

Corporate Governance and Sustainability at Zurich

November 2019

Zurich Insurance Group



Disclaimer



Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich Insurance Group Ltd or the Zurich Insurance Group (the 'Group').

Forward-looking statements include statements regarding the Group's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Group's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Insurance Group Ltd or the Group to differ materially from those expressed or implied in the forward looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; and (viii) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

All references to 'Farmers Exchanges' mean Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange and their subsidiaries and affiliates. The three Exchanges are California domiciled interinsurance exchanges owned by their policyholders with governance oversight by their Boards of Governors. Farmers Group, Inc. and its subsidiaries are appointed as the attorneys-in-fact for the Farmers Exchanges and in that capacity provide certain non-claims administrative, management, and ancillary services to the Farmers Exchanges. Neither Farmers Group, Inc., nor its parent companies, Zurich Insurance Company Ltd and Zurich Insurance Group Ltd, have any ownership interest in the Farmers Exchanges. Financial information about the Farmers Exchanges is proprietary to the Farmers Exchanges, but is provided to support an understanding of the performance of Farmers Group, Inc. and Farmers Reinsurance Company.

It should be noted that past performance is not a guide to future performance. Please also note that interim results are not necessarily indicative of full year results.

Persons requiring advice should consult an independent adviser.

This communication does not constitute an offer or an invitation for the sale or purchase of securities in any jurisdiction.

THIS COMMUNICATION DOES NOT CONTAIN AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES; SECURITIES MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR EXEMPTION FROM REGISTRATION, AND ANY PUBLIC OFFERING OF SECURITIES TO BE MADE IN THE UNITED STATES WILL BE MADE BY MEANS OF A PROSPECTUS THAT MAY BE OBTAINED FROM THE ISSUER AND THAT WILL CONTAIN DETAILED INFORMATION ABOUT THE COMPANY AND MANAGEMENT, AS WELL AS FINANCIAL STATEMENTS

Key messages

Strategy

We have delivered on our 2017-2019 strategy and will further focus on becoming a leading customer oriented insurer with a culture of innovation and empowerment

Corporate 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 recognized as a leader in sustainability and focus on the transformational themes of a new social contract, climate change and confidence in digital society for our future success

Climate change

We have a critical role in support of the transition to a low-carbon economy as an insurer and investor and showcase a more sustainable approach with our own operations

SECTION	PAGE
Strategic update	5-8
Environment, Social and Governance focus	9
Board composition and assessment	10-12
Remuneration	13-18
Our focus on Sustainability	19-21
ESG in Underwriting	22-23
ESG in Investments	24
A new social contract	25-27
A changing climate	28-29
Confidence in digital society	30-31
Capital authorizations	32

We have delivered on our targets and become more competitive and customer oriented

KEY ACHIEVEMENTS

Sharpened customer focus

Improvement TNPS in all regions since 2018

Broader distribution



More leading positions



Culture of innovation and empowerment



2017-2019 TARGETS (USDbn, %)

	Target	HY-19
BOPAT ROE	>12%	15.0%
EXPENSE SAVINGS	1.5bn	1.3bn
Z-ECM	100-120%	113% ¹
Cash remittances	>9.5bn	9.2bn

¹ Q3-19 Z-ECM reflects midpoint estimate with an error margin of +/- 5pts.

Over 2020-22 we will continue our journey to create the leading customer oriented insurer



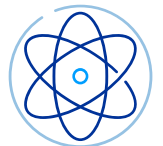
FOCUS ON THE CUSTOMER

- Develop transactional buyers into long-term Zurich customers
- Balance our Commercial customer segment mix



SIMPLIFY

- Enable better product and service offering
- Continue to leverage technology to simplify the business and operations



INNOVATE

- Accelerate innovation of products and delivery models
- Develop value adding services
- Use data & analytics capabilities to drive performance



OUR AMBITION

- Become the preferred insurer for all our Retail customers
- Be the leader in underwriting capabilities and customer focus in Commercial

Zurich is stepping up its financial targets for 2020-2022



FINANCIAL TARGETS

2017-2019 DELIVERED

BOPAT ROE¹ in excess of 12% and increasing

Cumulative cash remittances in excess of USD 9.5bn over 2017-2019

USD 1.5bn in net savings by 2019 compared to the 2015 baseline

Z-ECM ratio to remain in 100-120% range

2020-2022 AMBITION

BOPAT ROE¹ in excess of 14% and increasing

Cumulative cash remittances in excess of USD 11.5bn over 2020-2022

Compound organic earnings per share growth² of at least 5% p.a.

Z-ECM ratio to remain in 100-120% range

CUSTOMER KPIs

Net new retail customers

Brand consideration

¹ Business Operating Profit after tax return on equity, excluding unrealized gains and losses.

² Before capital deployment.

Our proposition to investors

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

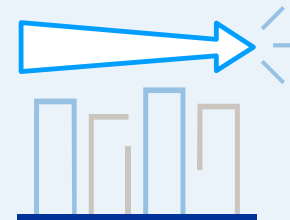
A balanced and diverse global business



Industry leading capital levels



Stable, consistent and conservatively managed balance sheet



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



Zurich embeds environmental, social and governance issues in all aspects of the business



