

Board of Directors Report

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

at the Annual General Meeting 2018
of Zurich Insurance Group Ltd

Agenda item 5

Dear shareholders,

We continued to deliver on our strategic direction in 2017 and implemented the changes to our incentive architecture that were communicated at last year's Annual General Meeting (AGM). Specifically, and in summary, we:

- Aligned the short-term incentive plan (STIP) architecture to the new organizational structure and accountabilities.
- Implemented consistent STIP funding criteria across the Group focusing predominantly on the achievements of the Business Operating Profit (BOP) result throughout the Group.
- Recalibrated the cash remittance performance criteria of the long-term incentive plan (LTIP) from USD 9.0bn to USD 9.5bn for the target vesting level in order to align the criteria to the financial targets. The change applies for the first time to the 2017–2019 performance period with vesting in 2020.

Regarding the overall remuneration structure of the Board of Directors (Board) and of the Executive Committee (ExCo), no changes are proposed. Further information on the remuneration framework and on the remuneration of the Board and of the ExCo can be found in this brochure, as well as in the remuneration report 2017. We trust the information will assist you with agenda item 5 of the AGM 2018, regarding the vote on the approval of the maximum total amounts of remuneration for:

- the Board for the one-year period from the AGM 2018 to the AGM 2019: CHF 4,650,000 and
- the ExCo for the 2019 calendar year: CHF 72,200,000.

In addition, you are also invited to express your opinion on Zurich's remuneration report 2017 in a consultative vote (agenda item 1.2).

We continue to review our remuneration architecture regularly to ensure compliance with legal and regulatory requirements, alignment with our strategy and our risk management practices, taking into account that the remuneration framework allows us to attract, motivate and retain high caliber Directors and employees, while rewarding appropriately for the business results achieved. As a result of the review carried out in 2017, additional refinements have been made to our STIP to further drive customer focus, simplification, and innovation within Zurich. An overview of these enhancements can be found in the outlook section of the remuneration report 2017.

On behalf of the Board of Zurich Insurance Group Ltd



Tom de Swaan
Chairman of the Board of Directors



Christoph Franz
Chair of the Remuneration Committee
of the Board of Directors

Agenda item 5.1

Approval of the remuneration for the Board of Directors

The Board of Directors proposes to approve a maximum total amount of remuneration for the Board of Directors of CHF 4,650,000 for the period from the AGM 2018 to the AGM 2019. The decrease from the previous year reflects the number of members of the Board. There are no changes proposed in the underlying fee structure for the period from the AGM 2018 to the AGM 2019.

In 2017, shareholders approved a maximum total amount of remuneration for the Board of CHF 5,000,000 for the period from the AGM 2017 to the AGM 2018. Based on the payments made in 2017 (since the AGM in 2017) and the amounts for the first quarter of 2018, the actual amount of remuneration for the Board during this period amounts to CHF 4,877,000 which is lower than the amount approved at last year's AGM.

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 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 50 percent of the basic fee is allocated in sales-restricted shares of Zurich Insurance Group Ltd with the restriction running for a five-year period. 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 remuneration report 2017.

Summary of annual fees paid to the Board over the last three periods covering the previous shareholder votes¹

Period (AGM to AGM)	Number of members	Fees (in CHF thousands)				
		in cash	in shares	Total	Maximum amount approved at the AGM	Percent of votes in favor
2015–2016	11	2,787	2,030	4,817	4,900	95.6%
2016–2017	10	2,640	1,910	4,550	4,700	96.3%
2017–2018 ²	11	2,847	2,030	4,877	5,000	98.4%

1 Provides information on the fees paid to the Board during a one-year period from AGM to AGM, along with the maximum amount of total remuneration for the Board that was approved at the AGM for each period.

2 Includes the amount for the first quarter in 2018. Refer to the remuneration report 2017 for details on the amounts paid in the calendar year 2017.

