474	(176)	(1)	73,977	83,958
3,914	3,885	5	–	2,058	2,083	–	–	28,052	31,497
1,286	1,086	–	–	4,265	4,175	–	–	82,524	81,157
(12)	(10)	29	–	280	248	(114)	(32)	4,668	4,834
–	–	11,754	10,440	279	276	(8,162)	(6,638)	5,327	5,470
1,058	–	10,755	9,248	–	–	(3,655)	(2,580)	9,782	8,306
2,238	2,112	10,392	11,724	4,038	4,185	(14,339)	(14,813)	39,985	32,673
11,458	**9,831**	**33,311**	**31,411**	**15,336**	**15,797**	**(26,482)**	**(24,093)**	**396,656**	**399,453**
								37,881	38,278
								1,289	1,568
								39,170	39,846
								435,826	**439,299**
144	128	54	92	–	–	–	–	757	715

Consolidated financial statements (continued)

Table 27.6

Property & Casualty – Commercial and Retail Insurance overview[1]

in USD millions, for the year ended December 31	Commercial Insurance		Retail and SME	
	2021	2020	**2021**	2020
Gross written premiums and policy fees	28,184	24,697	13,724	12,454
Net earned premiums and policy fees	16,839	14,663	12,523	11,708
Insurance benefits and losses, net	11,057	10,394	7,624	6,783
Policyholder dividends and participation in profits, net	13	8	10	7
Total net technical expenses	4,742	4,222	4,380	4,188
Net underwriting result	1,027	38	509	730
Net investment income	1,186	1,251	491	481
Net capital gains/(losses) and impairments on investments	39	279	4	26
Net non-technical result (excl. items not included in BOP)	(12)	(84)	(136)	(198)
Business operating profit before non-controlling interests	2,240	1,484	868	1,039
Non-controlling interest	–	(1)	108	87
Business operating profit	**2,239**	**1,485**	**761**	**953**

1 Commercial and Retail Insurance overview exclude Group Reinsurance.

Consolidated financial statements (continued)

Table 27.7

Property & Casualty – Revenues and non-current assets by region

in USD millions

	Gross written premiums and policy fees from external customers: Total for the years ended December 31 2021	2020	of which Commercial Insurance for the years ended December 31 2021	2020	of which Retail and Other Insurance for the years ended December 31 2021	2020	Property, equipment and intangible assets as of December 31 2021	2020
Europe								
Austria	665	619					108	77
France	367	313					16	20
Germany	2,944	2,779					645	715
Italy	1,689	1,533					28	41
Ireland	654	412					69	87
Portugal	387	354					11	18
Spain	1,516	1,302					299	314
Switzerland	3,830	3,347					805	839
United Kingdom	3,653	3,230					127	156
Rest of Europe	863	818					86	74
Middle East & Africa								
Middle East	137	131					–	1
Europe, Middle East & Africa	16,704	14,836	6,751	5,808	9,954	9,028	2,195	2,343
North America								
Canada	1,083	775					19	14
United States	16,641	14,787					1,076	1,111
North America	17,724	15,562	17,724	15,562	–	–	1,095	1,125
Asia Pacific								
Australia	885	691					855	903
Hong Kong	312	290					32	34
Japan	999	968					19	25
Malaysia	385	367					56	59
Rest of Asia Pacific	538	511					273	277
Asia Pacific	3,119	2,827	1,005	877	2,113	1,950	1,234	1,298
Latin America								
Argentina	529	439					220	183
Brazil	869	838					302	357
Chile	392	318					13	22
Mexico	583	526					130	146
Rest of Latin America	193	167					48	64
Latin America	2,567	2,289	910	812	1,657	1,476	712	773
Group Reinsurance								
Group Reinsurance	8	5	–	–	8	5	2	1
Total	**40,122**	**35,518**	**26,390**	**23,059**	**13,732**	**12,459**	**5,239**	**5,540**

Consolidated financial statements (continued)

Life – Revenues and non-current assets by region

Table 27.8

in USD millions	Gross written premiums and policy fees from external customers for the years ended December 31		Life insurance deposits for the years ended December 31		Property, equipment and intangible assets as of December 31	
	2021	2020	**2021**	2020	**2021**	2020
Europe, Middle East & Africa						
Austria	110	99	63	56	6	27
Germany	1,675	2,065	1,688	1,565	76	73
Italy	973	1,019	1,887	2,040	19	29
Ireland[1]	606	574	4,595	3,146	95	106
Spain	1,684	1,615	49	48	1,053	1,146
Switzerland	1,130	1,183	331	276	3	3
United Kingdom	1,825	1,549	(66)	90	142	127
Zurich International[2]	491	466	1,615	2,044	38	47
Rest of Europe, Middle East & Africa	27	208	314	125	1	5
Europe, Middle East & Africa	8,521	8,779	10,476	9,390	1,434	1,563
North America						
United States	543	505	713	761	–	–
North America	543	505	713	761	–	–
Asia Pacific						
Australia	1,765	1,580	59	26	1,267	1,349
Hong Kong	53	54	17	18	–	–
Indonesia	62	58	–	–	1	2
Japan	479	469	–	–	12	15
Malaysia	240	228	69	68	81	88
Asia Pacific	2,599	2,389	145	112	1,361	1,454
Latin America						
Argentina	157	117	100	92	45	35
Brazil	1,276	1,145	2,370	2,980	213	239
Chile	396	562	171	137	288	360
Mexico	443	388	382	192	89	100
Uruguay	43	41	–	–	1	–
Colombia	15	10	–	–	–	–
Latin America	2,331	2,262	3,023	3,401	636	734
Total	**13,994**	**13,935**	**14,357**	**13,663**	**3,430**	**3,751**

1 Includes business written under freedom of services and freedom of establishment in Europe, and the related assets.
2 Includes business written through licenses, mainly in Asia Pacific and Middle East, and the related assets.

Consolidated financial statements (continued)

28. Interest in subsidiaries

Significant subsidiaries are defined as those subsidiaries which either individually or in aggregate, contribute significantly to gross written premiums, shareholder's equity, total assets or net income attributable to shareholders.

Table 28.1

Significant subsidiaries – non-listed

as of December 31, 2021

	Registered office	Voting rights %	Ownership interest %		Nominal value of share capital (in local currency millions)
Australia					
Cover-More Group Limited	Sydney	100	100	AUD	1,014.2
Zurich Australia Limited	Sydney	100	100	AUD	543.5
Zurich Australian Insurance Limited	Sydney	100	100	AUD	6.6
Zurich Financial Services Australia Limited	Sydney	100	100	AUD	2,983.0
OnePath Life Limited	Sydney	100	100	AUD	1,344.4
OnePath Life Australia Holdings Pty Limited	Sydney	100	100	AUD	2,595.7
Austria					
Zürich Versicherungs-Aktiengesellschaft	Vienna	99.98	99.98	EUR	12.0
Brazil					
Zurich Santander Brasil Seguros e Previdência S.A.[1]	Sao Paulo	51	51	BRL	2,509.2
Zurich Minas Brasil Seguros S.A.	Belo Horizonte	100	100	BRL	2,476.0
Zurich Resseguradora Brasil S.A.	Sao Paulo	100	100	BRL	204.0
Chile					
Chilena Consolidada Seguros de Vida S.A.	Santiago	99.10	99.10	CLP	211,423.0
Zurich Santander Seguros de Vida Chile S.A.[1]	Santiago	51	51	CLP	24,252.9
Germany					
Deutscher Herold Aktiengesellschaft	Köln	100	100	EUR	18.4
Zürich Beteiligungs-Aktiengesellschaft (Deutschland)	Frankfurt	100	100	EUR	152.9
Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft	Köln	100	100	EUR	68.5
Zurich Immobilien (Deutschland) AG & Co. KG	Köln	100	100	EUR	0.002
Indonesia					
PT Zurich Asuransi Indonesia Tbk	Jakarta Selatan	80	80	IDR	3,101,846.6
Ireland					
Zurich Life Assurance plc	Dublin	100	100	EUR	17.5
Zurich Holding Ireland Limited	Dublin	100	100	EUR	0.1
Zurich Insurance plc	Dublin	100	100	EUR	8.2
Italy					
Zurich Investments Life S.p.A.	Milan	100	100	EUR	199.0
Japan					
Zurich Life Insurance Japan Company Ltd	Nakano-ku	100	100	JPN	13,632.6
Luxembourg					
REX-ZDHL S.C.S. SICAV-SIF	Leudelange	100	100	EUR	2,180.6
Malaysia					
Zurich Life Insurance Malaysia Berhad	Kuala Lumpur	100	100	MYR	579.0
Zurich Holdings Malaysia Berhad	Kuala Lumpur	100	100	MYR	673.4
Mexico					
Zurich Santander Seguros México, S.A.[1]	Mexico City	51	51	MXN	190.0

