

Corporate Governance and Sustainability at Zurich

December 2018

Zurich Insurance Group



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Key messages

Strategy

A focus on our customers drives our strategy and we are using innovation to support this focus while seeking to simplify our business to improve our customer propositions

Board Governance

We have a highly diverse board combined with strong governance

Remuneration

Our remuneration architecture aligns pay to performance while promoting desired managerial behaviors

Sustainability

We are well recognized for sustainability as regards our role as an employer, an insurer, an investor and a community leader

Shareholders focus

We are focused on creating long term value for our shareholders and value regular interaction with significant investors

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A clear strategy developed by us, for all our stakeholders



FOCUS ON THE CUSTOMER

We will focus our significant investments on improving our quality of service and the experience of our customers. A laser focus on investing for the benefit of our customers will guide all that we do.

SIMPLIFY

We aim to become a more agile and more responsive organization, better able to serve our customers and respond to their needs. We will strive to put the customer at the center of everything we do.

INNOVATE

We will prioritize innovation – in products, services and customer care – to give us even more of a leading edge over our competitors.

Our proposition to investors

HIGHLY CASH GENERATIVE BUSINESS MODEL SUPPORTING AN ATTRACTIVE AND GROWING DIVIDEND, BASED ON:

A balanced and diverse global business



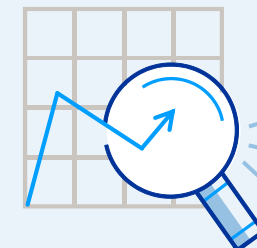
Industry leading capital levels



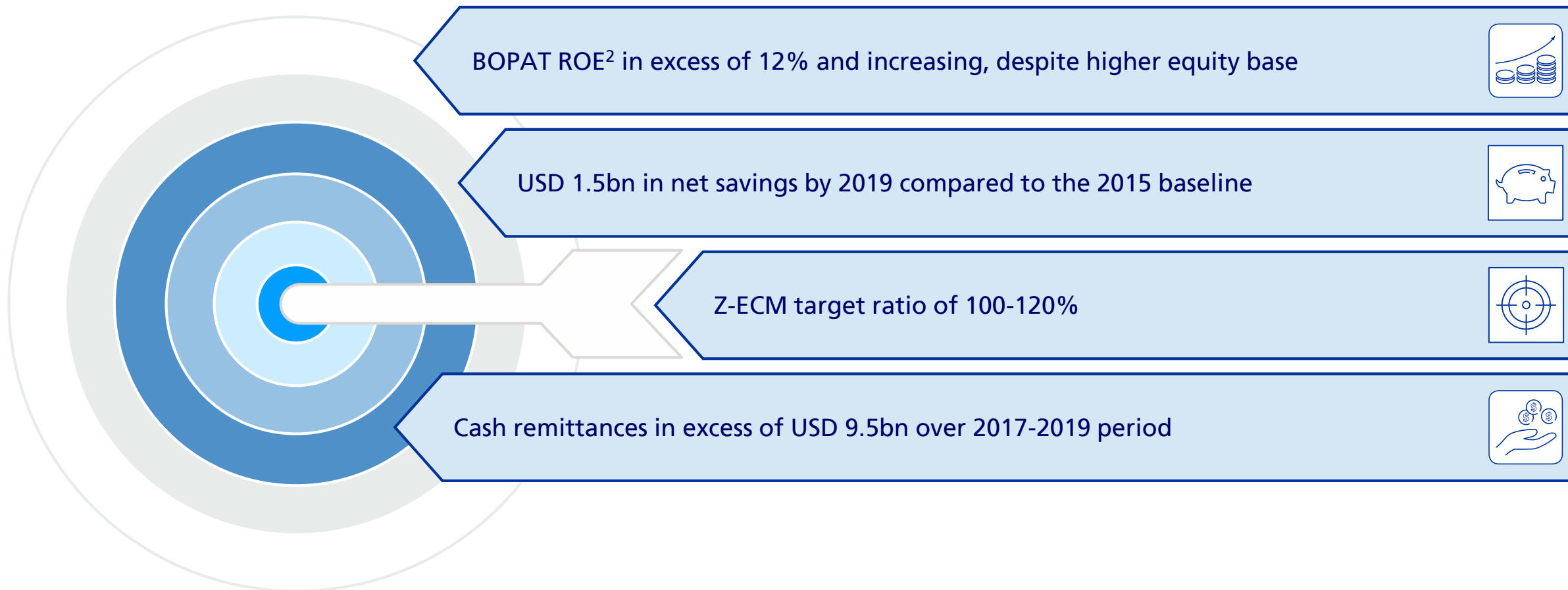
Stable, consistent and conservatively managed balance sheet



