

Zurich Annual Report

Introduction of the report structure

2023年xx月xx日



Overview

Structure of the Zurich Annual Report

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Group Interview

Overall Structure – Group Interview

It can be categorized into three primary sections: firstly, an overview of the performance achieved this year; followed by an explanation of the current business model; and lastly, a comprehensive analysis of future prospects and the strategic approaches undertaken.

	Content	Covered Sections
Performance Recap	Core values of the company and its overall performance for this year, including some important financial figure and achievements.	<ul style="list-style-type: none">Shape your FutureOur Performance (key financial figures and achievement)
Current Business Model	Focusing on explaining the company's current business composition and distribution, as well as the positive impact it aims to generate for shareholders, consumers, and the planet.	<ul style="list-style-type: none">Business mix (business lines and compositions)Global presenceMessage from Chairman and CEOBusiness Model (impact)
Future Outlook	Outline the challenges they expect to face in the future, along with the corresponding strategies.	<ul style="list-style-type: none">Business Environment (future challenge)StrategyBusiness Review (based on the business model)Public Welfare Actions

Key Financial Figures and Achievement in Performance Recap – Overview

 Business operating profit	 Business operating profit after tax return on equity	 Net cash remittances
 Investment portfolio	 Total amount of impact investment	 Net income attributable to shareholders (NIAS)
 Market capitalization	 Total Revenues	 Swiss Solvency Test ratio estimated
 Reduction in CO2e emissions from our own operations	 Standard & Poor's financial strength rating	 Number of customers interviewed

Key Financial Figures and Achievement in Performance Recap



Business operating profit

Indicates the operational performance of the Group's business units by eliminating the impact of financial market volatility and other non-operational variables.

- Elimination of non-operational variables
- Adjustments for taxes, capital gains/losses, and impairments on investments
- Exclusion of non-operational foreign exchange movements
- Exclusion of significant items arising from special circumstances
- Exclusion of specific expenses in BOPBIDA (Business Operating Profit before interest, depreciation, and amortization)



Business operating profit after tax return on equity

Indicate the level of BOP relative to resources provided by shareholders. Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges.

- It is calculated as BOP, annualized on a linear basis and adjusted for taxes, divided by the average value of shareholders' equity, adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges, using the value at the beginning and end of each quarter within the period.
- The average shareholders' equity for each quarter is then added together and divided by the number of quarters.

Key Financial Figures and Achievement in Performance Recap (Continue)



Net cash remittances

Cumulative cash remittances for the period 2020–2022.

- Cash remittances are typically obtained from subsidiaries through various means, including dividends, capital reductions, repayment of intragroup debt, and reinsurance profits.



Investment portfolio

Market value of the investment portfolio (economic view).



Total amount of impact investment

Impact investing refers to investment opportunities that are intentionally directed towards achieving specific and measurable social or environmental impacts.

- Impact investments in 2022 consisted of: green, social and sustainability bonds (USD 5.2 billion), impact private equity (USD 213 million) and impact infrastructure private debt (USD 867 million).

Key Financial Figures and Achievement in Performance Recap (Continue)

 **Net income attributable to shareholders (NIAS)**

 **Market capitalization as of December 31, 2022**

 **Total Revenues**

Total revenues excluding net investment result on unit-linked investments.

 **Swiss Solvency Test ratio (SST) estimated as of January 1, 2023**

Estimated Swiss Solvency Test ratio (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.

- The SST ratio is calculated as Group's SST available financial resources (AFR) minus market value margin (MVM) divided by the net of SST target capital (TC) and MVM.
- Market value margin, also known as risk margin, is the cost of future regulatory risk capital stemming from the present portfolio of assets and liabilities.