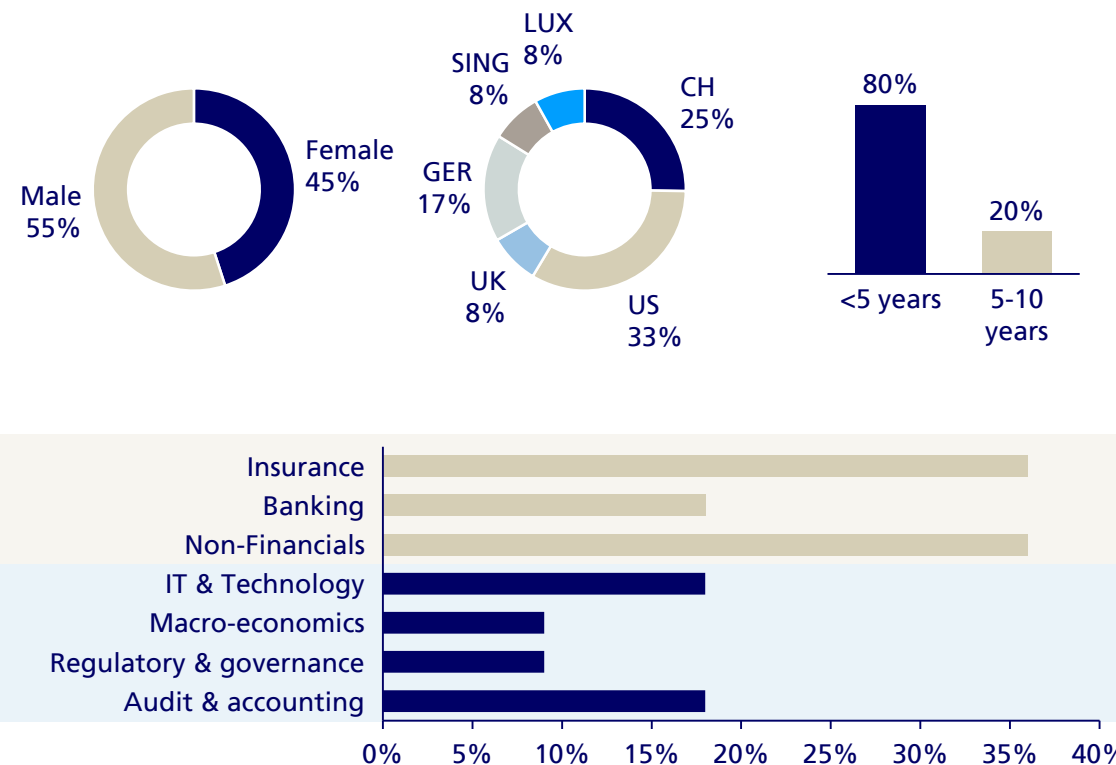
 <p>Corporate governance</p>	<p>An independent and diverse Board ensuring effective corporate governance and strategic oversight, and fostering ESG integration in the business</p> <hr/> <p>A remuneration architecture ensuring outcomes in sync with business performance results including financial, customer and people metrics</p>
 <p>Employer</p>	<p>Pro-active promotion of diversity at the workplace with 11 countries EDGE certified</p> <hr/> <p>Focus on employee engagement resulting in strong employee net promoter score (ENPS) improvement</p>
 <p>Insurer</p>	<p>Delivering solutions to customers that create positive social and environmental impact</p> <hr/> <p>Proactive engagement with customers to support their transition to a low carbon economy</p>
 <p>Investor</p>	<p>Impact investment portfolio of USD 4.5bn per Sep 2019, with an ambition of USD 5bn to help avoid 5m tons of CO2 and benefit 5m people</p>
 <p>Community member</p>	<p>Investing in local and global community programs to create social impact, enhance resilience and engage employees in skills based volunteering</p>

Our Corporate Governance Framework reflects global best practice



BOARD'S PRINCIPLES	
Best practice	Description
Composition	<ul style="list-style-type: none"> • 11 fully independent external Board Members • Balanced mix of nationalities and gender • Broad set of experience, skills
Performance	<ul style="list-style-type: none"> • Periodical external assessment and action plan
Accountability	<ul style="list-style-type: none"> • Clear accountabilities of Board supported by committees, Chair, CEO and Executive Committee members • Full separation of CEO and Chairman roles
Responsibilities	<ul style="list-style-type: none"> • Responsibility for strategy and organisation; strong focus on risk management and sustainability
Remuneration	<ul style="list-style-type: none"> • Board's fixed fees, not performance related, of which 50% are paid in sales-restricted shares for 5 years

A DIVERSE BOARD COMPOSITION¹

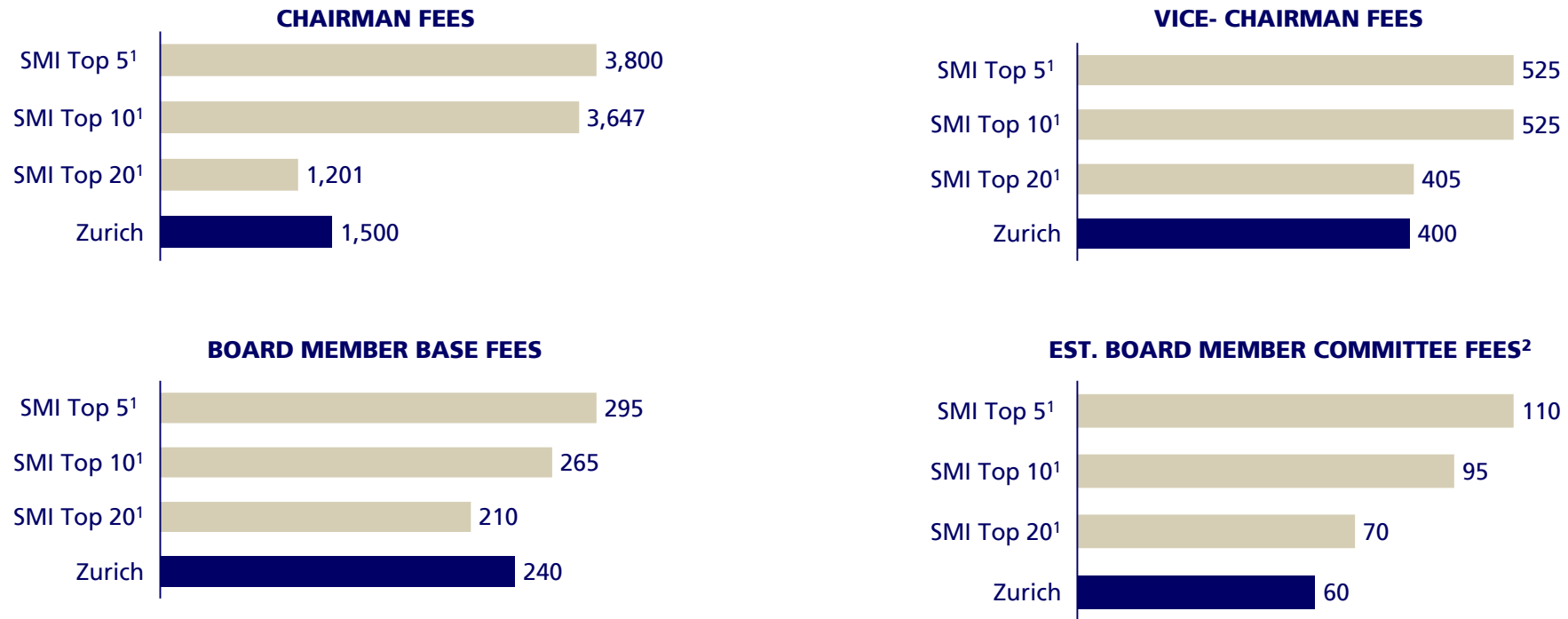


¹ Per Sep 2019.

Zurich Board fees have remained unchanged since 2015



ZURICH'S BOARD REMUNERATION BENCHMARKED VS SMI (CHF 000)



¹ Excluding Zurich; Benchmarking produced by Aon per October 15, 2019.

² As most companies do not have a single committee membership fee, but instead pay a fee per committee membership, Zurich's fee structure is not directly comparable to other companies. In order to facilitate a comparison, a calculated proxy committee allowance for each comparator is shown by assuming that the committee allowance is equal to the sum of an AuditCo and RemCo membership fees.

