

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 2020
of Zurich Insurance Group Ltd

Agenda item 5

Dear shareholders,

Thank you for your support at the Annual General Meeting (AGM) in 2019. 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 2019.

Regarding the fee structure for members of the Board, no changes have been made since 2015. As part of the regular monitoring of market developments on Board remuneration, a benchmarking analysis was conducted by Zurich's independent adviser. Some adjustments to the fee structure are proposed as of the AGM in 2020 to bring certain fee elements closer to the relevant median levels for companies of a similar size in the Swiss Market Index (SMI) and following successful completion of the strategic cycle ending in 2019 and the beginning of the new cycle in 2020. Further details are provided in this brochure on page 5 under agenda item 5.1 on the proposed maximum amount of remuneration for the Board.

We are not proposing any changes to the remuneration structure of the ExCo, however it is planned to align the long-term incentive plan (LTIP) performance metrics to the targets of the new strategic cycle as of 2020. The adjustments include increases to the targets for both the net income attributable to shareholders' return on common shareholders' equity (NIAS ROE) and the cash remittance metrics. The increases to the targets demonstrate that the bar has been raised with higher performance expectations over the next strategic cycle. Further information on the LTIP vesting grid metrics applicable from 2020 can be found in the remuneration report 2019.

We trust that this brochure provides you with the information you need regarding agenda item 5 of the AGM in 2020, on the votes to approve the maximum total amounts of remuneration for:

- the Board for the one-year period from the AGM 2020 to the AGM 2021: CHF 5,670,000 and
- the ExCo for the 2021 calendar year: CHF 78,200,000.

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 2019 in an advisory 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 5,670,000 for the period from the Annual General Meeting 2020 to the Annual General Meeting 2021.

As a global insurance provider, Zurich's 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 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 SMI.

There have been no changes to Board fees since 2015. To bring certain elements of the fee structure closer to median levels of similarly-sized companies in the SMI and following successful completion of the 2017–2019 strategic cycle and the beginning of the new strategic cycle in 2020, the following adjustments are proposed effective as of the AGM in 2020:

- Increase Chairman fees from CHF 1,500,000 to CHF 2,000,000;
- Increase Vice-Chairman fees from CHF 400,000 to CHF 450,000;
- Increase the Committee membership allowance from CHF 60,000 to CHF 80,000;
- Increase Committee Chair fees by CHF 20,000 each.

All Directors of Zurich Insurance Group Ltd 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 2019.

Proposed fee structure and fee levels as of the AGM in 2020¹
(in CHF thousands)

Role	Fee elements		
	in cash	in shares	Total
Basic fee for the Chairman of the Board ²	1,000	1,000	2,000
Basic fee for the Vice-Chairman of the Board ²	225	225	450
Basic fee for a member of the Board	120	120	240
Committee fee ³	80	–	80
Chair fee for the Audit Committee	100	–	100
Chair fee for the Remuneration Committee	80	–	80
Chair fee for the Risk and Investment Committee	80	–	80
Chair fee for the Governance, Nominations and Sustainability Committee	80	–	80

1 Including the fees for board membership of Zurich Insurance Company Ltd.

2 Neither the Chairman nor the Vice-Chairman receive any additional membership and chair fees for their committee work on the Board of Zurich.

3 Committee fee is only paid once irrespective of the number of committees a Board member participates in.

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 2020 to the AGM 2021, the total amount of remuneration would be as set out in the following table. To allow for any potential changes to the committee chairs, an additional CHF 160,000 is proposed for approval to cover any extra fees that may need to be paid. This follows the same methodology adopted in previous years.

Anticipated fees for the members of the Board for the period from the AGM 2020 to the AGM 2021
(in CHF thousands)

	Basic fees	Committee fees	Chair fees	Total fees		
				in cash	in shares	Total
M. Liès, Chairman	2,000	–	–	1,000	1,000	2,000
C. Franz, Vice-Chairman	450	–	–	225	225	450
J. Amble, member	240	80	–	200	120	320
C. Bessant, member	240	80	–	200	120	320
A. Carnwath, member	240	80	–	200	120	320
M. Halbherr, member	240	80	–	200	120	320
J. Hayman, member	240	80	–	200	120	320
M. Mächler, member	240	80	–	200	120	320
K. Mahbubani, member	240	80	–	200	120	320
J. Staiblin, member	240	80	–	200	120	320
B. Stowe, member	240	80	–	200	120	320
Fees to be allocated to the chairs of the Audit and the Risk and Investment Committees	–	–	180	180	–	180
Sub-total	4,610	720	180	3,205	2,305	5,510
Reserve to cover any potential changes to responsibilities	n/a	n/a	n/a	160	n/a	160
Total	4,610	720	180	3,365	2,305	5,670

The amount proposed has increased compared with the previous year, reflecting the proposed adjustment to the Board fees. 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 at previous AGMs, is outlined in the table below.

Summary of fees paid to the Board over the last five periods (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	9	2,350	1,790	4,140	4,650	97.2%
2019–2020 ⁴	11	2,710	2,030	4,740	4,890	97.5%

On this basis, the Board of Directors proposes to approve a maximum total amount of remuneration for the Board of Directors of CHF 5,670,000⁵ for the period from the AGM 2020 to the AGM 2021.

4 Includes the amount for the first quarter in 2020. Refer to the remuneration report 2019 for details on the amounts paid in the calendar year 2019.

5 In connection with the payment of the Board fees, Zurich pays the company-related portion of contributions to social security and pension 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 191,738 for the calendar year 2019.