Consolidated financial statements (continued)

Significant subsidiaries – non-listed (continued)

Table 28.1

as of December 31, 2021

	Registered office	Voting rights %	Ownership interest %	Nominal value of share capital (in local currency millions)	
Spain					
Bansabadell Pensiones, E.G.F.P, S.A.	Madrid	50	50	EUR	7.8
Bansabadell Seguros Generales, S.A. de Seguros y Reaseguros	Madrid	50	50	EUR	10.0
Bansabadell Vida S.A. de Seguros y Reaseguros	Madrid	50	50	EUR	43.9
Zurich Latin America Holding S.L. – Sociedad Unipersonal	Barcelona	100	100	EUR	43.0
Zurich Santander Holding (Spain), S.L.[1]	Boadilla del Monte	51	51	EUR	94.3
Zurich Santander Holding Dos (Spain), S.L.[1]	Madrid	51	51	EUR	40.0
Zurich Santander Insurance America, S.L.	Madrid	51	51	EUR	177.0
Zurich Vida, Compañía de Seguros y Reaseguros, S.A. – Sociedad Unipersonal	Madrid	100	100	EUR	56.4
Switzerland					
Zurich Finance Company AG	Zurich	100	100	CHF	0.2
Zurich Insurance Company Ltd	Zurich	100	100	CHF	825.0
Zurich Life Insurance Company Ltd	Zurich	100	100	CHF	60.0
Zürich Rückversicherungs-Gesellschaft AG	Zurich	100	100	CHF	11.7
United Kingdom					
Allied Zurich Holdings Limited	St. Hélier, Jersey	100	100	GBP	547.6
Zurich Assurance Ltd	Swindon, England	100	100	GBP	306.1
Zurich Employment Services Limited	Swindon, England	100	100	GBP	345.6
Zurich Financial Services (UKISA) Limited	Swindon, England	100	100	GBP	1,070.0
Zurich Holdings (UK) Limited	Fareham, England	100	100	GBP	280.3
Zurich International Life Limited	Douglas, Isle of Man	100	100	GBP	123.4
Zurich UK General Services Limited	Fareham, England	100	100	GBP	428.3
United States of America					
Farmers Group, Inc.[2]	Carson City, NV	100	100	USD	0.001
Farmers Reinsurance Company[2]	Woodland Hills, CA	100	100	USD	58.8
Farmers New World Life Insurance Company[2]	Bellevue, WA	100	100	USD	6.6
Zurich American Company, LLC[3]	Wilmington, DE	100	100	USD	–
Zurich American Insurance Company	New York, NY	100	100	USD	5.0
Zurich American Life Insurance Company	Schaumburg, IL	100	100	USD	2.5
Zurich Holding Company of America, Inc.[4]	Wilmington, DE	100	100	USD	–
ZCM Matched Funding Corp.	George Town, Cayman Islands	100	100	USD	0.00001
Centre Group Holdings (U.S.) Limited	Wilmington, DE	100	100	USD	0.00001
ZCM (U.S.) Limited	Wilmington, DE	100	100	USD	0.00001
Zurich Capital Markets Inc.	Wilmington, DE	100	100	USD	0.00001
Zurich Structured Finance, Inc.	Wilmington, DE	100	100	USD	0.012

1 Zurich Insurance Group Ltd (ZIG) indirectly owns 51 percent.
2 The ownership percentages in Farmers Group, Inc. and its fully owned subsidiaries have been calculated based on the participation rights of Zurich Insurance Group in a situation of liquidation, dissolution or winding up of Farmers Group, Inc.
3 The LLC interests have no nominal value in accordance with the company's certificate of formation and local legislation.
4 Shares have no nominal value in accordance with the company's articles of incorporation and local legislation.

Due to the nature of the insurance industry, the Group's business is subject to extensive regulatory supervision, and companies in the Group are subject to numerous legal restrictions and regulations. These restrictions may refer to minimum capital requirements or the ability of the Group's subsidiaries to pay dividends imposed by regulators in the countries in which the subsidiaries operate. These are considered industry norms, generally applicable to insurers who operate in the same markets.

For Zurich Santander Insurance America, S.L. and its subsidiaries, and the Bansabadell insurance entities, certain protective rights exist, which, among others, include liquidation, material sale of assets, transactions affecting the legal ownership structure, dividend distribution and capital increase, distribution channel partnerships and governance, which are not quantifiable.

For details on the Group's capital restrictions, see the capital management section in the risk review, which forms an integral part of the consolidated financial statements.

Table 28.2 shows the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group.

Non-controlling interests

Table 28.2

in USD millions, as of December 31	Zurich Santander Insurance America, S.L. and its subsidiaries		Bansabadell insurance entities	
	2021	2020	**2021**	2020
Non-controlling interests percentage	49%	49%	50%	50%
Total Investments	13,215	13,853	10,979	12,037
Other assets	2,858	3,264	1,595	1,951
Insurance and investment contract liabilities[1]	14,331	14,534	10,747	11,989
Other liabilities	803	1,168	426	521
Net assets	**940**	**1,416**	**1,401**	**1,477**
Non-controlling interests in net assets	**461**	**694**	**700**	**739**
Total revenues	2,372	2,155	1,836	1,706
Net income after taxes	270	290	183	166
Other comprehensive income	(211)	(112)	(123)	138
Total comprehensive income	**59**	**178**	**60**	**304**
Non-controlling interests in total comprehensive income	**29**	**87**	**30**	**152**
Dividends paid to non-controlling interests	263	99	68	50

1 Includes reserves for premium refunds, liabilities for investment contracts, deposits received under ceded reinsurance contracts, deferred front-end fees and liabilities for insurance contracts.

29. Events after the balance sheet date

On January 2, 2022, the Group announced that Zurich Investments Life S.p.A. agreed to sell a part of its life and pension back book to the Portuguese insurance company GamaLife – Companhia de Seguros de Vida S.A. (see note 5).

On January 4, 2022, the Group announced that Zurich Insurance Company Ltd was exercising its option to redeem USD 1 billion of subordinated notes that had been issued in 2016. The notes were redeemed in full at par on January 20, 2022.

On January 7, 2022, the Group announced a placement of subordinated notes by Zurich Insurance Company Ltd. The subordinated notes, in a total principal amount of CHF 300 million and with a maturity date of May 3, 2052, were issued on January 18, 2022.

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Report of the statutory auditor

Building a better working world

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To the General Meeting of
Zurich Insurance Group Ltd, Zurich

Zurich, February 9, 2022

Statutory auditor's report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Zurich Insurance Group Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 233 to 342 and the audited sections of the risk review on pages 187 to 214) give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Report of the statutory auditor (continued)

Building a better working world

Valuation of certain Property & Casualty reserves

Area of focus

Out of the total consolidated liabilities, reserves for losses and loss adjustment expenses is a material item of the liabilities for insurance contracts financial statement line and amounted to USD 63,577 million as of December 31, 2021.

As described in the Notes to the consolidated financial statement, reserves for losses and loss adjustment expenses are estimates of future payments for reported and unreported claims losses and related expenses with respect to insured events that have occurred.

