

Zurich's response to ClimateWise

July 2019



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1. Be accountable

1.1 Ensure that the organisation's Board is working to incorporate the Principles into business strategy and has oversight of climate risks and opportunities.

Zurich firmly recognises the importance and value of Executive level support and endorsement of climate-related activity in order to drive initiatives forward. As a global insurance group, operating in the UK, the Zurich Insurance Group board and its sub-committees have clear responsibilities for managing the financial risks from climate change to ensure clear accountability and responsibility. This includes individual responsibility(ies) for the most relevant existing Senior Management Function holder(s), although these individuals may not be part of the UK legal entities.

Business strategy and oversight

Zurich has identified three areas of focus for its new sustainability strategy, one of them being climate change. Within this area, we are working to reduce Zurich's own impact on the environment, by committing to remove single use plastics from our offices and to minimise paper use, and to achieve and maintain an at least 20 percent reduction in total carbon emissions per employee compared to 2015 until 2025. The UK Chief Operating Officer (COO) is responsible for this work. We have also committed to upskill our underwriters and claims employees in climate risk, and to work with customers to enhance resilience and prevent, or minimise, damage and harm from weather and climate-related perils for our customers and communities. The Chief Claims Officer is sponsoring this work in the UK, and along with the COO, is responsible for raising these issues at Executive Team meetings (the equivalent of our board in the UK).

We acknowledge that our actions must be compatible with Zurich's broader strategic and financial objectives and reflect the real-world operating environment driven by client demand and bound by public policy. A strategic approach is essential and we will continue working with customers to better manage climate risks; providing coverage for new technologies and infrastructure, such as electric vehicles, renewable energy or

carbon capture and storage; investing in companies and assets that support the transition to a low-carbon economy; and – if and when possible – putting a price on climate-change risks when making investment or underwriting decisions.

Oversight at Global Board Level & Board Committee Level

The ultimate responsibility for the climate risk policy resides with the Board who approve the Group sustainability business strategy to safeguard the future of the company and the society. The Board delegates various aspects of the policy monitoring to various committees:

- The Governance Nominations and Sustainability Committee (GNSC) supports the Board with regard to sustainability and meets at last twice a year.
- The Risk and Investment Committees support the Board with the risk relevant aspects and with the Responsible Investment policy and meets at least four times a year.
- The Remuneration Committee Risk ensures the remuneration architecture entails the management targets and meets at least twice a year.
- The Audit Committee reviews the reporting on sustainability and Climate risk and accumulation with risk committee and meets at least four times a year.

Further aspirations and planned activities for 2019

Climate Risk increasingly becoming a critical topic of importance with the public, customers, regulators, investors and even internally with safeguarding our own balance sheet through building an enhanced risk-informed view at Zurich. It is key for Zurich to build broad awareness and upskill employees in order to develop the strengthened capabilities required to become the world's most trusted voice in climate resilience – ultimately helping our customers enhance resilience to a changing climate. Our focus for the remainder of 2019 will be:

1. Build broad awareness for a large percentage of Zurich's workforce on the fundamental knowledge of climate risk, its insurance implications, and how Zurich responds.
2. For relevant technical audiences, who will soon be dealing with more and more topics

relating to Climate Risk, begin to develop a deeper understanding of the emerging taxonomy & technical assessment methods in order to be better prepared to serve customers on the front lines of Climate Risk discussions.

Delivering on our climate change commitments, set out here:

<https://www.zurich.com/en/sustainability/climate-change>

1.2 Describe management's (below board-level responsibility) role in assessing and managing climate-related issues.

Global Engagement Model

Sustainability Leaders Council

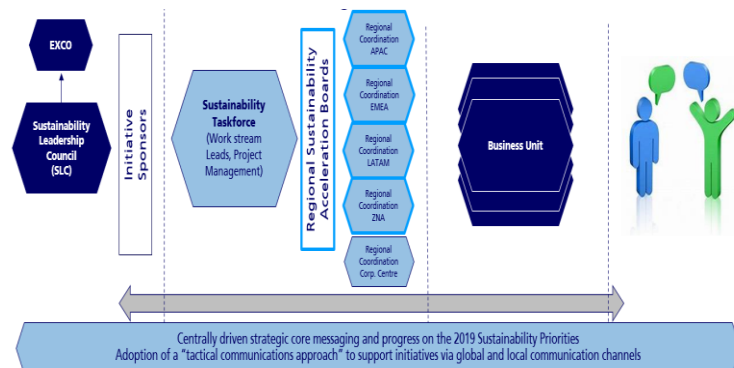
The Sustainability Leadership Council (SLC) is responsible for communicating Zurich's global commitment and ownership across all targets. This includes setting governance and reporting requirements and cadence as well as establishing core messaging and global communications. The Sustainability Leadership Council reports progress to the Group Executive Committee on a quarterly basis.

Sustainability Taskforce

The Sustainability Taskforce is responsible for region specific engagements agreed via Regional CRE Heads, Regional COO's and HR Business Partners. The Taskforce confirms reporting requirements and cadence aligned to SLC and delivers for SLC as well as developing core strategic messaging for each work stream (with Group Communications). The Taskforce also supports local engagement and communication activities and provides re-usable toolkits, planning templates, and engagement materials to maximize the effectiveness of local support activities

Regional leads

Regional leads collaborate with Taskforce leads and Business Units to establish ownership of targets locally to sustain long-term success.



UK Governance

UK Senior Management Responsibility & Governance

The PRA Supervisory note on the Climate Change Senior manager (3/19) requires that Boards embed and understand the Climate Change Financial Risk exposures and have clear accountabilities delegated. We are currently finalising the internal appointments ahead of the October deadline. Once confirmed, they will receive regular reports from:

- Risk: who will establish climate change risk assessment within their reporting for review and discussion.
- Finance: There are also requirements indirectly for the SMF to understand the market, liquidity and credit risks
- Claims: update on liability risk

Once confirmed, the senior manager will then report to the UK Board on a yet to be determined basis.

UK Engagement Model

Responsibility and accountability for Corporate Responsibility (CR) is assigned to a member of the Executive Team, who works to ensure Zurich in the UK is delivering on all its commitments towards sustainable business practices. In addition, our Head of UK Corporate Affairs chairs a meeting of the Corporate Responsibility & Sustainability Council every six weeks, which brings together senior representatives from across the business to ensure that Zurich's CR and sustainability strategy is effectively integrated in the way Zurich does business and, thereby, enabling Zurich to live up to the UN Global Compact 1.5 Degree Business Ambition Pact, the Principles for Responsible Investment, the UNEP FI Principles for Sustainable Insurance, the Paris Pledge for Action, the Geneva

Association Climate Risk Statement, and other similar commitments to which Zurich is a signatory. The CR & Sustainability Council also provides a forum to discuss and agree environmental priorities as part of the overall CR programme. Our main priorities continue to be:

- Reducing our consumption of electrical energy and increasing our use of energy from renewable sources
- Reducing our consumption of materials, including single use plastics and paper
- Reducing business travel

We submit data as required for the Zurich Group's submission to the Carbon Disclosure Project and the Dow Jones Sustainability Index. Zurich places significant emphasis on its risk management culture and, therefore, requires the ESG to complete a total risk profile and submit a quarterly risk report to the UK Risk function. The Zurich Group's Environmental Policy and Commitments are summarised here:

<https://www.zurich.com/en/sustainability/climate-change/minimizing-our-environmental-footprint>

Each year we develop a Public Affairs and Corporate Responsibility strategy which is signed off by the UK Executive Committee (and the same is done at Group level too).

Sustainability Strategy

As set out in our answer to 1.1, changing climate is one of the three areas of focus in our sustainability strategy, and is sponsored by a number of UK Exec Team members (who report to the CEO). You can read more about our approach to Sustainability here:

<https://www.zurich.com/en/sustainability>

Dow Jones Sustainability Index

Zurich has been participating in RobecoSAM's Corporate Sustainability Assessment since

2007. Companies are evaluated on economic, environmental and social factors. In the 2018 assessment Zurich outperformed 93% of other companies in the insurance industry group and is a member of DJSI World and DJSI Europe. This score has a high visibility with our executive management, board and investors.

CPD

We are also members of CDP. CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Through CDP we provide information on our greenhouse gas emissions, energy use and the risks and opportunities from climate change. Zurich has submitted a response since 2004. In 2018 Zurich achieved a score of B (Management Level). Our 2018 report is available here: <https://www.zurich.com/en/sustainability/our-strategic-priorities/external-commitments>

2. Incorporate climate related issues into business strategies

2.1 Evaluate the implications of climate change for business performance (including investments) and key stakeholders.

Responsible investment at Zurich – Overview

Responsible investment forms a key element of Zurich's investment philosophy and comprises three elements:

1. ESG integration: Proactively integrating ESG factors, including climate change, into the investment process – across asset classes, and alongside traditional financial metrics and state-of-the-art risk management practices – supports us in 'doing well' and in achieving our mission to generate superior risk-adjusted long-term financial returns. Successful ESG integration is based on:
 - a) adequate training to help investment decision makers understand the relevance of ESG factors
 - b) access to data, research and analysis pertaining to ESG issues to inform investment decision making
 - c) formal integration of ESG factors into the security and asset selection process
 - d) active ownership practices.
2. Impact investing: Through impact investing, Zurich can help fund solutions to some of the pressing social or environmental issues of our time. Zurich is directly exposed to challenges such as climate change, resource depletion, and more. We have a direct interest in sustainable global economic growth and supporting communities in becoming more resilient to environmental and social challenges. Impact investments can help address these issues through their targeted, positive impact, and also offer a financial return commensurate with risks.
3. Advancing together: We believe that responsible investment will only truly have an impact if financial market participants are advancing together, making responsible investment mainstream. Only by acting collectively can ESG risk be priced efficiently, provide the right incentives to those seeking to raise capital in the market, and allow impact investments to provide capital on the scale needed to tackle the

pressing social and environmental issues of our time. Supporting collaborative initiatives and working together with other industry participants to advance responsible investment practices thus forms an integral part of our approach.

Navigating the complexity of insurance investment management and practising responsible investment at the same time can only be achieved by fully integrating these responsible investment practices into the overall investment approach and making them part and parcel of everyday investment decision-making. Strategies and policies alone are not sufficient. Responsible investment must become part of the organisation's DNA – its culture. This will take time, leadership and 'learning by doing'. To accelerate and support this process, we are providing incentives to investment professionals to practice responsible investing by reflecting responsible investment in individual objectives across the Investment Management organisation; we have incorporated responsible investment into Zurich's technical competency framework used to determine job profiles and training requirements; we have established a global group of 'responsible investment champions' representing individual teams; and we have built a small but dedicated responsible investment team that acts as a catalyst and engages with the rest of the organisation on an ongoing basis.