Consistent growth with scope to enhance returns through capital re-deployment



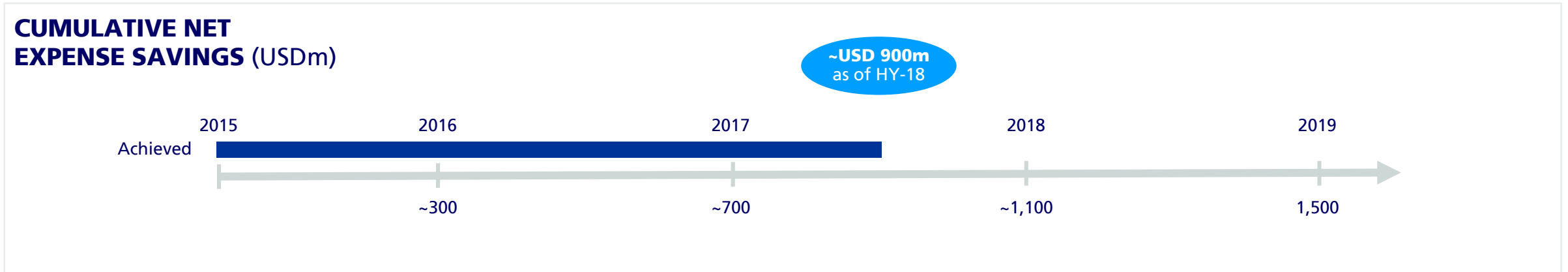
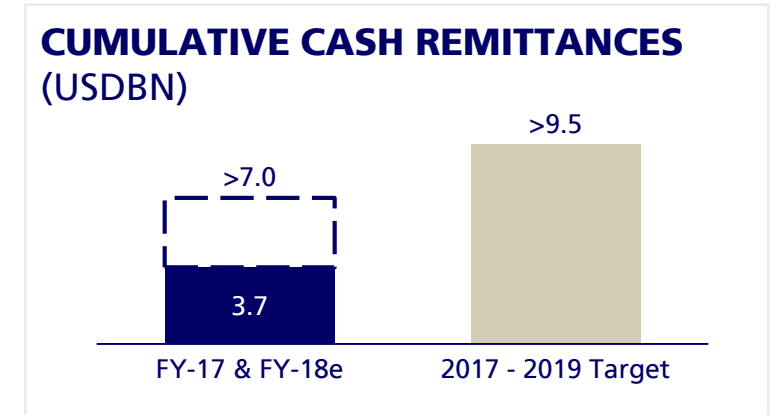
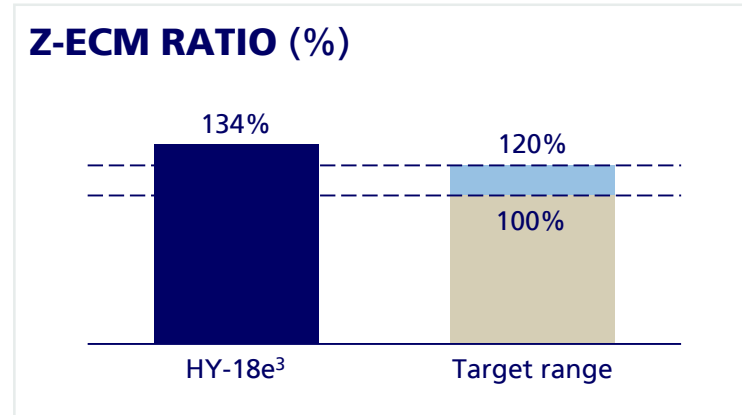
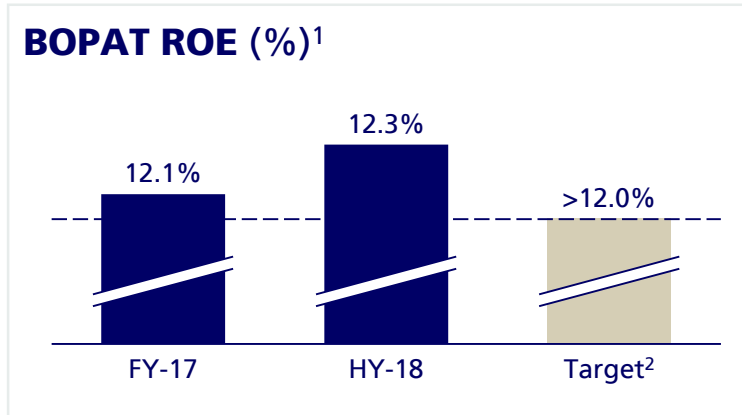
2017-2019 Financial targets¹



¹ BOPAT ROE target to be increased by ~50bps for OnePath Life acquisition on completion of transaction (as announced on December 11, 2017).

² Business Operating Profit after tax return on equity, excluding unrealized gains and losses.

Well on track to achieve all 2017-2019 targets



¹ Business Operating Profit after tax return on equity, excluding unrealized gains and losses. FY-17 adjusted for the impact of the hurricanes Harvey, Irma and Maria, charges related to the Group's restructuring recognized through BOP and the change to the UK capital gains tax indexation relief.
² BOPAT ROE target to be increased by ~50bps for OnePath Life acquisition on completion of transaction (as announced on December 11, 2017).
³ HY-18 Z-ECM reflects midpoint estimate with an error margin of +/- 5ppts.

Key businesses strengthened while exiting non-core activities; Customer focus improved with tangible results

Leadership in Latin America strengthened	
Cover-More's global footprint and capabilities further increased	
Innovative customer solutions delivered	
Further focus with non-core businesses exited	Life portfolio Endsleigh Compulsory TPL

CUSTOMER FOCUS YIELDING POSITIVE RESULTS IN RETAIL

	NET PROMOTER SCORE HY-18 vs. FY-17 (ppts)	CUSTOMER RETENTION HY-18 vs. FY-17 (ppts)
	▲ +2	▲ +0.6 ¹
	▲ +4	▲ +0.5
	▲ +12	▲ +1.2
	▲ +4	▼ -0.7
	▲ +6	▲ +0.8

¹ Refers to rolling 3-months periods (i.e., Q2-18 discrete vs. Q4-17 discrete).

We are leveraging new technologies to redesign customer interactions, increase service offerings and digitize core processes