Key Financial Figures and Achievement in Performance Recap (Continue)

Reduction in CO2e emissions from our own operations (from 2019 to 2021)

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

Standard & Poor's financial strength rating of Zurich Insurance Company Ltd as of December 31, 2022

Number of customers interviewed through Zurich's NPS program

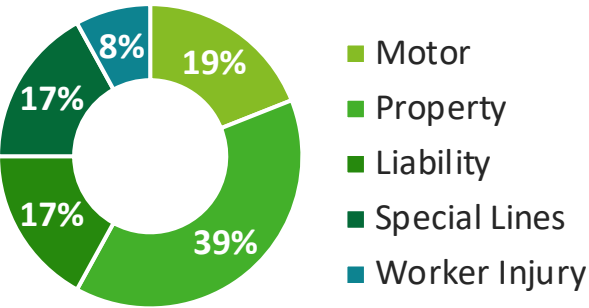
Through its net promoter system (NPS) program, Zurich interviewed around 1.2 million customers in 2022 across the business and took action based on their feedback.

Demonstration Example of Business Line & Strategy

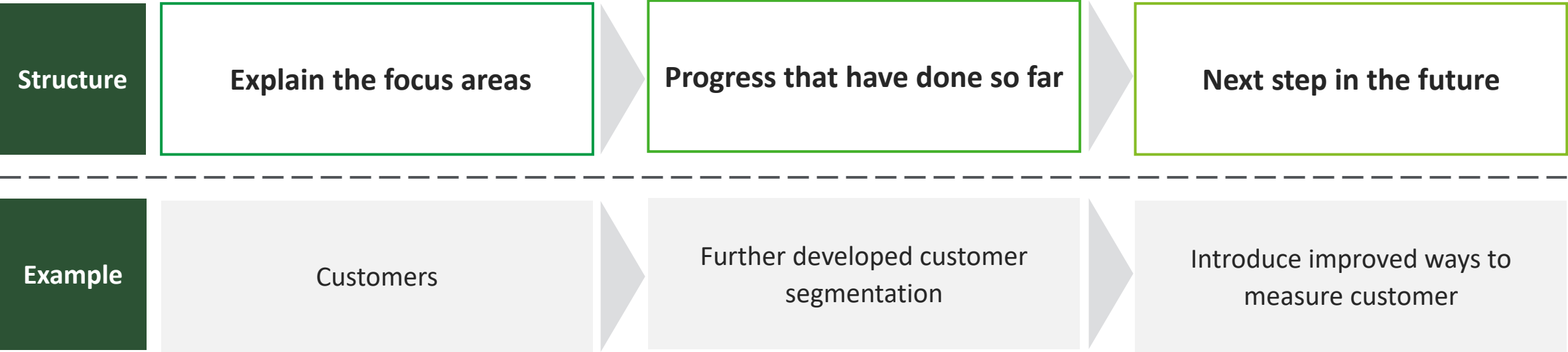
Current Business Model – Business Line



Business Mix (Property & Casualty)



Future Outlook – Strategy



Governance

Overall Structure – Governance

Explain the company's organizational and governance structure, as well as the salary.

Content

Covered Sections

Corporate governance report

Explain the company's composition, governance, capital, and regulatory framework.

- **Group governance**
- Capital structure
- Shareholders
- **Board of Directors**
- **Executive Committee**
- Governance and control functions
- External auditor
- Information policy