The Board ensures high quality of engagement focused on priorities

2019 BOARD PRIORITIES

STRATEGY

- Preparation of new strategic cycle and group targets
- Dedicated sessions for building sustainable & customer-centric business model

RISK MANAGEMENT & CONTROLS

- Review of internal control framework enabling integrated view of risks and assurance

SUSTAINABILITY

- Driving the Group new sustainability strategy, approving targets and assessing execution progress

SUCCESSION PLANNING

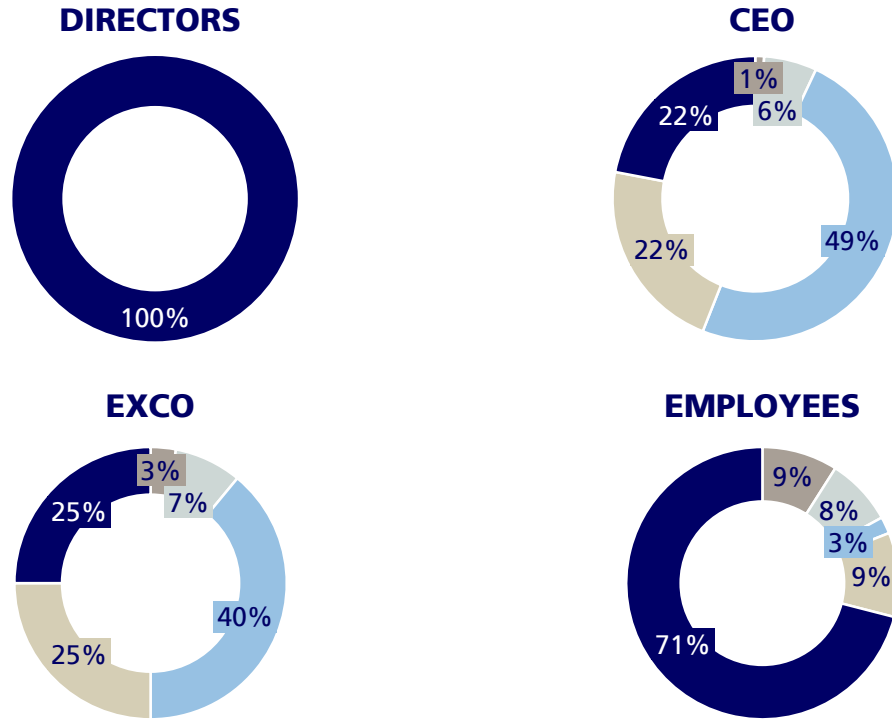
- Strong pipeline assessed and maintained
- Focus on D&I throughout organization

ON-BOARDING AND TRAINING

- New on-boarding process implemented for 3 new board members
- Ongoing training through regular dedicated sessions

Remuneration structure and degree of variability varies per organizational level

2018 REMUNERATION PER ELEMENT¹



Fees / 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, as well as 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 for ExCo

Pensions

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

Benefits

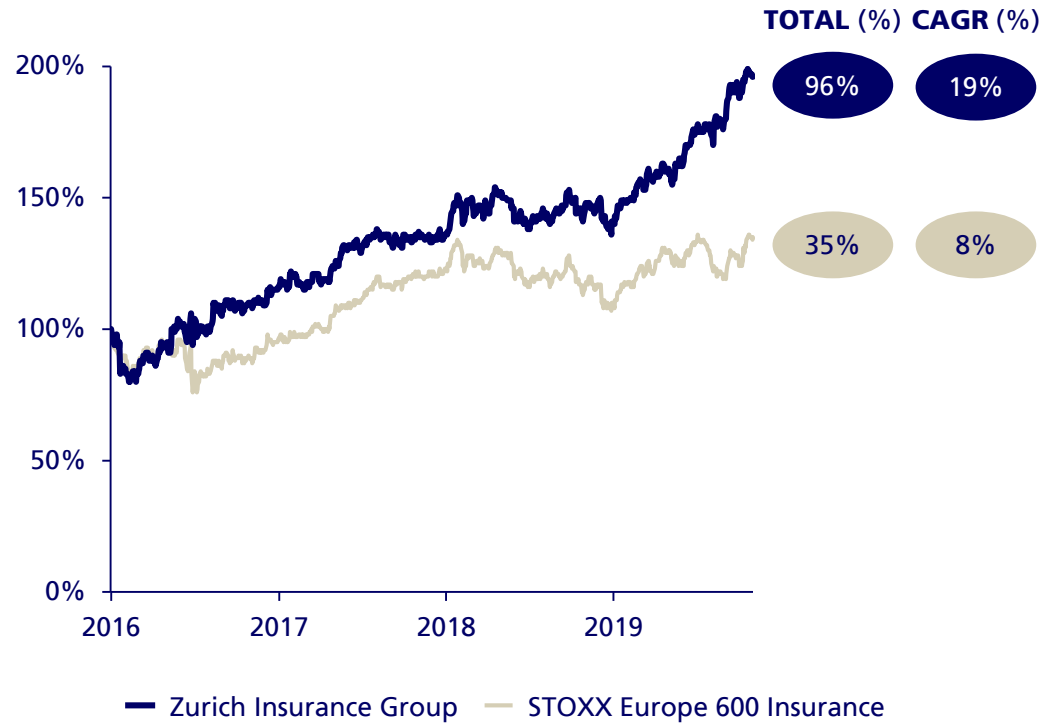
- In line with the local market, can include life insurance, medical coverage and flexible benefits
- Expatriate/cross-border allowances.

¹ At target, as a percentage of total remuneration as per Dec 31, 2018; for Directors, includes fees paid in cash and shares.

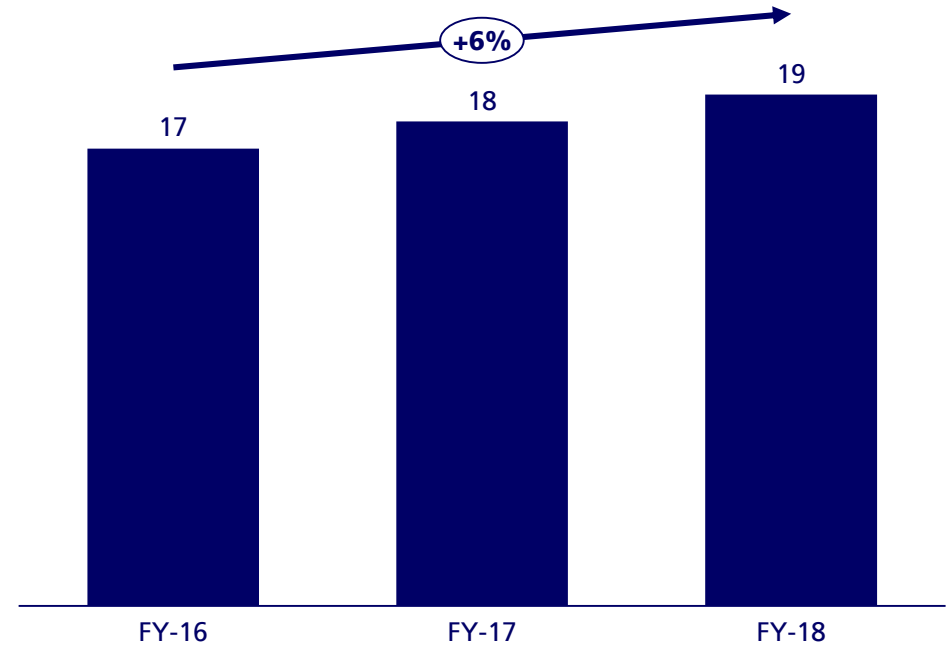
Zurich has been delivering performance to the shareholders