STRENGTHENING OUR KNOWLEDGE OF THE CUSTOMER

Strengthened customer analytics to improve segmentation

Artificial intelligence to optimize sales and customize propositions

Advanced analytics to augment underwriting decision making

NEW CAPABILITIES AND BROADER SERVICE OFFERINGS



Travel and aviation, Employee assistance, Medical assistance



On demand insurance



Entrepreneur Insurance for SMEs in Switzerland

REINVENTING THE CUSTOMER EXPERIENCE



One-touch claims processing



Behavior-based pricing

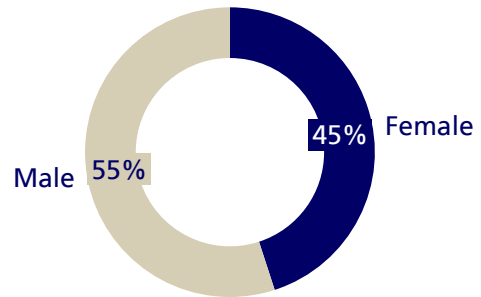


Contextual offers

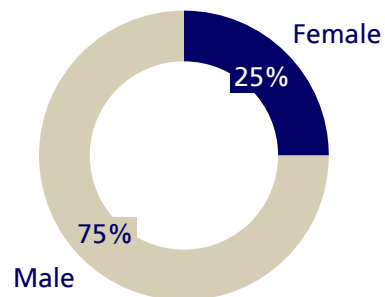
A balanced Board composition

BOARD COMPOSITION DIVERSITY¹

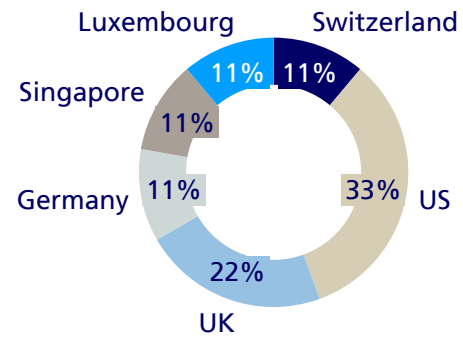
Gender



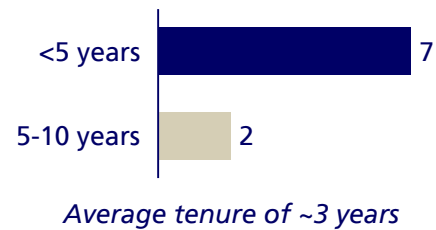
Vs SMI companies



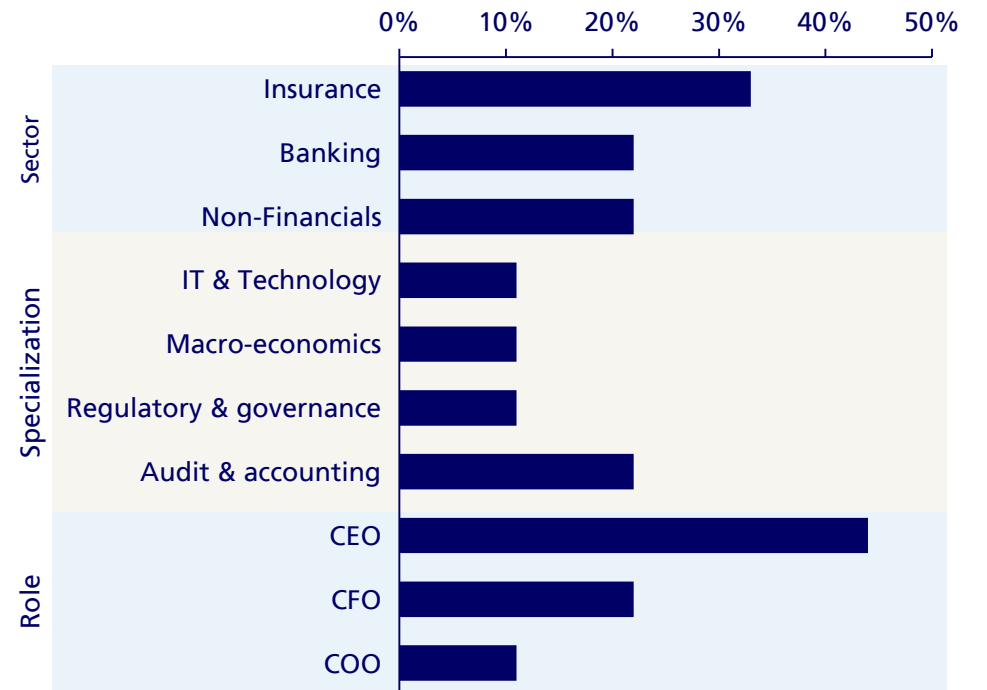
Nationality



Tenure

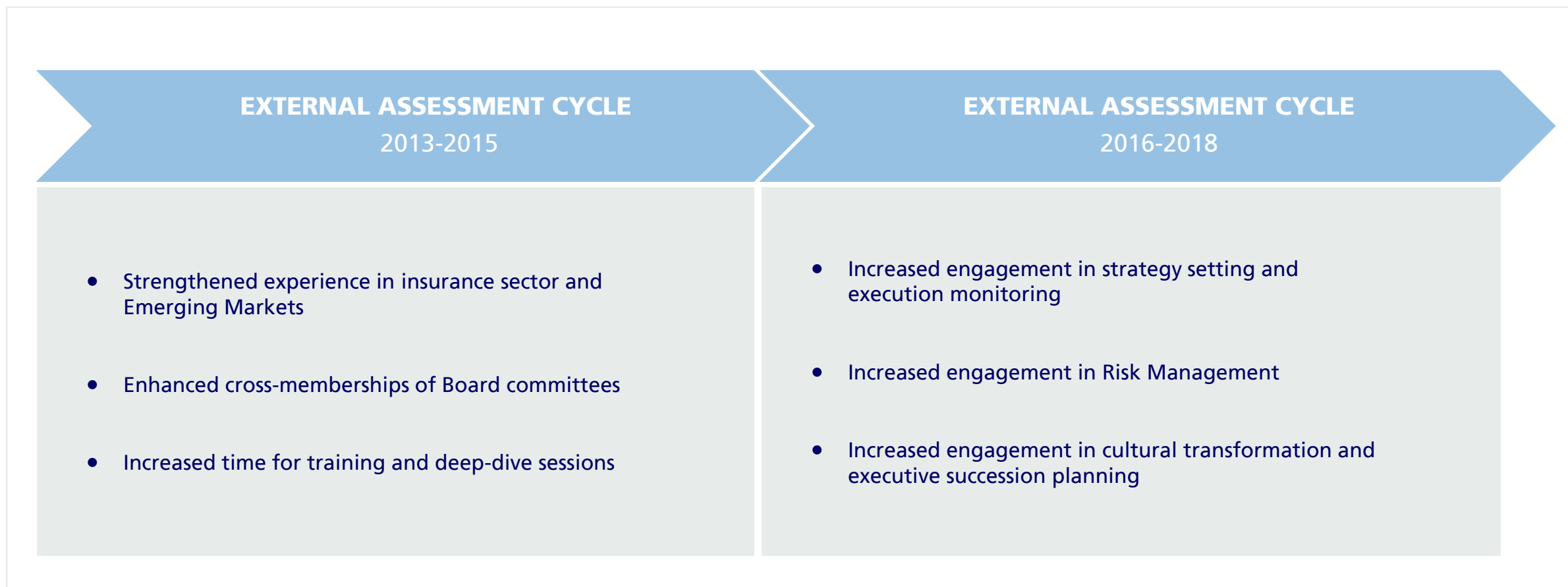


Experience, skills and knowledge



¹ Following 2018 AGM (Apr 4, 2018).

Best practice recommendations of external assessor¹ implemented



¹ Independent UK based advisory firm.