Please see the following resources for further details about Zurich's responsible investment approach:

- Doing well and doing good – Why Zurich practices responsible investments. Available at: <https://www.zurich.com/en/corporate-responsibility/responsible-investment>
- Responsible Investment at Zurich – What we want to achieve, and how we do it. Detailed white paper describing Zurich's responsible investment approach in detail. Available at: <https://www.zurich.com/ /media/dbe/corporate/docs/corporate-responsibility/responsible-investment-at-zurich.pdf?la=en&hash=72A35940F6FEF2914231845A4A14F7FD46F24966>
- In our PRI transparency report (which included climate-change related questions in the 2018 edition), available at (note: the 2018 report is scheduled to be published on www.unpri.org and later Zurich.com in July): <https://www.zurich.com/ /media/dbe/corporate/docs/corporate-responsibility/ri-transparency-report-2017-2018.pdf?la=en&hash=FA17D99CF406B12EFE5DEE1768678E2BF0F0EADC>

Every business and asset will be affected by climate change and the collective action taken to mitigate or adapt to it. This will be the case even if society successfully transitions toward a low-carbon economy, and, as envisaged by the Paris Accord succeeds in keeping future global temperature increases in this century 'well below' two degrees Celsius. The impacts of climate change run through all the elements of our responsible investment strategy, and can mainly be viewed in the categories of 'transition risk' and 'physical risk'. In 2017, Zurich's Macroeconomic and Market Strategy team developed a climate change scorecard to monitor the probabilities of transition and physical risks. The 2018 version can be found here:

<https://www.zurich.com/en/corporate/knowledge/articles/2018/09/me-topic-target-for-global-warming-is-melting>

Zurich has defined a clear strategy to reflect climate change in its investment approach and we are committed to action in seven areas:

1. Scenarios: it is hard to take action without context. Zurich's Market Strategy and Macroeconomics team has defined high-level scenarios and is monitoring developments with the help of a scorecard that is updated regularly. The analysis is available on Zurich.com.
2. Strengthen ESG integration: given its complexity and long-term nature, climate change represents a particular challenge for ESG integration. Additional data and tools are required to raise awareness among investment professionals and to support integration in investment strategies.
3. Benchmarks: ESG integration practices might fail to effectively capture all climate change-related risks and opportunities. We are testing in selected asset classes the use of bespoke benchmarks that incorporate a climate risk assessment and will evaluate the application of such benchmarks for new and existing portfolios on a case-by-case basis.
4. Finance the transition to a low-carbon economy: as part of our ongoing commitment to impact investing and our target to help avoid the emission of five million tons of CO₂ per year, we will evaluate green investments across different asset classes on an ongoing basis.
5. Drive change through advocacy: public and private sectors need to take decisive action. Zurich has defined clear positions on topics such as transparent risk disclosure, carbon pricing, etc.
6. Engagement: as part of engaging with the companies in which we invest, climate change

should be reflected on the agenda and considered in voting practices.

7. Selective exclusions: recognizing the particularly harmful impact of coal on climate Zurich has developed a Group approach on selectively excluding companies related to the mining of or electricity generation from thermal coal from its underwriting and investing activities. This position was published in 2017 and implemented in 2018.

Further information on Zurich's adaptation of the FSB TCFD's recommendations can be found here: <https://www.zurich.com/en/corporate-responsibility/climate-change/tcfd>

In addition to our focus on the PRI, Zurich has also developed approaches to manage environmental risks in our underwriting, establishing in 2012 goals and plans for 7 CR focus areas and developing an approach, implemented in 2013, to manage sensitive business risks, including environmental risks through the CR in business transactions process. This included positions on oil & gas and mining activities in sensitive environmental areas such as wetlands and polar regions, as well as positions on oil sands and fracking. In 2017 Zurich became a signatory of UNEP FI Principles for Sustainable Insurance 2017 and established our first thermal coal position, which was enhanced and expanded in 2019 with more stringent limits on the most carbon intensive fossil fuels including thermal coal, oil sands and oil shales.

In 2018 Zurich contributed to the UNEP FI PSI ESG in Underwriting working group, which resulted in the publication early in 2019 of the first ESG guide for the global insurance industry. This was based in part on Zurich's own experience of incorporating ESG in our underwriting activities, integrating ESG risk considerations into our core insurance business processes and decision-making. The development of this ESG approach is based on the PSI principles and involves establishing an ESG risk appetite, integrating ESG issues into the organisation in particular in Underwriting standards and guidelines, having clear roles and responsibilities for ESG issues and Senior leadership support, together with and escalation and decision taking process.

In 2018 Zurich implemented a new Sustainability Risk team within the Group Risk Management function, which provides second line support to first line activities in Underwriting, Investment Management and Operations to establish Group positions on various ESG topics and to oversee the processes and provide assurance around ESG processes.

2.2 Measure and disclose the implications of climate-related issues for business performance (including investments) and key stakeholders.

Zurich's Group-wide approach to managing climate risk is embedded within its multi-disciplinary risk management processes. Zurich conducts a climate risk assessment annually using Zurich's proprietary Total Risk Profiling (TRP) methodology to identify relevant risks and mitigating actions.

Investments

As outlined, Zurich has defined a clear strategy to reflect climate change in its investment approach and we are committed to action in seven areas:

1. Scenarios: it is hard to act without context. Zurich's Market Strategy and Macroeconomics team has defined high-level scenarios and is monitoring developments with the help of a scorecard that is updated regularly. (See below)
2. Strengthen ESG integration: given its complexity and long-term nature, climate change represents a particular challenge for ESG integration. Additional data and tools are required to raise awareness among investment professionals and to support integration in investment strategies.
3. Benchmarks: ESG integration practices might fail to effectively capture all climate change-related risks and opportunities. We are testing the use of special benchmarks that incorporate a climate risk assessment and will evaluate the application of such benchmarks for new and existing portfolios on a case-by-case basis.
4. Finance the transition to a low-carbon economy: as part of our ongoing commitment to impact investing and our target to help avoid the emission of five million tons of CO₂ per year, we will evaluate green investments across different asset classes on an ongoing basis.
5. Drive change through advocacy: public and private sectors need to take decisive action. Zurich has defined clear positions on topics such as transparent risk disclosure, carbon pricing, etc. See section IV for more details.
6. Engagement: as part of engaging with the companies in which we invest, climate change should be reflected on the agenda and considered in voting practices.
7. Selective exclusions: recognizing the particularly harmful impact of coal on climate Zurich has developed a Group approach on selectively excluding companies related to the mining of or electricity generation from thermal coal from its underwriting and investing activities.

In 2017, Zurich's Macroeconomic and Market Strategy team developed a climate change scorecard to monitor the probabilities of transition and physical risks, which is updated annually.

Scenario 1 – Failure to act: Business as usual. In the failure to act scenario, governments and businesses do too little too late to tackle climate change, with temperature rising steadily to well above 2°C. Climate change models show that this leads to rising physical risk, with increased likelihood of extreme weather events, flooding, storms and draught, and an indirect impact on health and resources such as water and crop yield (IPCC's RCP 8.5 scenario, forecasting a mean temperature and a sea increase of 3.7°C and 0.63 meters, respectively, can serve as a reference point). The risk of unpredictable and potentially catastrophic events also rises if tipping points for abrupt and irreversible climate changes are reached, for example due to the melting of permafrost or the ice cap. The presence of these tipping points adds an additional layer of uncertainty around the long-term impact of climate change, both on the physical and the economic environment.

Scenario 2 – A 2-degree world: Change ahead. At the other end of the spectrum is a 2°C compliant world, where measures are taken to make progress towards a low carbon economy, with the temperature rise from preindustrial levels kept at or below 2°C by 2100 (IPCC's RCP 4.5 scenario, forecasting mean temperature and sea level rise of 1.8°C and 0.47 meters, is a reference point). Physical risk is contained relative to the failure to act scenario, though not eliminated, and some regions will be more exposed than others. In the near to medium term, this scenario is dominated by transition risk, as far-reaching changes to the global energy system are needed to reduce the carbon footprint, and every part of the economy will be affected. Independently of the precise pathway to reach a 2°C compliant world, the transition will be disruptive, as significant asset price moves are required to shift resources to the renewable sector on a global scale. The transition

will be particularly costly if action is initially delayed, so timing is critical when assessing transition risk. Zurich has developed a score card approach to assess the likelihood of the two scenarios described above, judging the 'failure to act' scenario as the most likely outcome at present.

That assessment, along with the scenario narratives, are used as the basis for Zurich's 7-point climate change investment strategy, as described above, and have directly informed the impact assessment described there. The time horizons considered were chosen so as to capture relevant internal strategic and financial planning cycles ("near and medium term") as well as more extended periods over which physical impacts of climate change might accentuate ("long-term"). More details on the scenario narrative and score card assessment can be found at <https://www.zurich.com/en/corporate/knowledge/articles/2017/11/me-topic-navigating-climate-change> and is updated annually for internal use.

Zurich analysed physical and transition risks for selected parts of its investment portfolio. While Zurich is exposed to both near-term transition and long-term physical risk, initial analysis suggests that very significant impairments would be required for the Zurich portfolio to be materially impacted. The Group does not consider such impairments currently likely, and exposure is expected to be further mitigated with ongoing implementation of Zurich's responsible investment and climate change investment strategies, which focus on a whole bandwidth of measures from scenario planning, ESG integration and impact investing to engaging with both companies and policy makers and implementing selective exclusion screens (e.g. coal).

In 2018, we developed an impact measurement framework to track the success of our impact portfolio. Zurich is proud that a pilot study of the majority of its impact investments revealed that it helped to avoid 3.4 million tons of CO₂-equivalent emissions and, separately, improves the lives of 2.4 million people annually, as of December 2018, indicating we have reached 2/3 of our target.

The impact measurement framework we developed allows us to aggregate the impact across Zurich's impact portfolio in terms of two defined impact metrics: 'CO₂-equivalent emissions avoided' and 'the number of people who benefited.' Data on emissions of greenhouse gases (generally quoted in tons of CO₂-equivalent emissions) is a commonly used indicator to assess the climate impact of an asset as established by the IFL harmonised framework.

'Avoided' CO₂ emissions are calculated against a baseline scenario that reflects the most likely project outcomes or level of service achieved in the higher-carbon status quo of the economy.

<https://www.zurich.com/en/sustainability/responsible-investment/impact-investment>

Underwriting

One of the most important climate-related risks that Zurich measures and monitors is the accumulation risk in the key P&C insurance lines of business that are most impacted by natural and man-made catastrophes, especially severe weather events related to climate. Zurich has a sophisticated natural catastrophe modelling approach that incorporates outputs of several commercial models in a proprietary modelling platform.

This in turn helps Zurich identify important climate-related natural catastrophe limits for exposure and RBC (risk-based capital) measures.

Green Bonds

Zurich Insurance Group had, as of June 2018, invested EUR 150 million in green bonds issued by the Spanish multinational utility company Iberdrola. This investment enables the utility to avoid 46,000 tons of CO₂ emissions in the course of a year, the equivalent of CO₂ emissions released by 1.9 million propane cylinders used for home barbecues, or the carbon sequestered by almost 800,000 tree seedlings grown over a 10-year period.

2.3 Incorporate the material outcomes of climate risk scenarios into business (and investment) decision making.

Climate change is perhaps the most complex risk facing society today: it is inter-generational, international and interdependent. As a global insurer, Zurich faces risks from climate change. In 2017, Zurich conducted its first Group-wide analysis of climate change-related risks and identified a set of actions to address them. Zurich uses the framework of the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) to distinguish between two types of climate-related risks:

- Transition risk – risks associated with the transition to a low-carbon economy.
- Physical risks – risks associated with physical manifestations of excessive warming.