TOTAL SHAREHOLDER RETURN IN USD (SINCE JAN 1, 2016)¹



DIVIDEND PER SHARE (CHF)

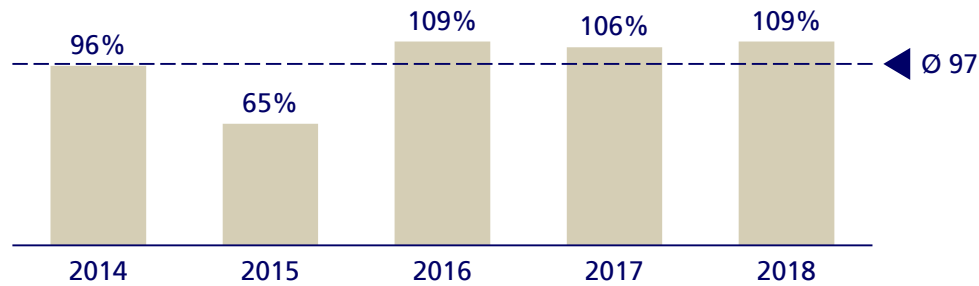


¹ Source: Datastream, as of November 1, 2019.

Performance reflected in variable remuneration outcomes



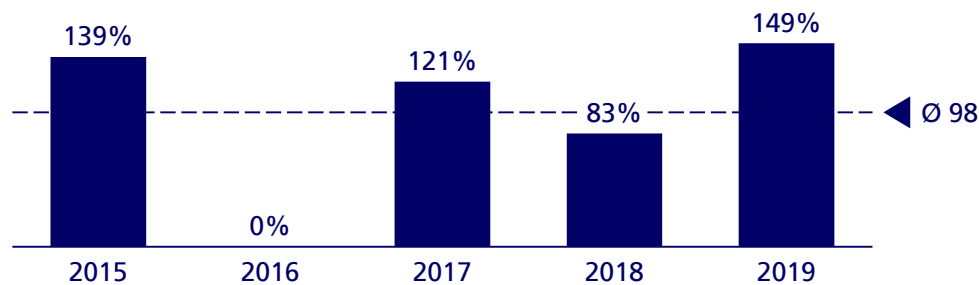
AVERAGE STIP AWARD LEVEL AS % OF TARGET



DRIVERS (PER MARKET AND ORGANISATIONAL LEVEL)

- Business Operating Profit
- Customer metrics
- Investment results
- Qualitative assessment of performance
- Growth, profitability and customer-related measures for Farmers Management Services

LTIP VESTING LEVEL AS % OF TARGET



DRIVERS

- Relative TSR¹ against international group of insurers
- NIAS ROE
- Cash Remittance

¹ Out of a pre-selected list of 18 peers (including Zurich).

Customer focus is increasingly part of the remuneration architecture

GRADUAL ROLL OUT OF TNPS IN STIP POOL FUNDING¹



Global TNPS used for Group functions² 20% Funding



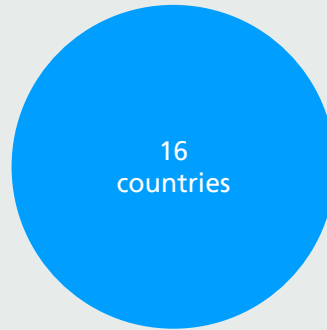
Country TNPS used for Country employees (non Leadership Team) 20% of Funding

67% of GWP and policy fees



2018

83% of GWP and policy fees



2019

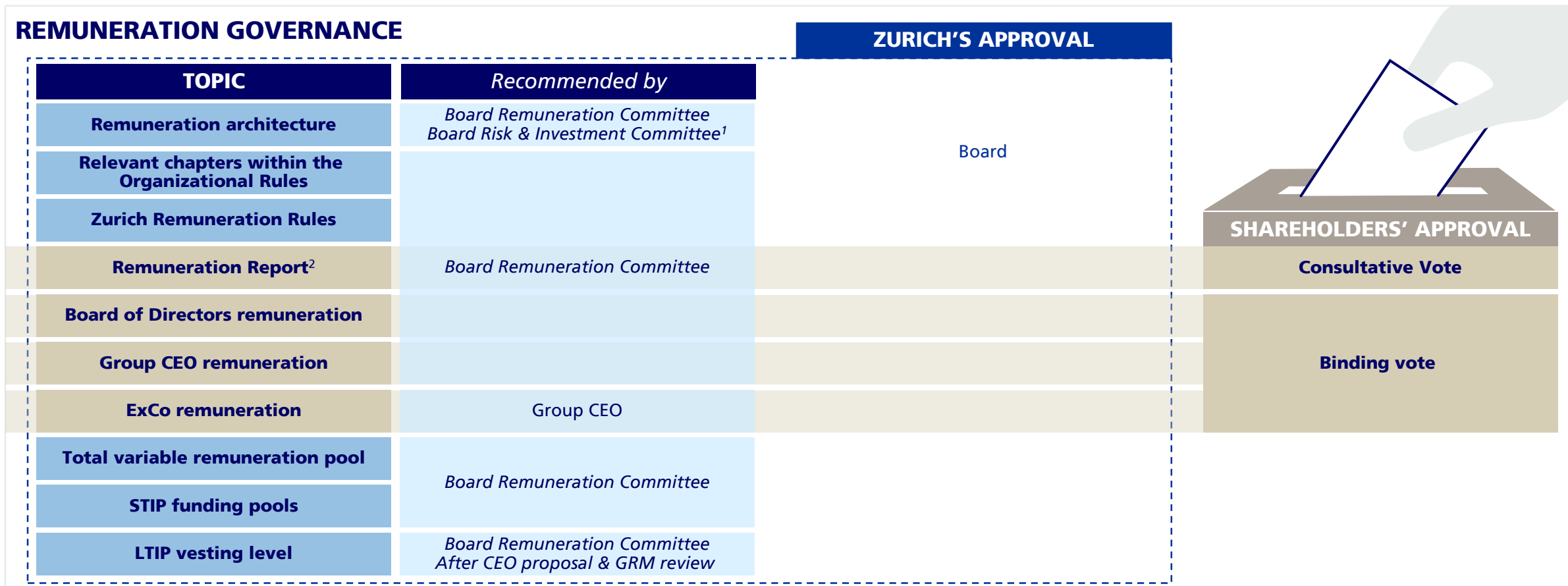


2020

¹ TNPS stands for Transactional Net Promoter System – with NPS being the global best practice standard for customer experience measurement.

² Includes Group, Region, Control Function, Leadership Team, Commercial Insurance above business units; Farmers is also measured against customer metrics on a separate basis.