Standing committees regularly reporting and submitting proposals to the Board¹

REMUNERATION COMMITTEE

- Regularly evaluates the Group's remuneration architecture and Zurich's remuneration rules
- Reviews the remuneration of the members of the Board
- Reviews the terms and conditions of employment of the Group CEO and other ExCo members
- Reviews total variable remuneration pool and the performance related to incentive plans (STIP and LTIP)
- Prepares the remuneration report

GOVERNANCE, NOMINATIONS & CORPORATE RESPONSIBILITY COMMITTEE

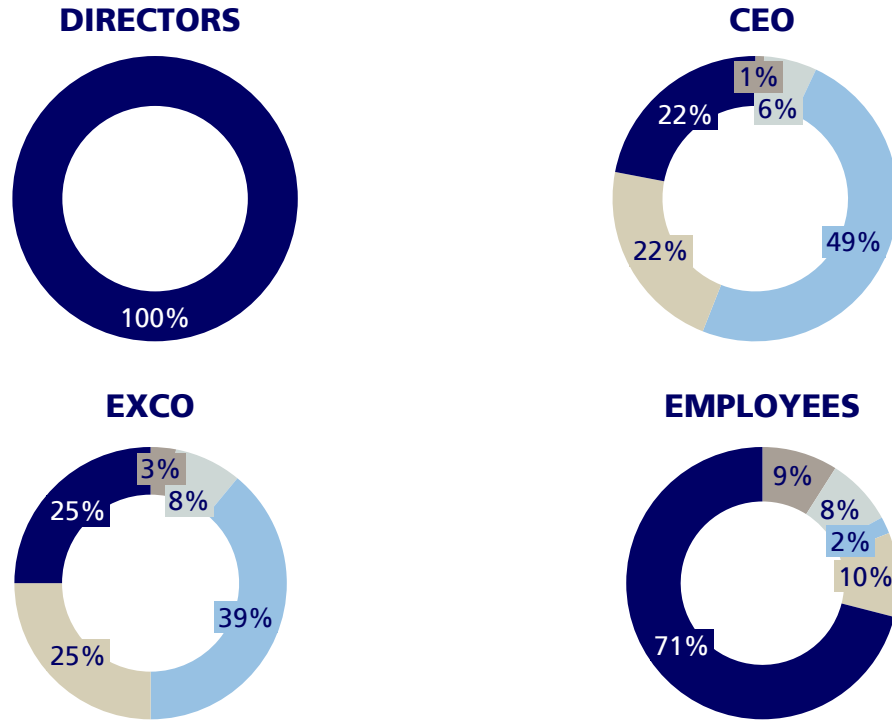
RISK AND INVESTMENT COMMITTEE

AUDIT COMMITTEE

¹ For full information on Board and Board committees responsibilities, please refer to latest ZIG Organizational Rules on Zurich.com.

Remuneration structure and degree of variability varies per level of employment

2017 REMUNERATION PER ELEMENT¹



Base salary benchmarked towards local relevant market median

STIP

- 1 year performance period, paid in cash
- Award mainly driven by relevant BOP and selectively relevant TNPS, and individual performance assessment

LTIP

- Annual target allocation
- Pre-defined performance criteria NIAS ROE, Cash Remittance and TSR assessed over 3 years
- Three-year cliff vesting; Half of vested shares sales restricted for additional 3 years

Pensions

- Designed at median of relevant market practice
- In recent years shift away from defined benefit

Benefits

- In line with the local market, can be life insurance, medical coverage and flexible benefits
- Expatriate/cross-border allowances.

¹ Per Dec 31, 2017; for Directors, includes fees paid in cash and shares.

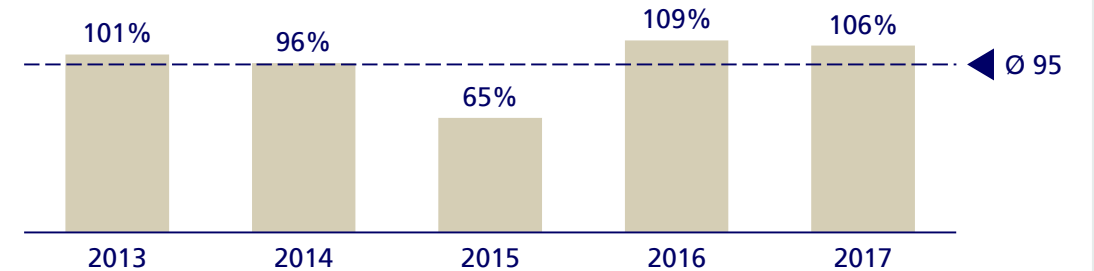
Variable remuneration outcomes with strong link to business performance results including financial, customer and people metrics



BUSINESS PERFORMANCE DRIVING THE SIZE OF STIP POOL

- Business Operating Profit and qualitative customer metrics – at the relevant organizational level, Investment results for Investment Management
- Growth, profitability and customer-related measures for Farmers
- Overall qualitative assessment of business performance for all pools

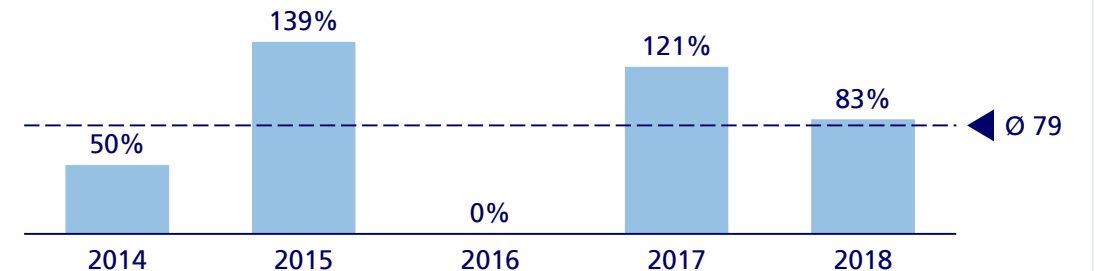
AVERAGE STIP AWARD LEVEL AS % OF TARGET



FOCUS ON PRE-DEFINED PERFORMANCE CRITERIA FOR LTIP

- Vesting grid based on equal weighting of:
 - Relative TSR against international group of insurers
 - NIAS ROE
 - Cash Remittance
- Cliff vesting after 3 years; further sale restriction for half of the vested shares for another 3 years