Zurich based its analysis on two scenarios (see above) to represent an archetypal transition pathway and a physical risk pathway, and applied a scorecard approach to assess the relative likelihood of the two scenarios, and their progression along pathways over time. The two scenarios are not mutually exclusive as transition risks and physical risks coexist, but Zurich's initial assessment shows that a physical risk pathway currently is significantly more likely than a transition pathway. Overall the Group considers its near-term (less than five years) climate change-related risks to be manageable and foreseeable, whereas long-term (more than 10-15 years) risks to be elevated and highly uncertain. The Group analysed the effect of climate-change risk on its major risk types:

Underwriting risks:

- **Physical risks:** Generally, annual policy renewals provide a degree of insulation against increasing physical risks for short-tail business. Initial analysis suggests that property, motor and crop lines of business are potentially most at risk from climate change, with rainfall, cyclone and hail as the driving perils. While standard industry natural catastrophe models are regularly updated and designed to reflect today's risk, including climate change, potential gaps are addressed as part of Zurich's model validation process and the 'Zurich View' approach, leveraging both internal and external expertise. For long-tail business, legal liability represents the most significant potential risk from climate change. However, based on Zurich's current assessment, this and related risks are not material at this time, although climate change-related legal action could become more frequent going forward. Indeed, Zurich's potential exposure to climate related litigation relates to both Zurich's potential exposure under insurance policies (especially liability policies) and as a legal entity. Zurich, therefore, has a Working Group at Group level, of which the UK is a key member, that deals with the likely exposure from current law and regulation as well as possible future emerging law and regulation. A UK specific sub-group comprising of colleagues from Legal, Claims, Underwriting and Corporate Affairs has also been implemented.
- **Transition risks:** Specific lines of business may be at risk from transition effects. Initial assessment suggests that this risk is contained. Zurich has considerable expertise in providing insurance solutions for green assets but not all types of

'green' assets represent, to date, profitable business opportunities.

Investment risks:

Zurich analysed physical and transition risks for selected parts of its investment portfolio. While Zurich is exposed to both near-term transition and long-term physical risk, initial analysis suggests that very significant impairments would be required for the Zurich portfolio to be materially impacted. The Group does not consider such impairments currently likely, and exposure is expected to be further mitigated with ongoing implementation of Zurich's responsible investment and climate change investment strategies, which focus on a whole bandwidth of measures from scenario planning, ESG integration and impact investing to engaging with both companies and policy makers and implementing selective exclusion screens (e.g. coal).

Operational risks:

Given the low-carbon nature of Zurich's business, continuous progress on energy and carbon reduction targets, Zurich's voluntary carbon offsetting scheme, and strong local disaster and recovery planning in place for all facilities, Zurich does not consider operational risks related to climate change to be material.

Further aspirations and planned activities for 2019

Based on expert opinion and applying Zurich's proprietary Total Risk Profiling (TRP) methodology, the risks identified are highly unlikely in the near term to have an impact considered 'moderate' or higher on any of the impact dimensions (capital, earnings, liquidity and reputation) considered as part of the assessment. Efforts are underway to further assess climate change-related risk exposures for underwriting and investment portfolios. Among its follow-up actions, the Group plans to further analyse its underwriting portfolio for transition risk, amend its governance requirements to reflect climate risk in catastrophe modelling, and monitor and assess opportunities in green assets.

In addition, the Group is integrating climate and sustainability risk assessments into its standard enterprise risk management framework and tools to consistently identify risks and create mitigating actions over time. For more information about Zurich's assessment of climate risk, see www.zurich.com/en/knowledge/articles/2017/11/me-topicnavigating-climate-change

3. Lead in the identification, understanding and management of climate risk

3.1 Ensure processes for identifying, assessing and managing climate-related risks and opportunities are integrated within the organisation.

To ensure our businesses are applying our purpose and values as well as mitigating reputational risks, we have a systematic and fully integrated approach to identifying, assessing and recommending action on potential ESG risk and opportunity areas from a sustainability perspective across all our activities, but particularly Investment Management and Underwriting. This includes climate-related risks. The Governance, Nominations and Sustainability Committee of the Group Board (GNSC) responsibilities and authorities include to review and propose to the Board for approval, targets on environmental, social and governance (ESG) matters which have a material impact on business strategy, underwriting or business performance. Clear roles and responsibilities, both at the level of the Zurich Board of Directors and Zurich management, ensure effective oversight and action with respect to climate change-related risks. Relevant key accountabilities of Executive Management include:

The Group Chief Risk Officer (CRO) acts as executive level sponsor for the Group's sustainable business framework with responsibility for overseeing its implementation and integrating sustainability risk into the overall risk management framework. Climate change is a central pillar of the Group's sustainable business framework. The Group CRO oversees implementation of that framework as executive-level sponsor and is responsible for the further integration of sustainability risk into the overall risk management framework. As part of these efforts, the Group CRO sponsors an annual Climate Risk assessment during which climate related risks are assessed and appropriate mitigating actions defined. The Group CRO is also responsible for Zurich's annual Task force on Climate Change-related Financial Disclosure (TCFD) disclosure.

The Group Chief Investment Officer is responsible for execution of Zurich's responsible investment approach and climate change investment strategy. The Head of Macroeconomics annually assesses high-level climate change scenario narratives. Responsibility for reviewing relevant external trends and driving Zurich's retail underwriting strategy rests with Chief Underwriting Officers at country

level to ensure strategy is reflective of local need, while this responsibility is centrally managed for Commercial Insurance.

Climate change is a key focus of the Zurich's internal Current and Emerging Risk Groups. The strategies developed by these groups are integrated in the underwriting pricing and risk management processes from the Group level and cascaded down. Indeed, we have started using Zurich's risk management tools in order to assess the climate risk for Zurich's operation and determine mitigation strategies.

When reviewing a risk, Zurich's underwriter assesses the climate risk peril based on the use of our proprietary view and of third party vendor models.

- The risk view is used consistently across the different processes including pricing, planning, reinsurance, risk and capital management.
- Our current capital model (Z-ECM) we have for example loading factors for modelled storm surge losses above what leading cat models provide that partly could be related to climate change.
- Based on this understanding, we engage with customers to help them monitor climate change impact of their and their suppliers operations, and articulate and implement mitigation actions through our advisory services.

Cat-Stress Testing

Zurich maintains a sophisticated mathematical Natural Catastrophe Model to understand the aggregate risk at the Group level. It includes climate-related perils, such as tropical cyclones, extra-tropical cyclones, floods and severe convective storms. The model is not purely reliant on a single model vendor (e.g. Risk Management Solutions Inc.) but has the flexibility to use any vendor model's output and implement proprietary adjustments to both the severity and frequency of events to reflect the 'Zurich View' of risk. Zurich aims to understand the assumptions in the models, gain a multi-model view, compare to claims experience and use internal and external insight.

The assessment and management of the impact of extreme weather events is part of our core business competency. We have a state of the art Cat modelling capacity addressing climate-induced perils such as windstorm, flood, tornado & hail

including any potential change of the climate to date. We also include loading factors for modelled storm surge losses above what leading cat models to our current capital model (Z-ECM). Moreover, our cat models are continuously updated with new data reflecting the current risk and implicitly adapting for a change of the climate over time.

To ensure that all climate-related events are considered we have started investigating if scientific/meteorological trends can be observed and need to be integrated to current models. We immediately integrate developing changes in experience driven by climate change through pricing analytics and cat models.

The time scale of the changes projected is typically over a period of several decades. In the catastrophe accumulation processes Zurich is continuously adjusting to actual developments over time in a manner appropriate for the instruments modelled. Catastrophe models typically are updated every five years. Zurich considers the impact of climate change on a five year time horizon to be smaller than the impact of the natural climate variability (e.g. ENSO, AMO) and the general variability of catastrophe events.

Zurich monitors emerging climate research through internal expertise and gains external insight through the Advisory Committee for Catastrophes, which is made up of world-class scientists, including an author from the Intergovernmental Panel on Climate Change.

Pricing & Risk Management

We immediately integrate developing changes in experience driven by climate change through pricing analytics and cat models. Moreover, our economic capital model additionally includes loading factors for modelled storm surge, based on claim data. We have also strengthened our resources allocated to climate risk within the risk function and started using Zurich's risk management tools in order to assess the climate risk for Zurich's operation and determine mitigation strategies (TRP started in 2018)

Resilience Framework

Through a comprehensive review on resilience, we have created a resilience framework which we firmly believe demonstrates how the different aspects of resilience can be brought into one "overall resilience concept". Our framework combines thinking on the four properties of a

resilient system (4Rs) developed at Multidisciplinary Centre for Earthquake Engineering Research (MCEER) at the University of Buffalo, and Robert Chambers' Sustainable Livelihoods Approach (SLA) and its five capitals (5C) which was adopted by DFID. This 'systems thinking' approach takes into account the assets, interactions and interconnections at community level, and provides consistency when it comes to identifying and testing potential sources of resilience. We call it the 5C-4R resilience framework.

Our framework, combines 44 indicators (so called sources of resilience) that can help people on their development path and also provide capacity to withstand and respond to shocks and achieve wellbeing. The 5Cs comprise human, social, physical, financial and natural capital. The 5Cs provide greater richness of data about a community's sources of resilience than any single metric such as average income.

Further aspirations and planned activities for 2019

Resilience Framework

We want to scale the resilience framework beyond our own programs and have put forth the document to motivate/encourage others. We use this and highlight the option whenever we talk about the FRMC at this stage. We believe we have enough experience and knowledge from the past few years using the FRMC that we are ready for this type of scaling. Anyone with a need to measure resilience should reach out to us and we are happy to look into collaboration/supporting them. This could be both applying the FRMC 1:1 in their context, but also possibly using the general framework and 5C-4R thinking but not necessarily the tool / details.

It is evident that there is a need to look more into other perils related to climate change. While the specific content of the FRMC and its 5C-4R model is for the peril of flooding, the thinking and approach we are using is universal and could be developed for another peril (for example wildfire risk as part of climate change) which we are actively investigating.

Natural Catastrophe

Our Catastrophe Research & Development team is also currently being expanded by 2 new researchers focused on climate change. This is for both

increasing the focus on the model validation for current risk as well as for linking climate and cat models to establish potential risk views for future climates.

3.2 Support and undertake research and development to inform current business strategies on adapting and mitigating to climate-related issues.

PERC

Part of Zurich's commitment to Community Flood Resilience is the Post Event Review Capability (PERC) function which is aimed at understanding flood events and causes of related catastrophes or losses – key questions of our independent forensic research are: 'What has worked well (best practices)?' 'What has gone wrong and why (highlighting reasons for losses and assessing root causes)?' PERC has developed a thorough understanding of best practices in flood mitigation and flood resilience and is providing a platform for knowledge exchange and recommendations. The Zurich flood resilience alliance and wider partners have further refined the PERC concept and conducted further studies on major flooding events. These include the Central European floods of 2013, the December 2013 storm surge flood in the UK (aka 'Xaver'), the 2014 Central Switzerland mountain flash floods, the 2014 Balkan region floods, the 2014 Morocco floods; the 2014 Karnali river, Nepal floods; the 2015 UK Cumbria floods; the 2015 South Carolina floods; as well as one on flash flooding in Germany and two on separate lessons from events that happened in the coastal areas of Peru in 2016 and 2017. We continued to look into major events to produce PERC reports with Hurricane Harvey in Texas in 2017 and Hurricane Florence in North Carolina in 2018. All completed PERC reports are available for download here: www.zurich.com/en/corporate-responsibility/flood-resilience/learning-from-post-flood-events

Zurich Risk Engineering personnel involved in the PERC incidents are likely to gain increased understanding and insight which they can potentially use when advising customers and when providing survey reports to underwriters. However, we are not looking to use PERC as a means of

gaining a commercial competitive advantage over other insurers – the reports are publicly available so that everyone can benefit from them.