Fee structure and fee levels as of April 4, 2018³
(in CHF thousands)

Role	Fee elements		
	in cash	in shares	Total
Basic fee for the Chairman of the Board ⁴	750	750	1,500
Basic fee for the Vice-Chairman of the Board ⁴	200	200	400
Basic fee for a member of the Board	120	120	240
Committee fee	60	–	60
Chair fee for the Audit Committee	80	–	80
Chair fee for the Remuneration Committee	60	–	60
Chair fee for the Risk and Investment Committee	60	–	60
Chair fee for the Governance, Nominations and Corporate Responsibility Committee ⁵	60	–	60

At the AGM 2018, shareholders will elect each member of the Board and of the Remuneration Committee individually. Under the premise that the number of members of the Board and the designated Committee and Committee Chair responsibilities remain in principle unchanged from what is anticipated (see table on the next page) for the period from the AGM 2018 to the AGM 2019, the total amount of remuneration would be CHF 4,500,000. To allow for any potential changes to the Committee Chairs and/or in the subsidiary board responsibilities, an additional CHF 150,000 is proposed for approval to cover any additional fees that may be paid. This follows the same methodology adopted in previous years.

³ Excluding other fees for board memberships of subsidiary boards of Zurich, but including the fees for board membership of Zurich Insurance Company Ltd.

⁴ Neither the Chairman nor the Vice-Chairman receive any additional fees for their committee work on the Board of Zurich.

⁵ No such fees are due as long as the Chairman (or Vice-Chairman) of the Board is chairing the Governance, Nominations and Corporate Responsibility Committee.

The maximum total amount of remuneration for the Board is broken down as follows:

Anticipated fees for the members of the Board for the period from the AGM 2018 to the AGM 2019
(in CHF thousands)

	Basic fees	Committee fees	Chair fees	Total fees		
				in cash	in shares	Total
M. Liès, Chairman ⁶	1,500	–	–	750	750	1,500
J. Amble, member	240	60	–	180	120	300
C. Bessant, member	240	60	–	180	120	300
A. Carnwath, member	240	60	–	180	120	300
Ch. Franz, member	240	60	–	180	120	300
J. Hayman, member	240	60	–	180	120	300
M. Mächler, member	240	60	–	180	120	300
K. Mahbubani, member	240	60	–	180	120	300
D. Nish, member	240	60	–	180	120	300
J. Staiblin, member ⁶	240	60	–	180	120	300
Fees to be allocated to Vice-Chairman	100	–	–	20	80	100
Fees to be allocated to the chairs of the Audit, Remuneration and Risk and Investment Committees	–	–	200	200	–	200
Sub-total	3,760	540	200	2,590	1,910	4,500
Reserve to cover any potential changes to responsibilities ⁷	n/a	n/a	n/a	150	n/a	150
Total	3,760	540	200	2,740	1,910	4,650
Total approved at the AGM 2017 ⁸						5,000

6 Election of Mr. Michel M. Liès as member and Chairman of the Board and Ms. Jasmin Staiblin as member of the Board, proposed for approval at the AGM 2018.

7 Changes to responsibilities could include for example, committee chairmanship or subsidiary board responsibilities.

8 At the AGM 2017 an amount of CHF 5,000,000 was proposed and approved by shareholders for the period from the AGM 2017 to the AGM 2018. This was based on eleven members of the Board.

On the basis of the fees shown on the previous page, the Board of Directors proposes to approve a maximum total amount of remuneration for the Board of Directors of CHF 4,650,000⁹ for the period from the AGM 2018 to the AGM 2019.

⁹ 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 177,366 for the calendar year 2017.

Agenda item 5.2

Approval of the remuneration for the Executive Committee

The Board of Directors proposes to approve a maximum total amount of remuneration for the Executive Committee of CHF 72,200,000 for the financial year 2019.

Reconciliation of the previously approved maximum total amounts of remuneration for the ExCo, with the final awarded amounts, can only be made once the vesting level for the performance shares allocated under the LTIP in each year is known. The following table provides an overview of when the LTIP vesting levels will be known in order to reconcile the previously approved amounts.

