

A guide to ESG at Zurich

June 2024
Investor presentation
Zurich Insurance Group



Main Sections



Our ESG approach



People and operations



Sustainable insurance



Responsible investment

Other important Information



Disclaimer



Contact details and other information

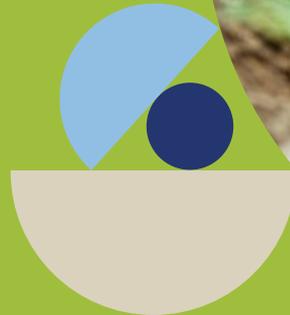


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Our ESG approach



Transition, resilience,
risk management

We focus on enabling a positive socio-economic and environmental transition, while at the same time building resilience to evolving risks

Financial materiality

Our priorities are based on financial materiality and ensure strategic actions for mitigating risks while seizing opportunities

ESG governance

Sustainability management is embedded across the organization and has an increasing relevance for variable remuneration

Integrating across our
value chain

We are integrating ESG throughout our organisation and across our value chain

Global implementation

We are implementing innovative offerings across the Group, expanding our focus on global solutions, while supporting our people and the communities we operate in

Our ESG approach is driven by sound risk management, societal expectations and regulatory and transparency requirements



Risk management

Deploy effective risk management in order to **navigate risks and opportunities** presented by disruption



Societal expectations

Support the **social transformation** resulting from the energy transition and respond to the **changing preferences** of customers and employees



Legal and regulatory requirements

Comply with increased **regulatory demands** for climate risk assessment and reporting; development of **ESG reporting** frameworks

Understanding how our business model can support addressing key ESG topics

Building resilience to climate impacts



- Develop products and services that enable resilience and support long-term insurability
- Build climate resilient portfolios through advanced analytics and influencing public policy

Supporting long-term social protection



- Strengthen and expand social safety net through protection and savings products
- Continue to grow our product offerings that support the disadvantaged

Enabling the net-zero transition



- Support the transition as risk mitigation for our business model, as well as growth and innovation opportunity
- Individually set targets to achieve net-zero in operations by 2030, and in investments and underwriting by 2050

Investing responsibly



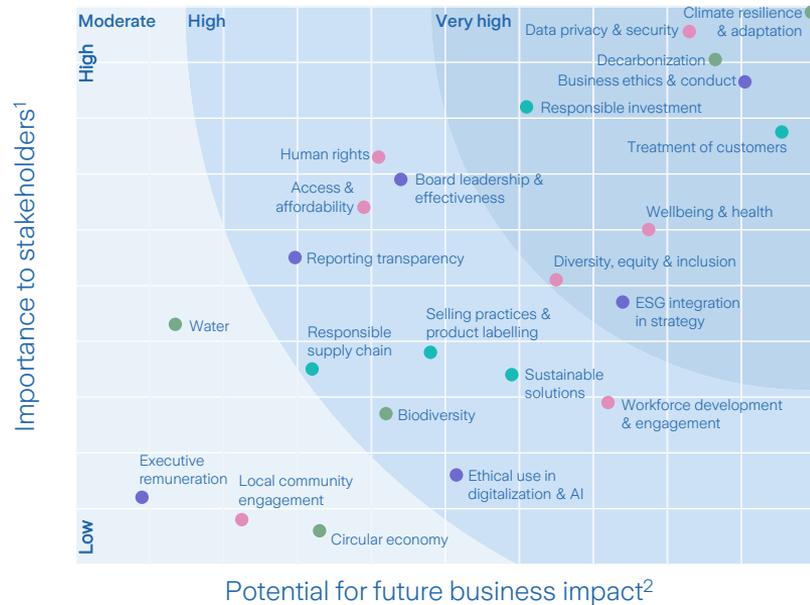
- ESG integration scaled across investment portfolio
- Expanding ESG unit-linked funds for customers
- Growing our impact investments that mitigate environmental risks and increase community resilience

Challenges

- As an investor and insurer, we depend on the **transitioning of the economy as a whole**
- **Governments taking proactive steps** are crucial to achieving net-zero

Our materiality assessment helps us to prioritize sustainability risks and shape our strategic competitive response

Zurich's materiality matrix



Issue category: ● Environmental ● Social ● Governance ● Business model

¹ External view (2022) based on stakeholders' expectations for Zurich and their own perceived importance of the topic.
² Internal view (2022) based on surveys and interviews with Zurich leaders and employees..

2023 developments

- Increased focus on resilience and adaptation
- Increased demand by regulators for sustainability reporting including climate transition planning
- Artificial Intelligence (AI) governance developments

Shaping our competitive response

- Strategic sustainability framework integrated across our operating model
- Sustainability reporting further advanced
- Zurich's AI Assurance Framework rolled out globally

Sustainability framework underpinned by qualitative ambition and quantitative targets

Customer: Support transformation towards a sustainable future



Grow sustainable revenue

Increase impact investments to 5% of assets

Deliver digital sustainability

Planet: Mitigate and adapt to climate change



Net-zero operations by 2030, investments and underwriting by 2050

Interim 2025 target set for operations and investments

Interim targets for underwriting in 2024

People: Future proof our people and enable more to thrive



Increase share of internal hires

Create values-aligned work environment embracing DEIB¹

Support people to protect their physical, mental, financial and social wellbeing

¹ Diversity, Equity, Inclusion and Belonging.

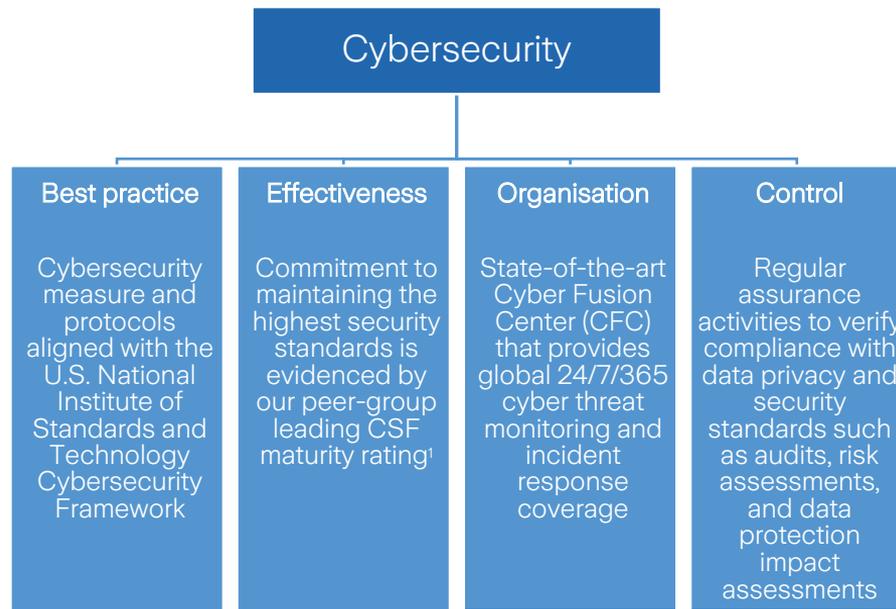
We provide leading data privacy and security for our customers and employees