Since over a dozen PERC studies have now been conducted, we have made a series of compilations available that highlight the key lessons learnt from these event analyses around the globe for particular target audiences, including the public as well as those recommendations aimed at our customers. We find that natural hazards events all teach some of the same hard lessons, whether the destruction comes from floods, fires, windstorms or other events. To make this more directly tangible for risk managers in business and industry, we have published two summary reports highlighting the joint lessons learnt and how they are relevant for risk managers globally, which have won Zurich Insurance Group an Outstanding Achievement Award from the National Hurricane Conference in the US in 2019. We are continuing to expand and scale the PERC approach by turning them into a professional continued education (CE) course and working with business and research partners in Australia, Canada and the US to study other perils such as wildfires. See more at <https://www.zurich.com/en/knowledge/articles/2018/06/how-hard-lessons-strengthen-resilience-against-disasters> and <https://www.zurich.com/en/knowledge/articles/2019/05/events-are-natural-disasters-are-not>

The Zurich Flood Resilience Alliance 2.0

The successes and lessons learnt in the phase 1 of the Flood Resilience Alliance demonstrated that whilst we are on the right track more can and needs to be done to build community flood resilience. Following our approach of long-term and flexible funding to focus on problem analysis and innovative solutions to build community flood resilience, the next phase that started in July 2018 is another five-year commitment that we are increasingly excited about. This provides us the opportunity to investigate the topic even more deeply. The objectives for the next five-year period are:

- Generating USD 1 billion in additional funding for flood resilience
- Encouraging effective public policy in support of flood resilience
- Developing sound practices and policy support for flood resilience
- Measurably enhancing flood resilience in vulnerable communities across the world.

Floods affect more people globally than any other type of natural hazard and cause some of the largest economic, social and humanitarian losses.

By using Zurich's risk expertise as a global insurer, we can help customers and communities reduce the devastating impacts of floods – even before a flood hits – and build resilience to this disaster. By building flood resilience we understand how a community, system or society can pursue its development and growth objectives while managing flood risk in a way that benefits them all. The members of the flood resilience alliance provide a credible critical mass of expertise across sectors and geographies to demonstrate, inform and inspire global stakeholders and decision-makers to invest in flood resilience

We are looking forward to working with the NGOs Concern Worldwide, the International Federation of the Red Cross and Red Crescent Societies (IFRC), Mercy Corps, Plan International and Practical Action as well as research partners International Institute for Applied Systems and Analysis (IIASA) the London School of Economics, and the Institute for Social and Environmental Transition-International (ISET).

We are also keen to emphasise that the phase 2 of the Alliance is a truly shared responsibility, where every partner can bring their core interests, both internal and external, can bring their core interests and skills to the fore. Indeed, this is not about every member of the alliance playing a bit-part role or Zurich driving this top-down. Instead, we have set up individual workstreams led by individual organisations who volunteered to do so, supported by select partners working as a cross-organisational team. These work stream leads are empowered to deliver their part to the overall Alliance vision. The team leads will come together and discuss progress and operational success. This ensures work streams communicate effectively with each other and avoids silos. An Alliance management team also looks at overall progress against the vision and revises the strategy of the next steps accordingly. This is an exciting new way of working in a non-profit program in the whole Disaster Risk Reduction space and will create the environment for innovative ideas and decisions moving forward.

We have programs running in 16 countries around the globe. A large focus of these programs is on scaling and partnering with other civil society, NGO and private sector organizations, and on sharing learning. The alliance is open source and sharing its knowledge through its dedicated flood resilience portal at <https://floodresilience.net/>. Our unique flood resilience measurement framework is now

also in its second generation with a simplified and updated end-to-end mobile App and online software. We have started to scale this framework with external non-profit organizations in both developing and developed countries, including Nepal, India, Germany and the United Kingdom.

Understanding where our program is impactful and measuring change is one of our key ambitions. We have built a rigorous process that leads us from our vision of flood resilience and the three main objectives mentioned earlier to a theory of change jointly developed with all our partners to pathways how this theory of change can be implemented. Built on the back of these pathways are a set of innovative indicators that are currently developed into a measurement, reporting and learning (MRL) system. The MRL is a new way of integrated reporting of impact and change that we will use to measure progress against our objectives.

The advocacy strand of our program is continuing to be very active. We have produced a set of advocacy and policy briefs that helped us engage in the three main global dialogues around climate change (UNFCCC and the Paris Accord), the

development arena (the 2030 SDGs) and disaster risk reduction (Sendai Framework for DRR and the UNDRR office), and how our approach to resilience and development helps ensure these three agendas work collectively together. We have had a significant presence at the recent UNDRR Global Platform 2019 in Geneva and are working on supporting the new ambitions expected to be announced at the UN Secretary General's Climate Summit in September 2019.

Further aspirations and planned activities for 2019

As part of the Zurich Flood Resilience Alliance, we are currently investigating a resilience bond. Similar to green bonds, and following the example of the Washington DC 'Stormwater Bond', we are working with financing facilities, investment experts and dedicated resources from within the Alliance to research and develop flood-resilience bond-type investment vehicles that will help us achieve the goal of more investment directed at pre-event resilience building.

4. Reduce the environmental impact of our business

4.1 Encourage our suppliers to improve the environmental sustainability of their products and services, and understand the implications these has on our business.

As part of our 'Request for Proposal' process all UK suppliers must complete a due diligence questionnaire that includes corporate responsibility and environmental criteria. All third-party contracts must include a section relating to conducting periodic business reviews to monitor that the supplier is operating to our standards, including Corporate Responsibility. In addition, key third parties are reviewed on a quarterly basis using a performance management framework and onsite assessment as appropriate. Environmental performance and credentials are a key consideration when assessing the suitability of third-party arrangements and, increasingly, we are working with third parties that can enhance our corporate responsibility profile. We are the only insurer taking part in Social Enterprise UK's Corporate Challenge, which commits a group of companies to spend £1 billion with social enterprises by 2020. An example of such an arrangement is the provision of Belu Water (who give all their profits to WaterAid) in all our canteens and Ninety, who provide consultation services.

Compliance with the standards and the relevant legislation is audited by Zurich. A failure by a supplier to comply or to rectify the issue within a set time frame will result in our contract being withdrawn.

We have substantially reduced the amount of paper communications we issue to our suppliers with most transactions being conducted electronically thanks to the introduction of our new VTrack system. Emails or texts are being sent instead of letters and claims settlements are by electronic fund transfer instead of cheques wherever possible.

Claims involving the replacement of white goods are replaced by our approved suppliers with Band A energy efficient appliances. Any white goods removed for disposal from a customer's property by our approved suppliers comply with the relevant WEEE directives for safe disposal.

We actively encourage our Claims suppliers to adopt environmentally-friendly methods of working. This includes adopting a repair versus replace philosophy wherever possible and encouraging the use of

recycling. Examples of these principles include incentivising our approved motor repair network to repair body damage rather than fit new panels and where new panels have to be fitted, the old ones are sent for recycling. Our approved glazing contractor recycles damaged glass and strips down UPVC items removed from a customer's home to their component parts for refurbishing and re-using.

We have adopted DocuSign for the execution of our supply chain contracts. This has replaced the previous process of printing and photocopying multiple page documents and their subsequent storage, as the whole process is now conducted electronically.

Further aspirations and planned activities for 2019

We can influence our own operational footprint, supplier performance, and generate new value opportunities for our communities. Traditionally, our practice and thinking has been confined to the areas of spend targets, sustainability in office fit-outs and third-party adherence to the Zurich CR policy. While this approach has worked well, there is now a growing wave of innovative thinking in supply chain sustainability and Zurich intends to be leading the charge and setting some of the best standards in sustainable sourcing.

We will focus on minimising our environmental footprint supported by sustainable sourcing. The framework for this will include minimum standards/relevant due-diligence questions, relevant contract requirements and reporting requirements/formats. Key deliverables will include:

- Implement policy and framework to support BU'S deliver on global objectives
- Define global minimum sourcing standards
- Review global 3rd party due-diligence
- Embed minimum standards into Supplier Relationship Management programs for strategic suppliers
- Develop standard 3rd party reporting (supported by Coupa)
- Define and embed reporting metrics aligned to sustainable development goals
- Develop global community of practice to support global implementation
- Design and develop global communication toolkit supported by global champions.

4.2 Measure and seek to reduce the environmental impacts of the internal operations and physical assets under our control.

Emissions

Zurich reports emissions in line with the Greenhouse Gas Protocol. Our data is assured by an independent third-party auditor. We publicly disclose our Group environmental performance data on [Zurich.com](https://www.zurich.com)

Following the success in reducing our carbon footprint per employee by 10% across the Group between 2007 and 2013, Zurich set itself a new target to reduce carbon emissions by 50% by 2020. This target was achieved four years early in 2016. In 2017 a new Group target was set to reduce carbon emissions per employee by 20% by 2025, compared to a 2015 baseline. Sub-targets for facilities and business travel emissions per employee were also agreed (20% reduction by 2025 compared to a 2015 baseline). In 2018, Zurich confirmed achievement of these targets for all three emissions targets. This reduction was achieved by ensuring our new offices were built to the highest environmental specification, increasing the use of 'green' energy, increasing energy efficiency standards in owned buildings, improving the fuel efficiency of the vehicle fleet and raising employee awareness for environmental matters. In addition, effective utilisation of video and telephone conferencing capabilities has reduced air travel, contributing to the reductions in carbon emissions.

Facilities emissions

To help reduce our energy consumption and facilities emissions, we continue to implement a number of initiatives including:

- Introducing more efficient lighting, utilising intelligent controls, movement detectors and replacing lighting with more efficient lamps where possible

- Replacing old air conditioning equipment and boilers with newer, more efficient systems
- Reviewing the lighting controls and heating and cooling plants at each building so that they only operate during office hours
- Pre-determining the heating controls to maintain a building temperature of 22°C, ±2°C
- Requiring all building and engineering projects to include a sustainability case
- Purchasing certified renewable electricity
- Introducing 'Dynamic Working' in many of our offices, which aims to promote a more effective working environment focused on better teamwork and sharing of resource and equipment. It allows our employees to work in an 'agile' way, allowing them to work from a variety of locations, including their home (which is further reinforced by Zurich's FlexWork program). The introduction of dynamic working and FlexWork has allowed us to reduce our office space and also reduces the commuting miles travelled by our employees.

In the UK, we are delighted that in 2018 our absolute facilities emissions were down by 54% compared to 2015.

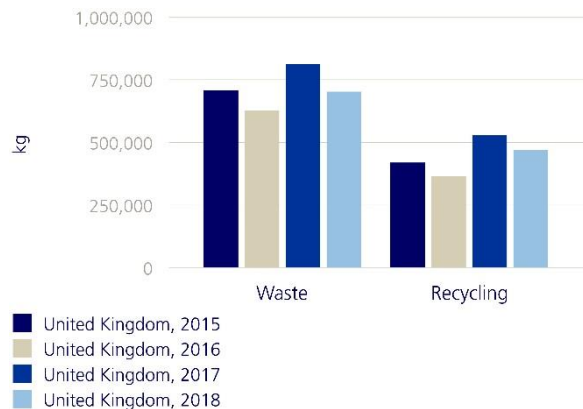
Travel emissions

Since 2015, Zurich has reduced absolute travel emissions by 23% through use of technology by encouraging telephone and video conferencing in place of travel, and stricter travel planning practices. We have also recently installed electric vehicle charging points at our office sites in Fareham and Steelpark to encourage hybrid/electric vehicle use whilst there is also work within fleet to investigate how hybrid/electric vehicles can be more attractive to company car users.