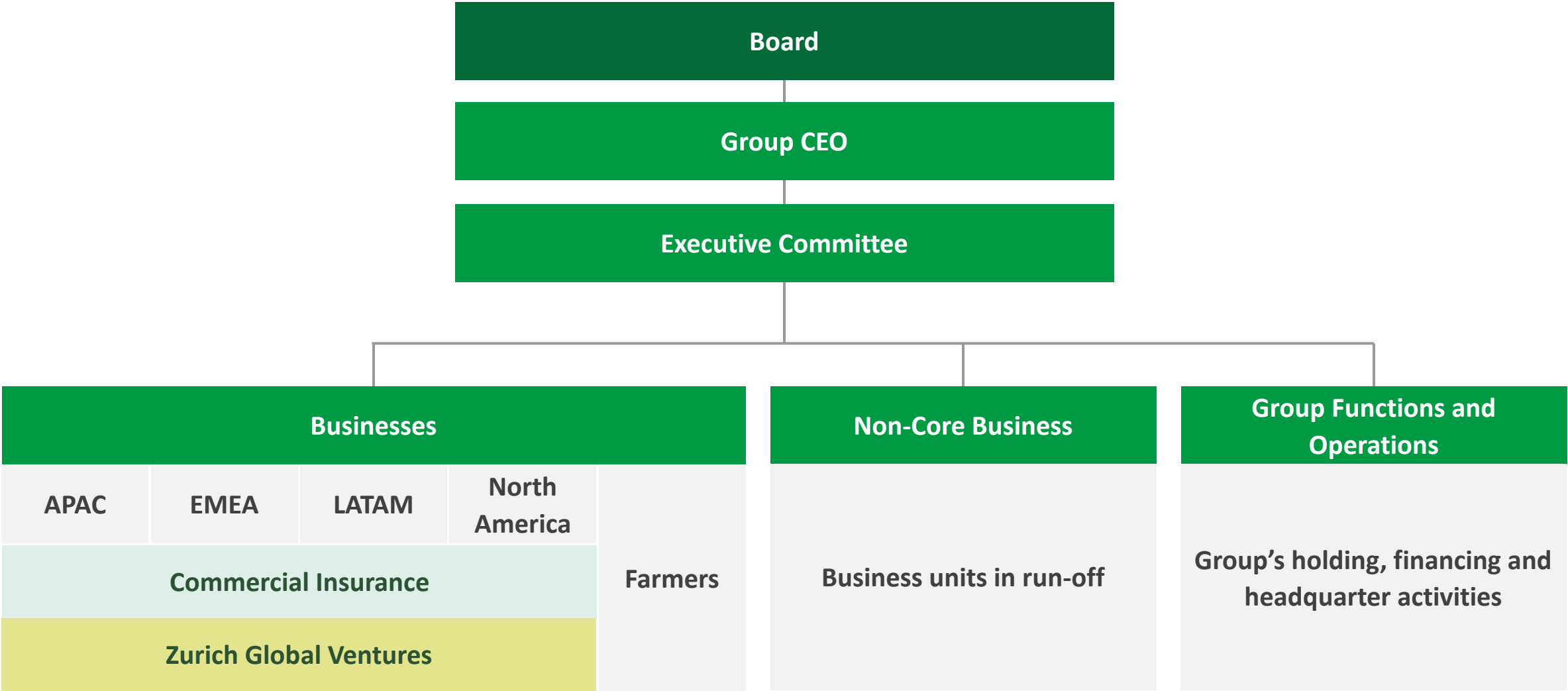
Remuneration report

Explain the company's salary distribution situation and standards.

- Remuneration summary
- Remuneration framework
- Remuneration governance
- Remuneration and shareholding
- Outlook 2023
- Report of the statutory auditor on the remuneration report