Data privacy and security

- ✓ Strong data commitment in line with best practice
- ✓ 3 lines of defence model



- ✓ Organisational focus and engagement:
 - Data Privacy training and Information security awareness training (completion rate >99%)
 - Global data privacy platform supporting consistency and standardization of privacy management processes



¹ CSF maturity rating and industry benchmarking are conducted via an independent third-party assessment

We use AI to improve customer journeys, while mitigating risks through our own AI Assurance Framework

Market-leading on AI Governance

- In 2022, Zurich has gone live with its AI Assurance Framework (AIAF) that governs AI risks.
- It has been implemented in anticipation of the current wave of emerging AI regulation.
- Zurich contributes to the development of AI policy and regulation, including the global AI standardization process

AIAF: general approach and principles

- The AIAF is founded on the principles of transparency, fairness and accountability, reflecting a human-centric approach in line with the OECD AI principles
- The AIAF pursues a risk-based approach in line with market and regulatory expectations

Additional considerations regarding the use of GenAI

- We use GenAI only in our private and protected environments
- We monitor and control our GenAI operations through our Responsible AI platforms
- We monitor GenAI usage patterns to understand energy consumption, as basis for future optimization

Customer benefits: +160 AI use cases along the value chain



Claims processing



Underwriting



Risk modelling



Customer service

Solid ESG governance in place to secure execution

Sustainability management embedded across our organization



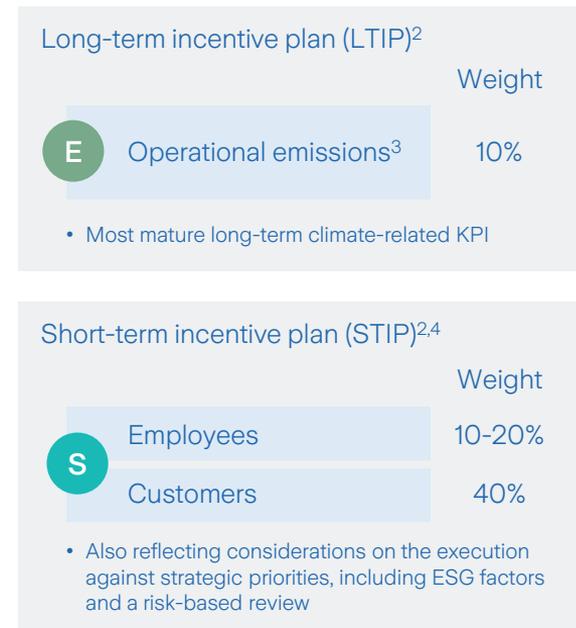
¹ Governance, Nominations and Sustainability Committee.

² Further described in the remuneration report, which submitted to the shareholders at 2024 annual general meeting of shareholders in a consultative vote.

³ The emissions reduction target is based on ~90% of CO₂e emissions from Zurich's operations within the control boundary as specified in footnote 1 to table 14 of page 179 of the sustainability report. ~10% has been excluded from the calculation methodology used for LTIP due to time lags in the availability of data that do not align with the timing for the assessment of the LTIP vesting level at the end of the performance period.

⁴ Individual performance weights for FY-23 ExCo STIP.

ESG in remuneration



Our ESG performance to date has been recognized by external assessors

Our ESG ratings

	'AAA' rating ¹
	Prime status C+ Decile rank: 1 ²
	Absolute score of 3.9 (out of 5.0) ³
	'A-' Leadership Level ⁴

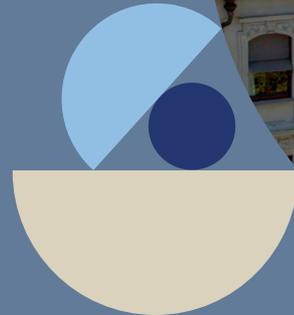
Our commitments



Annual report 2023, Sustainability Report ([Link](#))

¹ MSCI ESG Rating Report, July 2023.
² Rating Report, July 2023.
³ FTSE Industry Classification Benchmark (ICB), June 2023.
⁴ CDP Climate Change 2023 score.

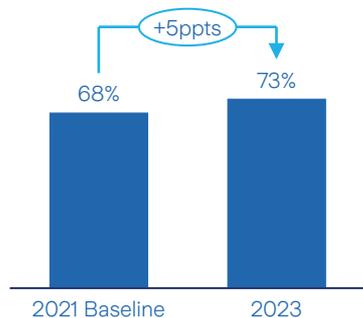
People and operations



We are continuing to develop our workforce and help future-proof our people

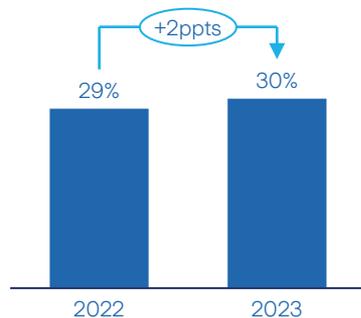
Internal hires

Internal hire rate (%)¹



Gender diversity

Females in senior management (%)²



Training

Avg. training hours per employee³



Support long-term employability of our people while addressing customer and societal needs

- **Careers and work:** Empower people to grow their talents and develop new skills
- **Diversity and inclusion:** Create values-aligned work environment embracing DEIB⁴
- **Wellbeing:** Support people to protect their physical, mental, financial, and social wellbeing

¹ As of 2023, we included Farmers Group, Inc. and Cover-More and have evolved the definition of this metric to include internal career opportunities generated for entry-level roles (career level A), international moves, re-hires, and changes in employment types from temporary to permanent. Entry-level roles (career level A) remain excluded from "external hires" as these positions are, by nature, filled by external career starters.

² Represents the combination of career levels D (senior executives and senior experts) and E (most senior roles such as country CEOs and other senior business leaders).

³ Only includes hours tracked centrally on our global learning platforms (i.e., physical, digital as well as mandatory and voluntary training sessions). Does not include locally run trainings not recorded in the system.

⁴ Diversity, Equity, Inclusion and Belonging.