LTIP VESTING LEVEL AS % OF TARGET



A strong governance framework ensuring alignment of interest with Shareholders

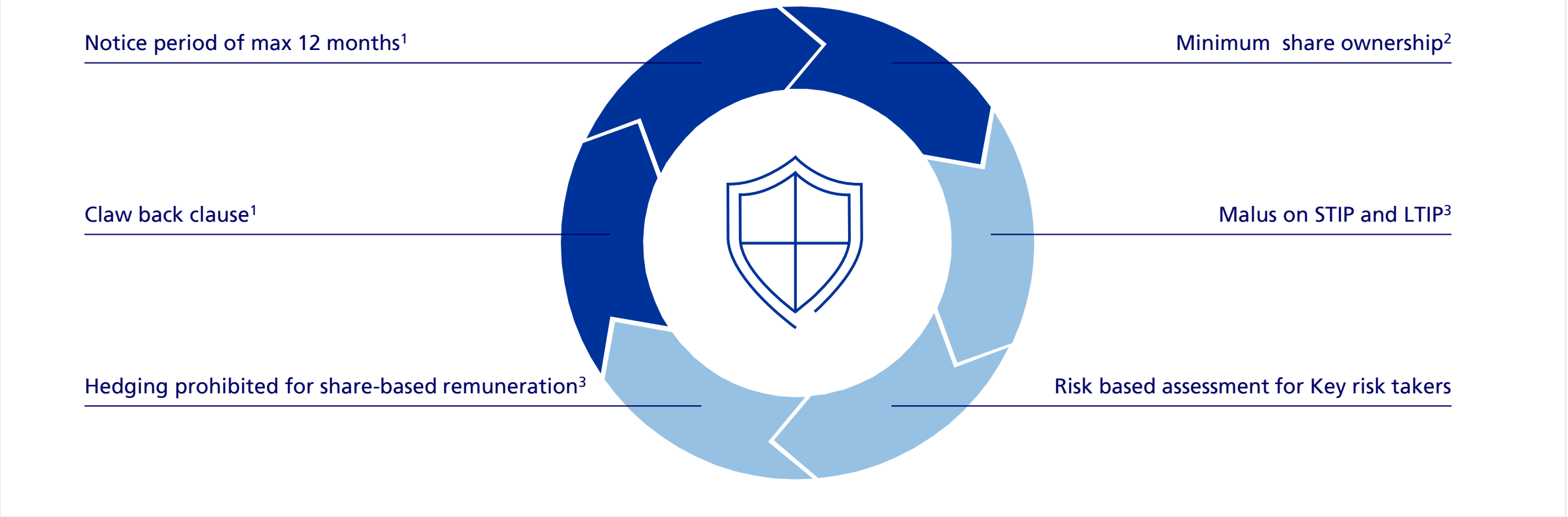


REMUNERATION GOVERNANCE			
Topic	Recommended by	Zurich's approval	Shareholders' approval
Remuneration architecture	Board Remuneration Committee Board Risk & Investment Committee ¹	Board	
Organizational Rules, relevant chapters	Board Remuneration Committee		
Zurich's Remuneration Rules			
Remuneration Report ²			Consultative Vote
Board remuneration			Binding vote
Group CEO remuneration			
ExCo remuneration	Group CEO		
Total variable remuneration pool	Board Remuneration Committee		
STIP funding pools			
LTIP vesting level	Board Remuneration Committee After CEO proposal & GRM review		

¹ On recommendation of Group CEO ² Remuneration report includes remuneration architecture, rules and ex-post amounts.

The governance framework is supported by additional safeguards

SAFEGUARDS TO REMUNERATION



¹ For ExCo members.

² Members of the Board: at the level of one times the basic annual fee / CEO: vested awards at the level of five times base salary / Other members of the ExCo: vested awards at 2.5 times base salary.

³ For all relevant employee group.

Standing committees regularly reporting and submitting proposals to the Board¹



REMUNERATION COMMITTEE

GOVERNANCE, NOMINATIONS & CORPORATE RESPONSIBILITY COMMITTEE

- Oversees the Group's governance and measures it against best practice to ensure that the shareholders' rights are fully protected
- Ensures compliance with corporate governance disclosure requirements and legal and regulatory requirements
- Is entrusted with succession planning for the Board, the Group CEO and members of the ExCo
- Reviews, approves Group's sustainability strategy and objectives

RISK AND INVESTMENT COMMITTEE

AUDIT COMMITTEE

¹ For full information on Board and Board committees responsibilities, please refer to latest ZIG Organizational Rules on Zurich.com.

The Board approves the Group sustainability business strategy to safeguard the future of the company and society

RESPONSIBILITIES WITH REGARD TO SUSTAINABILITY

Board governance, nomination & corporate responsibility committee

- Approves the sustainability ambition and objectives;
- Oversees the execution led by the Executive Committee and assesses progress against agreed actions at least annually
- Monitors legislative proposals, regulatory developments and reporting requirements relating to sustainability

Sustainability leaders council

- Comprised of senior representatives of Zurich's main businesses and functions
- Leads the ongoing implementation of the sustainability ambition
- Formulates and formalizes the integration of sustainability across businesses and functions

Group sustainability team

- Catalyses and coordinates Group wide implementation of the sustainability ambition
- Manages the Z Zurich Foundation and the flood resilience program
- Manages external sustainability reporting and commitments

Country champion network

- Drives implementation locally and communicates progress

Group's focus on sustainability widely recognized by external bodies

OUR RATINGS



'AA' rating



Outperformed 93% of other companies in peer group



Rated in the 94% percentile amongst insurance companies



Absolute Score of 4.0 (out of 5.0)

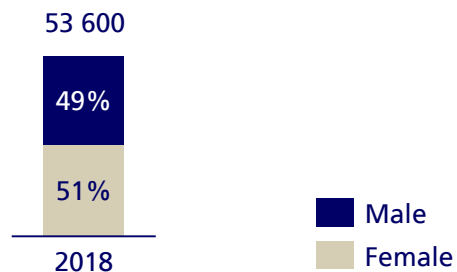
OUR LONG TERM COMMITMENT



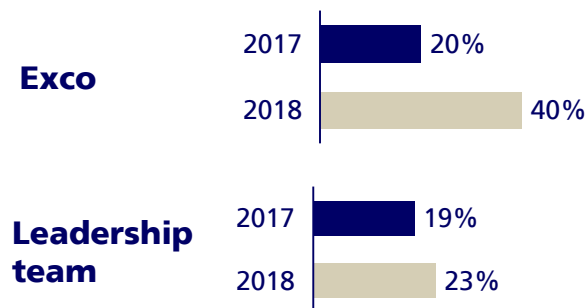
Our employees are at the heart of our strategy