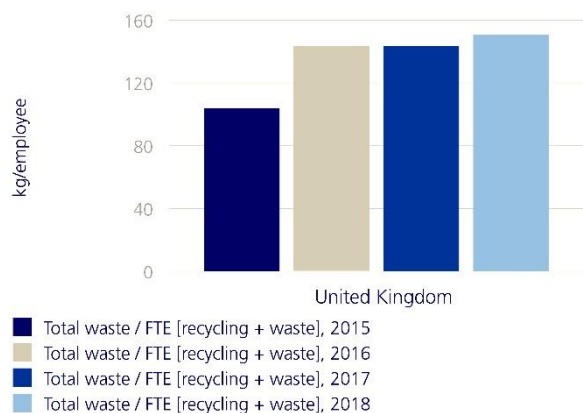
Zurich is carbon neutral, reaching the milestone at the end of 2014 through our internal carbon emissions reduction efforts and by using a forestry project in Indonesia to offset emissions that cannot be eliminated.

Waste minimisation

Waste produced



Total waste produced per employee



Recycling progress

UK locations continue to implement their local environmental action plans, with environmental champions along with continued education developing a more proactive support for environmental initiatives. Our waste contractor has also maintained an integrated approach to managing our various waste streams as well as the provision of reliable information. Our Management Information quality continues to improve enabling us to be more accurate in reporting and more aware of areas where we are performing well and showing areas for improvement.

Water minimisation

Since 2008, analysis of water consumption at larger sites has been facilitated using a detailed spreadsheet, showing figures based on accurate consumption and occupancy figures for the location.

Waterless urinal systems have been installed to those locations that are suitable. In other locations, movement detectors have been installed that trigger the flushing. A programme of works to install tank bags to all WC cisterns that are not dual flush has been successfully completed and flow restrictors have been fitted in all washroom facilities.

Paper reduction

Across the business we have optimised our customer journeys to enhance the information and capabilities available through our websites, reducing the need to apply for many products by paper and we are also able to send more correspondence digitally, further reducing paper use. Indeed, all customer journeys are now designed from a 'mobile first' point of view to react to changing customer demands. This has been accompanied by making many documents which were previously provided in physical format to be digital only once again reducing paper, storage and distribution.

A prime example is for our Zurich Municipal customers where we have actively designed our policy documentation to ensure it now uses 20% less paper, with signposting and digital information where appropriate. Similarly, Zurich's direct motor and home products enable customer self-serving with the ability to manage policy adjustments and obtain policy documentation electronically. This model has been designed in response to market and customer feedback where it was emphasised that customers are eager to reduce their impact on the environment with increased ease of access to necessary documentation.

Moreover, within our Retail business we have the Zurich Investment Platform which enables customers to review and research their investments and pensions online with documentation and correspondence able to be stored online, reducing paperwork for both customers and advisers. The Pension Dashboard will have a similar impact we anticipate. For our retail intermediaries we have launched a pipeline tracking app, allowing them to track the status of pending protection cases, thereby reducing the level of correspondence sent both to and from advisers.

Zurich has also developed a protection platform enabling advisers to apply for multiple policies (up to five) in one application. Called 'ZHub', the platform provides advisers with a personalised dashboard where they can keep track of their entire protection business with Zurich. Electronic signatures are now also used in many processes which would have traditionally required a 'wet' signature.

We want to offer choice of communication channels to our customers, in increasingly digital formats. We have, therefore, recently appointed a new communications supplier who are going to help us do that. Our external print requirements currently include policy documentation such as letters, booklets, claims correspondence and marketing material. For customers who prefer printed communications, our new communications supplier will be using paper that comes from sustainable forests and is made out of recycled fibre. The paper has been approved by the Forest Stewardship Council and the Programme for the Endorsement of Forest Certification.

There will be a transition period between our previous print supplier and our new supplier for the remainder of 2018, just to make sure everything is working properly and to minimise disruption

New office locations

Our physical working environment and the positive impact that our office buildings can have on both the environment as well as the health and well-being of employees have formed a key part of our sustainability agenda. Key to this is how we integrate both sustainability and well-being principles into the design and day-to-day operations of our offices. This enables a holistic effort to support employees in feeling good and functioning well.

Glasgow

In July 2018, Zurich opened its new office in Glasgow's business district, expanding its presence in Scotland by establishing a sustainable and dynamic workspace for 240 people. The new building has been designed to maximise efficiency and to minimise running costs achieving both a Building Research Establishment Environmental Assessment Method (BREEAM) 'Excellent' rating as well as an Energy Performance Certificate (EPC) 'A' rating.

The state-of-the-art environment has been designed to reflect Zurich's commitment to employee wellbeing, with onsite facilities including a lounge area, games room and wellbeing room.

As part of its' ongoing commitment to the environment, we also recycled over 38,000 items of furniture during the office move, with a saving of over forty thousand kilograms of carbon dioxide. Moreover, we recycled over twenty tonnes of waste throughout the build of the new workspace and has establishing on site recycling facilities.

Birmingham

In April 2019 we relocated our Birmingham office into a new state of the art workplace in The Colmore Building right in the heart of Birmingham city centre. The Colmore Building has a platinum Wired Certification, which is best in class for connectivity. The Colmore Building also boasts a an 'Excellent' rating under BREEAM (Building Research Establishment Environmental Assessment Method), which means it has been designed to maximise efficiency and to minimise running costs.

Further aspirations and planned activities for 2019

Zurich is currently in the planning stages to relocate our Swindon Office into a new purpose-built facility. We will be aiming for a BREEAM rating of 'Excellent' for the new site.

4.3 Disclose our Scope 1 and Scope 2 GHG emissions and Scope 3 GHG emissions using a globally recognised standard.

Zurich reports the following emissions categories:

Facilities:

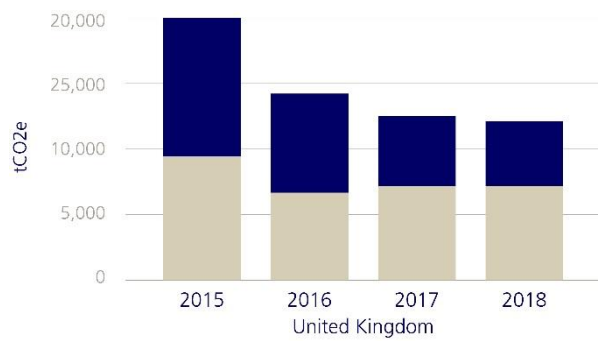
- Electricity – scope 2
- Onsite heating – scope 1
- District heating – scope 2
- Fuel and energy related activities – scope 3

Business travel

- Car fleet – scope 1
- Air travel – scope 3
- Rail travel – scope 3
- Rental car travel – scope 3

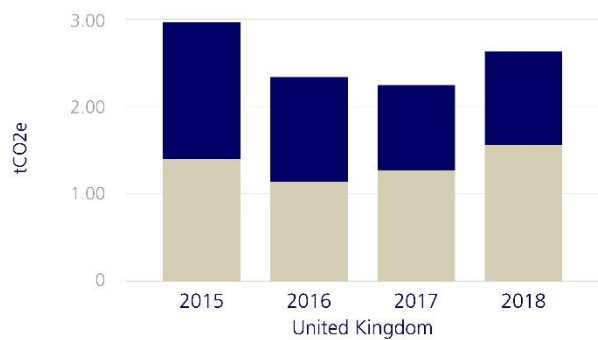
In 2018, the UK business' total absolute emissions were 12,194CO₂ tonnes which is 2.6 tonnes per employee. This is a 39% reduction in absolute terms, and 11% reduction in normalised terms, as compared to 2015.

Absolute carbon emissions 39% reduction as compared to 2015



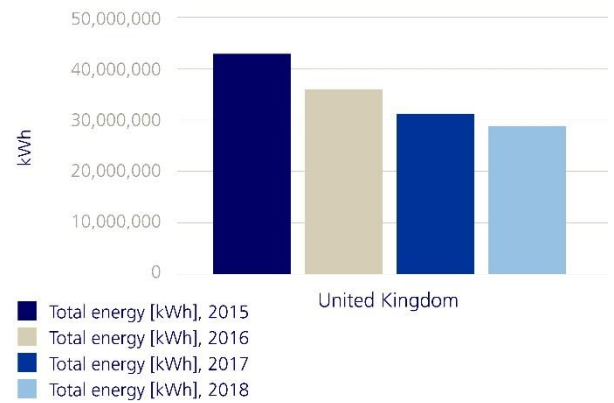
■ Facilities emissions (t CO₂e)
■ Travel emissions (t CO₂e)

Carbon emissions per employee 11% reduction as compared to 2015

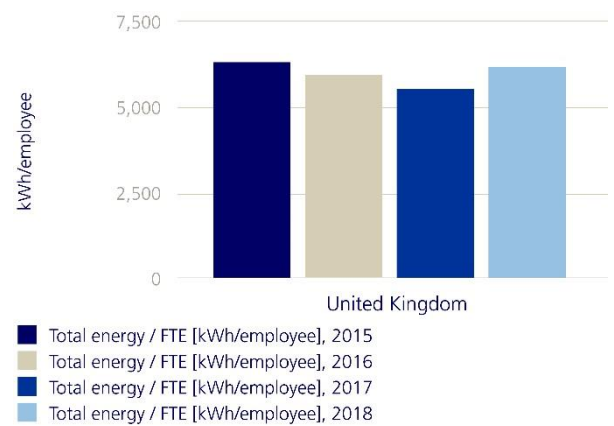


■ Total facilities emissions per FTE, t CO₂e
■ Total travel emissions per FTE, t CO₂e

Absolute energy consumption 33% reduction as compared to 2015



Energy consumption per employee 2% reduction as compared to 2015



We will continue to measure the size and shape of the UK's carbon footprint as well as leading various initiatives seeking to shrink the footprint still further. In particular we will be focusing on our registration and compliance with the CRC Energy Efficiency Scheme and ensuring on-going compliance with the EPB Directive, both of which will help further improve our energy performance.

CDP is an international, not-for-profit organization providing the only global system for companies and cities to measure, disclose, manage and share vital environmental information. Through CDP we provide information on our greenhouse gas emissions, energy use and the risks and opportunities from climate change. The Zurich Group has submitted a response since 2004.

Further aspirations and planned activities for 2019

In 2019 Zurich is chairing the Carbon Footprinting Working Group of the CRO Forum. The purpose of the working group is to recommend an industry standard for a carbon footprint methodology to quantify carbon emissions in the re/insurance underwriting portfolio. The resulting public report will detail the methodology and recommend its implementation, including options to quantify the exposure of re/insurers to the carbon emissions of the underwritten risks, which can serve as an industry wide standard. The methodology will be practical and implementable and result in robust and comparable metrics which can also be reported externally.

As insurers are supporting international efforts on carbon reduction in line with the Paris agreement (COP 21), many companies have announced decarbonisation measures, such as divestment or withdrawal from insurance for thermal coal. Currently, most insurance companies disclose carbon emissions of their own operations (Scope 1 and 2 as well as partially scope 3 emissions). However, the emissions related to the insurance portfolio remain undisclosed. To manage carbon risks in insurance portfolios in a meaningful way, an industry standard for a carbon footprint methodology to quantify carbon emissions in the insurance portfolio is a requirement. There is increasing regulatory focus on appropriate disclosure around climate change risks and we believe that a methodology developed by the industry itself, leveraging existing tools and methods, is an important contribution to understanding climate change risks.

4.4 Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-informed choices outside work.