Reserving for incurred but not reported claims is a complex process applying actuarial and statistical methods over historical data and patterns requiring the use of informed estimates and judgments. It requires the use of complex formulas and computational tools that may be incorrectly configured, and for which inaccurate or incomplete input data may be used.

This is specifically the case for Property & Casualty lines of business that are considered longer-tail such as worker's compensation, general and professional liability, and other specialty lines where certain longer-term assumptions are required as part of the projection technics. These projection techniques also consider exposures to the prolonged impacts of the COVID-19 pandemic including uncertainty around claims litigation, timeliness of claims reporting, resultant impact of challenges with supply chains and inflation.

Additionally, reserves for catastrophes events which are usually of less frequency but higher severity, are more difficult to estimate and include expert judgments.

Accordingly, we have identified this as a key audit matter.

The accounting policies and critical accounting judgments and estimates of the Group about the valuation of the loss and loss adjustment expense reserves are described in Notes 3 and 4 respectively and additional information regarding these reserves is presented in Note 8 to the consolidated financial statements.

Report of the statutory auditor (continued)

Building a better working world

Our audit response

We assessed and tested the design effectiveness of selected key controls within the actuarial reserve valuation process. These included controls over methods selection, completeness and accuracy of the underlying data, assumption setting and the governance process used by management.

We executed our substantive procedures in relation to these reserves and related changes as included in the consolidated statement of income using the work of our actuarial specialists.

Our procedures included:

- Performance of a country-based risk tiering assessment by line of business based on multiple criteria including materiality, tail length and prior year developments.
- Analytical reviews considering separately current accident year loss ratio from prior years developments.
- Evaluation of the appropriateness of the loss reserve levels for significant catastrophe events.

For selected lines of business, our procedures further included:

- Testing the completeness and accuracy of data utilized by Zurich Insurance actuaries in estimating the loss reserves by reconciling such amounts and related output to the underlying accounting records and the financial statements as appropriate.
- Data-enabled audit procedures and claims data plausibility checks on selected samples to support completeness and accuracy of claims triangles.
- Independent projections of ultimate losses and calculation of a reasonable range for required loss reserves for selected lines of business. We also assessed of managements' recorded loss reserves as compared to our independent developed loss reserve range.
- Analysis of actuarial methods and assessment of the reasonableness of the quantitative and qualitative assumptions used within projection technics by Zurich Insurance actuaries for the valuation of property and casualty reserves.
- Assessment of the prolonged COVID-19 pandemic impacts on property and casualty reserves.
- Evaluation of the appropriateness of significant adjustments made by management relating to the Actuarial reserve estimates.

Finally, we assessed the appropriateness of accounting policies used and adequacy of the disclosures in the consolidated financial statements.

Based on audit procedures performed, we did not identify any exceptions with regards to the valuation of property and casualty reserves.

Report of the statutory auditor (continued)

Building a better working world

Valuation of certain actuarially determined life insurance assets and liabilities

Area of focus

Out of total consolidated assets, life deferred policy acquisition costs ('Life DAC') is a material item of the deferred policy acquisition costs financial statement line and amounted to USD 12,201 million as of December 31, 2021.

Out of total consolidated liabilities, future life policyholder benefit reserves is a material item of the liabilities for insurance contracts financial statement line and amounted to USD 73,977 million as of December 31, 2021.

The valuation of the above mentioned actuarially determined life insurance assets and liabilities is associated with significant uncertainties requiring the use of expert judgment within complex actuarial models relying on complex and subjective assumptions in relation to future events.

The assumptions and data used for calculations of these balances require both economic and non-economic assumptions, including interest rates, investment returns, mortality, morbidity, longevity, persistency, expenses, and the modeled future decisions of the policyholders. In addition, uncertainty triggered by the prolonged impact of the COVID-19 pandemic requires an additional layer of analysis and judgment.

Moreover, because of the long duration of many life insurance products, relatively small changes in key assumptions may have a significant impact on the valuation of the actuarially determined life insurance assets and liabilities. Specifically, the continued low interest rate, and the related impacted to policyholder behavior, creates a risk of accelerated amortization of deferred policy acquisition costs and a strain on the sufficiency of life reserves.

The valuation of these assets and liabilities requires the use of complex formulas and the construction of models and other computational tools that may be incorrectly designed or configured, and for which inadequate assumptions and or incomplete or inaccurate input data may be used.

Accordingly, we have identified this as a key audit matter.

The accounting policies and critical accounting judgments and estimates of the Group about the valuation of the actuarially determined life insurance assets and liabilities are described in Notes 3 and 4 respectively and additional information regarding these assets and liabilities is presented respectively in Notes 11 and 8 to the consolidated financial statements.

Report of the statutory auditor (continued)

Building a better working world

Our audit response

We assessed and tested the design effectiveness of selected key controls within the life insurance asset and liability actuarial valuation process. These included controls over methods selection, completeness and accuracy of the underlying data, assumption setting and the governance process used by management.

We executed our substantive procedures in relation to these balances and related changes as included in the consolidated income statements using the work of our actuarial specialists.

Our procedures included:

- Performance of a country-based risk tiering assessment by product based on multiple criteria including materiality, specific product features and complexity, and liability adequacy test headroom.
- Reviewing liability adequacy testing, and related impact to Life DAC recoverability and sufficiency of the future life policyholder benefit reserves.
- Assessing the consistency of the life actuarial methods and best estimate assumptions used across the Group's significant business units.

For selected products, our procedures further included:

- Testing of the completeness and accuracy of data, including in-force policyholder data and experience studies, as utilized by Zurich Insurance actuaries to value these insurance assets and liabilities by reconciling such amounts and related output to the underlying accounting records and the financial statements as appropriate.
- Reviewing actuarial models used in the determination of these life insurance assets and liabilities and their compliance with products specificities and related guarantees.
- Assessing certain quantitative and qualitative best estimate assumptions used in actuarial models, including considerations of their reasonableness based on experience studies, our knowledge of the Group and local markets, products offered, publicly available market and macroeconomic data, and impacts of the prolonged COVID-19 pandemic.
- On a sample basis, independent calculation of Life DAC and future life policyholder benefit reserves balances.

Finally, we assessed the appropriateness of accounting policies used and adequacy of the disclosures in the consolidated financial statements.

Based on audit procedures performed, we did not identify any exceptions related to the valuation of actuarial determined life insurance assets and liabilities.

Report of the statutory auditor (continued)

EY
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Acquisition of MetLife's Property & Casualty business in the United States

Area of focus	As of April 7, 2021, the Group's wholly-owned subsidiary Farmers Group Inc. (FGI) and the Farmers Exchanges successfully closed on an acquisition of MetLife Property & Casualty business in the United States (MetLife P&C). As part of this acquisition, FGI in effect acquired MetLife P&C's management and administrative related assets and liabilities to conduct its responsibilities as attorney-in-fact of the Farmers Exchanges and the Farmers Exchanges underlying insurance businesses. FGI acquired approximately USD 2,444 million of net assets in this acquisition which led to the recognition of an additional attorney-in-fact (AIF) intangible of approximately USD 1,625 million and goodwill of USD 418 million. Accounting for this unique business combination was complex including identification of customer relationships, the valuation of identified intangibles (including the AIF), and assessing the indefinite life of the underlying AIF contracts. Accordingly, we deemed the acquisition of MetLife's P&C's business in the United States as a key audit matter. FGI's acquisition is disclosed in Note 5 with additional information related to the AIF contracts in Note 14 and Relationship with Farmers Exchanges in Note 26 to the consolidated financial statements.
Our audit response	We have inspected the underlying legal contracts provided to us by management and considered the substance of the FGI acquisition as basis for recognition as a business combination in the Group's consolidated financial statements. We tested the consideration paid, and the identification and valuation of the tangible and intangible assets acquired. With the assistance of our valuation specialists where appropriate, we tested and evaluated the valuations prepared by the Group for the separately identified intangible assets (including the value assigned to the AIF contracts). Our procedures included: - Assessing the appropriateness of valuation methods and testing the associated models used by management. - Evaluating the reasonableness of significant assumptions, including projected financial information, used by management based on a comparison to historical source records as well as current industry and economic data; such procedures included evaluating current or future trends in discount rates, premium growth and retention rates and management fee rates, among other assumptions. - Performing sensitivity analyses to determine the impact of changes in key assumptions including the discount rate and projected fee revenue to determine potential valuation impacts. Finally, we assessed the appropriateness of accounting policies used and adequacy of the disclosures in the consolidated financial statements. Based on audit procedures performed, we did not find any exceptions related to the acquisition of MetLife's Property and Casualty business in the United States.