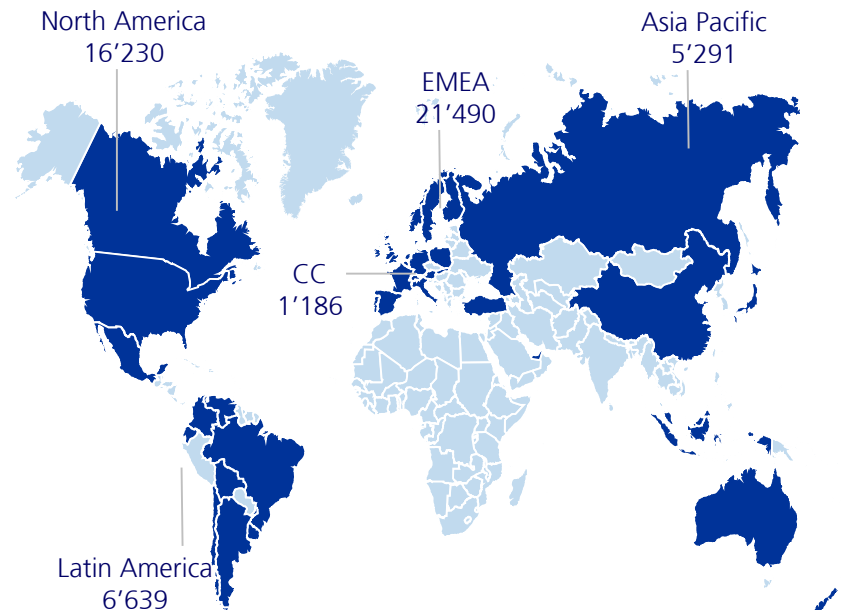
EMPLOYEES BY GENDER¹



Female representation



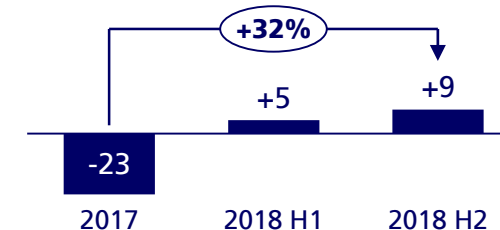
OUR WORKFORCE



Nationalities	Average Tenure ²	Average Turnover ³	Boomer ⁴	Gen X ⁴	Gen Y ⁴
111	9.79	14.43%	20%	44%	36%

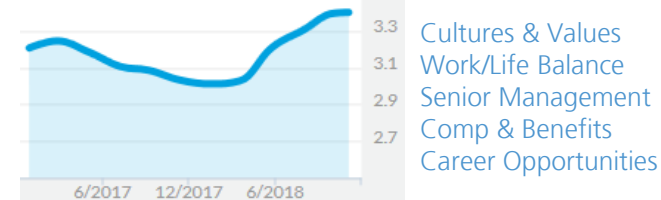
EMPLOYEE ENGAGEMENT

ENPS 'place to work'



Glassdoor

Overall external reputation trending positively through 2018 (3.0 to 3.4 / 5)



¹ Headcount data as per Q3 2018 (excl. Farmers Exchange and Bolivia), LT composition as at Oct 15, 2018).

² Average tenure as per Sep 30, 2018.

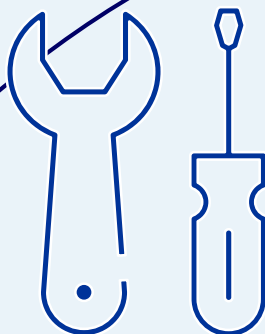
³ Annualized turnover in 2018 (2017: 14.76%).

⁴ Boomer, <1964; Gen X, 1965-1979; Gen Y, 1980-1994.

Progressing on our strategic journey

FROM OPERATIONAL EXCELLENCE...

- Simplified customer-focused operating model
- Talent management discipline
- Improved leadership focus, alignment and capability
- Integrated performance and development cycle
- Organizational Health and ENPS



TO CUSTOMER-LED AND ENABLING THE TRANSFORMATION

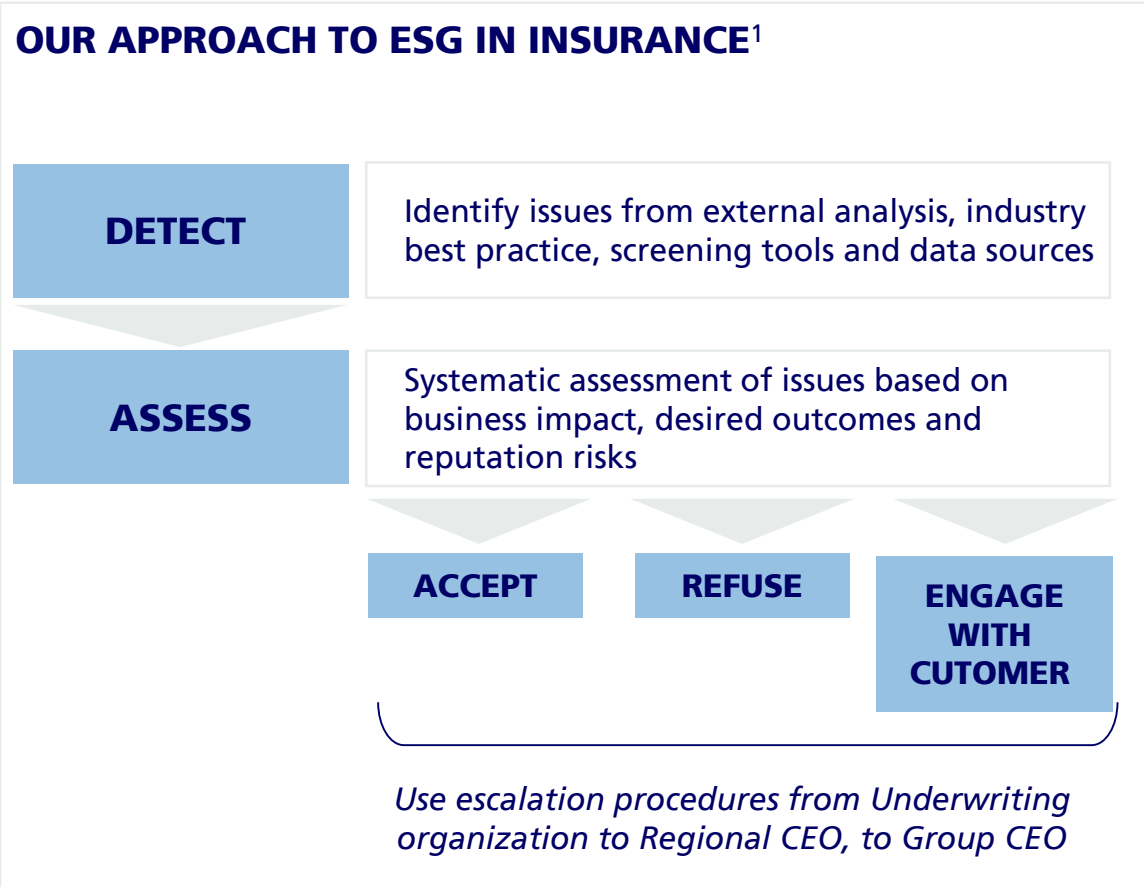
- Re-skill the workforce in transition
- Achieve superior technical excellence
- Insights driven action-centered HR



- Fair, diverse, supportive workplace
- Reinvigorate our performance culture
- Focus on the customer frontline