Global Activity

Building on 2018's success spreading broader awareness of environmentally friendly behaviors in the workplace, Zurich is scaling up a globally coordinated set of Executive Committee-endorsed initiatives and targets. Our 2019 sustainability priorities are focused on engaging our employees on better understanding climate risks, significantly improving the waste-management practices and clean energy use in our office operations, and spreading awareness on what climate-friendly solutions our employees can adopt in their personal lives.

In addition to continuing our 2018 communication campaigns, we are investing significantly in coordinating and catalysing employee engagement towards realising new Operational Sustainability targets:

- Taking actions during 2019 to allow us to eliminate single-use plastics in our global managed facilities and catering services
- Take actions by end 2019 to allow 80% reduction in internal copy paper consumption (versus 2015 baseline)
- 100% Renewable Power in global operations by 2022

Since the above ambitious targets require significant behavior change amongst our employees daily-work behaviors, we added two new dedicated full-time employees to support employee engagement and catalyse behavior change at a global scale, focused on engaging, communicating the 'why', and spreading best practices showcasing the required new work behaviors:

- NEW Sustainability Change Manager – responsible for coordinating climate-related initiatives across Zurich functions and Business Units.
- NEW Senior Sustainability Communications Manager – responsible for internal communications to support achievement our targets, employee engagement, and behavior change.

In 2019, we have already begun implementing many significant improvements to Employee Engagement on Climate Change that go beyond awareness building to actually helping all of our employees be better prepared to 'walk-the-talk' when it comes to mitigating climate change and support achieving our updated sustainability targets, including:

- Workplace by Facebook group for Sustainability with nearly 2000 active members contributing to lively discussions around climate policy, climate change science, Zurich's contribution to Climate Action, and identifying solutions for home and at work.
- Strengthening our Community of Practice (CoP) for Operational Sustainability that build off of our previous Green Champions network – a specialised CoP for colleagues working within operations and facilities management to come together to learn and share best practices around more eco-friendly office practices like limiting printing and eliminating single-use plastic and switching to 100% renewable power in our global operations.
- Launch of new Global Learning Program focused on Climate Risk
 - Basic Awareness module available on our global digital learning platform (Zurich Oxygen Academy) and supplemented with local 'lunch&learns' that provide an easy to understand overview of climate risk and the implications for the insurance sector. (Engagement target: 10'000+ employees by end of 2019 and 40'000+ by end of 2020)

- Technical Skills Training for underwriters, investment managers, risk managers, and global relationship leads that upsills some of the relevant key roles to be proficient applying the latest assessment and analytics techniques for managing Climate Risk. (Engagement target: 500+ relevant technical roles trained by end of 2019)

- Climate Change is now officially included as a key pillar of the new 5-year strategy for our Z Zurich Foundation, which focuses on enabling employees to get involved in volunteering projects directly related to Climate Change in their communities.
- Green Week 2019 will be launched later in the year within some of our largest Business Units, providing our employees with opportunities to make more sustainable choices in their personal lives and connect with local NGO partners that are focused on addressing climate change and environmental degradation in our communities.

UK Activity

Last year, we announced that we would be providing all UK employees with a re-usable, steel water bottle. This was a substantial commitment to reducing plastic in our organisation. These bottles have now arrived. Ensuring everyone has access to a reusable bottle has not been a particularly cost-effective option, but it has been the right thing to do. Our supplier, Give Me Tap, has an exceptional record of providing fresh water to global communities who need it, and our commitment has ensured that 2000 people in Ghana now have fresh-water for life, which makes our investment all the more worthwhile. Give Me Tap also have an App that will tell you where you can source free water around the UK using your bottle, so there's almost never a reason to buy plastic water bottles again.

Introducing re-usable, steel water bottles is not all we've been doing to remove plastic from our organisation.

- On 3 June, we removed all plastic cutlery in our on-site kiosks, and replaced it with cutlery that is produced from plant matter, making it environmentally safe and entirely compostable.

- We continue to offer re-usable cups for use in our on-site kiosks. Since offering these cups (either after 10 purchased drinks or paying £2 that then goes to the Zurich Community Trust) we have seen 15% of kiosk purchases use them. The upfront cost of the cups is given to the ZCT, helping them to carry out more great work.
- We've also been asked to trial Lavazza's new paper cups in our Farnborough and Swindon sites for some of the drinks options, and these will be introduced in the next couple of months. If the trial is successful, all plastic cups will be replaced as soon as practicable.

Reducing plastic is not just a facilities matter, everyone has a part to play and we have a number of employee led initiatives to drive change internally. These include a single use plastics taskforce and our Make the Difference team.

Single use plastics taskforce

Teams from around our business have found ways to reduce plastic in their activities; for example our Marketing and Internal Communications teams have agreed to no longer use plastic balloons for events.

Make the difference

Make the Difference brings Zurich employees together to work with our top leaders on projects addressing some of the biggest challenges we face today. As part of this, the Make the Difference programme has worked to increase awareness of what can be done to reduce our impact on the environment.

Further aspirations and planned activities for 2019

- Green Week 2019 will be launched later in the year within some of our largest Business Units, providing our employees with opportunities to make more sustainable choices in their personal lives and connect with local NGO partners that are focused on addressing climate change and environmental degradation in our communities.
- Enabling Carbon-Offsetting for our Employee's personal travel – in September 2019, we will launch an internal digital webshop that enables employees to easily offset their personal carbon emissions by connecting them with high-impact 'blue carbon' offsetting projects that also support flood resilience (e.g. mangrove reforestation). Since offsetting is something Zurich does already at a corporate level to maintain our carbon neutral status, we also want to make this easy for our employees to do as well as build broader awareness around the topic of carbon budgets and the importance of reforestation as a natural climate solution.
- Development of Zurich's long-term 2050 Sustainability Ambition related to Climate Change through engaging in a design-thinking inspired co-creation process with our NextGen Council of young talents across the globe.

5. Inform public policy making

5.1 Promote and actively engage in public debate on climate-related issues and the need for action. Work with policy makers locally, regionally, nationally and internationally to help them develop and maintain an economy that is resilient to climate risk

Zurich proactively engages with global, regional and local policymakers, governments and opinion leaders. Through this engagement Zurich keeps abreast of policy trends and emerging issues and shares its insurance expertise and insights to contribute to effective policy solutions.

Nationally

Zurich has continued to work with the relevant government bodies such Department for Business, Energy and Industrial Strategy (BEIS), The Crown Estate and other stakeholders to support the development of the Carbon Capture and Storage in the UK and Europe. Zurich also continues to influence this debate through other forums, particularly through our membership of the Carbon Capture and Storage Association (CCSA). The CCSA is the main trade association in the UK and Europe linking industry with policymakers to ensure commercial-scale CCS projects can play a part in moving towards a low-carbon global economy. Zurich sits on the CCSA Risk and Regulatory Group.

The Zurich Flood Resilience Alliance, through its alliance member LSE (London School of Economics)'s Grantham Research Institute (GRI), is working to implement the FRMC also in coastal communities through local councils in the East and Northeast of England, which will include the baseline measurement to assess strengths and weaknesses using our 5C-4R model and to identify options to build community resilience, with the idea of supporting existing mechanisms and endeavours to identify and prioritize implementation projects. The effectiveness of these projects can be assessed doing a repeat, or endline, measurement using the FRMC.

Internationally

Zurich engages at a European level through its EFR membership and met with the European Commission representatives on several climate change related issues. Particularly, an outreach was organised on the EU Sustainable Finance Action Plan Zurich supported.

Zurich maintains a constant level of engagement with EU policymakers on the sustainability agenda (sustainability risks and sustainable investment), Member States, Members of the European Parliament and the European Commission. Zurich is an active member of the Sustainability working group of Insurance Europe, monitors, discusses and promotes regulatory developments in the sector. Indeed, Zurich has been actively engaged with the EU (the European Commission and EIOPA) and across Europe through the European Financial Roundtable (EFR), the Pan-European Insurance Forum (PEIF) and Insurance Europe to influence policy thinking on climate change.

Zurich is active at a European level, participating in discussions with peers and policymakers on the potential review of the flood directive. Zurich engages with the European Commission, DG CLIMA and ENVI and Member States to elaborate on the potential review of the Flood directive and to help them implement the current directive and has both submitted its own position on the public consultation for the floods directive as well as collaborated with the sustainability working group member of Insurance Europe to participate in the public consultation, including specific expert stakeholder interviews that we have been requested to participate in given Zurich's extensive expertise in flood resilience.

Zurich also sits on the stakeholder dialogue board of the ECO2 – a multi-agency European Commission funded project to investigate the impact on marine ecosystems of sub-seabed CO2 storage. Zurich has also worked with various European Governments and intergovernmental agencies such as the European Commission DG Energy and the IEA (International Energy Agency), to better understand the risks associated with CCS.

Zurich is an active member of Insurance Europe's Sustainability Working Group in charge of natural hazards and flood related events.

Sustainable Housing

With housing a key priority for each of the major political parties, the need for the housebuilding sector to modernise its methods of construction has been increasingly identified as key concern, with it commonly suggested that traditional brick and block methods are unable to achieve the output required to meet the demand for new homes. This has resulted in modern methods of construction (MMC), including offsite timber construction and the use of prefabrication, becoming viewed as a key building method to meet the demand for affordable housing.

However, as MMC become more prevalent, trends are emerging around serious problems that can be experienced when implementing these methods of construction, particularly issues relating to the durability of the development, as well as the increased risk of larger scale flood and fire damage. However, there is also a sustainability issue, particularly relating to modular construction, as there is the potential for the obsolescence of parts of modular developments whilst the inability to repair a modular home may require properties to be written off in their entirety in extreme cases. This raises serious questions over the carbon footprint of such developments and we have engaged Chair of the Environmental Audit Committee, Mary Creagh MP, on this issue specifically.

Liaison with Emergency Services

Over the last few years, the UK has experienced a number of flood events. These types of events require us to work closely with the emergency services and other local planning and response bodies and this is coordinated between our claims experts and through our public sector insurance business, Zurich Municipal. We liaise very closely with the Insurance Manager, Emergency Planning Officer and other relevant officers as required. This is all very much part of our standard approach to managing disasters.

In response to any flood event, Zurich's UK Major Loss Team, in conjunction with the Claims Service Managers and UK Major Incident Manager, all work with the affected authorities. Where there is a danger to local residents from damaged infrastructure, such as bridges or highways, we will work in partnership with the local authorities' Highways agencies, Police and Fire departments.

Moreover, our Major Loss Team assist in finding temporary transport solutions and our appointed engineers work with the emergency services to assess the safety of the structures in the short term and also with a longer-term view to determine

repair/reconstruction solutions to provide the most suitable and safe outcome for the community.

5.2 Support and undertake research on climate change to inform our business strategies and help to protect our customers' and other stakeholders' interests. Where appropriate, share this research with scientists, society, business, governments and NGOs in order to advance a common interest.

Climate Financial Risk Forum (CFRF)

The Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA) of the Bank of England established the Climate Financial Risk Forum (CFRF) in early March 2019. It brings together senior representatives from across the financial sector, including banks, insurers, and asset managers with Zurich a key stakeholder on the Forum.

The objective of the CFRF is to build capacity and share best practice across financial regulators and industry to advance financial sector responses to the financial risks from climate change and we will continue to engage with the CFRF on through the established working Groups.

Global Risks Report

Zurich continues to be one of two 'strategic partners' to WEF's Global Risk Report (GRR), providing editorial input, guidance and advice into the report's overall strategy, scope and structure. Climate Change risk was highlighted in the global risk opinion survey, with the top two global risks including; extreme weather events and failure of climate change mitigation and adaptation. A special section of the report on the risks and impacts of global sea level rise, identified three main strategies for adapting to rising sea-levels: (1) engineering projects to keep water out, (2) nature-based defences, and (3) people-based strategies, such as moving households and businesses to safer ground or investing in social capital to make flood-risk communities more resilient.