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 78,200,000 for the financial year 2021.

The remuneration structure and the mix of remuneration elements for members of the ExCo are determined by the Board. Benchmarking studies are conducted on a regular basis and the target total remuneration for each member of the ExCo is positioned towards the relevant market median level, but also considers market practices, internal relativities, and the skills and experience of the individual. Variable remuneration (STIP and LTIP) is closely linked to the achievement of predefined strategic goals and business results, therefore the final awarded total remuneration may be lower than, in line with, or higher than the target level. An overview of the elements of remuneration for the ExCo is shown in the following table. More detailed descriptions can be found in the remuneration report 2019.

Elements of remuneration for the ExCo

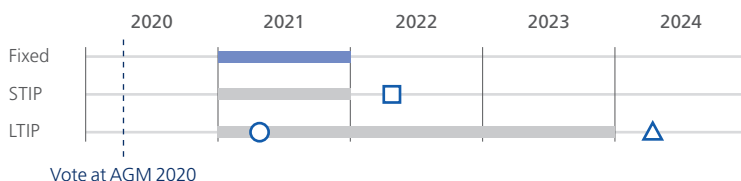
	Description	Criteria to achieve maximum ⁶
Fixed	Includes base salary, pensions and benefits and other remuneration.	–
STIP	Discretionary incentive award to reward achievement of key business and individual objectives during the year. STIP targets for the applicable year are calculated as a percentage of the base salary. The maximum award is 200% of target.	Over the financial year: 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: $\geq 16.25\%$ (average annual rate) and iii) cash remittance: \geq USD 12.5 bn.

⁶ The performance framework for 2021–2023 will be aligned with the goals and objectives for that performance period.

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 estimated 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 illustration explains the timing of the remuneration elements, which as a sum, form the total remuneration for 2021.

Timing of the various remuneration elements



- Fixed remuneration includes base pay, pensions and benefits, and other remuneration during 2021.
- Payment of STIP for performance year 2021 made in March 2022 and disclosed in the remuneration report 2021.
- Allocation of LTIP target shares in 2021, disclosed in the remuneration report 2021.
- Assessment of the vesting level for the performance period 2021 to 2023.⁷
- Duration of the performance period relevant for the performance criteria of STIP (one year) and of LTIP (three years).

⁷ Half of the vested performance shares are sales-restricted for a further three years such that all restrictions are lifted in 2027.

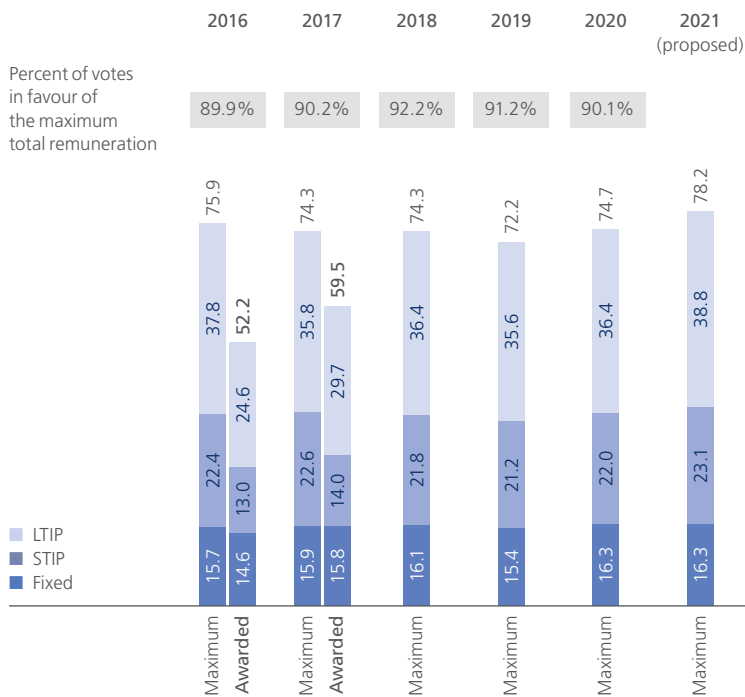
The amounts for the individual remuneration elements are shown in the following graph, including historical figures since 2016 when the binding remuneration votes came into force. Specifically, the graph shows:

- The maximum amounts of total remuneration approved by shareholders at previous AGMs and the amount proposed for approval for 2021. These include the estimated maximum amounts of fixed remuneration, STIP and LTIP for each year, based on assumptions of the number of members of the ExCo and the remuneration structure.⁸
- The awarded amounts for the years of allocation, where the respective LTIP vesting level is known (years 2016 and 2017).⁹ The LTIP vesting level following the three-year performance period, is applied to the initial LTIP target allocation disclosed in the remuneration report for that particular year.

⁸ To calculate the amounts in CHF, an exchange rate of USD 1 = CHF 1 was applied.

⁹ The awarded amounts are calculated using the relevant foreign exchange rates at the time.

Summary of ExCo remuneration¹⁰ (in CHF millions)



¹⁰ In addition to the awarded remuneration related to fixed pay, STIP and LTIP shown in the graph, other one-off payments and share allocations may have been made in that particular year. These could include extraordinary amounts for new ExCo hires to compensate incentive plan forfeitures with previous employers. In 2016 and 2017 these amounted to CHF 11.9m and CHF 3.7m 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 78,200,000¹¹ for the financial year 2021.¹²

11 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 share price and 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 4.6 m for the year 2019.

12 Based on the 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.

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