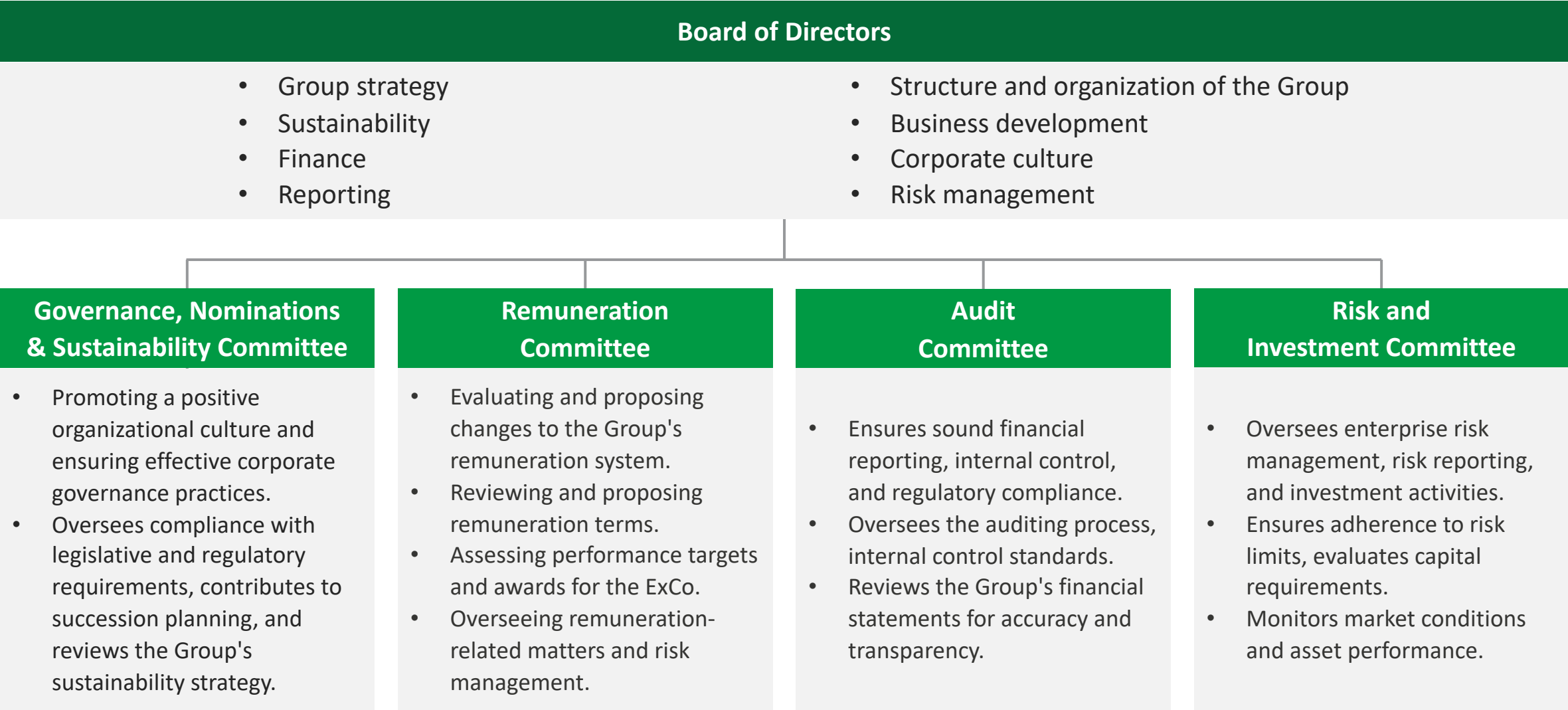
Group governance – Operational Group Structure

This section primarily focuses on explaining the overall organizational structure within the broader framework of the company.



Board of Directors – Responsibilities of the Board

Explanation of key members, organizational structure, and the responsibilities of the board.



Executive Committee – Group Management

Explanation of key members, organizational structure, and the responsibilities of the executive committee.



Executive Committee – Responsibilities

Explanation of key members, organizational structure, and the responsibilities of the executive committee.



