

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 2019
of Zurich Insurance Group Ltd

Agenda item 5

Dear shareholders,

Thank you for your support at the Annual General Meeting (AGM) in 2018. Ahead of this year's AGM, we would once again like to inform you about the votes on the proposed maximum amounts of remuneration for the Board of Directors (Board) and for the Executive Committee (ExCo).

Further information on the elements and structure of remuneration can be found in this brochure and also in the remuneration report 2018. We are not proposing any changes to the remuneration structure of the Board or the ExCo. We do however, continue to review our approach and refine it, to ensure it supports the execution of Zurich's strategy and considers the interests of our customers, shareholders and employees alike. As communicated last year, we:

- Included quantitative customer metrics in addition to the existing financial metrics to assess overall business performance for the funding of the short-term incentive plan (STIP) pools in selected major markets. In 2019 we are planning to expand this approach to additional markets.
- Revised the target card framework for the ExCo and the Leadership Team focusing on three objective categories covering financials, customers and people. Risk performance is also considered. We continued to incorporate quantitative measures and relevant strategic projects within these three categories for the 2019 target cards.

In addition, enhancements to our overall performance and incentive framework, mainly impacting the broader employee population, are planned in 2019 and are outlined in the remuneration report 2018.

We trust that this brochure provides you with the information you need regarding agenda item 5 of the AGM in 2019, on the votes to approve the maximum total amounts of remuneration for:

- the Board for the one-year period from the AGM 2019 to the AGM 2020: CHF 4,890,000 and
- the ExCo for the 2020 calendar year: CHF 74,700,000.

Information on the amounts previously approved and the amounts paid or awarded in prior years, are also provided where this is already available.

In addition, you are also invited to express your opinion on Zurich's remuneration report 2018 in a consultative vote (agenda item 1.2).

On behalf of the Board of Zurich Insurance Group Ltd



Michel M. Liès
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 4,890,000 for the period from the AGM 2019 to the AGM 2020. There are no changes proposed in the underlying fee structure of the Board for the period from the AGM 2019 to the AGM 2020.

The amount proposed has increased compared with the previous year, reflecting the number of members of the Board. In 2018, shareholders approved a maximum total amount of remuneration for the Board of CHF 4,650,000 for the period from the AGM 2018 to the AGM 2019. Based on the payments made since the AGM in 2018, and including the projected amounts for the first quarter of 2019, the actual amount of remuneration for the Board during this period amounts to CHF 4,140,000 which is lower than the amount that was approved.

As a global insurance provider, Zurich's Director 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 adviser 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 Insurance Group 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 shares of Zurich Insurance Group Ltd that are sales-restricted for five years. 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 2018.

Summary of annual fees paid to the Board over the last four periods covering the previous shareholder votes¹
(in CHF thousands)

| Period (AGM to AGM) | Number of members | Fees | | | Maximum amount approved at the AGM | Percent of votes in favor |
|------------------------|-------------------|---------|-----------|-------|------------------------------------|---------------------------|
| | | in cash | in shares | Total | | |
| 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 | 11 | 2,847 | 2,030 | 4,877 | 5,000 | 98.4% |
| 2018–2019 ² | 9 | 2,350 | 1,790 | 4,140 | 4,650 | 97.2% |

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 2019. Refer to the remuneration report 2018 for details on the amounts paid in the calendar year 2018. The maximum amount approved at the AGM was based on ten members of the Board, compared to the actual number of members of the Board which was nine for that period.

Fee structure and fee levels as of April 3, 2019³
(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 ⁵ | 60 | – | 60 |
| Chair fee for the Risk and Investment Committee | 60 | – | 60 |
| Chair fee for the Governance, Nominations and Sustainability Committee ⁵ | 60 | – | 60 |

At the AGM 2019, 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 for the period from the AGM 2019 to the AGM 2020 (see table on the next page), the total amount of remuneration would be CHF 4,740,000. 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 extra fees that may need to 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 chairs the Governance, Nominations and Sustainability Committee or the Remuneration Committee respectively.

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 2019 to the AGM 2020
(in CHF thousands)

| | Basic fees | Committee fees | Chair fees | Total fees | | |
|--|--------------|----------------|------------|--------------|--------------|--------------|
| | | | | in cash | in shares | Total |
| M. Liès, Chairman | 1,500 | – | – | 750 | 750 | 1,500 |
| Ch. Franz, Vice-Chairman | 400 | – | – | 200 | 200 | 400 |
| J. Amble, member | 240 | 60 | – | 180 | 120 | 300 |
| C. Bessant, member | 240 | 60 | – | 180 | 120 | 300 |
| A. Carnwath, 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 |
| M. Halbherr, member ⁶ | 240 | 60 | – | 180 | 120 | 300 |
| J. Staiblin, member ⁶ | 240 | 60 | – | 180 | 120 | 300 |
| B. Stowe, member ⁶ | 240 | 60 | – | 180 | 120 | 300 |
| Fees to be allocated to the chairs of the Audit and the Risk and Investment Committees | – | – | 140 | 140 | – | 140 |
| Sub-total | 4,060 | 540 | 140 | 2,710 | 2,030 | 4,740 |
| Reserve to cover any potential changes to responsibilities ⁷ | n/a | n/a | n/a | 150 | n/a | 150 |
| Total | 4,060 | 540 | 140 | 2,860 | 2,030 | 4,890 |
| Total approved at the AGM 2018 ⁸ | | | | | | 4,650 |