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Recoverability of goodwill and attorney-in-fact contracts

Area of focus

As of December 31, 2021, the Group recognized goodwill and attorney-in-fact (AIF) contracts intangibles (including the value assigned to AIF intangible associated with the MetLife's P&C business acquisition) with a net carrying amount of USD 6,994 million. Goodwill is allocated to the cash generating units (CGUs) that are identified generally at the segment level.

Management performs impairment testing of goodwill and intangible assets with indefinite useful life (i.e., the AIF intangible) at least once annually to ensure that the net carrying amount does not exceed the recoverable amount per CGU and there is no impairment in the relevant CGU.

Estimation of the recoverable amount requires management to use complex models, expert judgment and is based on several complex and subjective assumptions, particularly in respect of:

- projections of future income based on prospective business plans,
- perpetual growth rates, and
- discount rates.

Accordingly, we deem the measurement of the recoverable amount of goodwill and attorney-in-fact contracts to be a key audit matter.

The accounting policies and critical accounting judgments and estimates related to goodwill and attorney-in-fact contracts are disclosed in Notes 3 and 4 respectively and additional information on goodwill and attorney-in-fact contracts is presented in Note 14 to the consolidated financial statements.

Report of the statutory auditor (continued)

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Our audit response

We obtained an understanding of the Group's goodwill impairment testing and assessed the design effectiveness of selected key controls related to the Group's goodwill and AIF intangible.

With the assistance of our valuation specialists where appropriate, our substantive testing procedures included:

- Evaluation whether the goodwill and AIF intangible allocation to CGUs as identified by management is supportable.
- Assessment of the valuation methodology and models used by management to determine the goodwill and AIF recoverability amount.
- Performance of substantive procedures regarding key assumptions including evaluation of:
  - Consistency of projected future cash flows with management's most recent estimates including those used in the Group's budgeting and forecasting process,
  - The assumptions made with respect to projected future cash flows are reasonable in terms of the applicable GCU's economic and financial outlook, including the impacts of the prolonged COVID-19 pandemic,
  - The comparison of actual results versus historical projected financial information,
  - Consistency of key assumptions including discount and perpetual growth rates with market and industry specific reference values and that such assumptions are used in the Group's projected cash flows, and
  - The completeness and accuracy of data used by management to project future cash flows.
- Evaluation of the sensitivity analysis performed by management and performance of additional procedures to assess the appropriateness of key assumptions used by management.

Finally, we assessed the appropriateness of accounting policies used and adequacy of the disclosures in the consolidated financial statements.

Based on audit procedures performed, we did not find any exceptions to the recoverability of goodwill and attorney-in-fact contracts.

Other Matter

The consolidated financial statements of Zurich Insurance Group Ltd and its subsidiaries for the year ended December 31, 2020, were audited by another statutory auditor who expressed an unmodified opinion on those consolidated financial statements on February 10, 2021.

Report of the statutory auditor (continued)

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Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of Zurich Insurance Group Ltd, the audited sections of the risk review on pages 187 to 214, the Remuneration report of Zurich Insurance Group Ltd and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report of the statutory auditor (continued)

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Report on other legal and regulatory requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Isabelle Santenac Licensed audit expert (Auditor in charge)	Thomas Fiepke Certified Public Accountant (U.S.)

Holding company

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Review of the year

Net income after taxes for Zurich Insurance Group Ltd amounted to CHF 2,689 million in 2021 compared with CHF 2,967 million in 2020. The decrease was mainly driven by a lower dividend income from its subsidiary Zurich Insurance Company Ltd of CHF 2,600 million in 2021 compared to CHF 2,900 million in 2020, partially offset by a lower impairment of a subsidiary in 2021.

Shareholders' equity decreased by CHF 295 million to CHF 13,537 million as of December 31, 2021, from CHF 13,832 million as of December 31, 2020. The decrease was driven by the dividend of CHF 2,984 million paid in 2021, partially offset by net income after taxes for the year.

The Board of Directors proposes to the Annual General Meeting, which is to be held on April 6, 2022, to distribute a dividend of CHF 22.00 partially from the available earnings for 2021 and partially from the capital contribution reserve. The portion from the capital contribution reserve will be exempt from Swiss withholding tax.

Holding company (continued)

Income statements

in CHF thousands, for the years ended December 31	Notes	**2021**	2020
Other operating income		10	28
Other operating expenses	4	(32,096)	(46,355)
Depreciation and valuation adjustments to non-current assets	8	(12,300)	(85,000)
Financial income	5	2,746,687	3,112,940
Dividend income		*2,612,290*	*2,978,298*
Interest income		*134,341*	*134,346*
Other financial income		*56*	*295*
Financial expenses		(64)	(173)
Direct taxes	6	(13,338)	(14,008)
Net income after taxes		**2,688,898**	**2,967,431**

Holding company (continued)

Balance sheets

Assets

in CHF thousands, as of December 31	Notes	2021	2020
Current assets			
Cash and cash equivalents	17	52,234	334,132
Receivables from subsidiaries		–	–
Receivables from third parties		1,074	92
Accrued income and prepaid expenses from subsidiaries		91,487	91,427
Total current assets		144,795	425,651
Non-current assets			
Subordinated loans to subsidiaries	7	2,132,405	2,132,405
Investments in subsidiaries	8	11,270,768	11,283,068
Total non-current assets		13,403,174	13,415,474
Total assets		**13,547,969**	**13,841,124**

Liabilities and shareholders' equity

in CHF thousands, as of December 31	Notes	2021	2020
Short-term liabilities			
Other liabilities to subsidiaries		–	–
Other liabilities to third parties		9,092	7,705
Other liabilities to shareholders		1,704	1,581
Total short-term liabilities		10,797	9,286
Total liabilities		10,797	9,286
Shareholders' equity (before appropriation of available earnings)			
Share capital	10	15,046	15,046
Legal reserves:		1,279,998	1,194,968
Capital contribution reserve	*11*	*509,990*	*509,990*
General capital contribution reserve		*251,986*	*251,979*
Reserve for treasury shares (indirectly held via subsidiaries)	*12*	*258,004*	*258,011*
General legal reserve		*770,008*	*684,978*
General legal reserve		*341,140*	*341,140*
Reserve for treasury shares (indirectly held via subsidiaries)	*12*	*428,868*	*343,838*
Free reserve	13	346,869	346,869
Retained earnings:			
As of January 1		*12,274,955*	*12,445,649*
Dividends paid		*(2,983,565)*	*(2,968,336)*
Net income after taxes		*2,688,898*	*2,967,431*
Allocation to reserve for treasury shares (indirectly held via subsidiaries)		*(85,030)*	*(169,788)*
Retained earnings, as of December 31		11,895,259	12,274,955
Total shareholders' equity (before appropriation of available earnings)		13,537,172	13,831,838
Total liabilities and shareholders' equity		**13,547,969**	**13,841,124**

Holding company (continued)

Notes to the financial statements

1. General information

Zurich Insurance Group Ltd (the Company) is a corporation domiciled in Zurich, Switzerland, and its shares are listed on the SIX Swiss Exchange. It was incorporated on April 26, 2000, and is the holding company of the Zurich Insurance Group (Group) with the principal activity of holding subsidiary companies. The Company does not employ staff, as employees work in a joint capacity for Zurich Insurance Company Ltd (ZIC).