Enabling workplace diversity



- First company in the UK to advertise all roles as "flexible, part-time or jobshare" since 2019

Part-time employees hired x4

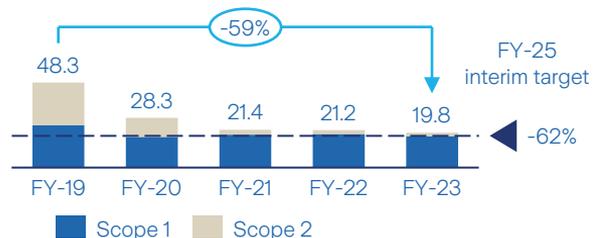
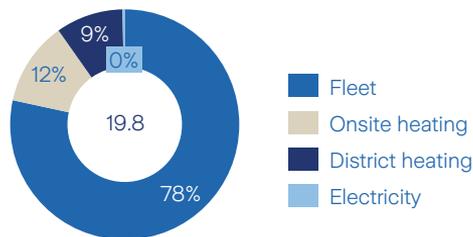
Part-time employees promoted x2

- This demonstrates that greater work flexibility can help progress into higher paid roles while fitting other commitments around their careers.

We are progressing against our operations carbon emissions reduction targets

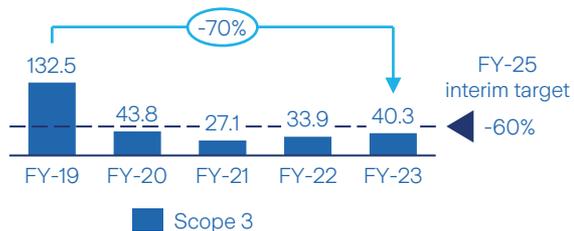
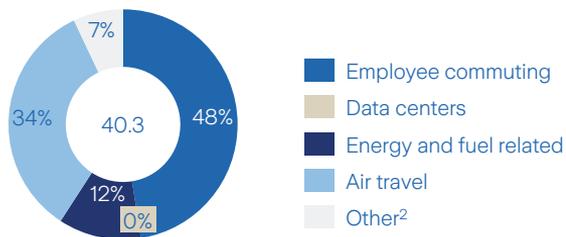
Scope 1 and 2 emissions¹

FY-23 CO₂e in thousand metric tons



Upstream Scope 3 emissions¹

FY-23 CO₂e in thousand metric tons



Externally audited KPIs with reasonable assurance for FY-23

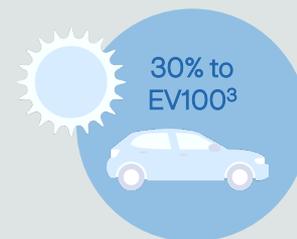
¹ Excluding Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third-party vendors.

² Includes printed paper, waste and other travel related emissions (e.g., rail).

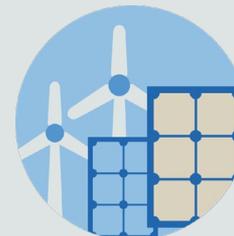
³ EV100 is a global initiative bringing together companies committed to accelerating the transition to electric vehicles by 2030.

Highlights

100% Electric Vehicle fleet by 2029
2023 progress

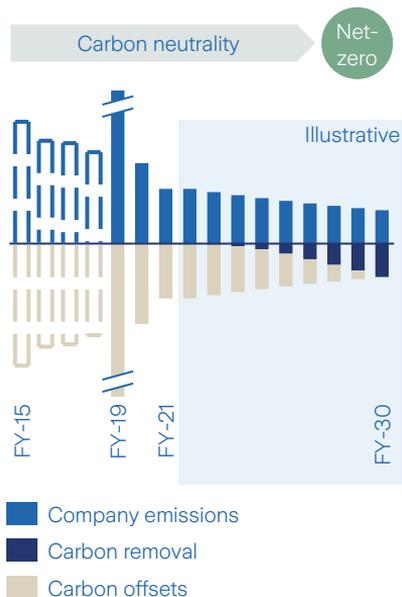


100% renewable power at our strategic data centers since 2022



Net-zero by 2030 means we will scale carbon removal investments while maintaining neutrality

Path to net-zero 2030¹



Maintaining carbon neutrality since 2014

We follow a 3-step approach

Improving operational efficiency

Increasing the share of renewable energy

Offsetting remaining carbon emissions

Carbon removal agreements

Nature-based solutions



Agroforestry



Biochar



Biomass burial

Technology-based solutions



Direct air capture

Path to net-zero Ops by 2030



- Internal carbon fund price of USD 50 in 2023
- Prioritize emissions reductions first
 - Renewable power
 - EV car fleet
 - Reduced business travel
 - FlexWork to support lower commuting
- Establish diverse portfolio of carbon removals that blend high-quality solutions with varying degrees of permanence ranging from reforestation to permanent carbon capture solution

¹ Emissions for the 2015-2019 period are not comparable with subsequent periods. Restated baseline for 2019 includes new Scope 3 emissions sources such as employee commuting, strategic data centers, waste and paper. Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third-party vendors are out of scope.

We have established a sustainable sourcing program to enable a net-zero aligned value chain

Encouraging Code of Conduct compliance

Compliance with Zurich's Code of Conduct

Managed procurement spend (MPS)¹ in compliance with supplier code of conduct² :

2023 achievement³

72%

External recognition



Decarbonizing our supply-chain

2025 target

2030 target

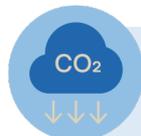
75% of managed procurement spend¹ (MPS) with suppliers that have:

- Science-based emission reduction targets
- Net-zero targets

2023 achievement to target date³

52%

49%



Catalyze net-zero value chain transformation through engagement and targets

Net-zero training and tool for carbon accounting



- Training options and carbon accounting tool⁴ are offered to suppliers that need help on their carbon reduction journey
- Internal training module focused on developing skills for net-zero-aligned supply chains