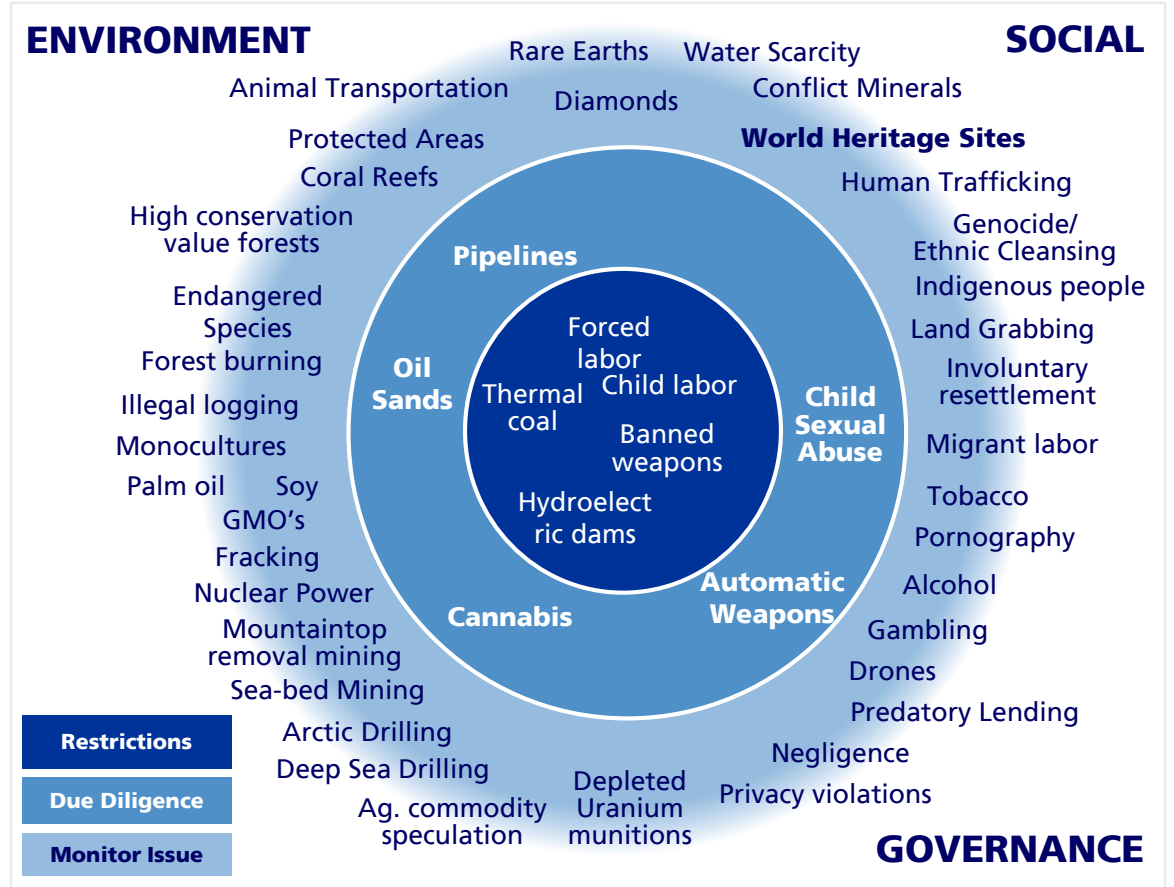
Ensuring responsible and sustainable business practices to protect our reputation and our customers

OUR APPROACH TO ESG IN INSURANCE¹



ENVIRONMENT

SOCIAL



¹ An equivalent assessment is integrated in the investment process.

ESG in embedded in our core offering to customers





ESG PRODUCTS MAP

SUSTAINABILITY CATEGORY

-  RESOURCE EFFICIENCY
-  SEVERE WEATHER
-  FINANCIAL INCLUSION
-  SUPPORTING COMMUNITIES
-  MOBILITY
-  RENEWABLE ENERGY
-  RISK TOOL
-  ENVIRONMENTAL IMPACT



EXAMPLES

-  Offering of "Natural Hazard Radar" online tool to Swiss customers for detection of risks to property from floods
-  Offering Z Choice Pollution liability insurance in US incentivising environmentally friendly business models
-  Lead insurer for Desert Sunlight, one of the largest photovoltaic solar farms in North America
-  Founding member of Blue Marble micro-insurance

A global leader with regard to responsible investments

RESPONSIBLE INVESTMENT IS INTEGRAL TO OUR INVESTMENT PHILOSOPHY AND APPROACH



Integration

- Training
- Information
- Process Integration
- Active Ownership

- 84% of in-scope-assets managed with clear process for ESG integration¹
- Zurich ensures adequate ESG training and access to data pertaining to ESG issues
- Asset managers expected to execute proxy votes to Zurich Proxy Voting Guidelines



Impact Investing

- Intentionality
- Measurability
- Profitability

- Green bonds: USD 2.6 bn²
- Social and sustainability bonds: USD 0.3 bn²
- Target 10% of Private Equity investments in impact investments



Advancing Together

- Innovation
- Collaboration
- Public advocacy

- Signatories of UN-backed Principles for Responsible Investment (PRI) and Principles for Sustainable Insurance (PSI)
- Collaborating with a number of industry initiatives and research bodies.

Impact target: double our impact investments to USD 5bn to help avoid 5m tons of CO2 and benefit 5m people

¹ ESG in-scope assets correspond to 49% of total assets due to the non applicability of ESG criteria to specific categories (e.g. cash, government bonds etc)

² Per June 2018.

Helping communities dealing with floods

ZURICH'S FLOOD RESILIENCE PROGRAM

- The resilience program developed with our partner, aims at preventing the prevalence of floods and allowing communities to recover as fast as possible
- The Z Zurich Foundation has made contributions to all partners of CHF 37m so far.
- Since 2013, 110 communities in 9 countries and 225,000 people benefited from the program
- Phase 2, launched in 2018, aims to drive USD 1bn investments into pre-event risk reduction instead of relief and recovery



We have a multifaceted approach to Climate Change

PHYSICAL RISK ASSESSMENT



- Developing the capabilities to assess and quantify climate change impact on physical risk
- Analysis to be performed on Zurich own profile, and to be offered to customer as a service
- Use of advanced cat modeling capabilities, and leveraging the expertise of the Advisory Council for Catastrophes

COMPANY STRATEGY



- Zurich’s operations are carbon neutral since 2014
- Integration of climate change in insurance and investments strategies
- Zurich started disengaging in 2018 from those whose activities are predominantly focused on thermal coal
- Public advocacy for transition to a global low-carbon economy

REPORTING & DISCLOSURE




- Reporting in accordance with Task Force on Climate-related Financial Disclosures to ensure transparency and comparability