6 Election of Mr. Michael Halbherr, Ms. Jasmin Staiblin and Mr. Barry Stowe as members of the Board, proposed for approval at the AGM 2019.

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

8 At the AGM 2018 an amount of CHF 4,650,000 was proposed and approved by shareholders for the period from the AGM 2018 to the AGM 2019. This was based on ten 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 4,890,000⁹ for the period from the AGM 2019 to the AGM 2020.

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 192,690 for the calendar year 2018.

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 74,700,000 for the financial year 2020.

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 long-term incentive plan (LTIP) in each year is known. This information is only available after the three-year performance period following each allocation. The following table provides an overview of when the LTIP vesting levels will be known. For the years where the vesting levels are already known, the final amount that was awarded in that year is disclosed. A further breakdown of final awarded amounts can be seen in the graph on page 14.

Summary covering the previous shareholder votes, the corresponding year in which the LTIP vesting level will be known and the final awarded amount where the vesting level is already available

| Calendar year for approved amounts | Maximum amount approved at the AGM | Percent of votes in favor | Year LTIP vesting level is known | Final awarded amount ¹⁰ |
|------------------------------------|------------------------------------|---------------------------|----------------------------------|------------------------------------|
| 2016 ¹¹ | CHF 75.9m | 89.9% | 2019 | CHF 52.2m |
| 2017 | CHF 74.3m | 90.2% | 2020 | n/a |
| 2018 | CHF 74.3m | 92.2% | 2021 | n/a |
| 2019 | CHF 72.2m | 91.2% | 2022 | n/a |

¹⁰ The final awarded amount considers the actual fixed remuneration and STIP award amounts disclosed in the remuneration report for the relevant calendar year and converted to Swiss Francs using the applicable foreign exchange rates. It also includes an estimate of the value of the LTIP awarded which is calculated by applying the relevant vesting level to the initial value of target shares allocated in that year, and disclosed in the remuneration report.

¹¹ The final awarded amount does not include extraordinary remuneration such as payments and share allocations to compensate incentive plan forfeitures with previous employers for ExCo hires in 2016. Such extraordinary remuneration, referred to as "other payments and share allocations" in the 2016 remuneration report, resulted in CHF 11.9m using the applicable foreign exchange rates. This brings the total remuneration for the ExCo in 2016 to CHF 64.1m, which is still within the maximum amount approved.

An overview of the elements of remuneration for the ExCo is shown in the table below. More detailed descriptions can be found in the remuneration report 2018. The remuneration structure and the mix of the remuneration elements for 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. Variable remuneration (STIP and LTIP) is closely linked to the achievement of pre-defined strategic goals and business results, therefore the final awarded total remuneration may be lower than, in line with, or higher than the target level.

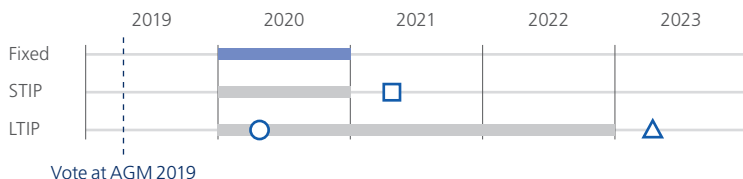
Elements of remuneration for the ExCo

| | Description | Criteria to achieve maximum ¹² |
|-------|---|--|
| Fixed | Includes base salary, pensions and benefits and other remuneration. | – |
| STIP | Discretionary incentive award to reward achievement of key business and individual objectives during the year. STIP targets for the applicable year are calculated as a percentage of the base salary. The maximum award is 200% of target. | Over the financial year 2020: i) exceptional BOP and customer metric outperformance and ii) highest performance rating for each member of the ExCo based on an assessment of their individual objectives covering financials, customers and people. Risk performance is also considered. |
| LTIP | Annual performance-based target share allocations, subject to vesting in accordance with predefined performance criteria over a three-year performance period. LTIP target allocations in the applicable year are calculated as a percentage of the base salary. The maximum vesting is 200% of target. | Over the relevant three-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 10.5 bn. |

12 The performance framework for 2020–2022 will be aligned with the goals and objectives for that performance period.

The following illustration explains the timing of the remuneration elements, which as a sum, form the total remuneration for 2020.