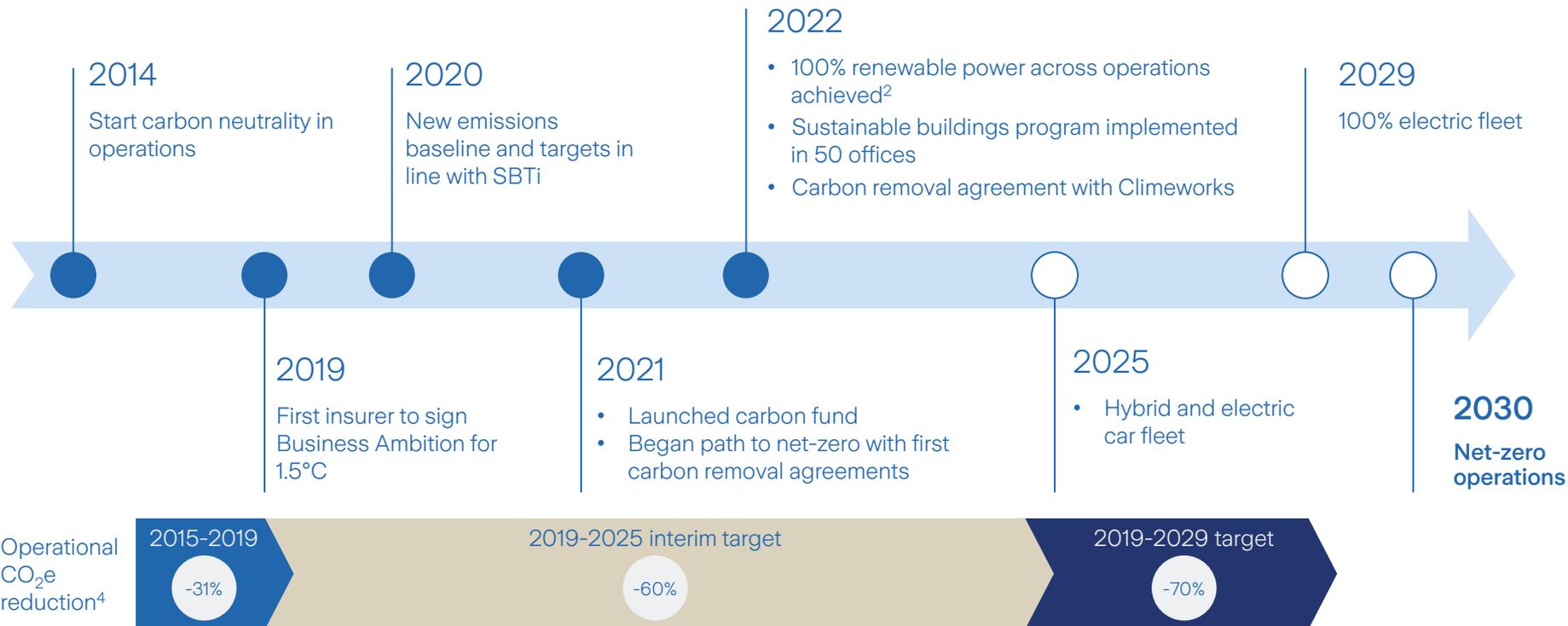
¹ The spend of approximately USD 2 billion annually managed centrally by Zurich's Procurement and Vendor Management function on goods and services that are required to enable Zurich to maintain and develop its operations.

² Based on suppliers' self assessment.

³ According to the 2022 baseline of MPS excluding suppliers no longer active in the year of reporting.

⁴ Business Carbon Calculator, provided with Normative's carbon accounting engine.

We have a clear pathway to net-zero in our operations¹ by 2030



¹ Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third-party vendors are out of scope.

² Where sourcing of renewable power is not technically feasible, we have sourced certificates from adjacent markets in Qatar, Bahrain and Ecuador and we are looking for the best solution in Bermuda although the load is small and falls under the RE100 materiality threshold.

⁴ Emissions for the 2015-2019 period are not comparable with subsequent periods. Restated baseline for 2019 includes new Scope 3 emissions sources such as employee commuting, strategic data centers, waste and paper.

Sustainable insurance



We are a leading commercial insurer and leverage our broad capabilities and deep expertise to facilitate change

Commercial insurance ranking

FY-23 gross written premiums (USDbn)¹



External recognition reflects our efforts...



...and we are active members of leading industry bodies² that have initiatives focusing on transition



Customers acknowledge our expertise in addressing ESG risks

“You need **an insurer who understands the challenges** specific to your industry”



“[Zurich] helped us to better understand the potential impact of climate change on our operations around the globe and across our supply chain. We chose Zurich as our partners given their track record, global servicing capabilities, expertise and their access to global data.”

¹ Source: Company reports and Zurich estimations where data is not published. Data includes only international competitors.

² International Union of Marine Insurance (IUMI); International Association of Engineering Insurers (IMIA), Global Wind Energy Council (GWEC).

Our approach to reach net-zero underwriting by 2050



Insuring the transition

Prioritize the energy transition and support our customers to ensure a fast and successful transition through solutions and services



Focused engagement

Engagement with customers to understand and support their transition ambitions



Support the reduction of real-world emissions

Commitment to achieve net zero emissions portfolio by 2050

Taken underwriting actions within the most carbon intensive industries

Targets and additional details to be published with the Transition Plan in 2024

We apply sustainability risk assessments and underwriting positions to support our ambition

Underwriters perform sustainability assessments where customers are identified as having a high risk of violating one of Zurich's policies, based on third party information and guidance on sensitive industry and country combinations



Our human & environmental rights approach

- Underwriting-specific policy in place to avoid contributing to potential adverse impact on human rights in cases such as:
 - forced and child labour
 - impact on indigenous people and vulnerable communities,
 - bribery & corruption
- Assessment of dam construction, oil, gas and mining projects for governance, human rights & environmental risks

¹ As permissible by law & regulation.

² As permissible by law & regulation, defined as companies that generate more than 30% of their revenue from mining thermal coal, or produce more than 20 million tons of thermal coal per year or generate more than 30% of their electricity from coal; full exclusion by 2030 for OECD and EU27 and 2040 for the rest of the world, unless company has formally approved science-based targets in place, approved by either SBTi or similar scientifically accredited body.

³ That generate at least 30% of their revenue directly from the extraction of oil from oil sands or generate more than 30% of their revenue from mining oil shale, or generate more than 30% of their electricity from oil shale

⁴ Considered as anything north of 66 degrees latitude with the exception of the Norwegian Continental Shelf (NCS)



Our underwriting positions

We will not underwrite:

- Customers involved in banned cluster munitions and antipersonnel land mines activities
- New oil, gas and metallurgical coal projects¹
- Thermal coal²
- Oil sands and oil shale³
- Oil & gas drilling and production in the Arctic⁴

We understand and mitigate risks associated with ESG to protect Zurich and to support our customers

Environmental

Social

Governance

Risk area		Example of action taken
Physical	Nat Cat	Optimize exposure across key peril regions
Transition	Speed to adapt	Transition risk assessment focused on carbon intense industries
Litigation	Environmental damage	Continually monitor litigation landscape
Human rights	Forced labour	Refreshed human rights guidelines, review country / industry lists
D&O	Greenwashing	Enhanced risk selection criteria to continue relationship through long-term transition
Cyber	Data leak / malware	ZRS cyber resilience partnerships

We address ESG risk across our most impacted lines of business

Climate risk assessment across the underwriting portfolio identified four focus areas



Property, including catastrophe management



Retail and commercial motor



Sustainable energy



Construction

Addressing key risks through underwriting strategy and engagement

Understanding our exposures through portfolio insights



ESG data



Emission data



Customer targets

Detailed ESG underwriting guidelines with a risk assessment and referral process in place...