We are strengthening our sustainability ambition to be even more comprehensive

We identified three transformational themes, material for Zurich’s future and that will guide our ambition

A CHANGING CLIMATE



Providing insights, protection and transparency to support the transition to a low carbon economy

WORKFORCE IN TRANSITION



Preparing for new ways of working and the skills, solutions and initiatives needed

CONFIDENCE IN A DIGITAL ECONOMY



Making people and organizations more resilient by enabling and inspiring confidence in a digital economy

Standing committees regularly reporting and submitting proposals to the Board¹

REMUNERATION COMMITTEE

GOVERNANCE, NOMINATIONS & CORPORATE RESPONSIBILITY COMMITTEE

RISK AND INVESTMENT COMMITTEE

- Oversees the Group's risk management, in particular the Group's risk tolerance and measures aggregation of agreed limits
- Oversees the Group's enterprise-wide risk governance framework
- Receives periodic reports from the Group risk management function on significant issues of a risk management and control nature, to assess whether they are being appropriately addressed by management in a timely manner
- Oversees the investment process
- Reviews transactions above the pre-defined threshold

AUDIT COMMITTEE

¹ For full information on Board and Board committees responsibilities, please refer to latest ZIG Organizational Rules on Zurich.com.

The Board ensures that Zurich's Risk position is within its risk appetite and tolerance limits

RESPONSIBILITIES WITH REGARD TO RISK MANAGEMENT

Board Risk & Investment Committee

- Oversees the Group's risk profile and the Group-wide risk management framework
- Receives a quarterly update on the adherence to risk appetite and detailed business risk report
- Reviews the ORSA and recommends to the Board for approval

Chief Executive Officer

- Delegates responsibilities to implement the Enterprise Risk Management framework across the Group to help assess and mitigate risks to the Group CRO

Chief Risk Officer

- Reports to the Group CEO and has direct access to the Board
- Manages an independent and vertically integrated function where all risk employees globally report into the Group CRO
- Risk officers are embedded in the business as members of the Executive Committees and Technical Committees at all levels

Business Units

- Takes risks and is responsible for day-to-day risk management
- Is supported and independently challenged by local Risk Officer

Protecting data and safeguarding confidential information of our stakeholders is of high importance

GOVERNANCE

- 3 lines of defence model embeds multi-layered security taking into account people, process, technology and data
- Oversight through the Board's Quarterly Risk Report
- Strong integration of the business within key security initiatives and themes
- Established security objectives for business leaders

REGULATORY REQUIREMENTS

- Make existing data and use of data more transparent and require more consent of customers
- Continuous analysis of changing regulatory landscape
- Implemented European General Data Protection Regulation in 2018, the most significant change in data privacy regulation in 20 years

RISK BASED IMPLEMENTATION

- Risk appetite and monitoring through group-wide baselining
- Drive awareness throughout the organisation on information and cyber security and contributing risk types (employees and third parties)
- Risk prioritised remediation through people, process, technology and data
- External reinsurance cover

CAPABILITIES

- Bundling multiple disciplines into single global team enabling agile and information centric approach
- External Threat monitoring and contextualization
- Global cyber response team available 24/7
- Digital investigation and forensics
- Active vulnerability search and exploitation capabilities and remediation thereof

Our current capital authorizations protects shareholders' rights while providing the company with flexibility

CURRENT CAPITAL AUTHORIZATIONS IN ARTICLES OF ASSOCIATION¹

Type of capital	Current structure in articles of association
Authorized Share capital	<ul style="list-style-type: none"> • 45 m shares (~30%) • Of which under exclusion of pre-emptive rights: 15 m shares (~10%) • Exclusion of preemptive rights in case of M&A and foreign listing, capital market placements, conversion of financial instruments, strengthening of group capital position • Valid until April 2020
Contingent share capital	<ul style="list-style-type: none"> • 30 m shares (~20%) • Exclusion of pre-emptive rights in case of M&A, capital market placements, strengthening of group capital position
Separate exclusion of preemptive rights	<ul style="list-style-type: none"> • 30m shares (~20%) cumulative dilution cap over a 24 month period for issuances from authorized and contingent capital
Share issuances to employees under share based employee compensation plans	<ul style="list-style-type: none"> • 4.9 m shares

ANTI DILUTION MEASURES AND CAPITAL MANAGEMENT IN 2018 FULLY IMPLEMENTED

In line with the Group's policy on anti dilution, the Group repurchased shares up to the amount of ~USD 1bn through:

- Public share buy-back program of 1.74m shares, completed in May 2018; the Group intends to seek approval to cancel these 1.74m shares at the 2019 AGM
- The approx. 1m shares private purchases in the market, to be retained as treasury shares and used to meet future requirements under employee share plans

¹ Out of 151m outstanding shares as reported in Articles of Association, April 2018.





For further information

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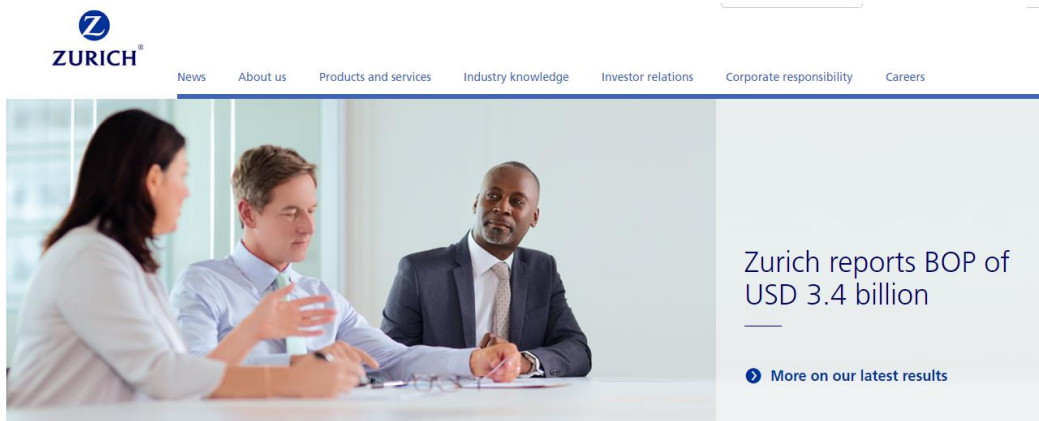
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CALENDAR:

- February 7, 2019, Annual results 2018
- April 3, 2019, Annual General Meeting 2019, Zurich
- May 9, 2019, Update for the three months ended March 31, 2019
- August 8, 2019, Half year results 2019