2. Basis of presentation

The Company presents its financial statements in accordance with Swiss law.

All amounts in these financial statements including the notes are shown in Swiss franc thousands, rounded to the nearest thousand, unless otherwise specified. All variances are calculated using the actual figures rather than the rounded amounts.

3. Summary of significant accounting policies

a) Exchange rates

Unless otherwise stated, assets and liabilities expressed in currencies other than Swiss francs are translated at year end exchange rates. Revenues and expenses are translated using the exchange rate at the date of the transaction. Net unrealized exchange losses are recorded in the income statements and net unrealized exchange gains are deferred until realized.

b) Investments in subsidiaries

Investments in subsidiaries are equity interests, held on a long-term basis for the purpose of the Company's business activities. Each investment in subsidiaries is valued individually and carried at its cost less adjustments for impairments.

c) Accrued income

Income is accrued for interest which is earned but not yet due for payment at the end of the reporting period.

d) Reserves for treasury shares (indirectly held via subsidiaries)

Reserves for treasury shares are accounted for at the acquisition costs of these shares held by the respective subsidiary.

4. Other operating expenses

Other operating expenses for the year were CHF 32.1 million compared with CHF 46.4 million in 2020. The decrease of CHF 14.3 million is mainly driven by a lower contribution in 2021 of CHF 17.0 million to the Z Zurich Foundation, whereas the contribution paid in 2020 was CHF 26.0 million. In addition, directors' fees of CHF 5.7 million and CHF 5.4 million for the years ended December 31, 2021, and December 31, 2020, respectively, are included in this line item. Overhead expenses decreased by CHF 3.7 million to CHF 5.5 million in 2021. Furthermore, fees paid to the Swiss Financial Market Supervisory Authority of CHF 3.1 million and CHF 3.0 million are included for the years ended December 31, 2021, and December 31, 2020. The line item also includes in 2020 stamp duty of CHF 2.2 million on the issue of new shares, whereas in 2021 no new shares were issued.

5. Financial income

Financial income for the year 2021 consists of dividend income of CHF 2,612 million mainly received from the Company's subsidiary ZIC and interest income of CHF 134.3 million on the subordinated loan with ZIC. This interest income is recognized when ZIC declares its intention to pay a dividend to the Company.

Holding company (continued)

6. Direct taxes

Direct taxes include Swiss income and capital tax expense.

7. Subordinated loans to subsidiaries

Subordinated loans include a loan to ZIC of CHF 2,132 million as of December 31, 2021, and December 31, 2020, respectively.

8. Investments in subsidiaries

Investments in subsidiaries

as of December 31	2021 Carrying value[1]	2021 Voting rights in %	2021 Capital rights in %	2020 Carrying value[1]	2020 Voting rights in %	2020 Capital rights in %
Zurich Insurance Company Ltd	11,088,466	100.0	100.0	11,088,466	100.0	100.0
Zurich Financial Services EUB Holdings Limited	24,136	99.9	99.9	36,436	99.9	99.9
Farmers Group, Inc.	157,992	12.1	4.6	157,992	12.1	4.6
Allied Zurich Limited	175	100.0	100.0	175	100.0	100.0
Total	**11,270,768**			**11,283,068**		

1 in CHF thousands.

The investment in Zurich Financial Services EUB Holdings Limited was impaired by CHF 12.3 million in 2021 compared with CHF 85.0 million in 2020, mainly due to a dividend payment.

In addition to the above mentioned directly held subsidiaries, the Company indirectly owns additional subsidiaries primarily through ZIC. Information regarding indirectly owned subsidiaries is included on pages 339 to 340 of this Annual Report.

9. Commitments and contingencies

The Company has provided unlimited guarantees in support of entities belonging to the Zurich Capital Markets group of companies. The Company has also entered into support agreements and guarantees for the benefit of certain of its subsidiaries. They amounted to CHF 942 million as of December 31, 2021, and CHF 922 million as of December 31, 2020. The increase is solely due to a positive foreign exchange effect. Furthermore, the Company has issued an unlimited guarantee in favor of the Institute of London Underwriters in relation to business transferred to Zurich Insurance plc from a Group company which no longer has insurance licenses.

The Company is not aware of any event of default that would require it to satisfy any of these guarantees or to take action under a support agreement.

10. Share capital

a) Changes to the share capital

On April 7, 2021, the Annual General Meeting (AGM) of the Company approved an extension of the authorized share capital for another two years (from April 2021 to April 7, 2023). The extension of the authorized share capital required the corresponding extension of the validity of the combined dilution limitations for the authorized and contingent share capital (Art. 5^{bis} 5 and 5^{ter} 1d of the Articles of Association). Since April 2020, the authorized share capital (Art. 5^{bis} 1 of the Articles of Association) is comprised of 44,882,400 shares and the contingent share capital for Financial Instruments (Art. 5^{ter} 1a of the Articles of Association; term as defined in section b) below) is comprised of 29,921,600 shares. As of December 31, 2021, and as of December 31, 2020, the contingent share capital for Group employees (Art. 5^{ter} 2a of the Articles of Association) was comprised of 4,095,092 shares. During the year 2021, no shares were issued to Group employees out of the contingent capital while during the year 2020, a total of 852,140 shares were issued to Group employees out of the contingent capital.

Holding company (continued)

b) Authorized share capital (as specified in Article 5bis of the Articles of Association)
On April 7, 2021, the AGM approved a renewal of the authorized share capital for another two years (from April 2021 to April 7, 2023). The Board of the Company is authorized to increase the share capital of the Company by an amount not exceeding CHF 4,488,240 by issuing up to 44,882,400 fully paid registered shares with a nominal value of CHF 0.10 each until April 7, 2023. An increase in partial amounts is permitted. The Board would determine the date of issue of any such new shares, the issue price, type of payment, conditions for exercising subscription rights, and the commencement of entitlement to dividends.

The Board may issue such new shares by means of a firm underwriting by a banking institution or syndicate with a subsequent offer of those shares to current shareholders. The Board may allow the expiry of subscription rights which have not been exercised, or it may place these rights as well as shares, the subscription rights of which have not been exercised, at market conditions.

The Board is further authorized to restrict or exclude the subscription rights of shareholders and to allocate them to third parties, the Company or one of its Group companies, up to a maximum of 14,960,800 shares, if the shares are to be used:

- for the take-over of an enterprise, of parts of an enterprise or of participations or for investments by the Company or one of its Group companies, or the financing including re-financing of such transactions; or
- for the purpose of expanding the scope of shareholders in connection with the quotation of shares on foreign stock exchanges or issuance of shares on the national or international capital markets (including private placements to one or more selected investors); or
- for the conversion of loans, bonds, similar debt instruments, equity-linked instruments or other financial market instruments (collectively, the 'Financial Instruments') issued by the Company or one of its Group companies; or
- for the improvement of the regulatory and/or the rating capital position of the Company or one of its Group companies in a fast and expeditious manner.

Up to April 7, 2023, the total of new shares issued from (i) authorized share capital where the subscription rights were restricted or excluded, and (ii) contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,960,800 new shares.

c) Contingent share capital (as specified in Article 5ter of the Articles of Association)
Financial Instruments
The share capital of the Company may be increased by an amount not exceeding CHF 2,992,160 by issuing of up to 29,921,600 fully paid registered shares with a nominal value of CHF 0.10 each by the voluntary or mandatory exercise of conversion and/or option rights which are granted in connection with the issuance of Financial Instruments by the Company or one of its Group companies or by mandatory conversion of Financial Instruments issued by the Company or one of its Group companies, that allow for contingent mandatory conversion into shares of the Company, or by exercising option rights which are granted to the shareholders. The subscription rights are excluded. The then-current owners of the Financial Instruments shall be entitled to subscribe for the new shares. The conversion and/or option conditions are to be determined by the Board.