Integrated Sustainability Disclosure

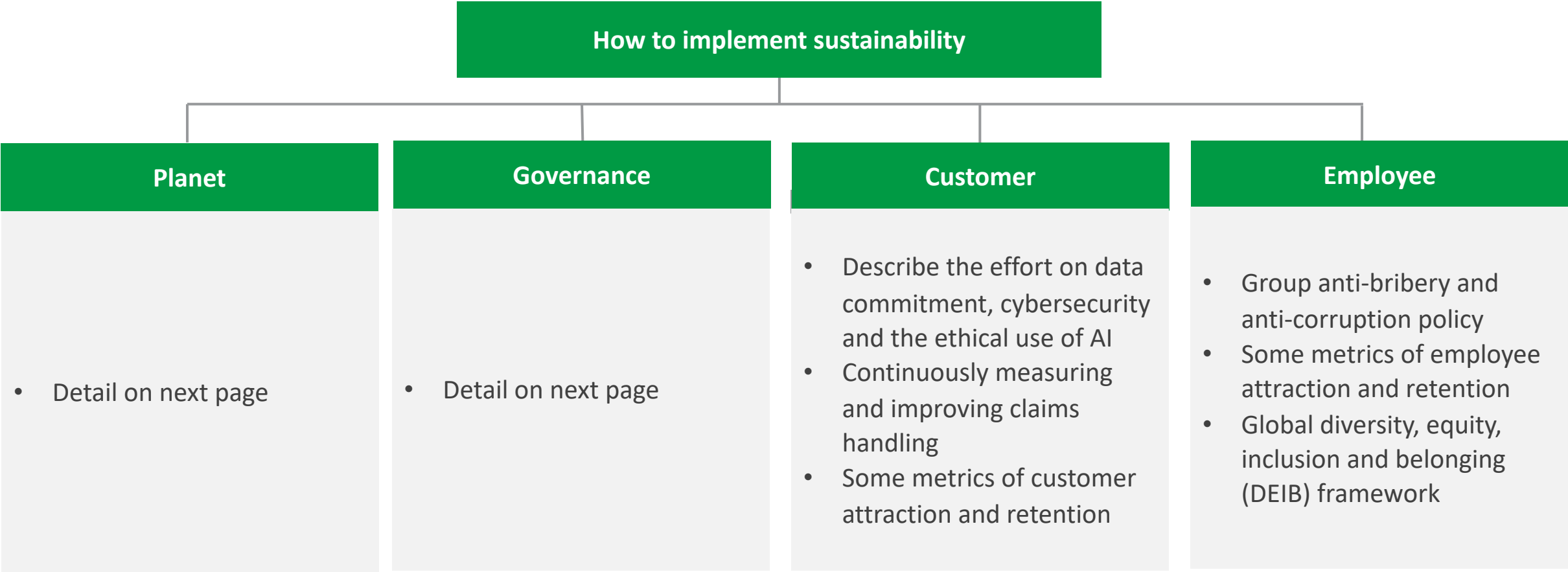
Overall Structure – Integrated Sustainability Disclosure

introduce the purpose and target of company sustainability, then explain how to implementation by four levels: governance, planet, customer and employee.

	Content	Covered Sections
Purpose, Target and Current Position	Introduce the purpose and target of sustainability, also describe the current position of company	<ul style="list-style-type: none">• Company’s purpose• Company’s targets and positions
Implementation Method	Introduce the governance of sustainability and how to make company sustainable	<ul style="list-style-type: none">• Governance• Planet• Customer• Employee

Implementation Method of Sustainability

This section primarily focuses on explaining the overall organizational structure within the broader framework of the company.



Implementation Method of Sustainability – Planet Level

 **Expected and maximum loss in catastrophe risks**

 **Portfolio-level climate risk scenario analysis**

Underwriting

The analysis of our Group portfolio uses third-party modeling to understand the potential relationship between key climate drivers and insurance demand and loss experience

Investment Management

The scenario-based assessment of our proprietary investment portfolio considers listed equities, corporate credit, real estate and a separate analysis of sovereign debt. Listed equities, corporate credit and real estate cover 36 percent of our proprietary investment portfolio and make a significant contribution to our investment-related market risk position as of 2021.

Operation

The assessment considered:

- Offices supporting more than 250 employees.
- All strategic data centers.
- Supplier locations including those providing critical services to the Group and suppliers that together comprise 75 percent of managed procurement spend.

 **Metrics and Targets**

Sustainability Governance Structure

This section primarily focuses on explaining the overall organizational structure within the broader framework of the company.