A strong governance framework ensuring alignment of interest with Shareholders

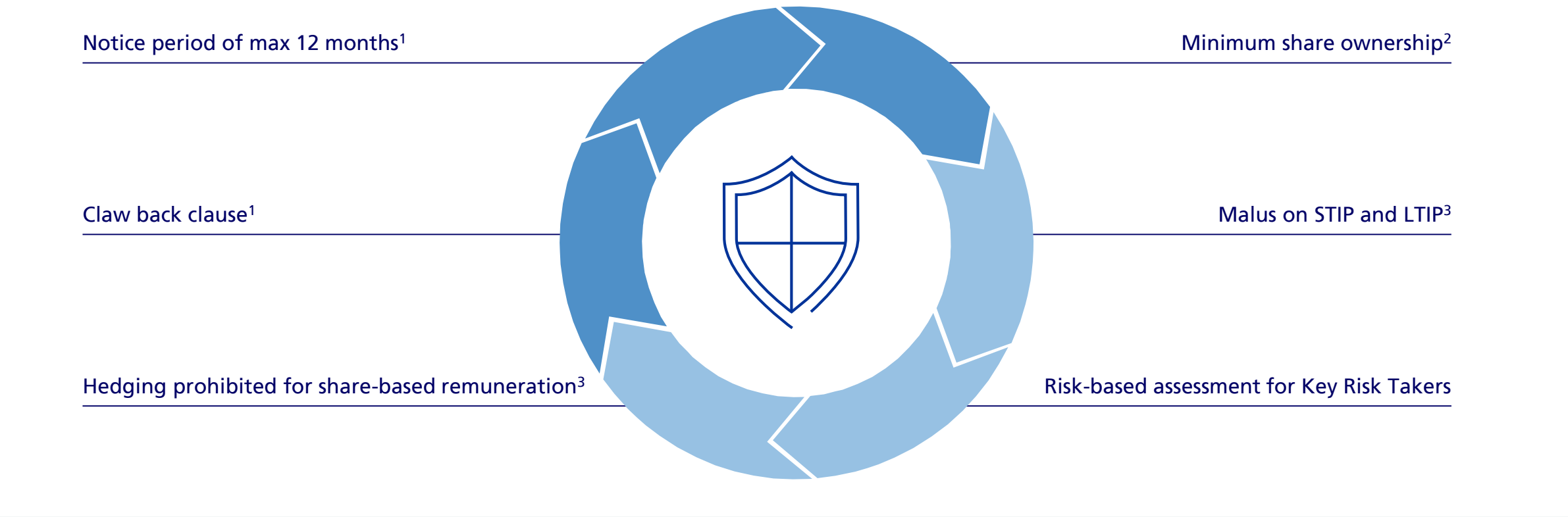


¹ On recommendation of Group CEO.

² Remuneration Report addresses remuneration architecture, rules and disclosures.

The governance framework is supported by additional safeguards

SAFEGUARDS TO REMUNERATION

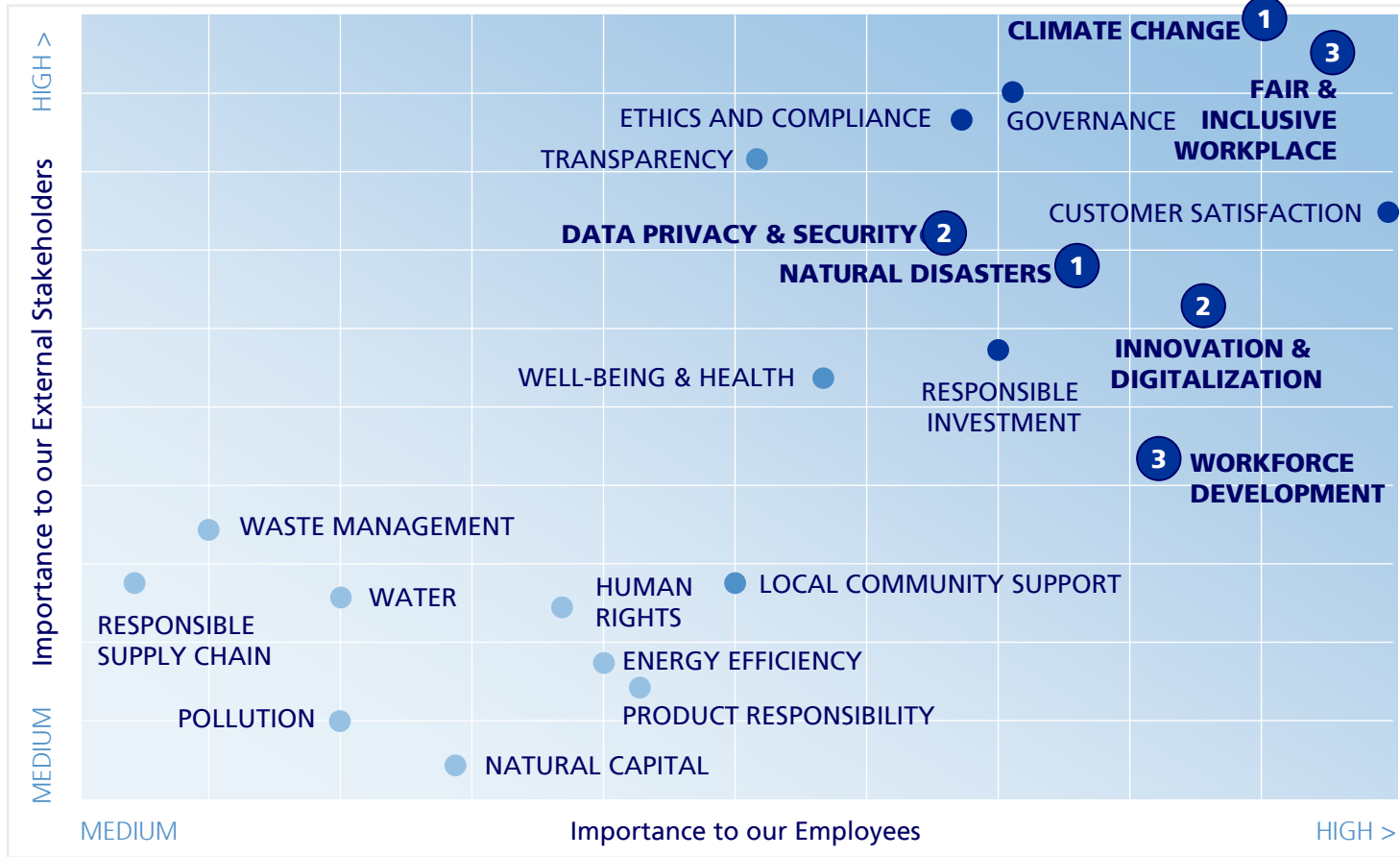


¹ For ExCo members.

² Members of the Board of Directors: 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 groups.

