

Board of Directors Report

on the approval of the remuneration
of the Board of Directors and
of the Group Executive Committee

at the Annual General Meeting 2015
of Zurich Insurance Group Ltd

Agenda item 5

Dear shareholders,

On March 3, 2013, Swiss voters approved the constitutional initiative against excessive compensation. As a result, the Federal Ordinance Against Excessive Compensation at Public Corporations (Ordinance AEC) entered into force on January 1, 2014 and applies to all listed companies domiciled in Switzerland. Zurich Insurance Group Ltd (Zurich) implemented major elements of the new requirements of the Ordinance AEC including the amendments to the Articles of Incorporation which were approved by the shareholders at the Annual General Meeting (AGM) 2014. Zurich continues to implement the other requirements of the Ordinance AEC.

The Ordinance AEC and the Articles of Incorporation require shareholders to approve the maximum total amounts of remuneration of the Board of Directors (Board) and of the Group Executive Committee (GEC) as of the AGM 2015 (agenda item 5). These votes are binding. The shareholder approval of the maximum total amount of remuneration of the Board relates to the one year period from the AGM 2015 to the AGM 2016. The shareholder approval of the maximum total amount of remuneration of the GEC relates to the financial year in 2016. On the following pages you will find important information with regard to these votes.

To ensure that you can continue to express your opinion on our remuneration system and its implementation, Zurich also submits the Remuneration report to a consultative, non-binding vote (agenda item 1.2).

This document contains information on agenda item 5. Further information on the remuneration system and on remuneration in general you will find in the 2014 Remuneration report.

On behalf of the Board of Zurich Insurance Group Ltd



Tom de Swaan
Chairman of the Board



Thomas K. Escher
Chairman of the Remuneration Committee
of the Board

Agenda item 5.1

Approval of the remuneration of the Board of Directors

The Board of Directors proposes to approve a maximum total amount of remuneration of the Board of Directors of CHF 4,900,000 for the period from the Annual General Meeting 2015 to the Annual General Meeting 2016.

As a global insurance provider, Zurich's Directors' fees need to be established at a level which enables Zurich to attract and retain high caliber individuals with diverse backgrounds. To assist the Board in determining its remuneration, an independent advisor carries out benchmarking studies on a regular basis. The Board aims to position the remuneration of its members towards the relevant median amongst the companies listed in the Swiss Market Index.

All Directors of Zurich are also members of the Board of Directors of Zurich Insurance Company Ltd, and the fees cover the duties and responsibilities under both boards. All fees are paid exclusively as a fixed amount and a significant portion of the basic fee is allocated in sales-restricted shares of Zurich. Zurich's Directors are not entitled to any variable, performance related pay and no fees (including the portion provided in sales-restricted shares) are subject to the achievement of any specific performance conditions. Further information on Board remuneration can be found in the 2014 Remuneration report.

Summary of annual fees paid to the Board over the last five years

Year	Number of members ¹	Fees (in CHF thousand)		
		Total	in cash	in shares
2010	11.00	3,455	2,554	901
2011	11.00	4,258	3,079	1,179
2012	11.00	4,244	3,166	1,078
2013	10.67	4,151	2,993	1,158
2014	9.25	3,701	2,702	999

¹ The number of members is disclosed on a pro-rata basis taking into account the number of months served.

The last material change to the fee structure was made in 2011.

To recognize the increased complexity, accountability and time commitment for members of the Board, in particular for the Chairman, the Vice Chairman and the Committee Chairs, the Board seeks approval by the shareholders for the following adjustments to the fees as of the AGM 2015:

- Chairman and Vice Chairman fees to be adjusted to a total of CHF 1,500,000 and CHF 400,000, respectively. The major part of the adjustments will be allocated in the form of sales-restricted shares and not in cash.
- Committee Chair fees to be increased to recognize the additional responsibility and accountability.
- Portion of the basic fee allocated in shares to be increased to 50% from 33% to further align remuneration with shareholders' interests.
- Sales restriction period on shares to be increased to five years from three years to further align remuneration with shareholders' interests. In addition, these restrictions continue to apply upon leaving the Board.

It is intended, according to agenda item 4 of the AGM 2015, to increase the number of members of the Board from currently 9 to 11. The total amount of remuneration of the Board of CHF 4,900,000, which is submitted for approval, is based on 11 members.

**Proposed fee structure and fee levels as of April 1, 2015,
subject to shareholders' approval²**

(in CHF thousand)

Role	Fee elements					
	in cash		in shares		Total	
	2015	2014	2015	2014	2015 ³	2014 ⁴
Basic fee for the Chairman of the Board	750	667	750	333	1,500	1,000
Basic fee for the Vice Chairman of the Board	200	250	200	125	400	375
Basic fee for a member of the Board	120	160	120	80	240	240
Committee fee	60	50	–	–	60	50
Chair fee for the Audit Committee	80	40	–	–	80	40
Chair fee for the Remuneration Committee	60	30	–	–	60	30
Chair fee for the Risk Committee	60	30	–	–	60	30
Chair fee for the Governance and Nominations Committee ⁵	–	–	–	–	–	–

At the AGM 2015, shareholders will elect each member of the Board individually. Under the premise that the members of the Board will be elected, and their designated Committee and Committee Chair responsibilities remain unchanged for the period from the AGM 2015 to the AGM 2016, the maximum total amount of remuneration of the Board will be as follows:

2 Excluding other fees for board memberships of subsidiary boards of Zurich but including the fees for board membership of Zurich Insurance Company Ltd.