Summary covering the previous shareholder votes and the corresponding year in which the LTIP vesting level will be available

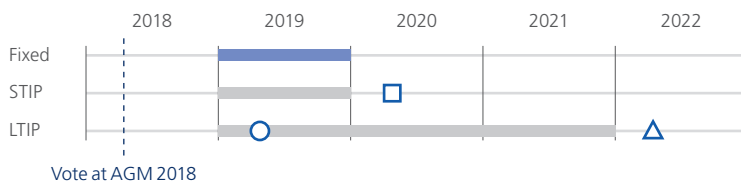
Calendar year for approved amounts	Maximum amount approved at the AGM	Percent of votes in favor	Year LTIP vesting level will be known
2016	CHF 75.9m	89.9%	2019
2017	CHF 74.3m	90.2%	2020
2018	CHF 74.3m	92.2%	2021

The remuneration structure and the mix of the remuneration elements for the members of the ExCo are determined by the Board and take into account relevant market practices and internal relativities. Target total remuneration for each member of the ExCo is positioned towards the relevant market median level, although the actual target level takes the skills and experience of the individual members of the ExCo into account.

The elements of total remuneration for the ExCo 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. Total remuneration may therefore 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 BOP objectives for the year and the overall individual performance of the respective member. To further align the incentive framework with strategy execution, customer metrics will be included in selected markets to assess the overall business performance and to determine the resulting STIP pool funding and award structure for the ExCo. The vesting level of the performance shares under the LTIP is assessed over a three-year period taking into account relative Total Shareholder Return (TSR), NIAS return on common shareholders' equity (NIAS ROE), and cash remittance achievements. Further information on ExCo remuneration can be found in the remuneration report 2017.

The following illustration explains the timing of the remuneration elements, which as a sum, form the total remuneration for 2019.

Illustration of the timing for the various remuneration elements



- Fixed remuneration includes base pay, pensions and benefits, and other remuneration during 2019.
- Payment of STIP for 2019 made in March 2020 and disclosed in the remuneration report 2019.
- Allocation of LTIP target shares in 2019, disclosed in the remuneration report 2019.
- Assessment of the vesting level for the performance period 2019 to 2021.¹⁰
- Duration of the performance period relevant for the performance criteria of STIP (one year) and of LTIP (three years).

¹⁰ Half of the vested performance shares are sales-restricted for a further three years such that all restrictions are lifted in 2025.

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 following table. These figures are based on the ExCo comprising eleven members and on assumptions regarding the remuneration structure in 2019.¹¹

Total remuneration for the ExCo for approval for 2019 and previously approved for 2018

	Target		Maximum		
	Value 2019	Value 2018	Value 2019	Value 2018	Criteria to achieve maximum ¹²
Fixed	CHF 15.4m	CHF 16.1m	CHF 15.4m	CHF 16.1m	–
	Base salary, pensions and benefits and other remuneration.		Base salary, pensions and benefits and other remuneration.		
STIP	CHF 10.6m	CHF 10.9m	CHF 21.2m	CHF 21.8m	Over financial year 2019: i) exceptional BOP outperformance and customer metric outperformance and ii) highest performance rating for each member of the ExCo.
	STIP target for the applicable year. STIP target % multiplied by base salary.		Twice the value of the STIP target. Maximum payment is 200% of target.		
LTIP	CHF 17.8m	CHF 18.2m	CHF 35.6m	CHF 36.4m	Over the relevant 3-year performance period: i) relative TSR position: Top three positions out of 18 companies and ii) NIAS ROE: $\geq 14.25\%$ p.a. and iii) cash remittance: \geq USD 10.5bn.
	LTIP target allocations in the applicable year. LTIP target % multiplied by base salary.		Twice the value of the LTIP target allocation. Maximum vesting is 200% of target.		
Total	CHF 43.8m	CHF 45.2m	CHF 72.2m	CHF 74.3m	

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

12 The performance framework for 2019–2021 will be aligned with the goals and objectives for that performance period.

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 for the ExCo takes into account the potential maximum STIP award and the maximum LTIP vesting level, which in both cases is 200 percent 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.