Timing of the various remuneration elements



- Fixed remuneration includes base pay, pensions and benefits, and other remuneration during 2020.
- Payment of STIP for performance year 2020 made in March 2021 and disclosed in the remuneration report 2020.
- Allocation of LTIP target shares in 2020, disclosed in the remuneration report 2020.
- Assessment of the vesting level for the performance period 2020 to 2022.¹³
- Duration of the performance period relevant for the performance criteria of STIP (one year) and of LTIP (three years).

The amounts for the individual remuneration elements (Fixed, STIP and LTIP) at target, at maximum and awarded where known, are shown in the following graph.

The target amounts are indicative estimates and are used to calculate the maximum total amounts of remuneration submitted for approval.

The maximum total amount of remuneration for the ExCo considers the potential maximum STIP award and the maximum LTIP award, which in both cases is 200 percent of the estimated target amount. 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.

¹³ Half of the vested performance shares are sales-restricted for a further three years such that all restrictions are lifted in 2026.

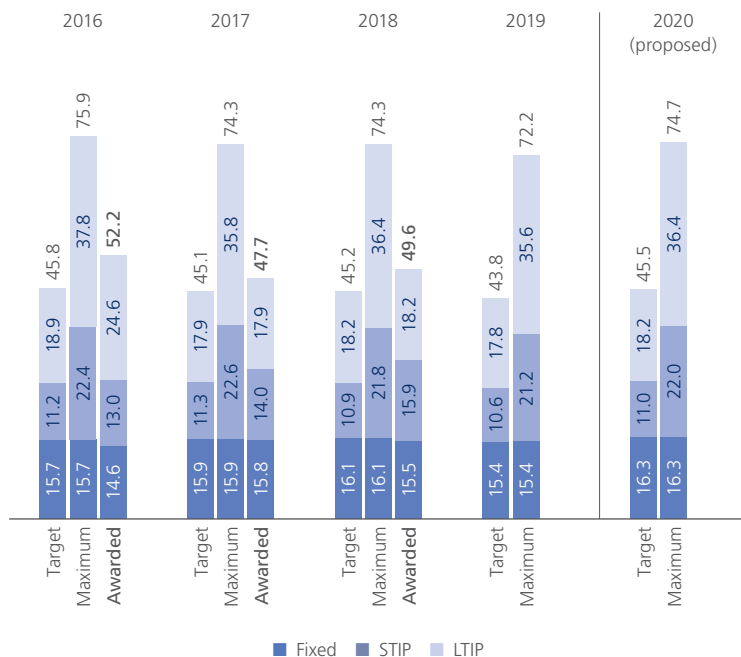
Historical figures are shown since 2016 when the binding votes came into force. The graph includes:

- The maximum amounts of total remuneration approved by shareholders at prior AGMs for 2016 to 2019, along with the underlying estimated target amounts.
- The fixed and STIP awarded amounts for 2016 to 2018 reflecting the actual amounts disclosed in the relevant remuneration report for each year and converted to Swiss Francs using the applicable exchange rates at the time.
- The LTIP awarded amount for 2016 calculated by applying the 2019 vesting level to the LTIP target allocation made in 2016 and disclosed in the remuneration report 2016. For 2017 and 2018, the LTIP awarded amounts are the same as the estimated target amounts and will be updated once the vesting levels are known in 2020 and 2021 respectively.
- The maximum amount proposed for approval for 2020 with the underlying estimated target amounts. These figures are based on the ExCo comprising eleven members and on assumptions regarding the remuneration structure in 2020.¹⁴

The awarded remuneration over the past three-year period shown in the graph, was on average 67 percent of the potential maximum amount.

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

Total remuneration of the ExCo¹⁵ (in CHF millions)



15 The awarded amounts for 2016–2018 reflect the fixed remuneration and STIP awards disclosed in the remuneration reports for each of those years. The LTIP awarded amount for 2016 considers the vesting level of 149 percent of target in 2019 (disclosed in the remuneration report 2018) applied to the initial target allocation that was disclosed in the remuneration report 2016. For the 2017 and 2018 LTIP awarded amounts, the estimated target amounts are reflected until the actual vesting levels are known in 2020 and 2021 respectively. In addition, extraordinary payments and share allocations were made which amounted to CHF 11.9m in 2016, CHF 3.7m in 2017 and CHF 2.5m in 2018, using the applicable foreign exchange rates and disclosed in the respective remuneration reports. For 2016, considering the awarded remuneration and the extraordinary payments and share allocations made, the total remuneration amounts to CHF 64.1m which is still within the maximum amount approved by shareholders.

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 74,700,000¹⁶ for the financial year 2020.¹⁷

16 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 2.0m for the year 2018.

17 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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