3 Half of the basic fee to be paid in shares with a five year sales restriction period.

4 One-third of the basic fee is paid in shares with a three year sales restriction period.

5 For 2014 and 2015, no such fees are due as the Chairman of the Board is chairing the Governance and Nominations Committee.

**Anticipated fees for the members of the Board for the period
from the AGM 2015 to the AGM 2016**

(in CHF thousand)

	Basic fees	Committee fees	Chair fees	Other fees ⁶	Total fees		
					Total	in cash	in shares
T. de Swaan, Chairman	1,500	–	–	–	1,500	750	750
F. Kindle, Vice Chairman	400	–	–	–	400	200	200
J. Amble	240	60	–	–	300	180	120
S. Bies	240	60	60	50	410	290	120
A. Carnwath	240	60	–	–	300	180	120
R. del Pino	240	60	–	–	300	180	120
Th. Escher	240	60	60	–	360	240	120
Ch. Franz	240	60	–	–	300	180	120
M. Mächler	240	60	–	–	300	180	120
K. Mahbubani	240	60	–	–	300	180	120
D. Nicolaisen	240	60	80	50	430	310	120
Total	4,060	540	200	100	4,900	2,870	2,030

On the basis of the fees shown above, the Board of Directors proposes to approve a maximum total amount of remuneration of the Board of Directors of CHF 4,900,000⁷ for the period from the AGM 2015 to the AGM 2016.

⁶ Where a Director is also a member of one or more subsidiary boards of Zurich other than Zurich Insurance Company Ltd, 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 – such as additional time commitment to discharge the duties of a board member – warrant it.

⁷ In connection with the payment of the Board fees, Zurich pays the company-related portion of contributions to social security systems in line with applicable law. These contributions are not part of the maximum total amount of remuneration, however as a reference Zurich paid an amount of CHF 81,916 for the year 2014.

Agenda item 5.2

Approval of the remuneration of the Group Executive Committee

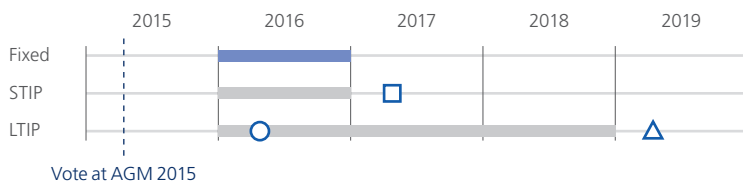
The Board of Directors proposes to approve a maximum total amount of remuneration of the Group Executive Committee of CHF 75,900,000 for the financial year 2016.

The remuneration structure and the mix of the remuneration elements for the members of the GEC are determined by the Board taking into account relevant market practices and internal relativities. Total target remuneration for each member of the GEC is positioned towards the relevant market median level.

The elements of total remuneration for the GEC include base salary, short- and long-term incentives (STIP and LTIP), pensions and benefits, and other remuneration. Variable remuneration (STIP and LTIP) is closely linked to the achievement of pre-defined strategic goals and business results, and the resulting awards vary depending on the business results. Therefore total remuneration may be lower than, in line with, or higher than the target level. Individual awards under STIP are primarily dependent on the achievement of Zurich's net income attributable to shareholders (NIAS) and the overall individual performance of the respective member. The vesting level of the performance shares under LTIP is assessed over a three year period taking into account relative Total Shareholder Return (TSR), NIAS return on common equity (NIAS ROE), and cash remittance achievements. Further information on GEC remuneration may be found in the 2014 Remuneration report.

The illustration on the next page explains the timing of the remuneration elements which as a sum form the total remuneration for 2016.

Illustration of the timing for the various remuneration elements



- Fixed remuneration includes base pay, pensions and benefits, and other remuneration during 2016.
- Payment of STIP for 2016, made in March 2017 and disclosed in the 2016 Remuneration report.
- Allocation of LTIP for 2016, disclosed in the 2016 Remuneration report.
- Assessment of the vesting level for the performance period 2016–2018.⁸
- Duration of the performance period relevant for the performance criteria for STIP (1 year) and for LTIP (3 years).

To further facilitate the assessment of the proposed maximum total amount of remuneration, the total amounts of remuneration at target and at maximum levels are illustrated in the table on the next page. These figures are based on the GEC comprising 11 members and on assumptions regarding its remuneration structure in 2016.⁹

⁸ Half of the vested performance shares are sales-restricted for a further three years such that all restrictions are lifted in 2022.