Flood Resilience Program

Purpose

Risks from flooding have been rising due to increasing population, urbanisation and economic development in hazard-prone areas. The number of flood disasters globally nearly doubled in the decade from 2000 – 2009 compared to the previous decade. This is a trend that is set to continue unless urgent action is taken. Studies show that for every dollar spent on selected flood risk reduction measures, an average of five dollars is saved through avoided and reduced losses. There is, therefore, an opportunity to innovate, incentivise and promote pre-event risk reduction instead of post-event flood relief. This is a complex issue to tackle and demands a multi-stakeholder approach. This is why the Zurich flood resilience programme has brought together an alliance of community, academic and private sector partners. In 2014, the secretariat of the UN's Framework Convention on Climate Change (UNFCCC) recognised the Zurich flood resilience programme as a Momentum for Change Lighthouse Activity – an outstanding example of efforts to address climate change and its impacts.

Our Partners

- Community Partners:
The International Federation of Red Cross and Red Crescent Societies (IFRC) Practical Action, UK
- Academic Partners:
The Wharton School, University of Pennsylvania and The International Institute of Applied Systems Analysis (IIASA), Vienna

Zurich works with this alliance to ensure that knowledge and ideas generated fit the needs of local communities and can be put into practice. Zurich not only provides funding (through the Z Zurich Foundation), but also supplies resources including the contributions of time, knowledge and expertise of its employees. What we learn through these activities is made publicly available and shared across customers, governments and communities. Learning from past disasters and improving adaptation strategies for the future is an inherent part of fulfilling the Sendai agreement on Disaster Risk Reduction, and we provide a significant amount of material to this learning environment.

Generating knowledge to build scale

Our partnership with Wharton and IIASA started in 2013 and has delivered key research insights. During 2013/14, we developed an issue brief which considered the complexity in understanding the

concept of resilience and proposed a framework to operationalise this. This brief has been one of the foundations of our work to develop a measurement approach, which has been introduced into community partners for trial at the end of 2016.

A second issue brief reviewed a variety of potential approaches to evaluate costs and benefits of risk reduction interventions, paving the way to trialling options in our community programmes.

During 2014/2015, Wharton has analysed the effects of incentives for flood risk reduction through examples in the US National Flood Insurance Program as well as the understanding of individual's perception of both probability and severity of flood impacts and how this drives individual decision making. They also studied the flood insurance market situations and policies in 25 OECD countries to highlight where protection incentives exist and looked at how disaster assistance reduces the demand for insurance. IIASA has advanced knowledge on crowd sourcing and the application of mobile technology to support flood disaster risk reduction in developing countries. They also reviewed economic efficiencies of disaster risk management using various cost and benefit methodologies.

Engaging Zurich people

Zurich's approach to building the alliance goes beyond a financial contribution. We want to engage the skills of Zurich employees in delivering the programme. In 2014, eight people were engaged in projects with our community partners, for periods ranging from

a couple of hours per week over six months to six consecutive weeks' input. In 2015, we were able to engage a further seven people on a similar basis. In addition, project support from volunteers in Mexico and Indonesia amounted to around 320 days per year.

Details of our program can be found on our website:
<https://www.zurich.com/en/corporate-responsibility/flood-resilience/secondment-program-for-zurich-employees>

We have a dedicated area on our Industry 'Knowledge Hub' which contains all our activity on Flood Resilience for the year:
<http://knowledge.zurich.com/flood-resilience#filtered>

6. Support climate awareness amongst our customers/clients

6.1 Communicate our beliefs and strategy on climate-related issues to our customers/clients.

Zurich's customer engagement regarding climate risks and impacts spans three key areas:

1. *Advancing wide-scale customer awareness*

Advancing wide-scale customer awareness takes two main forms of engagement depending on the type of customer, either large commercial customers or retail individuals. For commercial customers, we significantly invest in developing world-class Thought Leadership content related to the risk management response to climate change through on ongoing series of detailed whitepapers, aimed at helping our customers' risk managers be more informed and prepared to manage the risks posed by climate change. Such insights are continuously integrated into regional customer forums, key account stewardship meetings, and within larger publications like the WEF Global Risks Report, which all have received significant amounts of positive customer feedback to date.

For building wide-scale awareness within the slightly harder to reach individual retail customers, we have successfully piloted a soon-to-be globally-scaled Zurich's One Policy One Tree initiative (which has already reached +11'000 customers since July), where for each digital policy that is purchased by a customer, we plant a tree to honor their purchase. Beyond integrating positive environmental benefits within our products, the aim was also to build broader public awareness around the importance of reforestation and nature-based solutions at address climate change – something that is explicitly communicated to all customers who purchase insurance products within the scope of our ever expanding One Policy One Tree initiative.

2. *Integrating sustainability risk assessment and climate transition engagement into customer account management*

The second pillar of our customer engagement approach focuses on integrating sustainability risk assessment and climate transition engagement into customer account management. These approaches build on the foundation of our sustainability risk screening approach that has been around for years now, called Corporate Responsibility in Business

Transactions (CRiBT). The CRiBT process was implemented within our underwriting guidelines as a management approach to monitoring and managing sustainability risks within the customer projects we were asked to underwrite that may pose a reputational risk to Zurich or amplify potential losses. Recently, this now standard CRiBT process has been expanded to also implement Zurich's newly revamped Fossil Fuel Policy, that states we will only do business with firms with limited exposure to high-carbon intensity business practices and deeply engage with those affected customers over the coming two years to encourage them to adopt a sufficient transition plan and remain a Zurich customer. We currently have a number of clients falling in the more restrictive review policy for thermal coal and Oil Sands, and over the coming months we will begin engaging with them on understanding their transition plans.

3. *Developing new climate risk services based on customer demands.*

The final pillar of our current plans for engaging customers on climate change, is the development of new climate risk services based on customer demands. As a customer-centric organization, we take listening to our key customers very seriously. Via our Key Account Stewardship meetings and customer forums, we have learned that many of our key customers are very eager to receive additional support from Zurich in order to better understand their climate-related risks.

Natural Hazard Assessment

Zurich is the first insurer to add a dedicated natural-hazard assessment to the standard property risk engineering assessment services. We also help the customers with practical implementation of risk mitigation and adaptation measures into planning for business continuity, emergency response, supply chain management and infrastructure sourcing. Our involvement triggers a profound rethink of the overall sustainability and business resilience at the customer.

The Risk Engineering function also has a dedicated team advising customers on physical and organisational resilience to natural hazards and climate change. Such assessments consider supply chain and infrastructure reliability. Their advice

covers existing assets and future investments (e.g. support to customers on natural hazard-related risks for new projects, from the land acquisition to engineering design phases).

Climate change is a significant concern to Zurich and to our customers. As an insurer we can have a positive impact by helping existing and prospective customers to better understand their exposure to climate risks. As a business, we need to keep in mind the impact of climate change on our risk profile. We can, and do, educate businesses, policymakers, communities and individuals about the implications of severe weather, drought and flooding related to climate extremes.

Zurich Group announced in June 2019 that it is accelerating actions to progress towards a low-carbon economy amid an increasing climate crisis. As the first insurance company, Zurich has committed to set targets in the framework of the UN Global Compact Business Ambition Pledge that aims at limiting global temperature rise to 1.5°C above pre-industrial levels. Zurich will also expand its existing thermal coal policy aimed at reducing the use of carbon intense fossil fuels.

The recent report by the UN Intergovernmental Panel on Climate Change (IPCC), gives the world only 11 years to successfully transition to a new path or risk planetary warming with unimaginable consequences. This will require an immediate and major transformation across energy, land, industrial, urban and other systems. As one of the world's leading insurers we see first-hand the devastation natural hazards inflict on people and communities. This is why we are accelerating action to reduce climate risks by driving changes in how companies and people behave and support those most impacted.

Zurich recognises the vital role the Science Based Targets (SBT) play to meet the Paris Agreement's targets by specifying how much and how quickly companies need to reduce emissions. Currently, in the insurance sector, SBT do not typically exist for either Underwriting or Investment Portfolios. However, as part of Zurich's Pledge, we are playing an active role in developing industry methodology for measuring the carbon footprint of liabilities to enable setting such targets. Zurich has also joined the Stakeholder Advisory Group of the Science Based Target initiative, a project to help financial institutions align their lending and investment portfolios with the Paris Agreement ambition.

As part of Zurich's Pledge, we are also updating our position on some of the most carbon-intensive fossil fuels. In line with Zurich's prior thermal coal policy,

Zurich will engage with both clients and investee companies with more than 30% exposure to thermal coal, oil sands and oil shales in a dialogue over a 2-year period with the aim to drive a deeper conversation regarding their credible mid to long-term transition plans. The updated position outlines that Zurich generally will no longer underwrite or invest in 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;
- generate more than 30% of their electricity from coal;
- are in the process of developing any new coal mining or coal power infrastructure;
- generate at least 30% of their revenue directly from the extraction of oil from oil sands;
- are purpose-built (or 'dedicated') transportation infrastructure operators for oil sands products, including pipelines and railway transportation;
- generate more than 30% of their revenue from mining oil shale, or
- generate more than 30% of their electricity from oil shale.

We have also announced that we will use only renewable energy as power by 2022, and as such have formally joined the RE100, a global leadership initiative bringing together influential businesses committed to 100% renewable electricity. In addition, we are taking aggressive actions to eliminate single-use plastics and reduce internal paper usage by 80%. With extreme weather events already causing devastation around the world, Zurich will also continue to help those communities most impacted by flooding through its award-winning program to enhance flood resilience, which has already benefitted 225,000 people across nine countries.

And we have proven that we can be a positive force to help others to lessen risk through our award-winning, collaborative approach to increasing flood resilience. We also strive for greater sustainability in our investments, aiming to double our impact investment portfolio to USD 5 billion, to avoid 5 million tons of CO₂-equivalent emissions and improve 5 million people's lives on an annual basis. We are disclosing those efforts through

an innovative framework for measuring social and environmental investment impacts:

<https://www.zurich.com/en/corporate/media/news-releases/2019/2019-0312-01>

To make our overall position and actions on climate change transparent we do disclose our climate change governance and risks in line with the recommendations of the TCFD:

<https://www.zurich.com/en/sustainability/climate-change/tcfd>

This includes the disclosure of our progress against our chosen metrics:

<https://www.zurich.com/en/sustainability/measuring-our-progress>

We also see us having a strong role in raising general awareness and educating our customers on sustainability topics and climate change in particular:

In September 2018, we issued a whitepaper on Managing the Impact of Climate Change – Risk Management Response to help raise awareness with our customers on the impact of climate change and how to mitigate these from a risk management perspective. Among the key recommendations made was to urge companies to adopt a climate resilience adaptation strategy, a 3-step holistic approach from strategy down to operation. More details here:

<https://www.zurich.com/en/knowledge/articles/2018/09/managing-the-impacts-of-climate-change-risk-management-responses>

This whitepaper was the base of a 5 weeks global communication campaign in Q3 2018 using paid and not paid media, multi-channels targeting customers, distributors and key stakeholders. Additional content materials leverage during this campaign can be found here: <https://www.zurich.com/en/knowledge/topics/environmental-risks>.

This campaign also included dedicated workshops with some of our largest customers worldwide to dig into these climate issues in a deep and profound way. Those workshops helped us to raise awareness with our clients on what they should do to address this topic in their own organizations, but it also helped us to gain valuable insights on what they would need the most from us in this journey.