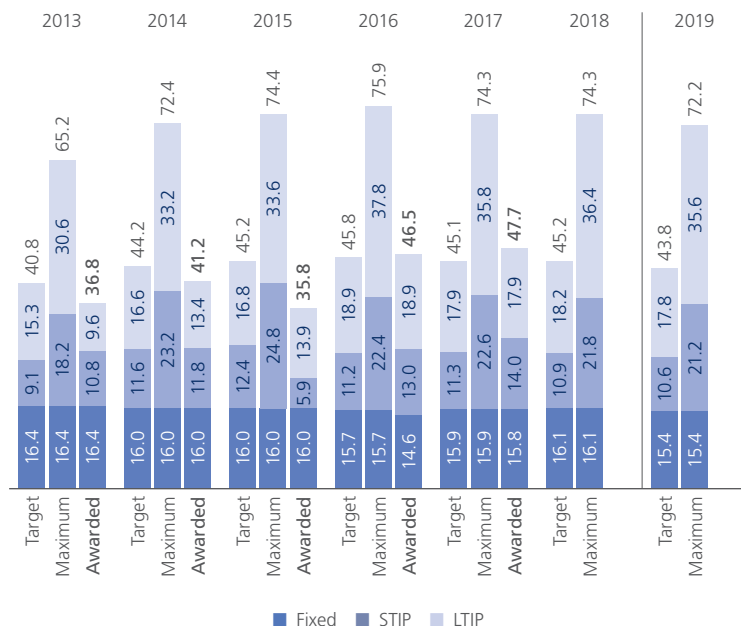
The graph shown on the next page includes historical figures over the years 2013 to 2017 to provide an insight into the development of the ExCo's remuneration with regard to target, maximum and the actual awarded amounts. It also includes the maximum amount of total remuneration approved by shareholders for 2018, as well as the amount proposed for approval for 2019. The respective target amounts are also shown.

Before the binding remuneration votes came into effect in accordance with the Ordinance Against Excessive Compensation (Ordinance AEC), the fixed remuneration amounts shown for the years 2013 to 2015 are the same for both the target and the awarded amounts. For 2016 and 2017, the fixed target amounts reflect the amounts underlying the maximum total amounts of remuneration approved by shareholders; and the fixed awarded amounts align to the actual fixed amounts disclosed in the remuneration report for 2016 and 2017 respectively.

In all years, the awarded amounts for STIP comprise the actual amounts paid under the STIP for the respective financial year and disclosed in the remuneration report. The awarded amounts for LTIP reflect the overall vesting levels for the LTIP target allocation made in that particular year. For 2016 and 2017 this information is not yet available and therefore, the awarded amount is the same as the target amount until the vesting level is known in 2019 and 2020 respectively.

As illustrated on the next page, the awarded remuneration over the five-year period was on average 57 percent of the potential maximum amount.

Graphical illustration of the total remuneration of the ExCo¹³
(in CHF millions)



13 The 2015 awarded amount reflects the vesting level of 83 percent of target in 2018. For the 2016 and 2017 LTIP awarded amounts, a vesting level of 100 percent of target has been assumed as the actual vesting levels will only be known in 2019 and 2020 respectively.

On the basis of the maximum remuneration shown on the previous page, the Board of Directors proposes to approve a maximum total amount of remuneration for the Executive Committee of CHF 72,200,000¹⁴ for the financial year 2019.¹⁵

14 Any shareholder returns including dividend equivalents from the date of the target share allocation until the date of vesting, as well as the impact of foreign exchange rate fluctuations, are not included. In connection with the payment of ExCo 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 of the ExCo, however as a reference, Zurich paid an amount of CHF 2.1m for the year 2017.

15 Based on the Articles of Incorporation, 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.

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