Fossil fuels



Environmental impacts



Human rights



Banned weapons

...Supported by continuous customer engagement



Engagement and risk insight are our biggest levers to support real world emission reductions

ACDC transition assessment framework



Alignment

with Paris agreement and net-zero targets



Commitment

Short term plans and capex in place



Delivery

Demonstrate progress on targets



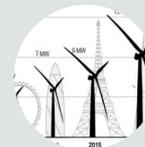
Communication

Transparent and regular disclosures

Managing underwriting challenges within transitional technology



Offshore oil becomes offshore wind



Constant developments result in changing risks



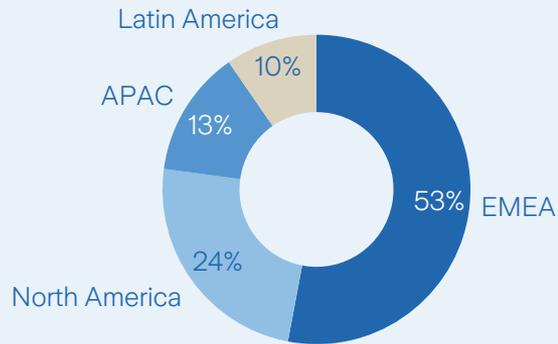
Low carbon methods of construction

We balance the need for change with real world considerations

Decarbonizing vehicular transportation relies on significant societal change and infrastructure adaptation



Zurich motor premium¹ by region (FY-23)



Challenges:

-  Time
-  Regulation
-  Affordability
-  Infrastructure

What can insurers do?

-  Reporting
-  Monitoring
-  Supporting infrastructure advancement

¹ 2023 Full Year Gross Written Premium (Retail and Commercial)

And there are broader challenges that we need to manage on our net-zero journey



Externalities

- Reliance on transition in real economy
- Differences in trajectory of decarbonization pathways across industries
- Dependency on brokers and wider insurance value chain



Measurement

- Corporate emissions
 - Data availability
 - Data quality
- Attribution



Portfolio construction

- Understanding customer targets
- Sector concentration
- Scalability of new insurance solutions



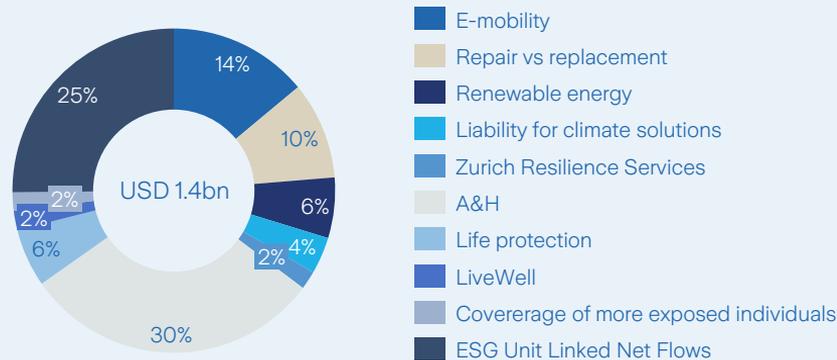
Risks

- Transition technology
- Trade-offs with other insurance risks
- Reputational risk

We are further expanding our sustainable solutions and practices to support our customers

Sustainable solutions¹ up 70% in 2023

FY-23 GWP, Fees and Net Flows from sustainable solutions (USDm)



Sustainable claims practices benefit customers in addition to revenue generating products



Decarbonization

Circular economy focusing on reusing / repairing



Build back better

Choice of energy efficient materials and improved insulation



Climate resilience and loss mitigation

Focus on mitigation programs to prevent losses

¹ Sustainable solutions are defined as environmental solutions designed or adapted to support sustainable activities or contributing to mitigate climate risk; social solutions designed to enhance social or financial inclusion of socially disadvantaged people; products providing meaningful support to sustainability values, mitigation of environmental risk or incentivizing sustainable behavior. For further details, please refer to page 182 of the FY-23 Annual Report.

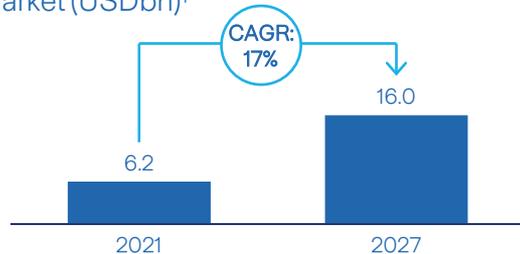
In P&C, we develop risk prevention and mitigation solutions through Zurich Resilience Solutions

Rapidly growing ESG services market is an opportunity to build stronger relationships



Customers demand risk prevention and mitigation solutions in addition to insurance measures to protect their operations

ESG / sustainability consulting services market (USDbn)¹



Zurich Resilience Solutions

- 900+ Employees
- 40+ Countries
- 63k+ Customer site assessments
- 155k Risk assessments