Our materiality analysis identifies three transformational themes key to our future success



1 A CHANGING CLIMATE
 Providing insights, protection and transparency to support the transition to a low carbon economy and manage climate risks

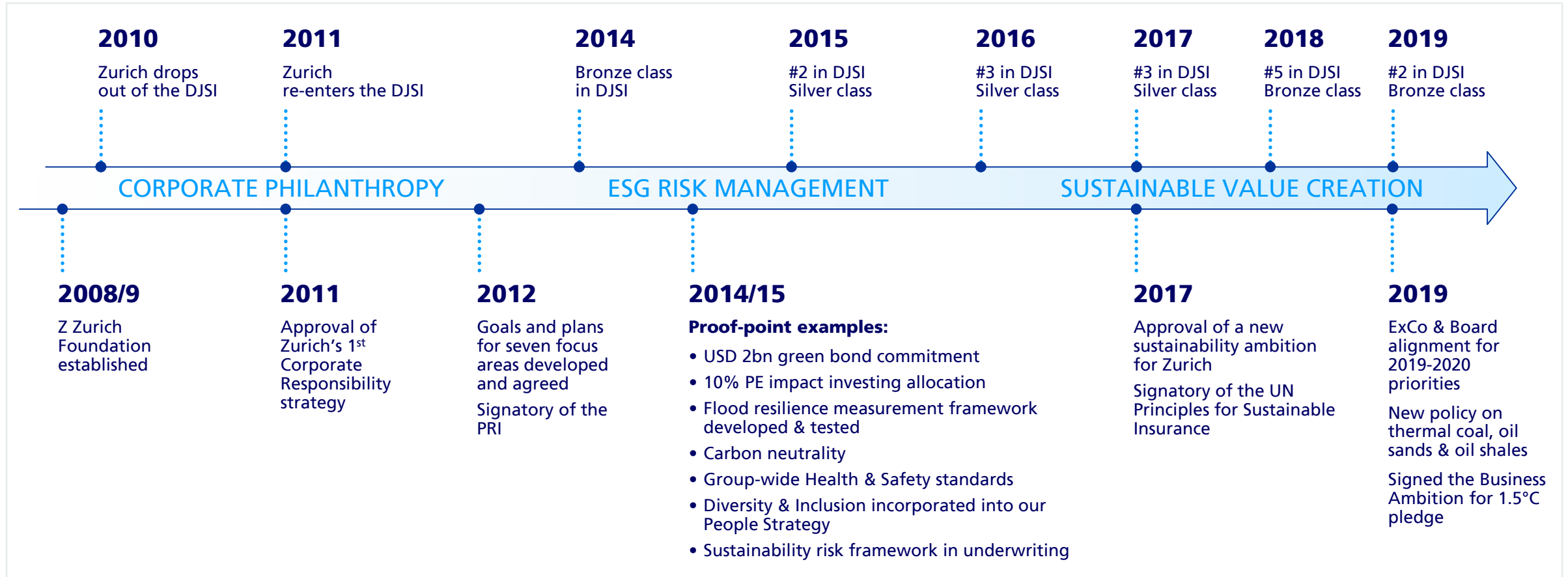


2 CONFIDENCE IN A DIGITAL SOCIETY
 Making people and organisations more resilient by enabling and inspiring confidence in a digital economy



3 A NEW SOCIAL CONTRACT
 Providing support to our employees and customers as we navigate together the impact of the changing nature of work

We have progressed in line with our evolving sustainability philosophy



The Group's focus and achievements on sustainability is widely recognized by external bodies



OUR RATINGS ¹	
	'AA' rating ¹
<p>MEMBER OF</p> <p>In Collaboration with RobecoSAM</p>	#2 in insurance group ²
	Leader, #4 in insurance group ³
	Absolute Score of 4.2 (out of 5.0) ⁴

OUR LONG TERM COMMITMENT

1 MSCI ESG Rating Report July 2019.
 2 RobecoSAM Company Benchmarking Scorecard 2019, 99% percentile.
 3 Sustainalytics ESG rating Report July 2019, 98% percentile.
 4 FTSE Industry Classification Benchmark (ICB), June 2019.

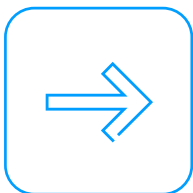
ESG considerations are included in our underwriting decisions

WHAT WE DO...



SCOPE

- In 2012, introduced our position on:
 - **banned weapons,**
 - **dam construction,**
 - **oil / gas / mining in environmentally-sensitive areas,** and
 - transactions with **human-rights** implications
- In 2017 and 2019, expanded the scope to:
 - further restrict **thermal coal,** and
 - include **oil sands, oil shale,** and **purpose-built infrastructure for oil sands**



APPROACH

- ESG considerations form **part of our underwriting practice**
- Established **central expert team** to provide consultation to Zurich offices and handle referrals
- **Automated pre-screening** by using 3rd party data to identify potential sustainability exposure
- Engage in a **risk-based dialogue** with a number of companies regarding their transition plans **to encourage alignment with Zurich's position and in consideration of Science Based Targets**
- In cases where alignment is not possible, final decision to disengage with a customer is made jointly by insurance and investments

CASE EXAMPLE...



CUSTOMER

- A multi-billion dollars company in utility business
- Consistently profitable account over 10+ years



SITUATION

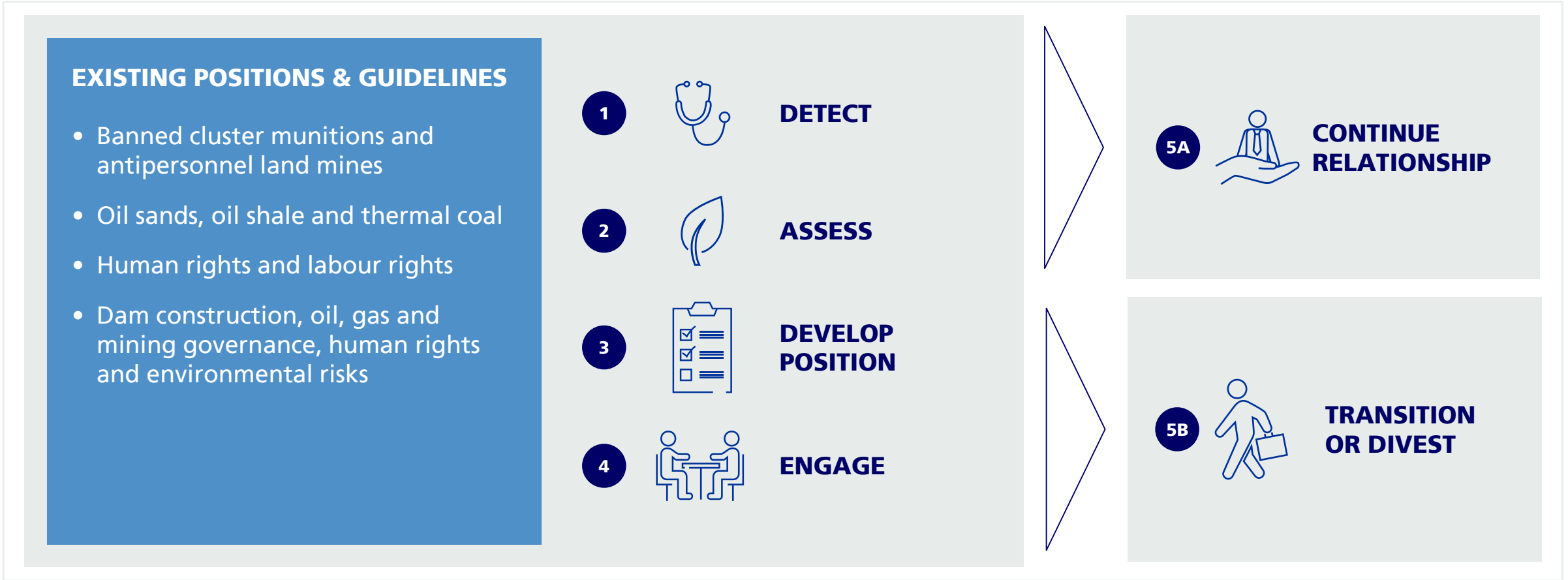
- >50% of revenue of power generation business derived from thermal coal
- Zurich announced divestment of equity holdings and initiated underwriting action