The Board is authorized, when issuing Financial Instruments to restrict or exclude the advance subscription rights in cases where they are issued:

- for the financing including re-financing of a take-over of an enterprise, of parts of an enterprise, or of participations or of investments by the Company or one of its Group companies; or
- on national or international capital markets (including private placements to one or more selected investors); or
- for the improvement of the regulatory and/or the rating capital position of the Company or one of its Group companies in a fast and expeditious manner.

If the advance subscription rights are restricted or excluded by a resolution of the Board, the following applies: the Financial Instruments are to be issued at prevailing market conditions (including standard dilution protection clauses in accordance with market practice) and the setting of the conversion or issue price of the new shares must take due account of the stock market price of the shares and/or comparable instruments priced by the market at the time of issue or time of conversion.

Holding company (continued)

The conversion rights may be exercisable during a maximum of ten years and option rights during a maximum of seven years from the time of the respective issue; contingent conversion features may remain in place indefinitely.

Up to April 7, 2023, the total of new shares issued from (i) authorized share capital where the subscription rights were restricted or excluded, and (ii) contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,960,800 new shares.

Employee participation
On January 1, 2021, the contingent share capital, to be issued to Group employees, amounted to CHF 409,509.20 or 4,095,092 fully paid registered shares with a nominal value of CHF 0.10 each. On January 1, 2020, the contingent share capital, to be issued to Group employees, amounted to CHF 494,723.20 or 4,947,232 fully paid registered shares with a nominal value of CHF 0.10 each.

During 2021, no shares were issued to Group employees out of the contingent capital while during 2020, 852,140 shares were issued to Group employees out of the contingent capital. As of December 31, 2021 and as of December 31, 2020, the remaining contingent share capital available for issuance to Group employees amounted to CHF 409,509.20 or 4,095,092 fully paid registered shares with a nominal value of CHF 0.10 each. Subscription rights as well as advance subscription rights of the shareholders are excluded. The issuance of new shares or respective option rights to employees is subject to one or more regulations to be issued by the Board and taking into account performance, functions, levels of responsibility and criteria of profitability. New shares or option rights may be issued to employees at a price lower than that quoted on the stock exchange.

For further information, see Art. 5bis and 5ter of the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association).

11. Capital contribution reserve

Capital contribution reserve

in CHF thousands	**2021**	2020
As of January 1	509,990	287,506
Transfer to free reserve (adjustment capital contribution reserve)	–	(2,226)
Additional paid-in capital on share-based payment transactions	–	224,709
As of December 31	**509,990**	**509,990**

12. Reserves for treasury shares (indirectly held via subsidiaries)

These reserves correspond to the purchase value of all Zurich Insurance Group Ltd shares held by companies of the Group as shown in the table below.

Reserves for treasury shares (indirectly held via subsidiaries)

	Number of shares 2021	**Purchase value 2021**[1]	Number of shares 2020	Purchase value 2020[1]
As of January 1	1,964,106	601,848	1,549,714	432,061
Purchases during the year	1,100,000	425,822	510,592	206,630
Sales during the year	(894,909)	(340,799)	(96,200)	(36,842)
As of December 31	**2,169,197**	**686,872**	**1,964,106**	**601,848**
Thereof held in capital contribution reserve				
As of January 1	1,057,654	258,011	1,057,654	258,011
As of December 31	**1,057,624**	**258,004**	**1,057,654**	**258,011**
Thereof held in general legal reserve				
As of January 1	906,452	343,838	492,060	174,050
As of December 31	**1,111,573**	**428,868**	**906,452**	**343,838**
Average purchase price, in CHF		387		405
Average selling price, in CHF		313		296

1 in CHF thousands.

Holding company (continued)

13. Free reserve

Free reserve

in CHF thousands	2021	2020
As of January 1	346,869	344,643
Transfer from capital contribution reserve	–	2,226
As of December 31	**346,869**	**346,869**

14. Shareholders

According to information available as of December 31, 2021, the Company is not aware of any person or institution, other than BlackRock, Inc., New York, (>5 percent of the shares) and The Capital Group Companies, Inc., Los Angeles, (>5 percent of the shares) which, directly or indirectly, had an interest as a beneficial owner in shares, option rights and/or conversion rights relating to shares of the Company exceeding the relevant thresholds prescribed by law.

15. Remuneration of the Board of Directors and the Executive Committee

The information required by articles 14–16 of the Ordinance Against Excessive Compensation, which prevails over article 663b^{bis} of the Swiss Code of Obligations, is disclosed and audited in the remuneration report on pages 86 to 116 of this Annual Report.

16. Shareholdings of the Board of Directors and the Executive Committee

The information on share and share option holdings of Directors and of the members of the Executive Committee (ExCo), who held office as of December 31, 2021, as required by article 663c paragraph 3 and article 959c paragraph 2 cif 11 of the Swiss Code of Obligations is included and audited in the remuneration report on pages 86 to 116 of this Annual Report.

17. Supplementary information

Cash and cash equivalents of CHF 52.2 million include restricted cash of CHF 0.3 million as of December 31, 2021, compared to cash and cash equivalents of CHF 334.1 million and thereof restricted cash of CHF 0.3 million in the previous year. The decrease in cash and cash equivalents of CHF 281.9 million is mainly driven by the dividend of CHF 2,984 million paid in 2021, partially offset by the receipt of the dividend and interest income of CHF 2,747 million. CHF 51.8 million of cash and cash equivalents (2020: CHF 333.7 million) are cash and cash equivalents held with a Group internal cash pooling facility, operated by ZIC.

Holding company (continued)

Proposed appropriation of available earnings and capital contribution reserve

as of December 31	**2021**	2020
Registered shares eligible for dividends[1]		
Eligible shares	150,460,167	150,460,167

1 These figures are based on the share capital issued on December 31, 2021, and may change depending on the number of shares issued on April 11, 2022. Treasury shares are not entitled to dividends and will not be taken into account.

The Board of Directors proposes to the Annual General Meeting to be held on April 6, 2022, a total dividend of CHF 22.00 per share and to appropriate the available earnings for 2021 and the capital contribution reserve as follows:

in CHF thousands	**Available earnings**
Available earnings	
As of January 1, 2021	*12,274,955*
Dividends paid	*(2,983,565)*
Net income after taxes	*2,688,898*
Allocation to reserve for treasury shares (indirectly held via subsidiaries)	*(85,030)*
Available earnings, as of December 31, 2021	11,895,259

The Board of Directors proposes a dividend of CHF 20.35 before tax per share out of the available earnings for 2021[1]:

in CHF thousands	**Available earnings**
Appropriation of available earnings	
As of January 1, 2022	11,895,259
Dividend payment out of available earnings[1]	(3,061,864)
Balance carried forward[1]	8,833,395

The Board of Directors proposes a dividend of CHF 1.65 per share out of the capital contribution reserve[1].

in CHF thousands	**Capital contribution reserve**
Appropriation of capital contribution reserve	
As of January 1, 2022 (incl. reserve for treasury shares)	509,990
Dividend payment out of capital contribution reserve[1]	(248,259)
Balance carried forward[1]	261,730

1 These figures are based on the share capital issued on December 31, 2021, and may change depending on the number of shares issued on April 11, 2022. Treasury shares are not entitled to dividends and will not be taken into account.

If these proposals are approved, a dividend of CHF 20.35 per share, less 35 percent Swiss withholding tax, as well as a dividend of CHF 1.65 per share exempt from Swiss withholding tax will be paid from April 12, 2022.

Zurich, February 9, 2022

On behalf of the Board of Directors of Zurich Insurance Group Ltd

Michel M. Liès

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Report of the statutory auditor

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To the General Meeting of
Zurich Insurance Group Ltd, Zurich

Zurich, February 9, 2022

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Zurich Insurance Group Ltd, which comprise the income statement, balance sheet and notes (pages 355 to 361), for the year ended December 31, 2021.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of association. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2021 comply with Swiss law and the company's articles of association.