MAERSK

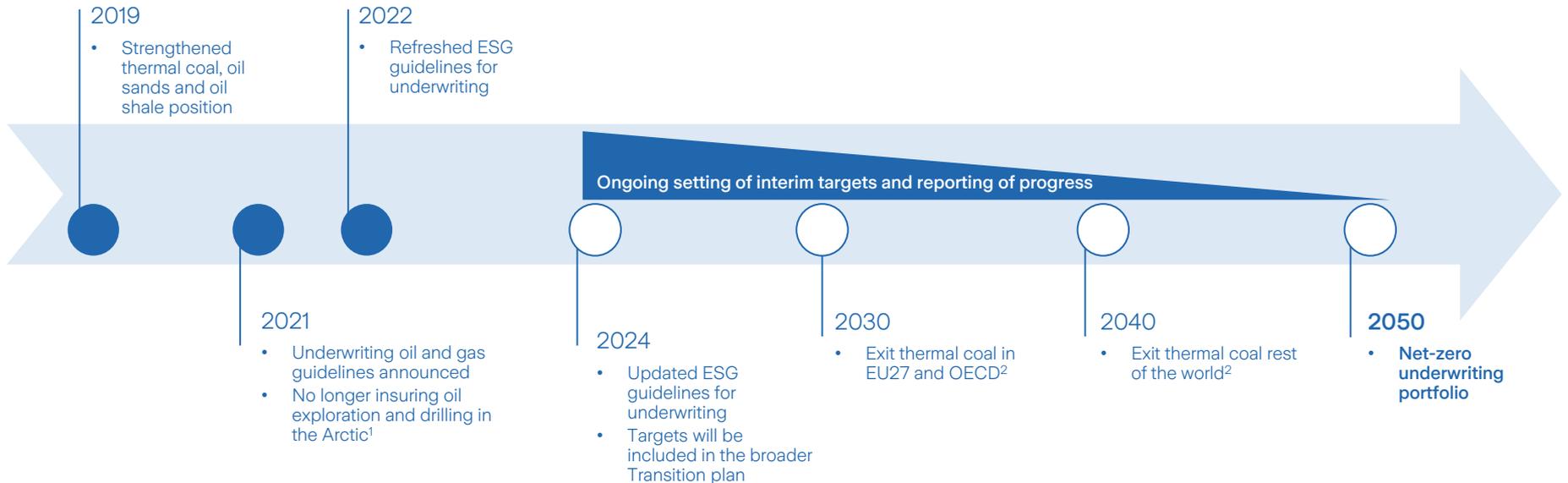
A.P. Moller-Maersk ('Maersk') – with more than 67 port terminals, 300 inland facilities and 600 container ships – identified climate change, both physical and transition risks, as one of the biggest threats to its business.



This is why Maersk has enlisted Zurich's global risk consulting unit Zurich Resilience Solutions (ZRS) to undertake on-site climate assessments at five of its most critical ports and to provide actionable recommendations to mitigate risks and improve climate resilience.

¹ Includes ESG & sustainability categories of corporate strategy, digital transformation, corporate reporting and disclosures, operational transformation, product stewardship and supply chain sustainability, and investor advisory Source: ESG And Sustainability Consulting: Market Size and Forecast 2021-2027, Verdantix; McKinsey research and analysis.

We are progressing on the pathway to reach net-zero in underwriting by 2050



¹ Considered as anything north of 66 degrees latitude, with the exception of the Norwegian Continental Shelf.

² Unless insured company has formally approved science-based targets in place, approved by either SBTi or similar scientifically accredited body.

Responsible investment



Our responsible investment strategy and ambition - leveraging our role as an investor

Responsible investment



- Signatory to **United Nations-backed Principles for Responsible Investment (UN PRI)**
- Founding member of **Net Zero Asset Owner Alliance (NZAOA)**
- Signatory to **Climate Action 100+**
- Priorities include implementing **climate strategy that supports both planet and people** and enhancing systematic approach to investee engagement and policy advocacy

Strategy based on three pillars



Defined focus areas



Net-zero journey

Reducing financed emissions and financing climate solutions



Impact investing

Mitigating environmental risk and increasing community resilience



Active ownership

Leveraging role as an investor to support sustainable practices



Responsible investment solutions

Designing investment products that generate positive impact

Our approach to reach net-zero in investments by 2050

Reduction of financed emissions



- Targets cover listed equity, corporate bonds and direct real estate investments
- Expanding scope to measure footprint of sovereign bonds and private asset classes like infrastructure and commercial real estate lending

Financing the transition



- Targets focused on enhancing existing long-term engagement to provide green financing solutions (impact investing strategy and certified buildings approach)
- Mitigating environmental risks by supporting climate neutral economy and increasing community resilience

Engagement



- We view divesting from companies with carbon-intense footprints as less effective than engagement to drive shift to sustainable practices
- We collaborate with our asset managers in highlighting best practice for climate-conscious active ownership, working together for a just transition

Targeting net-zero through a reduction in financed corporate emissions...

Methodology and scope

- Targets cover listed equity, listed corporate debt and direct real estate, **corresponding to 36% of assets under management in the baseline year 2019**
- **Corporate-financed emissions^{1,2} and resulting relative emissions intensity** calculated using NZAOA protocol's preferred approach, based on enterprise value (EV)² of respective issuer:

Relative emissions (intensity)

$$\frac{\sum_{i=1}^n \left(\frac{C_i}{EV_i} \times I_i \right)}{\sum_{i=1}^n I_i}$$

Key

I: Current value of investment on issuer i

EV: Enterprise value of issuer i

C: Carbon emissions* of issuer i

* Carbon emissions = scope 1 and scope 2 emissions

- EV closely linked to financing sources of companies, hence directly associated with role of investors in equity and corporate bonds
- Financial data used as of respective reporting date; financed emission data based on latest available information at point of reporting, on an annual basis

Progress to date

-43%³ reduced intensity in financed corporate CO₂e emissions¹

- Disposals of restricted names (thermal coal exclusions)
- General portfolio rebalancing activities
- Structural emission reductions of investee companies

Relative emission intensity 2023 vs. 2019 baseline (metric tons CO₂e per USD million market value)

Listed equity:



Corporate bonds:



Three-phased approach

- **Phase 1:** Set intermediate targets for 2025 following guidance by NZAOA for listed equity, corporate bonds and real estate
- **Phase 2:** Focused on local objective setting, target implementation and ongoing data improvements
- **Phase 3:** Portfolio construction and rebalancing actions, based on findings from engagement efforts

¹ Carbon emissions of issuer includes Scope 1 and Scope 2. Corporate data on Scope 3 emissions remains unreliable, with several data providers estimating Scope 3 emissions with a wide range of outcomes. Therefore, Alliance members are strongly recommended to track Scope 3 emissions and set targets as soon as possible, but are not yet expected to set targets until interpretation of Scope 3 emissions in a portfolio context becomes clearer and data becomes more reliable.

² Scope 1 and Scope 2 emissions as well as enterprise value (EV) data provided by S&P Trucost. Where EV is not available, it is substituted with market capitalization.

³ Compared to 2019 baseline.