NEXT STEPS

- Customer announced changes in their power generation strategy
- Subject to re-analysis, Zurich can continue providing insurance coverage and resume investing in equities

We are applying a risk and engagement based approach



We are a global insurance leader with regard to responsible investments¹



RESPONSIBLE INVESTMENT IS INTEGRAL TO OUR INVESTMENT PHILOSOPHY AND APPROACH



Integration

- Training
- Information
- Process Integration
- Active Ownership

89% of in-scope-assets managed with clear process for ESG integration

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 3.0 bn²

Social and sustainability bonds: USD 0.5 bn²

Infrastructure private debt: USD 0.7 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

Climate target: net-zero carbon portfolios by 2050

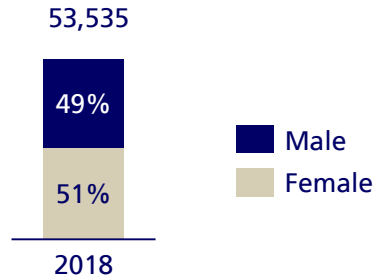
¹ Top percentile of sector for MSCI ESG RI rating; selected by PRI be part of "PRI Leaders' Group" due to performance in selecting, appointing and monitoring external managers.

² Per Sep 2019.

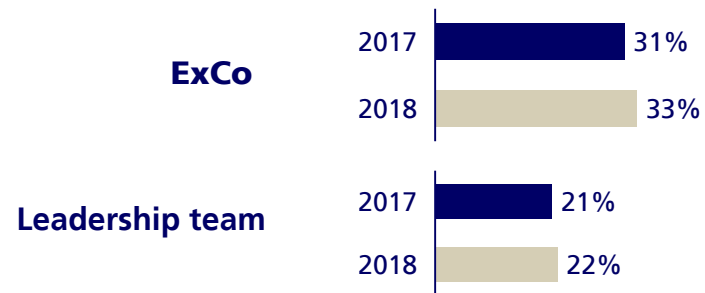
Zurich today is a capable and diverse organization working effectively in a simplified, customer facing operating model



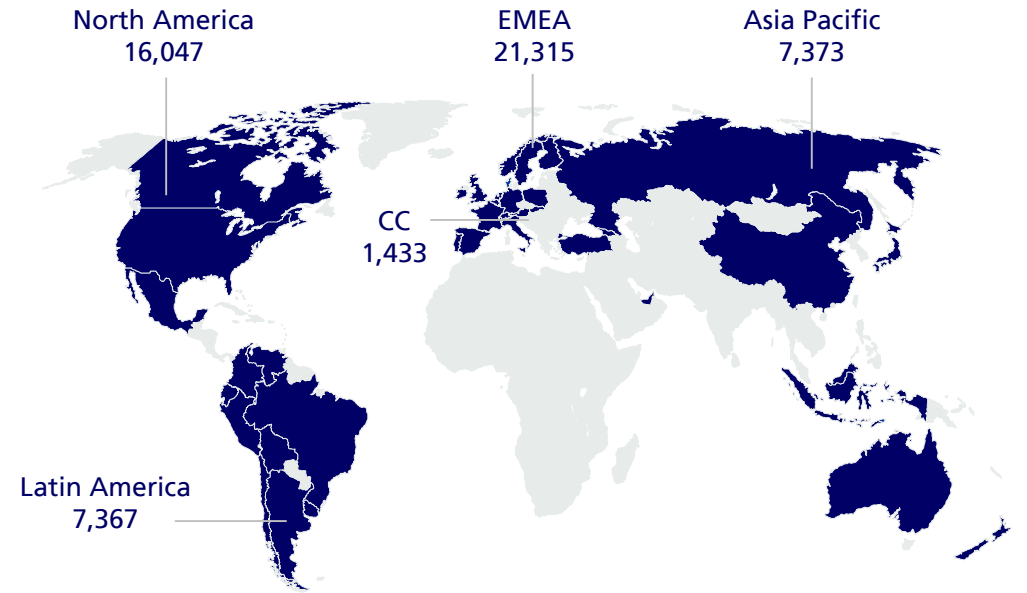
EMPLOYEES BY GENDER¹



FEMALE REPRESENTATION



OUR ORGANIZATIONAL FOOTPRINT



Nationalities	Average Tenure ²	Average Turnover ³	Boomer ⁴	Gen X ⁴	Gen Y ⁴
109	10	14%	20%	44%	36%

¹ Headcount and female representation data as per 31.12.2018 (excl. Farmers Exchange and Bolivia)

² Average tenure as per 31.12.2018 .

³ Annualized turnover in 2018 (2017: 15%).

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

We are making work better by listening and acting on insights to create happier, more capable, customer-led teams



2017 – 2019 PROGRESS

BUILDING A HIGH PERFORMANCE CULTURE AND RESTORING EMPLOYEE CONFIDENCE

- Simplified, customer-focused **Operating Model**
- Improved **People Leadership** quality
- **Talent Management** discipline shifting from 'buy' to 'build'
- Integrated **Performance and Development**
- Tangible progressive actions to promote **Diversity and Inclusion**
- Organizational Health, ENPS and feedback tools to promote an **Employee-Centric** culture of 'listen and act'

2020 – 2022 PLANS

TRANSFORMATION INTO A WORLD-CLASS, CUSTOMER FOCUSED ORGANIZATION

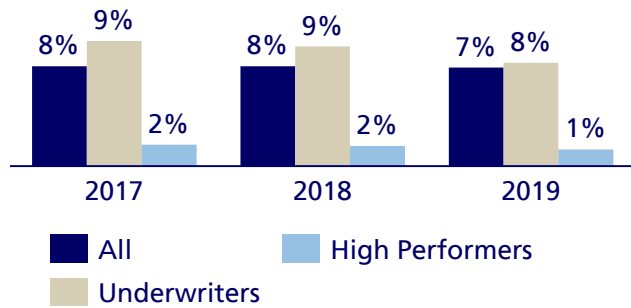
- Organizational Development in **customer** capabilities and **digital** enablement
- Further leverage horizontal accelerators to promote Innovation
- A compelling **Employee Value Proposition** for our people
- Increased focus on Customers, People and Sustainability in Reward and Performance Management
- Building an employee-driven culture promoting **reskilling** against future needs