Report of the statutory auditor (continued)

Building a better working world

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the financial statements.

Recoverability of investments in subsidiaries

Area of focus

We consider the investments in subsidiaries to be a key audit matter not only due to the judgment involved but also based on the magnitude of CHF 11.3 billion, which makes up 83% of the company's total assets.

Investments in subsidiaries are carried at cost less necessary impairments and valued on an individual basis.

The determination whether an impairment is required includes assumptions about the profitability of the underlying business and growth, which involves management's judgment. In addition, there is increased uncertainty surrounding the projections of future income of certain businesses due to COVID-19.

Refer to Note 3, para b) ("Summary of significant accounting policies") and Note 8 ("Investments in subsidiaries") to the 2021 financial statements.

Our audit response

We obtained an understanding of management's process and controls and assessed the design effectiveness of selected key controls over the recoverability of the carrying value of investments in subsidiaries.

In addition, we performed the following substantive testing procedures in order to address the areas of focus above:

- Assessing the appropriateness of the company's impairment testing methodology.
- Testing the mathematical accuracy of management's calculation.
- Testing the reasonableness of the assumptions used in the impairment assessment. We have assessed the impact of COVID-19 on future income.
- Re-performing management's impairment test on the carrying value of all investments in subsidiaries and challenged the impairment decisions taken.

Finally, we assessed the adequacy of the disclosures in the financial statements.

Based on audit procedures performed, we did not identify any exceptions with regards to the recoverability of investments in subsidiaries.

Report of the statutory auditor (continued)

Building a better working world

Other matter
The financial statements of Zurich Insurance Group Ltd for the year ended December 31, 2020 were audited by another statutory auditor who expressed an unmodified opinion on those financial statements on February 10, 2021.

Report on other legal requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings and capital contribution reserve complies with Swiss law and the company's articles of association. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Isabelle Santenac Licensed audit expert (Auditor in charge)	Thomas Fiepke Certified Public Accountant (U.S.)

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Shareholder information

Zurich Insurance Group Ltd registered share data

Zurich shares

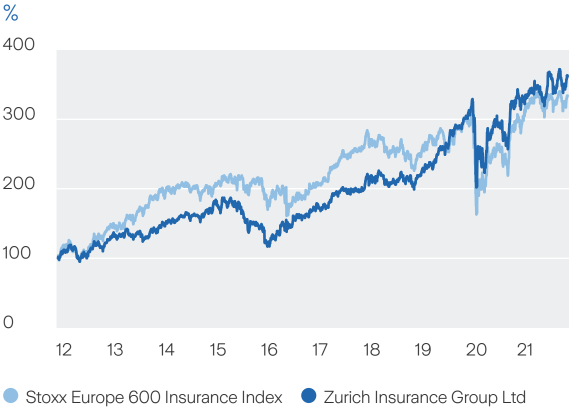
Zurich had a market capitalisation of CHF 60 billion on December 31, 2021. The shares are listed on the SIX Swiss Exchange and traded on the SIX Swiss Exchange Blue Chip Segment; ticker symbol: ZURN; the Swiss security number (Valorennummer) is 1107539. Trading in Zurich Insurance Group Ltd shares on the Blue Chip Segment is conducted in Swiss Francs.

For further information on shareholders or capital structure, see corporate governance report on page 42.

Share price performance

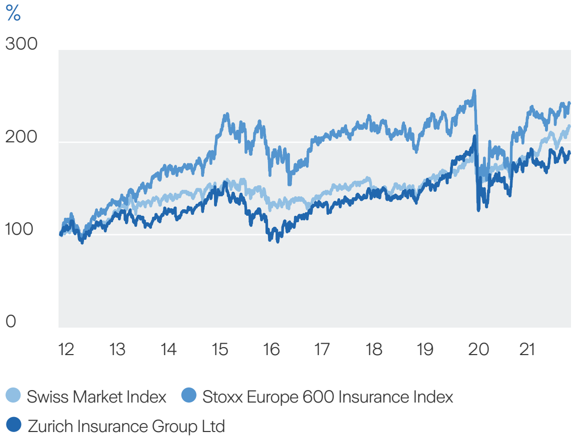
The share price at year end 2021 was CHF 400.40. The lowest price during 2021 was at CHF 354.80, on July 19, while the highest price was at CHF 412.30 on November 5.

Total shareholder return in U.S. dollars



Source: Refinitiv Datastream

Zurich share performance (indexed) over the last 10 years



Source: Refinitiv Datastream

Shareholder information (continued)

Dividend policy

The Group intends to maintain its current attractive dividend policy and proposes a target pay-out ratio of around 75 percent of net income attributable to shareholders, subject to a minimum of the prior-year dividend per share, with dividend increases based on sustainable earnings growth.

Share data (CHF)

as of December 31, 2021	2021	2020
Dividend per share	22.00[1]	20.00
Share price at end of period	400.40	373.50
Price period high	412.30	439.90
Price period low	354.80	266.90
Market capitalization (CHF millions)	60,244	56,197

1 Proposed dividend, subject to approval by shareholders at the Annual General Meeting, expected payment date as from April 12, 2022. Gross dividend, subject to 35 percent Swiss withholding tax.

Further details are available online:
www.zurich.com/en/investor-relations/calendar

Dividend

	Financial Year	Total dividend per registered share in CHF	Paid from available earnings in CHF[1]	Paid from capital contribution reserve in CHF	Payment date as from
Dividend	2021	22.00[2]	20.35	1.65	April 12, 2022[2]
Dividend	2020	20.00	20.00	–	April 13, 2021
Dividend	2019	20.00	20.00	–	April 7, 2020
Dividend	2018	19.00	19.00	–	April 9, 2019
Dividend	2017	18.00	16.60	1.40	April 10, 2018
Dividend	2016	17.00	11.30	5.70	April 4, 2017
Dividend	2015	17.00	–	17.00	April 5, 2016
Dividend	2014	17.00	–	17.00	April 9, 2015
Dividend	2013	17.00	–	17.00	April 9, 2014
Dividend	2012	17.00	–	17.00	April 11, 2013

1 Gross dividend, subject to 35% Swiss withholding tax.
2 Proposed total dividend, subject to approval by shareholders at the Annual General Meeting 2022; expected payment date as from April 12, 2022.

Glossary

Group

Book value per share

is a measure that is calculated by dividing shareholders' equity by the number of shares issued less the number of treasury shares as of the period end.

Business operating profit (BOP)

is the Group's internal performance measure, on which the Group manages all of its business units. It indicates the underlying performance, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains/(losses) and impairments on investments (except for certain non-insurance operations included in Non-Core Businesses, investments in hedge funds as at fair value through profit or loss, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses) and non-operational foreign exchange movements. Significant items arising from special circumstances, including restructuring charges, legal matters or large one-off regulatory projects outside the ordinary course of business, gains and losses on divestment of businesses, certain business combination integration costs and impairments of goodwill are also excluded from BOP. **Business operating profit before interest, depreciation and amortization (BOPBIDA)** excludes interest expense on debt, depreciation and impairments of property and equipment and amortization and impairments of intangible assets. BOPBIDA includes amortization of deferred policy acquisition costs, deferred origination costs and distribution agreements. Please refer to the 'consolidated financial statements, Note 27. Segment information, Table 27.4' for further information.

Business operating profit (after-tax) return on shareholders' equity (BOPAT ROE)

indicates the level of BOP relative to resources provided by shareholders. It is calculated as BOP, annualized on a linear basis and adjusted for taxes, divided by the average value of shareholders' equity, adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges, using the value at the beginning and end of each quarter within the period. The average shareholders' equity for each quarter is then added together and divided by the number of quarters. If the dividend is approved at the Annual General Meeting within the first ten working days in April, then the dividend is deducted from the second quarter opening shareholders' equity. Please refer to the 'supplementary information (unaudited)/ROE, EPS and BVPS' for further information.

