Deloitte。

勤業眾信



Zurich Annual Report

Introduction of the report structure

2023年xx月xx日

Overview

Structure of the Zurich Annual Report

Group Interview	4
Governance	11
Integrated Sustainability Disclosure	18
Risk Review	23

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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.	 Shape your Future Our 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.	 Business mix (business lines and compositions) Global presence Message from Chairman and CEO Business Model (impact)
Future Outlook	Outline the challenges they expect to face in the future, along with the corresponding strategies.	 Business Environment (future challenge) Strategy Business 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

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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).

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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.

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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.

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Demonstration Example of Business Line & Strategy

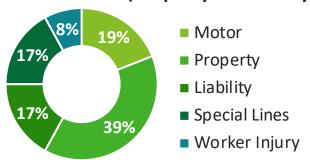
Current Business Model – Business Line

Property & Casualty

Life

Farmers Group, Inc. Farmers Exchanges

Business Mix (Property & Casualty)



Future Outlook – Strategy

Structure

Explain the focus areas

Progress that have done so far

Next step in the future

Example

Customers

Further developed customer segmentation

Introduce improved ways to measure customer

Governance

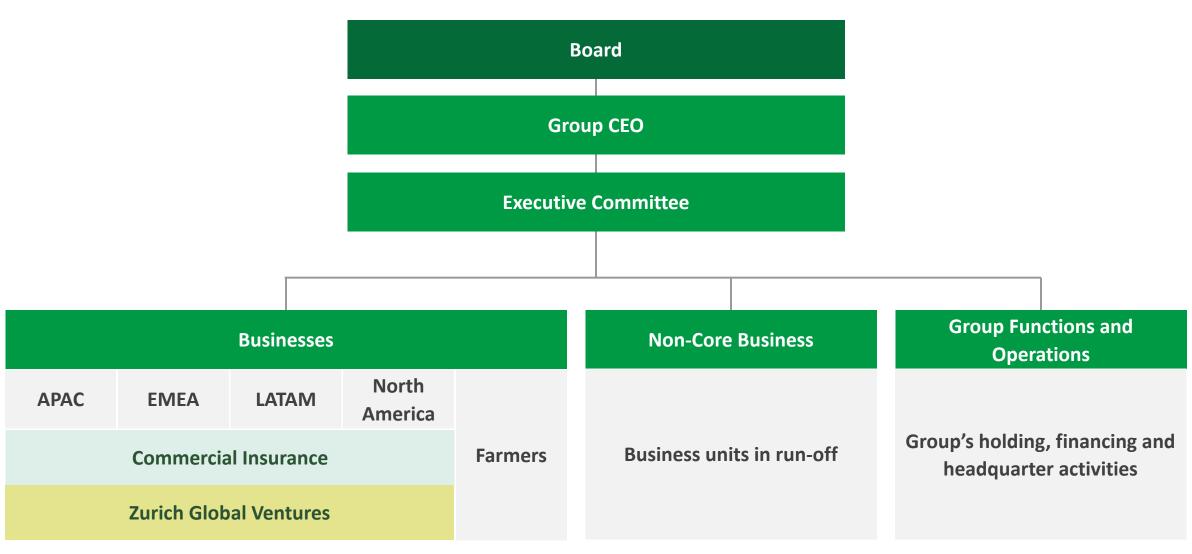
Overall Structure – Governance

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 renumeration report

Group governance – Operational Group Structure

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



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Board of Directors - Responsibilities of the Board

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

Board of Directors

- Group strategy
- Sustainability
- Finance
- Reporting

- Structure and organization of the Group
- Business development
- Corporate culture
- Risk management

Governance, Nominations & Sustainability Committee

- Promoting a positive organizational culture and ensuring effective corporate governance practices.
- Oversees compliance with legislative and regulatory requirements, contributes to succession planning, and reviews the Group's sustainability strategy.

Remuneration Committee

- Evaluating and proposing changes to the Group's remuneration system.
- Reviewing and proposing remuneration terms.
- Assessing performance targets and awards for the ExCo.
- Overseeing remunerationrelated matters and risk management.

Audit Committee

- Ensures sound financial reporting, internal control, and regulatory compliance.
- Oversees the auditing process, internal control standards.
- Reviews the Group's financial statements for accuracy and transparency.