Results demonstrate that our people strategy is working on multiple levels

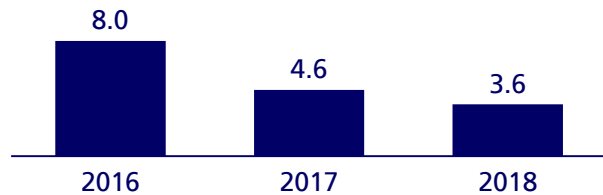


TALENT MANAGEMENT

TURNOVER



EXECUTIVE HIRING SPENT (USDm)¹



DIVERSITY AND INCLUSION

INITIATIVES

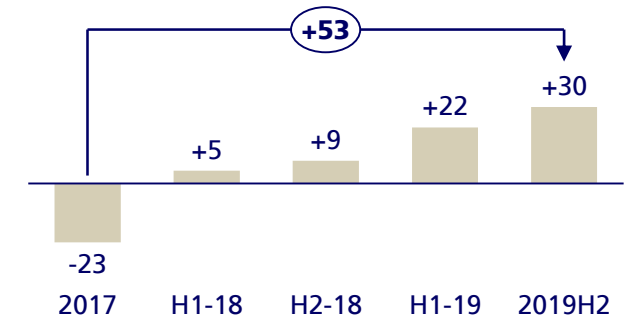
- FlexWork@Zurich
- Global Parental Leave Principles in roll-out
- Female acceleration program
- D&I Scorecard in Target Cards
- Functional & Local D&I strategies

EQUAL PAY

- Zurich UK reduced its GPG from 27.3% in 2017 to 22.8% (mean) in 2018
- All markets have been assessed to check if any discriminatory pay practices using an externally audited tool & process

ENGAGEMENT & RECOGNITION

EMPLOYEE SATISFACTION



RECOGNITIONS



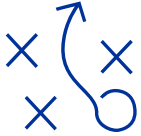
¹ Amounts recorded in Finance systems for Executive Hiring Vendors.

Climate is at the core of our commitment



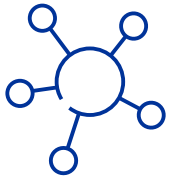
1. DEEP INTEGRATION OF CLIMATE RISK

- Developing capabilities to assess and quantify climate change impact on physical risk within underwriting, risk engineering and investment management



2. AMBITIOUS LEADERSHIP FOR A NET ZERO FUTURE

- Engage in the development of science-based targets for financial institutions and implement accordingly in our own business as per our Business Ambition for 1.5°C commitment.
- Net-zero carbon portfolios by 2050 and application of Zurich's leading impact investing strategy to finance transition to a low-carbon economy



3. INNOVATION FOR RESILIENCE & TRANSITION

- Leverage opportunities as a source of customer-centric innovation in retail & commercial businesses
- Scale investments in enhancing community climate resilience



4. STRONG ADVOCACY AND REPORTING

- Convene and influence leaders on climate risk, low-carbon transition and climate resilience
- Enable every employee to be an advocate, expert and role model
- Reporting in accordance with TCFD to ensure transparency and comparability

We help communities dealing with floods through Zurich's Flood Resilience Program



PROGRAM'S PURPOSE

- **1\$ invested in prevention saves 5\$ in future losses¹**
- 13% of aid is spent on pre-event resilience & risk reduction
- Focus to find practical ways to help communities **strengthen their resilience** to floods
- Deploy Zurich's Post-Event Review Capability to review large flood events to identify **improvements opportunities and best practices**

PROGRAM'S PHASES

- 2013-2018: **benefit to 110 communities** in 9 countries and 225,000 people
- 2019- : support the generation of USD 1bn in additional funding to flood resilience by 2023 in order help **make 2m people more resilient** to flooding

Flood Resilience Alliance

Logos of partner organizations:

- ZURICH
- PRACTICAL ACTION (Technology challenging poverty)
- PLAN INTERNATIONAL
- MERCY CORPS
- INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES
- CONCERN worldwide
- LSE (THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE)
- ISET-International
- IIASA (International Institute for Applied Systems Analysis)

¹ Zurich's analysis

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 customers consent
- 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 and targeted risk assessments
- Drive awareness across the organisation on information and cyber security and associated risk types
- 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

Zurich strives to inspire confidence in a digital society through its Data Commitment

DATA COMMITMENT – WHAT IT MEANS

Keep customers data safe

TRUST



- Appropriate processes, technology and training for data security
- Control data flows
- Rigorous security management

Be transparent about collection, use & sharing personal data

TRANSPARENCY & HONESTY



- Providing customers appropriate engagement mechanisms to exercise their rights
- Agreements with 3rd parties sharing customers data
- Never sell their personal data

Use data for the benefit of the customer in a fair & ethical way

BENEFIT & FAIRNESS



- Using personal data to enhance products & services for the customer
- Commitment to fair and ethical use of data in designing, pricing and use of artificial intelligence
- Avoid bias or labelling

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

Authorized Share capital

- 45m shares (~30%)
- Of which under exclusion of pre-emptive rights: 15 m shares (~10%)
- Exclusion of pre-emptive rights in case of M&A and foreign listing, capital market placements, conversion of financial instruments, strengthening of group capital position
- Valid until April 4, 2020

Contingent share capital

- 30m shares (~20%)
- Exclusion of pre-emptive rights in case of M&A, capital market placements, strengthening of group capital position

Separate exclusion of pre-emptive rights

- 30m shares (~20%) cumulative dilution cap until April 4, 2020 for issuances from authorized and contingent capital

Share issuances to employees under share based employee compensation plans

- 4.9m shares

¹ Out of 150m outstanding shares as reported in Articles of Association, June 2019.

For further information

CALL US

Investor Relations and Rating Agencies

Richard Burden	+41 44 628 96 40
Francesco Bonsante	+41 44 628 00 68
Samuel Han	+41 44 625 32 57
Michèle Matlock	+41 44 625 28 50
Gianni Vitale	+41 44 625 48 26

For Corporate Governance and Sustainability

Michèle Matlock	+41 44 625 28 50
Karin Winter	+41 44 625 28 60

Events

Patricia Heina	+41 44 625 38 44
----------------	------------------

VISIT OR FOLLOW US



► [Investor Relations website](#)

► [Financial results and reports](#)

Follow us



CALENDAR:

- February 13, 2020, Annual results 2019
- April 1, 2020, Annual General Meeting
- May 14, 2020, Update for the three months ended March 31, 2020
- May 19, 2020, Zurich Insights – Investor Event
- August 13, 2020, Half year results 2020