Risk Review

Risk review

Risk Management

- **Objectives of risk management**
- **Enterprise risk management framework**

Capital management

- **Objectives of capital management**
- **Capital management framework**

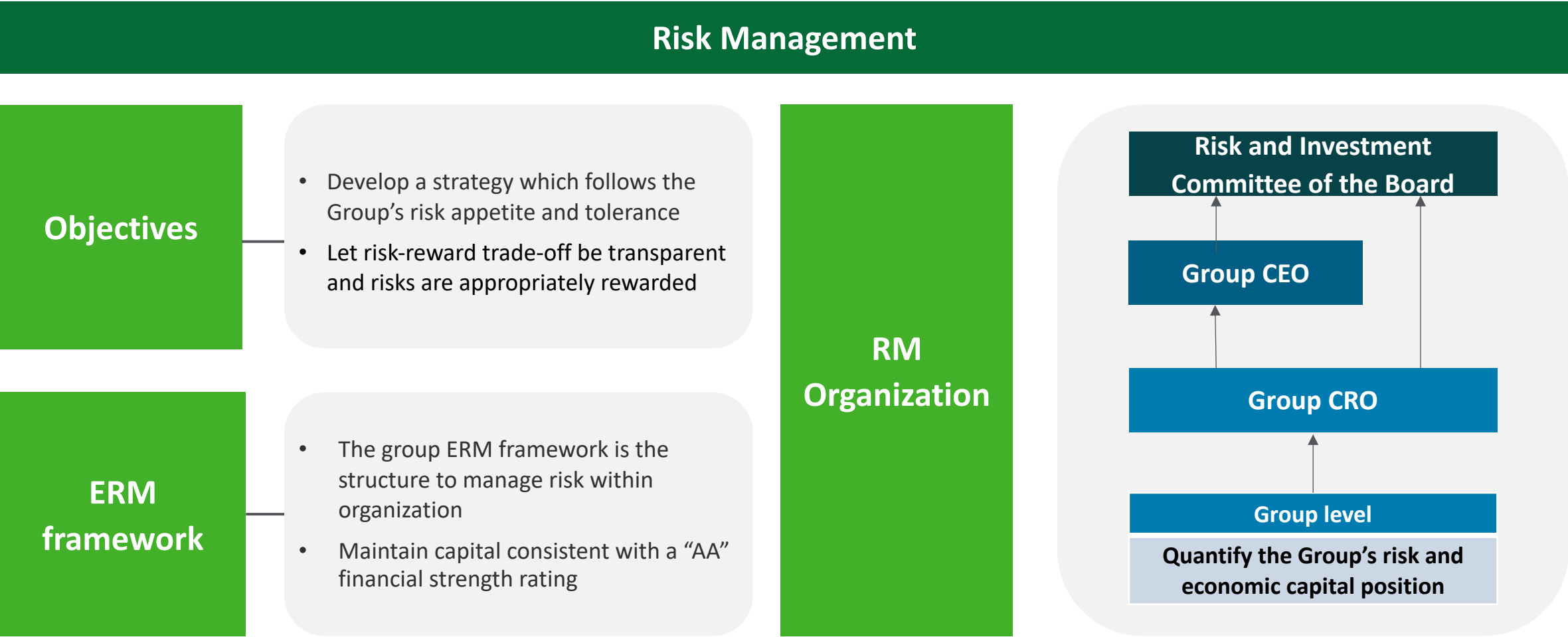
Risk and solvency assessment

- **Introduction of SST Ratio**
- **Regulatory solvency regimes**

Analysis by risk type

- **Insurance risk (including P&C, Life and Reinsurance)**
- **Other important risk type**

Risk review
Risk management



Capital Management & Risk and Solvency assessment

Information

- Maintaining financial strength within “AA” target range and meeting regulatory
- Capital and solvency position need to report to Executive Committee (ExCo) and Board of Directors
- Dividends may only be paid out of freely distributable reserves or retained earnings

Regulation

- **Capital Adequacy**

Capital needs to meet local regulatory requirements

- **Solvency regimes**

1. Switzerland adopts SST ratio
2. EEA adopts Solvency II
3. U.S adopts NAIC risk-based capital model

Introduction of SST ratio

$$SST\ ratio = \frac{AFR - MVM}{TC - MVM}$$

- **SST AFR**

It derives from SST net asset value which represents the difference between market-consistent value of assets and liabilities