⁹ To calculate the amounts in CHF an exchange rate of USD 1 = CHF 0.93 was applied.

Total remuneration of the GEC for 2016

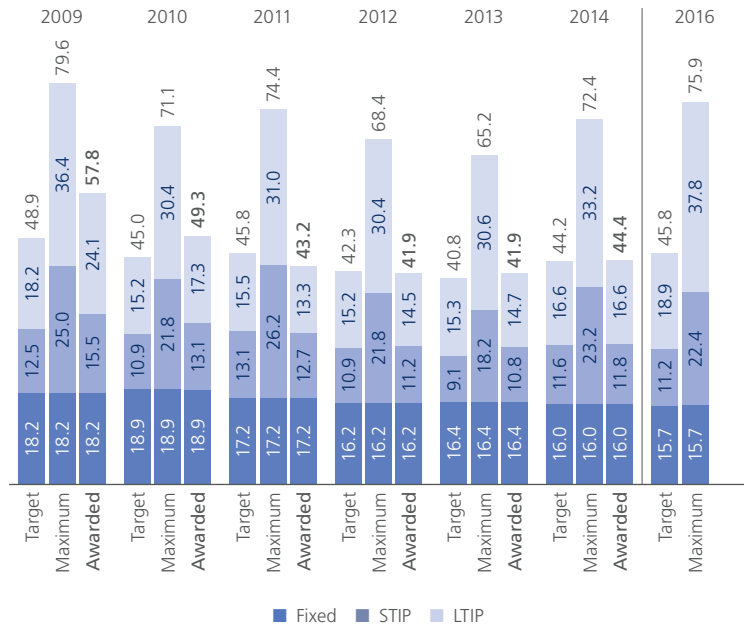
	Target		Maximum
	Value	Value	Criteria to achieve Maximum
Fixed	CHF 15.7m Base salary, pensions and benefits, and other remuneration.	CHF 15.7m Base salary, pensions and benefits, and other remuneration.	–
STIP	CHF 11.2m STIP target 2016 (STIP target % multiplied by base salary).	CHF 22.4m (2 × CHF 11.2m) Twice the value of the STIP target (max. payment 200% of target).	Over financial year 2016: i) exceptional NIAS out-performance and ii) highest performance rating for each member of the GEC.
LTIP	CHF 18.9m LTIP target allocations 2016 (LTIP target % multiplied by base salary).	CHF 37.8m (2 × CHF 18.9m) Twice the value of LTIP target allocation (max. vesting 200% of target).	Over financial years 2016 to 2018: i) relative TSR position: Top three positions out of 18 companies and ii) NIAS ROE: $\geq 14.25\%$ pa and iii) cash remittance: \geq USD 10.0bn.
Total	CHF 45.8m	CHF 75.9m	

The amounts for the individual remuneration elements (Fixed, STIP and LTIP) are indicative and might change within the maximum total amount of remuneration submitted for approval (Total).

The calculation of the maximum total amount of remuneration of the GEC takes into account the potential maximum STIP award and the maximum LTIP vesting level, which in both cases is 200% of target. This method reflects the maximum total remuneration that could arise under the remuneration policy and the Board believes this is a transparent approach for shareholders. In order to award the maximum levels of remuneration under the incentive plans, exceptional performance needs to be achieved.

The following graph includes historical figures over the years 2009 to 2014 to provide an insight into the development of Zurich's GEC remuneration with regard to target, maximum and actually awarded amounts (Awarded). The awarded amounts comprise the actual amounts paid under the STIP for the respective financial year and the actual vesting levels achieved for the respective LTIP target allocation in that financial year. As illustrated, the awarded remuneration over the six year period was on average 64% of the potential maximum amount ("Awarded" versus "Maximum").

Graphical illustration of the total remuneration of the GEC¹⁰ (in CHF million)



¹⁰ In 2009 and 2010, the LTIP comprised performance shares and options. For allocations made in 2013 and 2014 a 100% vesting level has been assumed for the 3rd tranche of the 2013 allocation and for the entire 2014 allocation.

On the basis of the maximum remuneration shown above, the Board of Directors proposes to approve a maximum total amount of remuneration of the Group Executive Committee of CHF 75'900'000¹¹ for the financial year 2016.¹²

11 Any shareholder returns including dividends from the date of allocation until the date of vesting as well as any impact of fluctuations of the foreign exchange rates are not included. In connection with the payment of GEC remuneration, Zurich pays the company-related portion of contributions to social security systems in line with applicable law. These contributions are not included in the maximum total amount of remuneration, however as a reference Zurich paid an amount of CHF 1.5m for the year 2014.

12 Zurich is authorized to make payment to any member who joins the GEC during a period for which the General Meeting has already approved the remuneration of the GEC, 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% of the respective total amount of approved maximum total remuneration amount for the GEC.

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