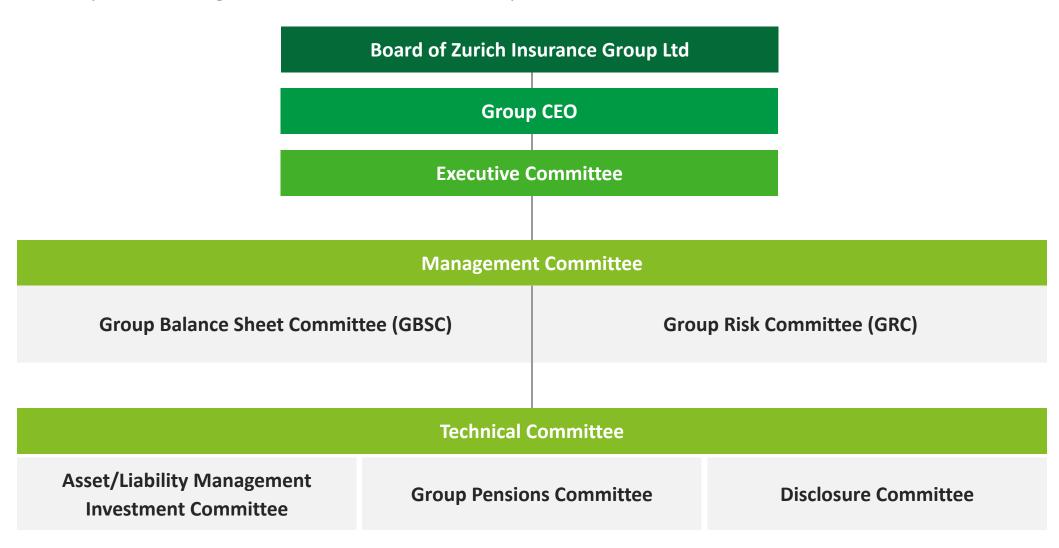
Risk and Investment Committee

- Oversees enterprise risk management, risk reporting, and investment activities.
- Ensures adherence to risk limits, evaluates capital requirements.
- Monitors market conditions and asset performance.

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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.



Managing and representing the overall interests of ZIG and the Group. They develop and implement strategic and financial plans, oversee the Executive Committee and other direct reports, and hold specific powers and duties related to strategic, financial, and organizational matters.

Acts as a cross-functional advisory body for matters that could materially affect the financial position of the Group as a whole. The committee issues recommendations to the Group CEO.

Review and provide recommendations to the Group CEO on activities related to the Group's overall risk profile, including but not limited to property & casualty insurance risk, life insurance risk, market risk, credit risk, operational and strategic risks.

Acts as a cross-divisional body and has primary responsibility for monitoring and reviewing the Group's asset/liability management and the strategic asset allocation of Zurich's invested assets

Develops the governance framework for pensions and post-employment benefits. It oversees risks and reports to the GBSC on significant pension matters, while also updating the Remuneration Committee regularly.

Advises on external communications and disclosures of the Group's financial position. It assesses financial results, news releases, non-financial reports, and controls over financial reporting, reporting recommendations to the Group CFO.

Integrated Sustainability Disclosure

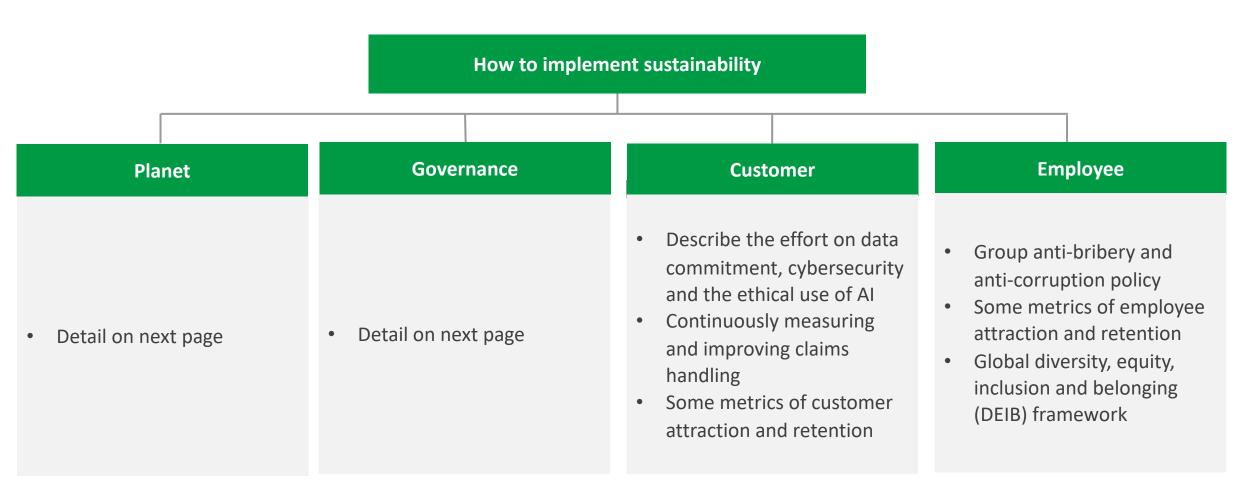
Overall Structure – Integrated Sustainability Disclosure