...and by financing climate solutions

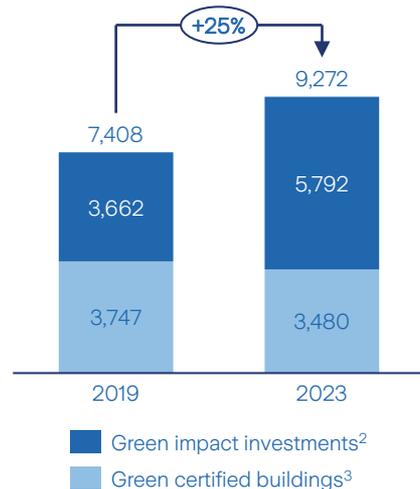
Approach

- **Increase portfolio allocation to climate solutions**, defined as investments in economic activities that contribute substantially to **climate change mitigation or adaptation**¹:
 - reducing greenhouse gases by avoiding emissions and/or by sequestering carbon dioxide already in the atmosphere
 - enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change
- Contribute to and **foster growing market-wide pipeline of climate solution investments** suitable to institutional investors

Investments in climate solutions enhance our existing long-term engagement to provide green financing solutions under our impact investing strategy and also count investments in green certified buildings

Progress to date

Climate solution investments (USDm)



Case study: Coal plant decommissioning

- **Investment:** Invested USD 24m as part of USD 200m financing to support phase-out of last two coal-fired power plants in New Jersey, U.S.⁴
- **Outcome:** Decommissioning expected to result in reduction of 3.9 million metric tons of CO₂e in the atmosphere, and supported New Jersey's Energy Master Plan

¹ In alignment with existing climate related sustainability taxonomies and other generally acknowledged climate related frameworks.

² Green impact investments refer to environmental share of Zurich's impact investments.

³ Green certified buildings based on balance sheet investments, and include buildings used by Zurich.

⁴ Both plants ceased generating coal energy by June 2022.

Demonstrating our commitment with a 5% impact investment target¹

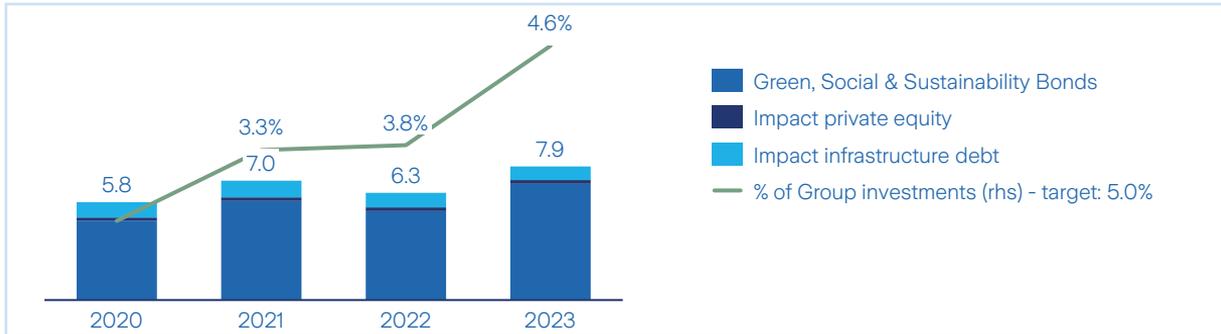
Investments that focus on generating **real economic impact**

Intentional
Targeting specific social and/or environmental impact

Measurable
Focused on delivering tangible impact/outcome

Profitable
Seeking market rate returns

Impact investment portfolio, by asset class (USDbn)

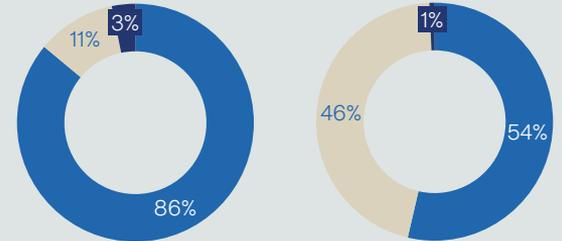


Mitigating environmental risk and increasing community resilience

2023 Impact metrics

4.5m metric tons CO₂e emissions avoided

4.6 m people benefited from positive contributions to lives and livelihoods



- Green, social and sustainability bonds
- Impact private equity
- Impact infrastructure private debt

¹ Commitment to invest 5% of Group Total Investments by 2025.

Active ownership to drive the shift to sustainable practices

Approach

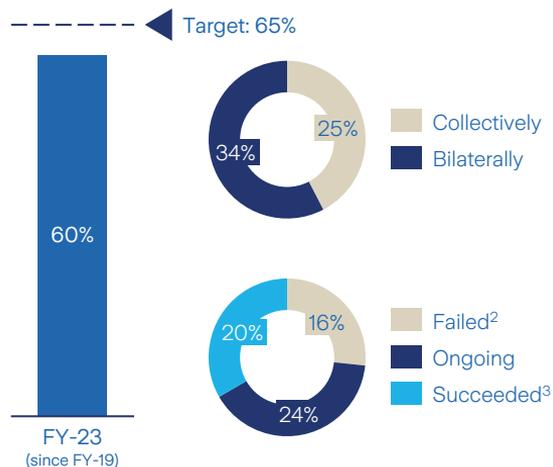
- Engage with investees representing **top 65% of financed emissions** without science-based targets¹
- Engagement led by Investment Management and/or Underwriting, either **bilaterally** with company (one-on-one) or **collectively** (e.g. through Climate Action 100+)
- Collaborate with our asset managers** to highlight best practices for climate-conscious active ownership
- Quarterly monitoring** of investee companies and their net-zero commitments
- Where engagements **fail**², Zurich will vote against investee company board members at shareholder meetings and as a last resort, will actively reduce portfolio holdings

Engagement objective:

Investee companies to commit to own net-zero journey and set own emission reduction targets aligned with Paris Agreement³

Progress to date⁴

Engagement with investees lacking emission reduction targets¹ aligned with the Paris Agreement:



Case study: European utility company

- Company:** heavy CO₂e emitter in underwriting and investment portfolio due to its coal-fired power generation (above defined 30% threshold)
- Engagement:** ongoing active dialogue since 2019, coordinated between investment and underwriting – focused on company's transition to renewable energy
- Current status:** company committed to set science-based reduction pathway, investing EUR 50 billion by 2030, doubling installed capacity from renewable energy to 50 gigawatts

¹ Based on assessment carried out in 2019 (baseline) based on SBTi.

² Engagement failed under the thermal coal, oil sands and oil shale policy where a company is failing/refusing to set credible emission reduction targets after due dialogue.

³ Engagement succeeded if a company has publicly committed to science-based net-zero targets (under SBTi) or an equivalent scientific verification body.

⁴ All percentages shown correspond to share of financed emissions without net-zero targets in 2019 (baseline); progress shown is cumulative since the end of 2019.