Cash remittances

is the net extraction of capital from each of the business units (P&C, Life, Farmers and Non-Core Business) to Group Functions & Operations (GF&O) and after all central costs in GF&O. Cash remittances are typically extracted from subsidiaries by way of dividends, capital reductions, repayment of intragroup debt and reinsurance profits.

Investments

Total investments in the consolidated balance sheets include **Group investments** and investments for unit-linked contracts. Group investments are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Average invested assets include investment cash, but exclude cash collateral received for securities lending. The Group manages its diversified investment portfolio to optimize benefits for both shareholders and policyholders while ensuring compliance with local regulatory and business requirements under the guidance of the Group's Asset/Liability Management and Investment Committee. **Investments for unit-linked contracts** include investments where the policyholder bears the investment risk, and are held for liabilities related to unit-linked investment contracts and reserves for unit-linked contracts. They are managed in accordance with the investment objectives of each unit-linked fund. The investment result for unit-linked products is passed to policyholders through a charge to policyholder dividends and participation in profits.

Like-for-like

is the change in the underlying metric over a period of time and after removing the impact of foreign exchange movements and the impact of acquisitions and disposals.

Return on shareholders' equity (ROE)

is a measure that indicates the level of profit or loss relative to resources provided by shareholders. It is calculated as net income after taxes attributable to shareholders, annualized on a linear basis, divided by the average value of shareholders' equity, adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges, using the value at the beginning and end of each quarter within the period. The average shareholders' equity for each quarter is then added together and divided by the number of quarters. If the dividend is approved at the Annual General Meeting within the first ten working days in April, then the dividend is deducted from the second quarter opening shareholders' equity. Please refer to the 'supplementary information (unaudited)/ROE, EPS and BVPS' for further information.

Zurich Economic Capital Model (Z-ECM)

is an internal economic capital model which defines the Z-ECM capital required to protect the Group's policyholders in order to meet all of their claims with a confidence level of 99.95 percent over a one-year time horizon. The Z-ECM ratio is defined as the ratio of the Group's available financial resources defined under the Z-ECM to the required capital under the Z-ECM model. Please refer to the 'Annual Report/risk review' for further information.

Glossary (continued)

Property & Casualty

The following Property & Casualty (P&C) measures are net of reinsurance.

Net underwriting result

is calculated as the difference between net earned premiums and policy fees and the sum of net insurance benefits and losses and net technical expenses. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Total net technical expenses

includes underwriting and policy acquisition costs, as well as the technical elements of administrative and other operating expenses, amortization of intangible assets, interest credited to policyholders and other interest, and other income. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Combined ratio

is a measure that indicates the level of claims and net technical expenses during the period, relative to net earned premiums and policy fees. It is calculated as the sum of the loss ratio and the expense ratio. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Loss ratio

is a measure that indicates the level of claims during the period relative to net earned premiums and policy fees. It is calculated as insurance benefits and losses net, which include incurred claims, both paid and reserved, and claims handling costs, divided by net earned premiums and policy fees. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Expense ratio

is a measure that indicates the level of technical expenses during the period relative to net earned premiums and policy fees. It is calculated as the sum of net technical expenses and policyholder dividends and participation in profits, divided by net earned premiums and policy fees. Please refer to the 'Supplementary information (unaudited)/P&C by segment & customer units' for further information.

Net non-technical result

includes expenses or income not directly linked to insurance operating performance, such as gains/losses on foreign currency translation and interest expense on debt. It includes the impact of financial market volatility and other non-operational variables that distort the ongoing business performance. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Life

Embedded value (EV) principles

is a methodology using a 'bottom-up' market consistent approach, which explicitly allows for market risk. In particular, asset and liability cash flows are valued using risk discount rates consistent with those applied to similar cash flows in the capital markets. Options and guarantees are valued using market consistent models calibrated to observable market prices.

Insurance deposits

are deposits, similar to customer account balances, not recorded as revenues. However, the fees charged on insurance deposits are recorded as revenue within gross written premiums and policy fees. These deposits arise from investment contracts and insurance contracts that are accounted for under deposit accounting. They represent the pure savings part, which is invested.

New business annual premium equivalent (APE)

is a sales index that reflects the volume of life new business sales during the period. APE is calculated as the value of new annual premiums plus 10 percent of new single premiums sold in the period and is stated before the effect of non-controlling interests. **Present value of new business premiums (PVNBP)** is calculated as the present value of new business premiums discounted at the risk-free rate, before the effect of non-controlling interests.

New business margin (NBM)

is a measure that reflects the profitability of new business and is calculated as the new business value divided by APE after the effect of non-controlling interests.

New business value (NBV), after tax

is a measure that reflects the value added by new business written during the period, including allowances for frictional costs, time value of options and guarantees, and the cost of non-market risk, and is valued at the point of sale. It is calculated as the present value of the projected after-tax profit from life insurance contracts sold during the period using a valuation methodology consistent with the EV principles, after the effect of non-controlling interests.

Glossary (continued)

Farmers

Gross management result
is a measure of Farmers Management Services calculated as management fees and other related revenues minus management and other related expenses, including amortization and impairments of intangible assets. Please refer to the 'supplementary information (unaudited)/ Farmers' for further information.

Managed gross earned premium margin
is a measure calculated as the gross management result of Farmers Management Services divided by the gross earned premiums of the Farmers Exchanges, which are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges.

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Financial calendar

Information on our website:
www.zurich.com/en/investor-relations/calendar

Disclaimer and cautionary statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich Insurance Group Ltd or the Zurich Insurance Group (the Group). Forward-looking statements include statements regarding the Group's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Group's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Insurance Group Ltd or the Group to differ materially from those expressed or implied in the forward-looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn, in the financial services industries in particular; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; (viii) increased litigation activity and regulatory actions; and (ix) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Specifically in relation with the COVID-19 related statements, such statements were made on the basis of circumstances prevailing at a certain time and on the basis of specific terms and conditions (in particular applicable exclusions) of insurance policies as written and interpreted by the Group and may be subject to regulatory, legislative, governmental and litigation-related developments affecting the extent of potential losses covered by a member of the Group or potentially exposing the Group to additional losses if terms or conditions are retroactively amended by way of legislative or regulatory action. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

All references to 'Farmers Exchanges' mean Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange and their subsidiaries and affiliates. The three Exchanges are California domiciled interinsurance exchanges owned by their policyholders with governance oversight by their Boards of Governors. Farmers Group, Inc. and its subsidiaries are appointed as the attorneys-in-fact for the three Exchanges and in that capacity provide certain non-claims services and ancillary services to the Farmers Exchanges. Neither Farmers Group, Inc., nor its parent companies, Zurich Insurance Company Ltd and Zurich Insurance Group Ltd, have any ownership interest in the Farmers Exchanges. Financial information about the Farmers Exchanges is proprietary to the Farmers Exchanges, but is provided to support an understanding of the performance of Farmers Group, Inc. and Farmers Reinsurance Company.

It should be noted that past performance is not a guide to future performance. Please also note that interim results are not necessarily indicative of full year results.

Persons requiring advice should consult an independent adviser.

This communication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

THIS COMMUNICATION DOES NOT CONTAIN AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES; SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR EXEMPTION FROM REGISTRATION, AND ANY PUBLIC OFFERING OF SECURITIES TO BE MADE IN THE UNITED STATES WILL BE MADE BY MEANS OF A PROSPECTUS THAT MAY BE OBTAINED FROM THE ISSUER AND THAT WILL CONTAIN DETAILED INFORMATION ABOUT THE COMPANY AND MANAGEMENT, AS WELL AS FINANCIAL STATEMENTS.

Imprint

The Annual Report is published in English and German. In the event of inconsistencies in the German translation, the English original version shall prevail.

Our reporting consists of the Annual Report, which is divided into the Group overview, the governance, the integrated sustainability disclosure, the risk review and the financial review, and which contains the annual financial statements (Holding Company) and the consolidated financial statements. With regards to content, the management report consists of the aforementioned reports excluding the remuneration report.

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