In January 2019, together with the World Economic Forum (WEF), we have launched the Global Risks Report 2019 with a large emphasis on environmental risks and climate change dominating the global risk landscape and actively promoted the notion that the world is sleepwalking into a crisis with climate change and there was a vibrant necessity for all stakeholders to act now. Since January 16, and until the end of June, we have entered in a multi-million dollar global communication campaign on this topic, actively promoting businesses to act on climate and do it so now. We are raising awareness on the latest trends, issues and also solutions that business can look for vis-à-vis climate change. We are speaking to thousands of corporate customers on this issue to multiple events, conferences and forums around the world. All in all, dozens of millions of people worldwide are reached with such a campaign. Example of content and messages:

<https://www.zurich.com/en/knowledge/articles/2019/05/climate-change-and-the-bottom-line-risk-strategies-create-opportunities-for-businesses>

We are contributing to leading research and positioning paper from think tank and other international organizations. An example of that is our contribution to – and promotion of – a “Climate Governance Principles/White Paper” issued by WEF on January 17 2019. We are in addition to that actively contributing to key initiatives such as the WEF resilience efforts that are also linked to the UN Summit in September and the Resilience track under the auspices of the UK government, actively promoting our expertise and insights to help business and communities preparing for current impacts of climate change, in particular physical risks such as flooding. These efforts will culminate in September 2019 with yet another major global communication campaign around the topic from end September throughout October.

Specifically, on our investment beliefs and strategy on climate change we have communicated in:

- Our Responsible Investment White Paper (<https://www.zurich.com/en/media/dbe/corporate/docs/corporate-responsibility/responsible-investment-at-zurich.pdf?la=en&hash=72A35940F6FEF2914231845A4A14F7FD46F24966>). Page 11 of The Responsible Investment White Paper lists how we incorporate climate change in our investment strategy.

- Our PRI transparency report (which included climate-change related questions in the 2017 and 2018 edition, (note: the 2018 report is scheduled to be published on www.unpri.org and later Zurich.com in July/August 2019).
- We also advocated and championed our Responsible Investment beliefs in a number of interview and media comments (in the last nine months in the Financial Times, Global Capital, Insurance Asset Risk, Environmental Finance, Responsible Investor, Le Temps, A.M. Best's Review, SRF, Funds Global Asia, CNN Money Switzerland, Risk Magazine, The Environment, Euractiv)
- Zurich is also one of the founding signatories of the IFC's Operating Principles for Impact Management https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Impact-Investing

Results and achievements derived from our climate change position are communicated continuously:

- a) On page 125 of our PRI Transparency report 2018/2019, we highlight that "Top down engagement activities in 2018 focused on growing the green bond market, supporting the transition to a low-carbon economy and asking for the implementation of the Paris Agreement, as well as the establishment of an economically viable carbon price. A priority for 2018 was to drive a top-down engagement campaign, which Zurich did in connection with divesting from companies that generated more than 50 percent of their revenues from mining thermal coal or had more than 50 percent of coal in their power generation mix. All in-house teams conducted bottom-up engagement activities, which are monitored through an annual internal questionnaire including a follow-up discussion."
- b) In 2018, we developed an impact measurement framework to track the success of our impact portfolio along the metrics of 'CO2e emissions avoided'. Through this process we engaged with fund managers and use-of-proceed issuers to ensure a common understanding of the impact numbers reported. These findings and learnings of impact measuring has been shared over social media. Further reading on the outcome: <https://www.zurich.com/en/sustainability/responsible-investment/impact-investment>
- c) Zurich was awarded as the Investor of the Year by the Environmental Finance magazine: <https://www.environmental-finance.com/content/awards/green-social-and-sustainability-bond-awards-2019/winners/award-for-investor-of-the-year-zurich-insurance-group.htm>

Recent interviews / media comments when Zurich advocated and championed Responsible Investment

<https://www.zurich.com/en/corporate/media/news-releases/2019/2019-0312-01>

Zurich was awarded as the Investor of the Year by the Environmental Finance magazine:

<https://www.environmental-finance.com/content/awards/green-social-and-sustainability-bond-awards-2019/winners/award-for-investor-of-the-year-zurich-insurance-group.html>

Zurich is one of the founding signatories of the IFC's Operating Principles for Impact Management https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Impact-Investing

Eric Usher, [United Nations Environment Programme Finance Initiative](#) (UNEP FI)

"We are excited to see UNEP FI member, Zurich, working to embed sustainability in their core business activities. In their dual capacity as investors and underwriters, insurers have an essential role in ensuring a healthy planet, and helping the finance industry play its part in achieving both the Paris Climate Agreement targets and the UN Sustainable Development Goals."

Amit Bouri, Chief Executive Officer, [Global Impact Investing Network](#) (GIIN), added: "The GIIN welcomes Zurich's focus on impact performance to drive better-informed investment decisions, and their commitment to sharing their learnings with other investors. Increasingly, investors are moving toward integrating financial and impact performance to drive decision-making and paint a clearer picture of the effects their investment decisions have on society and the planet. This is important because the challenges the world is facing are too urgent for impact capital to underperform."

One Policy One Tree Initiative

As part of Zurich's continued efforts to reduce our environmental footprint and support the Paris Agreement's target of limiting global warming, we have launched a new tree planting initiative being piloted in the UK. Zurich is offering to plant a tree for every single life policy that is issued digitally through Zurich UK's Life Protection Platform through reforestation specialists Tree-Nation. Each customer will receive a certificate of authenticity from Tree-Nation and will be able to monitor the growth of Zurich's forest and tree-planting project, which will be centred on Tanzania. Other countries across the Zurich Group have also been identified to join the initiative once learnings from the UK pilot are collated. With this initiative, Zurich is demonstrating our commitment and our ambition to being the most sustainable business we can, and our customers can be confident that placing business with us is helping to support not only their futures, but those of other generations too.

Further aspirations and planned activities for 2019

We are actively contributing to key initiatives such as the WEF resilience efforts that are also linked to the UN Summit in September 2019 and the Resilience track under the auspices of the UK government, actively promoting our expertise and insights to help business and communities preparing for current impacts of climate change, in particular physical risks such as flooding. These efforts will culminate in September 2019 with yet another major global communication campaign around the topic from end September throughout October.

Page 40 and the following of the [Responsible Investment White Paper](#) describe our engagement approach on the investment side. As part of further transparency, we are planning to disclose Zurich Proxy voting results from the 2018 voting season.

We are also currently in the process of developing a service suite of specialised offerings to support our customers' to better understand their climate risks and help them prioritise risk mitigation responses. There are already ongoing pilots with a few key customers and Zurich's broader network of Global Relationship Leaders will soon be trained in being better prepared to engage customers regarding climate risk and opportunities and position Zurich as a capable climate risk solution provider

6.2 Inform our customers/ clients of climate-related risk and provide support and tools so that they can assess their own levels of risk.

Flood guide and severe weather microsite

We continue to focus on areas that can benefit our customers in times of severe weather. We continue to promote our flood guide, designed for use by local authorities and their residents, which can be accessed by anyone for free at:

<http://newsandviews.zurich.co.uk/download/your-flood-guide/>

This guide aims to provide useful, straightforward advice for residents to prepare for a flood, act in the event, and begin recovery. It builds on lessons learned from significant flooding in recent years. There is also guidance on making an insurance claim by recommending actions to take from the outset. The guide has been developed in various versions, which includes a downloadable version allowing access from smartphones in an emergency.

Environmental liability

Our Environmental Damage and Pollution Legal Liability insurance, coupled with risk management strategies, can help protect businesses against unforeseen environmental risks. It covers clean-up costs and environmental damage costs to protected species or natural habitats, surface water or ground water and land.

Zurich Municipal has recently created an interactive resource on our News & Views website that aims to answer questions about flood risk – from identifying the types of risks customers' face, to what to do if you fall victim to flooding (including sector-specific guidance where relevant).

We regularly add new materials to this library in order to create a complete guide to flood risk. Visit <http://newsandviews.zurich.co.uk/risk-guides/flood/>

Risk Engineering

Flood Risk Management

Our Risk Engineering unit works with customers through site assessment and new build design meetings to ensure existing and proposed buildings are protected from climate related risks like storm, coastal flooding, river flooding and increasingly surface water flooding. We also ensure that we work with our claims team and loss adjusters to adopt a 'build back better' approach by incorporating flood resistance and flood resilience measures following any property damage. This also ensures that customers take advantage of any Government flood grants as some flood protection works may be classed as betterment i.e. improvements to the property which are not covered by the insurance policy. To support this, we have developed award-winning design guidance documents for the education and housing sectors which outline Zurich's views on new and refurbished building projects.

Cold weather also creates issues in relation to burst water pipes and we have provided customers with guidance on prevention and management of escape of water issues. In addition, we have worked closely with the construction industry to understand modern methods of construction and provide training and guidance to our customers and underwriters on the risks presented by sustainable materials. We have developed flood risk assessment tools which are supported by on-site assessments by our trained Risk Engineers who can also provide recommendations to customers with the aim of improving both flood resilience and resistance.

We continue to work on an engagement plan with relevant Government contacts and other stakeholders with a particular focus on sustainable urban drainage systems (SuDS) and the benefits in

relation to surface water flooding. We have also discussed investment and benefits of Natural Flood Management measures, understanding a whole catchment view of flood and the climate variability that comes from warmer, wetter, weather i.e. it's not necessarily the severity of individual storms but the continued and sustained heavy rainfall over a period of time that has led to flooding.

We also continue to use our Global Exposure and Accumulation Management (GLEAM) flood assessment tool to proactively communicate flood risk to customers across their entire portfolio. Our tool allows the customers entire portfolio to be analysed which will be used to lead into more detailed discussions around flood risk at medium to higher risk sites.

Natural Hazard Assessments

Zurich Risk Engineering proactively encourages customers to review their own behaviours in relation to climate change and is the first insurer to add a dedicated natural-hazard assessment to the standard property risk engineering assessment services. We also help customers with practical implementation of risk mitigation and adaptation measures into planning for business continuity, emergency response, supply chain management and infrastructure sourcing. Indeed, our involvement triggers a profound rethink of the overall sustainability and business resilience of the customer.

Moreover, the Risk Engineering function takes into account climate issues when advising clients with our Risk Engineering function having a dedicated team advising customers on physical and organisational resilience to natural hazards and climate change. These assessments consider supply chain and infrastructure reliability.

7. Enhance reporting

7.1 Submission against the ClimateWise Principles.

Zurich is proud to be a member of ClimateWise, supporting the insurance industry to take action on climate change and report publicly on our own performance against the ClimateWise sub-principles. Zurich produces a compliance report against the ClimateWise Principles in July each year.

7.2 Public disclosure of the ClimateWise Principles as part of our annual reporting.

Zurich's ClimateWise submission is published each year alongside our other environmental reporting and commitments on our UK website:
<http://www.zurich.co.uk/corporateresponsibility/environment/>

Our ClimateWise Report is also submitted as additional evidence as part of our submission to CDP to ensure a consistency in our public disclosure on key climate related issues.

As a global insurer, Zurich faces risks from climate change and provides this disclosure per its [commitment to adopt the recommendations](#) of the Financial Stability Board's Task force on Climate Change-related Financial Disclosure (FSB-TCFD). Moreover, we have a section on climate risk in the risk review of our annual report with reference to dedicated disclosure. Details are disclosed here: <https://www.zurich.com/en/sustainability/climate-change/tcfd>

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