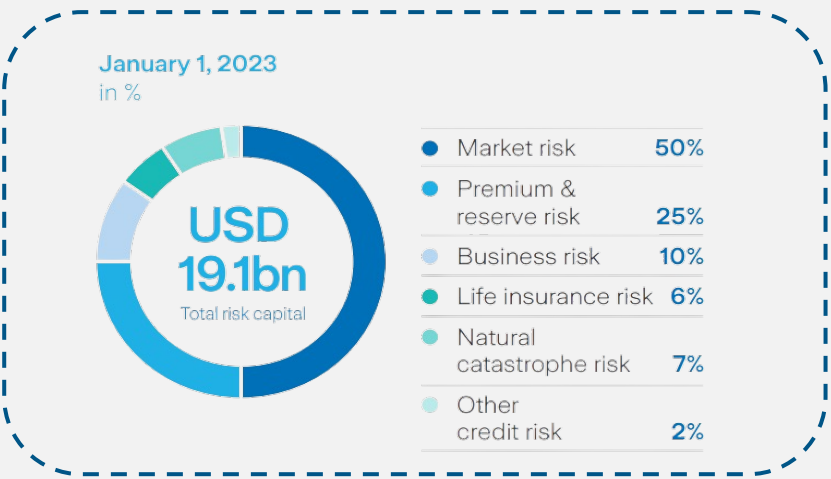
- **SST TC**

Determined by internal risk model

Capital Management & Risk and Solvency assessment

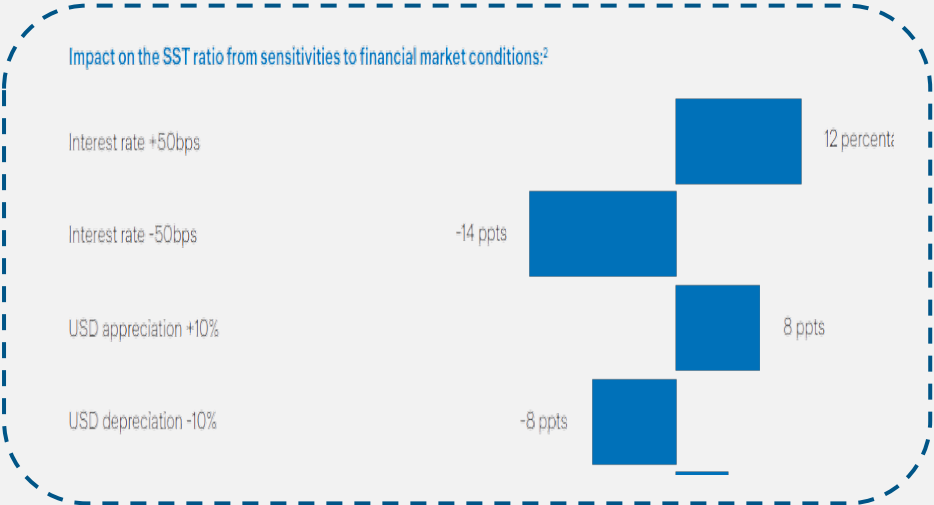
Disclosure Risk capital by Risk type

- It often compares between two years



Evaluation on sensitivity to SST ratio

- Shows the impact of SST ratio given different scenario



Risk review

Analysis by risk type

Insurance Risk

P&C insurance risk

- A brief introduction of the group's LoB in P&C section
- Disclosure how the group manages the risk
- Analysis of sensitivities for P&C risk and comparing between two years

Table 3.a

in USD millions, for the year ended
December 31, 2022

Europe, Middle
East & Africa

+1% in net loss ratio

Net income before tax	(137)
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Net assets	(108)
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Life insurance risk

- A brief introduction of the group's LoB in Life section and each of its risk
- The group manages the risk by different products
1. Unit link 2. Protection 3. Life annuity
- Disclosure the reserves for Life insurance on a net of reinsurance basis

Reinsurance

- Shows the cession rate for P&C and Life individually
- According to the group's risk appetite, it will buy catastrophe reinsurance treaties