We are confronted with multiple challenges as we pursue our ambition to transition to a net-zero investment portfolio



Externalities

- Reliance on transition in real economy
- Differences in trajectory of decarbonization pathways across industries
- Dependency on asset managers' capabilities



Measurement

- Corporate emissions:
 - Data availability
 - Data quality
- Attribution
- Enterprise value for relative emission intensity



Portfolio construction

- Reduction in investable universe
- Sector concentration
- Diversification
- ALM¹ considerations
- Risk-return trade-offs



Risks

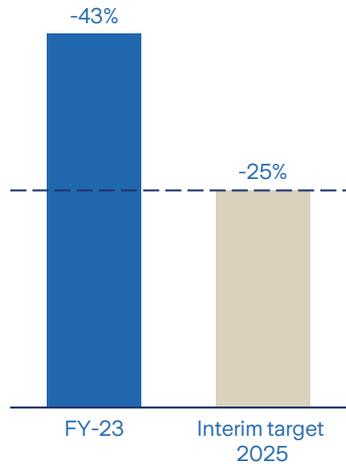
- Stranded assets
- Default risk
- Reputational risk

¹ Asset Liability Management (ALM).

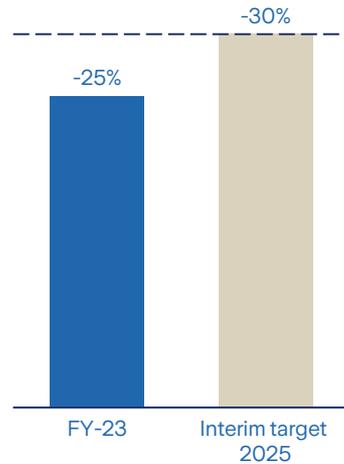
We are on track to deliver on our 2025 interim targets for our investment portfolio

Reduction of financed emissions

Listed equity and corporate bond investments¹

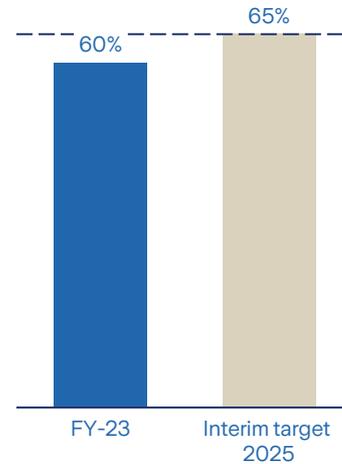


Direct real estate investments²



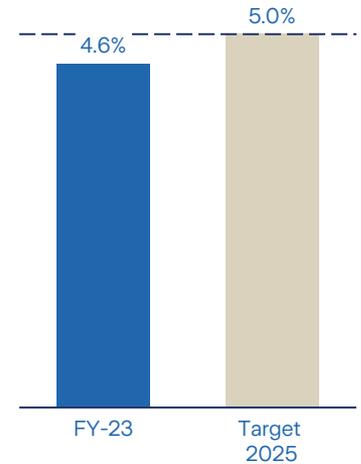
Climate action

Engagement with investees without science-based targets³, representing financed emissions



Impact investments

Share of Group total invested assets in impact investments

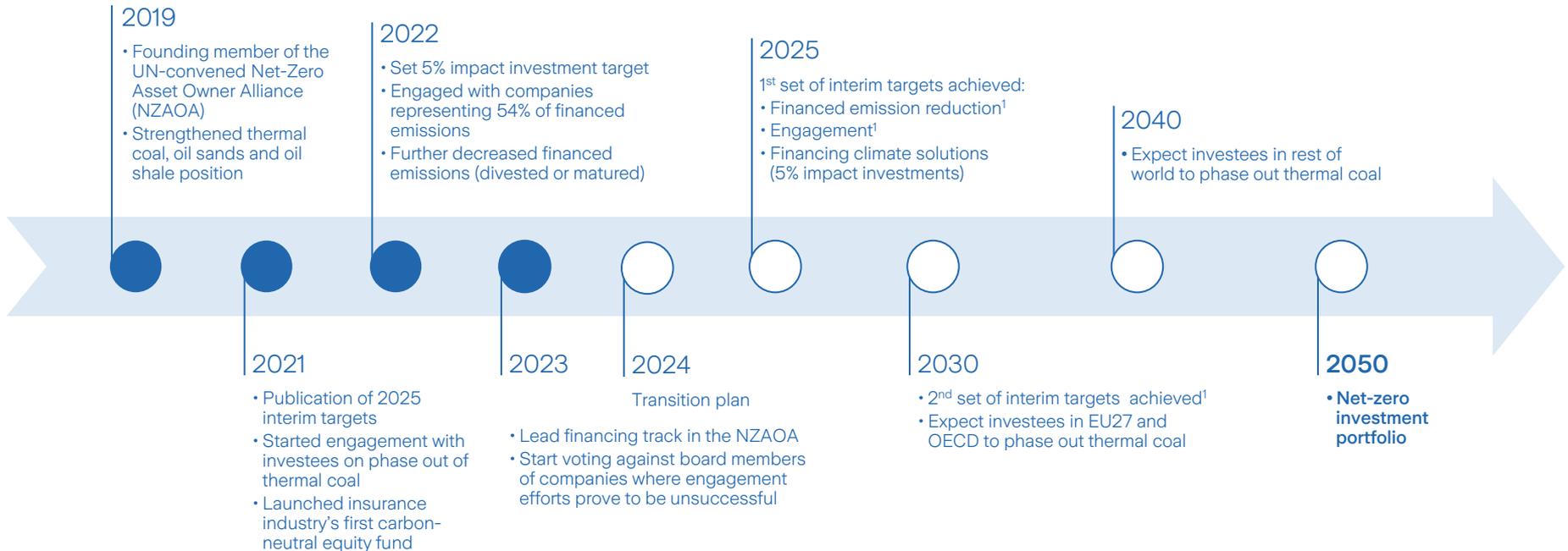


¹ Reduction of emissions intensity (Scope 1 and Scope 2), measured in metric tons of CO₂e per USD million invested, compared to the 2019 baseline.

² Reduction of emissions intensity, measured in kilograms of CO₂e per square meter, compared to the 2019 baseline.

³ Engagement with companies producing 65% of portfolio emissions and lacking targets aligned with the Paris Agreement. Cumulative progress since end of 2019.

We are progressing on our journey to reach net-zero in investments by 2050



¹ Based on previous year's end data

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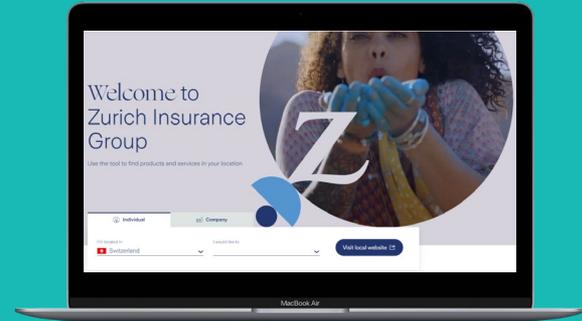
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