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 Introduce the purpose and target of Company's purpose and Current sustainability, also describe the current Company's targets and positions position of company **Position** Governance **Implementation** Introduce the governance of sustainability Planet Method and how to make company sustainable 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





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:

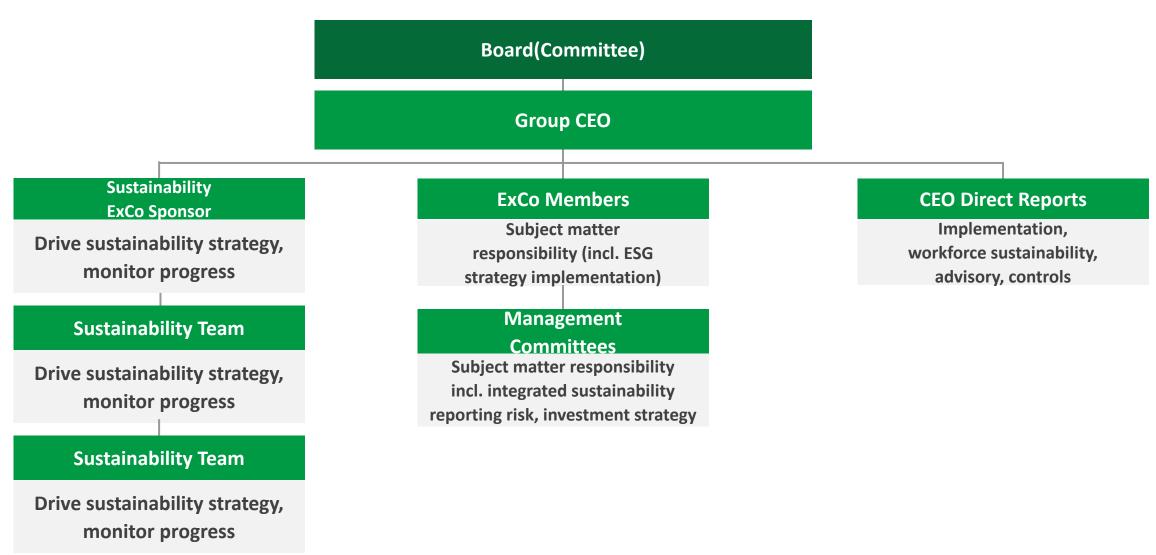
- Offices supporting more than 250 employees.
- All strategic data centers.
- Supplier locations including those providing critical services to the Group and suppliers that together comprise 75 percent of managed procurement spend.



Metrics and Targets

Sustainability Governance Structure

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



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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)

24

Other important risk type

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Risk management

Risk Management

Objectives

- Develop a strategy which follows the Group's risk appetite and tolerance
- Let risk-reward trade-off be transparent and risks are appropriately rewarded

ERM framework

- The group ERM framework is the structure to manage risk within organization
- Maintain capital consistent with a "AA" financial strength rating

RM Organization



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Capital 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

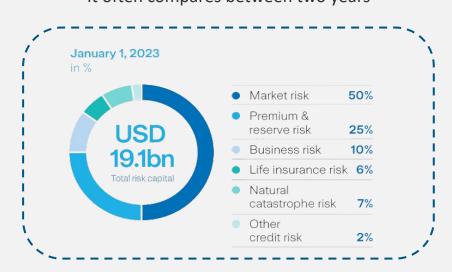
Determined by internal risk model

Capital management

Capital Management & Risk and Solvency assessment

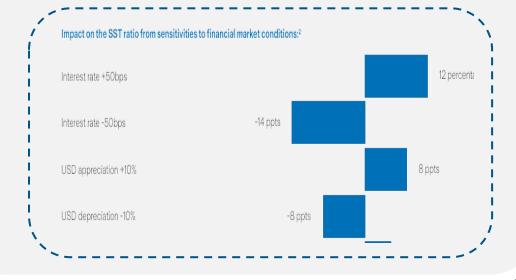
Disclosure Risk capital by Risk type

• It often compares between two years



Evaluation on sensitivity to SST ratio

Shows the impact of SST ratio given different scenario



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	Europe, Middle
December 31, 2022	East & Africa
+1% in net loss ratio	
Net income before tax	(137)
Net assets	(108)

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